

Annual Financial Report

City of Hibbing

Hibbing, Minnesota

For the year ended December 31, 2021



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INTRODUCTORY SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Hibbing, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

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	12/31/24
Jennifer Hoffman Saccoman	Council Member	12/31/24
Justin Fosso	Member-at-Large	12/31/22
John Schweiberger	Member-at-Large	12/31/24

APPOINTED

Greg Pruszinske	City Administrator
Sheena Mulner	City Clerk/Treasurer
Andy Borland	City Attorney

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FINANCIAL SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hibbing, Minnesota

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 units, each major fund and the aggregate remaining fund information of the City as of December 31, 2021, 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.

We did not audit the financial statements of Hibbing Public Utilities Commission, as of December 31, 2021, and the respective changes in financial position for the year then ended. Those 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 Hibbing Public Utilities Commission is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Abdo
Minneapolis, Minnesota
August 15, 2022



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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, 2021.

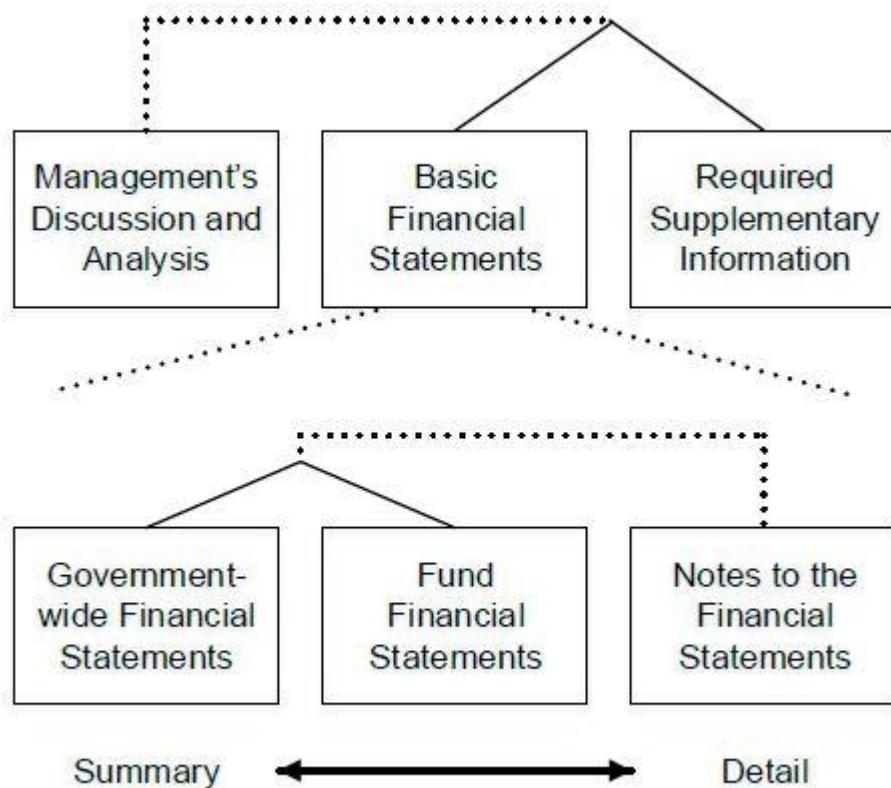
Financial Highlights

- 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 \$78,444,754 (net position). Of this amount, \$11,224,295 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,684,457. This increase can be attributed primarily to excess revenues over expenses in the governmental activities and decreases in the pension liability.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,099,120, an increase of \$1,982,374 in comparison with the prior year. The increase was mostly due to charges for services and permit revenue increases.
- At the end of the current fiscal year, total fund balance for the General fund was \$26,228,855 or 128.8 percent of the 2022 budgeted General fund expenditures. At the same time, the cash and investment balance for the General fund was \$27,630,096 or 153.3 percent of the 2021 actual General fund expenditures. The General fund balance increased \$1,615,127 in 2021. Of the total General fund balance, \$21,925 is nonspendable for prepaid and inventory items, \$75,968 is restricted for the police forfeiture fund, \$12,774,696 is assigned for the 2022 budget, workers' compensation premium adjustments, and future capital projects funded from the sale of assets and the remainder, \$13,356,266, is unassigned and available for spending at the City's discretion.

Overview of the Financial Statements

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

Organization of the City's Annual Financial Report



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

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the garbage and refuse collection and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> Statements of Net Position Statements of Revenues, Expenses and Changes in Fund Net Position Statements of Cash Flows 	<ul style="list-style-type: none"> Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and no measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	None reported
Type of inflow/outflow 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 in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and OPEB Debt Service funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* or *schedules* elsewhere in this report.

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

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

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

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

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

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

Required Supplementary 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.

Other Information. 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 \$78,444,754 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (81.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has prepared schedules which identify future annual revenue sources sufficient for each debt service issue through their respective maturities.

City of Hibbing's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 43,115,609	\$ 40,498,339	\$ 2,617,270	\$ 8,880,480	\$ 8,031,300	\$ 849,180
Capital assets, net of depreciation	39,100,496	38,502,539	597,957	35,697,556	36,153,175	(455,619)
Total Assets	82,216,105	79,000,878	3,215,227	44,578,036	44,184,475	393,561
 Deferred Outflows of Resources	 13,471,501	 8,965,848	 4,505,653	 1,464,077	 970,607	 493,470
 Liabilities	 	 	 	 	 	
Noncurrent liabilities outstanding	35,730,417	38,776,531	(3,046,114)	12,318,965	14,009,466	(1,690,501)
Other liabilities	2,323,739	1,822,243	501,496	235,998	248,567	(12,569)
Total Liabilities	38,054,156	40,598,774	(2,544,618)	12,554,963	14,258,033	(1,703,070)
 Deferred Inflows of Resources	 11,606,354	 6,048,830	 5,557,524	 1,069,492	 455,874	 613,618
 Net Position	 	 	 	 	 	
Net investment in capital assets	36,084,874	35,001,649	1,083,225	28,125,588	27,361,320	764,268
Restricted	3,009,997	3,007,327	2,670	-	-	-
Unrestricted	6,932,225	3,310,146	3,622,079	4,292,070	3,079,855	1,212,215
Total Net Position	\$ 46,027,096	\$ 41,319,122	\$ 4,707,974	\$ 32,417,658	\$ 30,441,175	\$ 1,976,483

A portion of the City's net position (3.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$11,224,295) may be used to meet the City's ongoing obligations to citizens and creditors.

During the current year, the City's net position increased \$6,684,457.

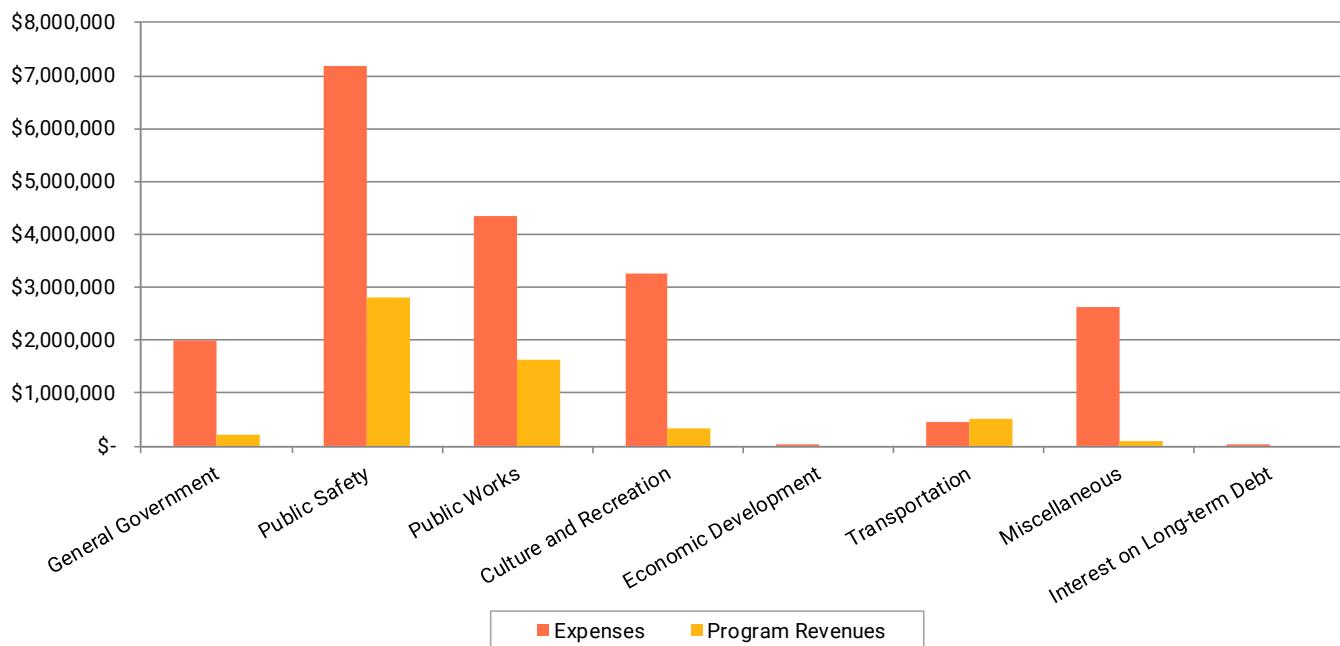
Governmental and Business-type Activities. Governmental activities increased the City's net position by \$4,707,974 and business-type activities increased the City's net position by \$1,976,483. Significant changes from the prior year are noted below:

City of Hibbing's Changes in Net Position

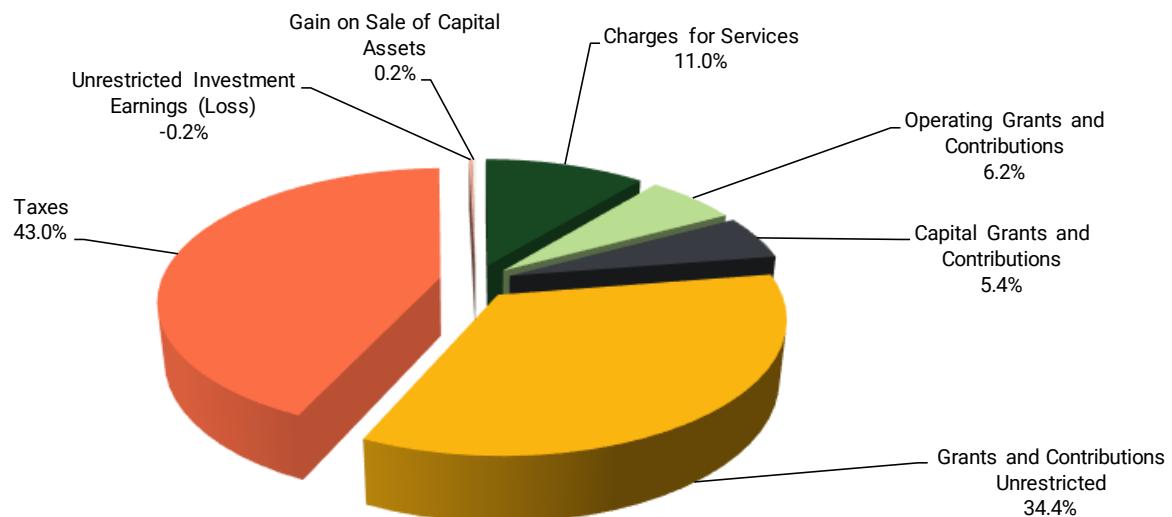
	Governmental Activities			Business-type Activities			Increase (Decrease)
	2021	2020	Increase (Decrease)	2021	2020		
Revenues							
Program Revenues							
Charges for services	\$ 2,718,428	\$ 2,388,082	\$ 330,346	\$ 7,123,564	\$ 6,653,768	\$ 469,796	
Operating grants and contributions	1,529,369	3,139,699	(1,610,330)	1,716	2,599	(883)	
Capital grants and contributions	1,328,630	1,060,870	267,760	309,559	206,789	102,770	
General Revenues							
Taxes							
Property taxes	10,477,120	10,098,233	378,887	-	-	-	
Other taxes	135,187	130,129	5,058	-	-	-	
Grants and contributions not restricted to specific programs	8,485,571	8,356,092	129,479	-	-	-	
Unrestricted Investment earnings (loss)	(59,041)	357,978	(417,019)	12,792	49,498	(36,706)	
Gain on sale of capital assets	45,710	6,482	39,228	1,251	4,095	(2,844)	
Total Revenues	<u>24,660,974</u>	<u>25,537,565</u>	<u>(876,591)</u>	<u>7,448,882</u>	<u>6,916,749</u>	<u>532,133</u>	
Expenses							
General government	1,997,839	1,084,911	912,928	-	-	-	
Public safety	7,174,880	8,552,772	(1,377,892)	-	-	-	
Public works	4,354,141	4,496,180	(142,039)	-	-	-	
Culture and recreation	3,254,701	3,020,825	233,876	-	-	-	
Economic development	18,190	17,438	752	-	-	-	
Transportation	445,363	390,622	54,741	-	-	-	
Miscellaneous	2,639,902	2,668,706	(28,804)	-	-	-	
Interest on long-term debt	40,267	193,573	(153,306)	-	-	-	
Garbage and refuse collection	-	-	-	2,283,614	2,346,970	(63,356)	
Sewer operating and maintenance	-	-	-	3,214,107	2,942,362	271,745	
Memorial building concessions	-	-	-	2,395	1,497	898	
Total Expenses	<u>19,925,283</u>	<u>20,425,027</u>	<u>(499,744)</u>	<u>5,500,116</u>	<u>5,290,829</u>	<u>209,287</u>	
Change in Net Position							
Before Transfers	4,735,691	5,112,538	(376,847)	1,948,766	1,625,920	322,846	
Transfers - capital assets	(27,717)	-	(27,717)	27,717	-	27,717	
Transfers - Internal Activities	-	-	-	-	-	-	
Change in Net Position	4,707,974	5,112,538	(404,564)	1,976,483	1,625,920	350,563	
Net Position, January 1	41,319,122	36,206,584	5,112,538	30,441,175	28,815,255	1,625,920	
Prior Period Adjustment	-	-	-	-	-	-	
Net Position, December 31	<u>\$ 46,027,096</u>	<u>\$ 41,319,122</u>	<u>\$ 4,707,974</u>	<u>\$ 32,417,658</u>	<u>\$ 30,441,175</u>	<u>\$ 1,976,483</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



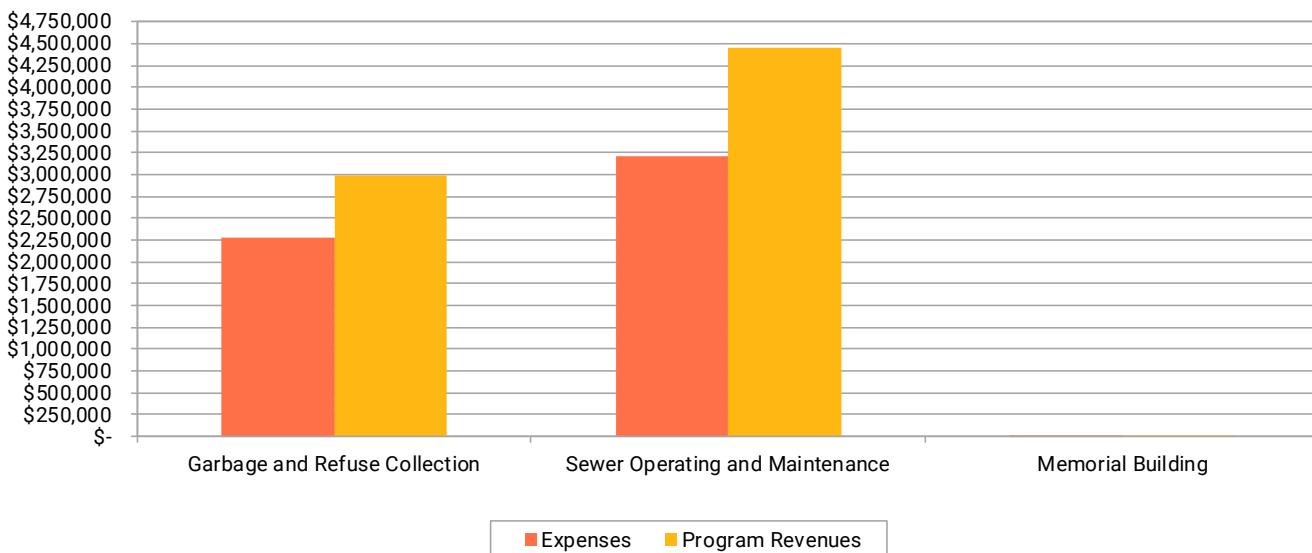
Revenues by Source - Governmental Activities



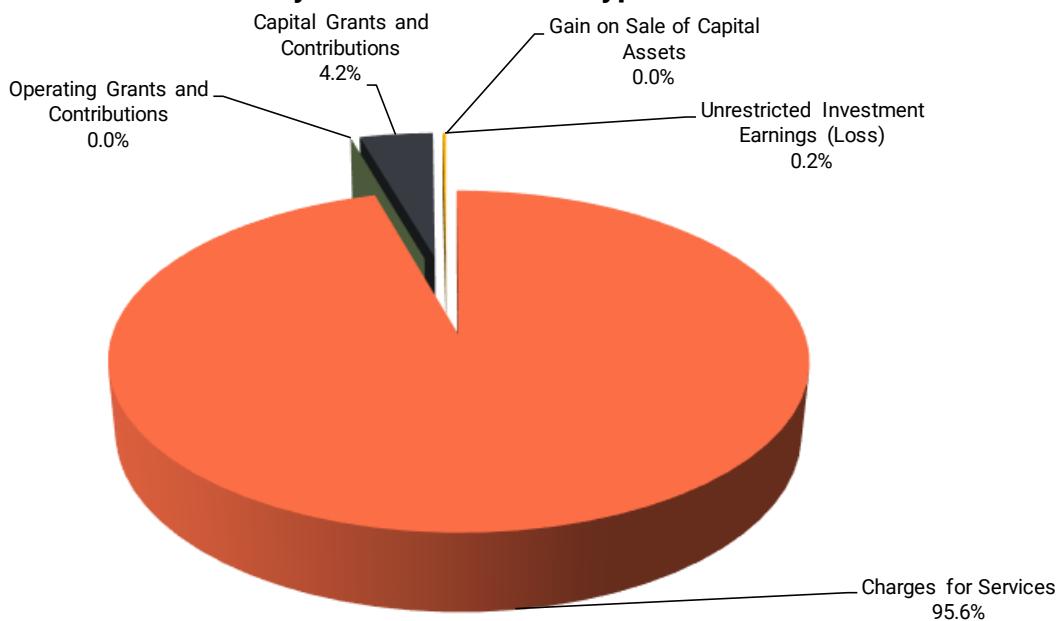
Business-type Activities. Business-type activities increased the City's net position by \$1,976,483. Key elements of this increase are as follows:

- Charges for services exceeded operating costs.
- Capital grants of \$309,559 were received.

