

**CITY OF HIBBING, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended December 31, 2018**

# CITY OF HIBBING, MINNESOTA

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**FINANCIAL SECTION**

# Fort & Company, P.A.

## Certified Public Accountants

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

Connor B. Michels, EA  
Morgan L. Anderson

Christine A. Towner, CPA  
Kimberly A. Jarvis

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

### INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Hibbing, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hibbing, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit).

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Utilities Commission (a discretely presented component unit), which represent 96 percent, 96 percent, and 100 percent, respectively, of assets, net positions, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hibbing, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, effective January 1, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hibbing, Minnesota's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, the Hibbing Economic Development Authority's (a component unit) combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2 2019, on our consideration of the City of Hibbing, Minnesota's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hibbing, Minnesota's internal control over financial reporting and compliance.

*Fort & Company*

Fort & Company, P.A.  
Hibbing, Minnesota  
August 2, 2019



**CITY OF HIBBING, MINNESOTA**

**ORGANIZATION**  
December 31, 2018

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**CITY COUNCIL**

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

**ADMINISTRATION**

City Administrator	Tom Dicklich
Deputy / Salaried Clerk	Mary Ann Kepler
Finance Director (until June 1, 2018)	Sherri Renskers

**APPOINTED**

City Attorney	Andy Borland
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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIBBING, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2018

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The City of Hibbing, Minnesota's management's discussion and analysis provides an overview of the City's financial activities for the year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City of Hibbing, Minnesota's financial statements.

**FINANCIAL HIGHLIGHTS**

- ➡ Governmental activities have a total net position of \$34,440,388. Invested in capital assets, net of related debt represents \$32,684,894 of the total.
- ➡ Business-type activities have a total net position of \$27,604,450. Invested in capital assets, net of related debt represents \$25,465,876 of the total.
- ➡ The Hibbing Economic Development Authority (EDA) has a total net position of \$3,547,723. Invested in capital assets, net of related debt represents \$288,719 of the total.
- ➡ The City of Hibbing's primary government's net position increased by \$4,192,102 for the year ended December 31, 2018. The Governmental activities' net position increased by \$1,352,764 and the Business-type activities' net position increased by \$2,839,338.
- ➡ The EDA had a decrease in net position of \$303,445 for the year ended December 31, 2018. General revenues, including items such as taxes and grants not restricted to specific programs, provided \$340,411 of earnings, however they were offset, with net program expenses over revenue of \$336,424. Additionally, two TIF districts were decertified which resulted in an outflow of excess TIF funds of \$307,432.
- ➡ The net cost of Governmental activities was \$14,624,971 for the current year. This net cost was funded by general revenues and other items, net of transfers, totaling \$15,977,735.
- ➡ Governmental Funds' fund balances decreased by \$1,865,333.
- ➡ The decrease in Governmental Funds' fund balance was largely attributable to a \$1,920,000 transfer out of the Other Postemployment Benefits Debt Service Fund to the Business-type activities to fund future OPEB liability costs. The General Fund and Capital Equipment and Improvement Capital Projects Fund revenues exceeded expenditures by \$1,421,323 and \$233,279 respectively. These increases were offset by expenditures and other financing sources (uses) exceeding revenues in the Other Postemployment Benefits Debt Service Fund, Mining Effects Capital Projects Fund, Permanent Improvement Capital Projects Fund, and Memorial Building Capital Fund by \$1,311,364; \$1,672,546; \$236,348; and \$202,506 respectively.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

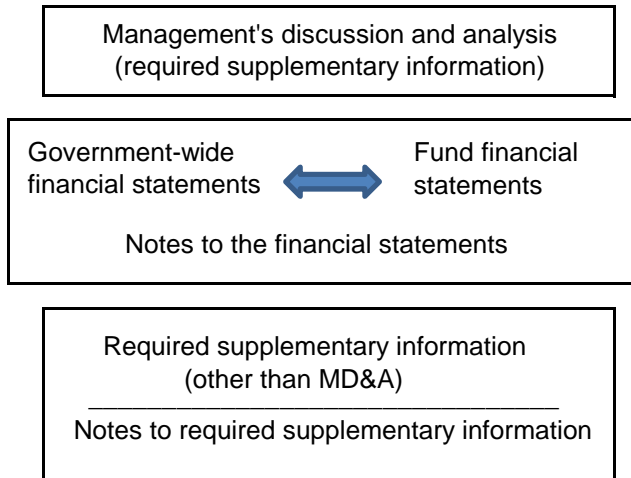
December 31, 2018

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**FINANCIAL HIGHLIGHTS (continued)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City of Hibbing, Minnesota's basic financial statements consist of three parts: government-wide financial statements, fund financial statements and notes to the financial statements. The management's discussion and analysis (this section) is required to accompany the basic financial statements, and therefore, is included as required supplementary information. The following chart demonstrates how the different pieces are



CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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**New Accounting Pronouncements**

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

During the year ended December 31, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The object of GASB Statement No. 75 is to improve accounting and financial reporting for postemployment benefits other than pensions. As a result of the adoption of GASB Statement No. 75, the City has recognized a liability equal to the net OPEB liability and related OPEB expense and deferred outflows of resources and deferred inflows of resources. See Note 1 for the impact of adoption.

**Government-wide Financial Statements**

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements explain how governmental activities were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The statement of net position and the statement of activities report information about the City, as a whole, and about its activities in a way that helps the reader determine whether the City's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide statements report the City's net position and how it has changed. You can think of the City's net position (the difference between assets and deferred outflows versus liabilities and deferred inflows) as one way to measure the City's financial health, or financial position. Increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors; such as changes in the City's property tax base, state aid and the condition of the City's buildings and streets also need to be considered in assessing the overall health of the City.

In the statement of net position and the statement of activities, activities are shown in the Governmental activities, Business-type activities or either one of the two component units (EDA or PUC):

Governmental activities

Most of the City's basic services are reported here, including general government, public safety, public works, culture and recreation, economic development and transportation. Property taxes, state and federal grants and state aid finance most of these activities.

Business-type activities

The City charges a fee to customers to help to cover all or most of the cost of services it provides. The City's sewer operations, refuse removal services, and Memorial Building concessions are reported here.

Component Units

The Hibbing Economic Development Authority (EDA) and the Hibbing Public Utilities Commission (PUC) are reported here. EDA does not prepare separate financial statements. Complete financial statements of the PUC may be obtained from Hibbing Public Utilities Commission, 19th Street and East 6th Avenue, Hibbing, Minnesota 55746.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

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**Fund Financial Statements**

The fund financial statements provide detailed information about the significant funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds (governmental and proprietary) use different accounting methods.

Governmental funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental funds information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation statement following each governmental fund financial statement.

Proprietary funds

When the City charges customers for the services it provides (whether to outside customers or to other units of the City) these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds are the same as the Business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

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

The City's combined net position increased from \$57,852,736 to \$62,044,838. Looking at the net position and net expenses of governmental and business-type activities separately, this highlights the details of the increase in net position for the year. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
	Current and other assets	\$ 35,031,853	\$ 36,625,187	\$ 7,789,482	\$ 2,546,307	\$ 42,821,335
Capital assets	37,164,032	34,509,922	37,804,764	37,594,563	74,968,796	72,104,485
Total assets	72,195,885	71,135,109	45,594,246	40,140,870	117,790,131	111,275,979
Deferred outflows of resources	\$ 9,519,203	\$ 11,254,072	\$ 549,577	\$ 691,726	\$ 10,068,780	\$ 11,945,798
Total assets and deferred outflows of resources	\$ 81,715,088	\$ 82,389,181	\$ 46,143,823	\$ 40,832,596	\$ 127,858,911	\$ 123,221,777
Long-term liabilities	\$ 34,963,571	\$ 34,993,259	\$ 17,571,939	\$ 14,686,929	\$ 52,535,510	\$ 49,680,188
Other liabilities	2,486,088	3,289,026	541,582	964,333	3,027,670	4,253,359
Total liabilities	37,449,659	38,282,285	18,113,521	15,651,262	55,563,180	53,933,547
Deferred inflows of resources	\$ 9,825,041	\$ 11,019,272	\$ 425,852	\$ 416,222	\$ 10,250,893	\$ 11,435,494
Total liabilities and deferred inflows of resources	\$ 47,274,700	\$ 49,301,557	\$ 18,539,373	\$ 16,067,484	\$ 65,814,073	\$ 65,369,041
Net position						
Invested in capital assets net of debt	\$ 32,684,894	\$ 30,712,067	\$ 25,465,876	\$ 28,206,766	\$ 58,150,770	\$ 58,918,833
Restricted	2,942,253	3,857,462	-	-	2,942,253	3,857,462
Unrestricted	(1,186,759)	(1,481,905)	2,138,574	(3,441,654)	951,815	(4,923,559)
Total net position	\$ 34,440,388	\$ 33,087,624	\$ 27,604,450	\$ 24,765,112	\$ 62,044,838	\$ 57,852,736

Net position of the City's Governmental activities increased by 4.1 percent (\$34,440,388 in 2018 compared to \$33,087,624 in 2017). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other requirements) changed from a \$1,481,905 deficit at December 31, 2017, to a \$1,186,759 deficit at the end of 2018.

Net position of the City's Business-type activities increased 11.5 percent (\$27,604,450 in 2018 compared to \$24,765,112 in 2017). This increase was due to an \$1,444,677 increase in the Garbage and Refuse Collection Enterprise Fund net position and \$1,423,703 increase in the Sewer Operating and Maintenance Enterprise Fund. The Sewer Operating and Maintenance Enterprise Fund increase in net position was primarily attributable to \$338,337 of operating income and capital grant of \$350,000 less interest expense of \$172,320. The other major contributing factor to increasing net position was the \$960,000 transfer from primary government for future OPEB related expenses. The Garbage and Refuse Collection Enterprise Fund, increase in net position was primarily derived from operating income of \$429,984 and the \$960,000 transfer from the primary government for future OPEB related expenses.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Fees, fines, charges and other	\$ 2,377,292	\$ 2,193,345	\$ 6,245,760	\$ 6,219,756	\$ 8,623,052	\$ 8,413,101
Operating grants and contributions	1,189,347	1,238,826	-	-	1,189,347	1,238,826
Capital grants and contributions	1,930,067	2,049,886	350,000	582,484	2,280,067	2,632,370
General revenues:						
Taxes	9,369,142	9,002,002	-	-	9,369,142	9,002,002
Intergovernmental	8,171,778	8,130,161	-	-	8,171,778	8,130,161
Other general revenues (expenses)	326,991	206,289	67,054	30,856	394,045	237,145
Total revenues	<u>23,364,617</u>	<u>22,820,509</u>	<u>6,662,814</u>	<u>6,833,096</u>	<u>30,027,431</u>	<u>29,653,605</u>
Program expenses:						
General government	3,221,001	3,500,059	-	-	3,221,001	3,500,059
Public safety	7,538,829	8,247,536	-	-	7,538,829	8,247,536
Public works	5,308,563	4,513,764	-	-	5,308,563	4,513,764
Culture and recreation	3,423,345	3,395,600	-	-	3,423,345	3,395,600
Other	528,754	465,440	-	-	528,754	465,440
Interest	101,185	101,936	-	-	101,185	101,936
Garbage and refuse collection	-	-	2,379,980	2,554,553	2,379,980	2,554,553
Sewer operating and maintenance	-	-	3,323,576	3,125,180	3,323,576	3,125,180
Memorial building concessions	-	-	10,096	8,388	10,096	8,388
Total program expenses	<u>20,121,677</u>	<u>20,224,335</u>	<u>5,713,652</u>	<u>5,688,121</u>	<u>25,835,329</u>	<u>25,912,456</u>
Transfers	<u>(1,890,176)</u>	<u>(51,000)</u>	<u>1,890,176</u>	<u>-</u>	<u>-</u>	<u>(51,000)</u>
Increase (decrease) in net position	<u>1,352,764</u>	<u>2,545,174</u>	<u>2,839,338</u>	<u>1,144,975</u>	<u>4,192,102</u>	<u>3,690,149</u>
Beginning Net Position, As Reported	42,848,607	40,303,433	26,127,110	24,982,135	68,975,717	65,285,568
Cumulative effect resulting from change in accounting for GASB 75	<u>(9,760,983)</u>	<u>-</u>	<u>(1,361,998)</u>	<u>-</u>	<u>(11,122,981)</u>	<u>-</u>
Beginning Net Position, Restated	<u>33,087,624</u>	<u>40,303,433</u>	<u>24,765,112</u>	<u>24,982,135</u>	<u>57,852,736</u>	<u>65,285,568</u>
Ending Net Position	<u>\$ 34,440,388</u>	<u>\$ 42,848,607</u>	<u>\$ 27,604,450</u>	<u>\$ 26,127,110</u>	<u>\$ 62,044,838</u>	<u>\$ 68,975,717</u>

The City's total revenues increased by \$373,826 or 1.3 percent. The total cost of all programs and services decreased by \$77,127 or 0.3 percent. Our analysis below separately considers the operations of Governmental activities, Business-type activities, and EDA - Component Unit activity.

**Governmental Activities**

Revenue for the City's governmental activities increased by \$544,108 or 2.4 percent and total expenses decreased by \$102,658 or 0.5 percent. The difference in the changes in net position for governmental activities was a decrease of \$1,192,410 for 2018 compared to 2017.

The cost of all Governmental activities this year was \$20,121,677. As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs, \$2,377,292, or by other governments and organizations that subsidized certain programs with grants and contributions, \$11,291,192. Taxpayers paid \$9,369,142 in taxes in 2018.



**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

Table 3 represents the cost of each of the City's four largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these programs.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Public safety	\$ 7,538,829	\$ 8,247,536	\$ 5,061,330	\$ 6,086,347
Public works	5,308,563	4,513,764	3,653,221	2,400,045
General government	3,221,001	3,500,059	2,906,014	3,264,659
Culture and recreation	3,423,345	3,395,600	2,779,809	2,765,314
Other	528,754	465,440	123,412	123,977
Interest on long-term debt	101,185	101,936	101,185	101,936
<b>Totals</b>	<b>\$ 20,121,677</b>	<b>\$ 20,224,335</b>	<b>\$ 14,624,971</b>	<b>\$ 14,742,278</b>

Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements number 68 (pension liability) and 75 (postemployment benefit liability). These liabilities, and associated deferred inflows and outflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred inflows and outflows and expensed over future years. The future amortization of these deferred inflows and outflows are significant.

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

	<b>Total Cost of Services</b>	
	<u>2018</u>	<u>2017</u>
Public safety	\$ 785,750	\$ 593,820
Public works	256,571	315,822
General government	149,667	310,218
Culture and recreation	187,083	171,279
Other	-	931
Interest on long-term debt	-	-
<b>Totals</b>	<b>\$ 1,379,071</b>	<b>\$ 1,392,070</b>

**Business-Type Activities**

Revenues of the City's business-type activities were \$6,662,814 and expenses were \$5,713,652 (see Table 2). There was an increase in net position of \$2,839,338 during the year ended December 31, 2018. The factors driving these results include:

Operations produced \$766,004 of income for the year ended December 31, 2018.

The City recognized capital grants totaling \$350,000 for the year.

The City had non-operating interest expense totaling \$172,320 for the year.

A transfer in of \$1,920,000 from Governmental activities to cover future OPEB liability costs.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

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**EDA Component Unit Activity**

The EDA had an decrease in net position of \$303,445 for the year ended December 31, 2018. General revenues, including items such as taxes and grants not restricted to specific programs, provided for \$340,411 of earnings, however they were offset, with net program expenses over revenue of \$336,424. Additionally, two TIF districts were decertified which resulted in an outflow of excess TIF funds of \$307,432.

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

As the City completed the year, its Governmental Funds reported a combined fund balance of \$28,861,725 which is less than last year's total of \$30,727,058. The General Fund had an increase of \$1,349,250 primarily due to actual expenditures coming in below budgeted by \$1,378,858. The Library Fund had a \$12,831 decrease in fund balance primarily due to actual expenditures exceeding the budgeted amount by \$70,838 offset by actual transfers in exceeding budgeted by \$61,601. Nonmajor Governmental Funds had a \$3,201,752 decrease in fund balance. The decrease in fund balance was due to in the Other Postemployment Benefits Debt Service Fund transfer of \$1,920,000 to the Business-type activities and the \$1,711,852 of expenditures exceeding revenues, offset by debt issuance proceeds of \$385,393.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$1,378,858 below the final budget amounts, The most significant positive variances occurred in the City's public safety by \$627,422; miscellaneous by \$543,820 and general government by \$115,889. The reasons these actual expenditures came in below budgeted amounts were due to temporary position vacancies in public safety; worker's compensation and retiree insurance savings in miscellaneous; and staff turnover and less usage of professional services in the general government category. The most significant negative variance of \$7,829 occurred in the City's public works expenditures. Resources available for appropriation were below the final budgeted amounts by \$110,428. This negative variance was primarily attributable to the City receiving \$216,711 less in charges for services than expected offset by the City receiving \$62,668 more in taxes than expected.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018, the City had \$74,968,796 invested in a broad range of capital assets, net of accumulated depreciation, including land, land improvements, buildings, infrastructure and equipment (see Table 4 below). This amount represents a net increase (including additions and deductions) of \$2,864,311 over last year.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2018	2017	2018	2017	2018	2017
Land, improvements, intangibles, artwork, gravel roads	\$ 8,083,030	\$ 7,914,943	\$ 423,719	\$ 423,719	\$ 8,506,749	\$ 8,338,662
Buildings and improvements	9,137,291	8,717,871	19,393,267	20,022,094	28,530,558	28,739,965
Infrastructure	12,476,190	12,573,686	16,494,143	14,092,059	28,970,333	26,665,745
Equipment, machinery and furniture	3,322,796	3,282,942	1,247,329	1,015,529	4,570,125	4,298,471
Construction in progress	4,144,725	2,020,480	246,306	2,041,162	4,391,031	4,061,642
<b>Totals</b>	<b>\$ 37,164,032</b>	<b>\$ 34,509,922</b>	<b>\$ 37,804,764</b>	<b>\$ 37,594,563</b>	<b>\$ 74,968,796</b>	<b>\$ 72,104,485</b>

This year's major additions included:

Lighting upgrade	\$ 10,439
Clerk's office remodel	11,143
Portable radio	11,659
95-gallon carts	11,775
Stackable commercial containers	12,225
Emergency sewer repair - 2821 First Ave	12,870
Fire Hall Roof/Wall	13,067
Ski trail groomer	13,559
Airless riding field striper	13,644
IBEW addition to Bennett Park	15,672
2016 Ford Edge	18,136
Emergency sewer repair - 9th and 11th Ave	19,762
AGI pump	19,925
Bryan Lake playground	20,985
Bennett Park south pavilion & splash pad	23,966
2014 Ford Edge	24,326
Video switcher	27,551
2018 Dodge Durango	28,832
2018 Ford F-150	29,460
Effluent aeration system	29,655
Pump rebuild	30,156
A/C	33,050
2018 Ford Explorer	39,337
2018 Ford Explorer	39,580
2018 Vermeer brush chipper	40,756
Flygt concertor pumps	53,206
Bennett Park restroom project	53,286
Mercury project	62,510
Apply liner	64,400
Scanner, battery, ballot box	70,031
2018 sander	130,555
P&H dipper - donated	150,000
John Deere loader	156,030
Brooklyn sewer project	224,806
John Deere ditch mower	238,627
Hwy 169 roundabout	255,629
2019 garage truck	267,303
12th Ave E - sewer reconstruction	269,043
Berg Road	271,305
Restrooms	289,459
Swinnerton Road	302,491

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018

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

This year's major additions included (continued):

First Ave sidewalk	325,969
2018 sanitary sewer lining project	506,920
Mineview project	559,420
Memorial Building reno	574,851
Howard Street sidewalk	808,362
Brooklyn sewer project	1,990,007
Rafferty Concept Study, Memorial Building	2,159,824
<b>Total additions</b>	<b>\$ 10,335,564</b>

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

**Debt**

At year-end, the City had \$53,575,779 in long-term liabilities outstanding versus \$50,772,757 last year (see Table 5 below).

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

	Governmental Activities		Business-type Activities		EDA Component Unit	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds (backed by the City)	\$ 4,248,509	\$ 3,536,034	\$ -	\$ -	\$ 1,032,072	\$ 1,083,044
Certificates of indebtedness	-	-	-	-	-	-
Capital leases	230,629	261,821	-	-	-	-
Police and Fire indebtedness	-	-	-	-	-	-
General obligation revenue notes	-	-	6,609,954	7,067,745	-	-
General obligation revenue bonds	-	-	5,728,934	2,320,052	-	-
Compensated absences	223,044	247,776	64,813	65,242	-	-
Net pension liability	6,542,275	8,335,294	964,167	1,184,251	8,194	9,525
OPEB liability	23,719,114	22,612,334	4,204,074	4,049,639	-	-
<b>Total</b>	<b>\$ 34,963,571</b>	<b>\$ 34,993,259</b>	<b>\$ 17,571,942</b>	<b>\$ 14,686,929</b>	<b>\$ 1,040,266</b>	<b>\$ 1,092,569</b>

The State limits the amount of net debt that Cities can issue to 3 percent of the market value of all taxable property within a City. The City's outstanding qualifying net debt of \$4,248,509 is significantly below the \$20,049,090 State-imposed limit.

