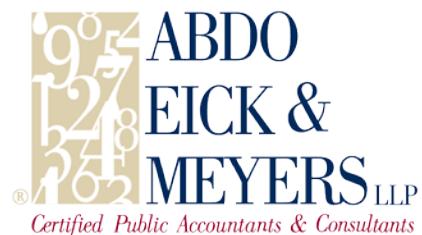


# Annual Financial Report

**City of Hibbing**  
Hibbing, Minnesota

For the Year Ended  
December 31, 2019



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**City of Hibbing, Minnesota**  
**Annual Financial Report**  
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For the Year Ended December 31, 2019

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INTRODUCTORY SECTION

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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**City of Hibbing, Minnesota**  
Elected and Appointed Officials  
For the Year Ended December 31, 2019

**ELECTED**

Name	Title	Term Expires
Rick Cannata	Mayor	12/31/22
James Bayliss	Council Member	12/31/22
Tim Harkonen	Council Member	12/31/22
Jay Hildenbrand	Council Member	12/31/20
Jennifer Hoffman Saccoman	Council Member	12/31/20
Justin Fosso	Member-at-Large	12/31/22
John Schweiberger	Member-at-Large	12/31/20

**APPOINTED**

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

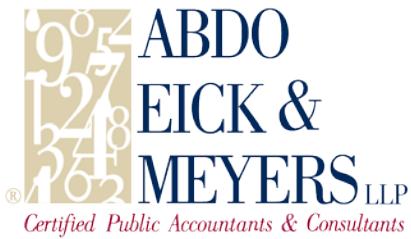
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FINANCIAL SECTION

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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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, 2019, 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, 2019, 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***

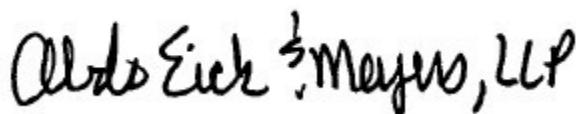
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules are 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2020 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.

A handwritten signature in black ink that reads "Abdo, Eick & Meyers, LLP". The signature is cursive and fluid, with "Abdo" on the first line, "Eick &" on the second line, and "Meyers, LLP" on the third line.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
August 5, 2020

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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, 2019.

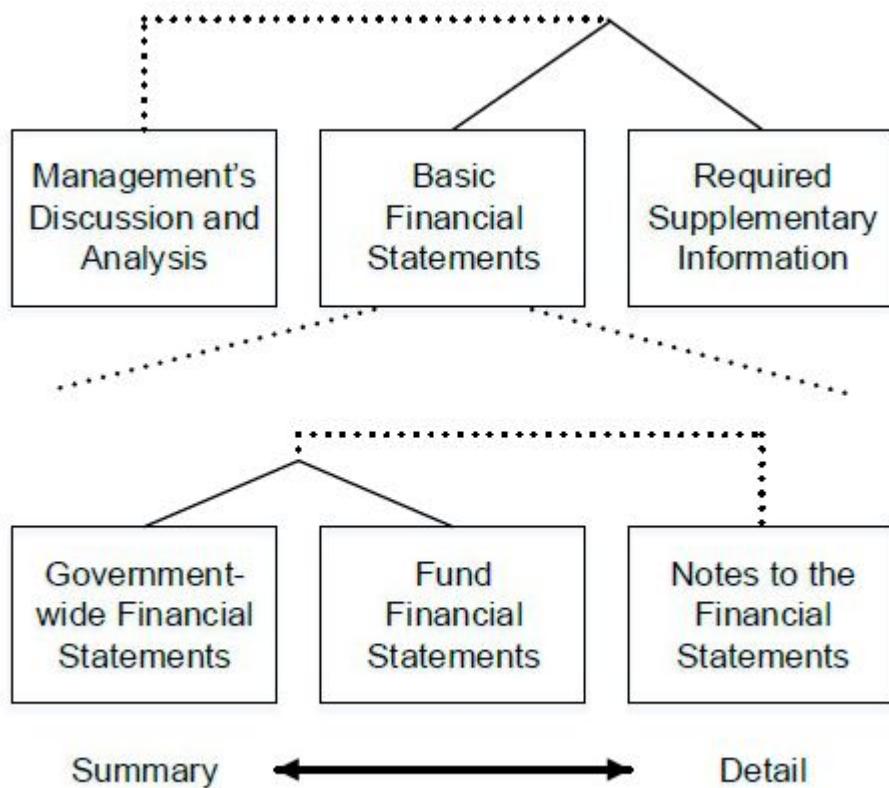
### **Financial Highlights**

- 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 \$65,021,839 (net position). Of this amount, \$430,581 (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 \$5,207,001. 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 \$33,558,511, an increase of \$2,849,728 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$21,849,072 or 113.8 percent of the 2020 budgeted General fund expenditures. At the same time, the cash and investment balance for the General fund was \$21,429,544 or 124.3 percent of the 2019 actual General fund expenditures. The General fund balance increased \$2,124,767 in 2019. Of the total General fund balance, \$278,599 is nonspendable for prepaid and inventory items, \$31,149 is restricted for the police forfeiture fund, \$11,048,197 is assigned for the 2020 budget, workers' compensation premium adjustments, and future capital projects funded from the sale of assets and the remainder, \$10,491,127, 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"> <li>Statement of Net Position</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>Statements of Net Position</li> <li>Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>Statements of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net position</li> </ul>
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, 3 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 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 \$65,021,839 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (94.5 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 35,466,377	\$ 35,031,853	\$ 434,524	\$ 7,074,239	\$ 7,789,482	\$ (715,243)
Capital assets, net of depreciation	37,720,194	37,164,032	556,162	37,070,929	37,804,764	(733,835)
<b>Total Assets</b>	<b>73,186,571</b>	<b>72,195,885</b>	<b>990,686</b>	<b>44,145,168</b>	<b>45,594,246</b>	<b>(1,449,078)</b>
 Deferred Outflows of Resources	 7,348,060	 9,519,203	 (2,171,143)	 596,517	 549,577	 46,940
 <b>Liabilities</b>	 	 	 	 	 	 
Noncurrent liabilities outstanding	33,437,473	34,963,571	(1,526,098)	14,964,541	17,571,939	(2,607,398)
Other liabilities	1,332,253	2,486,088	(1,153,835)	246,648	541,582	(294,934)
<b>Total Liabilities</b>	<b>34,769,726</b>	<b>37,449,659</b>	<b>(2,679,933)</b>	<b>15,211,189</b>	<b>18,113,521</b>	<b>(2,902,332)</b>
 Deferred Inflows of Resources	 9,558,321	 9,825,041	 (266,720)	 715,241	 425,852	 289,389
 <b>Net Position</b>	 	 	 	 	 	 
Net investment in capital assets	34,346,838	32,684,894	1,661,944	27,122,578	25,465,876	1,656,702
Restricted	3,121,842	2,942,253	179,589	-	-	-
Unrestricted	(1,262,096)	(1,186,759)	(75,337)	1,692,677	2,138,574	(445,897)
<b>Total Net Position</b>	<b>\$ 36,206,584</b>	<b>\$ 34,440,388</b>	<b>\$ 1,766,196</b>	<b>\$ 28,815,255</b>	<b>\$ 27,604,450</b>	<b>\$ 1,210,805</b>

A portion of the City's net position (4.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$430,581) may be used to meet the City's ongoing obligations to citizens and creditors.

During the current year, the City's net position increased \$5,207,001. The beginning Governmental Activities net position was reduced for a prior period adjustment of \$2,230,000.

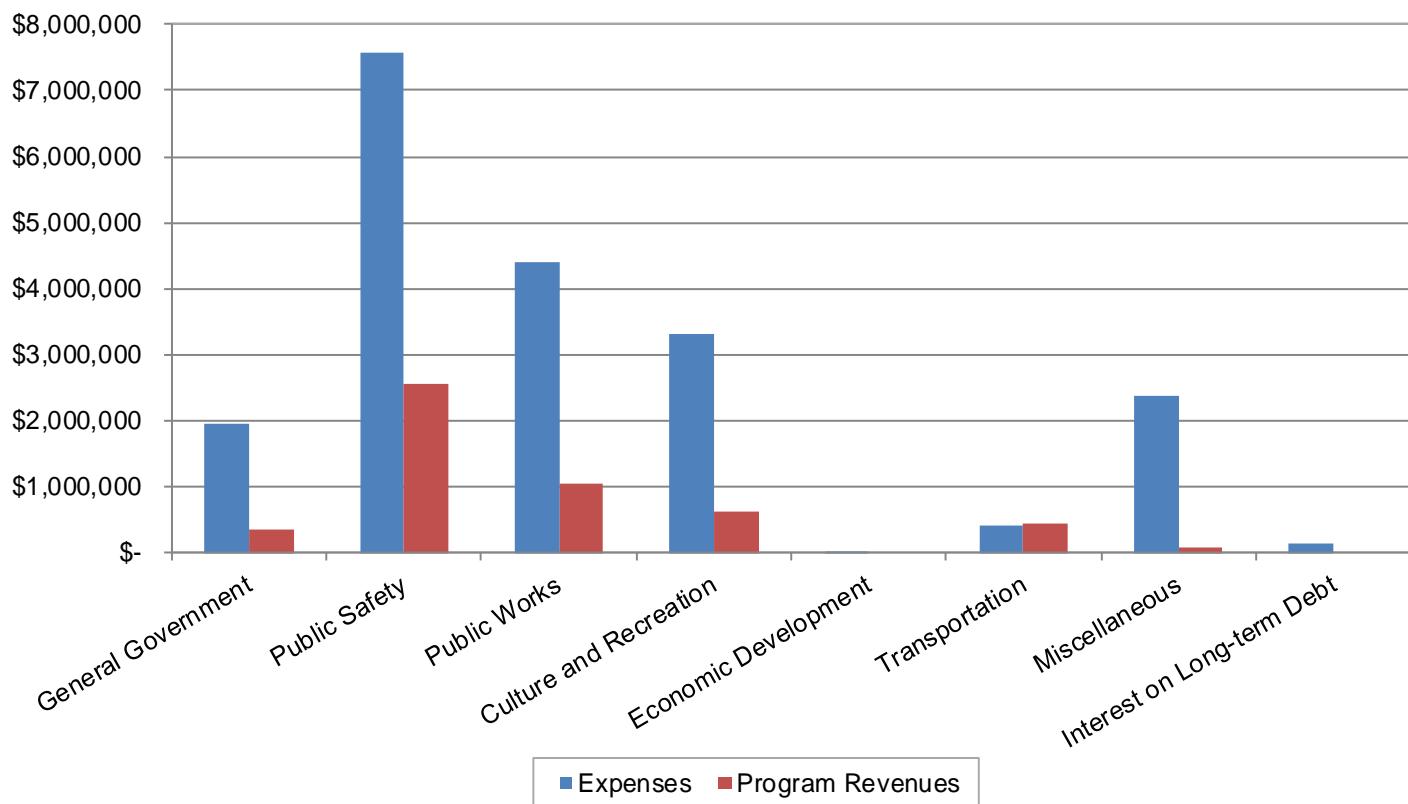
**Governmental and Business-type Activities.** Governmental activities increased the City's net position by \$3,996,196 and business-type activities increased the City's net position by \$1,210,805. Significant changes from the prior year are noted below:

### City of Hibbing's Changes in Net Position

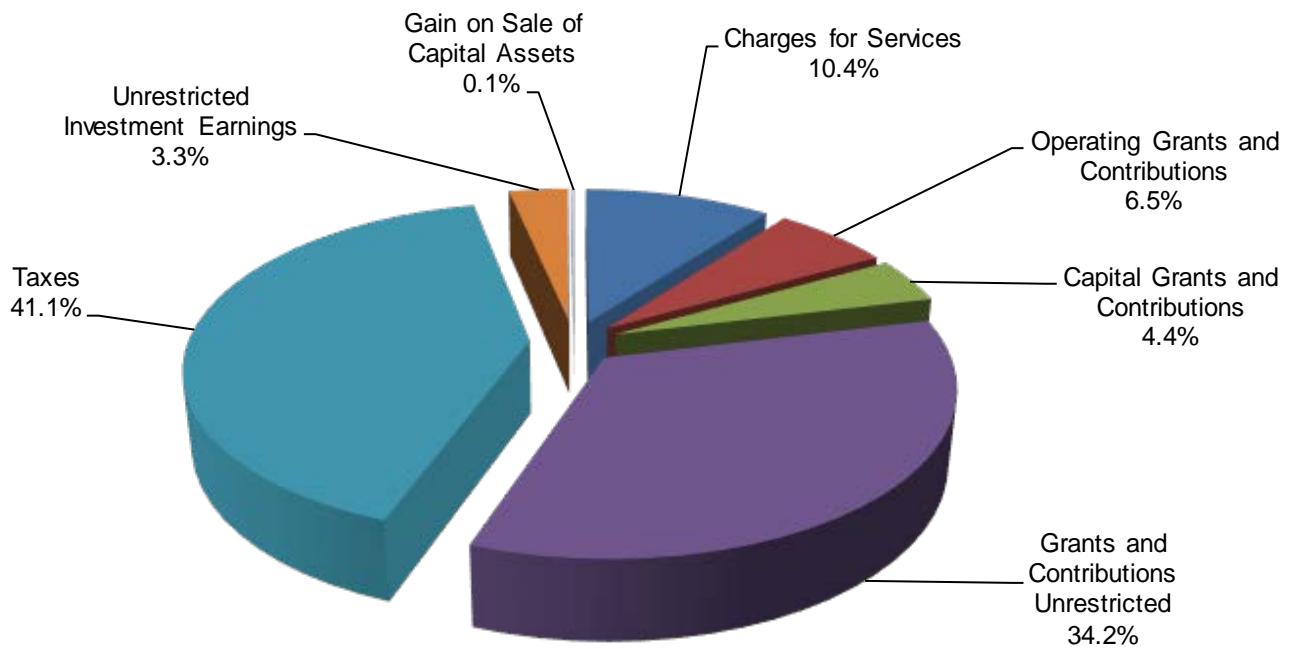
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,509,318	\$ 2,377,292	\$ 132,026	\$ 6,476,718	\$ 6,245,760	\$ 230,958
Operating grants and contributions	1,558,043	1,189,347	368,696	2,223	-	2,223
Capital grants and contributions	1,053,378	1,930,067	(876,689)	165,367	350,000	(184,633)
General Revenues						
Taxes						
Property taxes	9,753,536	9,234,144	519,392	-	-	-
Other taxes	130,763	134,998	(4,235)	-	-	-
Grants and contributions not restricted to specific programs	8,224,855	8,171,778	53,077	-	-	-
Unrestricted investment earnings	784,406	326,991	457,415	106,863	67,054	39,809
Gain on sale of capital assets	24,792	-	24,792	3,404	-	3,404
Total Revenues	<u>24,039,091</u>	<u>23,364,617</u>	<u>674,474</u>	<u>6,754,575</u>	<u>6,662,814</u>	<u>91,761</u>
Expenses						
General government	1,945,708	3,221,001	(1,275,293)	-	-	-
Public safety	7,577,549	7,538,829	38,720	-	-	-
Public works	4,390,495	5,308,563	(918,068)	-	-	-
Culture and recreation	3,299,417	3,423,345	(123,928)	-	-	-
Economic development	11,431	-	11,431	-	-	-
Transportation	412,295	511,082	(98,787)	-	-	-
Miscellaneous	2,381,639	17,672	2,363,967	-	-	-
Interest on long-term debt	143,075	101,185	41,890	-	-	-
Garbage and refuse collection	-	-	-	2,483,064	2,379,980	103,084
Sewer operating and maintenance	-	-	-	2,940,477	3,323,576	(383,099)
Memorial building concessions	-	-	-	1,515	10,096	(8,581)
Total Expenses	<u>20,161,609</u>	<u>20,121,677</u>	<u>39,932</u>	<u>5,425,056</u>	<u>5,713,652</u>	<u>(288,596)</u>
Change in Net Position						
Before Transfers	3,877,482	3,242,940	634,542	1,329,519	949,162	380,357
Transfers - capital assets	(51,286)	-	(51,286)	51,286	-	51,286
Transfers - Internal Activities	170,000	(1,890,176)	2,060,176	(170,000)	1,890,176	(2,060,176)
Change in Net Position	3,996,196	1,352,764	2,643,432	1,210,805	2,839,338	(1,628,533)
Net Position, January 1	34,440,388	33,087,624	1,352,764	27,604,450	24,765,112	2,839,338
Prior Period Adjustment (Note 13)	(2,230,000)	-	(2,230,000)	-	-	-
Net Position, December 31	<u>\$ 36,206,584</u>	<u>\$ 34,440,388</u>	<u>\$ 1,766,196</u>	<u>\$ 28,815,255</u>	<u>\$ 27,604,450</u>	<u>\$ 1,210,805</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