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 \$40,099,120. Of this total amount, \$13,356,266 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 (\$3,733,744), 2) committed (\$9,707,525), 3) nonspendable (\$26,383), or 4) assigned (\$13,275,202). For further classification, refer to Note 3G starting on page 75 of this report.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2021	2020	
General	\$ 26,228,855	\$ 24,613,728	\$ 1,615,127
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 128.8 percent of next year's budgeted expenditures.			
Other Post-Employment Benefits	\$ 7,535,009	\$ 7,031,646	\$ 503,363
Fund balance of the Debt Service fund increased \$503,363 from the prior year primarily due to tax revenue and no operating expenditures.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,292,070. 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 \$678,481, which was primarily the result of \$531,894 in excess of charges for services revenues and \$101,738 in excess intergovernmental revenues. Current expenditures were \$1,076,695 under budget. The largest expenditure variances were in the public works, public safety, and culture and recreation categories which were respectively \$569,514, \$280,066, and \$ 220,201 under budget.

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, 2021, amounts to \$74,798,052 (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:

- Completion of four street projects: North Hughes Rd, S Leighton Rd, Rainey Rd, and the 2021 City paving project.
- Completion of the 2021 City sidewalk project.
- Completion of the 2020 sewer system lining project.
- Purchase of four police vehicles.
- Purchase a garbage truck.

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land, Improvements, Intangibles, Artwork, Gravel Roads	\$ 8,381,605	\$ 8,381,605	\$ -	\$ 423,719	\$ 423,719	\$ -
Construction in Progress	1,072,345	1,053,549	18,796	273,311	670,945	(397,634)
Infrastructure	14,957,446	14,086,430	871,016	16,404,923	15,943,250	461,673
Buildings and improvements	11,391,676	11,187,214	204,462	17,271,489	17,928,562	(657,073)
Equipment, Machinery and Furniture	3,297,424	3,793,741	(496,317)	1,324,114	1,186,699	137,415
Total	\$ 39,100,496	\$ 38,502,539	\$ 597,957	\$ 35,697,556	\$ 36,153,175	\$ (455,619)

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 \$10,831,954.

City of Hibbing's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Bonds Payable	\$ 3,385,000	\$ 3,845,000	\$ (460,000)	\$ 7,446,954	\$ 8,658,954	\$ (1,212,000)
Unamortized Premium on Bonds	208,624	233,892	(25,268)	128,554	136,793	(8,239)
Unamortized Discount on Bonds	-	-	-	(3,540)	(3,892)	352
Lease Purchase Obligation	162,518	162,518	-	-	-	-
Total	\$ 3,756,142	\$ 4,241,410	\$ (485,268)	\$ 7,571,968	\$ 8,791,855	\$ (1,219,887)

The City's total noncurrent liabilities decreased by \$1,705,155 (13.2 percent) during the current fiscal year, due to scheduled bond payments.

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, 2021.

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

Requests for Information

The City's elected and appointed officials considered many factors when setting the 2022 budget, tax rates, and fees that will be charged for the business-type activities.

- The General Fund expenditures and transfers for 2022 are budgeted to be \$20,286,677, which is a \$918,742 increase from the 2021 final budget of \$19,367,935.
- Property tax levies increased 6.49 percent for 2022.
- Consistent with the national and global economy, rising health care significantly impacts the City's budgets.

The City relies heavily on State LGA and taconite aids to fund its budget. LGA payments are anticipated to supply 45% of General Fund Revenues, with taconite aids expected to furnish 10% of General Fund Revenues. The city is subject to cuts from the State government at times when the State budget is not balanced; however, with the current projected State budget surplus, this shouldn't be a factor in 2022.

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, affected the three-year rolling average of production tax through 2018 when increased production improved the aid received by the city. Tonnage produced was down, again, in 2020 to 2015 levels, rebounded in 2021, and is back to 2015 levels in 2022. This will affect taconite aid received through 2024 and staff will keep a close eye on these numbers each year. Current estimates for total taconite aid to the City of Hibbing payable in 2023 is estimated at \$2.214 MM.

Looking ahead, the impending HibTac closure is approximately 3.5 years out and City staff is consulting with the MN Dept. of Revenue over the next few months to understand the affects this will have on our taconite aid. Additionally, the capital investment by US Steel into the KeeTac plant, located within the Hibbing City limits, has the potential to improve the City's financial inputs; however, more will be known in the coming years as this develops. Finally, the City's ability to levy for certain revenue funds is determined by our estimated market value which increased significantly over the prior year. Thus, revenue from property taxes is due to increase, again, in 2022, payable in 2023.

The City is undertaking a facility assessment for City Hall, the Library, and the Memorial building in order to plan the capital expenditures to repair and maintain these buildings into the future. Additionally, a Local Option Sales Tax study and a Tax Increment Finance study were underway in 2022 to ascertain potential funding streams for various development projects around the City. Additionally, the City hired a consultant in early 2019 to assist in evaluating the cost of providing sanitary sewer services to determine the appropriate level of user fees that will provide adequate cash flow to pay for utility capital improvements and asset replacement, anticipated future operating and maintenance, debt services, and cash reserves. Sewer utility rates were raised as of April 1, 2019, February 1, 2020, February 1, 2021 and February 1, 2022.

The City's 2022 capital budget calls for expenditures in the amount of \$1,627,401 for capital projects, principally the following:

Cemetery	\$71,640
General Government	\$33,000
City Hall	\$300,000
Memorial Building	\$60,000
Parks and Recreation	\$459,937
Public Safety	\$327,000
Public Works	\$325,824
Library	<u>\$50,000</u>
 Total	 <u>\$1,627,401</u>

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Hibbing, Minnesota

Statement of Net Position

December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Assets					
Cash and temporary investments	\$ 34,429,960	\$ 6,113,346	\$ 40,543,306	\$ 2,201,174	\$ 1,553,588
Designated cash - other postemployment benefits	5,290,637	1,800,000	7,090,637	-	250,000
Investments	-	-	-	-	38,305,648
Designated investments - other postemployment benefits	2,231,000	120,000	2,351,000	-	-
Temporarily restricted assets					
Cash	-	-	-	-	842,143
Amounts held in escrow accounts	-	-	-	-	348,826
Receivables					
Taxes	357,039	-	357,039	1,651	-
Accounts, net	232,519	11,038	243,557	9,452	2,537,741
Accrued interest	25,171	-	25,171	-	1,391
Unbilled revenues	-	-	-	-	1,960,381
Loans, net of allowance	-	-	-	2,675,359	-
Special assessments	146,353	57,590	203,943	-	-
Note receivable - Steam conversion program - current maturities	-	-	-	-	45,000
Note receivable - Steam conversion program	-	-	-	-	364,887
Due from other governments	136,019	190,545	326,564	-	-
Due from component units	-	586,670	586,670	-	-
Inventories	531	1,291	1,822	-	1,000,372
Prepaid items	26,852	-	26,852	-	191,408
Equity in joint venture	-	-	-	-	19,195,845
Intangible asset - service concession arrangements	-	-	-	-	2,680,910
Net pension asset	239,528	-	239,528	-	-
Capital assets					
Land and construction in progress	9,453,950	697,030	10,150,980	137,745	2,304,769
Depreciable assets (net of accumulated depreciation)	29,646,546	35,000,526	64,647,072	582,140	50,622,274
Total Assets	<u>82,216,105</u>	<u>44,578,036</u>	<u>126,794,141</u>	<u>5,607,521</u>	<u>122,205,183</u>
Deferred Outflows of Resources					
Deferred pension resources	6,727,143	474,492	7,201,635	5,556	1,768,288
Deferred other postemployment benefit resources	6,744,358	989,585	7,733,943	-	3,198,369
Total Deferred Outflows of Resources	<u>13,471,501</u>	<u>1,464,077</u>	<u>14,935,578</u>	<u>5,556</u>	<u>4,966,657</u>
Liabilities					
Accounts and other payables	138,875	63,645	202,520	36,716	3,220,070
Due to other governments	184,462	23,490	207,952	5,462	-
Accrued salaries payable	428,324	72,748	501,072	815	-
Accrued interest payable	36,815	66,817	103,632	9,467	-
Customer deposits payable	-	-	-	-	419,866
Contracts payable	33,163	9,298	42,461	-	-
Other accrued liabilities	175,247	-	175,247	-	81,169
Due to primary government	-	-	-	-	586,670
Unearned revenue	1,326,853	-	1,326,853	-	260,293
Noncurrent liabilities					
Due within one year					
Long-term liabilities	799,134	1,360,323	2,159,457	40,000	427,491
Due in more than one year					
Long-term liabilities	4,255,906	6,456,462	10,712,368	1,268,708	1,236,051
Net pension liability	4,736,415	696,212	5,432,627	8,153	2,583,621
Other postemployment benefits payable	<u>25,938,962</u>	<u>3,805,968</u>	<u>29,744,930</u>	<u>-</u>	<u>20,647,976</u>
Total Liabilities	<u>38,054,156</u>	<u>12,554,963</u>	<u>50,609,119</u>	<u>1,369,321</u>	<u>29,463,207</u>
Deferred Inflows of Resources					
Deferred pension resources	8,917,470	674,958	9,592,428	7,904	2,825,149
Deferred other postemployment benefit resources	2,688,884	394,534	3,083,418	-	3,291,505
Total Deferred Inflows of Resources	<u>11,606,354</u>	<u>1,069,492</u>	<u>12,675,846</u>	<u>7,904</u>	<u>6,116,654</u>
Net Position					
Net investment in capital assets	36,084,874	28,125,588	64,210,462	176,177	52,357,043
Restricted for					
Capital projects	2,122,712	-	2,122,712	-	-
Debt service	811,317	-	811,317	21,048	161,984
Police forfeiture	75,968	-	75,968	-	-
Economic development	-	-	-	157,846	-
Unrestricted	<u>6,932,225</u>	<u>4,292,070</u>	<u>11,224,295</u>	<u>3,880,781</u>	<u>39,072,952</u>
Total Net Position	<u>\$ 46,027,096</u>	<u>\$ 32,417,658</u>	<u>\$ 78,444,754</u>	<u>\$ 4,235,852</u>	<u>\$ 91,591,979</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, 2021

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,997,839	\$ 145,129	\$ 62,288	\$ -
Public safety	7,174,880	2,206,524	587,367	12,824
Public works	4,354,141	2,260	356,755	1,280,091
Culture and recreation	3,254,701	225,889	69,894	35,715
Economic development	18,190	-	-	-
Transportation	445,363	50,111	453,065	-
Miscellaneous	2,639,902	88,515	-	-
Interest on long-term debt	40,267	-	-	-
Total Governmental Activities	<u>19,925,283</u>	<u>2,718,428</u>	<u>1,529,369</u>	<u>1,328,630</u>
Business-type Activities				
Garbage and refuse collection	2,283,614	2,983,033	781	-
Sewer operating and maintenance	3,214,107	4,139,856	935	309,559
Memorial building concessions	2,395	675	-	-
Total Business-type Activities	<u>5,500,116</u>	<u>7,123,564</u>	<u>1,716</u>	<u>309,559</u>
Total Primary Government	<u>\$ 25,425,399</u>	<u>\$ 9,841,992</u>	<u>\$ 1,531,085</u>	<u>\$ 1,638,189</u>
Component Units				
EDA	\$ 272,345	\$ 107,479	\$ 3,793	\$ -
PUC	<u>32,522,407</u>	<u>29,166,162</u>	<u>141,098</u>	<u>-</u>
Total Component Units	<u>\$ 32,794,752</u>	<u>\$ 29,273,641</u>	<u>\$ 144,891</u>	<u>\$ -</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, 2021

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position					
	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission	
Primary Government						
Governmental activities						
General government	\$ (1,790,422)	\$ -	\$ (1,790,422)	\$ -	\$ -	-
Public safety	(4,368,165)	-	(4,368,165)	-	-	-
Public works	(2,715,035)	-	(2,715,035)	-	-	-
Culture and recreation	(2,923,203)	-	(2,923,203)	-	-	-
Economic development	(18,190)	-	(18,190)	-	-	-
Transportation	57,813	-	57,813	-	-	-
Miscellaneous	(2,551,387)	-	(2,551,387)	-	-	-
Interest on long-term debt	(40,267)	-	(40,267)	-	-	-
Total Governmental Activities	(14,348,856)	-	(14,348,856)	-	-	-
Business-type Activities						
Garbage and refuse collection	-	700,200	700,200	-	-	-
Sewer operating and maintenance	-	1,236,243	1,236,243	-	-	-
Memorial building concessions	-	(1,720)	(1,720)	-	-	-
Total Business-type Activities	-	1,934,723	1,934,723	-	-	-
Total Primary Government	(14,348,856)	1,934,723	(12,414,133)	-	-	-
Component Units						
EDA	-	-	-	(161,073)	-	-
PUC	-	-	-	-	(3,215,147)	-
Total Component Units	-	-	-	(161,073)	(3,215,147)	
General Revenues						
Taxes						
Property taxes, levied for general purposes	7,301,987	-	7,301,987	-	-	-
Property taxes, levied for specific purpose	3,175,133	-	3,175,133	213,976	-	-
Tax increments	-	-	-	87,606	-	-
Franchise taxes	135,187	-	135,187	-	-	-
Grants and contributions not restricted to specific programs	8,485,571	-	8,485,571	121	-	-
Unrestricted Investment earnings (loss)	(59,041)	12,792	(46,249)	1,750	32,358	-
Gain on sale of capital assets	45,710	1,251	46,961	-	-	-
Transfers - capital assets	(27,717)	27,717	-	-	-	-
Total General Revenues and Transfers	19,056,830	41,760	19,098,590	303,453	32,358	
Change in Net Position	4,707,974	1,976,483	6,684,457	142,380	(3,182,789)	
Net Position, January 1	41,319,122	30,441,175	71,760,297	4,093,472	94,774,768	
Net Position, December 31	\$ 46,027,096	\$ 32,417,658	\$ 78,444,754	\$ 4,235,852	\$ 91,591,979	

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, 2021

City of Hibbing, Minnesota

Balance Sheet
Governmental Funds
December 31, 2021

	101	345		
	General	Other Post-Employment Benefits	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 27,630,096	\$ -	\$ 6,799,864	\$ 34,429,960
Designated cash - other postemployment benefits	-	5,290,637	-	5,290,637
Designated investments - other postemployment benefits	-	2,231,000	-	2,231,000
Receivables				
Taxes	337,633	4,101	15,305	357,039
Accounts	212,413	-	20,106	232,519
Accrued interest	15,900	9,271	-	25,171
Special assessments	-	-	146,353	146,353
Due from other governments	101,996	-	34,023	136,019
Inventory	531	-	-	531
Prepaid items	21,394	-	5,458	26,852
Total Assets	<u>\$ 28,319,963</u>	<u>\$ 7,535,009</u>	<u>\$ 7,021,109</u>	<u>\$ 42,876,081</u>
Liabilities				
Accounts payable	\$ 124,898	\$ -	\$ 13,977	\$ 138,875
Due to other governments	166,098	-	18,364	184,462
Accrued salaries payable	412,635	-	15,689	428,324
Contracts payable	-	-	33,163	33,163
Unearned revenue	890,144	-	436,709	1,326,853
Other accrued liabilities	175,247	-	-	175,247
Total Liabilities	<u>1,769,022</u>	<u>-</u>	<u>517,902</u>	<u>2,286,924</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	322,086	-	-	322,086
Unavailable revenue - special assessments	-	-	141,157	141,157
Unavailable revenue - intergovernmental	-	-	26,794	26,794
Total Deferred Inflows of Resources	<u>322,086</u>	<u>-</u>	<u>167,951</u>	<u>490,037</u>
Fund Balances				
Nonspendable	21,925	-	4,458	26,383
Restricted	75,968	-	3,657,776	3,733,744
Committed	-	7,535,009	2,172,516	9,707,525
Assigned	12,774,696	-	500,506	13,275,202
Unassigned	13,356,266	-	-	13,356,266
Total Fund Balances	<u>26,228,855</u>	<u>7,535,009</u>	<u>6,335,256</u>	<u>40,099,120</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 28,319,963</u>	<u>\$ 7,535,009</u>	<u>\$ 7,021,109</u>	<u>\$ 42,876,081</u>