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

**MODIFIED APPROACH FOR GRAVEL ROADS**

The City has elected to use the modified approach to report its gravel roads infrastructure assets. The City anticipated spending a certain amount annually to preserve the condition of these gravel roads to a certain minimal level. Annually the gravel roads condition will be assessed to compare to the level the government has established.

There was no significant change in the assessed condition of the gravel roads from the previous assessment.

The current assessed condition compares favorably with the condition level the City has established.

The estimated annual cost to maintain the gravel roads was \$356,000 as compared to the actual costs during the current year of \$365,000, which included 44 culverts, 9 road lifts and 11 spot road repairs.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

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

The City's elected and appointed officials considered many factors when setting the 2019 budget, tax rates, and fees that will be charged for the business-type

The General Fund expenditures and transfers for 2019 are budgeted to be \$18,448,333, which is a \$530,669 increase from the 2018 final budget of \$17,917,664.

Property tax levies increased 4.75 percent for 2019.

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

The 2013 State Legislature revised the local government aid (LGA) formula used to distribute LGA funding. The "need" factor is three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variation in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Hibbing, these changes increased LGA by \$12,875 in 2015, up from the \$8,082,406 received in 2014. LGA was up \$100,965 in 2015 from the \$7,994,316 received in 2011, 2012, and 2013. LGA for 2016, 2017, and 2018 was \$8,098,794, \$8,101,987, and \$8,143,565, respectively. The anticipated 2019 and 2020 LGA is \$8,145,651 and \$8,228,840, respectively. The 2020 LGA was set to be \$8,150,951, but was increased to \$8,228,840 by legislative action during the 2019 legislative session.

The City relies heavily on State LGA and taconite aids to fund its budget. LGA payments are anticipated to supply 45% of General Fund revenues, with taconite aids expected to furnish 10% of General Fund revenues. The City is subject to cuts from the State government at times when the State budget is not balanced. Additionally the price of steel in the global market affects the City due to taconite aid received in lieu of property taxes, which is based on tonnage produced. The downturn in mining, which began during 2015, reduced the amount of taconite aids received in 2017 and 2018. The aids are trending upward in 2019 and should surpass the pre-downturn levels in 2020.

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

In December 2018, the City issued G.O. Revenue Bonds for the purpose of refinancing the G.O. Bond Series 2007A and to provide funds for the purchase of capital equipment, including voting machines, public safety and maintenance vehicles, and for financing a portion of construction costs of improvements to the City's sanitary sewer utility. The total bond issue was \$4,610,000. This bond issuance facilitated the enterprise fund's repayment in 2018 of \$1,546,000 to the general fund.

The City's 2019 capital budget calls for it to spend another \$1,279,364 for capital projects, principally for the following:

Ambulance	\$ 45,000
Cemetery	67,000
General government	125,000
Library	7,000
Memorial Building	144,000
Parks, recreation and arena	80,364
Public safety	171,000
Public works	615,000
Other	25,000
Total	<u>\$ 1,279,364</u>

Some of the projects are subject to obtaining grants.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

## CITY OF HIBBING, MINNESOTA

## STATEMENT OF NET POSITION

December 31, 2018

	Primary government			Component Units	
	Governmental Activities	Business - Type Activities	Total	EDA	PUC
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,359,237	\$ 5,757,012	\$ 14,116,249	\$ 2,833,176	\$ 5,562,181
Designated cash - other postemployment benefits	78,108	1,800,000	1,878,108	-	250,000
Investments	15,451,691	-	15,451,691	-	9,003,822
Designated investments - other postemployment benefits	5,834,926	120,000	5,954,926	-	-
Taxes receivable	443,634 (1)	-	443,634	2,322	-
Special assessments receivable	170,365	38,400	208,765	-	-
Accounts receivable	199,424	7,361	206,785	600	2,152,195
Interest receivable	79,075 (1)	-	79,075	-	31,281
Unbilled revenues	-	-	-	-	1,845,666
Internal balances	754,000	(754,000)	-	-	-
Due from other governments	3,483,509	316,050	3,799,559	7,605	-
Due from component units	-	503,309	503,309	-	-
Due from primary government	-	-	-	230,629	-
Loans receivable	-	-	-	1,529,401	-
Inventories	531	1,350	1,881	-	810,653
Prepaid expenses	53,402	-	53,402	300	461,547
Equity in joint venture	-	-	-	-	78,352,130
Net pension asset	123,951	-	123,951	-	-
Temporarily restricted assets					
Cash and cash equivalents	-	-	-	-	1,144,390
Investments	-	-	-	-	-
Escrowed amounts held with fiscal agents	-	-	-	46,286	684,172
Capital assets not being depreciated					
Land, improvements, artwork, gravel roads, intangibles and construction in progress	12,227,755	670,025	12,897,780	274,273	390,458
Capital assets net of accumulated depreciation					
Infrastructure	33,907,364	19,267,115	53,174,479	19,699	-
Buildings and improvements	26,401,224	32,802,688	59,203,912	-	9,355,628
Transmissions and distribution system	-	-	-	-	49,015,833
Equipment, machinery and furniture	13,299,776	5,620,488	18,920,264	-	50,655,441
Less: accumulated depreciation	(48,672,087)	(20,555,552)	(69,227,639)	(5,253)	(76,828,629)
<b>TOTAL ASSETS</b>	<u>\$ 72,195,885</u>	<u>\$ 45,594,246</u>	<u>\$ 117,790,131</u>	<u>\$ 4,939,038</u>	<u>\$ 132,886,768</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - Pension	\$ 7,361,501	\$ 319,716	\$ 7,681,217	\$ 3,020	\$ 1,440,347
Deferred outflows - OPEB	2,157,702	229,861	2,387,563	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	9,519,203	549,577	10,068,780	3,020	1,440,347
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 81,715,088</u>	<u>\$ 46,143,823</u>	<u>\$ 127,858,911</u>	<u>\$ 4,942,058</u>	<u>\$ 134,327,115</u>

(1) Includes designated amounts, see Note 9

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

**CITY OF HIBBING, MINNESOTA**  
**STATEMENT OF NET POSITION (continued)**  
December 31, 2018

	Primary government			Component Units	
	Governmental Activities	Business - Type Activities	Total	EDA	PUC
<b>LIABILITIES</b>					
Accounts payable	\$ 145,589	\$ 95,019	\$ 240,608	\$ 19,533	\$ 2,012,635
Salaries payable	1,368,338	29,509	1,397,847	1,374	-
Notes payable	-	-	-	-	-
Due to other governments	167,964	22,473	190,437	309,540	-
Due to primary government	-	-	-	-	503,309
Contracts payable	253,089	101,989	355,078	-	-
Customer deposits	-	-	-	-	401,189
Other accrued liabilities	52,199	8,166	60,365	-	370,932
Unearned revenue	455,245	-	455,245	-	51,926
Accrued interest payable	43,664	66,314	109,978	20,262	2,804
Compensated absences	-	218,112	218,112	-	442,838
Long-term liabilities					
Due to component unit	230,629	-	230,629	-	-
Net pension liability	6,542,275	964,164	7,506,439	8,194	4,327,120
Compensated absences	223,044	64,813	287,857	-	887,305
OPEB liability	23,719,114	4,204,074	27,923,188	-	19,238,442
Due within one year	495,000	1,098,000	1,593,000	53,064	583,255
Due in more than one year	3,753,509	11,240,888	14,994,397	979,007	3,242,964
<b>TOTAL LIABILITIES</b>	<b>\$ 37,449,659</b>	<b>\$ 18,113,521</b>	<b>\$ 55,563,180</b>	<b>\$ 1,390,974</b>	<b>\$ 32,064,719</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - Pension	9,825,041	425,852	10,250,893	3,361	2,332,948
Deferred inflows - OPEB	-	-	-	-	1,489,689
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,825,041</b>	<b>425,852</b>	<b>10,250,893</b>	<b>3,361</b>	<b>3,822,637</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 47,274,700</b>	<b>\$ 18,539,373</b>	<b>\$ 65,814,073</b>	<b>\$ 1,394,335</b>	<b>\$ 35,887,356</b>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	\$ 32,684,894	\$ 25,465,876	\$ 58,150,770	\$ 288,719	\$ 28,750,065
Restricted for					
Capital projects	1,323,269	-	1,323,269	114,377	-
Debt service	1,556,475	-	1,556,475	183,823	691,275
Other purposes	62,509	-	62,509	-	-
Unrestricted	(1,186,759)	2,138,574	951,815	2,960,804	68,998,419
<b>TOTAL NET POSITION</b>	<b>34,440,388</b>	<b>27,604,450</b>	<b>62,044,838</b>	<b>3,547,723</b>	<b>98,439,759</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 81,715,088</b>	<b>\$ 46,143,823</b>	<b>\$ 127,858,911</b>	<b>\$ 4,942,058</b>	<b>\$ 134,327,115</b>

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



**CITY OF HIBBING, MINNESOTA**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Interest on Loans Receivable
<b>Primary Government</b>					
Governmental Activities					
General government	\$ 3,221,001	\$ 199,489	\$ 95,060	\$ 20,438	\$ -
Public safety	7,538,829	1,770,274	669,285	37,940	-
Public works	5,308,563	75,243	63,712	1,516,387	-
Culture and recreation	3,423,345	265,372	22,862	355,302	-
Economic development	17,672	-	-	-	-
Transportation	511,082	66,914	338,428	-	-
Interest on long-term debt	101,185	-	-	-	-
Total Governmental Activities	<u>20,121,677</u>	<u>2,377,292</u>	<u>1,189,347</u>	<u>1,930,067</u>	<u>-</u>
Business-Type Activities					
Garbage and refuse collection	2,379,980	2,809,964	-	-	-
Sewer operating and maintenance	3,323,576	3,428,017	-	350,000	-
Memorial building concessions	10,096	7,779	-	-	-
Total Business-Type Activities	<u>5,713,652</u>	<u>6,245,760</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Total Primary Government	<u>\$ 25,835,329</u>	<u>\$ 8,623,052</u>	<u>\$ 1,189,347</u>	<u>\$ 2,280,067</u>	<u>\$ -</u>
<b>Component Units</b>					
EDA	\$ 401,389	\$ -	\$ 15,847	\$ -	\$ 49,118
PUC	(40,296,533)	28,821,574	-	444,420	-
Total Component Units	<u>\$ (39,895,144)</u>	<u>\$ 28,821,574</u>	<u>\$ 15,847</u>	<u>\$ 444,420</u>	<u>\$ 49,118</u>

**General Revenues**

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for specific purposes
- Franchise taxes
- Tax increment financing

Grants and contributions not restricted to specific programs

- Unrestricted investment earnings
- Gain (loss) on sale of capital assets

**Transfers**

**Excess TIF to be remitted to County**

Total General Revenues and Transfers

Change in Net Position

**NET POSITION - JANUARY 1, AS PREVIOUSLY REPORTED**

Cumulative effect resulting from change in accounting for GASB 75 (note 1)

**NET POSITION - JANUARY 1, AS ADJUSTED**

**NET POSITION - DECEMBER 31**

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	EDA	PUC
\$ (2,906,014)	\$ -	\$ (2,906,014)		
(5,061,330)	-	(5,061,330)		
(3,653,221)	-	(3,653,221)		
(2,779,809)	-	(2,779,809)		
(17,672)	-	(17,672)		
(105,740)	-	(105,740)		
(101,185)	-	(101,185)		
<u>(14,624,971)</u>	<u>-</u>	<u>(14,624,971)</u>		
-	429,984	429,984		
-	454,441	454,441		
-	<u>(2,317)</u>	<u>(2,317)</u>		
-	882,108	882,108		
<u>(14,624,971)</u>	<u>882,108</u>	<u>(13,742,863)</u>		
			\$ (336,424)	\$ -
			-	<u>69,562,527</u>
			<u>\$ (336,424)</u>	<u>\$ 69,562,527</u>
6,407,468	-	6,407,468	-	-
2,826,676	-	2,826,676	159,085	-
134,998	-	134,998	-	-
-	-	-	166,705	-
8,171,778	-	8,171,778	92	-
325,660	67,034	392,694	14,529	87,959
1,331	20	1,351	-	-
(1,890,176)	1,890,176	-	-	-
-	-	-	<u>(307,432)</u>	<u>-</u>
<u>15,977,735</u>	<u>1,957,230</u>	<u>17,934,965</u>	<u>32,979</u>	<u>87,959</u>
1,352,764	2,839,338	4,192,102	(303,445)	69,650,486
42,848,607	26,127,110	68,975,717	3,851,168	31,498,156
<u>(9,760,983)</u>	<u>(1,361,998)</u>	<u>(11,122,981)</u>	<u>-</u>	<u>(2,708,883)</u>
<u>33,087,624</u>	<u>24,765,112</u>	<u>57,852,736</u>	<u>3,851,168</u>	<u>28,789,273</u>
<u>\$ 34,440,388</u>	<u>\$ 27,604,450</u>	<u>\$ 62,044,838</u>	<u>\$ 3,547,723</u>	<u>\$ 98,439,759</u>

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

**CITY OF HIBBING, MINNESOTA**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

December 31, 2018

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,694,314	\$ 7,030	\$ 4,736,001	\$ 8,437,345
Investments	15,451,691	-	5,834,926	21,286,617
Taxes receivable	394,130	8,101	41,403	443,634
Special assessments receivable	-	-	170,365	170,365
Accounts receivable	179,166	83	20,176	199,425
Interest receivable	70,119	-	8,956	79,075
Due from other funds	754,000	-	-	754,000
Due from component unit	-	-	-	-
Due from other governments	379,322	-	1,054,187	1,433,509
Loans receivable	-	-	46,131	46,131
Prepaid items and other assets	50,468	3,465	-	53,933
<b>TOTAL ASSETS</b>	<b>\$ 20,973,210</b>	<b>\$ 18,679</b>	<b>\$ 11,912,145</b>	<b>\$ 32,904,034</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 136,346	\$ 8,248	\$ 995	\$ 145,589
Salaries payable	1,327,846	40,493	-	1,368,339
Due to other funds	-	-	-	-
Due to other governments	152,082	5,095	10,787	167,964
Contracts payable	-	-	253,089	253,089
Unearned revenue	20	17,803	1,020,353	1,038,176
Other accrued liabilities	52,198	-	211,856	264,054
<b>TOTAL LIABILITIES</b>	<b>1,668,492</b>	<b>71,639</b>	<b>1,497,080</b>	<b>3,237,211</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	588,602	-	-	588,602
Special assessments	-	-	170,365	170,365
Loans receivable	-	-	46,131	46,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>588,602</b>	<b>-</b>	<b>216,496</b>	<b>805,098</b>
<b>FUND BALANCES</b>				
Nonspendable	49,937	3,465	-	53,402
Restricted	9,107	-	2,879,744	2,888,851
Committed	-	-	6,981,525	6,981,525
Assigned	10,159,782	-	337,300	10,497,082
Unassigned	8,497,290	(56,425)	-	8,440,865
<b>TOTAL FUND BALANCES</b>	<b>18,716,116</b>	<b>(52,960)</b>	<b>10,198,569</b>	<b>28,861,725</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 20,973,210</b>	<b>\$ 18,679</b>	<b>\$ 11,912,145</b>	<b>\$ 32,904,034</b>

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

**CITY OF HIBBING, MINNESOTA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

December 31, 2018

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

<b>TOTAL FUND BALANCES, GOVERNMENTAL FUNDS</b>	<b>\$ 28,861,725</b>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	37,164,032
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.	
Loans receivable	-
Delinquent property taxes	363,450
Deferred and delinquent special assessments	170,365
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(11,810)
The City's net pension and OPEB liabilities and related deferred inflows and outflows for its defined benefit pension and OPEB plans are recorded only on the statement of net position. Balances at year end are:	
Net pension asset	123,951
Net pension liability	(6,542,275)
Deferred inflows of resources - pensions	(9,825,041)
Deferred outflows of resources - pensions	7,361,501
Net OPEB liability	(23,719,114)
Deferred inflows of resources - OPEB	-
Deferred outflows of resources - OPEB	2,157,702
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(4,702,182)
Liability for accrued debt service payments recorded for modified accrual accounting but not applicable for government-wide reporting.	180,000
Due from the State of Minnesota for grant funding provided in 2013 on city-wide bonded paving project recorded as an asset for government-wide.	2,050,000
Unearned revenue related to 2018A G. O. bond proceeds received in 2018 with planned capital expenditures made in early 2019	808,084
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 34,440,388</u></b>

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

**CITY OF HIBBING, MINNESOTA**

**GOVERNMENTAL FUNDS**

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

Year Ended December 31, 2018

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,291,248	\$ 585,703	\$ 2,468,130	\$ 9,345,081
Special assessments	-	-	58,659	58,659
Licenses and permits	148,575	-	-	148,575
Intergovernmental	9,176,281	340	1,974,644	11,151,265
Charges for services	2,028,222	12,198	30,817	2,071,237
Fines	85,821	-	-	85,821
Gifts and contributions	9,200	22,862	200,439	232,501
Investment income (loss)	186,583	-	139,077	325,660
Miscellaneous	31,486	-	-	31,486
<b>TOTAL REVENUES</b>	<b>17,957,416</b>	<b>621,103</b>	<b>4,871,766</b>	<b>23,450,285</b>
<b>EXPENDITURES</b>				
Current				
General government	1,899,926	-	-	1,899,926
Public safety	6,610,260	-	-	6,610,260
Public works	3,258,645	-	-	3,258,645
Culture and recreation	2,091,351	698,318	10,828	2,800,497
Economic development	17,672	-	-	17,672
Transportation	425,822	-	-	425,822
Miscellaneous	2,190,739	-	-	2,190,739
Debt Service				
Principal	31,192	-	485,000	516,192
Interest and other charges	10,486	-	93,889	104,375
Capital Outlay				
General government	-	-	94,243	94,243
Public safety	-	-	152,407	152,407
Public works	-	-	2,714,097	2,714,097
Culture and recreation	-	-	3,033,154	3,033,154
Transportation	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>16,536,093</b>	<b>698,318</b>	<b>6,583,618</b>	<b>23,818,029</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,421,323</b>	<b>(77,215)</b>	<b>(1,711,852)</b>	<b>(367,744)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	64,384	2,520,401	2,584,785
Transfers out	(72,073)	-	(4,402,888)	(4,474,961)
Debt issuance	-	-	385,393	385,393
Sale of capital assets	-	-	7,194	7,194
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(72,073)</b>	<b>64,384</b>	<b>(1,489,900)</b>	<b>(1,497,589)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,349,250</b>	<b>(12,831)</b>	<b>(3,201,752)</b>	<b>(1,865,333)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>17,366,866</b>	<b>(40,129)</b>	<b>13,400,321</b>	<b>30,727,058</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 18,716,116</b>	<b>\$ (52,960)</b>	<b>\$ 10,198,569</b>	<b>\$ 28,861,725</b>

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

**CITY OF HIBBING, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2018

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

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ (1,865,333)**

Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful life.

