



Annual Financial Report

City of Hibbing
Hibbing, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Hibbing, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

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

APPOINTED

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

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FINANCIAL SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hibbing, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Hibbing Public Utilities Commission, as of December 31, 2022, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hibbing Public Utilities Commission is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Change in Accounting Principle

As described in Note 11 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer's Contributions, and the Schedule of Changes in the City's OPEB Liability and Related Ratios), and the Notes to the Required Supplementary Information, and the Notes to the Required Supplementary Information – Modified Approach for City Gravel Roads Infrastructure Capital Assets, as listed in the table of contents starting on page 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Abdo
Minneapolis, Minnesota
August 15, 2023



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Management's Discussion and Analysis

As management of the City of Hibbing, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022.

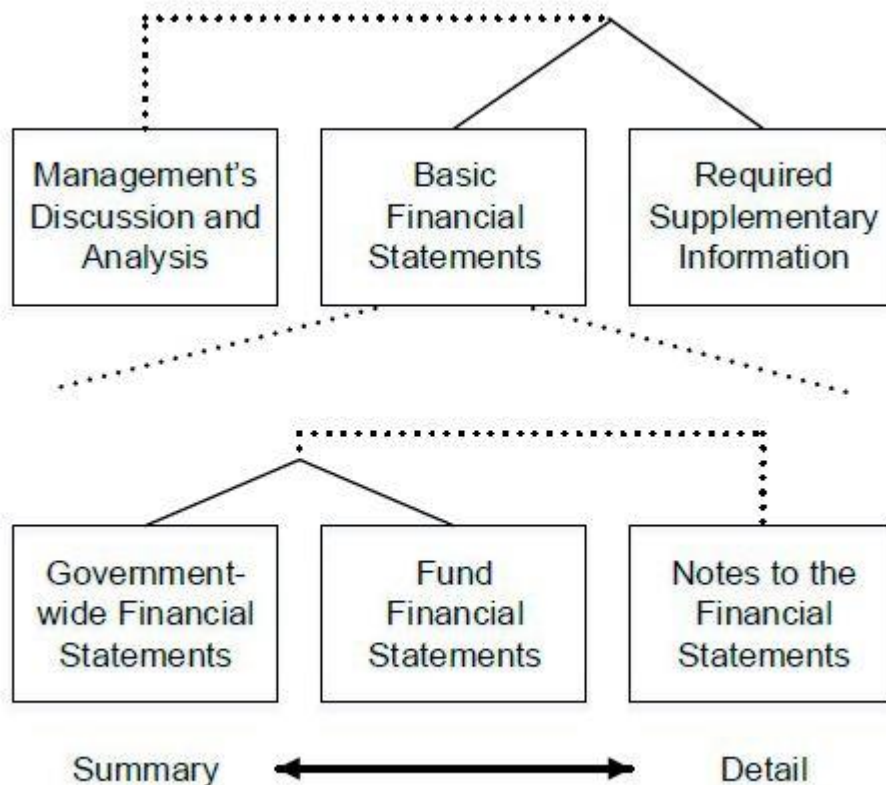
Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year (net position). Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase can be attributed primarily to capital grants and contributions in both the governmental activities and business-type activities.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison largely to the expenditures in the General fund coming in under budget.
- The City's total bonded debt decreased during the fiscal year. The decrease was a result of schedule debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

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

Organization of the City's Annual Financial Report



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

Major Features of the Government-wide and Fund Financial Statements

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

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

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

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

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

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

The government-wide financial statements start on page 33 of this report.

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

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

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

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

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

The basic governmental fund financial statements start on page 38 of this report.

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

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

The basic proprietary funds financial statements start on page 44 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 51 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 100 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 112 of this report.

Government-wide Financial Analysis

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

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

City of Hibbing's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 46,394,870	\$ 43,115,609	\$ 3,279,261	\$ 10,187,871	\$ 8,880,480	\$ 1,307,391
Capital assets, net of depreciation	41,169,219	39,100,496	2,068,723	35,393,018	35,697,556	(304,538)
Total Assets	<u>87,564,089</u>	<u>82,216,105</u>	<u>5,347,984</u>	<u>45,580,889</u>	<u>44,578,036</u>	<u>1,002,853</u>
Deferred Outflows of Resources	<u>17,588,121</u>	<u>13,471,501</u>	<u>4,116,620</u>	<u>1,358,530</u>	<u>1,464,077</u>	<u>(105,547)</u>
Liabilities						
Noncurrent liabilities outstanding	49,291,473	35,730,417	13,561,056	12,182,752	12,318,965	(136,213)
Other liabilities	2,543,153	2,323,739	219,414	420,294	235,998	184,296
Total Liabilities	<u>51,834,626</u>	<u>38,054,156</u>	<u>13,780,470</u>	<u>12,603,046</u>	<u>12,554,963</u>	<u>48,083</u>
Deferred Inflows of Resources	<u>2,480,459</u>	<u>11,606,354</u>	<u>(9,125,895)</u>	<u>385,358</u>	<u>1,069,492</u>	<u>(684,134)</u>
Net Position						
Net investment in capital assets	36,966,362	36,084,874	881,488	29,070,937	28,125,588	945,349
Restricted	4,904,582	3,009,997	1,894,585	-	-	-
Unrestricted	<u>8,966,181</u>	<u>6,932,225</u>	<u>2,033,956</u>	<u>4,880,078</u>	<u>4,292,070</u>	<u>588,008</u>
Total Net Position	<u>\$ 50,837,125</u>	<u>\$ 46,027,096</u>	<u>\$ 4,810,029</u>	<u>\$ 33,951,015</u>	<u>\$ 32,417,658</u>	<u>\$ 1,533,357</u>
Net Position as a Percent of Total						
Net investment in capital assets	72.7 %	78.4 %		85.6 %	86.8 %	
Restricted	9.6	6.5		-	-	
Unrestricted	<u>17.6</u>	<u>15.1</u>		<u>14.4</u>	<u>13.2</u>	
	<u>99.9 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental and Business-type Activities. Governmental activities increased the City's net position as shown below. This increase was mainly due to an increase in grants and contributions. Key elements of this increase are as follows:

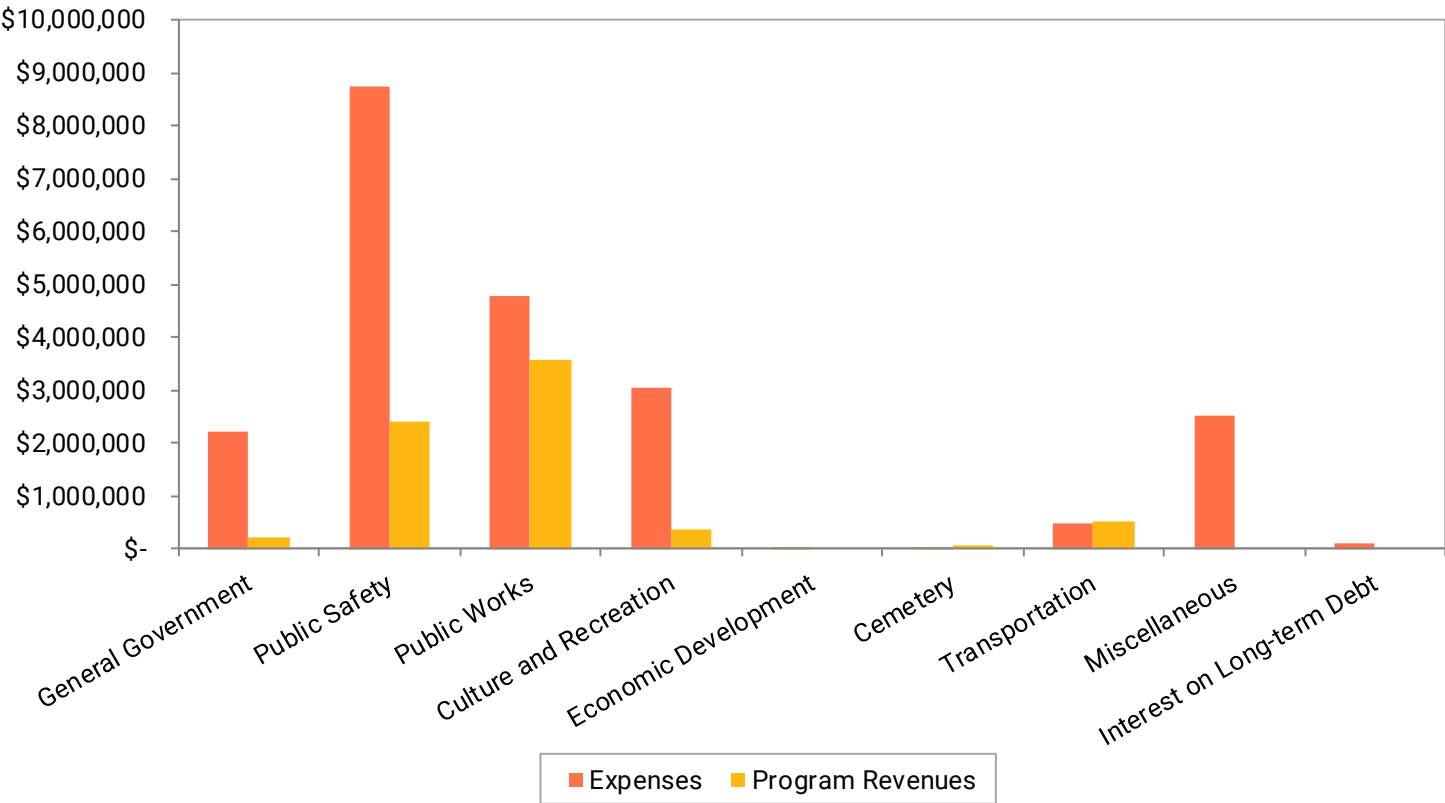
City of Hibbing's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,487,920	\$ 2,718,428	\$ (230,508)	\$ 7,170,680	\$ 7,123,564	\$ 47,116
Operating grants and contributions	1,428,962	1,529,369	(100,407)	3,848	1,716	2,132
Capital grants and contributions	3,191,426	1,328,630	1,862,796	460,638	309,559	151,079
General Revenues						
Taxes						
Property taxes	11,042,633	10,477,120	565,513	-	-	-
Other taxes	126,505	135,187	(8,682)	-	-	-
Grants and contributions not restricted to specific programs	8,685,192	8,485,571	199,621	558,506	-	558,506
Unrestricted Investment earnings (loss)	(251,486)	(59,041)	(192,445)	39,053	12,792	26,261
Gain on sale of capital assets	32,430	45,710	(13,280)	-	1,251	(1,251)
Total Revenues	<u>26,743,582</u>	<u>24,660,974</u>	<u>2,082,608</u>	<u>8,232,725</u>	<u>7,448,882</u>	<u>783,843</u>
Expenses						
General government	2,232,803	1,997,839	234,964	-	-	-
Public safety	8,747,299	7,174,880	1,572,419	-	-	-
Public works	4,768,437	4,354,141	414,296	-	-	-
Culture and recreation	3,053,565	3,254,701	(201,136)	-	-	-
Economic development	27,380	18,190	9,190	-	-	-
Cemetery	1,812	-	1,812	-	-	-
Transportation	466,159	445,363	20,796	-	-	-
Miscellaneous	2,519,520	2,639,902	(120,382)	-	-	-
Interest on long-term debt	116,578	40,267	76,311	-	-	-
Garbage and refuse collection	-	-	-	2,987,299	2,283,614	703,685
Sewer operating and maintenance	-	-	-	3,710,271	3,214,107	496,164
Memorial building concessions	-	-	-	1,798	2,395	(597)
Total Expenses	<u>21,933,553</u>	<u>19,925,283</u>	<u>2,008,270</u>	<u>6,699,368</u>	<u>5,500,116</u>	<u>1,199,252</u>
Change in Net Position						
Before Transfers	4,810,029	4,735,691	74,338	1,533,357	1,948,766	(415,409)
Transfers - capital assets	-	(27,717)	27,717	-	27,717	(27,717)
Change in Net Position	4,810,029	4,707,974	102,055	1,533,357	1,976,483	(443,126)
Net Position, January 1	46,027,096	41,319,122	4,707,974	32,417,658	30,441,175	1,976,483
Net Position, December 31	<u>\$ 50,837,125</u>	<u>\$ 46,027,096</u>	<u>\$ 4,810,029</u>	<u>\$ 33,951,015</u>	<u>\$ 32,417,658</u>	<u>\$ 1,533,357</u>