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, 2021

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

Total Fund Balances - Governmental Funds	\$ 40,099,120
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	94,305,325
Less accumulated depreciation	(55,204,829)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	239,528
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	(3,385,000)
Plus unamortized bond premium	(208,624)
Purchase lease obligation	(162,518)
Compensated absences payable	(1,298,898)
Net pension liability	(4,736,415)
Other postemployment benefits payable	(25,938,962)
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	322,086
Special assessments receivable	141,157
Intergovernmental receivable	26,794
Governmental funds do not report a liability for accrued interest until due and payable.	
	(36,815)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	6,727,143
Deferred inflows of pension resources	(8,917,470)
Deferred outflows of other postemployment benefits resources	6,744,358
Deferred inflows of other postemployment benefits resources	<u>(2,688,884)</u>
Total Net Position - Governmental Activities	<u><u>\$ 46,027,096</u></u>

City of Hibbing, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	101	345	Other Governmental Funds	Total Governmental Funds
	General	Other Post- Employment Benefits		
Revenues				
Taxes	\$ 7,992,234	\$ 499,750	\$ 2,061,501	\$ 10,553,485
Licenses and permits	121,282	-	-	121,282
Intergovernmental	9,355,309	249	1,586,782	10,942,340
Charges for services	2,441,088	-	23,037	2,464,125
Fines and forfeitures	83,512	-	-	83,512
Special assessments	-	-	83,037	83,037
Investment earnings (loss)	(73,006)	3,364	10,601	(59,041)
Contributions and donations	53,062	-	76,894	129,956
Miscellaneous	143,523	-	-	143,523
Total Revenues	20,117,004	503,363	3,841,852	24,462,219
Expenditures				
Current				
General government	2,107,542	-	-	2,107,542
Public safety	7,605,148	-	-	7,605,148
Public works	3,095,743	-	-	3,095,743
Culture and recreation	2,128,764	-	774,320	2,903,084
Economic development	18,190	-	-	18,190
Transportation	447,024	-	-	447,024
Miscellaneous	2,616,694	-	-	2,616,694
Capital outlay				
General government	-	-	10,862	10,862
Public safety	-	-	292,604	292,604
Public works	-	-	2,059,402	2,059,402
Culture and recreation	-	-	801,873	801,873
Miscellaneous	-	-	28,113	28,113
Debt service				
Principal	-	-	460,000	460,000
Interest and other	-	-	79,276	79,276
Total Expenditures	18,019,105	-	4,506,450	22,525,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,097,899	503,363	(664,598)	1,936,664
Other Financing Sources (Uses)				
Transfers in	-	-	586,815	586,815
Transfers out	(510,815)	-	(76,000)	(586,815)
Sale of capital assets	28,043	-	17,667	45,710
Total Other Financing Sources (Uses)	(482,772)	-	528,482	45,710
Net Change in Fund Balances	1,615,127	503,363	(136,116)	1,982,374
Fund Balances, January 1	24,613,728	7,031,646	6,471,372	38,116,746
Fund Balances, December 31	\$ 26,228,855	\$ 7,535,009	\$ 6,335,256	\$ 40,099,120

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, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,982,374
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	3,166,564
Depreciation expense	(2,533,233)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(7,656)
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 of capital assets on the statement of activities.	
	(27,717)
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	460,000
Amortization of bond premium	25,268
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.	
	13,741
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	80,478
Other postemployment benefits	2,902
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	58,822
Special assessments	9,496
Intergovernmental	26,794
Long-term pension activity is not reported in governmental funds.	
Pension expense	1,392,208
Pension revenue from State contributions	<u>57,933</u>
Change in Net Position - Governmental Activities	<u>\$ 4,707,974</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,021,975	\$ 8,021,975	\$ 7,992,234	\$ (29,741)
Licenses and permits	80,636	80,636	121,282	40,646
Intergovernmental	9,253,571	9,253,571	9,355,309	101,738
Charges for services	1,909,194	1,909,194	2,441,088	531,894
Fines and forfeitures	50,000	50,000	83,512	33,512
Investment earnings (loss)	50,000	50,000	(73,006)	(123,006)
Contributions and donations	11,106	11,106	53,062	41,956
Miscellaneous	62,041	62,041	143,523	81,482
Total Revenues	19,438,523	19,438,523	20,117,004	678,481
Expenditures				
Current				
General government	1,990,461	1,990,461	2,107,542	(117,081)
Public safety	7,949,026	7,885,214	7,605,148	280,066
Public works	3,665,257	3,665,257	3,095,743	569,514
Culture and recreation	2,364,289	2,348,965	2,128,764	220,201
Economic development	53,800	53,800	18,190	35,610
Transportation	507,160	507,160	447,024	60,136
Miscellaneous	2,644,943	2,644,943	2,616,694	28,249
Capital outlay				
Transportation	193,000	193,000	-	-
Total Expenditures	19,367,936	19,288,800	18,019,105	1,076,695
Excess of Revenues				
Over Expenditures	<u>70,587</u>	<u>149,723</u>	<u>2,097,899</u>	<u>1,948,176</u>
Other Financing Sources (Uses)				
Transfers out	(70,587)	(149,723)	(510,815)	(361,092)
Sale of capital assets	-	-	28,043	28,043
Total Other Financing Sources (Uses)	(70,587)	(149,723)	(482,772)	(333,049)
Net Change in Fund Balances				
Fund Balances, January 1	<u>24,613,728</u>	<u>24,613,728</u>	<u>24,613,728</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 24,613,728</u>	<u>\$ 24,613,728</u>	<u>\$ 26,228,855</u>	<u>\$ 1,615,127</u>

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

City of Hibbing, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds						
	603	602	605	Non-major Memorial Building Concessions	Total		
	Garbage and Refuse Collection	Sewer Operating and Maintenance					
Assets							
Current Assets							
Cash and temporary investments	\$ 4,806,190	\$ 1,300,511	\$ 6,645	\$ 6,113,346			
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000			
Designated investments - other postemployment benefits	60,000	60,000	-	120,000			
Receivables							
Accounts	3,986	7,052	-	11,038			
Special assessments	20,587	37,003	-	57,590			
Due from other governments	-	190,545	-	190,545			
Due from component units	239,479	347,191	-	586,670			
Inventories	1,291	-	-	1,291			
Total Current Assets	<u>6,031,533</u>	<u>2,842,302</u>	<u>6,645</u>	<u>8,880,480</u>			
Noncurrent Assets							
Capital assets							
Land	297,689	126,030	-	423,719			
Buildings and improvements	157,330	32,834,437	-	32,991,767			
Infrastructure	-	20,634,793	-	20,634,793			
Machinery and equipment	3,361,077	2,386,877	29,597	5,777,551			
Construction in progress	-	273,311	-	273,311			
Less accumulated depreciation	(2,778,470)	(21,595,518)	(29,597)	(24,403,585)			
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,037,626</u>	<u>34,659,930</u>	<u>-</u>	<u>35,697,556</u>			
Total Noncurrent Assets	<u>1,037,626</u>	<u>34,659,930</u>	<u>-</u>	<u>35,697,556</u>			
Total Assets	<u>7,069,159</u>	<u>37,502,232</u>	<u>6,645</u>	<u>44,578,036</u>			
Deferred Outflows of Resources							
Deferred pension resources	215,866	258,626	-	474,492			
Deferred other postemployment benefits	566,309	423,276	-	989,585			
Total Deferred Outflows of Resources	<u>782,175</u>	<u>681,902</u>	<u>-</u>	<u>1,464,077</u>			

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, 2021

Business-type Activities - Enterprise Funds

	603					602		605		Total			
	Garbage and Refuse Collection		Sewer Operating and Maintenance		Non-major Memorial Building Concessions								
Liabilities													
Current Liabilities													
Accounts payable	\$ 46,720		\$ 16,925		\$ -		\$ 63,645						
Due to other governments	12,385		11,105		-		23,490						
Accrued salaries payable	32,325		40,423		-		72,748						
Accrued interest payable	-		66,817		-		66,817						
Contracts payable	-		9,298		-		9,298						
Compensated absences payable - current	55,824		62,499		-		118,323						
Bonds payable - current	-		1,242,000		-		1,242,000						
Total Current Liabilities	<u>147,254</u>		<u>1,449,067</u>		<u>-</u>		<u>1,596,321</u>						
Noncurrent Liabilities													
Compensated absences payable	46,560		79,934		-		126,494						
Net pension liability	316,736		379,476		-		696,212						
Bonds payable	-		6,329,968		-		6,329,968						
Other postemployment benefits payable	2,178,039		1,627,929		-		3,805,968						
Total Noncurrent Liabilities	<u>2,541,335</u>		<u>8,417,307</u>		<u>-</u>		<u>10,958,642</u>						
Total Liabilities	<u>2,688,589</u>		<u>9,866,374</u>		<u>-</u>		<u>12,554,963</u>						
Deferred Inflows of Resources													
Deferred pension resources	307,066		367,892		-		674,958						
Deferred other postemployment benefits	225,780		168,754		-		394,534						
Total Deferred Inflows of Resources	<u>532,846</u>		<u>536,646</u>		<u>-</u>		<u>1,069,492</u>						
Net Position													
Net investment in capital assets	1,037,626		27,087,962		-		28,125,588						
Unrestricted	3,592,273		693,152		6,645		4,292,070						
Total Net Position	<u>\$ 4,629,899</u>		<u>\$ 27,781,114</u>		<u>\$ 6,645</u>		<u>\$ 32,417,658</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, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	603	602	605	Non-major Memorial Building Concessions
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Total	
Operating Revenues				
Charges for services	\$ 2,979,296	\$ 4,118,142	\$ 675	\$ 7,098,113
Sewer connection fees	-	1,135	-	1,135
Miscellaneous	4,518	21,514	-	26,032
Total Operating Revenues	2,983,814	4,140,791	675	7,125,280
Operating Expenses				
Personnel services	611,459	960,305	-	1,571,764
OPEB expense	73,677	64,440	-	138,117
Pension expense	(64,434)	(48,069)	-	(112,503)
Contractual services	1,201,779	55,297	-	1,257,076
Utilities	96,501	261,725	-	358,226
Repairs and maintenance	9,253	54,272	1,277	64,802
Other supplies and expense	82,185	165,952	-	248,137
Insurance claims and expense	67,901	63,194	-	131,095
Depreciation	195,142	1,402,721	873	1,598,736
Miscellaneous	6,438	64,482	245	71,165
Total Operating Expenses	2,279,901	3,044,319	2,395	5,326,615
Operating Income (Loss)	703,913	1,096,472	(1,720)	1,798,665
Nonoperating Revenues (Expenses)				
Investment earnings	10,794	1,983	15	12,792
Loss on sale of capital assets	(2,462)	(4,499)	-	(6,961)
Interest expense and other	-	(165,289)	-	(165,289)
Total Nonoperating Revenues (Expenses)	8,332	(167,805)	15	(159,458)
Income (Loss) Before Contributions and Transfers	712,245	928,667	(1,705)	1,639,207
Intergovernmental capital grants	-	309,559	-	309,559
Transfer of capital assets from governmental funds	-	27,717	-	27,717
Change in Net Position	712,245	1,265,943	(1,705)	1,976,483
Net Position - January 1	3,917,654	26,515,171	8,350	30,441,175
Net Position, December 31	\$ 4,629,899	\$ 27,781,114	\$ 6,645	\$ 32,417,658

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, 2021

	Business-type Activities - Enterprise Funds			
	603	602	605	Non-major Memorial Building Concessions
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Total	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,968,439	\$ 4,112,369	\$ 675	\$ 7,081,483
Payments to suppliers	(1,442,080)	(657,284)	(1,522)	(2,100,886)
Payments to employees	(938,889)	(995,996)	-	(1,934,885)
Net Cash Provided (Used) by Operating Activities	587,470	2,459,089	(847)	3,045,712
Cash Flows from Noncapital Financing Activities				
Payments on interfund loan	-	(38,000)	-	(38,000)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(386,154)	(749,346)	-	(1,135,500)
Intergovernmental receipts	-	309,559	-	309,559
Proceeds from sales of capital assets	1,251	-	-	1,251
Principal paid on long-term debt	-	(1,212,000)	-	(1,212,000)
Interest paid on long-term debt	-	(184,661)	-	(184,661)
Net Cash Used by Capital and Related Financing Activities	(384,903)	(1,836,448)	-	(2,221,351)
Cash Flows from Investing Activities				
Investment income received	10,794	1,983	15	12,792
Net Increase (Decrease) in Cash and Cash Equivalents	213,361	586,624	(832)	799,153
Cash and Cash Equivalents, January 1	5,552,829	1,673,887	7,477	7,234,193
Cash and Cash Equivalents, December 31	\$ 5,766,190	\$ 2,260,511	\$ 6,645	\$ 8,033,346
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	\$ 4,806,190	\$ 1,300,511	\$ 6,645	6,113,346
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	\$ 5,766,190	\$ 2,260,511	\$ 6,645	\$ 8,033,346

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, 2021

	Business-type Activities - Enterprise Funds				
	603	602	605	Non-major Memorial Building Concessions	Total
	Garbage and Refuse Collection	Sewer Operating and Maintenance			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 703,913	\$ 1,096,472	\$ (1,720)		1,798,665
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	195,142	1,402,721	873		1,598,736
(Increase) decrease in assets					
Accounts receivable	(1,363)	(433)	-		(1,796)
Special assessments receivable	8,083	919	-		9,002
Prepaid items	17,310	14,460	-		31,770
Due from component units	(22,095)	(28,908)	-		(51,003)
Increase (Decrease) in deferred outflows					
Deferred pension resources	(187,238)	(226,090)	-		(413,328)
Deferred other postemployment benefits resources	(15,556)	(64,586)	-		(80,142)
Increase (decrease) in liabilities					
Accounts and other payables	1,106	(5,576)	-		(4,470)
Due to other governments	3,561	(1,246)	-		2,315
Accrued salaries payable	(16,824)	7,958	-		(8,866)
Compensated absences payable	12,404	6,911	-		19,315
Net pension liability	(136,839)	(136,021)	-		(272,860)
Other postemployment benefits payable	(245,071)	49,827	-		(195,244)
Increase in deferred inflows					
Deferred pension resources	258,862	313,107	-		571,969
Deferred other postemployment benefit resources	12,075	29,574	-		41,649
Net Cash Provided (Used) by Operating Activities	\$ 587,470	\$ 2,459,089	\$ (847)		\$ 3,045,712
Schedule of Noncash Capital and Related Financing Activities					
Amortization of bond discount	\$ -	\$ 352	\$ -		\$ 352
Amortization of bond premium	-	8,239	-		8,239
Capital assets purchased on account	-	9,298	-		9,298
Capital assets contributed from other funds	-	27,717	-		27,717
Net disposal of capital assets	3,713	4,499	-		8,212

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, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

In December 2016, the City council adopted a resolution approving special legislation that allowed for moving from a Standard Plan of government to an Optional Plan A form of government and modification of the ward system from five wards to four. This change was effective January 1, 2019. The City now has an Appointed City Clerk/Treasurer, an Elected Mayor, Elected Council for each of the four Wards, and two Elected At-Large Councilors.

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2021

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, 2021:

- U.S. Government Bonds of \$3,623,480 are valued using quoted market prices (Level 1 inputs)
- Broker Certificates of Deposit and Commercial Paper of \$28,322,144 are valued using a matrix pricing model (Level 2 inputs).

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2021

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 Corporation (SIPC) and excess SIPC coverage. As of December 31, 2021, 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, 2021.
- *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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Designated Cash and Cash Equivalents and Designated Investments

The City's business type activities have designated assets totaling \$1,920,000 at December 31, 2021 (\$960,000 in the garbage and refuse collection fund and sewer operating and maintenance fund, respectively) to cover future OPEB liability costs. The \$1,920,000 in assets are to remain designated except in years when the business type funds have insufficient undesignated cash resources. Only with negative undesignated cash at year end may monies be transferred from the OPEB Designated Assets accounts. In a year where a transfer of monies is required, that transfer may not exceed that same calendar year's total net cash payments on the business type fund retiree health insurance premiums paid by the City. In subsequent years should the business type funds have any surplus of undesignated cash, the surplus will be transferred back into the OPEB Designated Assets to replenish the account back to the initial amount (\$960,000 respectively) or additional amounts if desired by the Council. Such transfer of excess funds in subsequent years will be mandatory for up to four consecutive years as needed to meet the \$960,000 level, and then be discontinued until such time as there again is a deficit in the undesignated cash at year end.

The OPEB Debt Service fund have designated cash and investments totaling \$7,521,637 .

Restricted Assets

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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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, 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 2021.

The PUC has an allowance for doubtful accounts of \$390,000 at December 31, 2021.