Expenditures for capital assets	5,391,552	
Less current year depreciation	(2,315,603)	
Net capital assets		3,075,949

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets. (5,863)

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

Change in deferred inflows of resources - delinquent property taxes	23,763	
Change in deferred inflows of resources - special assessments	15,382	
Change in deferred inflows of resources - loans receivable	-	
		39,145

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

Debt issued of (\$1,150,000) less proceeds included in the governmental funds as unearned revenue of \$808,084 for capital asset purchases made in 2019	(341,916)	
Principal repaid	511,192	
Bond premium	(42,475)	
		126,801

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	2,187	
Change in long-term compensated absences	24,732	
Change in total OPEB liability	(1,106,780)	
Change in deferred outflows of resources - OPEB	958,706	
		(121,155)

Pension expenditures on the governmental funds are measured by current contributions for employees. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources, offset by State of Minnesota grant revenue. 278,220

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

Change in due from the State of Minnesota for grant funding provided in 2013 on city-wide bonded paving project. (180,000)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 1,352,764**

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

## CITY OF HIBBING, MINNESOTA

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
 December 31, 2018

	Business-Type Activities - Enterprise Funds			Totals
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,576,625	\$ 2,018,336	\$ 162,051	\$ 5,757,012
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000
Designated investments - other postemployment benefits	60,000	60,000	-	120,000
Special assessments receivable	13,128	25,272	-	38,400
Accounts receivable	3,948	3,413	-	7,361
Due from other funds	-	-	-	-
Due from other governments	505	315,545	-	316,050
Due from component units	213,706	289,603	-	503,309
Inventories	1,350	-	-	1,350
Prepaid expenses	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,769,262</b>	<b>3,612,169</b>	<b>162,051</b>	<b>8,543,482</b>
<b>NONCURRENT ASSETS</b>				
<b>OTHER ASSETS</b>				
Capital assets				
Land and improvements	297,689	126,030	-	423,719
Construction in progress	-	246,306	-	246,306
Infrastructure	-	19,267,115	-	19,267,115
Buildings and improvements	135,104	32,667,584	-	32,802,688
Equipment, machinery and furniture	3,606,779	1,984,112	29,597	5,620,488
Less accumulated depreciation	(3,061,269)	(17,467,653)	(26,630)	(20,555,552)
<b>TOTAL NONCURRENT ASSETS</b>	<b>978,303</b>	<b>36,823,494</b>	<b>2,967</b>	<b>37,804,764</b>
<b>TOTAL ASSETS</b>	<b>5,747,565</b>	<b>40,435,663</b>	<b>165,018</b>	<b>46,348,246</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - Pensions	164,410	155,306	-	319,716
Deferred outflows - OPEB	91,277	138,584	-	229,861
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>255,687</b>	<b>293,890</b>	<b>-</b>	<b>549,577</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,003,252</b>	<b>\$ 40,729,553</b>	<b>\$ 165,018</b>	<b>\$ 46,897,823</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 41,133	\$ 53,886	\$ -	\$ 95,019
Salaries payable	14,226	15,283	-	29,509
Accrued interest payable	-	66,314	-	66,314
Due to other funds	-	754,000	-	754,000
Due to other governments	10,618	11,855	-	22,473
Other accrued expenses	-	8,166	-	8,166
Unearned revenue	-	-	-	-
Compensated absences	117,075	101,037	-	218,112
Contracts payable	-	101,989	-	101,989
Bonds, notes and leases payable-current	-	1,098,000	-	1,098,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>183,052</b>	<b>2,210,530</b>	<b>-</b>	<b>2,393,582</b>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	488,896	475,268	-	964,164
OPEB liability	2,115,699	2,088,375	-	4,204,074
Compensated absences	38,739	26,074	-	64,813
Bonds, notes and leases payable	-	11,240,888	-	11,240,888
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,643,334</b>	<b>13,830,605</b>	<b>-</b>	<b>16,473,939</b>
<b>TOTAL LIABILITIES</b>	<b>2,826,386</b>	<b>16,041,135</b>	<b>-</b>	<b>18,867,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - Pensions	216,936	208,916	-	425,852
Deferred inflows - OPEB	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>216,936</b>	<b>208,916</b>	<b>-</b>	<b>425,852</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>3,043,322</b>	<b>16,250,051</b>	<b>-</b>	<b>19,293,373</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	978,303	24,484,606	2,967	25,465,876
Unrestricted	1,981,627	(5,104)	162,051	2,138,574
<b>TOTAL NET POSITION</b>	<b>2,959,930</b>	<b>24,479,502</b>	<b>165,018</b>	<b>27,604,450</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 6,003,252</b>	<b>\$ 40,729,553</b>	<b>\$ 165,018</b>	<b>\$ 46,897,823</b>

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

## CITY OF HIBBING, MINNESOTA

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
Year Ended December 31, 2018

	<b>Business-Type Activities - Enterprise Funds</b>			Totals
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,781,634	\$ 3,414,031	\$ 7,779	\$ 6,203,444
Sewer connect fees	-	7,526	-	7,526
Miscellaneous	28,330	6,460	-	34,790
<b>TOTAL OPERATING REVENUES</b>	<b>2,809,964</b>	<b>3,428,017</b>	<b>7,779</b>	<b>6,245,760</b>
<b>OPERATING EXPENSES</b>				
Personal services	940,602	982,884	-	1,923,486
OPEB expense	90,869	101,560	-	192,429
Pension expense	(2,769)	(2,976)	-	(5,745)
Contractual services	899,286	122,571	-	1,021,857
Administration	428	-	-	428
Utilities	102,007	273,694	-	375,701
Repairs and maintenance	9,806	79,630	7,321	96,757
Other supplies and expenses	78,745	206,285	1,103	286,133
Insurance claims and expenses	72,640	59,193	-	131,833
Depreciation	181,355	1,242,001	1,048	1,424,404
Miscellaneous	7,011	24,838	624	32,473
<b>OTHER OPERATING EXPENSES</b>	<b>2,379,980</b>	<b>3,089,680</b>	<b>10,096</b>	<b>5,479,756</b>
<b>OPERATING INCOME (LOSS)</b>	<b>429,984</b>	<b>338,337</b>	<b>(2,317)</b>	<b>766,004</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	54,673	9,262	3,099	67,034
Miscellaneous revenue (expense)	-	(61,576)	-	(61,576)
Impairment loss on capital assets	-	-	-	-
Sale of capital assets	20	-	-	20
Operating grants	-	-	-	-
Interest expense	-	(172,320)	-	(172,320)
Transfer from (to) primary government	960,000	960,000	(29,824)	1,890,176
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,014,693</b>	<b>735,366</b>	<b>(26,725)</b>	<b>1,723,334</b>
<b>INCOME BEFORE CAPITAL GRANTS</b>	<b>1,444,677</b>	<b>1,073,703</b>	<b>(29,042)</b>	<b>2,489,338</b>
<b>CAPITAL GRANTS</b>	<b>-</b>	<b>350,000</b>	<b>-</b>	<b>350,000</b>
<b>CHANGE IN NET POSITION</b>	<b>1,444,677</b>	<b>1,423,703</b>	<b>(29,042)</b>	<b>2,839,338</b>
<b>TOTAL NET POSITION - JANUARY 1, AS AS PREVIOUSLY REPORTED</b>	<b>2,158,419</b>	<b>23,774,631</b>	<b>194,060</b>	<b>26,127,110</b>
<b>Cumulative effect resulting from change in accounting for GASB 75 (note 1)</b>	<b>(643,166)</b>	<b>(718,832)</b>	<b>-</b>	<b>(1,361,998)</b>
<b>TOTAL NET POSITION - JANUARY 1, AS ADJUSTED</b>	<b>1,515,253</b>	<b>23,055,799</b>	<b>194,060</b>	<b>24,765,112</b>
<b>TOTAL NET POSITION - DECEMBER 31</b>	<b>\$ 2,959,930</b>	<b>\$ 24,479,502</b>	<b>\$ 165,018</b>	<b>\$ 27,604,450</b>

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



CITY OF HIBBING, MINNESOTA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,039,928	\$ 3,997,175	\$ 9,065	\$ 7,046,168
Cash paid to suppliers	(1,527,787)	(1,116,116)	(8,610)	(2,652,513)
Cash paid to employees	(583,147)	(585,598)	-	(1,168,745)
Cash paid for retiree health insurance premiums	(30,215)	(70,338)	-	(100,553)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>898,779</u>	<u>2,225,123</u>	<u>455</u>	<u>3,124,357</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous (payment) collection	-	-	-	-
Interfund financing payments	-	(1,546,000)	-	(1,546,000)
Transfer from (to) primary government	960,000	960,000	(29,824)	1,890,176
Prior year cash deficit advances	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>960,000</u>	<u>(586,000)</u>	<u>(29,824)</u>	<u>344,176</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase or construction of capital assets	(353,688)	(1,747,350)	-	(2,101,038)
Proceeds from sale of capital assets	20	-	-	20
Advances on notes payable	-	4,032,465	-	4,032,465
Principal paid on long-term debt	-	(1,081,726)	-	(1,081,726)
Interest paid on long-term debt	-	(173,728)	-	(173,728)
Issuance costs paid on long-term debt	-	(60,910)	-	(60,910)
Capital grants and contributions	-	350,000	-	350,000
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(353,668)</u>	<u>1,318,751</u>	<u>-</u>	<u>965,083</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	54,673	9,262	3,099	67,034
Investments purchased	(60,000)	(60,000)	-	(120,000)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(5,327)</u>	<u>(50,738)</u>	<u>3,099</u>	<u>(52,966)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,499,784</u>	<u>2,907,136</u>	<u>(26,270)</u>	<u>4,380,650</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>2,976,841</u>	<u>11,200</u>	<u>188,321</u>	<u>3,176,362</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 4,476,625</u>	<u>\$ 2,918,336</u>	<u>\$ 162,051</u>	<u>\$ 7,557,012</u>
<b>CASH IS PRESENTED ON THE STATEMENT OF NET POSITION AS FOLLOWS:</b>				
Cash and cash equivalents	\$ 3,576,625	\$ 2,018,336	\$ 162,051	\$ 5,757,012
Designated cash - Other postemployment benefits	900,000	900,000	-	1,800,000
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 4,476,625</u>	<u>\$ 2,918,336</u>	<u>\$ 162,051</u>	<u>\$ 7,557,012</u>

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

CITY OF HIBBING, MINNESOTA

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (continued)  
Year Ended December 31, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Garbage and Refuse Collection Enterprise Fund</u>	<u>Sewer Operating and Maintenance Enterprise Fund</u>	<u>Nonmajor Enterprise Fund-Memorial Building Concessions</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 429,984	\$ 338,337	\$ (2,317)	\$ 766,004
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	181,355	1,242,001	1,048	1,424,404
(Gain) loss on sale of capital assets	(20)			(20)
(Increase) decrease in assets/deferred outflows:				
Special assessments receivable	6,498	1,245	-	7,743
Taxes receivable	-	-	-	-
Accounts receivable	794	1,197	1,311	3,302
Due from component unit	225,151	255,801	-	480,952
Due from other funds and governments	-	310,853	-	310,853
Inventories	-	-	-	-
Prepaid expenses	-	-	625	625
Deferred outflows - Pensions	86,387	55,762	-	142,149
Increase (decrease) in liabilities/deferred inflows:				
Accounts payable	2,741	38,541	(187)	41,095
Salaries payable	51	2,614	-	2,665
Other accrued expenses	-	7,500	-	7,500
Unearned revenue	-	-	-	-
Compensated absences - current	(881)	(3,165)	-	(4,046)
Due to other governments	(2,456)	63	(25)	(2,418)
OPEB liabilities	72,928	81,507	-	154,435
Net pension liability	(106,074)	(114,013)	-	(220,087)
Deferred pension inflows	4,641	4,989	-	9,630
Compensated absences - long-term	(2,320)	1,891	-	(429)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 898,779</u>	<u>\$ 2,225,123</u>	<u>\$ 455</u>	<u>\$ 3,124,357</u>

**Non-cash capital and related financing activities:**

During 2018, the Garbage and Refuse Collection Enterprise Fund received a capital asset from the Primary Government in the amount of \$46,245.

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

**NOTES TO FINANCIAL STATEMENTS**

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

In December 2016, the City council adopted a resolution approving special legislation that 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 financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies.

**A. Financial Reporting Entity**

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the City, (2) organizations for which the City is financially accountable and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the City's reporting entity:

**Blended Component Units**

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

Currently the City has no blended component units.

**Discretely Presented Component Units**

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

The component units that are discretely presented are as follows:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Hibbing Economic Development Authority (EDA)	Created by the City to assume primary responsibility for development activities within the City.
Hibbing Public Utilities Commission (PUC)	Created to provide water, electric power, natural gas and steam services to the City.

EDA does not prepare separate financial statements. Complete financial statements of the PUC may be obtained from Hibbing Public Utilities Commission, 19th Street and East 6th Avenue, Hibbing, Minnesota 55746.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**B. Basis of Financial Statement Presentation**

**Government-wide Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

**Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statement; all non-major funds are aggregated and presented in a single column.

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

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following governmental funds.

**Major Governmental Funds:**

The General Fund is the primary operating fund of the City and is used to account for all financial resources relating to the general government, except those required to be accounted for in another fund.

The Library Special Revenue Fund is used to account for all financial resources relating to the public library.

**Nonmajor Governmental Funds:**

Special Revenue Funds are used to account for the proceeds of specific resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**Proprietary Funds**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following proprietary funds:

**Major Proprietary Funds:**

The Garbage and Refuse Collection Enterprise Fund is used to account for revenues generated from the charges for refuse removal and recycling services provided to the residential and commercial users of the City.

The Sewer Operating and Maintenance Enterprise Fund is used to account for revenues generated from the charges for wastewater treatment services provided to the residential and commercial users of the City.

**Nonmajor Proprietary Funds:**

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

**C. Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all requirements imposed by the provider have been met.

Depreciation expense can be specifically identified by program and is included in the direct expenses of each program. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Grant revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item or service is to be used. Expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Debt service expenditures are recorded only when payment is due, unless financial resources have been specifically provided to a debt service fund for payment of liabilities that will mature early in the following year.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**D. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments purchased with a maturity of three months or less.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balances**

- 1) Cash balances for all funds of the City are maintained on a combined basis and invested to the extent possible, in allowable short-term investments. All investments are stated at fair value.
- 2) The General Fund reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is based on actual accounts.
- 3) The City had no significant inventories in the General Fund and records supplies and materials as expenditures when purchased. Enterprise Funds' inventories are valued at cost, on a first-in, first-out (FIFO) basis, and the cost of these inventories are recorded as expenditures when consumed rather than when purchased. The PUC Component Unit's inventories consist of parts, which are valued at weighted average cost and fuel and bulk supplies, which are valued at cost, on a first-in, first-out (FIFO) basis.
- 4) Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- 5) Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.
- 6) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

- 7) Capital assets, which include land, artwork, intangible-easements, buildings, improvements, equipment, machinery, furniture, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements.

Capital assets are capitalized at historical cost, or estimated historical cost, for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing all capital assets. The cost of normal maintenance and repairs, such as annual City paving costs from state aid maintenance projects, that do not add to the value of the asset or materially extend asset lives, are not capitalized.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

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

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

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

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

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

- 9) *Pensions.* For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employee Retirement Association (PERA) and the City of Hibbing's Volunteer Fire Department Relief Association (HVRA) fiduciary net position have been determined on the same basis as they are reported by PERA and HVRA, 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.



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures. Payment of principal and interest along with severance pay and post-employment benefits, are recognized as expenditures when paid.

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

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

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

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

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

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

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

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

- 12) Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows in the government-wide financial statements. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

**F. Revenues and Expenditures**

1) Property Taxes

The property tax calendar in Minnesota follows the calendar year. Property tax levies are certified to the county auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Property taxes become a lien on the property the following January 1. The county generally remits taxes to the City at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources (intergovernmental) in the financial statements.

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

2) Special Assessments

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

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

3) Grant Revenue

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

4) Accrued Absences

City employees earn vacation and sick leave based on years of service and union and employment contracts. Limited vacation time may be carried over annually. A liability for unused vacation is recognized in the government-wide and fund financial statements. A percentage of accumulated unused sick leave will be paid as severance pay upon retirement and is accrued in the government-wide and proprietary fund financial statements.

5) Other Postemployment Benefits

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

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

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

**G. New Accounting Pronouncements - Adopted in the Current Year**

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

During the year ended December 31, 2018, the City and the PUC adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting for postemployment benefits other than pensions. As a result of the adoption of GASB Statement No. 75, the City and the PUC recognized a liability equal to the total OPEB liability and related OPEB expense and deferred outflows of resources and deferred inflows of resources.

Total net position as of January 1, 2018 was adjusted as follows

	Primary Government	PUC
Total net position, as previously reported	\$ 68,975,717	\$ 31,498,156
Adoption of GASB Statement No. 75	(11,122,981)	(2,708,883)
Total net position, as adjusted	\$ 57,852,736	\$ 28,789,273

**H. New Accounting Pronouncements - Effective in Future Years**

**GASB Statement No. 87 - Leases**

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for reporting periods beginning after December 15, 2019. The City has not determined the effect of this pronouncement.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Fund and Net Position Deficits**

The following funds of the City and the Hibbing Economic Development Authority, a discretely presented component unit, had a deficit fund balance or net position at December 31, 2018:

Primary Government		
Library Special Revenue Fund -		
Unassigned fund balance	\$	(56,425)

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

Primary Government		
Sewer Operating and Maintenance Enterprise		
Fund - Unrestricted net position	\$	(5,104)

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

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

EDA Component Unit		
Storefront Renovation Capital Project Fund -		
Unassigned Fund balance	\$	(70,685)

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3 CASH AND CASH EQUIVALENTS**

The City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. This pool of the City functions essentially as a demand account for all participating funds. Each fund's portion of this pool is displayed on the financial statements as "cash and cash equivalents" and "restricted cash and cash equivalents". Several funds and the component unit hold cash and investments separate from the cash and investment pool.

"Cash and cash equivalents", "designated cash and cash equivalents", and investments recorded are comprised of:

	Primary Government	Component Units		Total
		EDA	PUC	
Cash and cash equivalents				
Petty cash	\$ 1,270	\$ -	\$ -	\$ 1,270
Deposits				
Cash in bank accounts	8,057,794	-	5,562,181	13,619,975
Money market funds	6,057,185	2,833,176	-	8,890,361
Total cash and cash equivalents	14,116,249	2,833,176	5,562,181	22,511,606
Designated - Other post employment benefits				
Cash in bank accounts	518,130	-	250,000	768,130
Money market funds	1,359,978	-	-	1,359,978
Total Designated - Other post employment benefits	1,878,108	-	250,000	2,128,108
Temporarily restricted assets				
Money market funds	-	-	1,144,390	1,144,390
Escrowed amount with fiscal agent	-	46,286	684,172	730,458
Total Temporarily restricted assets	-	46,286	1,828,562	1,874,848
Designated - Other post employment benefits				
Investments	5,954,926	-	-	5,954,926
Investments				
Other	15,451,691	-	9,003,822	24,455,513
Total investment	21,406,617	-	9,003,822	30,410,439
Total	\$ 37,400,974	\$ 2,879,462	\$ 15,250,175	\$ 56,925,001

**Temporarily restricted cash, cash equivalents, and investments**

*Custodial Credit Risk* - Restricted assets

Custodial credit risk for restricted assets is a risk that, in the event of a negative unrestricted cash balance, the City may not be able to liquidate restricted assets.

**Designated cash and cash equivalents and designated investments**

The City's business type activities have designated assets totaling \$1,920,000 at December 31, 2018 (\$960,000 in the sewer and sanitation funds, 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.

CITY OF HIBBING

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3 CASH AND CASH EQUIVALENTS (continued)**

**Deposits**

*Custodial Credit Risk - Deposits*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. The City's formal deposit policy for custodial credit risk requires deposits to be insured by FDIC insurance or collateralized.

The City maintains deposits at financial institutions authorized by the City Council. Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the City's deposits was \$8,662,210; the bank balance was \$9,817,647. At December 31, 2018, the carrying amount of Hibbing Public Utility Commission's deposits was \$6,956,571 and the bank balance was \$6,573,114. At year end, the City's bank balances were entirely insured, or collateralized with securities held by the pledging financial institution's agent in the City's name as required by Minnesota Statute §118A.03. At year end, the Hibbing Public Utility Commission's bank balances were fully covered by depository insurance or by collateral held in the Commission's name by the pledging financial institutions' correspondent banks.

**Investments**

*Custodial Credit Risk - Investments*

For the investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or securities that are in the possession of an outside party. The City's formal investment policy requires brokers to have Securities Investor Protector Insurance (SIPC) and excess SIPC coverage. At year end the City had \$8,181,938 in investments held by a broker-dealer.

*Credit Risk and Concentration of Credit Risk*

The City has a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts. The City places no limit on the amount the City may invest in any one issuer.

As of December 31, 2018, the City-Primary Government had the following investments:

Investment Type	Fair Value	Rating	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Certificates of Deposit	\$ 11,778,190	Not rated	\$ 8,994,602	\$ 2,783,588	\$ -
Government Bonds FNMA/FHLMC	9,628,427	Moody AAA	1,987,360	7,641,067	-
Total Fair Value	<u>\$ 21,406,617</u>		<u>\$10,981,962</u>	<u>\$10,424,655</u>	<u>\$ -</u>

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. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurement as of December 31, 2018.

Investment Type	12/31/18	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 11,778,190	\$ -	\$11,778,190	\$ -
Government Bonds FNMA/FHLMC	9,628,427	-	9,628,427	-
Total	<u>\$ 21,406,617</u>	<u>\$ -</u>	<u>\$21,406,617</u>	<u>\$ -</u>

The City utilizes the Minnesota Municipal Money Market (4M) Fund which is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The pool is not rated.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The City's formal investment policy structures the investment portfolio so that maturing investments meet the City's cash requirements for ongoing operations.