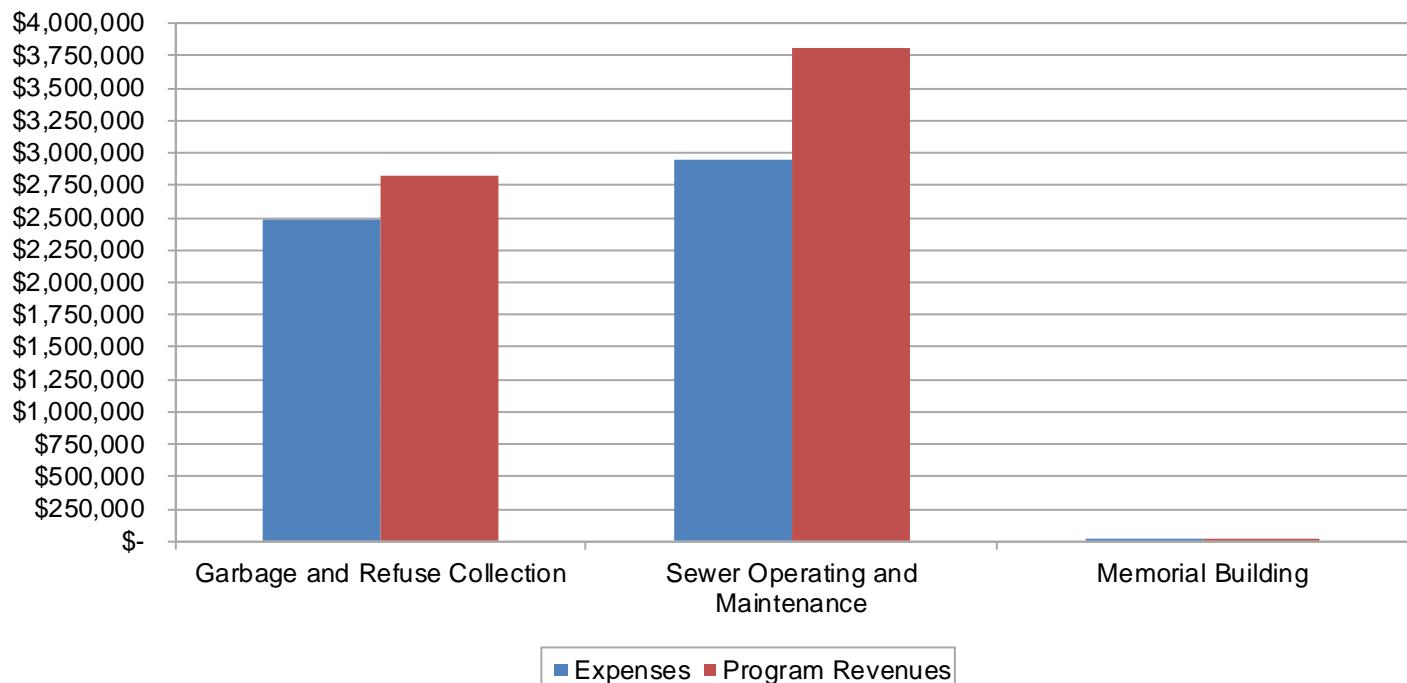
### Revenues by Source - Governmental Activities



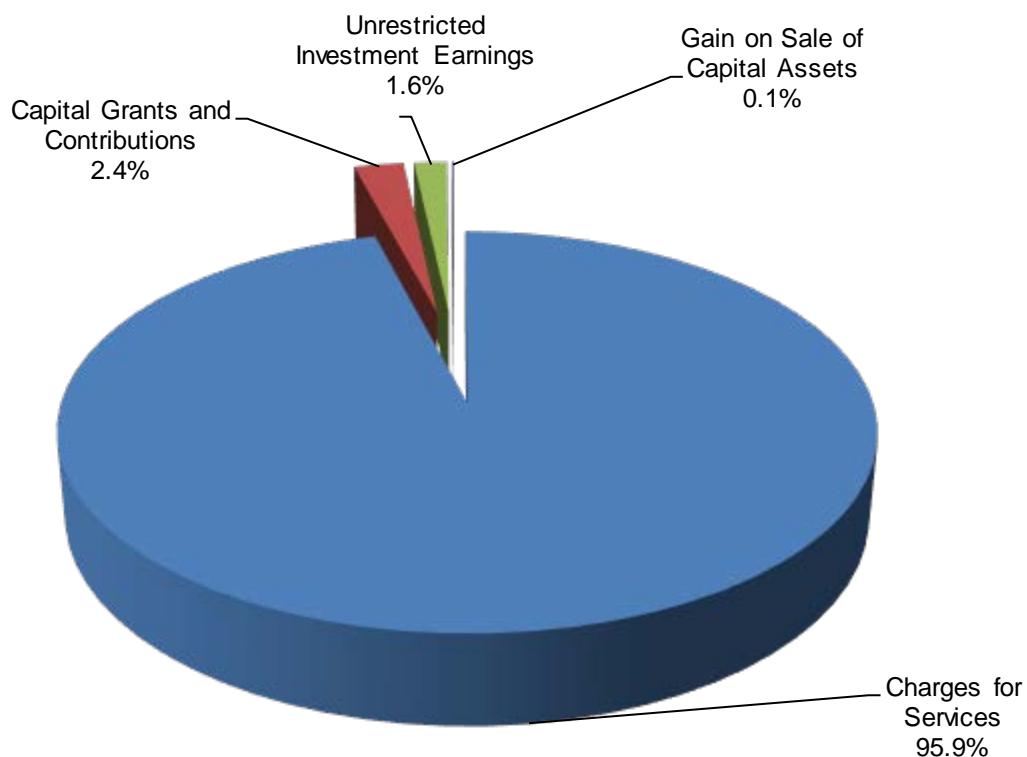
**Business-type Activities.** Business-type activities increased the City's net position by \$1,210,805. Key elements of this increase are as follows:

- Operating income of the proprietary funds totaled \$1,279,846 for 2019.
- The net amount of cash transferred to governmental activities totaled \$170,000 for 2019.

### 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 \$33,558,511. Of this total amount, \$10,433,744 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 (\$3,607,565), 2) committed (\$7,767,705), 3) nonspendable (\$292,964), or 4) assigned (\$11,456,533). For further classification, refer to Note 3G starting on page 76 of this report.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
<b>General</b>	\$ 21,849,072	\$ 18,716,116	\$ 3,132,956
<b>Other Post-Employment Benefits</b>	\$ 6,634,578	\$ 5,928,117	\$ 706,461

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.

**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 \$1,692,677. 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 \$1,095,704, which was primarily the result of \$283,529 in excess tax revenues and \$410,090 in excess interest earnings revenues. Current expenditures were \$1,077,704 under budget. The largest expenditure variance was in the miscellaneous category, which was \$444,303 under budget due to insurance other services and charges expenditures under budget. The next largest variance was due to public safety expenditures, which were \$267,002 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, 2019, amounts to \$74,791,123 (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:

- The Memorial Building West addition and new locker rooms and new east locker rooms plus other major building improvements
- City paving and street sidewalk projects
- Equipment purchases such as two new lawn mowers, new dump trucks, and a camera security system
- Splash Pad at Bennett Park
- Mineview improvements and Sanitary Sewer Lining

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land, Improvements, Intangibles,						
Artwork, Gravel Roads	\$ 8,233,031	\$ 8,083,031	\$ 150,000	\$ 423,719	\$ 423,719	\$ -
Construction in Progress	998,625	4,144,724	(3,146,099)	351,711	246,306	105,405
Infrastructure	13,889,200	12,476,191	1,413,009	16,429,023	16,494,144	(65,121)
Buildings and improvements	11,555,617	9,137,290	2,418,327	18,708,471	19,393,266	(684,795)
Equipment, Machinery and Furniture	3,043,721	3,322,796	(279,075)	1,158,005	1,247,329	(89,324)
<b>Total</b>	<b>\$ 37,720,194</b>	<b>\$ 37,164,032</b>	<b>\$ 556,162</b>	<b>\$ 37,070,929</b>	<b>\$ 37,804,764</b>	<b>\$ (733,835)</b>

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 \$13,531,954.

## City of Hibbing's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Bonds Payable	\$ 3,685,000	\$ 4,180,000	\$ (495,000)	\$ 9,846,954	\$ 12,234,954	\$ (2,388,000)
Unamortized Premium on Bonds	64,920	68,509	(3,589)	105,641	108,530	(2,889)
Unamortized Discount on Bonds	-	-	-	(4,244)	(4,596)	352
Lease Purchase Obligation	197,565	230,629	(33,064)	-	-	-
<b>Total</b>	<b>\$ 3,947,485</b>	<b>\$ 4,479,138</b>	<b>\$ (531,653)</b>	<b>\$ 9,948,351</b>	<b>\$ 12,338,888</b>	<b>\$ (2,390,537)</b>

The City's total noncurrent liabilities decreased by \$2,889,126 (17.4 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, 2019.

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 2020 budget, tax rates, and fees that will be charged for the business-type activities.

- The General Fund expenditures and transfers for 2020 are budgeted to be \$18,926,324, which is a \$477,991 increase from the 2019 final budget of \$18,448,333.
- Property tax levies increased 4.96 percent for 2020.
- Consistent with the national and global economy, rising health care significantly impacts the City's budgets.

The 2013 State Legislature revised the local government aid (LGA) formula used to distribute LGA funding. The “need” factor is three-tiered depending on the population of the city, with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population, because different factors explain variation in a city’s revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The formula also stabilizes a city’s allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need.

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 are trending upward in 2019 and should surpass the pre-downturn levels in 2020.

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 and again on Feb. 1, 2020.

The City’s 2020 capital budget calls for it to spend another \$1,324,345 for capital projects, principally for the following:

Ambulance	\$	135,000
Cemetery		66,000
General Government		50,000
Memorial Building		75,000
Parks, Recreation and Arena		125,000
Public Safety		233,900
Public Works		639,445
Total	\$	<u>1,324,345</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 will have 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 2020 and possible reductions in LGA and taconite production taxes in future years due to the fallout. Capital projects may be postponed in 2020. The City, however, has received and will continue to apply for grants, such as CARES, 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 the City’s Clerk/Treasurer, Mary Ann Kepler, City of Hibbing, 401 East 21st Street, Hibbing, Minnesota 55746.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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City of Hibbing, Minnesota

Statement of Net Position

December 31, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
<b>Assets</b>					
Cash and temporary investments	\$ 26,649,660	\$ 4,676,053	\$ 31,325,713	\$ 2,222,846	\$ 2,813,020
Restricted cash and temporary investments	-	-	-	46,377	-
Designated cash - other postemployment benefits	1,175,992	1,800,000	2,975,992	-	250,000
Investments	-	-	-	-	21,699,196
Designated investments - other postemployment benefits	5,439,267	120,000	5,559,267	-	-
Temporarily restricted assets					
Cash	-	-	-	-	1,177,491
Amounts held in escrow accounts	-	-	-	-	695,655
Receivables					
Taxes	356,676	-	356,676	1,927	-
Accounts, net	228,831	10,499	239,330	13,710	2,176,117
Accrued interest	100,262	-	100,262	-	131,744
Unbilled Revenues	-	-	-	-	1,813,411
Loans, net of allowance	-	-	-	2,240,939	-
Special assessments	179,061	69,163	248,224	-	-
Due from other governments	505,463	190,545	696,008	-	-
Due from component units	-	523,129	523,129	-	-
Inventories	531	1,350	1,881	-	930,370
Prepaid items	292,433	37,500	329,933	7,800	193,762
Internal balances	354,000	(354,000)	-	-	-
Equity in joint venture	-	-	-	-	44,209,501
Intangible asset - service concession arrangements	-	-	-	-	1,976,898
Net pension asset	184,201	-	184,201	-	-
Capital assets					
Land and construction in progress	9,231,656	775,430	10,007,086	137,745	1,119,979
Depreciable assets (net of accumulated depreciation)	28,488,538	36,295,499	64,784,037	572,713	51,291,031
Total Assets	<u>73,186,571</u>	<u>44,145,168</u>	<u>117,331,739</u>	<u>5,244,057</u>	<u>130,478,175</u>
Deferred Outflows of Resources					
Deferred pension resources	4,505,628	98,597	4,604,225	244	588,241
Deferred other postemployment benefit resources	2,842,432	497,920	3,340,352	-	2,793,367
Total Deferred Outflows of Resources	<u>7,348,060</u>	<u>596,517</u>	<u>7,944,577</u>	<u>244</u>	<u>3,381,608</u>
Liabilities					
Accounts and other payables	143,147	51,426	194,573	7,316	2,484,876
Due to other governments	264,374	33,777	298,151	4,344	-
Accrued salaries payable	309,147	31,722	340,869	1,545	-
Accrued interest payable	46,740	84,481	131,221	19,384	1,420
Customer deposits payable	-	-	-	-	461,308
Contracts payable	72,602	45,202	117,804	-	-
Other accrued liabilities	37,349	-	37,349	-	218,229
Due to primary government	-	-	-	-	523,129
Unearned revenue	458,894	40	458,934	7,500	25,589
Compensated absences	-	-	-	-	455,713
Noncurrent liabilities					
Net pension liability	6,458,497	955,570	7,414,067	2,370	3,848,028
Other postemployment benefits payable	21,802,349	3,819,206	25,621,555	-	19,264,407
Due within one year	696,999	1,309,804	2,006,803	60,047	598,671
Due in more than one year	4,479,628	8,879,961	13,359,589	1,520,671	3,526,577
Total Liabilities	<u>34,769,726</u>	<u>15,211,189</u>	<u>49,980,915</u>	<u>1,623,177</u>	<u>31,407,947</u>
Deferred Inflows of Resources					
Deferred pension resources	6,894,824	248,666	7,143,490	617	1,776,166
Deferred other postemployment benefit resources	2,663,497	466,575	3,130,072	-	4,203,793
Total Deferred Inflows of Resources	<u>9,558,321</u>	<u>715,241</u>	<u>10,273,562</u>	<u>617</u>	<u>5,979,959</u>
Net Position					
Net investment in capital assets	34,346,838	27,122,578	61,469,416	(80,260)	49,156,982
Restricted for					
Capital projects	1,394,019	-	1,394,019	-	-
Debt service	1,696,674	-	1,696,674	383,539	690,594
Police Forfeiture	31,149	-	31,149	-	-
Economic development	-	-	-	129,074	-
Unrestricted	<u>(1,262,096)</u>	<u>1,692,677</u>	<u>430,581</u>	<u>3,188,154</u>	<u>46,624,301</u>
Total Net Position	<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>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government	\$ 1,945,708	\$ 187,791	\$ 171,469	\$ -
Public safety	7,577,549	1,900,053	635,137	30,000
Public works	4,390,495	745	362,243	687,680
Culture and recreation	3,299,417	281,461	20,600	335,698
Economic development	11,431	-	-	-
Transportation	412,295	65,153	368,594	-
Miscellaneous	2,381,639	74,115	-	-
Interest on long-term debt	143,075	-	-	-
<b>Total Governmental Activities</b>	<u>20,161,609</u>	<u>2,509,318</u>	<u>1,558,043</u>	<u>1,053,378</u>
<b>Business-type Activities</b>				
Garbage and refuse collection	2,483,064	2,827,684	1,060	-
Sewer operating and maintenance	2,940,477	3,642,758	1,163	165,367
Memorial building concessions	1,515	6,276	-	-
<b>Total Business-type Activities</b>	<u>5,425,056</u>	<u>6,476,718</u>	<u>2,223</u>	<u>165,367</u>
<b>Total Primary Government</b>	<u><u>\$ 25,586,665</u></u>	<u><u>\$ 8,986,036</u></u>	<u><u>\$ 1,560,266</u></u>	<u><u>\$ 1,218,745</u></u>
<b>Component Unit</b>				
<b>EDA</b>	\$ 349,210	\$ 100,639	\$ -	\$ -
<b>PUC</b>	<u>31,417,453</u>	<u>28,926,634</u>	<u>156,751</u>	<u>-</u>
<b>Total Component Units</b>	<u><u>\$ 31,766,663</u></u>	<u><u>\$ 29,027,273</u></u>	<u><u>\$ 156,751</u></u>	<u><u>\$ -</u></u>

**City of Hibbing, Minnesota**  
**Statement of Activities**  
For the Year Ended December 31, 2019

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
<b>Primary Government</b>					
Governmental activities					
General government	\$ (1,586,448)	\$ -	\$ (1,586,448)	\$ -	\$ -
Public safety	(5,012,359)	-	(5,012,359)	-	-
Public works	(3,339,827)	-	(3,339,827)	-	-
Culture and recreation	(2,661,658)	-	(2,661,658)	-	-
Economic development	(11,431)	-	(11,431)	-	-
Transportation	21,452	-	21,452	-	-
Miscellaneous	(2,307,524)	-	(2,307,524)	-	-
Interest on long-term debt	(143,075)	-	(143,075)	-	-
<b>Total Governmental Activities</b>	<b>(15,040,870)</b>	<b>-</b>	<b>(15,040,870)</b>	<b>-</b>	<b>-</b>
Business-type Activities					
Garbage and refuse collection	-	345,680	345,680	-	-
Sewer operating and maintenance	-	868,811	868,811	-	-
Memorial building concessions	-	4,761	4,761	-	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>1,219,252</b>	<b>1,219,252</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(15,040,870)</b>	<b>1,219,252</b>	<b>(13,821,618)</b>	<b>-</b>	<b>-</b>
<b>Component Unit</b>					
EDA	-	-	-	(248,571)	-
PUC	-	-	-	-	(2,334,068)
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (248,571)</b>	<b>\$ (2,334,068)</b>
<b>General Revenues</b>					
Taxes					
Property taxes, levied for general purposes	\$ 6,767,559	\$ -	\$ 6,767,559	\$ -	\$ -
Property taxes, levied for specific purpose	2,985,977	-	2,985,977	161,939	-
Tax increments	-	-	-	75,847	-
Franchise taxes	130,763	-	130,763	-	-
Grants and contributions not restricted to specific programs	8,224,855	-	8,224,855	95	-
Unrestricted investment earnings	784,406	106,863	891,269	23,474	366,186
Gain on sale of capital assets	24,792	3,404	28,196	60,000	-
Transfers - capital assets	(51,286)	51,286	-	-	-
Transfers - Internal Activities	170,000	(170,000)	-	-	-
	<b>19,037,066</b>	<b>(8,447)</b>	<b>19,028,619</b>	<b>321,355</b>	<b>366,186</b>
Change in Net Position	3,996,196	1,210,805	5,207,001	72,784	(1,967,882)
Net Position, January 1	34,440,388	27,604,450	62,044,838	3,547,723	98,439,759
Prior Period Adjustment (Note 13)	<b>(2,230,000)</b>	<b>-</b>	<b>(2,230,000)</b>	<b>-</b>	<b>-</b>
<b>Net Position, December 31</b>	<b>\$ 36,206,584</b>	<b>\$ 28,815,255</b>	<b>\$ 65,021,839</b>	<b>\$ 3,620,507</b>	<b>\$ 96,471,877</b>