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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

The City elects to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting of its gravel roads. The City commissioned a physical condition assessment of its gravel roads as of summer 2017. This condition assessment will be performed at least every three years. The study assists the City by providing current inspection data used to evaluate current road conditions. This helps to maintain a City-defined desirable level of road performance while optimizing the expenditure of limited fiscal resources. The entire gravel road network within the City is composed of approximately 65 miles of gravel road.

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

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

Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 3. As of December 31, 2021, 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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 of the PUC may also accrue vacation pay up to a maximum of 1 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, 2020. The General fund and the OPEB debt service fund as needed are typically used to liquidate governmental other postemployment benefits payable.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP), DCP and the Hibbing Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFP	PEDCP		
Pension Expense	\$ (173,918)	\$ (213,316)	\$ 1,127	\$ 206,025	\$ (180,082)

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 intergovernmental 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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

Budgeted amounts are as originally adopted or as amended by the City Council. Budget amendments were completed in 2021 with no impact on total revenue or expenditures.

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, 2021

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 -\$79,676 and the bank balance was \$352,598. The entire bank balance was covered by federal depository insurance.

At year end, the EDA's carrying amount of deposits was \$195,410 and the bank balance was \$195,410. The entire bank balance was covered by federal depository insurance.

At December 31, 2021, the carrying amount of the PUC's deposits was \$2,645,731 and the bank balance was \$2,192,871. At year end, the PUC's bank balances were fully covered by depository insurance or by collateral held in the PUC's name by the pledging financial institutions' correspondent banks.

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 1 year	\$ 20,318,923			
Broker Money Market	N/A	less than 1 year	1,246			
Non-pooled Investments						
Commercial Paper	AAA	less than 1 year	15,768,381	\$	-	\$ 15,768,381
Brokered Certificates of Deposit	N/A	less than 1 year	5,476,391		-	5,476,391
Brokered Certificates of Deposit	N/A	1 to 5 years	6,837,255		-	6,837,255
Brokered Certificates of Deposit	N/A	more than 5 years	240,117		-	240,117
U.S. Government Bonds FNMA/FHLMC	AAA	1 to 5 years	3,623,480	3,623,480		-
Total Investments			\$ 52,265,793	\$ 3,623,480	\$ 28,322,144	\$ -

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 36,498,197			
Non-pooled Investments at Amortized Costs						
Bank Certificates of Deposit	N/A	less than 1 year	748,000			
Non-pooled Investments at Fair Value						
Municipal Bonds	AAA	less than 1 year	249,815	\$	-	\$ 249,815
Municipal Bonds	AA	less than 1 year	809,636		-	809,636
Total Investments			\$ 38,305,648	\$ -	\$ 1,059,451	\$ -

(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, 2021

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	\$ (79,676)	\$ -	\$ 2,645,731	\$ 2,566,055
Investments	50,064,619	2,201,174	38,305,648	90,571,441
Amounts held in escrow accounts	-	-	348,826	348,826
Total	\$ 49,984,943	\$ 2,201,174	\$ 41,300,205	\$ 93,486,322
Statement of Net Position				
Cash and temporary investments	\$ 40,543,306	\$ 2,201,174	\$ 1,553,588	\$ 44,298,068
Designated cash				
- other postemployment benefits	7,090,637	-	250,000	7,340,637
Investments	-	-	38,305,648	38,305,648
Designated investments				
- other postemployment benefits	2,351,000	-	-	2,351,000
Temporarily restricted assets				
Cash	-	-	842,143	842,143
Amounts held in escrow accounts	-	-	348,826	348,826
Total	\$ 49,984,943	\$ 2,201,174	\$ 41,300,205	\$ 93,486,322

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers in	Ending Balance
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 2,028,584	\$ -	\$ -	\$ -	\$ 2,028,584
Intangible - easements	36,400	-	-	-	36,400
Artwork	2,119,350	-	-	-	2,119,350
Gravel roads	4,197,271	-	-	-	4,197,271
Construction in progress	1,053,549	155,015	(136,219)	-	1,072,345
Total Capital Assets not Being Depreciated	<u>9,435,154</u>	<u>155,015</u>	<u>(136,219)</u>	<u>-</u>	<u>9,453,950</u>
Capital Assets Being Depreciated					
Infrastructure	37,383,886	1,865,589	-	-	39,249,475
Building and improvements	29,659,522	764,899	-	-	30,424,421
Equipment, machinery and furniture	14,854,749	489,563	(269,853)	103,020	15,177,479
Total Capital Assets Being Depreciated	<u>81,898,157</u>	<u>3,120,051</u>	<u>(269,853)</u>	<u>103,020</u>	<u>84,851,375</u>
Less Accumulated Depreciation for					
Infrastructure	(23,297,456)	(994,573)	-	-	(24,292,029)
Building and improvements	(18,472,308)	(560,437)	-	-	(19,032,745)
Equipment, machinery and furniture	(11,061,008)	(978,223)	262,196	(103,020)	(11,880,055)
Total Accumulated Depreciation	<u>(52,830,772)</u>	<u>(2,533,233)</u>	<u>262,196</u>	<u>(103,020)</u>	<u>(55,204,829)</u>
Total Capital Assets Being Depreciated, Net	<u>29,067,385</u>	<u>586,818</u>	<u>(7,657)</u>	<u>-</u>	<u>29,646,546</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 38,502,539</u>	<u>\$ 741,833</u>	<u>\$ (143,876)</u>	<u>\$ -</u>	<u>\$ 39,100,496</u>

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

Governmental Activities	
General Government	\$ 147,627
Public Safety	523,738
Public Works, including depreciation of general infrastructure assets	1,335,179
Culture and Recreation	487,929
Miscellaneous	<u>38,760</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,533,233</u>

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Transfers out	Ending Balance
Business-type Activities					
Capital Assets not Being Depreciated					
Land	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	670,945	27,004	(424,638)	-	273,311
Total Capital Assets not Being Depreciated	<u>1,094,664</u>	<u>27,004</u>	<u>(424,638)</u>	<u>-</u>	<u>697,030</u>
Capital Assets Being Depreciated					
Infrastructure	19,677,534	957,259	-	-	20,634,793
Buildings and improvements	32,880,811	110,956	-	-	32,991,767
Equipment, machinery and furniture	5,581,475	480,748	(181,652)	(103,020)	5,777,551
Total Capital Assets Being Depreciated	<u>58,139,820</u>	<u>1,548,963</u>	<u>(181,652)</u>	<u>(103,020)</u>	<u>59,404,111</u>
Less Accumulated Depreciation for					
Infrastructure	(3,734,284)	(495,586)	-	-	(4,229,870)
Buildings and improvements	(14,952,249)	(768,029)	-	-	(15,720,278)
Equipment, machinery and furniture	(4,394,776)	(335,121)	173,440	103,020	(4,453,437)
Total Accumulated Depreciation	<u>(23,081,309)</u>	<u>(1,598,736)</u>	<u>173,440</u>	<u>103,020</u>	<u>(24,403,585)</u>
Total Capital Assets Being Depreciated, Net	<u>35,058,511</u>	<u>(49,773)</u>	<u>(8,212)</u>	<u>-</u>	<u>35,000,526</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 36,153,175</u>	<u>\$ (22,769)</u>	<u>\$ (432,850)</u>	<u>\$ -</u>	<u>\$ 35,697,556</u>

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

Business-type Activities				
Garbage and Refuse Collection				\$ 195,142
Sewer Operating and Maintenance				1,402,721
Memorial Building Concessions				873
 Total Depreciation Expense - Business-type Activities				<u>\$ 1,598,736</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 130,865	\$ -	\$ -	\$ 130,865
Construction in progress	6,880	-	-	6,880
Total Capital Assets not Being Depreciated	137,745	-	-	137,745
Capital Assets Being Depreciated				
Infrastructure	19,699	-	-	19,699
Buildings and improvements	568,397	40,307	-	608,704
Total Capital Assets Being Depreciated	588,096	40,307	-	628,403
Less Accumulated Depreciation for Buildings and improvements	(23,683)	-	-	(23,683)
Equipment, machinery and furniture	(6,567)	(16,013)	-	(22,580)
Total Accumulated Depreciation	(30,250)	(16,013)	-	(46,263)
Total Capital Assets Being Depreciated, Net	557,846	24,294	-	582,140
Component Unit Activities				
Capital Assets, Net	\$ 695,591	\$ 24,294	\$ -	\$ 719,885

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - PUC

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Construction in progress	<u>\$ 1,273,269</u>	<u>\$ 1,031,500</u>	<u>\$ -</u>	<u>\$ 2,304,769</u>
Capital Assets Being Depreciated				
Building and grounds	9,961,464	82,206	-	10,043,670
Production equipment	64,919,098	1,536,594	-	66,455,692
Transmission and distribution system	53,816,954	2,178,950	-	55,995,904
Equipment, machinery and furniture	4,500,296	63,169	-	4,563,465
Total Capital Assets	<u>133,197,812</u>	<u>3,860,919</u>	<u>-</u>	<u>137,058,731</u>
Being Depreciated	<u>(83,045,658)</u>	<u>(3,390,799)</u>	<u>-</u>	<u>(86,436,457)</u>
Less total accumulated depreciation				
Total Capital Assets	<u>50,152,154</u>	<u>470,120</u>	<u>-</u>	<u>50,622,274</u>
Component Unit Activities				
Capital Assets, Net	<u>\$ 51,425,423</u>	<u>\$ 1,501,620</u>	<u>\$ -</u>	<u>\$ 52,927,043</u>

C. Operating Leases

The City has a sublease agreement with St. Louis County for office facilities for its police department. The EDA has a lease agreement with the Chisholm-Hibbing Airport Authority for land for the animal shelter. The City also has various lease agreements for public works grader equipment and various office related equipment. Total cost for these leases was \$321,878 for the year ended December 31, 2021. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2022	\$ 197,600
2023	190,386
2024	73,738
2025	10,130
2026	9,800
2027 - 2028	<u>12,600</u>
 Total	 <u>\$ 494,254</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 project was completed in 2020 for a total cost of \$2,764,688. The costs are being amortized over a period of 33 years. As of December 31, 2021 total costs, net of amortization were \$2,680,910.

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount
Primary Government	Discretely presented component unit	
Garbage and Refuse	Public Utilities Commission	\$ 239,479
Sewer Operating	Public Utilities Commission	<u>347,191</u>
 Total		 <u>\$ 586,670</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.

The interfund loan between the General fund and the Sewer Operating and Maintenance fund was needed originally to fund large overruns that occurred in the past on a storm sewer renovation project. The balance on that project was at \$1,000,000 at December 31, 2016. An additional \$1,300,000 in borrowing occurred during 2017 related to the City's temporary financing of a large storm water infrastructure project primarily completed in 2017. In 2018, the City issued bonds for this 2017 project completed in 2018. During 2018, the Sewer Fund repaid the General fund \$1,546,000 for costs borrowed on the 2017/2018 sewer improvement project. During 2020, the Sewer fund repaid the General fund \$316,000. The Sewer Fund paid the remaining \$38,000 in 2021.

Interfund Transfers

The composition of primary government interfund transfers for the year ended December 31, 2021 is as follows:

Fund	Transfers in Nonmajor Governmental
Transfers Out	
General	\$ 510,815
Nonmajor governmental	<u>76,000</u>
 Total Transfers Out	 <u>\$ 586,815</u>

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

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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	02/01/22	\$ 125,000
2018A G.O. Certificates	1,150,000	3.00 - 4.00	12/20/18	02/01/29	915,000
2020A G.O. Certificates	60,000	1.68	11/24/20	02/01/23	60,000
2020A G.O. Certificates	1,615,000	1.24	11/24/20	02/01/29	1,615,000
2020A G.O. Certificates	670,000	1.35	11/24/20	02/01/30	670,000
Total General Obligation Bonds					<u>\$ 3,385,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 545,000	\$ 82,093	\$ 627,093
2023	430,000	32,215	462,215
2024	405,000	58,380	463,380
2025	390,000	47,830	437,830
2026	405,000	38,055	443,055
2027 - 2030	<u>1,210,000</u>	<u>50,530</u>	<u>1,260,530</u>
Total	<u>\$ 3,385,000</u>	<u>\$ 309,103</u>	<u>\$ 3,694,103</u>

Lease Purchase Obligation

The City also issues long-term leases and certificates of indebtedness for the purchase of major equipment and other items. These leases and certificates are considered obligations of the primary government and are being repaid as part of each year's budgeted expenditures. Included in the lease purchase obligations are lease agreements between the City and the EDA Component Unit 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>\$ 162,518</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities			Total
	Principal	Interest		
2022	\$ 76,572	\$ 2,781	\$ 79,353	
2023	41,699	1,924	43,623	
2024	<u>44,247</u>	<u>996</u>	<u>45,243</u>	
Total	<u>\$ 162,518</u>	<u>\$ 5,701</u>	<u>\$ 168,219</u>	

G.O. Revenue Bonds and Notes

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

Sewer					
Operating Revenues					
Principal and Interest					
Percentage of Revenues					
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2018A General Obligation Bonds	\$ 3,460,000	3.00 - 4.00 %	12/20/18	02/01/39	\$ 3,070,000
2020A General Obligation Bonds	610,000	1.91	11/24/20	02/01/32	<u>610,000</u>
Total G.O. Revenue Bonds					<u>\$ 3,680,000</u>
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2003 Sewer Revenue Notes	\$ 9,847,450	1.74 %	01/29/03	08/20/22	\$ 609,000
2010 Sewer Revenue Notes	1,726,575	1.34	11/30/10	08/20/25	<u>440,000</u>
2012 Sewer Revenue Notes	4,912,830	1.00	10/23/12	08/20/31	<u>2,717,954</u>
Total G.O. Revenue Notes					<u>\$ 3,766,954</u>

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 265,000	\$ 127,604	\$ 392,604
2023	265,000	117,516	382,516
2024	280,000	107,129	387,129
2025	290,000	96,179	386,179
2026	300,000	86,049	386,049
2027 - 2031	1,150,000	291,133	1,441,133
2032 - 2036	690,000	151,445	841,445
2037 - 2039	440,000	27,000	467,000
Total	\$ 3,680,000	\$ 1,004,055	\$ 4,684,055

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 977,000	\$ 43,672	\$ 1,020,672
2023	372,000	29,028	401,028
2024	376,000	24,938	400,938
2025	380,000	20,800	400,800
2026	271,000	16,620	287,620
2027 - 2031	1,390,954	41,948	1,432,902
Total	\$ 3,766,954	\$ 177,006	\$ 3,943,960

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 3,845,000		\$ (460,000)	\$ 3,385,000	\$ 545,000
Unamortized premium on bonds	233,892	-	(25,268)	208,624	-
Total Bonds Payable	<u>4,078,892</u>	<u>-</u>	<u>(485,268)</u>	<u>3,593,624</u>	<u>545,000</u>
Lease Purchase Obligation	162,518	-	-	162,518	76,572
Compensated Absences Payable	1,379,376	169,875	(250,353)	1,298,898	177,562
Governmental Activity Long-term Liabilities	<u><u>\$ 5,620,786</u></u>	<u><u>\$ 169,875</u></u>	<u><u>\$ (735,621)</u></u>	<u><u>\$ 5,055,040</u></u>	<u><u>\$ 799,134</u></u>
Business-type Activities					
Bonds Payable					
G.O. revenue notes	\$ 4,728,954	\$ -	\$ (962,000)	\$ 3,766,954	\$ 977,000
G.O. revenue bonds	3,930,000	-	(250,000)	3,680,000	265,000
Unamortized discount on bonds	(3,892)	-	352	(3,540)	-
Unamortized premium on bonds	136,793	-	(8,239)	128,554	-
Total Bonds Payable	<u>8,791,855</u>	<u>-</u>	<u>(1,219,887)</u>	<u>7,571,968</u>	<u>1,242,000</u>
Compensated Absences Payable	247,327	132,215	(134,725)	244,817	118,323
Business-type Activity Long-term Liabilities	<u><u>\$ 9,039,182</u></u>	<u><u>\$ 132,215</u></u>	<u><u>\$ (1,354,612)</u></u>	<u><u>\$ 7,816,785</u></u>	<u><u>\$ 1,360,323</u></u>

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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
2020B G.O. Tax Increment Refunding Bonds	\$ 765,000	4.00 - 5.25 %	11/01/20	11/01/36	\$ 765,000

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

Year Ending December 31,	Economic Development Authority		
	Principal	Interest	Total
2022	\$ 40,000	\$ 11,360	\$ 51,360
2023	45,000	11,148	56,148
2024	50,000	10,848	60,848
2025	50,000	10,473	60,473
2026	50,000	10,010	60,010
2027 - 2031	255,000	39,919	294,919
2032 - 2036	275,000	15,195	290,195
Total	<u>\$ 765,000</u>	<u>\$ 108,953</u>	<u>\$ 873,953</u>

Loans Payable

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

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - EDA					
Bonds Payable					
G.O. tax increment bonds	\$ 1,530,000	\$ -	\$ (765,000)	\$ 765,000	\$ 40,000
Unamortized discount on bonds	(5,136)	-	1,711	(3,425)	-
Total Bonds Payable	1,524,864	-	(763,289)	761,575	40,000
Loan Payable	571,788	-	(24,655)	547,133	-
Discretely Presented Component Unit					
Long-term Liabilities	\$ 2,096,652	\$ -	\$ (787,944)	\$ 1,308,708	\$ 40,000

Discretely Presented Component Unit – PUC

G.O. Revenue Bonds and Notes

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

Description	Authorized and Issued	Interest Rate	Issue Year	Maturity Date	Balance at Year End
2005A Public Utilities Revenue Note	\$ 2,030,000	4.14 %	2005	12/31/25	\$ 570,000

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

Year Ending December 31,	PUC		
	Principal	Interest	Total
2022	\$ 130,000	\$ 27,988	\$ 157,988
2023	140,000	21,363	161,363
2024	145,000	14,374	159,374
2025	155,000	6,984	161,984
Total	\$ 570,000	\$ 70,709	\$ 640,709

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - PUC					
Bonds Payable					
G.O. revenue notes	\$ 695,000	\$ -	\$ (125,000)	\$ 570,000	\$ 130,000
Unamortized discount on notes	(6,855)	-	1,394	(5,461)	-
Total Bonds Payable	<u>688,145</u>	<u>-</u>	<u>(123,606)</u>	<u>564,539</u>	<u>130,000</u>
Compensated absences payable	859,140	-	(57,628)	801,512	297,491
Discretely Presented Component Unit Long-term Liabilities	<u><u>\$ 1,547,285</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (181,234)</u></u>	<u><u>\$ 1,366,051</u></u>	<u><u>\$ 427,491</u></u>

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, 2021, the account had a balance of \$348,826.