As of December 31, 2018, the Public Utilities Commission did not hold any forms of investments subject to GASB 40 risk disclosures.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 4 CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Operations Transfer in	Ending Balance
<b>Governmental Activities</b>						
<b>Capital assets, not being depreciated:</b>						
Land and improvements	\$ 1,958,743	\$ 18,088	\$ -	\$ -	\$ -	\$ 1,976,831
Intangible - easements	25,600	-	-	-	-	25,600
Artwork	1,819,350	150,000	-	-	-	1,969,350
Gravel roads	4,111,250	-	-	-	-	4,111,250
Construction in progress	2,020,480	3,994,828	(1,870,584)	-	-	4,144,724
<b>Total capital assets, not being depreciated</b>	<b>9,935,423</b>	<b>4,162,916</b>	<b>(1,870,584)</b>	<b>-</b>	<b>-</b>	<b>12,227,755</b>
<b>Capital assets, being depreciated:</b>						
Infrastructure	33,077,939	829,425	-	-	-	33,907,364
Buildings and improvements	25,438,562	962,662	-	-	-	26,401,224
Equipment, machinery, and furniture	12,722,535	897,104	(273,618)	-	(46,245)	13,299,776
<b>Total capital assets, being depreciated</b>	<b>71,239,036</b>	<b>2,689,191</b>	<b>(273,618)</b>	<b>-</b>	<b>(46,245)</b>	<b>73,608,364</b>
<b>Less accumulated depreciation for:</b>						
Infrastructure	(20,504,253)	(926,920)	-	-	-	(21,431,173)
Buildings and improvements	(16,720,691)	(538,743)	(4,500)	-	-	(17,263,934)
Equipment, machinery, and furniture	(9,439,593)	(849,940)	266,308	-	46,245	(9,976,980)
<b>Total accumulated depreciation</b>	<b>(46,664,537)</b>	<b>(2,315,603)</b>	<b>261,808</b>	<b>-</b>	<b>46,245</b>	<b>(48,672,087)</b>
<b>Total capital assets, being depreciated, net</b>	<b>24,574,499</b>	<b>373,588</b>	<b>(11,810)</b>	<b>-</b>	<b>-</b>	<b>24,936,277</b>
Governmental activities capital assets, net	<u>\$ 34,509,922</u>	<u>\$ 4,536,504</u>	<u>\$ (1,882,394)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,164,032</u>

	Beginning Balance	Increases	Decreases	Reclass- ification	Operations Transfer in	Ending Balance
<b>Business-type activities</b>						
<b>Capital assets, not being depreciated:</b>						
Land and improvements	\$ 423,719	\$ -	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	2,041,162	1,063,279	(2,858,135)	-	-	246,306
Total Capital assets, not being depreciated	2,464,881	1,063,279	(2,858,135)	-	-	670,025
<b>Capital assets, being depreciated:</b>						
Infrastructure	16,459,114	2,808,001	-	-	-	19,267,115
Buildings and improvements	32,671,891	130,797	-	-	-	32,802,688
Equipment, machinery, and furniture	5,105,427	490,663	(21,847)	-	46,245	5,620,488
Total capital assets, being depreciated	54,236,432	3,429,461	(21,847)	-	46,245	57,690,291
<b>Less accumulated depreciation for:</b>						
Infrastructure	(2,367,055)	(405,916)	-	-	-	(2,772,971)
Buildings and improvements	(12,649,797)	(759,625)	-	-	-	(13,409,422)
Equipment, machinery, and furniture	(4,089,898)	(258,863)	21,847	-	(46,245)	(4,373,159)
<b>Total accumulated depreciation</b>	<b>(19,106,750)</b>	<b>(1,424,404)</b>	<b>21,847</b>	<b>-</b>	<b>(46,245)</b>	<b>(20,555,552)</b>
<b>Total capital assets, being depreciated, net</b>	<b>35,129,682</b>	<b>2,005,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,134,739</b>
Business-type activities capital assets, net	<u>\$ 37,594,563</u>	<u>\$ 3,068,336</u>	<u>\$ (2,858,135)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,804,764</u>

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 4 CAPITAL ASSETS (continued)**

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

<b>Governmental activities</b>	
General government	\$ 212,209
Public safety	352,971
Public works, including depreciation of general infrastructure assets	1,275,685
Culture and recreation	389,495
Economic development	-
Transportation	<u>85,243</u>
Total depreciation expense- governmental activities	<u>\$ 2,315,603</u>
 <b>Business-type activities</b>	
Garbage and refuse collection	\$ 1,242,001
Sewer operating and maintenance	181,355
Memorial Building concessions	<u>1,048</u>
Total depreciation expense- business-type activities	<u>\$ 1,424,404</u>

Activity for the Hibbing Economic Development Authority for the year ended December 31, 2018, was as follows:

**Discretely presented component units**

	Beginning Balance	Increases	Decreases	Operations Transfers in	Ending Balance
<b>Capital assets, not being depreciated:</b>					
Land and improvements	\$ 267,393	\$ -	\$ -	\$ -	\$ 267,393
Construction in progress	6,880	-	-	-	6,880
<b>Total capital assets, not being depreciated</b>	<u>274,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,273</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	19,699	-	-	-	19,699
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	-	-	-	-	-
<b>Total capital assets, being depreciated</b>	<u>19,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,699</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	(4,597)	(656)	-	-	(5,253)
<b>Total accumulated depreciation</b>	<u>(4,597)</u>	<u>(656)</u>	<u>-</u>	<u>-</u>	<u>(5,253)</u>
<b>Total capital assets, being depreciated, net</b>	<u>15,102</u>	<u>(656)</u>	<u>-</u>	<u>-</u>	<u>14,446</u>
<b>Hibbing Economic Development Authority capital assets, net</b>	<u>\$ 289,375</u>	<u>\$ (656)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,719</u>

Activity for the Hibbing Public Utilities Commission for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Operations Transfers in	Ending Balance
<b>Capital assets, not being depreciated:</b>					
Construction in progress	\$ 314,529	\$ 75,929	\$ -	\$ -	\$ 390,458
<b>Total capital assets, not being depreciated</b>	<u>314,529</u>	<u>75,929</u>	<u>-</u>	<u>-</u>	<u>390,458</u>
<b>Capital assets, being depreciated:</b>					
Buildings and grounds	9,355,628	-	-	-	9,355,628
Transmission and distribution system	48,382,718	633,115	-	-	49,015,833
Equipment, machinery, and furniture	50,252,625	704,352	(301,536)	-	50,655,441
<b>Total capital assets, being depreciated</b>	<u>107,990,971</u>	<u>1,337,467</u>	<u>(301,536)</u>	<u>-</u>	<u>109,026,902</u>
<b>Less total accumulated depreciation</b>	<u>(74,160,539)</u>	<u>(2,969,626)</u>	<u>301,536</u>	<u>-</u>	<u>(76,828,629)</u>
<b>Total capital assets, being depreciated, net</b>	<u>33,830,432</u>	<u>(1,632,159)</u>	<u>-</u>	<u>-</u>	<u>32,198,273</u>
<b>Hibbing Public Utilities Commission capital assets, net</b>	<u>\$ 34,144,961</u>	<u>\$ (1,556,230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,588,731</u>

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 5 OPERATING LEASES**

The City has a sublease agreement with St. Louis County for office facilities for its police department. The EDA has a lease agreement with the Chisholm-Hibbing Airport Authority for land for the animal shelter. The City also has various lease agreements for public works grader equipment and various office related equipment. Total cost for these leases was \$158,112 for the year ended December 31, 2018. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2019	\$ 126,214
2020	49,247
2021	30,769
2022	17,778
2023	11,981
2024-thereafter	42,800
	\$ 278,789

**NOTE 6 LINE OF CREDIT**

The PUC has entered into a line of credit agreement with its primary bank. The agreement established a maximum credit amount of \$1,000,000 and carried an interest rate of 0.5% above the Wall Street Journal prime rate. The agreement matured on September 14, 2018 and was not renewed. As of December 31, 2018, no amounts had been drawn down on the line.

**NOTE 7 LONG-TERM DEBT**

**Primary Government - Governmental Activities and Business-Type Activities**

**Recent debt issuance:**

In December 2018, the City issued \$4,610,000 General Obligation Bonds, Series 2018A. The proceeds of the bonds were used as follows: \$1,150,000 to finance equipment purchases, \$2,205,000 to finance 2017 and 2018 sewer improvement projects and \$1,255,000 to complete a bond refunding on the City's outstanding Series 2007A General Obligation bonds and pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$152,007 and had issuance costs of \$83,919. Such premium and issuance costs were allocated to the three parts of the bond issuance.

The bonds are general obligations of the City which carries the City's ability to levy direct general ad valorem taxes for repayment of the bonds. The City will make its first levy for the equipment portion of the bonds in 2018 for collection in 2019. For the remaining Sewer portions of the bond, the City is to set sewer rates sufficient to support the operation of the sewer utility and provide sufficient cash flows to cover debt service. The outstanding balance of the City's Series 2007A bonds was \$1,410,000 at December 31, 2018. The City will make its regularly scheduled February 1, 2019 principal payment of \$120,000 and the remaining balance of \$1,290,000 will be repaid from the December 2018 bond issuance, as described. The repayment of the Series 2007A did not have a call premium and therefore, the reacquisition price was equal to the net carrying amount of the old bonds.

**Primary Government**

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

The City also issues long-term leases and certificates of indebtedness for the purchase of major equipment and other items. These leases and certificates are considered obligations of the primary government and are being repaid as part of each year's budgeted expenditures. Included in the lease purchase obligations are lease agreements between the City and the EDA-Component Unit for repayment of debt issued by the EDA-Component Unit for construction of an animal shelter. The amount of the obligation related to the EDA-Component Unit at December 31, 2018 was \$230,629.

The other EDA bond payable at December 31, 2018 with principal outstanding of \$810,000 is a General Obligation Tax Increment Bond issued by the EDA with the pledge of repayment from tax increments received on the respective Tax Increment Financing District. If the net tax increments captured are insufficient to pay principal and interest due on the bonds, the deficiency would become a liability of the City with payment obligated from the general taxing authority of the City.

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

In March 2015, the City authorized the Public Utilities Commission's issuance of a Utility Net Revenue Note in the amount of \$3,426,000, payable to Dougherty Funding LLC. The proceeds of the note funded a one year reserve account for principal and interest and was used by the Public Utilities Commission to make upgrades to the Public Utilities' systems. Advances were made on this loan as the Public Utilities Commission submitted draw requests to Dougherty Funding LLC to pay project costs. The balance of the loan at December 31, 2018 was \$2,529,862. The net revenues of the Public Utilities Commission are pledged first to repay the Note and if the Public Utilities Commission's net revenues are not sufficient to pay the principal and interest in a given year, then the City's general taxing authority is liable to replenish the one year reserve account. As of December 31, 2018, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$2,529,862 is included in the financial statements of the Public Utilities Commission.



**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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

**Relationship on debt issued by discretely presented component - PUC (continued):**

In 2010, the City authorized the issuance of a Taxable General Obligation Drinking Water Revenue Note in the amount of \$948,350, payable to the Minnesota Public Facilities Authority. Advances were made on this loan as the Public Utilities Commission submitted cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2018, the Public Utilities Commission's notes payable balance on this loan was \$181,000. The net revenues of the Public Utilities municipal water system are pledged first to repay the Note and second are ad valorem taxes levied by the City in the event proceeds of the net revenue are insufficient to pay principal and interest when due. As of December 31, 2018, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$181,000 is included in the financial statements of the Public Utilities Commission.

In 2001, the City authorized the issuance of a Taxable General Obligation Drinking Water Revenue Note in the amount of \$1,275,000, payable to the Minnesota Public Facilities Authority. Advances were made on this loan as the Public Utilities Commission submitted cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2018, the Public Utilities Commission's notes payable balance on this loan was \$195,000. The net revenues of the Public Utilities municipal water system are pledged first to repay the Note and second are ad valorem taxes levied by the City in the event proceeds of the net revenue are insufficient to pay principal and interest when due. As of December 31, 2018, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$195,000 is included in the financial statements of the Public Utilities Commission.

Components of long-term liabilities are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation bonds					
Series 2009B	5/1/2009	0.75-3.50%	\$ 1,370,000	2/1/2019	\$ 80,000
Series 2012A	2/1/2012	0.40-1.70%	\$ 1,890,000	2/1/2032	480,000
Series 2013A	11/1/2013	2.00-3.50%	\$ 3,585,000	2/1/2029	2,470,000
			Plus: Unamortized Bond Premium		25,032
Series 2018A	12/20/2018	3.00-4.00%	\$ 1,150,000	2/1/2039	1,150,000
			Plus: Unamortized Bond Premium		43,477
Total General obligation bonds					4,248,509
Lease purchase obligations	2/1/2009	1.75-4.40%	\$ 462,500	2/1/2024	230,629
Compensated absences payable					223,044
Net pension liability					6,542,275
OPEB liability					23,719,114
<b>Governmental Activities Long-Term Liabilities</b>					<b>\$ 34,963,571</b>
	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
<b>Business-Type Activity</b>					
Revenue notes and bonds					
2003 Sewer Notes	1/29/2003	1.74%	\$ 9,847,450	8/20/2022	\$ 2,374,000
2007 Sewer Revenue Bonds	12/1/2007	4.00-4.10%	\$ 2,365,000	2/1/2028	1,410,000
2010 Sewer Revenue Note	11/30/2010	1.34%	\$ 1,726,575	8/20/2025	754,000
2012A General Obligation Bond	2/1/2012	0.40-2.85%	\$ 1,010,000	2/1/2032	755,000
			Less: Unamortized Bond Discount		(4,596)
2012 Sewer Revenue Note	10/23/2012	1.00%	\$ 4,912,830	8/20/2031	3,481,954
Series 2018A	12/20/2018	3.00-4.00%	\$ 3,460,000	2/1/2039	3,460,000
			Plus: Unamortized Bond Premium		108,530
Total revenue notes and bonds					\$ 12,338,888
Compensated absences payable					64,813
Net pension liability					964,164
OPEB liability					4,204,074
<b>Business-Type Activities Long-Term Liabilities</b>					<b>17,571,939</b>
<b>Total Primary Government Long-Term Liabilities</b>					<b>\$ 52,535,510</b>

**CITY OF HIBBING MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
<b>Discretely Presented Component Units</b>					
<b>EDA</b>					
Bonds and notes payable					
2009A Public Project					
Revenue Bonds	5/7/2009	1.75-4.50%	\$ 462,500	2/1/2024	230,629
2014A General Obligation					
Tax Increment Bonds	2/1/2014	4.00-5.25%	\$ 830,000	2/1/2036	810,000
Less: Unamortized Bond Discount					(8,558)
Net pension liability					8,194
<b>Total EDA-Component Unit Long-Term Liabilities</b>					1,040,265
<b>PUC</b>					
Bonds, notes, and real estate mortgage payable					3,826,219
Compensated absences payable					887,305
Net pension liability					4,327,120
OPEB liability					19,238,442
<b>Total PUC-Component Unit Long-Term Liabilities</b>					28,279,086
<b>Total Reporting Entity</b>					\$ 81,854,861

Long-Term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation bonds payable	\$ 3,510,000	\$ 1,150,000	\$ (480,000)	\$ 4,180,000	\$ 495,000
Unamortized bond premiums	26,034	43,477	(1,002)	68,509	-
Certificates of indebtedness	-	-	-	-	-
Lease purchase obligation	261,821	-	(31,192)	230,629	-
Compensated absences payable	247,776	11,025	(35,757)	223,044	-
OPEB liability	22,612,334	1,106,780	-	23,719,114	-
Net pension liability	8,335,294	200,145	(1,993,164)	6,542,275	-
<b>Governmental Activities- Long-Term Liabilities</b>	<b>\$ 34,993,259</b>	<b>\$ 2,511,427</b>	<b>\$ (2,541,115)</b>	<b>\$ 34,963,571</b>	<b>\$ 495,000</b>
<b>Business-Type Activities</b>					
GO revenue notes payable	\$ 7,067,745	\$ 463,935	\$ (921,726)	\$ 6,609,954	\$ 933,000
GO revenue bonds payable	2,325,000	3,460,000	(160,000)	5,625,000	165,000
Unamortized bond discounts	(4,948)	-	352	(4,596)	-
Unamortized bond premium	-	108,530	-	108,530	-
Compensated absences payable	65,242	1,891	(2,320)	64,813	-
OPEB liability	4,049,639	154,435	-	4,204,074	-
Net pension liability	1,184,251	2,042	(222,129)	964,164	-
<b>Business-Type Activities- Long-Term Liabilities</b>	<b>14,686,929</b>	<b>4,190,833</b>	<b>(1,305,823)</b>	<b>17,571,939</b>	<b>1,098,000</b>
<b>Total Primary Government</b>	<b>\$ 49,680,188</b>	<b>\$ 6,702,260</b>	<b>\$ (3,846,938)</b>	<b>\$ 52,535,510</b>	<b>\$ 1,593,000</b>
<b>Discretely Presented Component Units</b>					
<b>EDA</b>					
Bonds payable	\$ 1,091,821	\$ -	\$ (51,192)	\$ 1,040,629	\$ 53,064
Unamortized bond discount	(8,777)	-	219	(8,558)	-
Net pension liability	9,525	12	(1,343)	8,194	-
<b>EDA-Component Unit Long-Term Liabilities</b>	<b>\$ 1,092,569</b>	<b>\$ 12</b>	<b>\$ (52,316)</b>	<b>\$ 1,040,265</b>	<b>\$ 53,064</b>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 LONG-TERM DEBT (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>PUC</b>					
Bonds, notes, and real estate mortgage payable	\$ 4,726,657	\$ -	\$ (900,438)	\$ 3,826,219	\$ 583,255
Compensated absences payable	952,111	-	(64,806)	887,305	-
OPEB liability	20,707,606	1,202,213	(2,671,377)	19,238,442	-
Net pension liability	5,458,264	(754,033)	(377,111)	4,327,120	-
<b>PUC-Component Unit</b>					
<b>Long-Term Liabilities</b>	<u>\$ 31,844,638</u>	<u>\$ 448,180</u>	<u>\$ (4,013,732)</u>	<u>\$ 28,279,086</u>	<u>\$ 583,255</u>
<b>Total</b>	<u>\$ 82,617,395</u>	<u>\$ 7,150,452</u>	<u>\$ (7,912,986)</u>	<u>\$ 81,854,861</u>	<u>\$ 2,229,319</u>

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

Year Ending December 31	Primary Government					
	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 528,064 (1)	\$ 109,787	\$ 1,098,000	\$ 236,201	\$ 1,626,064	\$ 345,988
2020	475,047	114,905	1,298,000	262,876	1,773,047	377,781
2021	497,150	102,131	1,337,000	235,324	1,834,150	337,455
2022	514,379	87,955	1,372,000	206,637	1,886,379	294,592
2023	406,742	73,582	772,000	177,181	1,178,742	250,763
2024-2028	1,754,247	183,502	3,866,000	587,715	5,620,247	771,217
2029-2033	235,000	4,113	1,661,954	245,470	1,896,954	249,583
2034-2039	-	-	830,000	103,600	830,000	103,600
<b>Total</b>	<u>\$ 4,410,629</u>	<u>\$ 675,975</u>	<u>\$ 12,234,954</u>	<u>\$ 2,055,004</u>	<u>\$ 16,645,583</u>	<u>\$ 2,730,979</u>

Year Ending December 31	Component Units			
	EDA		PUC	
	Principal	Interest	Principal	Interest
2019	\$ 53,064	\$ 47,575	\$ 583,255	\$ 108,020
2020	60,047	45,295	598,671	91,922
2021	67,150	42,679	420,234	75,392
2022	69,379	39,833	431,945	62,320
2023	76,742	36,747	448,810	48,831
2024-2028	259,247	143,508	1,352,947	61,312
2029-2033	265,000	84,944	-	-
2034-2039	190,000	15,225	-	-
<b>Total</b>	<u>\$ 1,040,629</u>	<u>\$ 455,806</u>	<u>\$ 3,835,862</u>	<u>\$ 447,797</u>

(1) Includes \$33,064 in capital lease payments to the EDA.