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, 2019

**City of Hibbing, Minnesota**

Balance Sheet  
Governmental Funds  
December 31, 2019

	<b>101</b>	<b>345</b>			
	General	Other Post-Employment Benefits	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>					
Cash and temporary investments	\$ 21,429,544	\$ -	\$ 5,220,116	\$ 26,649,660	
Designated cash - other postemployment benefits	-	1,175,992	-	1,175,992	
Designated investments - other postemployment benefits	-	5,439,267	-	5,439,267	
<b>Receivables</b>					
Taxes	325,716	6,087	24,873	356,676	
Accounts	203,144	-	25,687	228,831	
Accrued interest	87,030	13,232	-	100,262	
Special assessments	-	-	179,061	179,061	
Due from other governments	153,197	-	352,266	505,463	
Due from other funds	354,000	-	-	354,000	
Inventory	531	-	-	531	
Prepaid items	278,068	-	14,365	292,433	
<b>Total Assets</b>	<b><u>\$ 22,831,230</u></b>	<b><u>\$ 6,634,578</u></b>	<b><u>\$ 5,816,368</u></b>	<b><u>\$ 35,282,176</u></b>	
<b>Liabilities</b>					
Accounts payable	\$ 120,067	\$ -	\$ 23,080	\$ 143,147	
Due to other governments	227,184	-	37,190	264,374	
Accrued salaries payable	297,896	-	11,251	309,147	
Contracts payable	-	-	72,602	72,602	
Unearned revenue	16,136	-	442,758	458,894	
Other accrued liabilities	37,349	-	-	37,349	
<b>Total Liabilities</b>	<b><u>698,632</u></b>	<b><u>-</u></b>	<b><u>586,881</u></b>	<b><u>1,285,513</u></b>	
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - delinquent taxes	283,526	-	-	283,526	
Unavailable revenue - special assessments	-	-	154,626	154,626	
<b>Total Deferred Inflows of Resources</b>	<b><u>283,526</u></b>	<b><u>-</u></b>	<b><u>154,626</u></b>	<b><u>438,152</u></b>	
<b>Fund Balances</b>					
Nonspendable	278,599	-	14,365	292,964	
Restricted	31,149	-	3,576,416	3,607,565	
Committed	-	6,634,578	1,133,127	7,767,705	
Assigned	11,048,197	-	408,336	11,456,533	
Unassigned	10,491,127	-	(57,383)	10,433,744	
<b>Total Fund Balances</b>	<b><u>21,849,072</u></b>	<b><u>6,634,578</u></b>	<b><u>5,074,861</u></b>	<b><u>33,558,511</u></b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 22,831,230</u></b>	<b><u>\$ 6,634,578</u></b>	<b><u>\$ 5,816,368</u></b>	<b><u>\$ 35,282,176</u></b>	

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, 2019

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

Total Fund Balances - Governmental Funds	\$ 33,558,511
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	88,327,195
Less accumulated depreciation	(50,607,001)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	184,201
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	(3,685,000)
Plus unamortized bond premium	(64,920)
Purchase lease obligation	(197,565)
Compensated absences payable	(1,229,142)
Net Pension Liability	(6,458,497)
Other postemployment benefits payable	(21,802,349)
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	283,526
Special assessments receivable	154,626
Governmental funds do not report a liability for accrued interest until due and payable.	
	(46,740)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	4,505,628
Deferred inflows of pension resources	(6,894,824)
Deferred outflows of other postemployment benefits resources	2,842,432
Deferred inflows of other postemployment benefits resources	<u>(2,663,497)</u>
Total Net Position - Governmental Activities	<u>\$ 36,206,584</u>

**City of Hibbing, Minnesota**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2019**

	<b>101</b>	<b>345</b>	Other Governmental Funds	Total Governmental Funds
	General	Other Post-Employment Benefits		
<b>Revenues</b>				
Taxes	\$ 7,135,105	\$ 512,017	\$ 2,317,101	\$ 9,964,223
Licenses and permits	168,078	-	-	168,078
Intergovernmental	9,311,731	282	1,186,516	10,498,529
Charges for services	2,190,324	-	41,856	2,232,180
Fines and forfeitures	83,725	-	-	83,725
Special assessments	-	-	56,999	56,999
Investment earnings	510,090	194,162	80,154	784,406
Gifts and contributions	33,547	-	59,042	92,589
Miscellaneous	26,628	-	-	26,628
<b>Total Revenues</b>	<b>19,459,228</b>	<b>706,461</b>	<b>3,741,668</b>	<b>23,907,357</b>
<b>Expenditures</b>				
Current				
General government	1,810,700	-	-	1,810,700
Public safety	7,186,536	-	-	7,186,536
Public works	3,203,814	-	-	3,203,814
Culture and recreation	2,194,158	-	725,931	2,920,089
Economic development	11,431	-	-	11,431
Transportation	412,803	-	-	412,803
Miscellaneous	2,383,247	-	-	2,383,247
Capital outlay				
General government	-	-	38,210	38,210
Public safety	-	-	141,397	141,397
Public works	-	-	1,446,920	1,446,920
Culture and recreation	-	-	987,389	987,389
Miscellaneous	-	-	70,087	70,087
Debt service				
Principal	33,064	-	495,000	528,064
Interest and other	9,248	-	102,486	111,734
<b>Total Expenditures</b>	<b>17,245,001</b>	<b>-</b>	<b>4,007,420</b>	<b>21,252,421</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>2,214,227</b>	<b>706,461</b>	<b>(265,752)</b>	<b>2,654,936</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	481,088	481,088
Transfers out	(94,691)	-	(216,397)	(311,088)
Sale of capital assets	5,231	-	19,561	24,792
<b>Total Other Financing Sources (Uses)</b>	<b>(89,460)</b>	<b>-</b>	<b>284,252</b>	<b>194,792</b>
<b>Net Change in Fund Balances</b>	<b>2,124,767</b>	<b>706,461</b>	<b>18,500</b>	<b>2,849,728</b>
<b>Fund Balances, January 1</b>	<b>18,716,116</b>	<b>5,928,117</b>	<b>4,217,492</b>	<b>28,861,725</b>
<b>Prior Period Adjustment (Note 13)</b>	<b>1,008,189</b>	<b>-</b>	<b>838,869</b>	<b>1,847,058</b>
<b>Fund Balances, December 31</b>	<b>\$ 21,849,072</b>	<b>\$ 6,634,578</b>	<b>\$ 5,074,861</b>	<b>\$ 33,558,511</b>

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, 2019**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,849,728
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	2,699,477
Depreciation expense	(2,242,029)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed capital assets	150,000
Certain assets of the Enterprise funds were purchased by governmental funds. The expense is recorded in the fund statements by the governmental funds, however it is shown as a transfer in the government-wide statements to record the asset in the business-type activities.	
	(51,286)
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.	
Principal repayments	528,064
Amortization of bond premium	3,589
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.	
	(34,930)
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	32,876
Other postemployment benefits	(62,002)
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	(79,924)
Special assessments	(15,739)
Long-term pension activity is not reported in governmental funds.	
Pension expense	165,767
Pension revenue from State contributions	<u>52,605</u>
Change in Net Position - Governmental Activities	<u>\$ 3,996,196</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 6,851,576	\$ 6,851,576	\$ 7,135,105	\$ 283,529
Licenses and permits	103,415	103,415	168,078	64,663
Intergovernmental	9,152,730	9,152,730	9,311,731	159,001
Charges for services	2,013,337	2,013,337	2,190,324	176,987
Fines and forfeitures	86,000	86,000	83,725	(2,275)
Investment earnings	100,000	100,000	510,090	410,090
Contributions and donations	1,200	1,200	33,547	32,347
Miscellaneous	55,266	55,266	26,628	(28,638)
<b>Total Revenues</b>	<b>18,363,524</b>	<b>18,363,524</b>	<b>19,459,228</b>	<b>1,095,704</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,023,750	2,023,750	1,810,700	213,050
Public safety	7,453,538	7,453,538	7,186,536	267,002
Public works	3,251,615	3,251,615	3,203,814	47,801
Culture and recreation	2,214,472	2,214,472	2,194,158	20,314
Economic development	72,500	72,500	11,431	61,069
Transportation	437,580	437,580	412,803	24,777
Miscellaneous	2,827,550	2,827,550	2,383,247	444,303
<b>Debt service</b>				
Principal	31,200	31,200	33,064	(1,864)
Interest and other	10,500	10,500	9,248	1,252
<b>Total Expenditures</b>	<b>18,322,705</b>	<b>18,322,705</b>	<b>17,245,001</b>	<b>1,077,704</b>
<b>Excess of Revenues Over Expenditures</b>	<b>40,819</b>	<b>40,819</b>	<b>2,214,227</b>	<b>2,173,408</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(40,819)	(40,819)	(94,691)	(53,872)
Sale of capital assets	-	-	5,231	5,231
<b>Total Other Financing Sources (Uses)</b>	<b>(40,819)</b>	<b>(40,819)</b>	<b>(89,460)</b>	<b>(48,641)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>2,124,767</b>	<b>2,124,767</b>
<b>Fund Balances, January 1</b>	<b>18,716,116</b>	<b>18,716,116</b>	<b>18,716,116</b>	<b>-</b>
<b>Prior Period Adjustment (Note 13)</b>	<b>-</b>	<b>-</b>	<b>1,008,189</b>	<b>1,008,189</b>
<b>Fund Balances, December 31</b>	<b>\$ 18,716,116</b>	<b>\$ 18,716,116</b>	<b>\$ 21,849,072</b>	<b>\$ 3,132,956</b>

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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>603</b>	<b>602</b>	<b>605</b>	Non-major Memorial Building Concessions	Total
	Garbage and Refuse Collection	Sewer Operating and Maintenance			
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 4,130,240	\$ 544,389	\$ 1,424	\$ 4,676,053	
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000	
Designated investments - other postemployment benefits	60,000	60,000	-	120,000	
<b>Receivables</b>					
Accounts	4,056	6,443	-	10,499	
Special assessments	29,083	40,080	-	69,163	
Due from other governments	-	190,545	-	190,545	
Due from component units	216,203	306,926	-	523,129	
Inventories	1,350	-	-	1,350	
Prepaid items	19,320	18,180	-	37,500	
<b>Total Current Assets</b>	<b>5,360,252</b>	<b>2,066,563</b>	<b>1,424</b>		<b>7,428,239</b>
<b>Noncurrent Assets</b>					
<b>Capital assets</b>					
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	3,344,495	2,215,944	29,597	5,590,036	
Construction in progress	105,405	246,306	-	351,711	
Less accumulated depreciation	(2,975,384)	(18,849,821)	(27,677)	(21,852,882)	
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>907,309</b>	<b>36,161,700</b>	<b>1,920</b>		<b>37,070,929</b>
<b>Total Noncurrent Assets</b>	<b>907,309</b>	<b>36,161,700</b>	<b>1,920</b>		<b>37,070,929</b>
<b>Total Assets</b>	<b>6,267,561</b>	<b>38,228,263</b>	<b>3,344</b>		<b>44,499,168</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	46,999	51,598	-	98,597	
Deferred other postemployment benefits	285,143	212,777	-	497,920	
<b>Total Deferred Outflows of Resources</b>	<b>332,142</b>	<b>264,375</b>	<b>-</b>		<b>596,517</b>

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, 2019

	Business-type Activities - Enterprise Funds				
	603	602	605		
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 41,770	\$ 9,656	\$ -	\$ 51,426	
Due to other governments	10,423	23,354	-	33,777	
Accrued salaries payable	15,625	16,097	-	31,722	
Accrued interest payable	-	84,481	-	84,481	
Contracts payable	-	45,202	-	45,202	
Due to other funds	-	354,000	-	354,000	
Unearned revenue	40	-	-	40	
Compensated absences payable - current	63,097	68,707	-	131,804	
Bonds payable - current	-	1,178,000	-	1,178,000	
<b>Total Current Liabilities</b>	<b>130,955</b>	<b>1,779,497</b>	<b>-</b>	<b>1,910,452</b>	
<b>Noncurrent Liabilities</b>					
Compensated absences payable	50,245	59,365	-	109,610	
Net Pension Liability	455,500	500,070	-	955,570	
Bonds payable	-	8,770,351	-	8,770,351	
Other postemployment benefits payable	2,187,139	1,632,067	-	3,819,206	
<b>Total Noncurrent Liabilities</b>	<b>2,692,884</b>	<b>10,961,853</b>	<b>-</b>	<b>13,654,737</b>	
<b>Total Liabilities</b>	<b>2,823,839</b>	<b>12,741,350</b>	<b>-</b>	<b>15,565,189</b>	
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	118,534	130,132	-	248,666	
Deferred other postemployment benefits	267,193	199,382	-	466,575	
<b>Total Deferred Inflows of Resources</b>	<b>385,727</b>	<b>329,514</b>	<b>-</b>	<b>715,241</b>	
<b>Net Position</b>					
Net investment in capital assets	907,309	26,213,349	1,920	27,122,578	
Unrestricted	2,482,828	(791,575)	1,424	1,692,677	
<b>Total Net Position</b>	<b>\$ 3,390,137</b>	<b>\$ 25,421,774</b>	<b>\$ 3,344</b>	<b>\$ 28,815,255</b>	

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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>603</b>	<b>602</b>	<b>605</b>		
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total	
<b>Operating Revenues</b>					
Charges for services	\$ 2,824,756	\$ 3,632,752	\$ 6,276	\$ 6,463,784	
Miscellaneous	3,988	11,169	-	15,157	
<b>Total Operating Revenues</b>	<b>2,828,744</b>	<b>3,643,921</b>	<b>6,276</b>	<b>6,478,941</b>	
<b>Operating Expenses</b>					
Personnel services	1,069,221	591,997	-	1,661,218	
OPEB expense	47,019	71,557	-	118,576	
Pension expense	(13,327)	50,889	-	37,562	
Contractual services	907,411	55,821	-	963,232	
Administration	404	-	-	404	
Utilities	94,908	284,134	-	379,042	
Repairs and maintenance	11,290	48,869	-	60,159	
Other supplies and expense	97,768	119,575	18	217,361	
Insurance claims and expense	61,443	54,806	-	116,249	
Depreciation	199,844	1,342,404	1,047	1,543,295	
Miscellaneous	7,083	94,464	450	101,997	
<b>Total Operating Expenses</b>	<b>2,483,064</b>	<b>2,714,516</b>	<b>1,515</b>	<b>5,199,095</b>	
<b>Operating Income</b>	<b>345,680</b>	<b>929,405</b>	<b>4,761</b>	<b>1,279,846</b>	
<b>Nonoperating Revenues (Expenses)</b>					
Investment earnings	82,725	20,573	3,565	106,863	
Sale of capital assets	1,802	1,602	-	3,404	
Interest expense and other	-	(225,961)	-	(225,961)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>84,527</b>	<b>(203,786)</b>	<b>3,565</b>	<b>(115,694)</b>	
<b>Income Before Contributions and Transfers</b>	<b>430,207</b>	<b>725,619</b>	<b>8,326</b>	<b>1,164,152</b>	
Intergovernmental capital grants	-	150,000	-	150,000	
Connection charges	-	15,367	-	15,367	
Transfer of capital assets from governmental funds	-	51,286	-	51,286	
Transfers out	-	-	(170,000)	(170,000)	
<b>Change in Net Position</b>	<b>430,207</b>	<b>942,272</b>	<b>(161,674)</b>	<b>1,210,805</b>	
<b>Net Position - January 1</b>	<b>2,959,930</b>	<b>24,479,502</b>	<b>165,018</b>	<b>27,604,450</b>	
<b>Net Position, December 31</b>	<b>\$ 3,390,137</b>	<b>\$ 25,421,774</b>	<b>\$ 3,344</b>	<b>\$ 28,815,255</b>	

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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>603</b>	<b>602</b>	<b>605</b>		
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total	
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 2,810,224	\$ 3,608,760	\$ 6,276	\$ 6,425,260	
Payments to suppliers	(1,198,680)	(736,614)	(468)	(1,935,762)	
Payments to employees	(1,013,606)	(994,060)	-	(2,007,666)	
Net Cash Provided by Operating Activities	<u>597,938</u>	<u>1,878,086</u>	<u>5,808</u>	<u>2,481,832</u>	
<b>Cash Flows from Noncapital Financing Activities</b>					
Payments on interfund loan	-	(400,000)	-	(400,000)	
Transfers to other funds	-	-	(170,000)	(170,000)	
Net Cash Used by Noncapital Financing Activities	<u>-</u>	<u>(400,000)</u>	<u>(170,000)</u>	<u>(570,000)</u>	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition of capital assets	(128,850)	(666,244)	-	(795,094)	
Intergovernmental receipts	-	275,000	-	275,000	
Proceeds from sales of capital assets	1,802	1,602	-	3,404	
Connection charges	-	15,367	-	15,367	
Principal paid on long-term debt	-	(2,388,000)	-	(2,388,000)	
Interest paid on long-term debt	-	(210,331)	-	(210,331)	
Net Cash Used by Capital and Related Financing Activities	<u>(127,048)</u>	<u>(2,972,606)</u>	<u>-</u>	<u>(3,099,654)</u>	
<b>Cash Flows from Investing Activities</b>					
Investment received	<u>82,725</u>	<u>20,573</u>	<u>3,565</u>	<u>106,863</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	<u>553,615</u>	<u>(1,473,947)</u>	<u>(160,627)</u>	<u>(1,080,959)</u>	
Cash and Cash Equivalents, January 1	<u>4,536,625</u>	<u>2,978,336</u>	<u>162,051</u>	<u>7,677,012</u>	
Cash and Cash Equivalents, December 31	<u><b>\$ 5,090,240</b></u>	<u><b>\$ 1,504,389</b></u>	<u><b>\$ 1,424</b></u>	<u><b>\$ 6,596,053</b></u>	
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and temporary investments	\$ 4,130,240	\$ 544,389	\$ 1,424	4,676,053	
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><b>\$ 5,090,240</b></u>	<u><b>\$ 1,504,389</b></u>	<u><b>\$ 1,424</b></u>	<u><b>\$ 6,596,053</b></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, 2019**

	Business-type Activities - Enterprise Funds				
	<b>603</b>	<b>602</b>	<b>605</b>	Non-major Memorial Building Concessions	Total
	Garbage and Refuse Collection	Sewer Operating and Maintenance			
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating income	\$ 345,680	\$ 929,405	\$ 4,761		1,279,846
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	199,844	1,342,404	1,047		1,543,295
(Increase) decrease in assets					
Accounts receivable	(108)	(3,030)	-		(3,138)
Special assessments receivable	(15,955)	(14,808)	-		(30,763)
Prepaid items	(19,320)	(18,180)	-		(37,500)
Due from other governments	505	-	-		505
Due from component units	(2,497)	(17,323)	-		(19,820)
Increase (Decrease) in deferred outflows	117,411	103,708	-		221,119
Deferred pension resources					
Deferred other postemployment benefits resources	(193,866)	(74,193)	-		(268,059)
Increase (decrease) in liabilities					
Accounts and other payables	637	(64,097)	-		(63,460)
Due to other governments	(195)	11,498	-		11,303
Accrued salaries payable	1,399	814	-		2,213
Other accrued expenses	-	(8,166)	-		(8,166)
Unearned revenue	40	-	-		40
Compensated absences payable	(42,472)	962	-		(41,510)
Net Pension Liability	(33,396)	24,802	-		(8,594)
Other postemployment benefits payable	71,440	(456,308)	-		(384,868)
Increase in deferred inflows					
Deferred pension resources	(98,402)	(78,784)	-		(177,186)
Deferred other postemployment benefit resources	267,193	199,382	-		466,575
Net Cash Provided by Operating Activities	<u>\$ 597,938</u>	<u>\$ 1,878,086</u>	<u>\$ 5,808</u>		<u>\$ 2,481,832</u>
<b>Schedule of Noncash Capital and Related Financing Activities</b>					
Amortization of bond discount	\$ -	\$ 352	\$ -		\$ 352
Amortization of bond premium	-	(2,889)	-		(2,889)
Capital assets purchased on account	-	65,069	-		65,069
Capital assets contributed from other funds	-	51,286	-		51,286

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

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City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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, 19<sup>th</sup> Street and East 6<sup>th</sup> 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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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, 2019:

- US Treasury securities and US Government bonds are valued using quoted market prices (Level 1 inputs)
- Broker Certificates of Deposit and Commercial Paper are valued using a matrix pricing model (Level 2 inputs).