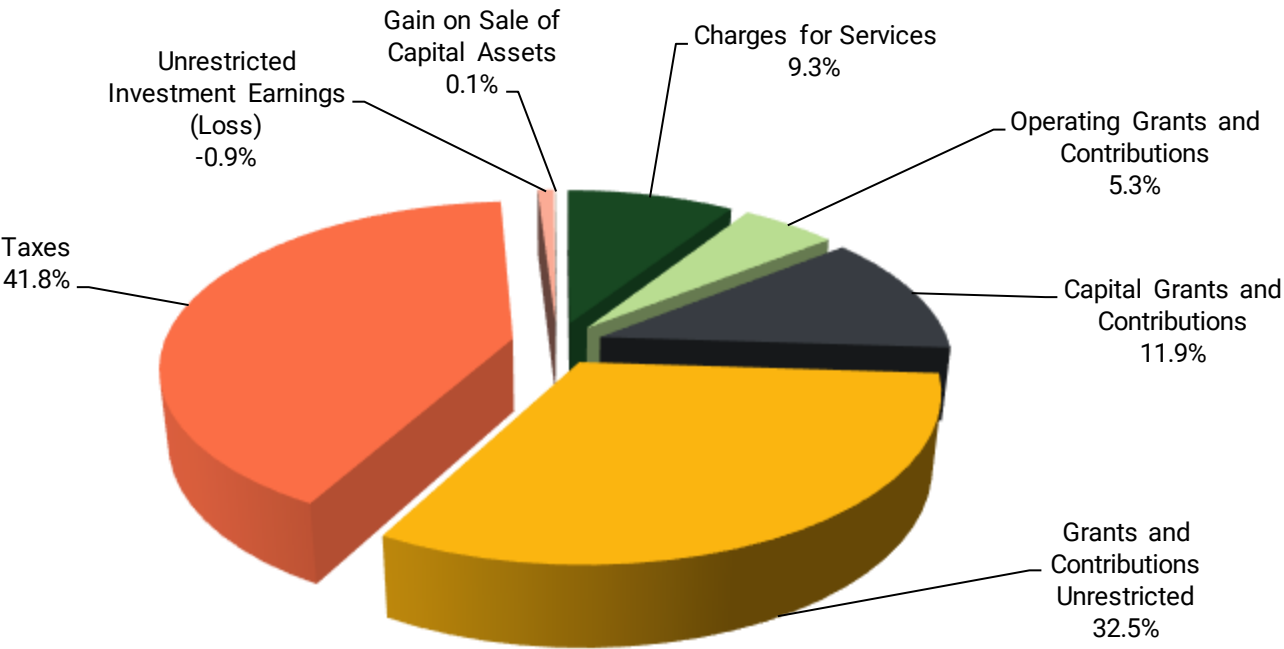
Public Safety expenses increased largely due to the increase in the public safety related pension liability. The capital grants and contributions largely increase due to the recognition municipal state aid revenue and capital grants for lift station projects.

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

Expenses and Program Revenues - Governmental Activities

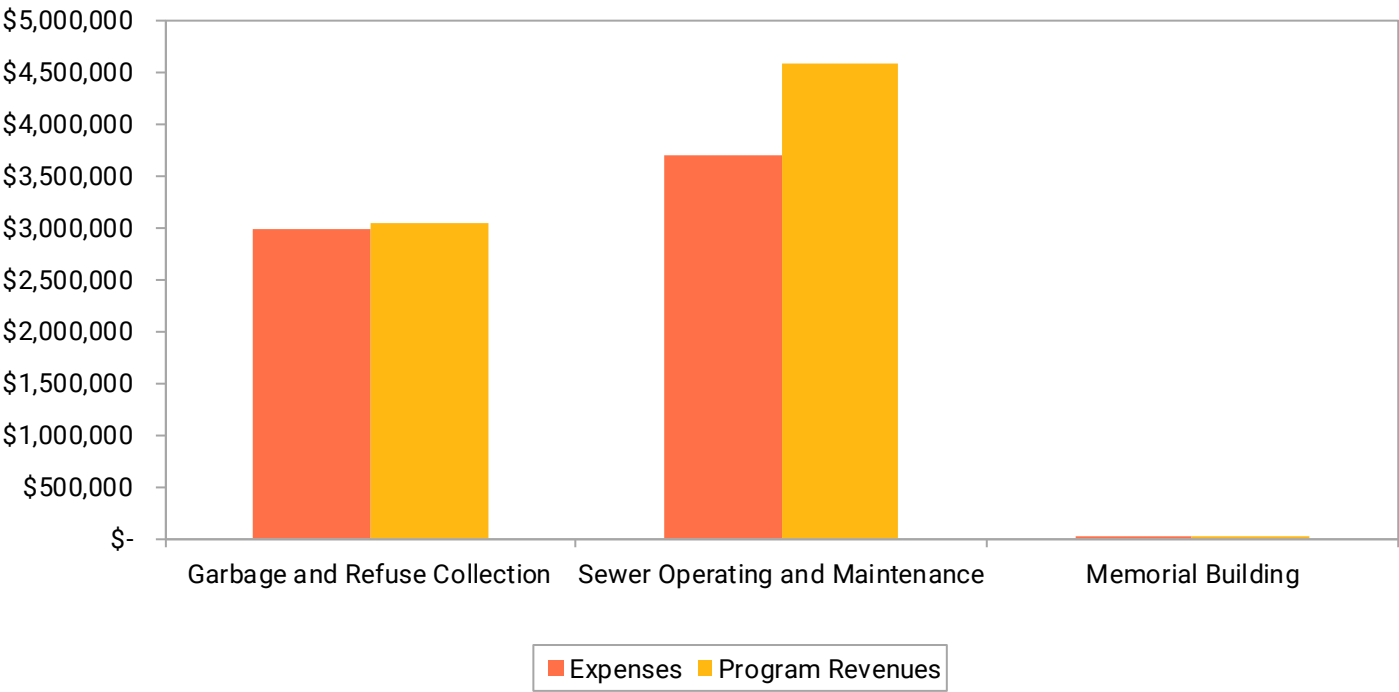


Revenues by Source - Governmental Activities

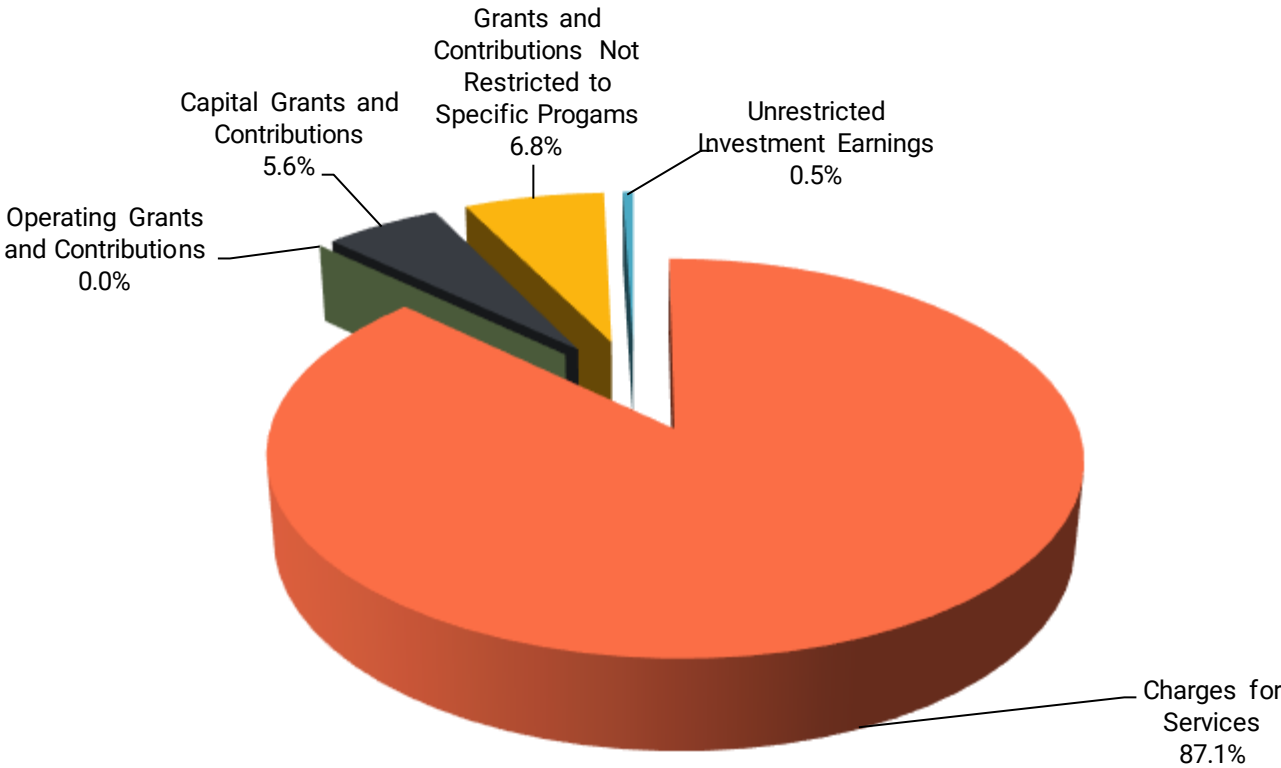


Business-type Activities. Business-type activities increased the City’s net position, as shown in the changes in net position table. The increase is attributed to capital grants and contributions related to the lift station improvements.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2022.