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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

**REVENUE PLEDGED**

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

Bond Issue	Original Issue	Use of Proceeds	Revenue Pledged			Current Year		
			Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
G.O. Series 2009B	1,370,000	Capital equip. (inc. playground eq.) & capital improvements	Ad Valorem Taxes	100%	2010 - 2019	\$ 81,400	\$ 79,113	\$ 79,113
G.O. Series 2012A (Equipment Certificates)	1,890,000	Equip. purchases for fire, police, and public works depts.	Ad Valorem Taxes	100%	2012 - 2022	\$ 495,326	\$ 122,735	\$ 122,735
G.O. Series 2013A	2,890,000	Street reconstruction	MSA allotments	100%	2014 - 2029	\$ 2,629,668	\$ 240,463	\$ 240,463
G.O. Series 2013A (Equipment Certificates)	695,000	Purchase of equip.	Ad Valorem Taxes	100%	2014 - 2023	\$ 250,650	\$ 121,550	\$ 121,550
G.O. Revenue Note - 2003 Sewer	9,847,450	Waste treatment plant expansion	Receipts - Sewer Fund	100%	2003 - 2022	\$ 2,478,174	\$ 620,208	\$ 620,208
G.O. Revenue Bond - 2007 Sewer	2,365,000	Phases 3-5 sanitary and storm sewer rehabilitation projects	Receipts - Sewer Fund	100%	2008 - 2028	\$ 1,746,500	\$ 175,485	\$ 175,485
G.O. Revenue Note - 2010 Sewer	1,726,575	Sanitary sewer improvement projects	Receipts - Sewer Fund	100%	2010 - 2025	\$ 794,977	\$ 113,470	\$ 113,470
G.O. Revenue Bond - 2012A Sewer	1,010,000	Improvements to municipal sewer system	Receipts - Sewer Fund	100%	2012 - 2032	\$ 903,835	\$ 62,198	\$ 62,198
G.O. Revenue Note - 2012 Sewer	4,912,830	Wastewater treatment plant improvement project	Receipts - Sewer Fund	100%	2012 - 2031	\$ 3,730,398	\$ 285,640	\$ 285,640
2009A Public Project Revenue Bonds	462,500	Construction of Animal Shelter	Capital Lease Payments - from Primary Government	100%	2009 - 2024	\$ 282,696	\$ 41,698	\$ 41,698
2014A G.O. Tax Increment Bonds	830,000	Land acquisition and site improvements in TIF #12 (Hotel)	Tax Increment	100%	2017 - 2036	\$ 1,233,718	\$ 59,128	\$ 59,128
G.O. Bonds, Series 2018	1,150,000	Equipment	Ad Valorem Taxes	100%	2018 - 2028	\$ 1,366,843	\$ -	\$ -
G.O. Bonds, Series 2018	1,255,000	Sewer bond refunding of 2007 Sewer G.O. revenue bond	Receipts - Sewer Fund	100%	2018 - 2028	\$ 1,499,808	\$ -	\$ -
G.O. Bonds, Series 2018	2,205,000	Sewer improvements	Receipts - Sewer Fund	100%	2018 - 2039	\$ 3,175,980	\$ -	\$ -

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

Conduit Debt

The City entered into a joint powers agreement pursuant to Minnesota Statute §471.59 with the City of Buhl. The purpose of the agreement was to help a Minnesota non-profit corporation refinance projects for three facilities used to provide residential services to adults with developmental disabilities in both cities by issuing revenue obligations pursuant to Minnesota Statute §469.152-.165. The City of Buhl is the "issuer", and the City of Hibbing gave "host consent". This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City entered into a joint powers agreement pursuant to Minnesota Statute §471.59 with the City of Virginia. The purpose of the agreement was to help a Minnesota non-profit corporation refinance and finance projects for health care facilities in both cities by issuing revenue obligations pursuant to Minnesota Statute §469.152-.165. These obligations are not a debt of the City, as explained below. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City issued a tax-exempt manufacturing facilities revenue note pursuant to Minnesota Statute §469.152-.165. The purpose of the note was to help two Minnesota non-profit corporations refinance their manufacturing facilities located in the City of Hibbing and the City of Grand Rapids. This note is not a debt to the City. The two non-profit corporations are obligated to repay the note directly to the lender of the note as stated in a pledge agreement between the City of Hibbing and the lender. The note will not constitute a charge, lien or encumbrance upon property of the City. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior the their final maturity.

The City 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.

Since 1995, there are four issues outstanding. The aggregate amount payable at December 31, 2018, is \$10,065,182. Records for revenue bonds or notes issued prior to 1995 are not available.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8 INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances as of December 31, 2018, is as follows:

Due to/from other funds/component units/primary government:

Fund or Component Unit	Due From Other Funds	Due From Component Units	Due To Other Funds	Due To Primary Government
<b>Primary Government</b>				
General Fund	\$ 754,000	\$ -	\$ -	\$ -
Enterprise Funds	-	-	-	-
Garbage and Refuse	-	213,706	-	-
Sewer Operating and Maintenance	-	289,603	754,000	-
<b>Total Primary Government</b>	<u>\$ 754,000</u>	<u>\$ 503,309</u>	<u>\$ 754,000</u>	<u>\$ -</u>
<b>Component Units</b>				
Hibbing Economic Development Authority EDA				
General Fund	\$ 282	\$ -	\$ -	\$ -
Tax Increment XII	-	-	282	-
Economic Development Special Revenue Fund	123,000	-	-	-
Storefront Renovation Capital Projects Funds	-	-	123,000	-
Subtotal EDA	<u>123,282</u>	<u>-</u>	<u>123,282</u>	<u>-</u>
Hibbing Public Utilities Commission	-	-	-	503,309
<b>Total Component Units</b>	<u>\$ 123,282</u>	<u>\$ -</u>	<u>\$ 123,282</u>	<u>\$ 503,309</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, effective until the earlier of December 31, 2018 or until the City Council takes action to revert to the 30 day remittance practice. In July of 2018, the City Council took action to revert to the 30 day remittance practice.

The interfund loan between the General Fund and the Sewer Operating and Maintenance Fund was needed originally to fund large overruns that occurred in the past on a storm sewer renovation project. The balance on that project was at \$1,000,000 at December 31, 2016. 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. The remaining \$754,000 balance due to the General Fund will continue to be carried between the funds. The sewer fund is scheduled to repay \$400,000 of this balance in 2019 and the remaining \$354,000 in 2020.

Other balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE 8 INTERFUND BALANCES AND ACTIVITY (continued)**

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer To/From Other Funds/Component Units:

<u>Fund or Component Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Primary Government</b>		
General	\$ -	\$ (72,073)
Other Postemployment Benefits Debt Service Fund	-	(1,920,000)
Library	64,384	-
Capital Projects Funds		
Privately Financed	115,000	-
Capital Equipment and Improvement	2,405,401	(115,000)
Mining Effects	-	(1,900,000)
Memorial Building	-	(200,000)
Permanent Improvement	-	(267,888)
Enterprise Funds		
Sewer Operating and Maintenance	960,000	-
Garbage and Refuse Collection	960,000	-
Nonmajor Enterprise Fund - Memorial Building Concessions	-	(29,824)
<b>Total Primary Government</b>	<b>\$ 4,504,785</b>	<b>\$ (4,504,785)</b>
<b>Component Units</b>		
Hibbing Economic Development Authority EDA		
General Fund	\$ -	\$ -
Economic Development Special Revenue Fund	-	-
Tax Increment XII Debt Service Fund	-	-
Tax Increment XII Capital Project Fund	-	-
Family Resource Center	-	-
<b>Total Hibbing Economic Development Authority EDA - Component Unit</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Transfers</b>	<b>\$ 4,504,785</b>	<b>\$ (4,504,785)</b>

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

During 2018, with the adoption of GASB 75, the City transferred \$960,000 to both the Sewer Operating and Maintenance Fund and the Garbage and Refuse Collection Fund from the Other Postemployment Benefits Debt Service Fund to cover future OPEB liability costs.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 9 NET POSITION AND FUND BALANCE CLASSIFICATIONS**

**Primary Government**

Designated Net Position

The City has established designations of its unrestricted net position as follows:

Designated for other postemployment benefits:	2018
Cash	\$ 1,878,108
Investments	5,954,926
Taxes receivable	6,127
Interest receivable	8,956
Total designated for other postemployment benefits	\$ 7,848,117
Undesignated	(6,896,302)
Total Unrestricted	<u>\$ 951,815</u>

Restricted Net Position

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

Library	\$ 3,465
Contracted professional services	49,937
Debt service	1,556,475
Capital projects	1,323,269
Police forfeiture fund	9,107
Total Restricted Net Position	<u>\$ 2,942,253</u>

**Governmental Fund Balance Classification**

At December 31, 2018, a summary of the governmental fund balance classifications are as follows:

	General Fund	Library Special Revenue Fund	Non-Major Governmental Fund	Total
Nonspendable:				
Prepaid items	\$ 49,937	\$ 3,465	\$ -	\$ 53,402
Total nonspendable	<u>\$ 49,937</u>	<u>\$ 3,465</u>	<u>\$ -</u>	<u>\$ 53,402</u>
Restricted for:				
Debt service	\$ -	\$ -	\$ 1,556,475	\$ 1,556,475
Capital equipment and improvements	-	-	1,323,269	1,323,269
Library operations	-	-	-	-
Gambling 10% contribution fund	-	-	-	-
Police forfeiture fund	9,107	-	-	9,107
Total restricted	<u>\$ 9,107</u>	<u>\$ -</u>	<u>\$ 2,879,744</u>	<u>\$ 2,888,851</u>
Committed to:				
Housing incentive	\$ -	\$ -	\$ 50,112	\$ 50,112
Small Cities development	-	-	25,717	25,717
Economic development	-	-	84,835	84,835
OPEB obligation	-	-	5,928,117	5,928,117
Memorial Building	-	-	57,107	57,107
Capital equipment and improvements	-	-	835,637	835,637
Total committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,981,525</u>	<u>\$ 6,981,525</u>
Assigned to:				
2019 budget	\$ 9,272,179	\$ -	\$ -	\$ 9,272,179
Future capital projects funded from sale of assets	514,853	-	-	514,853
Workers' compensation premium adjustments	372,750	-	-	372,750
Other improvement projects	-	-	337,300	337,300
Total assigned	<u>\$ 10,159,782</u>	<u>\$ -</u>	<u>\$ 337,300</u>	<u>\$ 10,497,082</u>



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 10 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 \$1,000 deductible per occurrence with no annual maximum.

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

There were no settlements in excess of insurance coverage in 2018 and 2016. In 2017, the City did have one settlement related to a contract dispute.

The Hibbing Public Utilities Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in 2018, 2017 and 2016.

**NOTE 11 TAX INCREMENT FINANCING DISTRICTS**

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

<b><u>Tax Increment Financing District</u></b>	<b><u>No. VII</u></b>	<b><u>No. VIII</u></b>	<b><u>No. XI</u></b>	<b><u>No. XII</u></b>
Redevelopment project district established in:	1993	-	1999	2012
Economic development district established in:	-	-	-	-
Qualified housing district established in:	-	1993	-	-
Anticipated last tax increment year:	2019	2020	2025	2038
Original net tax capacity:	<u>\$ 3,911</u>	<u>\$ 472</u>	<u>\$ 525</u>	<u>\$ 14,338</u>
Current net tax capacity:	<u>\$ 47,424</u>	<u>\$ 8,958</u>	<u>\$ 17,814</u>	<u>\$ 58,770</u>
Fiscal disparity deduction:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,280</u>	<u>\$ -</u>
Captured net tax capacity retained by Authority:	<u>\$ 43,513</u>	<u>\$ 8,486</u>	<u>\$ 13,009</u>	<u>\$ 44,432</u>
Total bonds issued				
Tax increment bonds	\$ 320,000	\$ -	\$ 165,000	\$ 830,000
Amount redeemed	(320,000)	-	(165,000)	(20,000)
Outstanding bonds at December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 810,000</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES**

**Library and Fire Hall Solar Panel Agreements**

During 2012, the City entered into a Facility Lease Agreement, Energy Performance Guarantee, Power Purchase Agreement, and Put and Call Agreement with a solar panel company for the installation of a solar energy generation system (the System) at the City Library and Fire Hall. The Facility Lease Agreement and Power Purchase Agreements have twenty year terms. The Facility Lease Agreement calls for the solar panel company to lease roof space from the City for the installation and operation of the System and defines that the System remains the property of the solar panel company. The Power Purchase Agreement defines the rate the City will pay for future purchases of energy generated by the System. The Energy Performance Guarantee is related to a guarantee of aggregate net utility savings to the City over the first five years of the operation of the System. The Put and Call Agreement defines future potential opportunities of the City or solar company in regards to ownership of the System. Under this Put and Call Agreement, the solar panel company has the right for a six month period following the fifth year of operation of the System, which is April 2018, to require the City to purchase the System from the solar panel company in the amount of \$3,500. Should this "put" option not be exercised by the solar panel company, the City has a "call" option for a period of one year following the last day of the "put" period requiring the solar panel company to sell the System to the City. The purchase price under the "call" provision is based on fair market value as determined by a qualified appraiser selected by the City at

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

**Grants**

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Construction Projects**

The City had twenty-two outstanding construction projects as of December 31, 2018. The projects are evidenced by contractual commitments with contractors and engineers and include:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
<b>Capital Projects Funds</b>		
Permanent Improvement		
Rafferty Concept Study, Memorial Bldg.	\$ 2,277,961	\$ 105,018
Howard Street Sidewalk	819,933	69,905
Mineview Project	606,562	-
First Avenue Sidewalk	333,683	32,923
Bennett Park South Pavilion & Splash Pad	23,966	-
Raceway Ramp	18,815	-
Fire Hall Roof Wall	13,066	-
Rainy Road Bridge Project	11,715	-
Clerk's Office Remodel	11,143	-
Carey Lake Shelter Project	9,437	-
Special Assessment Software Project, Clerk's	5,619	281
Dixon Road Bridge Project	4,388	-
Koivu Road Bridge Project	3,819	-
Keyless Entry Upgrades - City Hall	2,854	2,854
ARI Curling Roof Study	1,764	-
City Sidewalk Project	-	9,578
City Paving Project	-	31,353
	<u>\$ 4,144,725</u>	<u>\$ 251,912</u>

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**Enterprise Fund**

Sewer Operating and Maintenance Fund		
Phase 6 Sewer Improvements	\$ 246,306	\$ -
S94 Brooklynn Sewer Improvements	-	-
12th Avenue East Sewer	-	13,449
SS Lining Project	-	25,336
Mercury Project (Additional)	-	62,510
<b>Total Sewer Operating and Maintenance Fund</b>	<b>\$ 246,306</b>	<b>\$ 101,295</b>
<b>Total All Funds</b>	<b>\$ 4,391,031</b>	<b>\$ 353,207</b>

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

**Highway 169 - Public Utilities Commission**

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

**NOTE 13 JOINT VENTURES**

**Chisholm-Hibbing Airport Authority**

The Chisholm-Hibbing Airport Authority was created by Minnesota Laws of 1994, Chapter 587, Article 11. The Hibbing City Council approved this law as required on September 6, 1994.

The Chisholm-Hibbing Airport Authority is governed by a six-member board appointed equally by each city. If the Authority is dissolved, the fair market value of all real estate owned by the City of Hibbing prior to the formation of the Chisholm-Hibbing Joint Airport Commission in 1957, including improvements on that real estate prior to that time, must be credited to the City of Hibbing.

During 2018, there were no related party transactions between the City and the Chisholm-Hibbing Airport Authority. Complete financial information can be obtained from the Chisholm-Hibbing Airport Authority, 11038 Highway 37, Hibbing, Minnesota 55746.

**NOTE 14 RELATED ORGANIZATION**

**Housing and Redevelopment Authority of Hibbing**

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

During 2018, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS**

**Primary Government**

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

**Plan Description and Benefits Provided**

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.

**Total OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB**

At December 31, 2018, the City reported a total OPEB liability of \$27,923,188. The total OPEB liability was measured as of December 31, 2017 based on an actuarial valuation as of January 1, 2017.

For the year ended December 31, 2018, the City recognized OPEB expense of \$1,571,500.

**OPEB Expense**

As of December 31, 2018 the deferred inflows and outflows of resources are as follows:

<u>Deferred Inflows / Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,280
Changes of assumptions	-	1,035,733
Contributions made subsequent to measurement date	-	1,331,550
Total	\$ -	\$ 2,387,563

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Year Ending December 31:</u>	
2019	\$ 1,516,491
2020	184,941
2021	184,941
2022	184,941
2023	184,941
2024 and thereafter	131,308
Total	\$ 2,387,563

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**Membership of the City's OPEB Plan**

Membership of the City's OPEB Plan as of the valuation date consisted of the following:

Active plan members	\$	72
Inactive employees or beneficiaries currently receiving benefit payments		222
Total	\$	<u>294</u>

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	January 1, 2017 rolled forward to December 31, 2017	
Measurement date	December 31, 2017	
Actuarial cost method	Age Normal	
Actuarial assumptions		
Discount rate-12/31/17 measurement date	3.44%	Based on 20-year Bond Buyer GO Index
Discount rate-12/31/16 measurement date	3.78%	Based on 20-year Bond Buyer GO Index
Salary increases including inflation	Years of Service	3.5% to 12.5%
Mortality	MN PERA - General Plan 2015 MN PERA - Police & Fire 2016	
Healthcare trend rate	8.6% in the first year trending down to 4.0% over 57 years	

**Change in the Total OPEB Liability**

Balance at December 31, 2017	\$	26,661,973
Changes Recognized for year:		
Service Cost		389,594
Interest		996,965
Effect of economic/demographic gains and losses		23,832
Effect of assumption changes or inputs		1,217,122
Benefit payments		<u>(1,366,298)</u>
Net changes		<u>1,261,215</u>
Balance at December 31, 2018	\$	<u>27,923,188</u>

**Sensitivity of the total OPEB Liability to changes in the discount rate**

The following presents the total OPEB liability of the City, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease <u>2.44%</u>	Discount Rate <u>3.44%</u>	1% Increase <u>4.44%</u>
Total OPEB liability	\$ 32,069,652	\$ 27,923,188	\$ 24,575,889

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**Sensitivity of the total OPEB Liability to changes in the healthcare cost trend rates**

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 24,252,109	\$ 27,923,188	\$ 32,521,137

**NOTE 16 EQUITY IN JOINT VENTURE**

**Component Unit - Hibbing Public Utilities Commission**

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

Each Commission owns and operates a cogeneration power plant which provides both steam and electricity for distribution to its service area. The Authority is not regulated. Customer rates are set by the Board of Directors and existing operating and power agreements.

The Commission has entered into various agreements with the Authority including agreements for the purchase of steam as well as operation and lease agreements. The steam agreement calls for the purchases of minimum quantities of steam based on the escalating fee structure. The operating agreement calls for the Authority to pay the Commission fees based on the operating costs of the Commission's facility up to specified maximum amounts. In addition, the Authority is required to pay the Commission an annual rental fee of \$25,000.

As of December 31, 2018, the Commission has reported on its balance sheet an investment of \$78,352,130 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 16 EQUITY IN JOINT VENTURE (continued)**

Complete financial statements of the Authority can be obtained from the Commission's Director of Finance. The following represents information reflected in the Authority's financial statements:

	<u>2018</u>
Current assets	\$ 25,161,405
Non-current restricted assets	\$ -
Other assets	\$ 85,953,334
Capital assets	\$ 45,403,238
Total assets	\$ 156,517,977
Current liabilities	\$ 31,759
Non-current liabilities	\$ 21,000
Total liabilities	\$ 52,759
Deferred inflows of resources	\$ 28,333
Net position	\$ 156,436,885
Total operating revenues	\$ 20,910,239
Operating expenses	\$ 18,125,517
Non-operating expenses	\$ 24,188,143
Gain on termination agreement	\$ 137,625,464
Change in net position	\$ 116,222,043

The Authority and Xcel Energy executed termination agreements for the purpose of terminating the power purchase agreement that ran between them. The termination involves consideration pursuant to two agreements, a termination agreement and a grant contract, working together to provide consideration for the PPA termination. Both of these agreements were executed on July 14, 2017 and both agreements have concurrent contingencies, namely approvals of the Minnesota Public Utilities Commission (MPUC) and North Dakota Public Service Commission (NDPSC). These contingencies were either met or waived by Xcel by June 28, 2018, and thus the contract termination was effective July 2, 2018. The agreements resulted in a gain which was recorded on the Authority's statement of revenues, expenses and changes in net position.

The termination agreement calls for the Authority to terminate production pursuant to the power purchase agreement entered into in 2005 and subsequently amended. In consideration, the termination agreement requires Xcel to pay to the Authority \$108,500,000, divided into six equal annual payments of \$18,083,333 to be paid the day after the contract terminates and on the anniversary of that date for five years. The first payment was received as of July 2, 2018, and the remaining payments will be received annually on that date.

The grant contract, which works in tandem with the termination agreement, requires Xcel to pay from funds that would have been transferred to a renewable development account to the Authority. Payments under this agreement are five installments of \$6,800,000. The first two installments were paid on July 2, 2018 and the remaining three payments will occur on July 2, of 2019 to 2021.