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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 Protection Insurance (SIPC) and excess SIPC coverage. As of December 31, 2019, 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, 2019.
- ***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, 2019 (\$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 assets totaling \$6,615,259 .

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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 2019.

The PUC has an allowance for doubtful accounts of \$244,568 at December 31, 2019.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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, 2019

## **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 assigned 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 impassable.	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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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, 2019

## 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	\$ 469,089	\$ 706,490	\$ 1,139	\$ 79,363	\$ 1,256,081

### 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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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**

### **A. 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 2019.

### **B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2019 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Primary Government			
Nonmajor special revenue			
Library	<u>\$ 657,586</u>	<u>\$ 711,112</u>	<u>\$ 53,526</u>

These over-expenditures were funded by transfers in from other funds.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **Note 2: Stewardship, Compliance and Accountability**

### **C. Deficit Fund Equity**

The following funds had deficits at December 31, 2019:

Fund	Amount
Primary Government	
Nonmajor special revenue	
Library	\$ 23,538
Nonmajor capital project	
Privately Financed	19,480

These deficits will be eliminated through future assessment revenues and other revenue sources.

## **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, 2019

**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 (\$337,535) and the bank balance was \$320,818 . Of the bank balance, \$320,818 was covered by federal depository insurance.

At December 31, 2019, the carrying amount of the PUC's deposits was \$4,240,511 and the bank balance was \$4,262,802. 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
<b>Pooled Investments at Amortized Costs</b>						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 17,966,933			
Broker Money Market	N/A	less than 6 months	980,715			
<b>Non-pooled Investments</b>						
Commercial Paper	AAA	less than 1 year	7,703,864	\$ -	\$ 7,703,864	\$ -
Brokered Certificates of Deposit	N/A	less than 1 year	6,953,488	-	6,953,488	-
Brokered Certificates of Deposit	N/A	1 to 5 years	5,160,897	-	5,160,897	-
U.S. government agency securities	AAA	less than 1 year	1,454,235	1,454,235	-	-
U.S. government bonds FNMA/FHLMC	AAA	1 to 5 years	2,247,598	2,247,598	-	-
<b>Total Investments</b>			<b>\$ 42,467,730</b>	<b>\$ 3,701,833</b>	<b>\$ 19,818,249</b>	<b>\$ -</b>

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
<b>Pooled Investments at Amortized Costs</b>						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 8,190,096			
<b>Non-pooled Investments</b>						
Bank Certificates of Deposit	N/A	less than 1 year	13,509,100			
<b>Total Investments</b>			<b>\$ 21,699,196</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(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, 2019

**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	\$ (2,606,758)	\$ 2,269,223	\$ 4,240,511	\$ 3,902,976
Investments	42,467,730	-	21,699,196	64,166,926
Amounts held in escrow accounts	-	-	695,655	695,655
<b>Total</b>	<b>\$ 39,860,972</b>	<b>\$ 2,269,223</b>	<b>\$ 26,635,362</b>	<b>\$ 68,765,557</b>
<b>Statement of Net Position</b>				
Cash and temporary investments	\$ 31,325,713	\$ 2,222,846	\$ 2,813,020	\$ 36,361,579
Restricted cash and temporary investments	-	46,377	-	46,377
Designated cash				
- other postemployment benefits	2,975,992	-	250,000	3,225,992
Investments	-	-	21,699,196	21,699,196
Designated investments				
- other postemployment benefits	5,559,267	-	-	5,559,267
Temporarily restricted assets				
Cash	-	-	1,177,491	1,177,491
Amounts held in escrow accounts	-	-	695,655	695,655
<b>Total</b>	<b>\$ 39,860,972</b>	<b>\$ 2,269,223</b>	<b>\$ 26,635,362</b>	<b>\$ 68,765,557</b>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers out	Ending Balance
<b>Governmental Activities</b>					
Capital Assets not Being Depreciated					
Land	\$ 1,976,831	\$ -	\$ -	\$ -	\$ 1,976,831
Intangible - easements	25,600	-	-	-	25,600
Artwork	1,969,350	150,000	-	-	2,119,350
Gravel roads	4,111,250	-	-	-	4,111,250
Construction in progress	4,144,724	1,114,581	(4,260,680)	-	998,625
Total Capital Assets not Being Depreciated	<u>12,227,755</u>	<u>1,264,581</u>	<u>(4,260,680)</u>	<u>-</u>	<u>9,231,656</u>
Capital Assets Being Depreciated					
Infrastructure	33,907,364	2,306,296	-	-	36,213,660
Building and improvements	26,401,224	2,981,301	-	-	29,382,525
Equipment, machinery and furniture	13,299,776	557,979	(267,351)	(91,050)	13,499,354
Total Capital Assets Being Depreciated	<u>73,608,364</u>	<u>5,845,576</u>	<u>(267,351)</u>	<u>(91,050)</u>	<u>79,095,539</u>
Less Accumulated Depreciation for					
Infrastructure	(21,431,173)	(893,287)	-	-	(22,324,460)
Building and improvements	(17,263,934)	(562,974)	-	-	(17,826,908)
Equipment, machinery and furniture	(9,976,980)	(785,768)	267,351	39,764	(10,455,633)
Total Accumulated Depreciation	<u>(48,672,087)</u>	<u>(2,242,029)</u>	<u>267,351</u>	<u>39,764</u>	<u>(50,607,001)</u>
Total Capital Assets Being Depreciated, Net	<u>24,936,277</u>	<u>3,603,547</u>	<u>-</u>	<u>(51,286)</u>	<u>28,488,538</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 37,164,032</u>	<u>\$ 4,868,128</u>	<u>\$ (4,260,680)</u>	<u>\$ (51,286)</u>	<u>\$ 37,720,194</u>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

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

**Governmental Activities**

General Government	\$ 219,210
Public Safety	307,789
Public Works, including depreciation of general infrastructure assets	1,252,946
Culture and Recreation	411,662
Miscellaneous	<u>50,422</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 2,242,029</u>

**Business-type Activities**

	Beginning Balance	Increases	Decreases	Transfers in	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	<u>246,306</u>	<u>105,405</u>	<u>-</u>	<u>-</u>	<u>351,711</u>
Total Capital Assets not Being Depreciated	<u>670,025</u>	<u>105,405</u>	<u>-</u>	<u>-</u>	<u>775,430</u>
Capital Assets Being Depreciated					
Infrastructure	19,267,115	410,419	-	-	19,677,534
Buildings and improvements	32,802,688	78,123	-	-	32,880,811
Equipment, machinery and furniture	<u>5,620,488</u>	<u>164,227</u>	<u>(285,729)</u>	<u>91,050</u>	<u>5,590,036</u>
Total Capital Assets Being Depreciated	<u>57,690,291</u>	<u>652,769</u>	<u>(285,729)</u>	<u>91,050</u>	<u>58,148,381</u>
Less Accumulated Depreciation for					
Infrastructure	(2,772,971)	(475,540)	-	-	(3,248,511)
Buildings and improvements	(13,409,422)	(762,918)	-	-	(14,172,340)
Equipment, machinery and furniture	<u>(4,373,159)</u>	<u>(304,837)</u>	<u>285,729</u>	<u>(39,764)</u>	<u>(4,432,031)</u>
Total Accumulated Depreciation	<u>(20,555,552)</u>	<u>(1,543,295)</u>	<u>285,729</u>	<u>(39,764)</u>	<u>(21,852,882)</u>
Total Capital Assets Being Depreciated, Net	<u>37,134,739</u>	<u>(890,526)</u>	<u>-</u>	<u>51,286</u>	<u>36,295,499</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 37,804,764</u>	<u>\$ (785,121)</u>	<u>\$ -</u>	<u>\$ 51,286</u>	<u>\$ 37,070,929</u>

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

**Business-type Activities**

Garbage and Refuse Collection	\$ 199,844
Sewer Operating and Maintenance	1,342,404
Memorial Building Concessions	<u>1,047</u>
 Total Depreciation Expense - Business-type Activities	 <u>\$ 1,543,295</u>

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
 December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

***Discretely Presented Component Unit - EDA***

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 267,393	\$ -	\$ (136,528)	\$ 130,865
Construction in progress	<u>6,880</u>	<u>-</u>	<u>-</u>	<u>6,880</u>
Total Capital Assets not Being Depreciated	<u>274,273</u>	<u>-</u>	<u>(136,528)</u>	<u>137,745</u>
Capital Assets Being Depreciated				
Infrastructure	19,699	-	-	19,699
Buildings and improvements	<u>-</u>	<u>568,397</u>	<u>-</u>	<u>568,397</u>
Total Capital Assets Being Depreciated	<u>19,699</u>	<u>568,397</u>	<u>-</u>	<u>588,096</u>
Less Accumulated Depreciation for Buildings and improvements	-	(9,473)	-	(9,473)
Equipment, machinery and furniture	<u>(5,253)</u>	<u>(657)</u>	<u>-</u>	<u>(5,910)</u>
Total Accumulated Depreciation	<u>(5,253)</u>	<u>(10,130)</u>	<u>-</u>	<u>(15,383)</u>
Total Capital Assets Being Depreciated, Net	<u>14,446</u>	<u>558,267</u>	<u>-</u>	<u>572,713</u>
Component Unit Activities				
Capital Assets, Net	<u><u>\$ 288,719</u></u>	<u><u>\$ 558,267</u></u>	<u><u>\$ (136,528)</u></u>	<u><u>\$ 710,458</u></u>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

***Discretely Presented Component Unit - PUC***

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Construction in progress	\$ 390,458	\$ 729,521	\$ -	\$ 1,119,979
Capital Assets Being Depreciated				
Building and grounds	9,759,093	72,191	-	9,831,284
Production equipment	41,897,062	21,487,910	-	63,384,972
Transmission and distribution system	53,107,367	452,922	-	53,560,289
Equipment, machinery and furniture	4,263,380	189,185	(279,395)	4,173,170
Total Capital Assets	109,026,902	22,202,208	(279,395)	130,949,715
Being Depreciated				
Less total accumulated depreciation	(76,828,629)	(3,109,450)	279,395	(79,658,684)
Total Capital Assets				
Being Depreciated, Net	32,198,273	19,092,758	-	51,291,031
Component Unit Activities				
Capital Assets, Net	<u>\$ 32,588,731</u>	<u>\$ 19,822,279</u>	<u>\$ -</u>	<u>\$ 52,411,010</u>

During 2019, the PUC revised its chart of accounts and as part of that process some changes were made in how assets were grouped in the above categories. The 2018 categories have been modified to reflect those reclassifications.

In 2019, the PUC accepted the transfer of production equipment from its joint venture. The Laurentian Energy Authority approved the transfer of production equipment to its two members during the year. Both members accepted those assets that they had been operating as part of the joint venture. The assets were transferred into each entity at the remaining book value of the applicable assets. The PUC's share of assets included in the above additions was \$21,110,979.

Construction Projects and Commitments

The City has active construction projects as of December 31, 2019. 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	\$ 882,750	\$ 16,781
Sewer Operating and Maintenance Fund		
Mercury Project (Additional)	-	62,510
Total	<u>\$ 882,750</u>	<u>\$ 79,291</u>

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
 December 31, 2019

**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 \$167,505 for the year ended December 31, 2019. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2020	\$ 321,878
2021	128,443
2022	28,246
2023	20,552
2024	16,841
2025 - 2028	<u>33,399</u>
 Total	 <u>\$ 549,359</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. Costs to date as of December 31, 2019 were \$1,976,898. The cost of the project will be amortized beginning in 2020.

**E. Interfund Receivables, Payables, and Transfers**

***Interfund Receivables and Payables***

Receivable Fund	Payable Fund	Amount
Primary Government	Primary Government	
General	Sewer Operating and Maintenance	<u>\$ 354,000</u>
Primary Government	Discretely presented component unit	
Garbage and Refuse	Public Utilities Commission	<u>\$ 216,203</u>
Sewer Operating	Public Utilities Commission	<u>306,926</u>
 Total		 <u>\$ 523,129</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, 2019

**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 2019, the Sewer Fund repaid the General Fund \$400,000. The remaining \$354,000 balance due to the General Fund will continue to be carried between the funds. The sewer fund is scheduled to repay the remaining \$354,000 in 2020.

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, 2019 is as follows:

Fund	Transfers in Nonmajor Governmental
<b>Transfers Out</b>	
General	\$ 94,691
Nonmajor governmental	216,397
Nonmajor enterprise	<u>170,000</u>
 Total Transfers Out	 <u>\$ 481,088</u>

The City annually budgets transfers for specific purposes. Annual transfers include (1) eliminate deficit fund balances, (2) help fund operating losses or deficits and (4) provide matching funds for grant projects.

**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	\$ 365,000
2013A G.O. Certificates	3,585,000	2.00 - 3.50	11/01/13	02/01/29	2,170,000
2018A G.O. Certificates	1,150,000	3.00 - 4.00	12/20/18	02/01/29	<u>1,150,000</u>
 Total General Obligation Bonds					 <u>\$ 3,685,000</u>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**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
2020	\$ 440,000	\$ 107,038	\$ 547,038
2021	460,000	95,780	555,780
2022	475,000	83,250	558,250
2023	365,000	70,663	435,663
2024	340,000	58,687	398,687
2025 - 2029	<u>1,605,000</u>	<u>127,931</u>	<u>1,732,931</u>
<b>Total</b>	<b>\$ 3,685,000</b>	<b>\$ 543,349</b>	<b>\$ 4,228,349</b>

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 for repayment of debt issued by the EDA-Component Unit for construction of an animal shelter.