	General	Other Post-Employment Benefits	Permanent Improvement	Other Governmental Funds	Total Governmental Funds	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 23,368	\$ -	\$ -	\$ 9,537	\$ 32,905	\$ 26,383	\$ 6,522
Restricted	76,473	-	819,681	2,559,237	3,455,391	3,733,744	(278,353)
Committed	-	8,006,195	-	2,549,826	10,556,021	9,707,525	848,496
Assigned	12,742,617	-	-	766,559	13,509,176	13,275,202	233,974
Unassigned	14,338,401	-	-	-	14,338,401	13,356,266	982,135
Total	<u>\$ 27,180,859</u>	<u>\$ 8,006,195</u>	<u>\$ 819,681</u>	<u>\$ 5,885,159</u>	<u>\$ 41,891,894</u>	<u>\$ 40,099,120</u>	<u>\$ 1,792,774</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 60 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table below. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance
General Fund Fund Balance		
Nonspendable	\$ 23,368	\$ 21,925
Restricted	76,473	75,968
Assigned	12,742,617	12,774,696
Unassigned	14,338,401	13,356,266
Total	<u>\$ 27,180,859</u>	<u>\$ 26,228,855</u>
General Fund Expenditures	\$ 18,778,335	\$ 18,019,105
Unassigned as a percent of expenditures	76.4 %	50.9 %
Total Fund Balance as a percent of expenditures	144.7	145.6

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance is primarily due to expenditures coming in under budget.

Other major governmental fund analysis is shown below:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
Other Post-Employment Benefits	\$ 8,006,195	\$ 7,535,009	\$ 471,186
Fund balance increased from the prior year primarily due to the collection of tax revenues and no retirement expenditures paid.			
Permanent Improvement	819,681	1,077,176	(257,495)
Fund balance decreased from the prior year primarily due to increased expenses related to road and paving projects in the current year.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased as follows:

Fund	December 31, 2022	December 31, 2021	Increase (Decrease)
Garbage and Refuse Collection	\$ 4,718,099	\$ 4,629,899	\$ 88,200
<i>The garbage and refuse collection fund increased during the current year primarily due to an increase in service revenue</i>			
Sewer Operating and Maintenance	29,219,250	27,781,114	1,438,136
<i>The sewer operating and maintenance fund increased during the current year primarily due to an increase in intergovernmental capital grants</i>			
Memorial Building Concessions	13,666	6,645	7,021
<i>The memorial building concessions fund increased during the current year primarily due to an increase in service revenue</i>			

General Fund Budgetary Highlights

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 20,286,677	\$ 20,176,527	\$ (110,150)
Expenditures	20,109,351	18,778,335	1,331,016
Excess of Revenues Over Expenditures	177,326	1,398,192	1,220,866
Other Financing Sources (Uses)			
Financed purchase obligation issued	-	78,075	78,075
Lease issued	-	111,160	111,160
Sale of capital assets	-	30,288	30,288
Transfers out	(177,326)	(665,711)	(488,385)
Total Other Financing Sources (Uses)	(177,326)	(446,188)	(268,862)
Net Change in Fund Balances	-	952,004	952,004
Fund Balances, January 1	26,228,855	26,228,855	-
Fund Balances, December 31	<u>\$ 26,228,855</u>	<u>\$ 27,180,859</u>	<u>\$ 952,004</u>

Actual revenues and expenditures varied favorably from the final budget amounts as shown above. The largest revenue variance was due to charges for services revenue exceeding expectations and the largest expenditure variance was within miscellaneous expenditures.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to the following major capital asset events during the fiscal year:

Road improvements:

- 25th Street
- 37th Street
- 41st Street
- North Leighton
- Pintar
- Swinnerton

Equipment Purchases

- 2020 Ford F750 Boom Truck
- Two 2022 Ford Explorers
- 2022 Chevrolet Tahoe

Property Improvements

- Curling Club Kitchen
- 2309 4th Avenue East
- 2319 4th Avenue East
- Disc Golf Relocation

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

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land, Improvements, Intangibles, Artwork, Gravel Roads	\$ 8,382,153	\$ 8,381,605	\$ 548	\$ 423,719	\$ 423,719	\$ -
Construction in Progress	1,382,364	1,072,345	310,019	799,904	273,311	526,593
Infrastructure	16,479,740	14,957,446	1,522,294	16,436,931	16,404,923	32,008
Buildings and improvements	11,324,609	11,391,676	(67,067)	16,514,574	17,271,489	(756,915)
Equipment, Machinery and Furniture	3,138,165	3,297,424	(159,259)	1,217,890	1,324,114	(106,224)
Leased Equipment (Intangible Right to Use Assets)	462,188	-	462,188	-	-	-
Total	\$ 41,169,219	\$ 39,100,496	\$ 2,068,723	\$ 35,393,018	\$ 35,697,556	\$ (304,538)

Additional information on the City's capital assets can be found in Note 3C starting on page 65 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding consisting of general obligation debt and revenue related debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Hibbing's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Bonds Payable	\$ 3,255,000	\$ 3,385,000	\$ (130,000)	\$ 6,204,954	\$ 7,446,954	\$ (1,242,000)
Unamortized Premium on Bonds	183,357	208,624	(25,267)	120,315	128,554	(8,239)
Unamortized Discount on Bonds	-	-	-	(3,188)	(3,540)	352
Lease Purchase Obligation	223,157	162,518	60,639	-	-	-
Lease Liability	318,186	-	318,186	-	-	-
Total	\$ 3,979,700	\$ 3,756,142	\$ 223,558	\$ 6,322,081	\$ 7,571,968	\$ (1,249,887)

The City's total debt decreased by during the current fiscal year. The key factor in this decrease was scheduled bond payments.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City is under the statutory debt limit as of December 31, 2022.

Additional information on the City's long-term debt can be found in Note 3F starting on page 70 of the audit report.

Economic Factors and Next Year's Budgets and Rates

Requests for Information

The City's elected and appointed officials considered many factors when setting the 2023 budget, tax rates, and fees that will be charged for the business-type activities.

- The General Fund expenditures and transfers for 2023 are budgeted to be \$21,181,227, which is a \$894,550 increase from the 2022 final budget of \$20,286,677.
- Property tax levies increased 5.95 percent for 2023.
- Consistent with the national and global economy, rising health care significantly impacts the City's budgets.

The City relies heavily on State LGA and taconite aids to fund its budget. LGA payments are anticipated to supply 45% of General Fund Revenues, with taconite aids expected to furnish 10% of General Fund Revenues. The city is subject to cuts from the State government at times when the State budget is not balanced; however, with the current projected State budget surplus, this shouldn't be a factor in 2023.

The price of steel in the global market affects the City due to taconite aid received in lieu of property taxes, which is based on tonnage produced. The downturn in mining, which began during 2015, affected the three-year rolling average of production tax through 2018. When production increased, the aid received by the city followed. Tonnage produced was down, again, in 2020 to 2015 levels, rebounded in 2021, and is back to 2015 levels in 2022. This will affect taconite aid received through 2024, and staff will keep a close eye on these numbers each year. Further, one of the major taconite plants within the Hibbing city limits is in the midst of negotiating new leases for extraction to ensure the facility can operate for the next few decades. Finally, the capital investment by US Steel into the KeeTac plant, located within the Hibbing City limits, has the potential to improve the City's financial inputs. Current estimates for total taconite aid to the City of Hibbing payable in 2023 is estimated at \$2.214 MM.

Lastly, the City's ability to levy taxes for certain funds is determined by our estimated market value which increased significantly over the prior year. Thus, tax capacity is due to increase in 2022 payable in 2023. However, this property tax burden is borne, largely, by our residential property owners who have seen record increases over the past two years due to a housing shortage increasing the sale price of homes. Thus, our elected and appointed officials are mindful of that fact and realize that any additional levy increase might be difficult for our residents to absorb.

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

The City's 2023 capital budget calls for expenditures in the amount of \$4,411,000 for capital projects, principally the following:

Cemetery	\$52,000
General Government	\$40,000
City Hall	\$476,500
Memorial Building	\$55,250
Parks and Recreation	\$776,250
Mineview	\$2,100,000
Public Safety	\$833,500
Public Works	\$41,000
Library	\$36,500
Total	<u>\$4,411,000</u>