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, 2021:

Issuer	Amount
City of Buhl (St Francis Health Services)	\$ 5,968,441
Central Minnesota Diagnostic, Inc	1,108,936
Minnesota Diversified Industries Project	2,257,248

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2021, 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:

	<u>General</u>	<u>Other Post-Employment Benefits</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable prepaid and inventory items	<u>\$ 21,925</u>	<u>\$ -</u>	<u>\$ 4,458</u>	<u>\$ 26,383</u>
Restricted for				
Debt service	\$ -	\$ -	\$ 848,132	\$ 848,132
Capital equipment and improvements	- -	- -	2,809,644	2,809,644
Police forfeiture fund	<u>75,968</u>	<u>- -</u>	<u>- -</u>	<u>75,968</u>
Total Restricted	<u>\$ 75,968</u>	<u>\$ -</u>	<u>\$ 3,657,776</u>	<u>\$ 3,733,744</u>
Committed to				
Housing incentive	\$ -	\$ -	\$ 51,806	\$ 51,806
Small Cities development	- -	- -	26,586	26,586
Economic development	- -	- -	84,857	84,857
Library	- -	- -	47,147	47,147
OPEB obligation	- -	7,535,009	- -	7,535,009
Memorial Building	- -	- -	36,991	36,991
Capital equipment and improvements	<u>- -</u>	<u>- -</u>	<u>1,925,129</u>	<u>1,925,129</u>
Total Committed	<u>\$ -</u>	<u>\$ 7,535,009</u>	<u>\$ 2,172,516</u>	<u>\$ 9,707,525</u>
Assigned to				
2022 budget	\$ 10,610,513	\$ -	\$ -	\$ 10,610,513
Reserve for Capital Projects	1,382,328	- -	- -	1,382,328
Future capital projects funded from sale of assets	153,761	- -	- -	153,761
Workers' compensation premium adjustments	628,094	- -	- -	628,094
Other improvement projects	<u>- -</u>	<u>- -</u>	<u>500,506</u>	<u>500,506</u>
Total Assigned	<u>\$ 12,774,696</u>	<u>\$ -</u>	<u>\$ 500,506</u>	<u>\$ 13,275,202</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

Police and Fire Plan Benefits

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 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, 2021, 2020 and 2019 were \$353,958, \$351,886 and \$359,605, 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, 2021, were \$322,630. 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 Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$741,673, \$709,410 and \$659,645, 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, 2021, the City reported a liability of \$2,780,062 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 \$84,912. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0651 percent which was a decrease of 0.0007 percent from its proportion measured as of June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 2,780,062
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>84,912</u>
Total	<u><u>\$ 2,864,974</u></u>

For the year ended December 31, 2021, the City recognized pension expense of (\$180,769) for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$6,851 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, 2021

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

At December 31, 2021, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 17,972	\$ 85,184
Changes in Actuarial Assumptions	1,697,448	62,969
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,412,739
Changes in Proportion	-	134,297
Contributions Paid to PERA Subsequent to the Measurement Date	<u>179,282</u>	<u>-</u>
Total	<u>\$ 1,894,702</u>	<u>\$ 2,695,189</u>

The \$179,282 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (209,357)
2023	(93,078)
2024	(20,641)
2025	(656,693)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$2,660,719 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.3447 percent which was a decrease of 0.0164 percent from its proportionate share measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized negative pension expense of (\$235,101) for its proportionate share of Police and Fire Plan's pension expense. In addition, the City recognized an additional \$21,785 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in state aid. The City recognized \$21,785 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 531,897	\$ 5,619
Changes in Actuarial Assumptions	3,982,285	1,571,197
Net Difference Between Projected and Actual Earnings on Plan Investments	-	5,053,230
Changes in Proportion	280,116	238,361
Contributions Paid to PERA Subsequent to the Measurement Date	<u>384,554</u>	<u>-</u>
Total	\$ 5,178,852	\$ 6,868,407

The \$384,554 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (1,785,530)
2023	(345,076)
2024	(295,028)
2025	(504,572)
2026	856,097

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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

Employees Fund Pension Costs - Discretely Presented Component Unit - PUC

At December 31, 2021, the PUC reported a liability of \$2,538,621 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. 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's proportionate share of the net pension liability associated with the PUC totaled \$78,965. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the PUC's proportionate share was 0.0605 percent which was a decrease of 0.045 percent from its proportion measured as of June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 2,538,621
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>78,965</u>
Total	<u>\$ 2,617,586</u>

For the year ended December 31, 2021, the PUC recognized negative pension expense of \$(766,357) for its proportionate share of General Employees Plan's pension expense. In addition, the PUC recognized \$6,371 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, 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	\$ 18,261	\$ 79,747
Changes in Actuarial Assumptions	1,577,505	62,784
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,236,609
Changes in Proportion	-	446,009
Contributions Paid to PERA Subsequent to the Measurement Date	172,522	-
Total	<u>\$ 1,768,288</u>	<u>\$ 2,825,149</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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

The \$172,522 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (599,358)
2023	(198,539)
2024	10,921
2025	94,154

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Equity	16.50	5.30
 Total	 <u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
	\$ 5,269,268	\$ 2,583,621	\$ 379,884
General Employees Fund	\$ 5,269,268	\$ 2,583,621	\$ 379,884
Police and Fire Fund	\$ 8,447,332	\$ 2,660,719	\$ (2,082,870)
PUC Proportionate Share of NPL			
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 6,245,615	\$ 2,583,621	\$ 1,959,667

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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

H. Pension Plan Fiduciary Net Position

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

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

Five City Council members of the City and also the PUC Commission board members are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City and the PUC during the fiscal year 2021 were:

City Defined Contribution Plan Contributions					
Contribution Amount		Percentage of Covered Payroll			
Employee	Employer	Employee	Employer	Required Rate	
\$ 1,127	\$ 1,127		5.00%	5.00%	5.00%
PUC Defined Contribution Plan Contributions					
Contribution Amount		Percentage of Covered Payroll			
Employee	Employer	Employee	Employer	Required Rate	
\$ 375	\$ 375		5.00%	5.00%	5.00%

The City's contributions to the DCP for the years ended December 31, 2021, 2020 and 2019 were \$1,127, \$1,137 and \$1,139, respectively.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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, 2020, the plan covered 13 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$86,317 and \$83,016 in 2021 and 2020, 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, 2021.

D. Pension Costs

At December 31, 2021, the City reported a net pension liability (asset) of (\$239,528) for the plan. The net pension asset was measured as of December 31, 2021. 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, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$206,025 .

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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

At December 31, 2021, 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	\$ 38,802	\$ 13,836
Changes in Actuarial Assumptions	2,554	-
Net Difference Between Projected and Actual Earnings on Plan Investments	5,964	22,900
Contributions to Plan Subsequent to the Measurement Date	<u>86,317</u>	-
Total	<u>\$ 133,637</u>	<u>\$ 36,736</u>

Deferred outflows of resources totaling \$86,317 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ 8,000
2023	2,036
2024	7,237
2025	(3,987)
2026	(1,664)
Thereafter	(1,038)

E. Actuarial Assumptions

The total pension liability at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2021.

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

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	73.00 %	7.15 %
Alternatives	5.00	4.50
Fixed Income	20.00	5.50
Cash and Equivalents	2.00	3.60
 Total	 <u>100.00</u> %	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Asset Sensitivity

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

H. Pension Plan Fiduciary Net Position

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

	1 Percent Decrease (4.0%)	Current (5.0%)	1 Percent Increase (6.0%)
Defined Benefit Plan	\$ (233,320)	\$ (239,528)	\$ (245,356)

I. Investment Policy

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

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 2021, there were no related party transactions between the City and the Chisholm-Hibbing Airport Authority. Complete financial information can be obtained from the Chisholm-Hibbing Airport Authority, 11038 Highway 37, Hibbing, Minnesota 55746.

Note 8: Postemployment Benefits Other Than Pensions

Primary Government

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The City provides postretirement health and life insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years of service and age needed to qualify for these postretirement benefits. The contracts also establish the amount the City will contribute towards the purchase of health insurance. Employer contributions are financed on a pay-as-you-go basis. The Plan does not issue a publicly available report.

Pursuant to the provisions of contracts with bargaining units or other employment contracts, former employees who retire from the City and/or eligible dependents, may continue to participate in the City's plan for medical and life insurance coverage. The bargaining unit contract provisions were modified to exclude any employees hired after January 1, 2007 to participate in the City's medical plan upon retirement, but continue to allow for the life insurance coverage. For those eligible employees and/or eligible dependents, the City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined benefit plan are provided for life. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. For the year 2021, the City indirectly contributed \$1,749,572 to the plan.

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	206
Active Plan Members	<u>127</u>
Total Plan Members	<u><u>333</u></u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 8: Postemployment Benefits other than Pensions (Continued)

B. Actuarial Methods and Assumptions

The City's total OPEB liability of \$29,744,930 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.12%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	2.12%
Inflation Rate	2.12%
Medical Trend Rate	(15.80%) for FY2021, gradually increasing to 3.70% in FY2073

The discount rate used to measure the total OPEB liability was 2.12 percent.

The assumptions relating to mortality, withdrawal, disability, retirement and spouse age difference have been updated per the PERA 2021 actuarial valuations.

The actuarial assumptions used in the January 1, 2021 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

C. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2020	<u>\$ 29,423,824</u>
Changes for the Year:	
Service cost	371,686
Interest	793,399
Differences between expected and actual experience	2,057,367
Changes in assumptions or other inputs	(1,211,246)
Benefit payments	(1,690,100)
Net Changes	<u>321,106</u>
Balances at December 31, 2021	<u>\$ 29,744,930</u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was updated as of December 31, 2020 to 2.12%.
- The health assumptions have been updated based on recent experience and future expectations.

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 8: Postemployment Benefits other than Pensions (Continued)

D. Sensitivity of the Total OPEB Liability

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

1 Percent Decrease (1.12%)	Current (2.12%)	1 Percent Increase (3.12%)
\$ 34,007,574	\$ 29,744,930	\$ 26,292,690

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 (-16.80 percent decreasing to 6.80 percent) or 1-percentage-point higher (-14.80 percent increasing to 8.80 percent) than the current discount rate:

1 Percent Decrease (-16.8% Decreasing to 6.8%)	Healthcare Cost Trend Rates (-15.8% Decreasing to 7.8%)	1 Percent Increase (-14.8% Decreasing to 8.8%)
\$ 26,276,805	\$ 29,744,930	\$ 34,008,001

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$1,749,572. At December 31, 2021, 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	\$ 2,487,308	\$ -
Changes in Actuarial Assumptions	3,497,063	3,083,418
Contributions to OPEB Subsequent to the Measurement Date	1,749,572	-
Total	\$ 7,733,943	\$ 3,083,418

Deferred outflows of resources totaling \$1,749,572 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, 2022. 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:

2022	\$ 592,780
2023	592,780
2024	592,780
2025	407,840
2026	750,873
Thereafter	(36,100)

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 8: Postemployment Benefits other than Pensions (Continued)

Discretely Presented Component Unit - PUC

F. Plan Description

The PUC provides health care and dental insurance benefits for retired PUC employees. PUC employees become eligible for such benefits upon retirement. During the year ended December 31, 2021, the PUC expended approximately \$881,213 on benefits for approximately 87 retirees.

G. Actuarial Assumptions

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

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

H. Changes in the Total OPEB Liability

The PUC's total OPEB liability of \$21,358,657 was measured as of December 31, 2021. Changes in the total OPEB liability is as follows:

	<u>Total OPEB Liability</u>
Balances at December 31, 2020	\$ 19,264,407
Changes for the Year:	
Service cost	561,246
Interest cost	531,232
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,882,985
Benefit payments	(881,213)
Net Changes	<u>2,094,250</u>
Balances at December 31, 2021	<u>\$ 21,358,657</u>

City of Hibbing, Minnesota
 Notes to the Financial Statements
 December 31, 2021

Note 8: Postemployment Benefits other than Pensions (Continued)

I. Sensitivity of the Total OPEB Liability

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

1% Decrease 1.06%	Current 2.06%	1% Decrease 3.06%
\$ 24,061,662	\$ 20,647,976	\$ 17,309,773

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 (3.9% Decreasing to 2.9%)	Healthcare Cost Trend Rates (4.9% Decreasing to 3.9%)	1% Increase (5.9% Decreasing to 4.9%)
\$ 17,837,678	\$ 20,647,976	\$ 24,249,760

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

For the year ended December 31, 2021, the PUC recognized OPEB expense of \$1,002,438. At December 31, 2021, the PUC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,865,880
Changes in Actuarial Assumptions	<u>3,198,369</u>	<u>425,625</u>
Total	<u>3,198,369</u>	<u>3,291,505</u>

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

Year Ended December 31:

2022	\$ (263,477)
2023	20,274
2024	91,211
2025	110,883
2026	(52,027)
Thereafter	-

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 9: Equity in Joint Venture

Component Unit - Hibbing Public Utilities Commission

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

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

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

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

As of December 31, 2021, the Commission has reported on its balance sheet an investment of \$19,195,845 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	\$ 18,186,383
Other Assets	18,083,335
Capital Assets	1,139,196
Total Assets	<u>37,408,914</u>
Current Liabilities	6,206
Net Position	<u>\$ 37,402,708</u>
Total Operating Revenues	\$ 227,520
Operating Expenses	12,024
Non-Operating Revenues	215,496
Change in Net Position	<u>\$ 430,992</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 10: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2021, 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 2021 and 2020. In 2017, the City did have one settlement related to a contract dispute.

The Hibbing PUC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the PUC carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in 2019, 2018 and 2017.

C. Contingencies, Concentrations and Commitments

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

Minnesota Power (MP) and the PUC have an Electric Service Agreement which provides that MP will supply electric power and associated energy sufficient for the PUC to meet its electric system requirements for resale to its retail customers in its service territory effective September 1, 2015. The term of the agreement begins September 1, 2015 and ends December 31, 2024, and will continue thereafter unless either MP or the PUC terminates the agreement upon three years written notice to the other party; provided such termination could 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, 2021. The cost of transportation will increase in 2021 and there is a penalty should the PUC not take delivery of the agreed upon coal amount.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 10: Other Information (Continued)

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.

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, 2021:

Purpose	Percentage of City Taxes Abated during 2021	Amount of Taxes Abated during 2021
Provide incentive for real estate development company to complete residential and commercial development project	50%	\$ 61,053
Provide incentive for real estate development company to complete residential development project	50%	\$ 2,111

E. Steam Conversion Loan Program

In 2020, the Commission established a loan program for those residential customers wishing to convert their heating systems from steam to gas. The customers were required to go through a loan approval process in order to be eligible for the program. The loans are interest free and the loan repayment terms were open as to customer preferences but were not to exceed a ten year period. The Commission contracted with a local bank to handle the repayment process of the program. As of December 31, 2021, the Commission had outstanding loans of \$392,954 through the program. Subsequent to December 31, 2020 the program was suspended and no new loans are currently being issued.