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>\$ 197,565</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 35,047	\$ 7,868	\$ 42,915
2021	37,150	6,351	43,501
2022	39,379	4,705	44,084
2023	41,742	2,920	44,662
2024	<u>44,247</u>	<u>996</u>	<u>45,243</u>
<b>Total</b>	<b>\$ 197,565</b>	<b>\$ 22,840</b>	<b>\$ 220,405</b>

**City of Hibbing, Minnesota**  
**Notes to the Financial Statements**  
**December 31, 2019**

**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:

<u>Sewer</u>					
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Operating Revenues					\$ 3,643,921
Principal and Interest					1,188,331
Percentage of Revenues					307 %
2012A General Obligation Bond	\$ 1,010,000	0.40 - 2.85 %	02/01/12	02/01/32	\$ 710,000
2018A General Obligation Bond	3,460,000	3.00 - 4.00	12/20/18	02/01/39	<u>3,460,000</u>
Total G.O. Revenue Bonds					<u>\$ 4,170,000</u>
2003 Sewer Revenue Notes	\$ 9,847,450	1.74 %	01/29/03	08/20/22	\$ 1,796,000
2010 Sewer Revenue Notes	1,726,575	1.34	11/30/10	08/20/25	651,000
2012 Sewer Revenue Notes	4,912,830	1.00	10/23/12	08/20/31	<u>3,229,954</u>
Total G.O. Revenue Notes					<u>\$ 5,676,954</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
2020	\$ 230,000	\$ 140,918	\$ 370,918
2021	250,000	132,454	382,454
2022	265,000	123,280	388,280
2023	265,000	113,768	378,768
2024	280,000	103,893	383,893
2025 - 2029	1,395,000	370,321	1,765,321
2030 - 2034	780,000	203,252	983,252
2035 - 2039	705,000	72,900	<u>777,900</u>
Total	<u>\$ 4,170,000</u>	<u>\$ 1,260,786</u>	<u>\$ 5,430,786</u>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**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
2020	\$ 948,000	\$ 72,273	\$ 1,020,273
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 - 2029	1,479,000	70,929	1,549,929
2030 - 2031	562,954	8,439	571,393
<b>Total</b>	<b>\$ 5,676,954</b>	<b>\$ 307,364</b>	<b>\$ 5,984,318</b>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. bonds	\$ 4,180,000	\$ -	\$ (495,000)	\$ 3,685,000	\$ 440,000
Unamortized Premium on Bonds	68,509	-	(3,589)	64,920	-
Total Bonds Payable	4,248,509	-	(498,589)	3,749,920	440,000
Lease purchase obligation	230,629	-	(33,064)	197,565	35,047
Compensated absences payable	1,231,233	232,499	(234,590)	1,229,142	221,952
Governmental Activity Long-term Liabilities	<b>\$ 5,710,371</b>	<b>\$ 232,499</b>	<b>\$ (766,243)</b>	<b>\$ 5,176,627</b>	<b>\$ 696,999</b>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue notes	\$ 6,609,954	\$ -	\$ (933,000)	\$ 5,676,954	\$ 948,000
G.O. revenue bonds	5,625,000	-	(1,455,000)	4,170,000	230,000
Unamortized Discount on Bonds	(4,596)	-	352	(4,244)	-
Unamortized Premium on Bonds	108,530	-	(2,889)	105,641	-
Total Bonds Payable	12,338,888	-	(2,390,537)	9,948,351	1,178,000
Compensated Absences Payable	282,925	182,872	(224,383)	241,414	131,804
Business-type Activity Long-term Liabilities	<b>\$ 12,621,813</b>	<b>\$ 182,872</b>	<b>\$ (2,614,920)</b>	<b>\$ 10,189,765</b>	<b>\$ 1,309,804</b>

**City of Hibbing, Minnesota**  
**Notes to the Financial Statements**  
**December 31, 2019**

**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 Bonds	\$ 830,000	4.00 - 5.25 %	02/01/14	02/01/36	\$ 790,000

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

Year Ending December 31,	Economic Development Authority		
	Principal	Interest	Total
2020	\$ 25,000	\$ 37,428	\$ 62,428
2021	30,000	36,328	66,328
2022	30,000	35,128	65,128
2023	35,000	33,828	68,828
2024	40,000	32,248	72,248
2025 - 2029	225,000	132,412	357,412
2030 - 2034	275,000	71,195	346,195
2035 - 2036	130,000	6,824	136,824
<b>Total</b>	<b>\$ 790,000</b>	<b>\$ 385,391</b>	<b>\$ 1,175,391</b>

**G.O. Revenue Bonds**

The following bonds were issued to finance capital improvements for the EDA. They will be repaid from future revenues pledged from EDA and are backed by the taxing power of the EDA.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2009A Public Project Revenue Bonds	\$ 462,500	1.75 - 4.50 %	05/07/09	02/01/24	\$ 197,565

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**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,	Economic Development Authority		
	Principal	Interest	Total
2020	\$ 35,047	\$ 7,868	\$ 42,915
2021	37,150	6,351	43,501
2022	39,379	4,705	44,084
2023	41,742	2,920	44,662
2024	44,247	996	45,243
<b>Total</b>	<b>\$ 197,565</b>	<b>\$ 22,840</b>	<b>\$ 220,405</b>

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.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance			Decreases	Ending Balance		Due Within One Year
<b>Discretely Presented Component Unit - EDA</b>							
Bonds Payable							
G.O. Tax Increment bonds	\$ 810,000	\$	-	\$ (20,000)	\$ 790,000	\$ 25,000	
G.O. Revenue bonds	230,629		-	(33,064)	197,565		35,047
Unamortized bond discount	(8,558)		-	1,711	(6,847)		-
Total Bonds Payable	1,032,071		-	(51,353)	980,718		60,047
Loan Payable	-		600,000	-	600,000		-
Discretely Presented Component Unit Long-term Liabilities	<u>\$ 1,032,071</u>	<u>\$ 600,000</u>		<u>\$ (51,353)</u>	<u>\$ 1,580,718</u>		<u>\$ 60,047</u>

**City of Hibbing, Minnesota**  
**Notes to the Financial Statements**  
**December 31, 2019**

**Note 3: Detailed Notes on All Funds (Continued)**

***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
2001 GO Public Utilities Revenue Bond	\$ 1,275,000	3.05 %	2001	08/20/20	\$ 99,000
2005A Public Utilities Revenue Note	2,030,000	4.14	2005	12/31/25	815,000
2010 Public Utilities G.O. Revenue Note	948,350	1.00	2010	08/01/20	91,000
2015A Tax Exempt Revenue Note	3,426,000	2.25	2015	04/01/27	<u>2,247,608</u>
					<u>\$ 3,252,608</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
2020	\$ 598,671	\$ 91,922	\$ 690,593
2021	420,234	75,392	495,626
2022	431,945	62,320	494,265
2023	448,810	48,831	497,641
2024	460,830	34,822	495,652
2025 - 2027	<u>892,118</u>	<u>26,490</u>	<u>918,608</u>
Total	<u>\$ 3,252,608</u>	<u>\$ 339,777</u>	<u>\$ 3,592,385</u>

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Discretely Presented Component Unit - PUC</b>					
Bonds, notes and real estate mortgage payable	\$ 3,835,862	\$ -	\$ (583,254)	\$ 3,252,608	\$ 598,671
Unamortized Discount on Bonds	<u>(9,643)</u>	<u>-</u>	<u>1,394</u>	<u>(8,249)</u>	<u>-</u>
Total Bonds Payable	<u>3,826,219</u>	<u>-</u>	<u>(581,860)</u>	<u>3,244,359</u>	<u>598,671</u>
Compensated absences payable	<u>887,305</u>	<u>-</u>	<u>(6,416)</u>	<u>880,889</u>	<u>-</u>
Discretely Presented Component Unit Long-term Liabilities	<u>\$ 4,713,524</u>	<u>\$ -</u>	<u>\$ (588,276)</u>	<u>\$ 4,125,248</u>	<u>\$ 598,671</u>

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

### **Note 3: Detailed Notes on All Funds (Continued)**

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, 2019, the account had a balance of \$347,764.

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 are to be held in escrow until the maturity of the note. As of December 31, 2019, the account had a balance of \$347,891.

#### 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.

The amount payable at December 31, 2019:

Issuer	Amount
City of Buhl (St Francis Health Services)	\$ 6,856,248
Central Minnesota Diagnostic, Inc	1,961,758
Minnesota Diversified Industries Project	2,557,884

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**G. Components of Fund Balance**

At December 31, 2019, 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
	General	Other Post-Employment Benefits	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable prepaid and inventory items	<u>\$ 278,599</u>	<u>\$ -</u>	<u>\$ 14,365</u>	<u>\$ 292,964</u>
Restricted for				
Debt service	\$ -	\$ -	\$ 1,743,414	\$ 1,743,414
Capital equipment and improvements	- -	- -	1,833,002	1,833,002
Police forfeiture fund	<u>31,149</u>	<u>-</u>	<u>-</u>	<u>31,149</u>
Total Restricted	<u>\$ 31,149</u>	<u>\$ -</u>	<u>\$ 3,576,416</u>	<u>\$ 3,607,565</u>
Committed to				
Housing incentive	\$ -	\$ -	\$ 51,190	\$ 51,190
Small Cities development	- -	- -	26,270	26,270
Economic development	- -	- -	84,849	84,849
OPEB obligation	- -	6,634,578	- -	6,634,578
Memorial Building	- -	- -	9,018	9,018
Capital equipment and improvements	- -	- -	961,800	961,800
Total Committed	<u>\$ -</u>	<u>\$ 6,634,578</u>	<u>\$ 1,133,127</u>	<u>\$ 7,767,705</u>
Assigned to				
2020 budget	\$ 10,058,254	\$ -	\$ -	\$ 10,058,254
Future capital projects				
funded from sale of assets	514,853	- -	- -	514,853
Workers' compensation				
premium adjustments	475,090	- -	- -	475,090
Other improvement projects	- -	- -	408,336	408,336
Total Assigned	<u>\$ 11,048,197</u>	<u>\$ -</u>	<u>\$ 408,336</u>	<u>\$ 11,456,533</u>

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

## **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 (GERP)

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

#### Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP 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.

#### GERP Benefits

GERP 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 of 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.

#### PEPFP Benefits

Benefits for the PEPFP 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 PEPFP 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 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 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.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

### **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 2019 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, 2018 and 2017 were \$359,605, \$359,498 and \$347,061, 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, 2019, 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, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$659,645, \$585,350 and \$573,558, 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, 2019, the City reported a liability of \$3,787,212 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 \$117,662. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0685 percent which was a decrease of 0.0019 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 3,787,212
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>117,662</u>
Total	<u><u>\$ 3,904,874</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$460,277 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$8,812 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, 2019

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

At December 31, 2019, the City 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 144,026	\$ 4,665
Changes in Actuarial Assumptions	16,428	333,599
Net Difference Between Projected and Actual Earnings on Plan Investments	-	429,792
Changes in Proportion	53,352	217,484
Contributions Paid to PERA Subsequent to the Measurement Date	<u>176,964</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 390,770</u></b>	<b><u>\$ 985,540</u></b>

The \$176,964 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (247,456)
2021	(420,205)
2022	(110,176)
2023	6,103

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$3,629,225 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.3409 percent which was an increase of 0.0023 percent from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized negative pension expense of \$660,468 for its proportionate share of Police and Fire Plan's pension expense. The City also recognized \$46,022 for the year ended December 31, 2019, 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 222,526	\$ 586,055
Changes in Actuarial Assumptions	3,337,032	4,439,937
Net Difference Between Projected and Actual Earnings on Plan Investments	-	780,438
Changes in Proportion	129,117	311,638
Contributions Paid to PERA Subsequent to the Measurement Date	<u>361,475</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 4,050,150</u></b>	<b><u>\$ 6,118,068</u></b>

The \$361,475 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (314,777)
2021	(584,371)
2022	(1,487,067)
2023	(46,613)
2024	3,435

Employees Fund Pension Costs - Discretely Presented Component Unit - PUC

At December 31, 2019, the PUC reported a liability of \$3,848,028 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 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 PUC totaled \$119,661. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the PUC's proportionate share was 0.0718 percent which was a decrease of 0.0062 percent from its proportion measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 3,848,028
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>119,661</u>
<b>Total</b>	<b><u>\$ 3,967,689</u></b>

For the year ended December 31, 2019, the PUC recognized pension expense of \$(174,806) for its proportionate share of General Employees Plan's pension expense. In addition, the PUC recognized \$8,962 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, 2019

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

At December 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 118,160	\$ -
Changes in Actuarial Assumptions	-	347,390
Net Difference Between Projected and Actual Earnings on Plan Investments	290,819	734,328
Changes in Proportion	-	694,448
Contributions Paid to PERA Subsequent to the Measurement Date	<u>179,262</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 588,241</u></b>	<b><u>\$ 1,776,166</u></b>

The \$179,262 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (566,051)
2021	(604,078)
2022	(203,259)
2023	6,201

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, 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%

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, 2019 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 most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

City of Hibbing, Minnesota  
Notes to the Financial Statements  
December 31, 2019

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

### General Employees Fund

#### Changes in Actuarial Assumptions

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

#### Changes in Plan Provisions

- 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.

### Police and Fire Fund

#### Changes in Actuarial Assumptions

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

#### 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	25.00	5.90
Fixed Income	20.00	0.75
Private Markets	17.50	5.90
Cash Equivalents	2.00	-
Total	<u>100.00 %</u>	

## **F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 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.

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
 December 31, 2019

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

**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 Proportionate Share of NPL			
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)	
	\$ 6,225,972	\$ 3,787,212	\$ 1,773,530	
1 Percent Decrease (6.50%)				
Police and Fire Fund	\$ 7,932,811	\$ 3,629,225	\$ 70	
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)	
	\$ 7,932,811	\$ 3,629,225	\$ 70	

	PUC Proportionate Share of NPL			
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)	
	\$ 6,325,951	\$ 3,848,028	\$ 1,802,010	
1 Percent Decrease (6.50%)				
General Employees Fund	\$ 6,325,951	\$ 3,848,028	\$ 1,802,010	
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)	
	\$ 6,325,951	\$ 3,848,028	\$ 1,802,010	

**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](http://www.mnpera.org).

**Note 5: 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.

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 Notes to the Financial Statements  
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**Note 5: Defined Contribution Plan (Continued)**

Pension expense for the year is equal to contributions made. Total contributions made by the City and the PUC during the fiscal year 2019 were:

City Defined Contribution Plan Contributions					
Contribution Amount		Percentage of Covered Payroll			
Employee	Employer	Employee	Employer	Required Rate	
\$ 1,139	\$ 1,139	5.00%	5.00%	5.00%	5.00%

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

The City's contributions to the DCP for the years ended December 31, 2019, 2018 and 2017 were \$1,139, \$1,197 and \$1,186, 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, 2018, 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.

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
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**Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**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 \$79,231 and \$77,890 in 2019 and 2018, 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, 2019.

**D. Pension Costs**

At December 31, 2019, the City reported a net pension asset of \$184,201 for the plan. The net pension asset was measured as of December 31, 2018. 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, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$132.

At December 31, 2019, 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	\$ 64,668	\$ 18,754
Changes in Actuarial Assumptions	44	-
Net Difference Between Projected and Actual Earnings on Plan Investments	19,606	21,745
Contributions to Plan Subsequent to the Measurement Date	<u>79,231</u>	<u>-</u>
 Total	 <u>\$ 163,549</u>	 <u>\$ 40,499</u>

Deferred outflows of resources totaling \$79,231 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, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 12,481
2021	10,766
2022	11,238
2023	5,274
2024	10,475
Thereafter	(6,415)

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
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**Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019 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	2.75%

There were no changes in actuarial assumptions in 2019.

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.

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:

City of Hibbing, Minnesota  
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## **Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

### **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	\$ (179,032)	\$ (184,201)	\$ (189,005)

### **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.

## **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 2019, 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.

City of Hibbing, Minnesota  
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## **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 \$1,345,948 to the plan.

At December 31, 2019, the following employees were covered by the benefit terms:

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

#### **C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$25,621,555 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.10%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.31%
Inflation Rate	4.10%
Medical Trend Rate	4.50% for FY2019, gradually decreasing to 3.80% in FY2075

The discount rate used to measure the total OPEB liability was 4.10 percent.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
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**Note 8: Postemployment Benefits other than Pensions (Continued)**

The actuarial assumptions used in the January 1, 2019 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.

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at December 31, 2018	<u>\$ 27,923,188</u>
Changes for the Year:	
Service cost	441,305
Interest	952,784
Changes in assumptions or other inputs	(2,349,774)
Benefit payments	(1,345,948)
Net Changes	<u>(2,301,633)</u>
Balances at December 31, 2019	<u>\$ 25,621,555</u>

Since the prior measurement date, the following assumptions changed:

- 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.

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**Note 8: Postemployment Benefits other than Pensions (Continued)**

**E. 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 (3.10 percent) or 1-percentage-point higher (5.10 percent) than the current discount rate:

1 Percent Decrease (3.1%)	Current (4.1%)	1 Percent Increase (5.1%)
\$ 28,711,909	\$ 25,621,555	\$ 23,059,292

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%)
\$ 22,991,688	\$ 25,621,555	\$ 28,804,839

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the City recognized OPEB expense of \$1,345,948. At December 31, 2019, 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	\$ 1,140,060	\$ -
Changes in Actuarial Assumptions	854,344	3,130,072
Contributions to OPEB Subsequent to the Measurement Date	<u>1,345,948</u>	<u>-</u>
<b>Total</b>	<b>\$ 3,340,352</b>	<b>\$ 3,130,072</b>

Deferred outflows of resources totaling \$1,345,948 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, 2020. 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:**

2020	\$ (158,092)
2021	(158,092)
2022	(158,092)
2023	(158,092)
2024	(211,725)
Thereafter	(291,575)

City of Hibbing, Minnesota  
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## **Note 8: Postemployment Benefits other than Pensions (Continued)**

### ***Discretely Presented Component Unit - PUC***

#### **G. 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, 2019, the PUC expended approximately \$820,675 on benefits for approximately 54 retirees.

#### **H. Actuarial Assumptions**

The total OPEB liability was determined using an actuarial valuation date of January 1, 2017 and a measurement date of December 31, 2018. The following assumptions were used in the valuation:

Discount Rate	2.74%
Index Rate	2.74% using 20 year tax exempt municipal bond rate
Inflation Rate	2.75%
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

#### **I. Changes in the Total OPEB Liability**

The PUC's total OPEB liability of \$19,264,407 was measured as of December 31, 2018. Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balances at December 31, 2018	<u>\$ 19,238,442</u>
Changes for the Year:	
Service cost	383,407
Interest cost	787,841
Effect of economic/demographic gains or losses	(3,616,791)
Effect of assumptions changes or inputs	3,292,183
Benefit payments	(820,675)
Net Changes	<u>25,965</u>
Balances at December 31, 2019	<u>\$ 19,264,407</u>

**City of Hibbing, Minnesota**  
 Notes to the Financial Statements  
 December 31, 2019

**Note 8: Postemployment Benefits other than Pensions (Continued)**

**J. 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 (1.74 percent) or 1-percentage-point higher (3.74 percent) than the current discount rate:

1% Decrease 1.74%	Current 2.74%	1% Decrease 3.74%
\$ 22,399,042	\$ 19,264,407	\$ 16,752,880

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%)
\$ 16,461,804	\$ 19,264,407	\$ 22,850,715

**K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the PUC recognized OPEB expense of \$767,377. At December 31, 2019, 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	\$ -	\$ 3,068,792
Changes in Actuarial Assumptions	<u>2,793,367</u>	<u>1,135,001</u>
<b>Total</b>	<b><u>2,793,367</u></b>	<b><u>4,203,793</u></b>

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:**

2020	\$ (403,871)
2021	(403,871)
2022	(403,871)
2023	(120,120)
2024	(49,183)
Thereafter	(29,510)

**City of Hibbing, Minnesota**  
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**Note 10: 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 2019.