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Hibbing, Minnesota
Statement of Net Position
December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Assets					
Cash and temporary investments	\$ 35,926,683	\$ 5,652,182	\$ 41,578,865	\$ 2,439,142	\$ 5,831,341
Designated cash - other postemployment benefits	6,287,435	1,800,000	8,087,435	-	250,000
Investments	-	-	-	-	38,025,032
Designated investments - other postemployment benefits	1,707,120	120,000	1,827,120	-	-
Temporarily restricted assets					
Cash	-	-	-	-	674,983
Amounts held in escrow accounts	-	-	-	-	352,069
Receivables					
Taxes	377,730	-	377,730	2,835	-
Accounts, net	126,711	123,541	250,252	63,349	2,328,748
Leases	83,639	-	83,639	124,512	-
Accrued interest	26,367	-	26,367	-	-
Unbilled revenues	-	-	-	-	2,056,625
Other revenues	-	-	-	-	132,555
Loans, net of allowance	-	-	-	2,459,409	-
Special assessments	200,346	130,361	330,707	-	-
Note receivable - Steam conversion program - current maturities	-	-	-	-	46,000
Note receivable - Steam conversion program	-	-	-	-	282,912
Due from other governments	1,437,240	683,095	2,120,335	-	-
Due from component units	-	1,678,692	1,678,692	-	-
Inventories	531	-	531	-	954,126
Prepaid items	31,925	-	31,925	-	49,723
Equity in joint venture	-	-	-	-	10,047,837
Intangible asset - service concession arrangements	-	-	-	-	2,597,132
Net pension asset	189,143	-	189,143	-	-
Regulatory assets	-	-	-	-	4,075,126
Capital assets					
Land and construction in progress	9,764,517	1,223,623	10,988,140	137,745	2,522,496
Depreciable assets (net of accumulated depreciation)	31,404,702	34,169,395	65,574,097	582,609	54,964,013
Total Assets	<u>87,564,089</u>	<u>45,580,889</u>	<u>133,144,978</u>	<u>5,809,601</u>	<u>125,190,718</u>
Deferred Outflows of Resources					
Deferred pension resources	11,939,120	401,222	12,340,342	19,558	1,352,207
Deferred other postemployment benefit resources	5,649,001	957,308	6,606,309	-	2,351,464
Total Deferred Outflows of Resources	<u>17,588,121</u>	<u>1,358,530</u>	<u>18,946,651</u>	<u>19,558</u>	<u>3,703,671</u>
Liabilities					
Accounts and other payables	137,811	70,919	208,730	27,395	3,992,527
Due to other governments	242,477	179,735	422,212	213,342	-
Accrued salaries payable	370,347	75,774	446,121	10,067	-
Accrued interest payable	43,954	57,935	101,889	4,692	-
Customer deposits payable	-	-	-	-	413,845
Contracts payable	61,154	35,931	97,085	12,850	-
Other accrued liabilities	121,247	-	121,247	-	264,771
Due to primary government	-	-	-	-	1,678,692
Unearned revenue	1,566,163	-	1,566,163	-	99,154
Noncurrent liabilities					
Due within one year					
Long-term liabilities	888,429	755,770	1,644,199	45,000	556,391
Due in more than one year					
Long-term liabilities	4,480,999	5,836,166	10,317,165	1,225,420	1,700,703
Net pension liability	19,032,510	1,372,912	20,405,422	67,037	4,633,219
Other postemployment benefits payable	24,889,535	4,217,904	29,107,439	-	16,607,353
Total Liabilities	<u>51,834,626</u>	<u>12,603,046</u>	<u>64,437,672</u>	<u>1,605,803</u>	<u>29,946,655</u>
Deferred Inflows of Resources					
Deferred lease resources	83,190	-	83,190	111,851	-
Deferred pension resources	378,762	43,292	422,054	2,037	335,000
Deferred other postemployment benefit resources	2,018,507	342,066	2,360,573	-	5,576,869
Total Deferred Inflows of Resources	<u>2,480,459</u>	<u>385,358</u>	<u>2,865,817</u>	<u>113,888</u>	<u>5,911,869</u>
Net Position					
Net investment in capital assets	36,966,362	29,070,937	66,037,299	174,934	57,402,714
Restricted for					
Capital projects	3,750,381	-	3,750,381	-	-
Debt service	823,182	-	823,182	48,922	161,984
Net pension asset	254,546	-	254,546	-	-
Police forfeiture	76,473	-	76,473	-	-
Economic development	-	-	-	-	-
Unrestricted	8,966,181	4,880,078	13,846,259	3,885,612	32,874,105
Total Net Position	<u>\$ 50,837,125</u>	<u>\$ 33,951,015</u>	<u>\$ 84,788,140</u>	<u>\$ 4,109,468</u>	<u>\$ 90,438,803</u>

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

City of Hibbing, Minnesota
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,232,803	\$ 160,136	\$ 39,081	\$ -
Public safety	8,747,299	1,876,462	512,267	-
Public works	4,768,437	685	405,452	3,151,433
Culture and recreation	3,053,565	310,161	12,124	39,993
Economic development	27,380	-	-	-
Cemetery	1,812	79,045	-	-
Transportation	466,159	61,431	460,038	-
Miscellaneous	2,519,520	-	-	-
Interest on long-term debt	116,578	-	-	-
Total Governmental Activities	<u>21,933,553</u>	<u>2,487,920</u>	<u>1,428,962</u>	<u>3,191,426</u>
Business-type Activities				
Garbage and refuse collection	2,987,299	3,043,068	-	-
Sewer operating and maintenance	3,710,271	4,118,861	3,848	460,638
Memorial building concessions	1,798	8,751	-	-
Total Business-type Activities	<u>6,699,368</u>	<u>7,170,680</u>	<u>3,848</u>	<u>460,638</u>
Total Primary Government	<u>\$ 28,632,921</u>	<u>\$ 9,658,600</u>	<u>\$ 1,432,810</u>	<u>\$ 3,652,064</u>
Component Units				
EDA	\$ 545,274	\$ 118,583	\$ -	\$ -
PUC	<u>30,934,042</u>	<u>29,336,304</u>	<u>64,516</u>	<u>106,625</u>
Total Component Units	<u>\$ 31,479,316</u>	<u>\$ 29,454,887</u>	<u>\$ 64,516</u>	<u>\$ 106,625</u>

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

City of Hibbing, Minnesota
Statement of Activities (Continued)
For the Year Ended December 31, 2022

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Primary Government					
Governmental activities					
General government	\$ (2,033,586)	\$ -	\$ (2,033,586)	\$ -	\$ -
Public safety	(6,358,570)	-	(6,358,570)	-	-
Public works	(1,210,867)	-	(1,210,867)	-	-
Culture and recreation	(2,691,287)	-	(2,691,287)	-	-
Economic development	(27,380)	-	(27,380)	-	-
Cemetery	77,233	-	77,233	-	-
Transportation	55,310	-	55,310	-	-
Miscellaneous	(2,519,520)	-	(2,519,520)	-	-
Interest on long-term debt	(116,578)	-	(116,578)	-	-
Total Governmental Activities	<u>(14,825,245)</u>	<u>-</u>	<u>(14,825,245)</u>	<u>-</u>	<u>-</u>
Business-type Activities					
Garbage and refuse collection	-	55,769	55,769	-	-
Sewer operating and maintenance	-	873,076	873,076	-	-
Memorial building concessions	-	6,953	6,953	-	-
Total Business-type Activities	<u>-</u>	<u>935,798</u>	<u>935,798</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>(14,825,245)</u>	<u>935,798</u>	<u>(13,889,447)</u>	<u>-</u>	<u>-</u>
Component Units					
EDA	-	-	-	(426,691)	-
PUC	-	-	-	-	(1,426,597)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,691)</u>	<u>(1,426,597)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes	7,818,947	-	7,818,947	-	-
Property taxes, levied for specific purpose	3,223,686	-	3,223,686	201,603	-
Tax increments	-	-	-	92,827	-
Franchise taxes	126,505	-	126,505	-	-
Grants and contributions not restricted to specific programs	8,685,192	558,506	9,243,698	374	-
Unrestricted Investment earnings (loss)	(251,486)	39,053	(212,433)	5,503	273,421
Gain on sale of capital assets	32,430	-	32,430	-	-
Total General Revenues	<u>19,635,274</u>	<u>597,559</u>	<u>20,232,833</u>	<u>300,307</u>	<u>273,421</u>
Change in Net Position	4,810,029	1,533,357	6,343,386	(126,384)	(1,153,176)
Net Position, January 1	46,027,096	32,417,658	78,444,754	4,235,852	91,591,979
Net Position, December 31	<u>\$ 50,837,125</u>	<u>\$ 33,951,015</u>	<u>\$ 84,788,140</u>	<u>\$ 4,109,468</u>	<u>\$ 90,438,803</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Hibbing, Minnesota

Balance Sheet

Governmental Funds

December 31, 2022

	101	345	401, 402		
	General	Other Post- Employment Benefits	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 28,761,146	\$ -	\$ 793,277	\$ 6,372,260	\$ 35,926,683
Designated cash - other postemployment benefits	-	6,287,435	-	-	6,287,435
Designated investments - other postemployment benefits	-	1,707,120	-	-	1,707,120
Receivables					
Taxes	341,989	5,982	8,076	21,683	377,730
Accounts	116,280	-	-	10,431	126,711
Leases	83,639	-	-	-	83,639
Accrued interest	20,709	5,658	-	-	26,367
Special assessments	-	-	-	200,346	200,346
Due from other governments	159,696	-	1,267,789	9,755	1,437,240
Inventory	531	-	-	-	531
Prepaid items	22,388	-	-	9,537	31,925
Total Assets	\$ 29,506,378	\$ 8,006,195	\$ 2,069,142	\$ 6,624,012	\$ 46,205,727
Liabilities					
Accounts payable	\$ 131,954	\$ -	\$ -	\$ 5,857	\$ 137,811
Due to other governments	219,469	-	1,170	21,838	242,477
Accrued salaries payable	359,618	-	-	10,729	370,347
Contracts payable	-	-	9,692	51,462	61,154
Unearned revenue	1,116,053	-	-	450,110	1,566,163
Other accrued liabilities	121,247	-	-	-	121,247
Total Liabilities	1,948,341	-	10,862	539,996	2,499,199
Deferred Inflows of Resources					
Unavailable revenue - delinquent taxes	293,988	-	-	-	293,988
Deferred lease resources	83,190	-	-	-	83,190
Unavailable revenue - special assessments	-	-	-	198,857	198,857
Unavailable revenue - intergovernmental	-	-	1,238,599	-	1,238,599
Total Deferred Inflows of Resources	377,178	-	1,238,599	198,857	1,814,634
Fund Balances					
Nonspendable	23,368	-	-	9,537	32,905
Restricted	76,473	-	819,681	2,559,237	3,455,391
Committed	-	8,006,195	-	2,549,826	10,556,021
Assigned	12,742,617	-	-	766,559	13,509,176
Unassigned	14,338,401	-	-	-	14,338,401
Total Fund Balances	27,180,859	8,006,195	819,681	5,885,159	41,891,894
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 29,506,378	\$ 8,006,195	\$ 2,069,142	\$ 6,624,012	\$ 46,205,727

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

City of Hibbing, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2022

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

Total Fund Balances - Governmental Funds	\$ 41,891,894
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	98,907,554
Less accumulated depreciation	(57,738,335)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	189,143
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(3,255,000)
Plus unamortized bond premium	(183,357)
Lease purchase obligation	(223,157)
Leases payable	(318,186)
Compensated absences payable	(1,389,728)
Net pension liability	(19,032,510)
Other postemployment benefits payable	(24,889,535)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	293,988
Special assessments receivable	198,857
Intergovernmental receivable	1,238,599
Governmental funds do not report a liability for accrued interest until due and payable.	(43,954)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	11,939,120
Deferred inflows of pension resources	(378,762)
Deferred outflows of other postemployment benefits resources	5,649,001
Deferred inflows of other postemployment benefits resources	(2,018,507)
Total Net Position - Governmental Activities	<u>\$ 50,837,125</u>