F. Related Organization

Housing and Redevelopment Authority of Hibbing

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

During 2021, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 11: COVID-19

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

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

Note 12: Subsequent Event

The City approved the issuance of a General Obligation Equipment Certificate of Indebtedness, Series 2022A, for the purchase of capital equipment, including public works and public safety vehicles. The closing date for the certificate was March 28, 2022 and the certificate was issued for \$415,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Hibbing, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

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	State's Proportionate Share of the Net Pension Liability Associated with the City			City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
		City's Proportionate Share of the Net Pension Liability	Total	City's Proportionate Share of the Net Pension Liability Associated with the City			
06/30/21	0.0651 %	\$ 2,780,062	\$ 84,912	\$ 2,864,974	\$ 4,687,743	59.3 %	87.0 %
06/30/20	0.0658	3,945,010	121,598	4,066,608	4,692,600	84.1	79.0
06/30/19	0.0685	3,787,212	117,662	3,904,874	4,845,124	78.2	80.2
06/30/18	0.0704	3,905,503	128,091	4,033,594	4,739,514	82.4	79.5
06/30/17	0.0744	4,749,647	59,683	4,809,330	4,801,051	98.9	75.9
06/30/16	0.0709	5,756,728	75,263	5,831,991	4,409,847	130.5	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	State's Proportionate Share of the Net Pension Liability Associated with the City			City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
		City's Proportionate Share of the Net Pension Liability	Total	City's Proportionate Share of the Net Pension Liability Associated with the City			
06/30/21	0.0650 %	\$ 3,897,047	\$ 120,163	\$ 4,017,210	\$ 4,636,325	86.6 %	79.1 %
06/30/20	0.0650	3,897,047	120,163	4,017,210	4,636,325	86.6	79.1
06/30/19	0.0696	3,848,028	119,661	3,967,689	4,925,725	80.6	80.2
06/30/18	0.0780	4,327,120	141,834	4,468,954	5,242,301	85.2	79.5
06/30/17	0.0855	5,458,264	68,646	5,526,910	5,515,110	100.2	75.9
06/30/16	0.0907	7,364,392	96,093	7,460,485	5,425,759	137.5	68.9
06/30/15	0.0939	4,866,386	-	4,866,386	5,519,343	88.2	78.2

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

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)			
12/31/21	\$ 353,958	\$ 353,958	\$ -		\$ 4,719,442	7.50 %
12/31/20	351,886	351,886	-		4,691,813	7.50
12/31/19	359,605	359,605	-		4,794,733	7.50
12/31/18	359,498	359,498	-		4,793,307	7.50
12/31/17	347,061	347,061	-		4,627,480	7.50
12/31/16	337,181	337,181	-		4,495,747	7.50
12/31/15	341,433	341,433	-		4,552,440	7.50

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

Component Unit - Hibbing Public Utilities Commission

Year Ending	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)			
12/31/21	\$ 345,036	\$ 345,036	\$ -		\$ 4,601,631	7.50 %
12/31/20	345,036	345,036	-		4,601,631	7.50
12/31/19	361,207	361,207	-		4,816,386	7.50
12/31/18	377,111	377,111	-		5,028,369	7.50
12/31/17	410,463	410,463	-		5,457,721	7.50
12/31/16	415,642	415,642	-		5,541,887	7.50
12/31/15	420,637	420,637	-		5,608,485	7.50

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

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

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

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

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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

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

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

2016 - There were no changes in plan provisions since the previous valuation.

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, 2021

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)	the Net Pension Liability Associated with the City (b)	Total (a+b)				
06/30/21	0.3447 %	\$ 2,660,719	\$ 119,620	\$ 2,780,339	\$ 4,079,518	65.2 %	93.7 %	
06/30/20	0.3611	4,759,684	112,128	4,871,812	4,078,664	116.7	87.2	
06/30/19	0.3409	3,629,225	-	3,629,225	3,597,920	100.9	89.3	
06/30/18	0.3386	3,609,127	-	3,609,127	1,774,469	203.4	88.8	
06/30/17	0.3540	4,779,421	-	4,779,421	3,540,481	135.0	85.4	
06/30/16	0.3430	13,765,187	-	13,765,187	3,540,481	388.8	63.9	
06/30/15	0.3600	4,090,442	-	4,090,442	3,446,327	118.7	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	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 (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)			
12/31/21	\$ 741,673	\$ 741,673	\$ -	\$ 4,190,245	17.70 %	
12/31/20	709,410	709,410	-	4,007,964	17.70	
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, 2021

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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

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

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

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.

2016 - There were no changes in plan provisions since the previous valuation.

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, 2021

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

	2021	2020	2019	2018	2017	2016
Total Pension Liability						
Service cost	\$ 8,999	\$ 8,737	\$ 11,290	\$ 10,961	\$ 11,412	\$ 11,079
Interest	6,411	6,144	6,820	6,601	6,699	6,418
Differences between expected and actual experience	(11)	-	(17,841)	-	(4,341)	116,400
Changes of assumptions	2,835	-	39	-	12	-
Benefit payments, including refunds of employee contributions	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Net Change in Total Pension Liability	18,234	(4,712)	(2,640)	(6,524)	7,292	(2,071)
Total Pension Liability - January 1	119,227	123,939	126,579	133,103	125,811	127,882
Total Pension Liability - December 31 (a)	\$ 137,461	\$ 119,227	\$ 123,939	\$ 126,579	\$ 133,103	\$ 125,811
Plan Fiduciary Net Position						
Contributions - state	25,864	26,382	\$ 24,973	\$ 25,566	\$ 24,280	\$ 28,587
Net investment income	26,336	24,004	38,997	(16,336)	14,938	5,008
Benefit payments, including refunds of employee contributions	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Administrative expense	(6,526)	(4,724)	(3,412)	(7,203)	(6,141)	(4,015)
Other	(2,894)	-	-	79	-	38,769
Net Change in Plan Fiduciary Net Position	42,780	26,069	57,610	(21,980)	26,587	(67,619)
Plan Fiduciary Net Position - January 1	334,209	308,140	250,530	272,510	245,923	313,542
Plan Fiduciary Net Position - December 31 (b)	\$ 376,989	\$ 334,209	\$ 308,140	\$ 250,530	\$ 272,510	\$ 245,923
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (239,528)	\$ (214,982)	\$ (184,201)	\$ (123,951)	\$ (139,407)	\$ (120,112)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	274.25%	280.31%	248.62%	197.92%	204.74%	195.47%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)		Contribution Deficiency (Excess) (a-b)
		Paid (b)	Contribution Deficiency (Excess) (a-b)	
12/31/21	\$ 25,864	\$ 25,864	\$ -	-
12/31/20	26,382	26,382	-	-
12/31/19	24,973	24,973	-	-
12/31/18	25,566	25,566	-	-
12/31/17	24,280	24,280	-	-
12/31/16	28,587	28,587	-	-
12/31/15	12,484	12,484	-	-

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

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

Primary Government

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 371,686	\$ 258,942	\$ 441,305	\$ 389,594
Interest	793,399	1,026,040	952,784	996,965
Differences between expected and actual experience	2,057,367	-	-	23,832
Changes in assumptions	(1,211,246)	4,244,880	(2,349,774)	1,217,122
Benefit payments	(1,690,100)	(1,727,593)	(1,345,948)	(1,366,298)
Net Change in Total OPEB Liability	321,106	3,802,269	(2,301,633)	1,261,215
Total OPEB Liability - Beginning	<u>29,423,824</u>	<u>25,621,555</u>	<u>27,923,188</u>	<u>26,661,973</u>
Total OPEB Liability - Ending	<u><u>\$ 29,744,930</u></u>	<u><u>\$ 29,423,824</u></u>	<u><u>\$ 25,621,555</u></u>	<u><u>\$ 27,923,188</u></u>
Covered - Employee Payroll	N/A	N/A	N/A	N/A
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	N/A %	N/A %	N/A %	N/A %

Changes in Assumptions:

2019

- The discount rate was updated as of December 31, 2018 to 4.10%
- The percentage of employees electing family coverage decreased from 80% to 50% to reflect plan experience
- The mortality projection scale was updated to MP-2018.
- The health assumptions have been updated based on recent experience and future expectations.

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

Component Unit - Hibbing Public Utilities Commission

	2021	2020	2019
Total OPEB Liability			
Service cost	\$ 597,214	\$ 561,246	\$ 383,407
Interest	456,552	531,232	787,841
Differences between expected and actual experience	(1,100,781)	-	(3,616,791)
Changes in assumptions	181,569	1,882,985	3,292,183
Benefit payments	(845,235)	(881,213)	(820,675)
Net Change in Total OPEB Liability	(710,681)	2,094,250	25,965
Total OPEB Liability - Beginning	<u>21,358,657</u>	<u>19,264,407</u>	<u>19,238,442</u>
Total OPEB Liability - Ending	<u><u>\$ 20,647,976</u></u>	<u><u>\$ 21,358,657</u></u>	<u><u>\$ 19,264,407</u></u>
Covered - Employee Payroll	\$ 4,592,402	\$ 4,967,680	\$ 5,440,813
City' Total OPEB Liability as a Percentage of Covered Employee Payroll	464.87 %	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, 2021

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, 2021

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

Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 3. As of December 31, 2020, the City's gravel roads all rated at a Level 3.

The City expended \$386,500 on gravel road maintenance for the year ended December 31, 2019. This amount in 2019 included 44 culvert changes, 9 road lifts, and 11 spot road repairs. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2020 is a minimum of \$1,129,000 (\$386,500 projected budget each year for the years ending December 31, 2020 and 2021).

A schedule of the estimated annual amount calculated to maintain and preserve its gravel roads at the current level compared to actual expenditures for gravel road maintenance for the years ended December 31, 2006 through December 31, 2021 is presented below:

<u>Year</u>	Estimated Annual Expenditures	Actual Expenditures	Funded by General Fund
2006	\$ 125,000	\$ 141,244	\$ 141,244
2007	132,832	146,959	146,959
2008	139,680	150,345	150,345
2009	175,311	192,151	192,151
2010	175,311	183,088	183,088
2011	180,000	331,896	331,896
2012	200,000	362,118	362,118
2013	200,000	379,983	379,983
2014	306,000	324,888	324,888
2015	317,445	305,000	305,000
2016	356,000	328,000	328,000
2017	341,000	332,000	332,000
2018	356,000	365,000	365,000
2019	386,500	386,500	386,500
2020	386,500	386,500	386,500
2021	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, 2021

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2021

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 249,912	\$ 5,495,496	\$ 1,054,456	\$ 6,799,864
Receivables				
Taxes	4,807	7,772	2,726	15,305
Accounts	-	20,106	-	20,106
Special assessments	-	146,353	-	146,353
Due from other governments	229	33,794	-	34,023
Prepaid items	<u>4,458</u>	<u>1,000</u>	<u>-</u>	<u>5,458</u>
Total Assets	<u>\$ 259,406</u>	<u>\$ 5,704,521</u>	<u>\$ 1,057,182</u>	<u>\$ 7,021,109</u>
Liabilities				
Accounts payable	\$ 6,731	\$ 6,496	\$ 750	\$ 13,977
Due to other governments	4,575	13,789	-	18,364
Accrued salaries payable	15,689	-	-	15,689
Contracts payable	-	33,163	-	33,163
Unearned revenue	<u>17,557</u>	<u>210,852</u>	<u>208,300</u>	<u>436,709</u>
Total Liabilities	<u>44,552</u>	<u>264,300</u>	<u>209,050</u>	<u>517,902</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	141,157	-	141,157
Unavailable revenue - intergovernmental	-	26,794	-	26,794
Total Deferred Inflows of Resources	<u>-</u>	<u>167,951</u>	<u>-</u>	<u>167,951</u>
Fund Balances				
Nonspendable	4,458	-	-	4,458
Restricted	-	2,809,644	848,132	3,657,776
Committed	210,396	1,962,120	-	2,172,516
Assigned	-	500,506	-	500,506
Total Fund Balances	<u>214,854</u>	<u>5,272,270</u>	<u>848,132</u>	<u>6,335,256</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 259,406</u>	<u>\$ 5,704,521</u>	<u>\$ 1,057,182</u>	<u>\$ 7,021,109</u>

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2021

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 585,750	\$ 1,143,507	\$ 332,244	\$ 2,061,501
Intergovernmental	292	1,373,900	212,590	1,586,782
Charges for services	1,787	21,250	-	23,037
Special assessments	-	83,037	-	83,037
Contributions and donations	16,717	60,177	-	76,894
Investment earnings	182	10,419	-	10,601
Total Revenues	<u>604,728</u>	<u>2,692,290</u>	<u>544,834</u>	<u>3,841,852</u>
Expenditures				
Current				
Culture and recreation	714,725	59,595	-	774,320
Capital outlay				
General government	-	10,862	-	10,862
Public safety	-	292,604	-	292,604
Public works	-	2,059,402	-	2,059,402
Culture and recreation	-	801,873	-	801,873
Miscellaneous	-	28,113	-	28,113
Debt service				
Principal	-	-	460,000	460,000
Interest and other	-	-	79,276	79,276
Total Expenditures	<u>714,725</u>	<u>3,252,449</u>	<u>539,276</u>	<u>4,506,450</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(109,997)</u>	<u>(560,159)</u>	<u>5,558</u>	<u>(664,598)</u>
Other Financing Sources (Uses)				
Transfers in	70,588	516,227	-	586,815
Transfers out	(1,000)	(75,000)	-	(76,000)
Sale of capital assets	-	17,667	-	17,667
Total Other Financing Sources (Uses)	<u>69,588</u>	<u>458,894</u>	<u>-</u>	<u>528,482</u>
Net Change in Fund Balances	(40,409)	(101,265)	5,558	(136,116)
Fund Balances, January 1	<u>255,263</u>	<u>5,373,535</u>	<u>842,574</u>	<u>6,471,372</u>
Fund Balances, December 31	<u>\$ 214,854</u>	<u>\$ 5,272,270</u>	<u>\$ 848,132</u>	<u>\$ 6,335,256</u>

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2021

	211	220	225	421		Total
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans		
Assets						
Cash and temporary investments	\$ 86,663	\$ 51,806	\$ 26,586	\$ 84,857	\$ 249,912	
Receivables						
Taxes	4,807	-	-	-	4,807	
Due from other governments	229	-	-	-	229	
Prepaid items	<u>4,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,458</u>	
Total Assets	<u><u>\$ 96,157</u></u>	<u><u>\$ 51,806</u></u>	<u><u>\$ 26,586</u></u>	<u><u>\$ 84,857</u></u>	<u><u>\$ 259,406</u></u>	
Liabilities						
Accounts and other payables	\$ 6,731	\$ -	\$ -	\$ -	\$ 6,731	
Due to other governments	4,575	-	-	-	4,575	
Accrued salaries payable	15,689	-	-	-	15,689	
Unearned revenue	<u>17,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,557</u>	
Total Liabilities	<u><u>44,552</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>44,552</u></u>	
Fund Balances						
Nonspendable	4,458	-	-	-	4,458	
Committed	<u>47,147</u>	<u>51,806</u>	<u>26,586</u>	<u>84,857</u>	<u>210,396</u>	
Total Fund Balances	<u><u>51,605</u></u>	<u><u>51,806</u></u>	<u><u>26,586</u></u>	<u><u>84,857</u></u>	<u><u>214,854</u></u>	
Total Liabilities and Fund Balances	<u><u>\$ 96,157</u></u>	<u><u>\$ 51,806</u></u>	<u><u>\$ 26,586</u></u>	<u><u>\$ 84,857</u></u>	<u><u>\$ 259,406</u></u>	

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2021

	211	220	225	421	
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans	Total
Revenues					
Taxes	\$ 585,750	\$ -	\$ -	\$ -	\$ 585,750
Property taxes					
Intergovernmental	292	-	-	-	292
Charges for services	1,787	-	-	-	1,787
Contributions and donations	16,717				16,717
Investment earnings	-	118	60	4	182
Total Revenues	<u>604,546</u>	<u>118</u>	<u>60</u>	<u>4</u>	<u>604,728</u>
Expenditures					
Current					
Culture and recreation	714,725	-	-	-	714,725
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(110,179)</u>	<u>118</u>	<u>60</u>	<u>4</u>	<u>(109,997)</u>
Other Financing Sources (Uses)					
Transfers in	70,588	-	-	-	70,588
Transfers out	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Total Other Financing Sources (Uses)	<u>69,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,588</u>
Net Change in Fund Balances	(40,591)	118	60	4	(40,409)
Fund Balances, January 1	<u>92,196</u>	<u>51,688</u>	<u>26,526</u>	<u>84,853</u>	<u>255,263</u>
Fund Balances, December 31	<u><u>\$ 51,605</u></u>	<u><u>\$ 51,806</u></u>	<u><u>\$ 26,586</u></u>	<u><u>\$ 84,857</u></u>	<u><u>\$ 214,854</u></u>

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City of Hibbing, Minnesota
Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 586,043	\$ 586,043	\$ 585,750	\$ (293)
Intergovernmental	-	-	292	292
Charges for services	12,200	12,200	1,787	(10,413)
Contributions and donations	19,623	19,623	16,717	(2,906)
Total Revenues	617,866	617,866	604,546	(13,320)
Expenditures				
Current				
Culture and recreation				
Personnel services	581,729	581,729	544,093	37,636
Supplies	105,575	105,575	96,115	9,460
Other	100,150	100,150	74,517	25,633
Total Expenditures	787,454	787,454	714,725	72,729
Deficiency of Revenues				
Under Expenditures	(169,588)	(169,588)	(110,179)	59,409
Other Financing Sources (Uses)				
Transfer in	70,588	70,588	70,588	-
Transfer out	(1,000)	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	69,588	69,588	69,588	-
Net Change in Fund Balances	(100,000)	(100,000)	(40,591)	59,409
Fund Balances, January 1	92,196	92,196	92,196	-
Fund Balances, December 31	\$ (7,804)	\$ (7,804)	\$ 51,605	\$ 59,409