As of December 31, 2018, the PUC has reported on its balance sheet an investment of \$44,209,501 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	\$ 24,905,990
Other Assets	61,050,001
Capital Assets	1,507,672
<b>Total Assets</b>	<b><u>87,463,663</u></b>
Current Liabilities	5,893
Non-Current Liabilities	21,000
<b>Total Liabilities</b>	<b><u>26,893</u></b>
Deferred Inflows of Resources	6,750
<b>Net Position</b>	<b><u>\$ 87,430,020</u></b>
Total Operating Revenues	\$ -
Operating Expenses	1,216,368
Non-Operating Revenues	36,402
Change in Net Position	<u>\$ (1,179,966)</u>

City of Hibbing, Minnesota  
Notes to the Financial Statements  
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## **Note 11: 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, 2019, 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; injures 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 2019 and 2018. 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 costumers 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  
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## **Note 11: Other Information**

The PUC is involved in legal action. Although the outcome cannot be determined, the PUC believes any potential liability would range from \$25,000 to \$200,000. and has been submitted to the PUC insurance carrier. Any negative outcomes would not have a material impact on the financial condition of the PUC.

The PUC has incurred expenses in the past related to the cleanup of its former gas plant site. Costs related to complete the cleanup at this time are not known but management does not believe that the PUC will have any significant additional costs based on municipal liability limits.

### ***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, 2019:

Purpose	Percentage of City Taxes Abated during 2019	Amount of Taxes Abated during 2019
Provide incentive for real estate development company to complete residential development project	50%	\$ 22,673
Provide incentive for real estate development company to complete residential development project	50%	\$ 5,229

### **E. 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 2019, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

## **Note 12: Subsequent Event**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. City assets may have seen unrealized market losses as of August 5, 2020. However, City management is unable to determine the long term material impact to its asset values.

City of Hibbing, Minnesota  
 Notes to the Financial Statements  
 December 31, 2019

**Note 13: Prior Period Adjustment**

Fund	Prior Period Adjustment
Governmental Funds	
General Fund (1)	\$ 1,008,189
Library fund (1)	30,785
Capital Equipment and Improvement (3)	<u>808,084</u>
Total Governmental Funds	<u>\$ 1,847,058</u>
Governmental Activities (4)	<u>\$ (2,230,000)</u>
Discretely Presented Component Unit - EDA	
Economic Development Special Revenue Fund (2)	\$ 1,271,663
Animal Shelter (5)	230,629
Storefront (2)	257,738
Governmental activities (2) (5)	<u>(1,760,030)</u>
Total Discretely Presented Component Unit - EDA	<u>\$ -</u>

- (1) To adjust governmental funds to exclude compensated absence payables. Compensated absence payables are considered long-term liabilities and are not reported in the governmental funds under the the modified accrual method. The governmental-type activities are offset with the reconciliation and therefore is not impacted by this adjustment.
- (2) To adjust Economic Development governmental funds to exclude deferred revenues for long-term loans receivable.
- (3) To adjust governmental funds to exclude deferred revenues for unspent bond proceeds. Bond proceeds are reported in the governmental funds when the revenue is measurable and available.
- (4) To adjust the Statement of Net Postion to exclude the MSA receivable. The revenue recognized through the recognition of the receivable is not considered earned until allocated to the City.
- (5) To adjust Economic Development governmental funds to include long-term loans receivable related to the capital loan receivable due from the primary government.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

**City of Hibbing, Minnesota**  
**Required Supplementary Information**  
**For the Year Ended December 31, 2019**

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

**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	
06/30/19	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	
06/30/19	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, 2019**

**Schedule of Employer's PERA Contributions - General Employees Fund**

**Primary Government**

Year Ending	Contributions in Relation to the				City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)			
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	Contributions in Relation to the				City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)			
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, 2019

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

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.

Changes in Plan Provisions

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, 2019**

**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	State's Proportionate Share of the Net Pension Liability Associated with the City			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
		City's Proportionate Share of the Net Pension Liability (a)	Share of the Net Pension Liability Associated with the City (b)	Total (a+b)				
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			Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
		Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)			
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, 2019

**Notes to the Required Supplementary Information - Police and Fire Fund**

Changes in Actuarial Assumptions

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, 2019

**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, 2019**

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

	2019	2018	2017	2016
<b>Total Pension Liability</b>				
Service cost	\$ 11,290	\$ 10,961	\$ 11,412	\$ 11,079
Interest	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	(2,948)	(24,086)	(6,490)	(135,968)
<b>Net Change in Total Pension Liability</b>	<b>(2,640)</b>	<b>(6,524)</b>	<b>7,292</b>	<b>(2,071)</b>
<b>Total Pension Liability - January 1</b>	<b>126,579</b>	<b>133,103</b>	<b>125,811</b>	<b>127,882</b>
<b>Total Pension Liability - December 31 (a)</b>	<b>\$ 123,939</b>	<b>\$ 126,579</b>	<b>\$ 133,103</b>	<b>\$ 125,811</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - state	\$ 24,973	\$ 25,566	\$ 24,280	\$ 28,587
Net investment income	38,997	(16,336)	14,938	5,008
Benefit payments, including refunds of employee contributions	(2,948)	(24,086)	(6,490)	(135,968)
Administrative expense	(3,412)	(7,203)	(6,141)	(4,015)
Other	-	79	-	38,769
<b>Net Change in Plan Fiduciary Net Position</b>	<b>57,610</b>	<b>(21,980)</b>	<b>26,587</b>	<b>(67,619)</b>
<b>Plan Fiduciary Net Position - January 1</b>	<b>250,530</b>	<b>272,510</b>	<b>245,923</b>	<b>313,542</b>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<b>\$ 308,140</b>	<b>\$ 250,530</b>	<b>\$ 272,510</b>	<b>\$ 245,923</b>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<b>\$ (184,201)</b>	<b>\$ (123,951)</b>	<b>\$ (139,407)</b>	<b>\$ (120,112)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	248.62%	197.92%	204.74%	195.47%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A

**City of Hibbing, Minnesota**  
**Required Supplementary Information (Continued)**  
**For the Year Ended December 31, 2019**

**Schedule of Employer's Fire Relief Association Contributions**

<u>Year Ending</u>	<u>Actuarial Determined Contribution (a)</u>	<u>Actual Contributions Paid (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>
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.*

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

***Primary Government***

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

**City of Hibbing, Minnesota**  
**Required Supplementary Information (Continued)**  
**For the Year Ended December 31, 2019**

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios (Continued)**

***Component Unit - Hibbing Public Utilities Commission***

	<b>2019</b>	<b>2018</b>
Total OPEB Liability		
Service cost	\$ 383,407	\$ 487,215
Interest	787,841	714,998
Differences between expected and actual experience	(3,616,791)	-
Changes in assumptions	3,292,183	(1,844,377)
Benefit payments	(820,675)	(827,000)
Net Change in Total OPEB Liability	25,965	(1,469,164)
Total OPEB Liability - Beginning	<u>19,238,442</u>	<u>20,707,606</u>
 Total OPEB Liability - Ending	 <u>\$ 19,264,407</u>	 <u>\$ 19,238,442</u>
 Covered - Employee Payroll	 \$ 4,967,680	 \$ 5,440,813
 City' Total OPEB Liability as a Percentage of Covered Employee Payroll	 387.79 %	 353.59 %

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, 2019

**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, 2019**

**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, 2019, 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, 2019 is presented below:

<b>Year</b>	<b>Estimated Annual Expenditures</b>	<b>Actual Expenditures</b>	<b>Funded by General Fund</b>
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

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

**City of Hibbing, Minnesota**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2019**

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 162,384	\$ 4,221,876	\$ 835,856	\$ 5,220,116
Receivables				
Taxes	6,963	17,910	-	24,873
Accounts	61	25,626	-	25,687
Special assessments	-	179,061	-	179,061
Due from other governments	-	352,266	-	352,266
Prepays	<u>14,365</u>	<u>-</u>	<u>-</u>	<u>14,365</u>
<b>Total Assets</b>	<b><u>\$ 183,773</u></b>	<b><u>\$ 4,796,739</u></b>	<b><u>\$ 835,856</u></b>	<b><u>\$ 5,816,368</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 6,588	\$ 16,192	\$ 300	\$ 23,080
Due to other governments	6,730	30,460	-	37,190
Accrued salaries payable	11,251	-	-	11,251
Contracts payable	-	72,602	-	72,602
Unearned revenue	<u>20,433</u>	<u>212,269</u>	<u>210,056</u>	<u>442,758</u>
<b>Total Liabilities</b>	<b><u>45,002</u></b>	<b><u>331,523</u></b>	<b><u>210,356</u></b>	<b><u>586,881</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	<u>-</u>	<u>154,626</u>	<u>-</u>	<u>154,626</u>
<b>Fund Balances</b>				
Nonspendable	14,365	-	-	14,365
Restricted	-	2,950,916	625,500	3,576,416
Committed	162,309	970,818	-	1,133,127
Assigned	-	408,336	-	408,336
Unassigned	<u>(37,903)</u>	<u>(19,480)</u>	<u>-</u>	<u>(57,383)</u>
<b>Total Fund Balances</b>	<b><u>138,771</u></b>	<b><u>4,310,590</u></b>	<b><u>625,500</u></b>	<b><u>5,074,861</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 183,773</u></b>	<b><u>\$ 4,796,739</u></b>	<b><u>\$ 835,856</u></b>	<b><u>\$ 5,816,368</u></b>

**City of Hibbing, Minnesota**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended December 31, 2019**

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 585,719	\$ 1,731,382	\$ -	\$ 2,317,101
Intergovernmental	323	946,081	240,112	1,186,516
Charges for services	8,973	32,883	-	41,856
Special assessments	-	56,999	-	56,999
Gifts and contributions	20,043	38,999	-	59,042
Investment earnings	1,645	78,509	-	80,154
<b>Total Revenues</b>	<b>616,703</b>	<b>2,884,853</b>	<b>240,112</b>	<b>3,741,668</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	711,112	14,819	-	725,931
<b>Capital outlay</b>				
General government	-	38,210	-	38,210
Public safety	-	141,397	-	141,397
Public works	-	1,446,920	-	1,446,920
Culture and recreation	-	987,389	-	987,389
Miscellaneous	-	70,087	-	70,087
<b>Debt service</b>				
Principal	-	315,000	180,000	495,000
Interest and other	-	41,674	60,812	102,486
<b>Total Expenditures</b>	<b>711,112</b>	<b>3,055,496</b>	<b>240,812</b>	<b>4,007,420</b>
<b>Deficiency of Revenues</b>				
<b>Under Expenditures</b>	<b>(94,409)</b>	<b>(170,643)</b>	<b>(700)</b>	<b>(265,752)</b>
<b>Other Financing Sources (Uses)</b>				
<b>Transfers in</b>	94,691	386,397	-	481,088
<b>Transfers out</b>	-	(216,397)	-	(216,397)
<b>Sale of capital assets</b>	-	19,561	-	19,561
<b>Total Other Financing Sources (Uses)</b>	<b>94,691</b>	<b>189,561</b>	<b>-</b>	<b>284,252</b>
<b>Net Change in Fund Balances</b>	<b>282</b>	<b>18,918</b>	<b>(700)</b>	<b>18,500</b>
<b>Fund Balances, January 1</b>	<b>107,704</b>	<b>3,483,588</b>	<b>626,200</b>	<b>4,217,492</b>
<b>Prior Period Adjustment (Note 13)</b>	<b>30,785</b>	<b>808,084</b>	<b>-</b>	<b>838,869</b>
<b>Fund Balances, December 31</b>	<b>\$ 138,771</b>	<b>\$ 4,310,590</b>	<b>\$ 625,500</b>	<b>\$ 5,074,861</b>

**City of Hibbing, Minnesota**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**December 31, 2019**

	<b>211</b>	<b>220</b>	<b>225</b>	<b>421</b>		<b>Total</b>
	<b>Library</b>	<b>Housing Incentive</b>	<b>Small Cities Development</b>	<b>Minnesota Investment Revolving Loans</b>		
<b>Assets</b>						
Cash and temporary investments	\$ 75	\$ 51,190	\$ 26,270	\$ 84,849		\$ 162,384
Receivables						
Taxes	6,963	-	-	-		6,963
Accounts	61	-	-	-		61
Prepays	<u>14,365</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>14,365</u>
<b>Total Assets</b>	<b><u>21,464</u></b>	<b><u>51,190</u></b>	<b><u>26,270</u></b>	<b><u>84,849</u></b>		<b><u>183,773</u></b>
<b>Liabilities</b>						
Accounts and other payables	\$ 6,588	\$ -	\$ -	\$ -		\$ 6,588
Due to other governments	6,730	-	-	-		6,730
Accrued salaries payable	11,251	-	-	-		11,251
Unearned revenue	<u>20,433</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>20,433</u>
<b>Total Liabilities</b>	<b><u>45,002</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>		<b><u>45,002</u></b>
<b>Fund Balances</b>						
Nonspendable	14,365	-	-	-		14,365
Committed	-	51,190	26,270	84,849		162,309
Unassigned	<u>(37,903)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(37,903)</u>
<b>Total Fund Balances</b>	<b><u>(23,538)</u></b>	<b><u>51,190</u></b>	<b><u>26,270</u></b>	<b><u>84,849</u></b>		<b><u>138,771</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>21,464</u></b>	<b><u>51,190</u></b>	<b><u>26,270</u></b>	<b><u>84,849</u></b>		<b><u>183,773</u></b>

**City of Hibbing, Minnesota**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended December 31, 2019**

	<b>211</b>	<b>220</b>	<b>225</b>	<b>421</b>	<b>Minnesota Investment Revolving Loans</b>	<b>Total</b>
	<b>Library</b>	<b>Housing Incentive</b>	<b>Small Cities Development</b>	<b>Minnesota Investment Revolving Loans</b>		
<b>Revenues</b>						
Taxes	\$ 585,719	\$ -	\$ -	\$ -		\$ 585,719
Intergovernmental	323	-	-	-		323
Charges for services	8,973	-	-	-		8,973
Gifts and contributions	20,043					20,043
Investment earnings	-	1,078	553	14		1,645
<b>Total Revenues</b>	<b>615,058</b>	<b>1,078</b>	<b>553</b>	<b>14</b>		<b>616,703</b>
<b>Expenditures</b>						
Current						
Culture and recreation	<b>711,112</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>711,112</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(96,054)</b>	<b>1,078</b>	<b>553</b>	<b>14</b>		<b>(94,409)</b>
<b>Other Financing Sources</b>						
Transfers in	<b>94,691</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>94,691</b>
<b>Net Change in Fund Balances</b>	<b>(1,363)</b>	<b>1,078</b>	<b>553</b>	<b>14</b>		<b>282</b>
Fund Balances, January 1	(52,960)	50,112	25,717	84,835		107,704
Prior Period Adjustment (Note 13)	<b>30,785</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>30,785</b>
<b>Fund Balances, December 31</b>	<b>\$ (23,538)</b>	<b>\$ 51,190</b>	<b>\$ 26,270</b>	<b>\$ 84,849</b>		<b>\$ 138,771</b>

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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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 586,044	\$ 586,044	\$ 585,719	\$ (325)
Intergovernmental	-	-	323	323
Charges for services	12,100	12,100	8,973	(3,127)
Gifts and contributions	18,623	18,623	20,043	1,420
<b>Total Revenues</b>	<b>616,767</b>	<b>616,767</b>	<b>615,058</b>	<b>(1,709)</b>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation				
Personnel services	487,586	487,586	531,586	(44,000)
Supplies	88,550	88,550	90,088	(1,538)
Other	81,450	81,450	89,438	(7,988)
<b>Total Expenditures</b>	<b>657,586</b>	<b>657,586</b>	<b>711,112</b>	<b>(53,526)</b>
<b>Deficiency of Revenues</b>				
<b>Under Expenditures</b>	<b>(40,819)</b>	<b>(40,819)</b>	<b>(96,054)</b>	<b>(55,235)</b>
<b>Other Financing Sources</b>				
Transfer in	40,819	40,819	94,691	53,872
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(1,363)</b>	<b>(1,363)</b>
<b>Fund Balances, January 1</b>	<b>(52,960)</b>	<b>(52,960)</b>	<b>(52,960)</b>	<b>-</b>
<b>Prior Period Adjustment (Note 13)</b>	<b>-</b>	<b>-</b>	<b>30,785</b>	<b>30,785</b>
<b>Fund Balances, December 31</b>	<b>\$ (52,960)</b>	<b>\$ (52,960)</b>	<b>\$ (23,538)</b>	<b>\$ 29,422</b>

**City of Hibbing, Minnesota**  
**Nonmajor Capital Projects Funds**  
**Combining Balance Sheet**  
**December 31, 2019**

	<b>401, 402</b>	<b>415</b>	<b>430</b>	<b>400</b>
	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
<b>Assets</b>				
Cash and temporary investments	\$ 403,877	\$ (9,387)	\$ 4,301	\$ 3,081,644
Receivables				
Taxes	2,376	-	-	15,534
Accounts	-	-	4,717	11,909
Special assessments	-	179,061	-	-
Due from other governments	<u>307,581</u>	<u>-</u>	<u>-</u>	<u>44,685</u>
<b>Total Assets</b>	<u><u>\$ 713,834</u></u>	<u><u>\$ 169,674</u></u>	<u><u>\$ 9,018</u></u>	<u><u>\$ 3,153,772</u></u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,192
Due to other governments	-	30,460	-	-
Contracts payable	32,391	4,068	-	36,143
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u><u>32,391</u></u>	<u><u>34,528</u></u>	<u><u>-</u></u>	<u><u>52,335</u></u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	<u>-</u>	<u>154,626</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	681,443	-	-	1,772,242
Committed	-	-	9,018	961,800
Assigned	-	-	-	367,395
Unassigned	-	(19,480)	-	-
<b>Total Fund Balances</b>	<u><u>681,443</u></u>	<u><u>(19,480)</u></u>	<u><u>9,018</u></u>	<u><u>3,101,437</u></u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 713,834</u></u>	<u><u>\$ 169,674</u></u>	<u><u>\$ 9,018</u></u>	<u><u>\$ 3,153,772</u></u>