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

City of Hibbing, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	101	345	401, 402		
	General	Other Post- Employment Benefits	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,612,183	\$ 399,827	\$ 539,766	\$ 1,645,460	\$ 11,197,236
Licenses and permits	141,336	-	-	-	141,336
Intergovernmental	9,415,297	173	2,023,908	308,858	11,748,236
Charges for services	2,195,882	-	-	36,444	2,232,326
Fines and forfeitures	76,319	-	-	-	76,319
Special assessments	-	-	-	39,006	39,006
Investment earnings (loss)	(353,397)	71,186	7,040	23,685	(251,486)
Contributions and donations	16,200	-	-	20,465	36,665
Miscellaneous	72,707	-	-	-	72,707
Total Revenues	<u>20,176,527</u>	<u>471,186</u>	<u>2,570,714</u>	<u>2,073,918</u>	<u>25,292,345</u>
Expenditures					
Current					
General government	2,194,467	-	-	-	2,194,467
Public safety	7,892,942	-	-	-	7,892,942
Public works	3,282,581	-	-	-	3,282,581
Culture and recreation	2,005,353	-	-	663,705	2,669,058
Economic development	27,092	-	-	28,499	55,591
Transportation	465,670	-	-	-	465,670
Miscellaneous	2,514,357	-	-	-	2,514,357
Capital outlay					
General government	-	-	-	19,915	19,915
Public safety	-	-	-	467,227	467,227
Public works	111,160	-	2,753,209	306,280	3,170,649
Culture and recreation	78,075	-	-	411,710	489,785
Miscellaneous	-	-	-	74,963	74,963
Debt service					
Principal	203,334	-	-	545,121	748,455
Interest and other	3,304	-	-	82,771	86,075
Bond issuance costs	-	-	-	6,614	6,614
Total Expenditures	<u>18,778,335</u>	<u>-</u>	<u>2,753,209</u>	<u>2,606,805</u>	<u>24,138,349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,398,192</u>	<u>471,186</u>	<u>(182,495)</u>	<u>(532,887)</u>	<u>1,153,996</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	802,262	802,262
Transfers out	(665,711)	-	(75,000)	(61,551)	(802,262)
Financed purchase obligation issued	78,075	-	-	-	78,075
Lease issued	111,160	-	-	-	111,160
Bonds issued	-	-	-	415,000	415,000
Sale of capital assets	30,288	-	-	4,255	34,543
Total Other Financing Sources (Uses)	<u>(446,188)</u>	<u>-</u>	<u>(75,000)</u>	<u>1,159,966</u>	<u>638,778</u>
Net Change in Fund Balances	952,004	471,186	(257,495)	627,079	1,792,774
Fund Balances, January 1	<u>26,228,855</u>	<u>7,535,009</u>	<u>1,077,176</u>	<u>5,258,080</u>	<u>40,099,120</u>
Fund Balances, December 31	<u>\$ 27,180,859</u>	<u>\$ 8,006,195</u>	<u>\$ 819,681</u>	<u>\$ 5,885,159</u>	<u>\$ 41,891,894</u>

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

City of Hibbing, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,792,774
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.	
Capital outlay	4,295,352
Depreciation / Amortization expense	(2,617,561)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(2,113)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Bonds issued	(415,000)
Financed purchase obligation issued	(78,075)
Lease issued	(111,160)
Principal repayments	748,455
Amortization of bond premium	25,267
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(7,139)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(90,830)
Other postemployment benefits	624,447
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(28,098)
Special assessments	57,700
Intergovernmental	1,211,805
Long-term pension activity is not reported in governmental funds.	
Pension expense	(773,195)
Pension revenue from State contributions	177,400
Change in Net Position - Governmental Activities	<u>\$ 4,810,029</u>

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

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City of Hibbing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 8,560,692	\$ 8,560,692	\$ 8,612,183	\$ 51,491
Licenses and permits	105,836	105,836	141,336	35,500
Intergovernmental	9,415,649	9,415,649	9,415,297	(352)
Charges for services	2,045,200	2,045,200	2,195,882	150,682
Fines and forfeitures	52,100	52,100	76,319	24,219
Investment earnings (loss)	50,000	50,000	(353,397)	(403,397)
Contributions and donations	6,200	6,200	16,200	10,000
Miscellaneous	51,000	51,000	72,707	21,707
Total Revenues	<u>20,286,677</u>	<u>20,286,677</u>	<u>20,176,527</u>	<u>(110,150)</u>
Expenditures				
Current				
General government	2,302,356	2,302,356	2,194,467	107,889
Public safety	8,151,099	8,151,099	7,892,942	258,157
Public works	3,251,944	3,251,944	3,282,581	(30,637)
Culture and recreation	2,356,314	2,356,314	2,005,353	350,961
Economic development	65,600	65,600	27,092	38,508
Transportation	522,783	522,783	465,670	57,113
Miscellaneous	2,979,255	2,979,255	2,514,357	464,898
Capital outlay				
Public works	-	-	111,160	(111,160)
Culture and recreation	-	-	78,075	(78,075)
Transportation	205,000	205,000	-	-
Debt service				
Principal	275,000	275,000	203,334	71,666
Interest and other	-	-	3,304	(3,304)
Total Expenditures	<u>20,109,351</u>	<u>20,109,351</u>	<u>18,778,335</u>	<u>1,126,016</u>
Excess of Revenues Over Expenditures	<u>177,326</u>	<u>177,326</u>	<u>1,398,192</u>	<u>1,220,866</u>
Other Financing Sources (Uses)				
Transfers out	(177,326)	(177,326)	(665,711)	(488,385)
Financed purchase obligation issued	-	-	78,075	78,075
Lease issued	-	-	111,160	111,160
Sale of capital assets	-	-	30,288	30,288
Total Other Financing Sources (Uses)	<u>(177,326)</u>	<u>(177,326)</u>	<u>(446,188)</u>	<u>(268,862)</u>
Net Change in Fund Balances	-	-	952,004	952,004
Fund Balances, January 1	<u>26,228,855</u>	<u>26,228,855</u>	<u>26,228,855</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 26,228,855</u>	<u>\$ 26,228,855</u>	<u>\$ 27,180,859</u>	<u>\$ 952,004</u>

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

City of Hibbing, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 4,889,020	\$ 752,067	\$ 11,095	\$ 5,652,182
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000
Designated investments - other postemployment benefits	60,000	60,000	-	120,000
Receivables				
Accounts	32,459	88,511	2,571	123,541
Special assessments	32,407	97,954	-	130,361
Due from other governments	-	683,095	-	683,095
Due from component units	739,154	939,538	-	1,678,692
Total Current Assets	6,653,040	3,521,165	13,666	10,187,871
Noncurrent Assets				
Capital assets				
Land	297,689	126,030	-	423,719
Buildings and improvements	165,239	32,834,437	-	32,999,676
Infrastructure	-	21,183,159	-	21,183,159
Machinery and equipment	3,447,615	2,523,058	29,597	6,000,270
Construction in progress	-	799,904	-	799,904
Less accumulated depreciation	(2,953,420)	(23,030,693)	(29,597)	(26,013,710)
Total Noncurrent Assets	957,123	34,435,895	-	35,393,018
Total Assets	7,610,163	37,957,060	13,666	45,580,889
Deferred Outflows of Resources				
Deferred pension resources	170,808	230,414	-	401,222
Deferred other postemployment benefits	557,656	399,652	-	957,308
Total Deferred Outflows of Resources	728,464	630,066	-	1,358,530

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

City of Hibbing, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Liabilities				
Current Liabilities				
Accounts payable	\$ 49,080	\$ 21,839	\$ -	\$ 70,919
Due to other governments	164,488	15,247	-	179,735
Accrued salaries payable	32,780	42,994	-	75,774
Accrued interest payable	-	57,935	-	57,935
Contracts payable	-	35,931	-	35,931
Compensated absences payable - current	54,564	64,206	-	118,770
Bonds payable - current	-	637,000	-	637,000
Total Current Liabilities	<u>300,912</u>	<u>875,152</u>	<u>-</u>	<u>1,176,064</u>
Noncurrent Liabilities				
Compensated absences payable	60,441	90,644	-	151,085
Net pension liability	584,389	788,523	-	1,372,912
Bonds payable	-	5,685,081	-	5,685,081
Other postemployment benefits payable	2,457,036	1,760,868	-	4,217,904
Total Noncurrent Liabilities	<u>3,101,866</u>	<u>8,325,116</u>	<u>-</u>	<u>11,426,982</u>
Total Liabilities	<u>3,402,778</u>	<u>9,200,268</u>	<u>-</u>	<u>12,603,046</u>
Deferred Inflows of Resources				
Deferred pension resources	18,488	24,804	-	43,292
Deferred other postemployment benefits	199,262	142,804	-	342,066
Total Deferred Inflows of Resources	<u>217,750</u>	<u>167,608</u>	<u>-</u>	<u>385,358</u>
Net Position				
Net investment in capital assets	957,123	28,113,814	-	29,070,937
Unrestricted	<u>3,760,976</u>	<u>1,105,436</u>	<u>13,666</u>	<u>4,880,078</u>
Total Net Position	<u>\$ 4,718,099</u>	<u>\$ 29,219,250</u>	<u>\$ 13,666</u>	<u>\$ 33,951,015</u>

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

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City of Hibbing, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Operating Revenues				
Charges for services	\$ 3,010,612	\$ 4,090,416	\$ 8,751	\$ 7,109,779
Sewer connection fees	-	850	-	850
Miscellaneous	32,456	31,043	-	63,499
Total Operating Revenues	<u>3,043,068</u>	<u>4,122,309</u>	<u>8,751</u>	<u>7,174,128</u>
Operating Expenses				
Personnel services	891,880	1,068,715	-	1,960,595
OPEB expense	322,470	191,129	-	513,599
Pension expense	26,688	97,619	-	124,307
Contractual services	1,218,865	51,696	-	1,270,561
Utilities	142,771	300,954	-	443,725
Repairs and maintenance	13,510	35,478	898	49,886
Other supplies and expense	97,859	233,605	-	331,464
Insurance claims and expense	66,409	73,669	-	140,078
Depreciation	200,263	1,435,175	-	1,635,438
Miscellaneous	6,584	74,040	900	81,524
Total Operating Expenses	<u>2,987,299</u>	<u>3,562,080</u>	<u>1,798</u>	<u>6,551,177</u>
Operating Income	<u>55,769</u>	<u>560,229</u>	<u>6,953</u>	<u>622,951</u>
Nonoperating Revenues (Expenses)				
Investment earnings	32,431	6,554	68	39,053
Intergovernmental	-	558,506	-	558,506
Gain on sale of capital assets	-	400	-	400
Interest expense and other	-	(148,191)	-	(148,191)
Total Nonoperating Revenues (Expenses)	<u>32,431</u>	<u>417,269</u>	<u>68</u>	<u>449,768</u>
Income Before Contributions	88,200	977,498	7,021	1,072,719
Capital Contributions				
Intergovernmental capital grants	<u>-</u>	<u>460,638</u>	<u>-</u>	<u>460,638</u>
Change in Net Position	88,200	1,438,136	7,021	1,533,357
Net Position - January 1	<u>4,629,899</u>	<u>27,781,114</u>	<u>6,645</u>	<u>32,417,658</u>
Net Position, December 31	<u>\$ 4,718,099</u>	<u>\$ 29,219,250</u>	<u>\$ 13,666</u>	<u>\$ 33,951,015</u>