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2021

	401, 402	415	430	400
	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
Assets				
Cash and temporary investments	\$ 1,138,910	\$ 44,252	\$ 32,141	\$ 3,176,053
Receivables				
Taxes	3,995	-	-	3,777
Accounts	-	2,541	5,850	2,715
Special assessments	-	146,353	-	-
Due from other governments	26,794	-	-	7,000
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Assets	<u>\$ 1,169,699</u>	<u>\$ 193,146</u>	<u>\$ 37,991</u>	<u>\$ 3,190,545</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,496
Due to other governments	-	13,789	-	-
Contracts payable	14,419	-	-	18,744
Unearned revenue	51,310	-	1,000	-
Total Liabilities	<u>65,729</u>	<u>13,789</u>	<u>1,000</u>	<u>25,240</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	141,157	-	-
Unavailable revenue - intergovernmental	26,794	-	-	-
Total Deferred Inflows of Resources	<u>26,794</u>	<u>141,157</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	1,077,176	-	-	820,719
Committed	-	-	36,991	1,925,129
Assigned	-	38,200	-	419,457
Total Fund Balances	<u>1,077,176</u>	<u>38,200</u>	<u>36,991</u>	<u>3,165,305</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,169,699</u>	<u>\$ 193,146</u>	<u>\$ 37,991</u>	<u>\$ 3,190,545</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2021

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Assets				
Cash and temporary investments	\$ 911,749	\$ 169,847	\$ 22,544	\$ 5,495,496
Receivables				
Taxes	-	-	-	7,772
Accounts	-	9,000	-	20,106
Special assessments	-	-	-	146,353
Due from other governments	-	-	-	33,794
Prepaid items	-	-	-	1,000
Total Assets	<u>\$ 911,749</u>	<u>\$ 178,847</u>	<u>\$ 22,544</u>	<u>\$ 5,704,521</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,496
Due to other governments	-	-	-	13,789
Contracts payable	-	-	-	33,163
Unearned revenue	-	158,542	-	210,852
Total Liabilities	<u>-</u>	<u>158,542</u>	<u>-</u>	<u>264,300</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	141,157
Unavailable revenue - intergovernmental	-	-	-	26,794
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,951</u>
Fund Balances				
Restricted	911,749	-	-	2,809,644
Committed	-	-	-	1,962,120
Assigned	-	20,305	22,544	500,506
Total Fund Balances	<u>911,749</u>	<u>20,305</u>	<u>22,544</u>	<u>5,272,270</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 911,749</u>	<u>\$ 178,847</u>	<u>\$ 22,544</u>	<u>\$ 5,704,521</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2021

	401, 402	415	430	400
	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
Revenues				
Taxes	\$ 486,757	\$ -	\$ -	\$ 460,270
Intergovernmental	1,332,131	- -	- -	41,769
Charges for services	- -	- -	15,250	- -
Special assessments	- -	83,037	- -	- -
Contributions and donations	- -	- -	- -	7,000
Investment earnings	2,818	- -	63	6,901
Total Revenues	<u>1,821,706</u>	<u>83,037</u>	<u>15,313</u>	<u>515,940</u>
Expenditures				
Current				
Culture and recreation	- -	- -	- -	- -
Capital outlay				
General government	- -	- -	- -	10,862
Public safety	- -	- -	- -	292,604
Public works	1,874,560	135,624	- -	49,218
Culture and recreation	- -	- -	4,680	797,193
Miscellaneous	- -	- -	- -	28,113
Total Expenditures	<u>1,874,560</u>	<u>135,624</u>	<u>4,680</u>	<u>1,177,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,854)</u>	<u>(52,587)</u>	<u>10,633</u>	<u>(662,050)</u>
Other Financing Sources (Uses)				
Transfers in	- -	75,000	- -	441,227
Transfers out	(75,000)	- -	- -	- -
Sale of capital assets	- -	- -	- -	17,667
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>458,894</u>
Net Change in Fund Balances	<u>(127,854)</u>	<u>22,413</u>	<u>10,633</u>	<u>(203,156)</u>
Fund Balances, January 1	<u>1,205,030</u>	<u>15,787</u>	<u>26,358</u>	<u>3,368,461</u>
Fund Balances, December 31	<u>\$ 1,077,176</u>	<u>\$ 38,200</u>	<u>\$ 36,991</u>	<u>\$ 3,165,305</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2021

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Revenues				
Taxes	\$ 196,480	\$ -	\$ -	\$ 1,143,507
Intergovernmental	-	-	-	1,373,900
Charges for services	-	6,000	-	21,250
Special assessments	-	-	-	83,037
Contributions and donations	-	53,177	-	60,177
Investment earnings	-	418	219	10,419
Total Revenues	196,480	59,595	219	2,692,290
Expenditures				
Current				
Culture and recreation	-	59,595	-	59,595
Capital outlay				
General government	-	-	-	10,862
Public safety	-	-	-	292,604
Public works	-	-	-	2,059,402
Culture and recreation	-	-	-	801,873
Miscellaneous	-	-	-	28,113
Total Expenditures	-	59,595	-	3,252,449
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,480	-	219	(560,159)
Other Financing Sources (Uses)				
Transfers in	-	-	-	516,227
Transfers out	-	-	-	(75,000)
Sale of capital assets	-	-	-	17,667
Total Other Financing Sources (Uses)	-	-	-	458,894
Net Change in Fund Balances	196,480	-	219	(101,265)
Fund Balances, January 1	715,269	20,305	22,325	5,373,535
Fund Balances, December 31	\$ 911,749	\$ 20,305	\$ 22,544	\$ 5,272,270

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2021

	395 2002 G.O. Refunding Bonds	396 2013A G.O. 2020A Refunding MSA Bonds	308 2018A G.O. Bonds	309 2012A G.O. Bonds	310 2020A Refunding Bonds (2013A Equipment Certificates)	Total
Assets						
Cash and temporary investments	\$ 357,631	\$ 275,914	\$ 183,929	\$ 78,631	\$ 158,351	\$ 1,054,456
Receivables						
Taxes	-	-	1,353	1,025	348	2,726
Total Assets	<u>\$ 357,631</u>	<u>\$ 275,914</u>	<u>\$ 185,282</u>	<u>\$ 79,656</u>	<u>\$ 158,699</u>	<u>\$ 1,057,182</u>
Liabilities						
Accounts and other payables	\$ -	\$ 150	\$ 150	\$ 150	\$ 300	\$ 750
Unearned revenue	-	208,300	-	-	300	208,300
Total Liabilities	<u>-</u>	<u>208,450</u>	<u>150</u>	<u>150</u>	<u>300</u>	<u>209,050</u>
Fund Balances						
Restricted for debt service	357,631	67,464	185,132	79,506	158,399	848,132
Total Liabilities and Fund Balance	<u>\$ 357,631</u>	<u>\$ 275,914</u>	<u>\$ 185,282</u>	<u>\$ 79,656</u>	<u>\$ 158,699</u>	<u>\$ 1,057,182</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, 2021

	395	396	308	309	310	
	2002 G.O. Refunding Bonds	2013A G.O. 2020A Refunding MSA Bonds	2018A G.O. Bonds	2012A G.O. Bonds	2020A Refunding Bonds (2013A Equipment Certificates)	Total
Revenues						
Taxes	\$ -	\$ -	\$ 164,918	\$ 124,938	\$ 42,388	\$ 332,244
Intergovernmental	- -	212,425	82	62	21	212,590
Total Revenues	<u>-</u>	<u>212,425</u>	<u>165,000</u>	<u>125,000</u>	<u>42,409</u>	<u>544,834</u>
Expenditures						
Debt service						
Principal	- -	185,000	125,000	120,000	30,000	460,000
Interest and other	- -	27,574	36,775	3,528	11,399	79,276
Total Expenditures	<u>-</u>	<u>212,574</u>	<u>161,775</u>	<u>123,528</u>	<u>41,399</u>	<u>539,276</u>
Net Change in Fund Balances	- -	(149)	3,225	1,472	1,010	5,558
Fund Balances, January 1	<u>357,631</u>	<u>67,613</u>	<u>181,907</u>	<u>78,034</u>	<u>157,389</u>	<u>842,574</u>
Fund Balances, December 31	<u>\$ 357,631</u>	<u>\$ 67,464</u>	<u>\$ 185,132</u>	<u>\$ 79,506</u>	<u>\$ 158,399</u>	<u>\$ 848,132</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual Amounts
	Original	Final	Amounts		
Revenues					
Taxes					
Property taxes	\$ 5,891,475	\$ 5,891,475	\$ 5,267,664	\$ (623,811)	\$ 4,781,282
Taconite	2,000,500	2,000,500	2,589,383	588,883	2,585,936
Franchise	130,000	130,000	135,187	5,187	130,129
Total taxes	<u>8,021,975</u>	<u>8,021,975</u>	<u>7,992,234</u>	<u>(29,741)</u>	<u>7,497,347</u>
Licenses and permits					
Business	80,636	80,636	121,282	40,646	104,615
Intergovernmental					
Federal					
Transportation	368,565	368,565	22,431	(346,134)	291,372
Other	8,000	8,000	79,455	71,455	1,402,023
State					
Local government aid	8,278,325	8,278,325	8,280,595	2,270	8,233,738
Market value credit	-	-	2,940	2,940	2,732
Transportation	189,067	189,067	430,634	241,567	38,917
Police and fire aid	296,000	296,000	336,904	40,904	343,629
Other	63,500	63,500	143,067	79,567	342,966
Local					
Other	50,114	50,114	59,283	9,169	262,296
Total intergovernmental	<u>9,253,571</u>	<u>9,253,571</u>	<u>9,355,309</u>	<u>101,738</u>	<u>10,917,673</u>
Charges for services					
General government	79,600	79,600	68,528	(11,072)	66,568
Public safety	1,501,000	1,501,000	2,073,403	572,403	1,835,759
Highways and streets	1,000	1,000	1,790	790	256
Culture and recreation	252,494	252,494	208,852	(43,642)	182,064
Cemetery	75,100	75,100	88,515	13,415	80,100
Total charges for services	<u>1,909,194</u>	<u>1,909,194</u>	<u>2,441,088</u>	<u>531,894</u>	<u>2,164,747</u>
Fines and forfeitures	50,000	50,000	83,512	33,512	60,462
Investment earnings (loss)	50,000	50,000	(73,006)	(123,006)	228,383
Contributions and donations	11,106	11,106	53,062	41,956	5,051
Miscellaneous					
Other	62,041	62,041	143,523	81,482	72,008
Total Revenues	<u>19,438,523</u>	<u>19,438,523</u>	<u>20,117,004</u>	<u>678,481</u>	<u>21,050,286</u>
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	230,885	230,885	227,460	3,425	218,299
Supplies	15,700	15,700	1,713	13,987	572
Other services and charges	54,100	54,100	42,100	12,000	40,937
Total mayor and council	<u>300,685</u>	<u>300,685</u>	<u>271,273</u>	<u>29,412</u>	<u>259,808</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts			
	Original	Final						
Expenditures (Continued)								
Current (continued)								
General government (continued)								
Administration								
Personnel services	\$ 170,225	\$ 170,225	\$ 345,611	\$ (175,386)	\$ 165,898			
Supplies	8,000	8,000	2,255	5,745	640			
Other services and charges	11,500	11,500	3,873	7,627	2,327			
Total administration	<u>189,725</u>	<u>189,725</u>	<u>351,739</u>	<u>(162,014)</u>	<u>168,865</u>			
Elections								
Personnel services	-	-	717	(717)	57,947			
Supplies	-	-	-	-	10,784			
Other services and charges	5,000	5,000	3,665	1,335	20,500			
Total elections	<u>5,000</u>	<u>5,000</u>	<u>4,382</u>	<u>618</u>	<u>89,231</u>			
City clerk								
Personnel services	508,125	508,125	540,844	(32,719)	474,876			
Supplies	13,500	13,500	4,657	8,843	3,972			
Other services and charges	49,500	49,500	33,570	15,930	26,832			
Total city clerk	<u>571,125</u>	<u>571,125</u>	<u>579,071</u>	<u>(7,946)</u>	<u>505,680</u>			
City hall								
Supplies	23,480	23,480	20,039	3,441	13,623			
Other services and charges	93,500	93,500	66,431	27,069	114,131			
Total city hall	<u>116,980</u>	<u>116,980</u>	<u>86,470</u>	<u>30,510</u>	<u>127,754</u>			
Accounting								
Other services and charges	50,000	50,000	47,475	2,525	43,322			
Data processing								
Supplies	3,700	3,700	521	3,179	1,971			
Other services and charges	140,500	140,500	138,029	2,471	116,494			
Total data processing	<u>144,200</u>	<u>144,200</u>	<u>138,550</u>	<u>5,650</u>	<u>118,465</u>			
Legal								
Other services and charges	140,000	140,000	148,571	(8,571)	132,686			
Personnel administration								
Personnel services	114,391	114,391	117,850	(3,459)	104,959			
Supplies	5,750	5,750	1,035	4,715	751			
Other services and charges	44,000	44,000	65,104	(21,104)	55,154			
Total personnel administration	<u>164,141</u>	<u>164,141</u>	<u>183,989</u>	<u>(19,848)</u>	<u>160,864</u>			
Zoning and housing								
Personnel services	185,128	185,128	185,820	(692)	175,569			
Supplies	2,950	2,950	1,770	1,180	1,901			
Other services and charges	46,000	46,000	34,085	11,915	33,667			
Total zoning and housing	<u>234,078</u>	<u>234,078</u>	<u>221,675</u>	<u>12,403</u>	<u>211,137</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts			
	Original	Final						
Expenditures (Continued)								
Current (continued)								
General government (continued)								
Assessor								
Personnel services	\$ 74,027	\$ 74,027	\$ 74,212	\$ (185)	69,390			
Supplies	300	300	-	300	-			
Other services and charges	200	200	135	65	55			
Total assessor	<u>74,527</u>	<u>74,527</u>	<u>74,347</u>	<u>180</u>	<u>69,445</u>			
Total general government	<u>1,990,461</u>	<u>1,990,461</u>	<u>2,107,542</u>	<u>(117,081)</u>	<u>1,887,257</u>			
Public safety								
Police								
Personnel services	3,432,729	3,449,729	3,471,007	(21,278)	3,186,773			
Supplies	220,075	170,075	159,746	10,329	141,146			
Other services and charges	255,260	224,448	218,765	5,683	201,859			
Total police	<u>3,908,064</u>	<u>3,844,252</u>	<u>3,849,518</u>	<u>(5,266)</u>	<u>3,529,778</u>			
Animal shelter								
Supplies	7,000	7,000	1,279	5,721	2,059			
Other services and charges	81,100	81,100	71,523	9,577	120,134			
Total animal shelter	<u>88,100</u>	<u>88,100</u>	<u>72,802</u>	<u>15,298</u>	<u>122,193</u>			
Fire								
Personnel services	2,145,136	2,145,136	2,033,221	111,915	2,074,230			
Supplies	114,400	114,400	70,930	43,470	69,638			
Other services and charges	150,300	150,300	124,511	25,789	131,701			
Total fire	<u>2,409,836</u>	<u>2,409,836</u>	<u>2,228,662</u>	<u>181,174</u>	<u>2,275,569</u>			
Paid on-call								
Personnel services	59,300	59,300	35,863	23,437	33,857			
Supplies	69,500	69,500	30,146	39,354	31,298			
Other services and charges	81,300	81,300	63,026	18,274	48,016			
Total paid on-call	<u>210,100</u>	<u>210,100</u>	<u>129,035</u>	<u>81,065</u>	<u>113,171</u>			
Civil defense								
Other services and charges	5,500	5,500	5,302	198	5,302			
Ambulance								
Personnel services	1,049,176	1,049,176	1,081,718	(32,542)	1,127,817			
Supplies	136,000	136,000	125,625	10,375	119,757			
Other services and charges	142,250	142,250	112,486	29,764	107,924			
Total ambulance	<u>1,327,426</u>	<u>1,327,426</u>	<u>1,319,829</u>	<u>7,597</u>	<u>1,355,498</u>			
Total public safety	<u>7,949,026</u>	<u>7,885,214</u>	<u>7,605,148</u>	<u>280,066</u>	<u>7,401,511</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
Engineering					
Personnel services	\$ 365,510	\$ 365,510	\$ 367,683	\$ (2,173)	346,096
Supplies	7,500	7,500	5,847	1,653	2,517
Other services and charges	36,100	36,100	37,981	(1,881)	34,457
Total engineering	<u>409,110</u>	<u>409,110</u>	<u>411,511</u>	<u>(2,401)</u>	<u>383,070</u>
Streets and alleys					
Personnel services	1,641,908	1,641,908	1,493,884	148,024	1,506,850
Supplies	587,975	587,975	526,747	61,228	526,608
Other services and charges	359,000	359,000	179,221	179,779	299,524
Total streets and alleys	<u>2,588,883</u>	<u>2,588,883</u>	<u>2,199,852</u>	<u>389,031</u>	<u>2,332,982</u>
Street lighting					
Other services and charges	55,000	55,000	57,290	(2,290)	54,023
Garage					
Personnel services	369,264	369,264	239,334	129,930	265,249
Supplies	52,000	52,000	35,106	16,894	33,629
Other services and charges	191,000	191,000	152,650	38,350	149,716
Total garage	<u>612,264</u>	<u>612,264</u>	<u>427,090</u>	<u>185,174</u>	<u>448,594</u>
Total public works	<u>3,665,257</u>	<u>3,665,257</u>	<u>3,095,743</u>	<u>569,514</u>	<u>3,218,669</u>
Culture and recreation					
Recreation					
Supplies	25,600	25,600	14,477	11,123	12,292
Other services and charges	35,000	35,000	17,726	17,274	15,549
Total recreation	<u>60,600</u>	<u>60,600</u>	<u>32,203</u>	<u>28,397</u>	<u>27,841</u>
Memorial building					
Personnel services	2,303	2,303	-	2,303	-
Supplies	70,867	60,870	71,726	(10,856)	64,547
Other services and charges	343,500	338,173	262,397	75,776	233,549
Total memorial building	<u>416,670</u>	<u>401,346</u>	<u>334,123</u>	<u>67,223</u>	<u>298,096</u>
Municipal golf course					
Supplies	19,869	19,869	17,696	2,173	14,778
Other services and charges	28,400	28,400	48,787	(20,387)	28,091
Total municipal golf course	<u>48,269</u>	<u>48,269</u>	<u>66,483</u>	<u>(18,214)</u>	<u>42,869</u>
Parks					
Supplies	86,699	86,699	82,602	4,097	47,747
Other services and charges	73,330	73,330	90,048	(16,718)	54,678
Total parks	<u>160,029</u>	<u>160,029</u>	<u>172,650</u>	<u>(12,621)</u>	<u>102,425</u>
City services					
Personnel services	1,678,721	1,678,721	1,523,305	155,416	1,367,754
Total culture and recreation	<u>2,364,289</u>	<u>2,348,965</u>	<u>2,128,764</u>	<u>220,201</u>	<u>1,838,985</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			2020	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Economic development					
Administration					
Supplies	\$ 300	\$ 300	\$ 110	\$ 190	311
Other services and charges	53,500	53,500	18,080	35,420	17,127
Total economic development	<u>53,800</u>	<u>53,800</u>	<u>18,190</u>	<u>35,610</u>	<u>17,438</u>
Transportation					
Bus					
Personnel services	28,410	28,410	15,267	13,143	16,305
Supplies	90,000	90,000	83,320	6,680	57,103
Other services and charges	388,750	388,750	348,437	40,313	317,836
Total transportation	<u>507,160</u>	<u>507,160</u>	<u>447,024</u>	<u>60,136</u>	<u>391,244</u>
Miscellaneous					
Cemetery					
Personnel services	213,277	213,277	244,869	(31,592)	188,749
Supplies	34,725	34,725	25,967	8,758	26,749
Other services and charges	23,000	23,000	15,043	7,957	15,374
Total cemetery	<u>271,002</u>	<u>271,002</u>	<u>285,879</u>	<u>(14,877)</u>	<u>230,872</u>
Public access					
Other services and charges	<u>110,000</u>	<u>110,000</u>	<u>98,903</u>	<u>11,097</u>	<u>111,759</u>
Insurance					
Other services and charges	<u>2,078,141</u>	<u>2,078,141</u>	<u>2,159,116</u>	<u>(80,975)</u>	<u>2,109,124</u>
Donations and contributions					
Other services and charges	<u>30,000</u>	<u>30,000</u>	<u>21,865</u>	<u>8,135</u>	<u>3,100</u>
Other					
Other services and charges	<u>155,800</u>	<u>155,800</u>	<u>50,931</u>	<u>104,869</u>	<u>123,436</u>
Total miscellaneous	<u>2,644,943</u>	<u>2,644,943</u>	<u>2,616,694</u>	<u>28,249</u>	<u>2,578,291</u>
Total current	<u>19,174,936</u>	<u>19,095,800</u>	<u>18,019,105</u>	<u>1,076,695</u>	<u>17,333,395</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020		
	Budgeted Amounts		Actual Amounts				
	Original	Final					
Expenditures (Continued)							
Current (continued)							
Capital outlay							
General government	\$ -	\$ -	\$ -	\$ -	\$ 70,756		
Public safety	- -	- -	- -	- -	668,888		
Transportation	<u>193,000</u>	<u>193,000</u>	- -	<u>193,000</u>	- -		
Total capital outlay	<u>193,000</u>	<u>193,000</u>	- -	<u>193,000</u>	<u>739,644</u>		
Debt service							
Principal	- -	- -	- -	- -	35,047		
Interest and other	- -	- -	- -	- -	7,868		
Total debt service	- -	- -	- -	- -	42,915		
Total Expenditures	<u>19,367,936</u>	<u>19,288,800</u>	<u>18,019,105</u>	<u>1,269,695</u>	<u>18,115,954</u>		
Excess of Revenues							
Over Expenditures	<u>70,587</u>	<u>149,723</u>	<u>2,097,899</u>	<u>1,948,176</u>	<u>2,934,332</u>		
Other Financing Sources (Uses)							
Transfers out	(70,587)	(149,723)	(510,815)	(361,092)	(169,676)		
Sale of capital assets	- -	- -	28,043	28,043	- -		
Total Other Financing Sources (Uses)	<u>(70,587)</u>	<u>(149,723)</u>	<u>(482,772)</u>	<u>(333,049)</u>	<u>(169,676)</u>		
Net Change in Fund Balances	- -	- -	1,615,127	1,615,127	2,764,656		
Fund Balances, January 1	<u>24,613,728</u>	<u>24,613,728</u>	<u>24,613,728</u>	- -	21,849,072		
Fund Balances, December 31	<u><u>\$ 24,613,728</u></u>	<u><u>\$ 24,613,728</u></u>	<u><u>\$ 26,228,855</u></u>	<u><u>\$ 1,615,127</u></u>	<u><u>\$ 24,613,728</u></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, 2021