**City of Hibbing, Minnesota**  
**Nonmajor Capital Projects Funds**  
**Combining Balance Sheet (Continued)**  
**December 31, 2019**

	<b>403</b>	<b>431</b>	<b>450</b>	
	Mining Effects	Raceway	MDI Maintenance	Total
<b>Assets</b>				
Cash and temporary investments	\$ 497,231	\$ 222,100	\$ 22,110	\$ 4,221,876
Receivables				
Taxes	-	-	-	17,910
Accounts	-	9,000	-	25,626
Special assessments	-	-	-	179,061
Due from other governments	-	-	-	352,266
<b>Total Assets</b>	<b><u>\$ 497,231</u></b>	<b><u>\$ 231,100</u></b>	<b><u>\$ 22,110</u></b>	<b><u>\$ 4,796,739</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,192
Due to other governments	-	-	-	30,460
Contracts payable	-	-	-	72,602
Unearned revenue	-	212,269	-	212,269
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>212,269</u></b>	<b><u>-</u></b>	<b><u>331,523</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	154,626
<b>Fund Balances</b>				
Restricted	497,231	-	-	2,950,916
Committed	-	-	-	970,818
Assigned	-	18,831	22,110	408,336
Unassigned	-	-	-	(19,480)
<b>Total Fund Balances</b>	<b><u>497,231</u></b>	<b><u>18,831</u></b>	<b><u>22,110</u></b>	<b><u>4,310,590</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 497,231</u></b>	<b><u>\$ 231,100</u></b>	<b><u>\$ 22,110</u></b>	<b><u>\$ 4,796,739</u></b>

**City of Hibbing, Minnesota**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended December 31, 2019**

	<b>401, 402</b>	<b>415</b>	<b>430</b>	<b>400</b>
	Permanent Improvement	Privately-Financed	Memorial Building	Capital Equipment and Improvement
<b>Revenues</b>				
Taxes	\$ 199,890	\$ -	\$ -	\$ 1,306,627
Intergovernmental	768,661	-	-	177,420
Charges for services	-	-	20,883	-
Special assessments	-	56,999	-	-
Gifts and Contributions	-	-	-	38,999
Investment earnings	21,671	14	1,353	50,358
<b>Total Revenues</b>	<b>990,222</b>	<b>57,013</b>	<b>22,236</b>	<b>1,573,404</b>
<b>Expenditures</b>				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	-	-	38,210
Public safety	-	-	-	141,397
Public works	1,109,287	82,055	-	255,578
Culture and recreation	-	-	325	987,064
Miscellaneous	-	-	-	70,087
Debt service				
Principal	-	-	-	315,000
Interest and other	-	-	-	41,674
<b>Total Expenditures</b>	<b>1,109,287</b>	<b>82,055</b>	<b>325</b>	<b>1,849,010</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(119,065)</b>	<b>(25,042)</b>	<b>21,911</b>	<b>(275,606)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	386,397
Transfers out	(146,397)	-	(70,000)	-
Sale of capital assets	-	-	-	19,561
<b>Total Other</b>				
<b>Financing Sources (Uses)</b>	<b>(146,397)</b>	<b>-</b>	<b>(70,000)</b>	<b>405,958</b>
<b>Net Change in Fund Balances</b>	<b>(265,462)</b>	<b>(25,042)</b>	<b>(48,089)</b>	<b>130,352</b>
Fund Balances, January 1	946,905	5,562	57,107	2,163,001
Prior Period Adjustment (Note 13)	-	-	-	808,084
<b>Fund Balances, December 31</b>	<b>\$ 681,443</b>	<b>\$ (19,480)</b>	<b>\$ 9,018</b>	<b>\$ 3,101,437</b>

**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, 2019**

	<b>403</b>	<b>431</b>	<b>450</b>	
	Mining Effects	Raceway	MDI Maintenance	Total
<b>Revenues</b>				
Taxes	\$ 224,865	\$ -	\$ -	\$ 1,731,382
Intergovernmental	-	-	-	946,081
Charges for services	-	12,000	-	32,883
Special assessments	-	-	-	56,999
Gifts and Contributions	-	-	-	38,999
Investment earnings	-	4,648	465	78,509
<b>Total Revenues</b>	<b>224,865</b>	<b>16,648</b>	<b>465</b>	<b>2,884,853</b>
<b>Expenditures</b>				
Current				
Culture and recreation	-	14,819	-	14,819
Capital outlay				
General government	-	-	-	38,210
Public safety	-	-	-	141,397
Public works	-	-	-	1,446,920
Culture and recreation	-	-	-	987,389
Miscellaneous	-	-	-	70,087
Debt service				
Principal	-	-	-	315,000
Interest and other	-	-	-	41,674
<b>Total Expenditures</b>	<b>-</b>	<b>14,819</b>	<b>-</b>	<b>3,055,496</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>224,865</b>	<b>1,829</b>	<b>465</b>	<b>(170,643)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	386,397
Transfers out	-	-	-	(216,397)
Sale of capital assets	-	-	-	19,561
<b>Total Other</b>				
<b>Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,561</b>
<b>Net Change in Fund Balances</b>	<b>224,865</b>	<b>1,829</b>	<b>465</b>	<b>18,918</b>
Fund Balances, January 1	272,366	17,002	21,645	3,483,588
Prior Period Adjustment (Note 13)	-	-	-	808,084
<b>Fund Balances, December 31</b>	<b>\$ 497,231</b>	<b>\$ 18,831</b>	<b>\$ 22,110</b>	<b>\$ 4,310,590</b>

**City of Hibbing, Minnesota**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**December 31, 2019**

	<b>395</b>	<b>396</b>	<b>308</b>	
	2002 G.O. Refunding Bonds	2013A G.O. Bonds	2018A G.O. Bonds	Total
<b>Assets</b>				
Cash and temporary investments	<u>\$ 357,631</u>	<u>\$ 477,235</u>	<u>\$ 990</u>	<u>\$ 835,856</u>
<b>Liabilities</b>				
Accounts and other payables	\$ -	\$ 300	\$ -	\$ 300
Unearned revenue	<u>-</u>	<u>210,056</u>	<u>-</u>	<u>210,056</u>
Total Liabilities	<u>-</u>	<u>210,356</u>	<u>-</u>	<u>210,356</u>
<b>Fund Balances</b>				
Restricted for debt service	<u>357,631</u>	<u>266,879</u>	<u>990</u>	<u>625,500</u>
Total Liabilities and Fund Balance	<u>\$ 357,631</u>	<u>\$ 477,235</u>	<u>\$ 990</u>	<u>\$ 835,856</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, 2019**

	<b>395</b>	<b>396</b>	<b>308</b>	
	2002 G.O. Refunding Bonds	2013A G.O. Bonds	2018A G.O. Bonds	Total
Revenues				
Intergovernmental	\$ -	\$ 240,112	\$ -	\$ 240,112
Expenditures				
Debt service				
Principal	- -	180,000	- -	180,000
Interest and other	- -	60,812	- -	60,812
Total Expenditures	- -	240,812	- -	240,812
Net Change in Fund Balances		(700)		(700)
Fund Balances, January 1	<u>357,631</u>	<u>267,579</u>	<u>990</u>	<u>626,200</u>
Fund Balances, December 31	<u>\$ 357,631</u>	<u>\$ 266,879</u>	<u>\$ 990</u>	<u>\$ 625,500</u>

**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, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes	\$ 4,889,476	\$ 4,889,476	\$ 4,604,084	\$ (285,392)
Taconite	1,826,100	1,826,100	2,400,258	574,158
Franchise	136,000	136,000	130,763	(5,237)
<b>Total taxes</b>	<b>6,851,576</b>	<b>6,851,576</b>	<b>7,135,105</b>	<b>283,529</b>
<b>Licenses and permits</b>				
Business	103,415	103,415	168,078	64,663
<b>Intergovernmental</b>				
<b>Federal</b>				
Transportation	91,875	91,875	81,667	(10,208)
Other	239,285	239,285	218,540	(20,745)
<b>State</b>				
Local government aid	8,145,651	8,145,651	8,145,651	-
Market value credit	-	-	2,696	2,696
PERA aid	24,366	24,366	24,366	-
Transportation	260,125	260,125	280,953	20,828
Police and fire aid	297,000	297,000	318,294	21,294
Other	68,588	68,588	93,052	24,464
<b>Local</b>				
Other	25,840	25,840	146,512	120,672
<b>Total intergovernmental</b>	<b>9,152,730</b>	<b>9,152,730</b>	<b>9,311,731</b>	<b>159,001</b>
<b>Charges for services</b>				
General government	78,400	78,400	79,786	1,386
Public Safety	1,608,000	1,608,000	1,792,813	184,813
Highways and streets	1,000	1,000	-	(1,000)
Culture and Recreation	250,887	250,887	243,610	(7,277)
Cemetery	75,050	75,050	74,115	(935)
<b>Total charges for services</b>	<b>2,013,337</b>	<b>2,013,337</b>	<b>2,190,324</b>	<b>176,987</b>
<b>Fines and forfeitures</b>	<b>86,000</b>	<b>86,000</b>	<b>83,725</b>	<b>(2,275)</b>
<b>Investment earnings</b>	<b>100,000</b>	<b>100,000</b>	<b>510,090</b>	<b>410,090</b>
<b>Contributions and donations</b>	<b>1,200</b>	<b>1,200</b>	<b>33,547</b>	<b>32,347</b>
<b>Miscellaneous</b>				
Other	55,266	55,266	26,628	(28,638)
<b>Total Revenues</b>	<b>18,363,524</b>	<b>18,363,524</b>	<b>19,459,228</b>	<b>1,095,704</b>
<b>Expenditures</b>				
<b>Current</b>				
General government				
Mayor and council				
Personnel services	311,923	311,923	235,466	76,457
Supplies	4,500	4,500	856	3,644
Other services and charges	33,400	33,400	44,176	(10,776)
Total mayor and council	<b>349,823</b>	<b>349,823</b>	<b>280,498</b>	<b>69,325</b>

**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current (continued)				
General government (continued)				
Administration				
Personnel services	\$ 163,755	\$ 163,755	\$ 175,904	\$ (12,149)
Supplies	4,000	4,000	1,412	2,588
Other services and charges	11,380	11,380	2,957	8,423
Total administration	<u>179,135</u>	<u>179,135</u>	<u>180,273</u>	<u>(1,138)</u>
Elections				
Personnel services	-	-	909	(909)
Supplies	-	-	165	(165)
Other services and charges	5,100	5,100	2,370	2,730
Total elections	<u>5,100</u>	<u>5,100</u>	<u>3,444</u>	<u>1,656</u>
City clerk				
Personnel services	486,123	486,123	487,101	(978)
Supplies	13,500	13,500	6,809	6,691
Other services and charges	47,000	47,000	32,441	14,559
Total city clerk	<u>546,623</u>	<u>546,623</u>	<u>526,351</u>	<u>20,272</u>
City hall				
Supplies	23,677	23,677	19,959	3,718
Other services and charges	73,000	73,000	72,802	198
Total city hall	<u>96,677</u>	<u>96,677</u>	<u>92,761</u>	<u>3,916</u>
Accounting				
Other services and charges	70,000	70,000	85,761	(15,761)
Data processing				
Supplies	3,700	3,700	367	3,333
Other services and charges	123,760	123,760	116,133	7,627
Total data processing	<u>127,460</u>	<u>127,460</u>	<u>116,500</u>	<u>10,960</u>
Legal				
Other services and charges	128,000	128,000	120,135	7,865
Personnel administration				
Personnel services	108,407	108,407	105,550	2,857
Supplies	4,300	4,300	1,837	2,463
Other services and charges	62,200	62,200	39,975	22,225
Total personnel administration	<u>174,907</u>	<u>174,907</u>	<u>147,362</u>	<u>27,545</u>
Zoning and housing				
Personnel services	223,759	223,759	165,671	58,088
Supplies	3,200	3,200	1,997	1,203
Other services and charges	46,700	46,700	21,500	25,200
Total zoning and housing	<u>273,659</u>	<u>273,659</u>	<u>189,168</u>	<u>84,491</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued)</b>				
<b>Current (continued)</b>				
Assessor				
Personnel services	\$ 69,866	\$ 69,866	\$ 66,382	\$ 3,484
Supplies	300	300	196	104
Other services and charges	2,200	2,200	1,869	331
Total assessor	<u>72,366</u>	<u>72,366</u>	<u>68,447</u>	<u>3,919</u>
Total general government	<u>2,023,750</u>	<u>2,023,750</u>	<u>1,810,700</u>	<u>213,050</u>
Public safety				
Police				
Personnel services	3,104,736	3,104,736	3,252,991	(148,255)
Supplies	233,360	233,360	227,599	5,761
Other services and charges	196,450	196,450	223,832	(27,382)
Total police	<u>3,534,546</u>	<u>3,534,546</u>	<u>3,704,422</u>	<u>(169,876)</u>
Animal shelter				
Supplies	7,000	7,000	1,812	5,188
Other services and charges	105,200	105,200	73,219	31,981
Total animal shelter	<u>112,200</u>	<u>112,200</u>	<u>75,031</u>	<u>37,169</u>
Fire				
Personnel services	2,040,872	2,040,872	1,864,874	175,998
Supplies	122,997	122,997	77,036	45,961
Other services and charges	155,200	155,200	105,890	49,310
Total fire	<u>2,319,069</u>	<u>2,319,069</u>	<u>2,047,800</u>	<u>271,269</u>
Paid on-call				
Personnel services	63,202	63,202	25,837	37,365
Supplies	74,700	74,700	23,115	51,585
Other services and charges	71,700	71,700	47,150	24,550
Total paid on-call	<u>209,602</u>	<u>209,602</u>	<u>96,102</u>	<u>113,500</u>
Civil defense				
Other services and charges	17,000	17,000	5,181	11,819
Ambulance				
Personnel services	1,014,915	1,014,915	997,403	17,512
Supplies	107,006	107,006	131,496	(24,490)
Other services and charges	139,200	139,200	129,101	10,099
Total ambulance	<u>1,261,121</u>	<u>1,261,121</u>	<u>1,258,000</u>	<u>3,121</u>
Total public safety	<u>7,453,538</u>	<u>7,453,538</u>	<u>7,186,536</u>	<u>267,002</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, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued)</b>				
<b>Current (continued)</b>				
<b>Public works</b>				
<b>Engineering</b>				
Personnel services	\$ 341,946	\$ 341,946	\$ 349,591	\$ (7,645)
Supplies	9,426	9,426	6,897	2,529
Other services and charges	31,700	31,700	30,952	748
Total engineering	<u>383,072</u>	<u>383,072</u>	<u>387,440</u>	<u>(4,368)</u>
<b>Streets and alleys</b>				
Personnel services	1,414,193	1,414,193	1,500,914	(86,721)
Supplies	544,212	544,212	595,178	(50,966)
Other services and charges	237,000	237,000	145,828	91,172
Total streets and alleys	<u>2,195,405</u>	<u>2,195,405</u>	<u>2,241,920</u>	<u>(46,515)</u>
<b>Street lighting</b>				
Other services and charges	57,000	57,000	50,877	6,123
<b>Garage</b>				
Personnel services	403,638	403,638	308,346	95,292
Supplies	48,500	48,500	70,716	(22,216)
Other services and charges	164,000	164,000	144,515	19,485
Total garage	<u>616,138</u>	<u>616,138</u>	<u>523,577</u>	<u>92,561</u>
<b>Total public works</b>	<u>3,251,615</u>	<u>3,251,615</u>	<u>3,203,814</u>	<u>47,801</u>
<b>Culture and recreation</b>				
<b>Recreation</b>				
Supplies	25,600	25,600	19,358	6,242
Other services and charges	37,500	37,500	32,521	4,979
Total recreation	<u>63,100</u>	<u>63,100</u>	<u>51,879</u>	<u>11,221</u>
<b>Memorial building</b>				
Personnel services	2,303	2,303	1,127	1,176
Supplies	70,265	70,265	71,725	(1,460)
Other services and charges	265,900	265,900	294,025	(28,125)
Total memorial building	<u>338,468</u>	<u>338,468</u>	<u>366,877</u>	<u>(28,409)</u>
<b>Municipal golf course</b>				
Supplies	21,611	21,611	19,390	2,221
Other services and charges	29,900	29,900	26,536	3,364
Total municipal golf course	<u>51,511</u>	<u>51,511</u>	<u>45,926</u>	<u>5,585</u>
<b>Parks</b>				
Supplies	94,629	94,629	69,593	25,036
Other services and charges	61,330	61,330	71,374	(10,044)
Total parks	<u>155,959</u>	<u>155,959</u>	<u>140,967</u>	<u>14,992</u>
<b>City services</b>				
<b>Personnel services</b>				
Personnel services	1,605,434	1,605,434	1,588,509	16,925
<b>Total culture and recreation</b>	<u>2,214,472</u>	<u>2,214,472</u>	<u>2,194,158</u>	<u>20,314</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current (continued)				
Economic development				
Administration				
Supplies	\$ 300	\$ 300	\$ 115	\$ 185
Other services and charges	72,200	72,200	11,316	60,884
Total economic development	<u>72,500</u>	<u>72,500</u>	<u>11,431</u>	<u>61,069</u>
Transportation				
Bus				
Personnel services	17,940	17,940	12,350	5,590
Supplies	76,480	76,480	59,236	17,244
Other services and charges	343,160	343,160	341,217	1,943
Total transportation	<u>437,580</u>	<u>437,580</u>	<u>412,803</u>	<u>24,777</u>
Miscellaneous				
Cemetery				
Personnel services	200,596	200,596	206,986	(6,390)
Supplies	34,475	34,475	27,031	7,444
Other services and charges	21,000	21,000	12,480	8,520
Total cemetery	<u>256,071</u>	<u>256,071</u>	<u>246,497</u>	<u>9,574</u>
Public access				
Other services and charges	<u>110,000</u>	<u>110,000</u>	<u>123,309</u>	<u>(13,309)</u>
Insurance				
Other services and charges	<u>2,265,679</u>	<u>2,265,679</u>	<u>1,935,764</u>	<u>329,915</u>
Donations and contributions				
Other services and charges	<u>40,000</u>	<u>40,000</u>	<u>21,571</u>	<u>18,429</u>
Other				
Other services and charges	<u>155,800</u>	<u>155,800</u>	<u>56,106</u>	<u>99,694</u>
Total miscellaneous	<u>2,827,550</u>	<u>2,827,550</u>	<u>2,383,247</u>	<u>444,303</u>
Total current	<u>18,281,005</u>	<u>18,281,005</u>	<u>17,202,689</u>	<u>1,078,316</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current (continued)				
Debt service				
Principal	\$ 31,200	\$ 31,200	\$ 33,064	\$ (1,864)
Interest and other	10,500	10,500	9,248	1,252
Total Debt Service	<u>41,700</u>	<u>41,700</u>	<u>42,312</u>	<u>(612)</u>
Total Expenditures	<u>18,322,705</u>	<u>18,322,705</u>	<u>17,245,001</u>	<u>1,077,704</u>
Excess of Revenues Over Expenditures	<u>40,819</u>	<u>40,819</u>	<u>2,214,227</u>	<u>2,173,408</u>
Other Financing Sources (Uses)				
Transfers out	(40,819)	(40,819)	(94,691)	(53,872)
Sale of capital assets	-	-	5,231	5,231
Total Other Financing Sources (Uses)	<u>(40,819)</u>	<u>(40,819)</u>	<u>(89,460)</u>	<u>(48,641)</u>
Net Change in Fund Balances	-	-	2,124,767	2,124,767
Fund Balances, January 1	18,716,116	18,716,116	18,716,116	-
Prior Period Adjustment (Note 13)	-	-	<u>1,008,189</u>	<u>1,008,189</u>
Fund Balances, December 31	<u>\$ 18,716,116</u>	<u>\$ 18,716,116</u>	<u>\$ 21,849,072</u>	<u>\$ 3,132,956</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, 2019**