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

City of Hibbing, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,503,100	\$ 3,387,552	\$ 6,180	\$ 5,896,832
Payments to suppliers	(1,390,244)	(760,386)	(1,798)	(2,152,428)
Payments to employees	(942,697)	(1,117,691)	-	(2,060,388)
Net Cash Provided by Operating Activities	170,159	1,509,475	4,382	1,684,016
Cash Flows from Noncapital Financing Activities				
Intergovernmental receipts	-	526,594	-	526,594
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(119,760)	(1,184,507)	-	(1,304,267)
Proceeds from sales of capital assets	-	400	-	400
Principal paid on long-term debt	-	(1,242,000)	-	(1,242,000)
Interest paid on long-term debt	-	(164,960)	-	(164,960)
Net Cash Used by Capital and Related Financing Activities	(119,760)	(2,591,067)	-	(2,710,827)
Cash Flows from Investing Activities				
Investment income received	32,431	6,554	68	39,053
Net Increase (Decrease) in Cash and Cash Equivalents	82,830	(548,444)	4,450	(461,164)
Cash and Cash Equivalents, January 1	5,766,190	2,260,511	6,645	8,033,346
Cash and Cash Equivalents, December 31	<u>\$ 5,849,020</u>	<u>\$ 1,712,067</u>	<u>\$ 11,095</u>	<u>\$ 7,572,182</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	\$ 4,889,020	\$ 752,067	\$ 11,095	5,652,182
Designated cash - other post employment benefits	900,000	900,000	-	1,800,000
Designated investments - other post employment benefits	60,000	60,000	-	120,000
Statement of Net Position Cash and Cash Equivalents	<u>\$ 5,849,020</u>	<u>\$ 1,712,067</u>	<u>\$ 11,095</u>	<u>\$ 7,572,182</u>

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

City of Hibbing, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 55,769	\$ 560,229	\$ 6,953	\$ 622,951
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	200,263	1,435,175	-	1,635,438
(Increase) decrease in assets				
Accounts receivable	(28,473)	(81,459)	(2,571)	(112,503)
Special assessments receivable	(11,820)	(60,951)	-	(72,771)
Inventories	1,291	-	-	1,291
Due from component units	(499,675)	(592,347)	-	(1,092,022)
Increase (Decrease) in deferred outflows				
Deferred pension resources	45,058	28,212	-	73,270
Deferred other postemployment benefits resources	8,653	23,624	-	32,277
Increase (decrease) in liabilities				
Accounts and other payables	2,360	4,914	-	7,274
Due to other governments	152,103	4,142	-	156,245
Accrued salaries payable	455	2,571	-	3,026
Compensated absences payable	12,621	12,417	-	25,038
Net pension liability	267,653	409,047	-	676,700
Other postemployment benefits payable	278,997	132,939	-	411,936
Increase in deferred inflows				
Deferred pension resources	(288,578)	(343,088)	-	(631,666)
Deferred other postemployment benefit resources	(26,518)	(25,950)	-	(52,468)
Net Cash Provided by Operating Activities	<u>\$ 170,159</u>	<u>\$ 1,509,475</u>	<u>\$ 4,382</u>	<u>\$ 1,684,016</u>
Schedule of Noncash Capital and Related Financing Activities				
Amortization of bond discount	\$ -	\$ 352	\$ -	\$ 352
Amortization of bond premium	-	8,239	-	8,239
Capital assets purchased on account	-	35,931	-	35,931

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

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City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Permanent Improvement fund* accounts for costs associated with the City's permanent improvement projects including street construction.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

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

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

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

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

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

Deposits and Investments

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

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Investment Policy

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 52 of the notes. The PUC does not have a policy that specifically addresses credit risk.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's formal deposit policy for custodial credit risk requires deposits to be insured by FDIC insurance or collateralized. The City's formal investment policy requires brokers to have Securities Investor Protector Insurance (SIPC) and excess SIPC coverage. As of December 31, 2022, the PUC did not have any investments exposed to custodial risk. The PUC's investment policy requires that an investment must be held by the PUC or its agent in the PUC's name and comply with Minnesota Statutes.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts. The City places no limit on the amount the City may invest in any one issuer. The PUC did not hold any investments subject to credit risk as of December 31, 2022.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's formal investment policy structures the investment portfolio so that maturing investments meet the City's cash requirements for ongoing operations. The PUC follows State Statutes for its policy.

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

Designated Cash and Cash Equivalents and Designated Investments

The City's business type activities have designated assets totaling \$1,920,000 at December 31, 2022 (\$960,000 in the garbage and refuse collection fund and sewer operating and maintenance fund, respectively) to cover future OPEB liability costs. The \$1,920,000 in assets are to remain designated except in years when the business type funds have insufficient undesignated cash resources. Only with negative undesignated cash at year end may monies be transferred from the OPEB Designated Assets accounts. In a year where a transfer of monies is required, that transfer may not exceed that same calendar year's total net cash payments on the business type fund retiree health insurance premiums paid by the City. In subsequent years should the business type funds have any surplus of undesignated cash, the surplus will be transferred back into the OPEB Designated Assets to replenish the account back to the initial amount (\$960,000 respectively) or additional amounts if desired by the Council. Such transfer of excess funds in subsequent years will be mandatory for up to four consecutive years as needed to meet the \$960,000 level, and then be discontinued until such time as there again is a deficit in the undesignated cash at year end.

The OPEB Debt Service fund has designated cash and investments totaling \$7,994,555.

Restricted Assets

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

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

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

The PUC's receivables are comprised of amounts due from customers, and other receivables which represent amounts due from transactions incurred in the normal course of operations. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The PUC has an allowance for doubtful accounts of \$63,000 at December 31, 2022.

Special Assessments

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

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

Interfund Receivables and Payables

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

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Inventories

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The PUC Component Unit's inventories consist of parts, which are valued at weighted average cost and fuel and bulk supplies, which are valued at cost, on a first-in, first-out (FIFO) basis.

Prepaid Items

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

Capital Assets

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

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 3. As of December 31, 2022, the City's gravel roads all rated at a Level 3.

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

Deferred Outflows of Resources

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

Compensated Absences

City employees earn vacation and sick leave based on years of service and union and employment contracts. Limited vacation time may be carried over annually. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences.

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2021. The General fund and the OPEB debt service fund as needed are typically used to liquidate governmental other postemployment benefits payable.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

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

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

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFF	PEDCP		
Pension Expense	\$ 677,685	\$ 1,329,661	\$ 778	\$ 59,141	\$ 2,067,265

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: delinquent taxes, special assessments and intergovernmental receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

The City and the EDA have one type of item, which arises under a modified accrual and full accrual basis of accounting and is reported on the statement of net position and government funds balance sheet. The item, *deferred lease resources*, arise from the present value of the related lease receivables.

Fund Balance

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

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

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

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

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

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

Budgeted amounts are as originally adopted or as amended by the City Council. Budget amendments were completed in 2022 with no impact on total revenue or expenditures.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City and PUC deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$(505,296) and the bank balance was \$130,064. The entire bank balance was covered by federal depository insurance.

At year end, the EDA's carrying amount of deposits was \$195,427 and the bank balance was \$195,427. The entire bank balance was covered by federal depository insurance.

At December 31, 2022, the carrying amount of the PUC's deposits was \$6,756,324 and the bank balance was \$6,895,286. At year end, the PUC's bank balances were fully covered by depository insurance or by collateral held in the PUC's name by the pledging financial institutions' correspondent banks.

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 1 year	\$ 20,994,285			
Broker Money Market	N/A	less than 1 year	250,738			
Non-pooled Investments						
Commercial Paper	AAA	less than 1 year	17,999,123	\$ -	\$ 17,999,123	\$ -
Brokered Certificates of Deposit	N/A	less than 1 year	6,856,106	-	6,856,106	-
Brokered Certificates of Deposit	N/A	1 to 5 years	5,264,522	-	5,264,522	-
Brokered Certificates of Deposit	N/A	more than 5 years	205,065	-	205,065	-
U.S. government agency securities	AAA	less than 1 year	470,594	470,594	-	-
U.S. Government Bonds FNMA/FHLMC	AAA	1 to 5 years	2,201,999	2,201,999	-	-
Total Investments			\$ 54,242,431	\$ 2,672,593	\$ 30,324,815	\$ -

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 14,009,882			
Non-pooled Investments at Fair Value						
U.S. Treasuries	N/A	less than 1 year	24,015,150	\$ -	\$ 24,015,150	\$ -
Total Investments			<u>\$ 38,025,032</u>	<u>\$ -</u>	<u>\$ 24,015,150</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.

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

	Primary Government	Component Units		Total
		EDA	PUC	
Carrying amount of deposits	\$ (505,296)	\$195,427	\$ 6,756,324	\$ 6,446,455
Investments	51,998,716	2,243,715	38,025,032	92,267,463
Amounts held in escrow accounts	-	-	352,069	352,069
Total	<u>\$ 51,493,420</u>	<u>\$ 2,439,142</u>	<u>\$ 45,133,425</u>	<u>\$ 99,065,987</u>
Statement of Net Position				
Cash and temporary investments	\$ 41,578,865	\$ 2,439,142	\$ 5,831,341	\$ 49,849,348
Designated cash				
- other postemployment benefits	8,087,435	-	250,000	8,337,435
Investments	-	-	38,025,032	38,025,032
Designated investments				
- other postemployment benefits	1,827,120	-	-	1,827,120
Temporarily restricted assets				
Cash	-	-	674,983	674,983
Amounts held in escrow accounts	-	-	352,069	352,069
Total	<u>\$ 51,493,420</u>	<u>\$ 2,439,142</u>	<u>\$ 45,133,425</u>	<u>\$ 99,065,987</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

B. Lease Receivable

Primary Government

As of December 31, 2022, the City had the following lease receivables:

Description	Issue Date	Maturity Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
MN Towers	01/01/22	12/31/33	2.18%	\$ 2,500	\$ 25,534
Memorial Curling Club	08/01/22	07/31/25	1.25%	9,000	58,105
Total leases receivable					<u>\$ 83,639</u>

The City leases tower space to communication companies for the operation and maintenance of communication antennas.

The City leases space within the Memorial Building to the Hibbing Curling Club for recreation activities.