	Governmental Activities				
	Special Revenue Funds		Debt Service Funds		
	255	250	392,417	375	
	General Fund	Economic Development	Tax XII	Increment XII	Animal Shelter
Assets					
Cash and temporary investments	\$ 532,586	\$ 1,100,974	\$ 31,165	\$ (2,019)	
Receivables					
Taxes	863	-	-	-	
Accounts	610	-	-	-	
Loans, net of allowance	-	2,366,168	-	-	162,518
Due from other funds	-	123,000	-	-	
Capital assets					
Buildings	-	-	-	-	
Less accumulated depreciation	-	-	-	-	
Total Assets	<u>\$ 534,059</u>	<u>\$ 3,590,142</u>	<u>\$ 31,165</u>	<u>\$ 160,499</u>	
Liabilities					
Accounts payable	\$ 6,577	\$ -	\$ 150	\$ -	
Accrued salaries payable	815	-	-	-	
Due to other funds	-	-	-	-	
Loans payable	-	-	-	-	
Due to other governments	-	-	500	-	
Total Liabilities	<u>7,392</u>	<u>-</u>	<u>650</u>	<u>-</u>	

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2021

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392,417	375
	General Fund	Economic Development	Tax XII	Animal Shelter
Fund Balances/Net Position				
Fund balances				
Restricted for debt service	\$ -	\$ -	\$ 30,515	\$ -
Restricted economic development	- -	- -	- -	- -
Committed	526,667	3,590,142	- -	- -
Assigned	- -	- -	- -	160,499
Net position				
Net investment in capital assets	- -	- -	- -	- -
Unrestricted	- -	- -	- -	- -
Total Fund Balances/ Net Position	526,667	3,590,142	30,515	160,499
Total Liabilities, and Fund Balances/ Net Position	\$ 534,059	\$ 3,590,142	\$ 31,165	\$ 160,499

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2021

	Governmental Activities				Business-Type Activities - Enterprise Funds	
	Capital Project Funds				1111 7th Ave East	
	420	412	440	610		
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement			Total
Assets						
Cash and temporary investments	\$ 188,419	\$ 158,346	\$ 140,352	\$ 51,351	\$ 2,201,174	
Receivables						
Taxes	-	-	788	-	1,651	
Accounts	-	-	-	8,842	9,452	
Loans, net of allowance	146,673	-	-	-	2,675,359	
Due from other funds	-	-	-	-	123,000	
Capital assets						
Buildings	-	-	-	608,704	608,704	
Less accumulated depreciation	-	-	-	(39,005)	(39,005)	
Total Assets	\$ 335,092	\$ 158,346	\$ 141,140	\$ 629,892	\$ 5,580,335	
Liabilities						
Accounts payable	\$ -	\$ -	\$ 5,334	\$ 24,655	\$ 36,716	
Accrued salaries payable	-	-	-	-	815	
Due to other funds	123,000	-	-	-	123,000	
Loans payable	-	-	-	547,133	547,133	
Due to other governments	-	500	-	4,462	5,462	
Total Liabilities	123,000	500	5,334	576,250	713,126	

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2021

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Fund Balances/Net Position					
Fund balances					
Restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ 30,515
Restricted economic development	-	157,846	-	-	157,846
Committed	-	-	-	-	4,116,809
Assigned	212,092	-	135,806	-	508,397
Net position					
Net investment in capital assets	-	-	-	22,566	22,566
Unrestricted	-	-	-	31,076	31,076
Total Fund Balances/					
Net Position	<u>212,092</u>	<u>157,846</u>	<u>135,806</u>	<u>53,642</u>	<u>4,867,209</u>
Total Liabilities, and Fund Balances/ Net Position	<u><u>\$ 335,092</u></u>	<u><u>\$ 158,346</u></u>	<u><u>\$ 141,140</u></u>	<u><u>\$ 629,892</u></u>	<u><u>\$ 5,580,335</u></u>

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

Total Fund Balances/Net Position Reported above	\$ 4,867,209
 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	(7,258)
 Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(761,575)
Net pension liability	(8,153)
 Governmental funds do not report a liability for accrued interest until due and payable.	
	(9,467)
 Governmental funds of the Economic Development Authority do not report long-term amounts related to pensions.	
Deferred outflows of resources	5,556
Deferred inflows of resources	<u>(7,904)</u>
 Total Net Position - Economic Development Authority	<u><u>\$ 4,235,852</u></u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued on the Following Pages)
For the Year Ended December 31, 2021

	Governmental Activities				
	Special Revenue Funds		Debt Service Funds		
	255	250	392,417	375	
	General Fund	Economic Development	Tax Increment XII	Animal Shelter	
Revenues					
Taxes					
General property taxes	\$ 105,125	\$ -	\$ -	\$ -	-
Tax increments	-	-	71,830	-	-
Intergovernmental	52	-	-	-	-
Charges for services	-	-	-	-	-
Interest earnings	1,146	31	-	-	2
Miscellaneous	-	71,640	-	-	-
Total Revenues	106,323	71,671	71,830	2	
Expenditures/Expenses					
Current					
Housing and economic development					
Administration	46,784	113	1,246	-	-
Professional services	84,394	-	-	-	-
Depreciation	-	-	-	-	-
Debt service/nonoperating expense					
Principal	-	-	765,000	-	-
Interest and other	-	-	26,477	-	-
Total Expenditures/Expenses	131,178	113	792,723	-	
Excess (Deficiency) of Revenues					
Over (Under) Expenditures/Expenses	(24,855)	71,558	(720,893)	2	
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(25,000)	-	-	-
Total Other	-	(25,000)	-	-	
Financing Sources (Uses)	-	(25,000)	-	-	

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, 2021

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	<u>255</u>	<u>250</u>	<u>392,417</u>	<u>375</u>
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Net Change in Fund Balances/Net Position	\$ (24,855)	\$ 46,558	\$ (720,893)	\$ 2
Fund Balances/ Net Position, January 1	<u>551,522</u>	<u>3,543,584</u>	<u>751,408</u>	<u>160,497</u>
Fund Balances/Net Position, December 31	<u><u>\$ 526,667</u></u>	<u><u>\$ 3,590,142</u></u>	<u><u>\$ 30,515</u></u>	<u><u>\$ 160,499</u></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, 2021

	Governmental Activities				Business-Type Activities - Enterprise Funds	
	Capital Project Funds					
	420	412	440	610		
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East		Total
Revenues						
Taxes						
General property taxes	\$ -	\$ -	\$ 108,851	\$ -	\$ 213,976	
Tax increments	- -	15,776	- -	- -	87,606	
Intergovernmental	- -	- -	48	- -	- -	100
Charges for services	- -	- -	- -	28,000	28,000	
Interest earnings	- -	330	241	- -	- -	1,750
Miscellaneous	7,839	- -	- -	3,793	83,272	
Total Revenues	7,839	16,106	109,140	31,793	414,704	
Expenditures/Expenses						
Current						
Housing and economic development						
Administration	- -	1,247	91,682	14,278	155,350	
Professional services	- -	- -	- -	- -	84,394	
Depreciation	- -	- -	- -	15,322	15,322	
Debt service/nonoperating expense						
Principal	- -	- -	- -	- -	765,000	
Interest and other	- -	- -	- -	- -	26,477	
Total Expenditures/Expenses	- -	1,247	91,682	29,600	1,046,543	
Excess (Deficiency) of Revenues						
Over (Under) Expenditures/Expenses	7,839	14,859	17,458	2,193	(631,839)	
Other Financing Sources (Uses)						
Transfers in	- -	- -	- -	25,000	25,000	
Transfers out	- -	- -	- -	- -	(25,000)	
Total Other	- -	- -	- -	25,000	- -	
Financing Sources (Uses)	- -	- -	- -	- -	- -	

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, 2021

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds			610	
	420	412	440	1111 7th Ave East	Total
Net Change in Fund Balances/Net Position	\$ 7,839	\$ 14,859	\$ 17,458	\$ 27,193	\$ (631,839)
Fund Balances/ Net Position, January 1	204,253	142,987	118,348	26,449	5,499,048
Fund Balances/Net Position, December 31	<u>\$ 212,092</u>	<u>\$ 157,846</u>	<u>\$ 135,806</u>	<u>\$ 53,642</u>	<u>\$ 4,867,209</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 \$ (631,839)

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 (691)

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 765,000
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. 19,525

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

Pension expense (7,925)
Pension revenue from state contributions 21

Change in Net Position - Economic Development Authority \$ 142,380

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>Business-type Activities - Enterprise Funds</u>
	<u>610</u>
	<u>1111 7th Ave East</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 44,871
Payments to suppliers	<u>(14,022)</u>
Net Cash Provided by Operating Activities	<u>30,849</u>
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	<u>25,000</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(40,307)
Loan repayments	<u>(24,655)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(64,962)</u>
Net Decrease in Cash and Cash Equivalents	(9,113)
Cash and Cash Equivalents, January 1	<u>60,464</u>
Cash and Cash Equivalents, December 31	<u>\$ 51,351</u>
Reconciliation of Operating	
Income to Net Cash Provided by Operating Activities	
Operating income	\$ 2,193
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	15,322
(Increase) in assets	13,078
Accounts receivable	144
Increase (Decrease) in liabilities	<u>112</u>
Accounts and other payables	112
Due to other governments	
Net Cash Provided by Operating Activities	<u>\$ 30,849</u>

City of Hibbing, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2021

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 10,553,485	\$ 10,248,624	2.97 %
Special assessments	83,037	35,267	135.45
Licenses and permits	121,282	104,615	15.93
Intergovernmental	10,942,340	12,408,241	(11.81)
Charges for services	2,464,125	2,198,653	12.07
Fines and forfeitures	83,512	60,462	38.12
Contributions and donations	129,956	13,490	863.35
Investment earnings (loss)	(59,041)	357,978	(116.49)
Miscellaneous	<u>143,523</u>	<u>72,008</u>	99.32
 Total Revenues	 <u>\$ 24,462,219</u>	 <u>\$ 25,499,338</u>	 (4.07) %
Per Capita	 <u>\$ 1,509</u>	 <u>\$ 1,563</u>	 (3.50) %
 Expenditures			
Current			
General government	\$ 2,107,542	\$ 1,887,257	11.67 %
Public safety	7,605,148	7,401,511	2.75
Public works	3,095,743	3,218,669	(3.82)
Culture and recreation	2,903,084	2,502,643	16.00
Economic development	18,190	17,438	4.31
Transportation	447,024	391,244	14.26
Miscellaneous	2,616,694	2,578,291	1.49
Capital outlay			
General government	10,862	183,982	(94.10)
Public safety	292,604	1,316,902	(77.78)
Public works	2,059,402	1,349,985	52.55
Culture and recreation	801,873	149,816	435.24
Miscellaneous	28,113	54,016	(47.95)
Debt service			
Principal	460,000	475,047	(3.17)
Interest and other	79,276	137,615	(42.39)
Bond issuance costs	<u>-</u>	<u>55,729</u>	<u>(100.00)</u>
 Total Expenditures	 <u>\$ 22,525,555</u>	 <u>\$ 21,720,145</u>	 3.71 %
Per Capita	 <u>\$ 1,389</u>	 <u>\$ 1,332</u>	 4.32 %
 Total Long-term Indebtedness	 <u>\$ 3,385,000</u>	 <u>\$ 3,845,000</u>	 (11.96) %
Per Capita	 <u>209</u>	 <u>236</u>	 (11.44)
 General Fund Balance - December 31	 <u>\$ 26,228,855</u>	 <u>\$ 24,613,728</u>	 6.56 %
Per Capita	 <u>1,618</u>	 <u>1,509</u>	 7.19

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

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OTHER REQUIRED REPORTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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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 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, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2022.

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
Minneapolis, Minnesota
August 15, 2022

**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 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, 2021, 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 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

The City's Response to the Finding

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
August 15, 2022



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City of Hibbing, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that the City agree its financial software to the numbers reported in the financial statements.

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.