Proceeds from the termination agreements were first used to redeem outstanding revenue bonds, to pay remaining operating costs, and to address contract termination issues with biomass suppliers and other contractors. Remaining proceeds are to be distributed to its members.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**A. Plan Description**

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

Benefits Provided

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Member hired prior to July 1, 1989, receive the higher Method 1 or Method 2 formulas. Only Method 2 is used for Members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0 percent increase. If the General Employees Plan is at least 90 percent funded for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. The annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**B. Contributions**

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2018. The City was required to contribute 7.5% for Coordinated Plan members in calendar year 2018. The City's contributions to the GERF for the year ended December 31, 2018 were \$359,498. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2018. The City was required to contribute 16.2% of pay for PEPFF members in calendar year 2018. The City's contributions to the PEPFF for the year ended December 31, 2018 were \$585,350. The City's contributions were equal to the required contributions as set by state statute.

**C. Pension Costs**

1. GERF Pension Costs

At December 31, 2018, the City reported a liability of \$3,905,504 for its proportionate share of the GERF'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 2018. 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 \$29,871. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0704% which was an increase of 0.004% from its proportionate share measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$	3,905,504
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>128,091</u>
Total	\$	<u><u>4,033,595</u></u>

There were no provision changes during the measurement period.

For the year ended December 31, 2018, the City recognized pension expense of \$226,494 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$29,871 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, 2018, the City reported its proportionate share of the GERF'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	\$ 108,983	\$ 114,716
Changes in actuarial assumptions	375,724	455,891
Net collective difference between projected and actual investment earnings	505,667	930,898
Changes in proportion	142,091	221,317
Contributions paid to PERA subsequent to the measurement date (July 1, 2018 through December 31, 2018)	<u>180,743</u>	<u>-</u>
Total	<u><u>\$ 1,313,208</u></u>	<u><u>\$ 1,722,822</u></u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

to the General Employees Fund subsequent to the measurement date and they will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2019	\$ 101,861
2020	(219,129)
2021	(391,576)
2022	(81,513)
	<u>\$ (590,357)</u>

2. PEPFF Pension Costs.

At December 31, 2018, the City reported a liability of \$3,609,129 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.3386% which was an increase of 0.016% of its proportion measured as of June 30, 2017. The City also recognized \$30,474 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in 2014, until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs first. There were no provision changes during the measurement period.

For the year ended December 31, 2018, the City recognized pension expense of \$326,915 for its proportionate share of the PEPFF's pension expense.

At December 31, 2018, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 149,297	\$ 909,445
Changes in actuarial assumptions	4,545,351	5,549,259
Net collective difference between projected and actual investment earnings	973,866	1,758,489
Changes in proportion	294,299	309,447
City contributions paid to PERA subsequent to the measurement date (July 1, 2018 through December 31, 2018)	<u>297,886</u>	<u>-</u>
Total	<u>\$ 6,260,699</u>	<u>\$ 8,526,640</u>

A total of \$297,886 reported as deferred outflows of resources related to pensions resulting from City contributions to the Police and Fire Pension Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2019	\$ (150,730)
2020	(328,903)
2021	(574,280)
2022	(1,463,360)
2023	(46,554)
	<u>\$ (2,563,827)</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

General Employees Plan

Changes in Actuarial Assumptions:

- 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 2.5 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- 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 4.0 percent to 3.0 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.
- to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- 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.

Police and Fire Plan

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Post-retirement benefit increases were changed 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 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

- Interest credited on member contributions decreased from 4.0 percent to 3.2 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stock	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
	<u>100%</u>	

**E. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, fiduciary net positions of the General Employees Fund and the Police and Fire Fund 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.

**F. Pension Liability Sensitivity**

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

	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>	
1% Lower	6.50%	\$ 6,346,943	6.50%	\$ 7,738,195
Current Discount Rate	7.50%	\$ 3,905,503	7.50%	\$ 3,609,127
1% Higher	8.50%	\$ 1,890,165	8.50%	\$ 194,560

**G. Pension Plan Fiduciary Net Position**

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

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE 18 DEFINED BENEFIT PENSION - SINGLE EMPLOYER PLAN**

**Plan Description**

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

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

**Employees covered by benefit terms**

At December 31, 2018, the following employees were covered by the benefit terms.

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

**Contributions**

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

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 employee generational mortality table projected with mortality improvement scale MP-2016, from a base year of 2006.

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

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

Discount rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (b) - (a)
<b>Balances at 12/31/17</b>	\$ 133,103	\$ 272,510	\$ 139,407
Changes for the year			
Service cost	10,961	-	(10,961)
Interest	6,601	-	(6,601)
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Contributions - State of Minnesota	-	25,566	25,566
Net investment income (loss)	-	(16,336)	(16,336)
Benefit payments	(24,086)	(24,086)	-
Administrative expense	-	(7,203)	(7,203)
Other	-	79	79
<b>Net changes</b>	<u>(6,524)</u>	<u>(21,980)</u>	<u>(15,456)</u>
<b>Balances at 12/31/18</b>	<u>\$ 126,579</u>	<u>\$ 250,530</u>	<u>\$ 123,951</u>

Sensitivity of the net pension liability to changes in discount rate

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

	1% Decrease (4%)	Current Discount (5%)	1% Increase (6%)
Total Pension Liability	\$ 132,131	\$ 126,579	\$ 121,396
Net Position Restricted for Pensions	\$ 250,530	\$ 250,530	\$ 250,530
Net Pension Liability / Asset	\$ (118,399)	\$ (123,951)	\$ (129,134)

Pension plan fiduciary net position

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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

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

For the year ended December 31, 2018, the City recognized net pension expenses of \$36,298. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 77,601	\$ 3,377
Changes of assumptions	10	-
Net difference between projected and actual earnings on pension plan investments	<u>32,719</u>	<u>1,411</u>
Total	<u>\$ 110,330</u>	<u>\$ 4,788</u>

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

Year ended December 31:	
2019	\$ 25,095
2020	19,660
2021	17,945
2022	18,416
2023	12,452
Thereafter	<u>11,974</u>
Total	<u>\$ 105,542</u>

**NOTE 19 DEFINED CONTRIBUTION PLAN**

Two council members of the City of Hibbing, Minnesota, are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Hibbing, Minnesota, during fiscal year 2018 were:

<u>Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
Employees	Employer	Employee	Employer	
\$ 1,197	\$ 1,197	5.00%	5.00%	5.00%

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

**NOTE 20 TAX ABATEMENTS**

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

The City has tax abatement agreements with three entities as of December 31, 2018:

<u>Purpose</u>	<u>Percentage of City Taxes Abated during 2018</u>	<u>Amount of Taxes Abated during 2018</u>
Joint economic development authority to fund efforts of the EDA'S future job creation efforts	100%	\$ 30,414
Provide incentive for real estate development company to complete residential development project	100%	7,742
Provide incentive for real estate development company to complete residential development project	100%	10,272
		<u>\$ 48,428</u>

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

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

**NOTE 21 SUBSEQUENT EVENTS**

City Subsequent Events

The City has evaluated subsequent events through August 2, 2018, the date which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF HIBBING, MINNESOTA

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

Year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,728,580	\$ 6,228,580	\$ 6,291,248	\$ 62,668
Licenses and permits	113,170	113,170	148,575	35,405
Intergovernmental	9,141,164	9,141,164	9,176,281	35,117
Charges for services	2,244,933	2,244,933	2,028,222	(216,711)
Fines	90,162	90,162	85,821	(4,341)
Gifts and contributions	269	269	9,200	8,931
Investment income (loss)	45,000	195,000	186,583	(8,417)
Miscellaneous	54,386	54,386	31,486	(22,900)
<b>TOTAL REVENUES</b>	<b>17,417,664</b>	<b>18,067,664</b>	<b>17,957,416</b>	<b>(110,248)</b>
<b>EXPENDITURES</b>				
Current				
General government	2,015,815	2,015,815	1,899,926	115,889
Public safety	7,237,682	7,237,682	6,610,260	627,422
Public works	3,250,816	3,250,816	3,258,645	(7,829)
Culture and recreation	2,140,387	2,140,387	2,091,351	49,036
Economic development	71,800	71,800	17,672	54,128
Transportation	422,214	422,214	425,822	(3,608)
Miscellaneous	2,734,559	2,734,559	2,190,739	543,820
Debt Service				
Principal	31,192	31,192	31,192	-
Interest and other charges	10,486	10,486	10,486	-
Capital Outlay				
Transportation	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>17,914,951</b>	<b>17,914,951</b>	<b>16,536,093</b>	<b>1,378,858</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(497,287)</b>	<b>152,713</b>	<b>1,421,323</b>	<b>1,268,610</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(2,714)	(2,714)	(72,073)	(69,359)
Sale of capital assets	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,714)</b>	<b>(2,714)</b>	<b>(72,073)</b>	<b>(69,359)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(500,001)</b>	<b>149,999</b>	<b>1,349,250</b>	<b>1,199,251</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>17,366,866</b>	<b>17,366,866</b>	<b>17,366,866</b>	<b>-</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 16,866,865</b>	<b>\$ 17,516,865</b>	<b>\$ 18,716,116</b>	<b>\$ 1,199,251</b>

CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended December 31, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 586,043	\$ 586,043	\$ 585,703	\$ (340)
Intergovernmental	-	-	340	340
Charges for services	12,200	12,200	12,198	(2)
Gifts and contributions	13,623	13,623	22,862	9,239
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUE</b>	<u>611,866</u>	<u>611,866</u>	<u>621,103</u>	<u>9,237</u>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	<u>627,480</u>	<u>627,480</u>	<u>698,318</u>	<u>(70,838)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(15,614)</u>	<u>(15,614)</u>	<u>(77,215)</u>	<u>(61,601)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,714	2,714	64,384	(61,670)
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,714</u>	<u>2,714</u>	<u>64,384</u>	<u>61,670</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(12,900)</u>	<u>(12,900)</u>	<u>(12,831)</u>	<u>69</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>(40,129)</u>	<u>(40,129)</u>	<u>(40,129)</u>	<u>-</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ (53,029)</u>	<u>\$ (53,029)</u>	<u>\$ (52,960)</u>	<u>\$ 69</u>

CITY OF HIBBING, MINNESOTA

NOTES TO RSI - BUDGET AND ACTUAL INFORMATION

December 31, 2018

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**NOTE 1 BUDGETING**

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

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

Budgeted amounts are as originally adopted or as amended by the City Council. The Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund and Library Special Revenue Fund present a comparison of budgetary data to actual results.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Budget**

General Fund transportation and public works expenditures exceeded budget by \$3,608 and \$7,829, respectively due to an increase in bus wheel hours over the previous year and overtime for snow removal and demolition. Additionally culture and recreation had a small overrun due to some unexpected costs. Otherwise, General Fund expenditures did not exceed appropriations. The Library Special Revenue Fund did exceed appropriations by \$70,838 for the year ended December 31, 2018 primarily due to payments on retiree health insurance.

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA

Year ended December 31, 2018

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**MODIFIED APPROACH FOR CITY GRAVEL ROADS INFRASTRUCTURE CAPITAL ASSETS**

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets that allow the City to function and are utilized primarily by the public. They provide future economic benefit for a minimum of two years. Infrastructure assets are capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than other capital assets. The City's major infrastructure systems include streets, gravel roads, sidewalks, and bridges.

The City has elected to use a "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its gravel roads. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) performed condition assessments and summarized the results using a measurement scale; and (3) estimated annual amount to maintain and preserve at the established condition assessment level.

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical condition assessment of its gravel roads as of summer 2017. This condition assessment will be performed at least every three years. The study assists the City by providing current inspection data used to evaluate current road conditions. This helps to maintain a City-defined desirable level of road performance while optimizing the expenditure of limited fiscal resources. The entire gravel road network within the City is composed of approximately 65 miles of gravel road.

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

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

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA (continued)

Year ended December 31, 2018

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Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 3. As of December 31, 2018, the City's gravel roads all rated at a Level 3.

The City expended \$365,000 on gravel road maintenance for the year ended December 31, 2018. This amount in 2018 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, 2019 and 2020).

A schedule of the estimated annual amount calculated to maintain and preserve its gravel roads at the current level compared to actual expenditures for gravel road maintenance for the years ended December 31, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 is presented below:

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

CITY OF HIBBING, MINNESOTA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Year ended December 31, 2018

**City of Hibbing**

<b>Total OPEB Liability</b>	<u>2018</u>	
Service cost	\$ 389,594	
Interest on total OPEB liability	996,965	
Changes in benefit terms	-	
Effect of economic/demographic (gains) or losses	23,832	
Effect of assumption changes or inputs	1,217,122	
Benefit payments	<u>(1,366,298)</u>	
Net change total OPEB liability	\$ 1,261,215	
Total OPEB liability, beginning	<u>26,661,973</u>	
Total OPEB liability, ending	\$ 27,923,188	
Covered payroll	N/A	(1)
Total OPEB liability as a % of covered payroll	N/A	(1)

The City adopted GASB 75 for the year ended December 31, 2018.

(1) Plan Closed to employees hired after January 1, 2007.

The City implemented the provisions of GASB Statement No. 75 in the year ending December 31, 2018. This schedule is intended to present a 10-year trend information. Additional years will be added as they become available.

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

**Component Unit - Hibbing Public Utilities Commission**

<b>Total OPEB Liability</b>	<u>2018</u>	
Service cost	\$ 487,215	
Interest	714,998	
Differences between expected and actual experience	-	
Changes in assumptions	(1,844,377)	
Changes of benefit terms	-	
Benefit payments	<u>(827,000)</u>	
Net change in total OPEB liability	\$ (1,469,164)	
Total OPEB liability - Beginning of the year	<u>20,707,606</u>	
Total OPEB liability - End of the year	\$ 19,238,442	
Payroll for the measurement period	\$ 5,440,813	
Net OPEB liability as a % of employee payroll	353.59%	

Note 1

The Commission implemented the provisions of GASB Statement No. 75 in the year ending December 31, 2018. This schedule is intended to present a 10-year trend information. Additional years will be added as they become available.

The Commission 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.

CITY OF HIBBING, MINNESOTA

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

December 31, 2018

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share Amount of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City/PUC	Total	Employer's Covered- Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Primary Government</b>							
<b>GERF</b>							
June 30, 2018	0.0704%	\$ 3,905,504	\$ 128,091	\$ 4,033,595	\$ 4,739,514	82.40%	79.53%
June 30, 2017	0.0744%	\$ 4,749,646	\$ 59,683	\$ 4,809,329	\$ 4,801,051	98.93%	75.90%
June 30, 2016	0.0709%	\$ 5,756,730	\$ 75,263	\$ 5,831,993	\$ 4,409,847	130.54%	68.91%
June 30, 2015	0.0732%	\$ 3,793,604	\$ -	\$ 3,793,604	\$ 4,336,769	87.48%	78.19%
<b>PEPFF</b>							
June 30, 2018	0.3386%	\$ 3,609,129	\$ -	\$ 3,609,129	\$ 3,568,189	101.15%	88.84%
June 30, 2017	0.354%	\$ 4,779,424	\$ -	\$ 4,779,424	\$ 3,632,428	131.58%	85.43%
June 30, 2016	0.343%	\$ 13,765,187	\$ -	\$ 13,765,187	\$ 3,303,882	416.64%	63.88%
June 30, 2015	0.36%	\$ 4,090,442	\$ -	\$ 4,090,442	\$ 3,292,226	124.25%	86.61%
<b>Component Unit - Hibbing Public Utilities Commission</b>							
<b>GERF</b>							
June 30, 2018	0.0780%	\$ 4,327,120	\$ 141,834	\$ 4,468,954	\$ 5,242,301	83.00%	79.53%
June 30, 2017	0.0855%	\$ 5,458,264	\$ 68,646	\$ 5,526,910	\$ 5,515,110	98.97%	75.90%
June 30, 2016	0.0907%	\$ 7,364,392	\$ 96,093	\$ 7,460,485	\$ 5,425,759	135.73%	68.91%
June 30, 2015	0.0939%	\$ 4,866,386	\$ -	\$ 4,866,386	\$ 5,519,343	88.17%	78.19%



CITY OF HIBBING, MINNESOTA

SCHEDULE OF CONTRIBUTIONS - MN PERA PLANS

December 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<b>Primary Government</b>					
GERF					
Dec. 31, 2018	\$ 359,498	\$ 359,498	\$ -	\$ 4,799,637	7.50%
Dec. 31, 2017	\$ 347,061	\$ 347,061	\$ -	\$ 4,628,766	7.50%
Dec. 31, 2016	\$ 337,181	\$ 337,181	\$ -	\$ 4,495,896	7.50%
Dec. 31, 2015	\$ 341,433	\$ 341,433	\$ -	\$ 4,552,432	7.50%
PEPFF					
Dec. 31, 2018	\$ 585,350	\$ 585,350	\$ -	\$ 3,613,268	16.20%
Dec. 31, 2017	\$ 573,558	\$ 573,558	\$ -	\$ 3,540,483	16.20%
Dec. 31, 2016	\$ 552,264	\$ 552,264	\$ -	\$ 3,409,030	16.20%
Dec. 31, 2015	\$ 558,305	\$ 558,305	\$ -	\$ 3,446,325	16.20%
DCP					
Dec. 31, 2018	\$ 1,197	\$ 1,197	\$ -	\$ 23,942	5.00%
Dec. 31 2017	\$ 1,186	\$ 1,186	\$ -	\$ 23,725	5.00%
Dec. 31 2016	\$ 838	\$ 838	\$ -	\$ 16,761	5.00%
Dec. 31, 2015	\$ 866	\$ 866	\$ -	\$ 17,314	5.00%
<b>Component Unit - Hibbing Public Utilities Commission</b>					
GERF					
Dec. 31, 2018	\$ 377,111	\$ 377,111	\$ -	\$ 5,028,369	7.50%
Dec. 31 2017	\$ 410,463	\$ 410,463	\$ -	\$ 5,457,721	7.50%
Dec. 31 2016	\$ 415,642	\$ 415,642	\$ -	\$ 5,541,887	7.50%
Dec. 31, 2015	\$ 420,637	\$ 420,637	\$ -	\$ 5,608,485	7.50%

CITY OF HIBBING, MINNESOTA

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

December 31, 2018

	2018	2017	2016
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 10,961	\$ 11,412	\$ 11,079
Interest	6,601	6,699	6,418
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(4,341)	116,400
Changes of assumptions	-	12	-
Benefit payments	(24,086)	(6,490)	(135,968)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	(6,524)	7,292	(2,071)
Total pension liability - beginning	133,103	125,811	127,882
<b>TOTAL PENION LIABILITY - ENDING (A)</b>	<u>\$ 126,579</u>	<u>\$ 133,103</u>	<u>\$ 125,811</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - City of Hibbing	\$ 25,566	\$ 24,280	\$ 28,587
Net investment income (loss)	(16,336)	14,938	5,008
Benefit payments	(24,086)	(6,490)	(135,968)
Administrative expense	(7,203)	(6,141)	(4,015)
Other	79	-	38,769
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	(21,980)	26,587	(67,619)
Plan fiduciary net position - beginning	272,510	245,923	313,542
<b>PLAN FIDUCIARY NET POSITION - ENDING (B)</b>	<u>\$ 250,530</u>	<u>\$ 272,510</u>	<u>\$ 245,923</u>
City's net pension asset - ending (a) - (b)	<u>\$ (123,951)</u>	<u>\$ (139,407)</u>	<u>\$ (120,112)</u>
Plan fiduciary net position as a percentage of the total pension liability	197.92%	204.74%	195.47%
Covered employee payroll	N/A	N/A	N/A
City's net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A

CITY OF HIBBING, MINNESOTA

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

December 31, 2018

Fiscal Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of the Covered- Employee Payroll
HVRA					
Dec. 31, 2018	*	\$ 25,566	N/A	N/A	N/A
Dec. 31, 2017	*	\$ 24,280	N/A	N/A	N/A
Dec. 31, 2016	*	\$ 28,587	N/A	N/A	N/A
Dec. 31, 2015	*	\$ 12,484	N/A	N/A	N/A

Notes to Schedule of Contributions

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

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

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF HIBBING, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2018

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The Housing Incentive Special Revenue Fund is used to account for revenues and expenditures for the City's Housing Incentive projects.

The Small Cities Development Special Revenue Fund is used to account for loan and interest payments and administration expenditures for housing loans administered by AEOA.

The Minnesota Investment Revolving Loans Special Revenue Fund is used to account for the loan and interest payments and expenditures for business loans.

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

The 2002 G.O. Refunding Bonds Debt Service Fund is used to account for the accumulation of resources for, and the payment of refunded long-term debt principal, interest and related costs.

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

The 2018A G.O. Bonds Debt Service Fund is used to account for the accumulation of resources for, and the payment of long term debt principal, interest, and related costs.

The Permanent Improvement Capital Projects Fund is used to account for financial resources and expenditures for the City's major street construction projects.

The Privately-Financed Capital Projects Fund is used to account for special assessments financial resources for construction projects for the City's taxpayers.

The Memorial Building Capital Projects Fund is used to account for financial resources used for acquisition or construction projects related to the Memorial Building.