Discretely Presented Component Unit – EDA

As of December 31, 2022, the EDA had the following lease receivables:

Description	Issue Date	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Advanced Machine Guarding Solutions	03/01/22	02/28/26	0.55%	\$ 10,133	\$ 74,226
RMB Environmental Laboratories	01/01/22	03/31/24	0.33%	31,500	50,286
Total leases receivable					<u>\$ 124,512</u>

The EDA leases space within the 1111 7th Ave East Building to various companies for use as office space.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

The City has elected to use the modified approach as defined by GASB Statement No. 34 for reporting of gravel roads. As a result, no accumulated depreciation or depreciation expense has been recorded for street infrastructure. Additional information of the modified approach is presented in the Notes to Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. Capital asset activity for the year ended December 31, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers in	Ending Balance
Governmental Activities					
Capital Assets not Being Depreciated/Amortized					
Land	\$ 2,028,584	\$ 548	\$ -	\$ -	\$ 2,029,132
Intangible - easements	36,400	-	-	-	36,400
Artwork	2,119,350	-	-	-	2,119,350
Gravel roads	4,197,271	-	-	-	4,197,271
Construction in progress	1,072,345	431,605	(121,586)	-	1,382,364
Total Capital Assets not Being Depreciated/Amortized	9,453,950	432,153	(121,586)	-	9,764,517
Capital Assets Being Depreciated/Amortized					
Infrastructure	39,249,475	2,611,136	-	-	41,860,611
Building and improvements	30,424,421	519,881	-	-	30,944,302
Equipment, machinery and furniture	15,177,479	742,608	(111,481)	25,313	15,833,919
Leased Equipment (Intangible Right to Use Asset)	393,045	111,160	-	-	504,205
Total Capital Assets Being Depreciated/Amortized	85,244,420	3,984,785	(111,481)	25,313	89,143,037
Less Accumulated Depreciation/Amortization					
Infrastructure	(24,292,029)	(1,088,842)	-	-	(25,380,871)
Building and improvements	(19,032,745)	(586,948)	-	-	(19,619,693)
Equipment, machinery and furniture	(11,880,055)	(899,754)	109,368	(25,313)	(12,695,754)
Leased Equipment (Intangible Right to Use Asset)	-	(42,017)	-	-	(42,017)
Total Accumulated Depreciation/Amortization	(55,204,829)	(2,617,561)	109,368	(25,313)	(57,738,335)
Total Capital Assets Being Depreciated/Amortized, Net	30,039,591	1,367,224	(2,113)	-	31,404,702
Governmental Activities Capital Assets, Net	\$ 39,493,541	\$ 1,799,377	\$ (123,699)	\$ -	\$ 41,169,219

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

Governmental Activities	
General Government	\$ 144,896
Public Safety	502,421
Public Works, including depreciation of general infrastructure assets	1,464,959
Culture and Recreation	505,285
Total Depreciation Expense - Governmental Activities	<u>\$ 2,617,561</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Transfers out	Ending Balance
Business-type Activities					
Capital Assets not Being Depreciated					
Land	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	273,311	526,593	-	-	799,904
Total Capital Assets not Being Depreciated	697,030	526,593	-	-	1,223,623
Capital Assets Being Depreciated					
Infrastructure	20,634,793	548,366	-	-	21,183,159
Buildings and improvements	32,991,767	7,908	-	-	32,999,675
Equipment, machinery and furniture	5,777,551	248,033	-	(25,313)	6,000,271
Total Capital Assets Being Depreciated	59,404,111	804,307	-	(25,313)	60,183,105
Less Accumulated Depreciation for					
Infrastructure	(4,229,870)	(516,358)	-	-	(4,746,228)
Buildings and improvements	(15,720,278)	(764,823)	-	-	(16,485,101)
Equipment, machinery and furniture	(4,453,437)	(354,257)	-	25,313	(4,782,381)
Total Accumulated Depreciation	(24,403,585)	(1,635,438)	-	25,313	(26,013,710)
Total Capital Assets Being Depreciated, Net	35,000,526	(831,131)	-	-	34,169,395
Business-type Activities Capital Assets, Net	<u>\$ 35,697,556</u>	<u>\$ (304,538)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,393,018</u>

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

Business-type Activities	
Garbage and Refuse Collection	\$ 200,263
Sewer Operating and Maintenance	<u>1,435,175</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,635,438</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 130,865	\$ -	\$ -	\$ 130,865
Construction in progress	6,880	-	-	6,880
Total Capital Assets not Being Depreciated	<u>137,745</u>	<u>-</u>	<u>-</u>	<u>137,745</u>
Capital Assets Being Depreciated				
Infrastructure	19,699	-	-	19,699
Buildings and improvements	608,704	17,615	-	626,319
Total Capital Assets Being Depreciated	<u>628,403</u>	<u>17,615</u>	<u>-</u>	<u>646,018</u>
Less Accumulated Depreciation for				
Buildings and improvements	(23,683)	(17,146)	-	(40,829)
Equipment, machinery and furniture	(22,580)	-	-	(22,580)
Total Accumulated Depreciation	<u>(46,263)</u>	<u>(17,146)</u>	<u>-</u>	<u>(63,409)</u>
Total Capital Assets Being Depreciated, Net	<u>582,140</u>	<u>469</u>	<u>-</u>	<u>582,609</u>
Component Unit Activities				
Capital Assets, Net	<u>\$ 719,885</u>	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 720,354</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - PUC

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land and land rights	\$ 344,407	\$ -	\$ -	\$ 344,407
Construction in progress	2,304,769	-	(126,680)	2,178,089
Total Capital Assets not Being Depreciated	2,649,176	-	(126,680)	2,522,496
Capital Assets Being Depreciated				
Intangible Asset	2,764,688	-	-	2,764,688
Building and grounds	9,699,262	295,732	-	9,994,994
Production equipment	70,643,768	2,692,248	-	73,336,016
Transmission and distribution system	51,807,827	1,481,311	-	53,289,138
Equipment, machinery and furniture	4,563,467	75,738	-	4,639,205
Leased assets:				
Vehicles	-	68,911	-	68,911
Substation equipment	-	892,644	-	892,644
Total Capital Assets Being Depreciated	139,479,012	5,506,584	-	144,985,596
Less accumulated depreciation	(86,520,235)	(3,381,356)	-	(89,901,591)
Less accumulated amortization on leased assets	-	(119,992)	-	(119,992)
Total Capital Assets Being Depreciated, Net	52,958,777	2,005,236	-	54,964,013
Component Unit Activities				
Capital Assets, Net	<u>\$ 55,607,953</u>	<u>\$ 2,005,236</u>	<u>\$ (126,680)</u>	<u>\$ 57,486,509</u>

D. Intangible Asset - Service Concession Arrangement

The PUC entered into a facility reimbursement agreement with Northern Natural Gas Company that required the PUC to provide funding for the upgrade to natural gas facilities providing services to the PUC. The construction costs for the upgrades were paid for by the PUC but ownership and operation of the facilities will remain with Northern. The project was completed in 2021 for a total cost of \$2,764,688. The costs are being amortized over a period of 33 years. As of December 31, 2022 total costs, net of amortization were \$2,597,132.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount
Primary Government	Discretely presented component unit	
Garbage and Refuse	Public Utilities Commission	\$ 739,154
Sewer Operating	Public Utilities Commission	939,538
Total		<u>\$ 1,678,692</u>

The amounts due from the Hibbing Public Utilities Commission relates to garbage and sewer charges collected for the primary government.

Interfund Transfers

The composition of primary government interfund transfers for the year ended December 31, 2022 is as follows:

Fund	Transfers in Nonmajor Governmental
Transfers Out	
General	\$ 665,711
Permanent Improvement	75,000
Nonmajor governmental	61,551
Total Transfers Out	<u>\$ 802,262</u>

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

F. Long-term Debt

Primary Government

General Obligation (G.O.) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental Activities					
2018A G.O. Certificates	\$ 1,150,000	3.00 - 4.00 %	12/20/18	02/01/29	\$ 785,000
2020A G.O. Certificates	60,000	1.68	11/24/20	02/01/23	30,000
2020A G.O. Certificates	1,615,000	1.24	11/24/20	02/01/29	1,425,000
2020A G.O. Certificates	670,000	1.35	11/24/20	02/01/30	600,000
2022A G.O. Certificates	295,000	3.125	03/28/22	02/01/32	295,000
2022A G.O. Certificates	120,000	3.125	03/28/22	02/01/27	120,000
Total General Obligation Bonds					<u>\$ 3,255,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 480,000	\$ 86,148	\$ 566,148
2024	454,000	69,021	523,021
2025	441,000	56,908	497,908
2026	458,000	45,508	503,508
2027	464,000	33,811	497,811
2028-2032	958,000	35,125	993,125
Total	<u>\$ 3,255,000</u>	<u>\$ 326,521</u>	<u>\$ 3,581,521</u>

Financed Purchase Agreement

The City also issues purchase agreements for the purchase of major equipment and other items. These agreements are considered obligations of the primary government and are being repaid as part of each year's budgeted expenditures. Included in the lease purchase obligations are lease agreements between the City and the EDA Component Unit for repayment of debt issued by the EDA-Component Unit for construction of an animal shelter.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Lease Purchase Obligation					
Animal Shelter	\$ 462,500	1.75 - 4.50 %	05/07/09	02/01/24	\$ 162,518
TORO Mower	78,075	6.74	01/10/22	06/01/24	60,639
Total Lease Purchase Obligation					<u>\$ 223,157</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for financed purchase agreements are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 13,668	\$ 4,214	\$ 17,882
2024	177,136	3,264	180,400
2025	15,634	2,249	17,883
2026	16,719	1,162	17,881
Total	<u>\$ 223,157</u>	<u>\$ 10,889</u>	<u>\$ 234,046</u>

Lease Payable

Lease agreements are summarized as follows:

Description	Amount Issued	Interest Rate	Issue Date	Payment Terms	Payment Amount	Current Year Additional Outflows	Balance at Year End
Compudyne Equipment - Library	\$ 39,917	3.24 %	10/01/22	3 Years	\$ 1,109 Monthly	\$ 6,000	\$ 36,590
Compudyne Equipment - City Hall	75,228	2.01	04/01/22	3 Years	2,090 Monthly	-	56,421
John Deere Graders	394,506	0.33	10/01/21	3 Years	14,089 Monthly	-	225,175
Total Lease Payable							<u>\$ 318,186</u>

The City has leased equipment through Compudyne at a fixed monthly rate of \$1,109 per month and interest rate of 3.24% that began in October of 2022. The City does not anticipate renewal of the lease after the original 36-month term.

The City has leased equipment through Compudyne at a fixed monthly rate of \$2,090 per month and interest rate of 2.01% that began in April of 2022. The City does not anticipate renewal of the lease after the original 36-month term.

The City has leased equipment through John Deere at a fixed monthly rate of \$14,089 per month and interest rate of 0.33% that began in November of 2021. The City does not anticipate renewal of the lease after the original 30-month term.