	Governmental Activities				
	Special Revenue Funds		Debt Service Funds		
	255	250	392,417	375	
	General Fund	Economic Development	Tax Increment XII	Animal Shelter	
<b>Assets</b>					
Cash and temporary investments	\$ 536,884	\$ 1,203,032	\$ 24,491	\$ 115,903	
Restricted cash and temporary investments	-	-	-	46,377	
Receivables					
Taxes	1,250	-	-	-	
Accounts	500	540	-	-	
Loans receivable, net of allowance	-	1,810,937	-	197,565	
Due from other funds	-	123,000	-	-	
Prepaid items	7,800	-	-	-	
Capital assets					
Buildings	-	-	-	-	
Less accumulated depreciation	-	-	-	-	
<b>Total Assets</b>	<b>\$ 546,434</b>	<b>\$ 3,137,509</b>	<b>\$ 24,491</b>	<b>\$ 359,845</b>	
<b>Liabilities</b>					
Accounts payable	\$ 3,074	\$ 4	\$ 300	\$ -	
Accrued salaries payable	1,545	-	-	-	
Due to other funds	-	-	-	-	
Unearned revenue	-	-	-	-	
Loans payable	-	-	-	-	
Due to other governments	-	-	497	-	
<b>Total Liabilities</b>	<b>4,619</b>	<b>4</b>	<b>797</b>	<b>-</b>	

**City of Hibbing, Minnesota**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Combining Balance Sheet and Statement of Net Position (Continued)**  
**December 31, 2019**

	<u>Governmental Activities</u>			
	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>255</u>	<u>250</u>	<u>392,417</u>	<u>375</u>
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
<b>Fund Balances/Net Position</b>				
<b>Fund balances</b>				
Restricted for debt service	\$ -	\$ -	\$ 23,694	\$ 359,845
Restricted economic development	- -	- -	- -	- -
Committed	541,815	3,137,505	- -	- -
Assigned	- -	- -	- -	- -
<b>Net position</b>				
Net investment in capital assets	- -	- -	- -	- -
Unrestricted	- -	- -	- -	- -
<b>Total Fund Balances/ Net Position</b>	<u>541,815</u>	<u>3,137,505</u>	<u>23,694</u>	<u>359,845</u>
<b>Total Liabilities, and Fund Balances/ Net Position</b>	<u><u>\$ 546,434</u></u>	<u><u>\$ 3,137,509</u></u>	<u><u>\$ 24,491</u></u>	<u><u>\$ 359,845</u></u>

**City of Hibbing, Minnesota**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Combining Balance Sheet and Statement of Net Position (Continued)**  
**December 31, 2019**

	Governmental Activities				Business-Type Activities - Enterprise Funds	
	Capital Project Funds					
	420 Storefront Renovation Project	412 District VIII Tax Increment	440 Tax Abatement	610 1111 7th Ave East		
<b>Assets</b>						
Cash and temporary investments	\$ 89,757	\$ 129,571	\$ 79,287	\$ 43,921	\$ 2,222,846	
Restricted cash and temporary investments	-	-	-	-	46,377	
<b>Receivables</b>						
Taxes	-	-	677	-	1,927	
Accounts	-	-	-	12,670	13,710	
Loans receivable, net of allowance	232,437	-	-	-	2,240,939	
Due from other funds	-	-	-	-	123,000	
Prepaid items	-	-	-	-	7,800	
<b>Capital assets</b>						
Buildings	-	-	-	568,397	568,397	
Less accumulated depreciation	-	-	-	(9,473)	(9,473)	
<b>Total Assets</b>	<u>\$ 322,194</u>	<u>\$ 129,571</u>	<u>\$ 79,964</u>	<u>\$ 615,515</u>	<u>\$ 5,215,523</u>	
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 3,938	\$ -	\$ 7,316	
Accrued salaries payable	-	-	-	-	1,545	
Due to other funds	123,000	-	-	-	123,000	
Unearned revenue	-	-	-	7,500	7,500	
Loans payable	-	-	-	600,000	600,000	
Due to other governments	-	497	-	3,350	4,344	
<b>Total Liabilities</b>	<u>123,000</u>	<u>497</u>	<u>3,938</u>	<u>610,850</u>	<u>743,705</u>	

**City of Hibbing, Minnesota**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Combining Balance Sheet and Statement of Net Position (Continued)**  
**December 31, 2019**

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420 Storefront Renovation Project	412 District VIII Tax Increment	440 Tax Abatement	610 1111 7th Ave East	Total
<b>Fund Balances/Net Position</b>					
Fund balances					
Restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ 383,539
Restricted economic development	-	129,074	-	-	129,074
Committed	-	-	-	-	3,679,320
Assigned	199,194	-	76,026	-	275,220
Net position					
Net investment in capital assets	-	-	-	(41,076)	(41,076)
Unrestricted	-	-	-	45,741	45,741
Total Fund Balances/ Net Position	199,194	129,074	76,026	4,665	4,471,818
Total Liabilities, and Fund Balances/ Net Position	\$ 322,194	\$ 129,571	\$ 79,964	\$ 615,515	\$ 5,215,523

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

Total Fund Balances/Net Position Reported above \$ 4,471,818

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	(5,910)

Noncurrent liabilities are not due and payable in the  
current period and therefore are not reported as liabilities in the funds.

Bonds payable	(980,718)
Net Pension Liability	(2,370)

Governmental funds do not report a liability for accrued interest until due and payable. (19,384)

Governmental funds of the Economic Development Authority do not report long-term amounts related to pensions.

Deferred outflows of resources	244
Deferred inflows of resources	(617)

Total Net Position - Economic Development Authority \$ 3,620,507

**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, 2019**

	Governmental Activities				
	Special Revenue Funds		Debt Service Funds		
	255	250	392, 417	375	
	General Fund	Economic Development	Tax Increment XII	Animal Shelter	
<b>Revenues</b>					
Taxes					
General property taxes	\$ 105,119	\$ -	\$ -	\$ -	-
Tax increments	-	-	62,468	-	-
Intergovernmental	58	-	-	-	-
Charges for services	-	-	-	-	-
Interest in capital lease	-	-	-	-	9,248
Interest earnings	10,404	9,155	-	-	8
Miscellaneous	-	54,950	-	-	-
<b>Total Revenues</b>	<b>115,581</b>	<b>64,105</b>	<b>62,468</b>	<b>62,468</b>	<b>9,256</b>
<b>Expenditures/Expenses</b>					
Current					
Housing and economic development					
Community development	(2,500)	-	-	-	-
Administration	94,514	1,718	1,202	-	-
Professional services	9,859	-	-	-	-
Depreciation	-	-	-	-	-
Debt service/nonoperating expense					
Principal	-	-	20,000	33,064	-
Interest and other	-	-	39,123	9,248	-
<b>Total Expenditures/Expenses</b>	<b>101,873</b>	<b>1,718</b>	<b>60,325</b>	<b>60,325</b>	<b>42,312</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures/Expenses</b>	<b>13,708</b>	<b>62,387</b>	<b>2,143</b>	<b>(33,056)</b>	
<b>Other Financing Sources</b>					
Sale of capital assets	60,000	-	-	-	-

**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, 2019**

	Governmental Activities				Business-Type Activities - Enterprise Funds	
	Capital Project Funds				610	
	420	412	440			
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement		1111 7th Ave East	Total
<b>Revenues</b>						
Taxes						
General property taxes	\$ -	\$ -	\$ 56,968	\$ -	\$ 162,087	
Tax increments	- -	13,379	- -	- -	75,847	
Intergovernmental	- -	- -	31	- -	89	
Charges for services	- -	- -	- -	24,300	24,300	
Interest in capital lease	- -	- -	- -	- -	9,248	
Interest earnings	- -	2,520	1,387	- -	- -	23,474
Miscellaneous	12,141	- -	- -	- -	- -	67,091
<b>Total Revenues</b>	<b>12,141</b>	<b>15,899</b>	<b>58,386</b>	<b>24,300</b>	<b>362,136</b>	
<b>Expenditures/Expenses</b>						
Current						
Housing and economic development						
Community development	- -	- -	- -	- -	(2,500)	
Administration	- -	1,202	42,977	10,162	151,775	
Professional services	- -	- -	- -	- -	9,859	
Depreciation	- -	- -	- -	9,473	9,473	
Debt service/nonoperating expense						
Principal	- -	- -	- -	- -	53,064	
Interest and other	- -	- -	- -	- -	48,371	
<b>Total Expenditures/Expenses</b>	<b>- -</b>	<b>1,202</b>	<b>42,977</b>	<b>19,635</b>	<b>270,042</b>	
<b>Excess (Deficiency) of Revenues</b>						
Over (Under) Expenditures/Expenses	12,141	14,697	15,409	4,665	92,094	
<b>Other Financing Sources</b>						
Sale of capital assets	- -	- -	- -	- -	60,000	

**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, 2019**

	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	\$ 73,708	\$ 62,387	\$ 2,143	\$ (33,056)
Fund Balances/ Net Position, January 1	468,107	1,803,455	21,551	162,272
Prior Period Adjustment (Note 13)	-	1,271,663	-	230,629
Fund Balances/Net Position, December 31	<u>\$ 541,815</u>	<u>\$ 3,137,505</u>	<u>\$ 23,694</u>	<u>\$ 359,845</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, 2019**

	Governmental Activities			Business-Type	
				Activities -	
				Enterprise	
	Capital Project Funds			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	\$ 12,141	\$ 14,697	\$ 15,409	\$ 4,665	\$ 152,094
Fund Balances/ Net Position, January 1	(70,685)	114,377	60,617	-	2,559,694
Prior Period Adjustment (Note 13)	<u>257,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,760,030</u>
Fund Balances/Net Position, December 31	<u>\$ 199,194</u>	<u>\$ 129,074</u>	<u>\$ 76,026</u>	<u>\$ 4,665</u>	<u>\$ 4,471,818</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 \$ 152,094

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 Economic Development Authority reports 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. (136,528)

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.

Principal repayments 53,064  
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. 878

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 (148)

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

Pension expense 5,786  
Pension revenue from state contributions 6

Change in Net Position - Economic Development Authority

\$ 72,784

**City of Hibbing, Minnesota**  
**Economic Development Authority**  
**(Discretely Presented Component Unit)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	<u>Business-type Activities - Enterprise Funds</u>
	<b><u>610</u></b>
	<b><u>1111 7th Ave East</u></b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 19,130
Payments to suppliers	<u>(6,812)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>12,318</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	(568,397)
Proceeds of loans issued	<u>600,000</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>31,603</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b><u>43,921</u></b>
<b>Cash and Cash Equivalents, January 1</b>	<b><u>-</u></b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u>\$ 43,921</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 4,665
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	9,473
(Increase) in assets	<u>(12,670)</u>
Accounts receivable	3,350
Increase in liabilities	<u>7,500</u>
Due to other governments	12,318
Unearned revenue	
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 12,318</u></b>

**City of Hibbing, Minnesota**  
**Summary Financial Report**  
**Revenues and Expenditures For General Operations**  
**Governmental Funds**  
**For the Year Ended December 31, 2019**

	Total		Percent Increase (Decrease)
	2019	2018	
<b>Revenues</b>			
Taxes	\$ 9,964,223	\$ 9,345,081	6.63 %
Special assessments	56,999	58,659	(2.83)
Licenses and permits	168,078	148,575	13.13
Intergovernmental	10,498,529	11,151,265	(5.85)
Charges for services	2,232,180	2,071,237	7.77
Fines and forfeitures	83,725	85,821	(2.44)
Gifts and contributions	92,589	232,501	(60.18)
Investment earnings	784,406	325,660	140.87
Miscellaneous	26,628	31,486	(15.43)
 Total Revenues	 \$ 23,907,357	 \$ 23,450,285	1.95 %
Per Capita	\$ 1,462	\$ 1,444	1.22 %
 <b>Expenditures</b>			
<b>Current</b>			
General government	\$ 1,810,700	\$ 1,899,926	(4.70) %
Public safety	7,186,536	6,610,260	8.72
Public works	3,203,814	3,258,645	(1.68)
Culture and recreation	2,920,089	2,800,497	4.27
Economic development	11,431	17,672	(35.32)
Transportation	412,803	425,822	(3.06)
Miscellaneous	2,383,247	2,190,739	8.79
<b>Capital outlay</b>			
General government	38,210	94,243	(59.46)
Public safety	141,397	152,407	(7.22)
Public works	1,446,920	2,714,097	(46.69)
Culture and recreation	987,389	3,033,154	(67.45)
Miscellaneous	70,087	-	N/A
<b>Debt service</b>			
Principal	528,064	516,192	2.30
Interest and other	111,734	104,375	7.05
 Total Expenditures	 \$ 21,252,421	 \$ 23,818,029	(10.77) %
Per Capita	\$ 1,300	\$ 1,467	(11.41) %
 Total Long-term Indebtedness	 \$ 3,685,000	 \$ 4,180,000	(11.84) %
Per Capita	225	257	(12.47)
 General Fund Balance - December 31	 \$ 21,849,072	 \$ 18,716,116	16.74 %
Per Capita	1,336	1,153	15.90

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 Mary Ann Kepler, City's Deputy / Salaried Clerk.

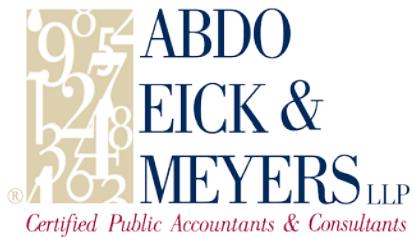
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OTHER REQUIRED REPORTS

CITY OF HIBBING  
HIBBING, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

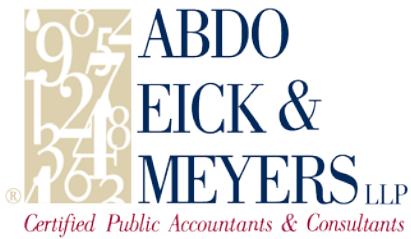
Honorable Mayor and City Council  
City of Hibbing, Minnesota

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2020.

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  
Minneapolis, Minnesota  
August 5, 2020



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, 2019, 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 5, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-002 to be a significant deficiency.

## **Compliance and Other Matters**

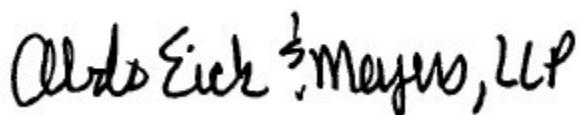
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

## **The City's Responses to the Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

A handwritten signature in black ink that reads "Abdo Eick & Meyers, LLP". The signature is fluid and cursive, with "Abdo" on the first line, "Eick" on the second line, and "& Meyers, LLP" on the third line.

ABDO, EICK & MEYERS, LLP

Minneapolis, Minnesota

August 5, 2020

City of Hibbing, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
<b>2019-001</b>	<b>Prior Period Adjustment</b>
<i>Condition:</i>	During our audit, a prior period adjustment was needed to correct compensated absences and deferred revenues recorded in the fund statements. These should be reported in the government-wide and not in the fund statements. The prior period adjustment is also for adjusting unspent bond proceeds. These should be recorded as other financing sources in the year received.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.
<i>Cause:</i>	The year-end trial balance and supporting work papers did not include all necessary adjustments.
<i>Effect:</i>	This indicates that a misstatement has occurred and was not detected by the City's system of internal control.
<i>Recommendation:</i>	We recommend that management review the final audit work paper and related journal entries, obtain an understanding of why the entries were necessary and modify current procedures to ensure that future corrections are not needed.

*Management Response:*

The City continues to review year end journal entries proposed by the auditors and will continue to improve on year end entries by working with the auditors.

**City of Hibbing, Minnesota**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended December 31, 2019**

<u>Finding</u>	<u>Description</u>
<b>2019-002</b>	<b>Preparation of Financial Statements</b>
<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.

*Management Response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.