The Capital Equipment and Improvement Capital Projects Fund is used to account for financial resources used for the acquisition of equipment and major improvements.

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

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

The MDI Maintenance Capital Projects Fund is used to account for financial resources used for maintenance construction of the MDI facility.

**CITY OF HIBBING, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
December 31, 2018

	<b>Housing Incentive Special Revenue Fund</b>	<b>Small Cities Development Special Revenue Fund</b>	<b>Minnesota Investment Revolving Loans Special Revenue Fund</b>	<b>Other Postemploy- ment Benefits Debt Service Fund</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,112	\$ 25,717	\$ 84,835	\$ 78,108
Investments	-	-	-	5,834,926
Taxes receivable	-	-	-	6,127
Special assessments receivable	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	8,956
Due from other governments	-	-	-	-
Loans receivable	-	46,131	-	-
Prepaid items and other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 50,112</b>	<b>\$ 71,848</b>	<b>\$ 84,835</b>	<b>\$ 5,928,117</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Contracts payable	-	-	-	-
Unearned revenue	-	-	-	-
Accrued debt service	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments	-	-	-	-
Loans receivable	-	46,131	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>46,131</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	50,112	25,717	84,835	5,928,117
Assigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>50,112</b>	<b>25,717</b>	<b>84,835</b>	<b>5,928,117</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 50,112</b>	<b>\$ 71,848</b>	<b>\$ 84,835</b>	<b>\$ 5,928,117</b>

2002 G.O. Refunding Bonds Debt Service Fund	2013A G.O. Bond Debt Service Fund	2018A G.O. Bonds Debt Service Fund	Permanent Improvement Capital Projects Fund	Privately- Financed Capital Projects Fund	Memorial Building Capital Projects Fund	Capital Equipment and Improvement Capital Projects Fund
\$ 357,631	\$ 479,735	\$ 990	\$ 54,134	\$ 11,571	\$ 49,530	\$ 3,029,356
-	-	-	-	-	-	-
-	-	-	2,764	14,260	-	18,252
-	-	-	-	170,365	-	-
-	-	-	-	96	7,867	3,213
-	-	-	-	-	-	-
-	-	-	1,024,187	-	-	30,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 357,631</u>	<u>\$ 479,735</u>	<u>\$ 990</u>	<u>\$ 1,081,085</u>	<u>\$ 196,292</u>	<u>\$ 57,397</u>	<u>\$ 3,080,821</u>
\$ -	\$ 300	\$ -	\$ -	\$ -	\$ 290	\$ 405
-	-	-	-	10,787	-	-
-	-	-	134,180	9,578	-	109,331
-	-	-	-	-	-	808,084
-	211,856	-	-	-	-	-
-	<u>212,156</u>	-	<u>134,180</u>	<u>20,365</u>	<u>290</u>	<u>917,820</u>
-	-	-	-	170,365	-	-
-	-	-	-	-	-	-
-	-	-	-	170,365	-	-
-	-	-	-	-	-	-
357,631	267,579	990	946,905	5,562	-	1,028,711
-	-	-	-	-	57,107	835,637
-	-	-	-	-	-	298,653
<u>357,631</u>	<u>267,579</u>	<u>990</u>	<u>946,905</u>	<u>5,562</u>	<u>57,107</u>	<u>2,163,001</u>
<u>\$ 357,631</u>	<u>\$ 479,735</u>	<u>\$ 990</u>	<u>\$ 1,081,085</u>	<u>\$ 196,292</u>	<u>\$ 57,397</u>	<u>\$ 3,080,821</u>

CITY OF HIBBING, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET (continued)  
 December 31, 2018

	Mining Effects Capital Projects Fund	Raceway Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 272,366	\$ 220,271	\$ 21,645	\$ 4,736,001
Investments	-	-	-	5,834,926
Taxes receivable	-	-	-	41,403
Special assessments receivable	-	-	-	170,365
Accounts receivable	-	9,000	-	20,176
Interest receivable	-	-	-	8,956
Due from other governments	-	-	-	1,054,187
Loans receivable	-	-	-	46,131
Prepaid items and other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 272,366</u>	<u>\$ 229,271</u>	<u>\$ 21,645</u>	<u>\$ 11,912,145</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 995
Due to other governments	-	-	-	10,787
Contracts payable	-	-	-	253,089
Unearned revenue	-	212,269	-	1,020,353
Accrued debt service	-	-	-	211,856
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>212,269</u>	<u>-</u>	<u>1,497,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments	-	-	-	170,365
Loans receivable	-	-	-	46,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,496</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	272,366	-	-	2,879,744
Committed	-	-	-	6,981,525
Assigned	-	17,002	21,645	337,300
<b>TOTAL FUND BALANCES</b>	<u>272,366</u>	<u>17,002</u>	<u>21,645</u>	<u>10,198,569</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 272,366</u>	<u>\$ 229,271</u>	<u>\$ 21,645</u>	<u>\$ 11,912,145</u>



CITY OF HIBBING, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2018

	Housing Incentive Special Revenue Fund	Small Cities Development Special Revenue Fund	Minnesota Investment Revolving Loans Special Revenue Fund	Other Postemploy- ment Benefits Debt Service Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 512,002
Special assessments	-	-	-	-
Intergovernmental	-	-	-	297
Charges for services	-	-	-	-
Gifts and contributions	-	-	-	-
Interest	793	407	17	96,337
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 793</b>	<b>\$ 407</b>	<b>\$ 17</b>	<b>\$ 608,636</b>
<b>EXPENDITURES</b>				
Current	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>793</b>	<b>407</b>	<b>17</b>	<b>608,636</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,920,000)
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,920,000)</b>
<b>Net Change In Fund Balances</b>	<b>793</b>	<b>407</b>	<b>17</b>	<b>(1,311,364)</b>
<b>FUND BALANCE - JANUARY 1</b>	<b>49,319</b>	<b>25,310</b>	<b>84,818</b>	<b>7,239,481</b>
<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 50,112</b>	<b>\$ 25,717</b>	<b>\$ 84,835</b>	<b>\$ 5,928,117</b>

<b>2002 G.O. Refunding Bonds Debt Service Fund</b>	<b>2013A G.O. Bond Debt Service Fund</b>	<b>2018A G.O. Bonds Debt Service Fund</b>	<b>Permanent Improvement Capital Projects Fund</b>	<b>Privately- Financed Capital Projects Fund</b>	<b>Memorial Building Capital Projects Fund</b>	<b>Capital Equipment and Improvement Capital Projects Fund</b>
\$ -	\$ -	\$ -	\$ 439,855	\$ -	\$ -	\$ 1,288,819
-	-	-	-	58,659	-	-
-	243,713	-	1,516,643	-	-	213,991
-	-	-	-	-	18,817	-
-	-	-	20,953	96	4,193	200,439
-	-	-	-	-	-	12,341
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 243,713</u>	<u>\$ -</u>	<u>\$ 1,977,451</u>	<u>\$ 58,755</u>	<u>\$ 23,010</u>	<u>\$ 1,715,590</u>
-	-	-	-	-	-	-
-	180,000	-	-	-	-	305,000
-	64,413	-	-	-	-	29,476
-	-	-	1,945,911	192,641	25,516	3,829,833
-	244,413	-	1,945,911	192,641	25,516	4,164,309
-	(700)	-	31,540	(133,886)	(2,506)	(2,448,719)
-	-	-	-	115,000	-	2,405,401
-	-	-	(267,888)	-	(200,000)	(115,000)
-	-	990	-	-	-	384,403
-	-	-	-	-	-	7,194
-	-	990	(267,888)	115,000	(200,000)	2,681,998
-	(700)	990	(236,348)	(18,886)	(202,506)	233,279
357,631	268,279	-	1,183,253	24,448	259,613	1,929,722
<u>\$ 357,631</u>	<u>\$ 267,579</u>	<u>\$ 990</u>	<u>\$ 946,905</u>	<u>\$ 5,562</u>	<u>\$ 57,107</u>	<u>\$ 2,163,001</u>

CITY OF HIBBING, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)  
 Year Ended December 31, 2018

	Mining Effects Capital Projects Fund	Raceway Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 227,454	\$ -	\$ -	\$ 2,468,130
Special assessments	-	-	-	58,659
Intergovernmental	-	-	-	1,974,644
Charges for services	-	12,000	-	30,817
Gifts and contributions	-	-	-	200,439
Interest	-	3,597	343	139,077
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>\$ 227,454</u>	<u>\$ 15,597</u>	<u>\$ 343</u>	<u>\$ 4,871,766</u>
<b>EXPENDITURES</b>				
Current	-	10,828	-	10,828
Debt service				
Principal	-	-	-	485,000
Interest and other charges	-	-	-	93,889
Capital Outlay	-	-	-	5,993,901
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>10,828</u>	<u>-</u>	<u>6,583,618</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>227,454</u>	<u>4,769</u>	<u>343</u>	<u>(1,711,852)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	2,520,401
Transfers out	(1,900,000)	-	-	(4,402,888)
Debt issuance	-	-	-	385,393
Sale of capital assets	-	-	-	7,194
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,900,000)</u>	<u>-</u>	<u>-</u>	<u>(1,489,900)</u>
<b>Net Change In Fund Balances</b>	<u>(1,672,546)</u>	<u>4,769</u>	<u>343</u>	<u>(3,201,752)</u>
<b>FUND BALANCE - JANUARY 1</b>	<u>1,944,912</u>	<u>12,233</u>	<u>21,302</u>	<u>13,400,321</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 272,366</u>	<u>\$ 17,002</u>	<u>\$ 21,645</u>	<u>\$ 10,198,569</u>

CITY OF HIBBING, MINNESOTA

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2018

**REVENUES**

**Taxes**

General property	\$ 3,037,377
Taconite	
Production	427,922
Homestead credit	486,522
Municipal aid	1,340,757
School replacement aid	-
Franchise	134,998
Other	863,672

**Total Taxes** 6,291,248

**Licenses and Permits** 148,575

**Intergovernmental**

Federal grants	
Federal Transportation grant	132,000
Bulletproof Vest grant	3,009
FEMA State Home and Security Program	-
Fire SAFER grant	194,274
State grants	
Market value credit	2,509
Local government aid	8,143,558
Police aid	224,752
Police disability benefit	16,261
Firemen's aid	77,890
State transportation grant	197,622
PERA rate increase aid	24,366
Petro tank reimbursement	8,806
IRRRB	90,500
Other	35,871
County grants	
Ambulance	-
Local grants	
Police liaison grant	24,863
Fire department grants	-
<b>Total Intergovernmental</b>	<u>9,176,281</u>

**Charges for Services**

General government	
Bus transportation	66,914
Miscellaneous	12,683
Public safety	
Ambulance calls	1,643,114
Fire protection contracts	1,640
Other	7,517
Highways and streets	
Miscellaneous	1,200
Culture and recreation	
Rent	123,061
Other	103,810
Cemetery	68,283
<b>Total Charges for Services</b>	<u>2,028,222</u>

## CITY OF HIBBING, MINNESOTA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)**  
Year Ended December 31, 2018

**REVENUES****Fines**

Court fines	\$ 70,058
Police forfeitures	14,763
Administrative fines	1,000

<b>Total Fines</b>	<u>85,821</u>
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<b>Gifts and Contributions</b>	<u>9,200</u>
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**Investment Income (Loss)**

Interest on investments	258,036
Increase (decrease) in fair value of investments	<u>(71,453)</u>

<b>Total Investment Income (Loss)</b>	<u>186,583</u>
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**Miscellaneous**

Insurance recoveries	50
Insurance dividends	24,169
Other	<u>7,267</u>

<b>Total Miscellaneous</b>	<u>31,486</u>
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<b>TOTAL REVENUES</b>	<u>17,957,416</u>
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**EXPENDITURES****Current****General Government**

Mayor and council	276,362
Elections	57,520
City administration	199,188
City clerk	507,325
City hall	102,973
Accounting	86,800
Data processing	117,229
Legal	112,712
Personnel administration	140,523
Zoning and housing	229,027
Assessor	<u>70,267</u>

<b>Total General Government</b>	<u>1,899,926</u>
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**Public Safety**

Police	3,248,290
Animal Shelter	72,394
Fire	1,978,769
Paid on-call fire	124,701
Ambulance	1,180,925
Civil defense	<u>5,181</u>

<b>Total Public Safety</b>	<u>6,610,260</u>
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**Public Works**

Highways and streets	
Streets and alleys	2,286,671
Engineering	369,019
Garage	547,306
Street lighting	<u>55,649</u>

<b>Total Public Works</b>	<u>3,258,645</u>
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## CITY OF HIBBING, MINNESOTA

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)

Year Ended December 31, 2018

**EXPENDITURES****Current****Culture and Recreation**

Recreation	\$ 51,972
Memorial building	348,508
Municipal golf course	47,922
Parks	143,883
City Services	1,499,066

<b>Total Culture and Recreation</b>	<u>2,091,351</u>
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**Economic Development**

Administration	17,672
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<b>Total Economic Development</b>	<u>17,672</u>
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**Transportation**

Bus	425,822
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<b>Total Transportation</b>	<u>425,822</u>
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**Miscellaneous**

Cemetery	271,183
Public access	104,353
Insurance	1,727,619
Donations and contributions	21,535
Other	66,049

<b>Total Miscellaneous</b>	<u>2,190,739</u>
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**Debt Service**

Principal	31,192
Interest and agent fees	10,486

<b>Total Debt Service</b>	<u>41,678</u>
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**Capital Outlay**

Transportation	-
Miscellaneous	-

<b>Total Capital Outlay</b>	<u>-</u>
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<b>TOTAL EXPENDITURES</b>	<u>16,536,093</u>
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<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,421,323
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**OTHER FINANCING SOURCES (USES)**

Transfers out	(72,073)
Sale of capital assets	-

<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(72,073)</u>
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<b>NET CHANGE IN FUND BALANCE</b>	1,349,250
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<b>FUND BALANCE - JANUARY 1</b>	<u>17,366,866</u>
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<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 18,716,116</u>
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CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2018

**REVENUES**

**Taxes**

General property	\$ 408,031
Taconite homestead credit	65,963
Other	111,709
<b>Total Taxes</b>	<u>585,703</u>

**Intergovernmental**

State grants	
Market value credit	340
	<u>340</u>

**Charges for Services**

12,198

**Gifts and Contributions**

22,862

**Interest**

-

**Miscellaneous**

-

**TOTAL REVENUES**

621,103

**EXPENDITURES**

**Current**

**Culture and Recreation**

Library	
Personal services	456,775
Supplies	96,388
Other services and charges	80,335
Retiree health insurance premiums	61,670
Other	3,150
	<u>698,318</u>

**TOTAL EXPENDITURES**

698,318

**EXCESS (DEFICIENCY) OF REVENUES  
 OVER EXPENDITURES**

(77,215)

**OTHER FINANCING SOURCES (USES)**

Transfer in	64,384
Transfer out	-
	<u>64,384</u>

**TOTAL OTHER FINANCING SOURCES (USES)**

64,384

**NET CHANGE IN FUND BALANCES**

(12,831)

**FUND BALANCE - JANUARY 1**

(40,129)

**FUND BALANCE - DECEMBER 31**

\$ (52,960)

CITY OF HIBBING, MINNESOTA

HOUSING INCENTIVE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2018

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REVENUES

Interest \$ 793

EXPENDITURES

-

NET CHANGE IN FUND BALANCE

793

FUND BALANCE - JANUARY 1

49,319

FUND BALANCE - DECEMBER 31

\$ 50,112



CITY OF HIBBING, MINNESOTA

SMALL CITIES DEVELOPMENT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2018

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REVENUES

Interest \$ 407

EXPENDITURES

-

NET CHANGE IN FUND BALANCE

407

FUND BALANCE - JANUARY 1

25,310

FUND BALANCE - DECEMBER 31

\$ 25,717

CITY OF HIBBING, MINNESOTA

MINNESOTA INVESTMENT REVOLVING LOANS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2018

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**REVENUES**

<b>Interest</b>	\$	17
<b>Miscellaneous</b>		
Principal on loans repayments		-
Interest on loans repayments		-
<b>Total Miscellaneous</b>		<u>-</u>
<b>TOTAL REVENUE</b>		<u>17</u>

**EXPENDITURES**

**Current**

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

<b>NET CHANGE IN FUND BALANCE</b>		17
<b>FUND BALANCE - JANUARY 1</b>		<u>84,818</u>
<b>FUND BALANCE - DECEMBER 31</b>	\$	<u><u>84,835</u></u>

CITY OF HIBBING, MINNESOTA

DEBT SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2018

REVENUES	Other Postemploy- ment Benefits	2002 G.O. Refunding Bonds	2013A G.O. Bonds	2018A G.O. Bonds	Totals
<b>Taxes</b>					
General property	\$ 356,768	\$ -	\$ -	\$ -	\$ 356,768
Taconite homestead credit	57,640	-	-	-	57,640
Other	97,594	-	-	-	97,594
<b>Total Taxes</b>	<u>512,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,002</u>
<b>Intergovernmental</b>					
State grants					
Market value credit	297	-	-	-	297
MSA maintenance	-	-	63,713	-	63,713
MSA construction	-	-	180,000	-	180,000
<b>Total Intergovernmental</b>	<u>297</u>	<u>-</u>	<u>243,713</u>	<u>-</u>	<u>244,010</u>
<b>Interest</b>	<u>96,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,337</u>
<b>TOTAL REVENUES</b>	<u>608,636</u>	<u>-</u>	<u>243,713</u>	<u>-</u>	<u>852,349</u>
<b>EXPENDITURES</b>					
<b>Debt Service</b>					
Principal	-	-	180,000	-	180,000
Interest	-	-	63,713	-	63,713
Other charges	-	-	700	-	700
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>244,413</u>	<u>-</u>	<u>244,413</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>608,636</u>	<u>-</u>	<u>(700)</u>	<u>-</u>	<u>607,936</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	-	-	-	-	-
Transfer out	(1,920,000)	-	-	-	(1,920,000)
Debt issuance	-	-	-	990	990
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,920,000)</u>	<u>-</u>	<u>-</u>	<u>990</u>	<u>(1,919,010)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,311,364)</u>	<u>-</u>	<u>(700)</u>	<u>990</u>	<u>(1,311,074)</u>
<b>FUND BALANCE - JANUARY 1</b>	<u>7,239,481</u>	<u>357,631</u>	<u>268,279</u>	<u>-</u>	<u>7,865,391</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 5,928,117</u>	<u>\$ 357,631</u>	<u>\$ 267,579</u>	<u>\$ 990</u>	<u>\$ 6,554,317</u>

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2018

REVENUES	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
<b>Taxes</b>				
General property	\$ 306,709	\$ -	\$ -	\$ 897,819
Taconite homestead credit	49,458	-	-	145,161
Taconite production	-	-	-	-
Other	83,688	-	-	245,839
<b>Total Taxes</b>	<u>439,855</u>	<u>-</u>	<u>-</u>	<u>1,288,819</u>
<b>Special Assessments</b>				
Principal	-	56,966	-	-
Interest and penalties	-	1,693	-	-
<b>Total Special Assessments</b>	<u>-</u>	<u>58,659</u>	<u>-</u>	<u>-</u>
<b>Intergovernmental</b>				
Federal grants				
Boundary Waters Drug and Violent Crime Task Force	-	-	-	26,940
Other	-	-	-	-
State grants				
Market value credit	256	-	-	749
MSA maintenance municipal	362,772	-	-	-
MSA construction municipal	1,153,615	-	-	-
IRRRB	-	-	-	141,533
Other	-	-	-	44,769
County grants	-	-	-	-
<b>Total Intergovernmental</b>	<u>1,516,643</u>	<u>-</u>	<u>-</u>	<u>213,991</u>
<b>Charges for Services</b>				
Rent and advertising	-	-	18,817	-
<b>Gifts and Contributions</b>				
	-	-	-	200,439
<b>Interest</b>				
	20,953	96	4,193	12,341
<b>Miscellaneous</b>				
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>\$ 1,977,451</u>	<u>\$ 58,755</u>	<u>\$ 23,010</u>	<u>\$ 1,715,590</u>

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)  
 Year Ended December 31, 2018

REVENUES	Mining Effects	Raceway	MDI Maintenance	Total
<b>Taxes</b>				
General property	\$ -	\$ -	\$ -	\$ 1,204,528
Taconite homestead credit	227,454	-	-	422,073
Taconite production	-	-	-	-
Other	-	-	-	329,527
<b>Total Taxes</b>	<u>227,454</u>	<u>-</u>	<u>-</u>	<u>1,956,128</u>
<b>Special Assessments</b>				
Principal	-	-	-	56,966
Interest and penalties	-	-	-	1,693
<b>Total Special Assessments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,659</u>
<b>Intergovernmental</b>				
Federal grants				
Public Safety Interoperable				
Communications	-	-	-	26,940
Other	-	-	-	-
State grants				
Market value credit	-	-	-	1,005
MSA maintenance municipal	-	-	-	362,772
MSA construction municipal	-	-	-	1,153,615
IRRRB	-	-	-	141,533
Other	-	-	-	44,769
County grants	-	-	-	-
<b>Total Intergovernmental</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,634</u>
<b>Charges for Services</b>				
Rent and advertising	-	12,000	-	30,817
<b>Gifts and Contributions</b>				
	-	-	-	200,439
<b>Interest</b>				
	-	3,597	343	41,523
<b>Miscellaneous</b>				
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>\$ 227,454</u>	<u>\$ 15,597</u>	<u>\$ 343</u>	<u>\$ 4,018,200</u>

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)  
 Year Ended December 31, 2018

	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
<b>EXPENDITURES</b>				
<b>Current</b>	\$ -	\$ -	\$ -	\$ -
<b>Debt Service</b>				
Principal	-	-	-	305,000
Interest and other charges	-	-	-	29,476
<b>Total Debt Service</b>	-	-	-	334,476
<b>Capital Outlay</b>				
General government				
Mayor and council	-	-	-	-
Elections	-	-	-	64,531
City clerk	-	-	-	281
City hall	-	-	-	29,431
Data processing	-	-	-	-
Zoning and housing	-	-	-	-
Public safety				
Police	-	-	-	115,073
Fire	-	-	-	37,334
Paid on-call fire	-	-	-	-
Ambulance	-	-	-	-
Civil defense	-	-	-	-
Animal shelter	-	-	-	-
Public works				
Streets and alleys	1,945,911	192,641	-	557,409
Engineering	-	-	-	18,136
Garage	-	-	-	-
Culture and recreation				
Memorial building	-	-	25,516	2,217,910
Municipal golf course	-	-	-	-
Parks	-	-	-	189,229
Library	-	-	-	12,578
Racetrack	-	-	-	-
Mineview	-	-	-	559,421
Recreation	-	-	-	28,500
Miscellaneous				
Cemetery	-	-	-	-
Other	-	-	-	-
<b>Total Capital Outlay</b>	1,945,911	192,641	25,516	3,829,833
<b>TOTAL EXPENDITURES</b>	1,945,911	192,641	25,516	4,164,309
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	31,540	(133,886)	(2,506)	(2,448,719)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	115,000	-	2,405,401
Transfers out	(267,888)	-	(200,000)	(115,000)
Debt issuance	-	-	-	384,403
Sale of capital assets	-	-	-	7,194
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(267,888)	115,000	(200,000)	2,681,998
<b>NET CHANGE IN FUND BALANCES</b>	(236,348)	(18,886)	(202,506)	233,279
<b>FUND BALANCES - JANUARY 1</b>	1,183,253	24,448	259,613	1,929,722
<b>FUND BALANCES - DECEMBER 31</b>	\$ 946,905	\$ 5,562	\$ 57,107	\$ 2,163,001

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)  
 Year Ended December 31, 2018

	Mining Effects	Raceway	MDI Maintenance	Total
<b>EXPENDITURES</b>				
<b>Current</b>	\$ -	\$ 10,828	\$ -	\$ 10,828
<b>Debt Service</b>				
Principal	-	-	-	305,000
Interest and other charges	-	-	-	29,476
<b>Total Debt Service</b>	-	-	-	334,476
<b>Capital Outlay</b>				
General government				
Mayor and council	-	-	-	-
Elections	-	-	-	64,531
City clerk	-	-	-	281
City hall	-	-	-	29,431
Data processing	-	-	-	-
Personnel administration	-	-	-	-
Public safety				
Police	-	-	-	115,073
Fire	-	-	-	37,334
Paid on-call fire	-	-	-	-
Ambulance	-	-	-	-
Civil defense	-	-	-	-
Animal shelter	-	-	-	-
Public works				
Streets and alleys	-	-	-	2,695,961
Engineering	-	-	-	18,136
Garage	-	-	-	-
Culture and recreation				
Memorial building	-	-	-	2,243,426
Municipal golf course	-	-	-	-
Parks	-	-	-	189,229
Library	-	-	-	12,578
Racetrack	-	-	-	-
Mineview	-	-	-	559,421
Recreation	-	-	-	28,500
Miscellaneous				
Cemetery	-	-	-	-
Other	-	-	-	-
<b>Total Capital Outlay</b>	-	-	-	5,993,901
<b>TOTAL EXPENDITURES</b>	-	10,828	-	6,339,205
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	227,454	4,769	343	(2,321,005)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	2,520,401
Transfers out	(1,900,000)	-	-	(2,482,888)
Debt issuance	-	-	-	384,403
Sale of capital assets	-	-	-	7,194
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(1,900,000)	-	-	429,110
<b>NET CHANGE IN FUND BALANCES</b>	(1,672,546)	4,769	343	(1,891,895)
<b>FUND BALANCES - JANUARY 1</b>	1,944,912	12,233	21,302	5,375,483
<b>FUND BALANCES - DECEMBER 31</b>	\$ 272,366	\$ 17,002	\$ 21,645	\$ 3,483,588

CITY OF HIBBING, MINNESOTA  
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
December 31, 2018

	General Fund	Economic Development Special Revenue Fund	Debt Service Funds			Animal Shelter
			Tax Increment VII	Tax Increment XI	Tax Increment XII	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 471,790	\$ 1,680,455	\$ 272,160	\$ 36,326	\$ 22,660	\$ 115,986
Cash - restricted	-	-	-	-	-	46,286
Investments - restricted	-	-	-	-	-	-
Taxes receivable						
Unapportioned	1,454	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Accounts receivable	600	-	-	-	-	-
Due from other funds	282	123,000	-	-	-	-
Due from other governments	7,605	-	-	-	-	-
Loans receivable	-	1,271,663	-	-	-	-
Prepaid items and other assets	300	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 482,031</b>	<b>\$ 3,075,118</b>	<b>\$ 272,160</b>	<b>\$ 36,326</b>	<b>\$ 22,660</b>	<b>\$ 162,272</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 12,550	\$ -	\$ -	\$ -	\$ 300	\$ -
Salaries payable	1,374	-	-	-	-	-
Due to other funds	-	-	-	-	282	-
Due to other governments	-	-	272,160	36,326	527	-
Contracts payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>13,924</b>	<b>-</b>	<b>272,160</b>	<b>36,326</b>	<b>1,109</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue:						
Property taxes	-	-	-	-	-	-
Loans receivable	-	1,271,663	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,271,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	21,551	162,272
Committed	468,107	1,803,455	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>468,107</b>	<b>1,803,455</b>	<b>-</b>	<b>-</b>	<b>21,551</b>	<b>162,272</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 482,031</b>	<b>\$ 3,075,118</b>	<b>\$ 272,160</b>	<b>\$ 36,326</b>	<b>\$ 22,660</b>	<b>\$ 162,272</b>



CITY OF HIBBING, MINNESOTA  
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET ((continued))  
December 31, 2018

	Capital Projects Funds			Totals
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,315	\$ 114,904	\$ 66,581	\$ 2,833,177
Cash - restricted	-	-	-	46,286
Investments	-	-	-	-
Taxes receivable	-	-	-	-
Unapportioned	-	-	719	2,173
Delinquent	-	149	-	149
Accounts receivable	-	-	-	600
Due from other funds	-	-	-	123,282
Due from other governments	-	-	-	7,605
Loans receivable	257,738	461,924	-	1,991,325
Prepaid items	-	-	-	300
<b>TOTAL ASSETS</b>	<b>\$ 310,053</b>	<b>\$ 576,977</b>	<b>\$ 67,300</b>	<b>\$ 5,004,897</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	-	-	6,683	19,533
Salaries payable	-	-	-	1,374
Due to other funds	123,000	-	-	123,282
Due to other governments	-	527	-	309,540
Contracts payable	-	-	-	-
Unearned revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>123,000</b>	<b>527</b>	<b>6,683</b>	<b>453,729</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	-	149	-	149
Loans receivable	257,738	461,924	-	1,991,325
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>257,738</b>	<b>462,073</b>	<b>-</b>	<b>1,991,474</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	114,377	-	298,200
Committed	-	-	-	2,271,562
Assigned	-	-	60,617	60,617
Unassigned	(70,685)	-	-	(70,685)
<b>TOTAL FUND BALANCES</b>	<b>(70,685)</b>	<b>114,377</b>	<b>60,617</b>	<b>2,559,694</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 310,053</b>	<b>\$ 576,977</b>	<b>\$ 67,300</b>	<b>\$ 5,004,897</b>

**CITY OF HIBBING, MINNESOTA**  
**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended December 31, 2018

	General Fund	Economic Development Special Revenue Fund	Debt Service Funds			Animal Shelter
			Tax Increment VII	Tax Increment XI	Tax Increment XII	
<b>REVENUES</b>						
<b>Taxes</b>						
General	\$ 73,228	\$ -	\$ 67,403	\$ 20,220	\$ 65,742	\$ -
Taconite homestead credit	11,839	-	-	-	-	-
Other	20,049	-	-	-	-	-
<b>Intergovernmental</b>						
State grants						
Market value credit	61	-	-	-	-	-
IRRRB grant	15,800	-	-	-	-	-
<b>Interest in Capital Lease</b>	-	-	-	-	-	41,678
<b>Gifts and contributions</b>	-	-	-	-	-	-
<b>Interest</b>	7,497	487	3,566	376	-	14
<b>Miscellaneous</b>						
Principal on loan repayments	-	92,912	-	-	-	-
Interest on loan repayments	-	36,359	-	-	-	-
<b>TOTAL REVENUES</b>	<u>128,474</u>	<u>129,758</u>	<u>70,969</u>	<u>20,596</u>	<u>65,742</u>	<u>41,692</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic development						
Community development	2,500	-	-	-	-	-
Administration	78,946	2,653	3,912	-	-	-
Professional services	76,701	-	1,299	1,233	1,299	-
Loans	-	500,000	-	-	-	-
Tax increment projects	-	-	-	-	-	-
<b>Debt Service</b>						
Principal	-	-	-	-	20,000	31,192
Interest	-	-	-	-	39,128	10,486
Other charges	-	-	-	-	300	-
Fiscal charges	-	-	-	-	495	-
<b>Capital Outlay</b>						
Community development	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>158,147</u>	<u>502,653</u>	<u>5,211</u>	<u>1,233</u>	<u>61,222</u>	<u>41,678</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(29,673)</u>	<u>(372,895)</u>	<u>65,758</u>	<u>19,363</u>	<u>4,520</u>	<u>14</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Issuance	-	-	-	-	-	-
Excess TIF to be remitted to County	-	-	(271,633)	(35,799)	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(271,633)</u>	<u>(35,799)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(29,673)</u>	<u>(372,895)</u>	<u>(205,875)</u>	<u>(16,436)</u>	<u>4,520</u>	<u>14</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>497,780</u>	<u>2,176,350</u>	<u>205,875</u>	<u>16,436</u>	<u>17,031</u>	<u>162,258</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 468,107</u>	<u>\$ 1,803,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,551</u>	<u>\$ 162,272</u>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT

GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)

Year Ended December 31, 2018

	Capital Projects Funds			Totals
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	
<b>REVENUES</b>				
<b>Taxes</b>				
General	\$ -	\$ 13,190	\$ 37,601	\$ 277,384
Taconite homestead credit	-	-	6,077	17,916
Other	-	-	10,291	30,340
<b>Intergovernmental</b>				
State grants				
Market value credit	-	-	31	92
IRRRB grant	-	-	-	15,800
<b>Interest in Capital Lease</b>	-	-	-	41,678
<b>Gifts and contributions</b>	-	-	-	-
<b>Interest</b>	-	1,675	913	14,528
<b>Miscellaneous</b>				
Principal on loan repayments	70,118	-	-	163,030
Interest on loan repayments	12,759	-	-	49,118
<b>TOTAL REVENUES</b>	<b>82,877</b>	<b>14,865</b>	<b>54,913</b>	<b>609,886</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Economic development				
Community development	-	-	38,156	40,656
Administration	-	-	-	85,511
Professional services	-	1,232	-	81,764
Loans	40,000	-	10,272	550,272
Tax increment projects	-	-	-	-
<b>Debt Service</b>				
Principal	-	-	-	51,192
Interest	-	-	-	49,614
Other charges	-	-	-	300
Fiscal charges	-	-	-	495
<b>Capital Outlay</b>				
Community development	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>40,000</b>	<b>1,232</b>	<b>48,428</b>	<b>859,804</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>42,877</b>	<b>13,633</b>	<b>6,485</b>	<b>(249,918)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issuance	-	-	-	-
Excess TIF to be remitted to County	-	-	-	(307,432)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(307,432)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>42,877</b>	<b>13,633</b>	<b>6,485</b>	<b>(557,350)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>(113,562)</b>	<b>100,744</b>	<b>54,132</b>	<b>3,117,044</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ (70,685)</b>	<b>\$ 114,377</b>	<b>\$ 60,617</b>	<b>\$ 2,559,694</b>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
 SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS  
 TAX INCREMENT FINANCING DISTRICTS VII,VIII, XI,AND XII  
 Year Ended December 31, 2018

	<u>Tax Increment District VII</u>	
District type	Redevelopment	
Authorized under Minn. Statute, ch#	469	
Established in	1993	
Planned completion in	2019	
Original net tax capacity	\$	3,911
Current net tax capacity		47,424
Fiscal disparity deduction		<u>-</u>
<b>Captured Net Tax Capacity Retained by the City</b>	<b>\$</b>	<b><u>43,513</u></b>
	Accounted for in	Current
	Prior Years	Year
<b>SOURCES OF FUNDS</b>		
Bond proceeds	\$ 320,000	\$ -
Note proceeds	-	-
Tax increments received	1,131,933	67,403
General property taxes received	-	-
Interest on invested funds	14,415	3,566
Grants	299,999	-
Local contributions	8,251	-
Miscellaneous	19,619	-
<b>TOTAL SOURCES OF FUNDS</b>	<b><u>1,794,217</u></b>	<b><u>70,969</u></b>
<b>USES OF FUNDS</b>		
Building acquisition	-	-
Other public improvements	721,672	-
Bond payments		
Principal	320,000	-
Interest and fiscal charges	344,335	-
Professional services	35,181	1,299
Administrative costs	151,989	3,912
<b>TOTAL USES OF FUNDS</b>	<b><u>1,573,177</u></b>	<b><u>5,211</u></b>
<b>EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS BEFORE TRANSFERS</b>	<b><u>221,040</u></b>	<b><u>65,758</u></b>
<b>TRANSFERS</b>		
Decertified district - remittance to County	-	(271,633)
Transfers to other districts	-	-
Transfers to other funds	(15,165)	-
Transfers from other districts	-	-
Transfers from other funds	-	-
<b>TOTAL TRANSFERS</b>	<b><u>(15,165)</u></b>	<b><u>(271,633)</u></b>
<b>EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS AND TRANSFERS</b>	<b><u>\$ 205,875</u></b>	<b><u>(205,875)</u></b>
<b>DISTRICT BALANCE - JANUARY 1</b>		<b><u>205,875</u></b>
<b>DISTRICT BALANCE - DECEMBER 31</b>		<b><u>\$ -</u></b>

Tax Increment District VIII		Tax Increment District XI		Tax Increment District XII	
Qualified Housing		Redevelopment		Redevelopment	
469		469		469	
1993		1999		2012	
2020		2025		2038	
	\$ 472		\$ 525		\$ 14,338
	8,958		17,814		58,770
	-		4,280		-
	<u>\$ 8,486</u>		<u>\$ 13,009</u>		<u>\$ 44,432</u>
Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year
\$ -	\$ -	\$ 165,000	\$ -	\$ 830,000	\$ -
-	-	-	-	-	-
264,805	13,190	212,889	20,220	101,815	65,742
-	-	-	-	-	-
6,956	1,675	1,925	376	363	-
385,000	-	-	-	-	-
-	-	67,786	-	-	-
18,670	-	2,786	-	-	-
<u>675,431</u>	<u>14,865</u>	<u>450,386</u>	<u>20,596</u>	<u>932,178</u>	<u>65,742</u>
555,095	-	-	-	-	-
67,392	-	253,248	-	700,000	-
-	-	165,000	-	-	20,000
-	-	136,317	-	182,498	39,923
13,392	1,232	35,042	1,233	32,458	1,299
30,205	-	45	-	191	-
<u>666,084</u>	<u>1,232</u>	<u>589,652</u>	<u>1,233</u>	<u>915,147</u>	<u>61,222</u>
9,347	13,633	(139,266)	19,363	17,031	4,520
-	-	-	(35,799)	-	-
-	-	-	-	-	-
(4,926)	-	-	-	-	-
-	-	35,055	-	-	-
96,323	-	120,647	-	-	-
<u>91,397</u>	<u>-</u>	<u>155,702</u>	<u>(35,799)</u>	<u>-</u>	<u>-</u>
<u>\$ 100,744</u>	13,633	<u>\$ 16,436</u>	(16,436)	<u>\$ 17,031</u>	4,520
	100,744		16,436		17,031
	<u>\$ 114,377</u>		<u>\$ -</u>		<u>\$ 21,551</u>

# Fort & Company, P.A.

## Certified Public Accountants

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

Connor B. Michels, EA  
Morgan L. Anderson

Christine A. Towner, CPA  
Kimberly A. Jarvis

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

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council  
City of Hibbing, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hibbing, Minnesota, as of and for the year ended December 31, 2018, which collectively comprise the City of Hibbing, Minnesota's basic financial statements and have issued our report thereon dated August 2, 2019. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Public Utilities Commission, as described in our report on the City of Hibbing, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2018-1 and 2018-2 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

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

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

## **Purpose of the Report**

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

*Fort + Company*

Fort & Company, P.A.  
August 2, 2019

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2018

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**SIGNIFICANT DEFICIENCIES**

**2018-1. SEGREGATION OF DUTIES**

**Condition**

Due to the limited number of personnel within the City Clerk's Office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. Additionally, Fort & Company, P.A. noted that the City's enterprise software vendor, Tyler Technologies, has a Service Organization Controls audit (SOC 1/2 report) annually. This report addresses controls at Tyler Technologies (who develops and maintains the City's enterprise software package - Incode) and it also addresses User Control considerations. The City should review this report annually to assure that controls are adequate at Tyler Technologies and take into account controls expected at the user (City) site.

**Criteria**

The concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view.

**Effect**

Because of the weakness in segregation of duties, the City has not provided adequate internal control over its transactions.

**Cause**

This occurred because of staffing limitations caused by fiscal constraints.

**Recommendations**

The City Council and Salaried City Clerk should constantly be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency. Additionally, the City Clerk's Office should continue to review employee access to functions within Incode, the City's enterprise accounting software system. Additionally, the Clerk's Office should review the SOC 1/2 report of Tyler Technologies annually and keep documentation of their review and how user control considerations have been addressed.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response of Finding

The Salaried Clerk monitors transactions and structures the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints. The Salaried Clerk will provide additional oversight to the operations of the City Clerk's Office. In addition, the City Council provides a level of oversight.

3. Official Responsible for Ensuring CAP

Mary Ann Kepler, Salaried Clerk.

Tom Dicklich, City Administrator.

4. Planned Completion Date for CAP

The City's Salaried Clerk has been monitoring transactions and reviewing the duties of office personnel on an ongoing basis. The Salaried Clerk has reviewed the Incode access that is granted to City staff and has concluded that the access is compatible with the employee's assigned duties. The Salaried Clerk plans to review access, as needed when job functions within the department change. Additionally, the Salaried Clerk plans to review access authorization at least annually and document the department's review of the Tyler Technologies SOC 1/2 report.

5. Plan to Monitor Completion of CAP

The City Council recognized the weakness in segregation of duties and has continually provided oversight to partially compensate for this deficiency.



SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Year Ended December 31, 2018

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**2018-2. FINANCIAL REPORTING PROCESS - REPORT WRITING FUNCTION OF INCODE SOFTWARE  
NOT UTILIZED**

**Condition and Criteria**

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

**Effect**

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

**Cause**

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

**Recommendations**

In order to provide controls over the financial statement preparation process at an appropriate level, we suggest management investigate the cost of utilizing the report writing function within Incode and establish effective review policies and procedures.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding; the City acknowledges that this finding is a result of the SAS 112 requirements, which make this an expected finding given the cost/benefit of preparing the financial statements.

2. Actions Planned in Response to Finding

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

3. Officials Responsible for Ensuring CAP

Mary Ann Kepler, Salaried Clerk  
Tom Dicklich, City Administrator

4. Planned Completion Date for CAP

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

5. Plan to Monitor Completion of CAP

Mary Ann Kepler, Salaried Clerk, is monitoring the procedures to ensure that they are consistent with the Internal Financial Control Policy.