Annual debt service requirements to maturity for City lease agreements are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 205,132	\$ 2,324	\$ 207,456
2024	93,761	978	94,739
2025	19,293	154	19,447
Total	<u>\$ 318,186</u>	<u>\$ 3,456</u>	<u>\$ 321,642</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds and Notes

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

						Sewer
						<hr/>
Operating Revenues						\$ 4,122,309
Principal and Interest						1,406,960
Percentage of Revenues						293 %
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
2018A General Obligation Bonds	\$ 3,460,000	3.00 - 4.00 %	12/20/18	02/01/39	\$ 2,855,000	
2020A General Obligation Bonds	610,000	1.91	11/24/20	02/01/32	560,000	
Total G.O. Revenue Bonds					<u>\$ 3,415,000</u>	
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
2010 Sewer Revenue Notes	\$ 1,726,575	1.34 %	11/30/10	08/20/25	\$ 332,000	
2012 Sewer Revenue Notes	4,912,830	1.00	10/23/12	08/20/31	2,457,954	
Total G.O. Revenue Notes					<u>\$ 2,789,954</u>	

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 265,000	\$ 111,023	\$ 376,023
2024	280,000	101,123	381,123
2025	290,000	90,723	380,723
2026	300,000	81,198	381,198
2027	310,000	71,323	381,323
2028 - 2032	1,020,000	246,804	1,266,804
2033 - 2037	650,000	126,610	776,610
2038 - 2039	300,000	12,200	312,200
Total	<u>\$ 3,415,000</u>	<u>\$ 841,004</u>	<u>\$ 4,256,004</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 372,000	\$ 29,028	\$ 401,028
2024	376,000	24,968	400,968
2025	380,000	20,831	400,831
2026	271,000	16,650	287,650
2027	273,000	13,940	286,940
2028 - 2031	1,117,954	26,740	1,144,694
Total	<u>\$ 2,789,954</u>	<u>\$ 132,157</u>	<u>\$ 2,922,111</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 3,385,000	\$ 415,000	\$ (545,000)	\$ 3,255,000	\$ 480,000
Unamortized premium on bonds	208,624	-	(25,267)	183,357	-
Total Bonds Payable	<u>3,593,624</u>	<u>415,000</u>	<u>(570,267)</u>	<u>3,438,357</u>	<u>480,000</u>
Lease Purchase Obligations	162,518	78,075	(17,436)	223,157	13,668
Leases Payable	393,045	111,160	(186,019)	318,186	205,132
Compensated Absences Payable	<u>1,298,898</u>	<u>268,392</u>	<u>(177,562)</u>	<u>1,389,728</u>	<u>189,629</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,448,085</u>	<u>\$ 872,627</u>	<u>\$ (951,284)</u>	<u>\$ 5,369,428</u>	<u>\$ 888,429</u>
Business-type Activities					
Bonds Payable					
G.O. revenue notes	\$ 3,766,954	\$ -	\$ (977,000)	\$ 2,789,954	\$ 372,000
G.O. revenue bonds	3,680,000	-	(265,000)	3,415,000	265,000
Unamortized discount on bonds	(3,540)	-	352	(3,188)	-
Unamortized premium on bonds	128,554	-	(8,239)	120,315	-
Total Bonds Payable	<u>7,571,968</u>	<u>-</u>	<u>(1,249,887)</u>	<u>6,322,081</u>	<u>637,000</u>
Compensated Absences Payable	<u>244,817</u>	<u>143,361</u>	<u>(118,323)</u>	<u>269,855</u>	<u>118,770</u>
Business-type Activity Long-term Liabilities	<u>\$ 7,816,785</u>	<u>\$ 143,361</u>	<u>\$ (1,368,210)</u>	<u>\$ 6,591,936</u>	<u>\$ 755,770</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

G.O. Tax Increment Bonds

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

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2020B G.O. Tax Increment Refunding Bonds	\$ 765,000	4.00 - 5.25 %	11/01/20	11/01/36	<u>\$ 725,000</u>

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

Year Ending December 31,	Economic Development Authority		
	Principal	Interest	Total
2023	\$ 45,000	\$ 11,148	\$ 56,148
2024	50,000	10,848	60,848
2025	50,000	10,473	60,473
2026	50,000	10,010	60,010
2027	50,000	9,460	59,460
2028 - 2032	260,000	35,821	295,821
2033 - 2036	220,000	9,831	229,831
Total	<u>\$ 725,000</u>	<u>\$ 97,591</u>	<u>\$ 822,591</u>

Loans Payable

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - EDA					
Bonds Payable					
G.O. tax increment bonds	\$ 765,000	\$ -	\$ (40,000)	\$ 725,000	\$ 45,000
G.O. Revenue bonds	-	-	-	-	-
Unamortized discount on bonds	(3,425)	-	1,712	(1,713)	-
Total Bonds Payable	<u>761,575</u>	<u>-</u>	<u>(38,288)</u>	<u>723,287</u>	<u>45,000</u>
Loan Payable	<u>547,133</u>	<u>-</u>	<u>-</u>	<u>547,133</u>	<u>-</u>
Discretely Presented Component Unit Long-term Liabilities	<u>\$ 1,308,708</u>	<u>\$ -</u>	<u>\$ (38,288)</u>	<u>\$ 1,270,420</u>	<u>\$ 45,000</u>

Discretely Presented Component Unit – PUC

G.O. Revenue Bonds and Notes

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

Description	Authorized and Issued	Interest Rate	Issue Year	Maturity Date	Balance at Year End
2005A Public Utilities Revenue Note	\$ 2,030,000	4.14 %	2005	12/31/25	<u>\$ 440,000</u>

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

Year Ending December 31,	PUC		
	Principal	Interest	Total
2023	\$ 140,000	\$ 21,363	\$ 161,363
2024	145,000	14,374	159,374
2025	<u>155,000</u>	<u>6,984</u>	<u>161,984</u>
Total	<u>\$ 440,000</u>	<u>\$ 42,721</u>	<u>\$ 482,721</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Lease Payable

The Commission entered into two leasing transactions in 2022. The lease related to vehicles has a three year term. The lease related to substation equipment has a six year term. The Commission used a discount rate of 2.9% to value contracts.

Annual debt service requirements to maturity for PUC lease agreements are as follows:

Year Ending December 31,	PUC		
	Principal	Interest	Total
2023	\$ 194,173	\$ 22,142	\$ 216,315
2024	199,867	16,448	216,315
2025	181,419	10,581	192,000
2026	186,750	5,250	192,000
2027	79,424	577	80,001
Total	<u>\$ 841,633</u>	<u>\$ 54,998</u>	<u>\$ 896,631</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - PUC					
Bonds Payable					
G.O. revenue notes	\$ 570,000	\$ -	\$ (130,000)	\$ 440,000	\$ 140,000
Unamortized discount on notes	(5,461)	-	1,395	(4,066)	-
Total Bonds Payable	<u>564,539</u>	<u>-</u>	<u>(128,605)</u>	<u>435,934</u>	<u>140,000</u>
Lease Payable	-	961,555	(119,922)	841,633	194,173
Compensated Absences Payable	801,512	-	(44,203)	757,309	222,218
Net Pension Liability					
GERF	-	-	-	-	-
Other Postemployment Benefits Payable	<u>19,238,442</u>	<u>1,171,248</u>	<u>(1,145,283)</u>	<u>19,264,407</u>	<u>-</u>

The terms of Revenue Note 2005A called for the proceeds of the note to be placed in an escrow account. As funds were expected, the PUC submitted requests to the escrow agent to draw down on the account. The remaining funds are to be held in an escrow account until the maturity date of the bond. As of December 31, 2022, the account had a balance of \$352,069.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (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 issued a hospital equipment revenue note pursuant to Minnesota Statute Sections §469.152 through §469.1655. The purpose of the note is to help a Minnesota nonprofit corporation obtain equipment to install at Fairview Range Medical Center in Hibbing. The non-profit corporation is obligated to repay the note directly to the lender of the note as stated in the loan agreement between the City of Hibbing and the lender. The note does not constitute a charge, lien, or encumbrance upon any property of the City. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City has issued the financial arrangements and instruments noted above to facilitate private sector entities in their refinancing projects as they were deemed to be in the public interest. These bonds and notes are secured by the property financed and are payable solely from revenues derived from the loan agreements. The City is not obligated in any manner for repayment of the bonds or notes, accordingly, they are not reported as a liability in the accompanying financial statements.

The amount payable at December 31, 2022:

Issuer	Amount
City of Buhl (St Francis Health Services)	\$ 5,518,938
Central Minnesota Diagnostic, Inc	660,898
Minnesota Diversified Industries Project	1,624,322

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2022, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Other Post- Employment Benefits	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable for					
Prepays	\$ 22,388	\$ -	\$ -	\$ 9,537	\$ 31,925
Inventory	531	-	-	-	531
Lease receivable	449	-	-	-	449
Total Nonspendable	<u>\$ 23,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,537</u>	<u>\$ 32,905</u>
Restricted for					
Debt service	\$ -	\$ -	\$ -	\$ 867,136	\$ 867,136
Capital equipment and improvements	-	-	819,681	1,692,101	2,511,782
Police forfeiture fund	76,473	-	-	-	76,473
Total Restricted	<u>\$ 76,473</u>	<u>\$ -</u>	<u>\$ 819,681</u>	<u>\$ 2,559,237</u>	<u>\$ 3,455,391</u>
Committed to					
Housing incentive	\$ -	\$ -	\$ -	\$ 52,151	\$ 52,151
Small cities development	-	-	-	26,763	26,763
Economic development	-	-	-	84,868	84,868
Library	-	-	-	163,246	163,246
OPEB obligation	-	8,006,195	-	-	8,006,195
Memorial building	-	-	-	56,541	56,541
Capital equipment and improvements	-	-	-	2,166,257	2,166,257
Total Committed	<u>\$ -</u>	<u>\$ 8,006,195</u>	<u>\$ -</u>	<u>\$ 2,549,826</u>	<u>\$ 10,556,021</u>
Assigned to					
2023 budget	\$ 10,498,856	\$ -	\$ -	\$ -	\$ 10,498,856
Reserve for capital projects	1,382,328	-	-	-	1,382,328
Future capital projects funded from sale of assets	173,149	-	-	-	173,149
Workers' compensation premium adjustments	688,284	-	-	-	688,284
Other improvement projects	-	-	-	766,559	766,559
Total Assigned	<u>\$ 12,742,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,559</u>	<u>\$ 13,509,176</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

Police and Fire Plan Benefits

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, December 31, 2022, 2021 and 2020 were \$387,291, \$353,958 and \$351,886, respectively. The City's contributions were equal to the required contributions for each year as set by state statute. The PUC's contributions to the General Employees Fund for the year ending December 31, 2022 were \$328,732. The PUC's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021 and 2020 were \$765,127, \$741,673 and \$709,410, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$5,211,382 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2021. 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 \$152,717. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0658 percent which was an increase of 0.0007 percent from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 5,211,382
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>152,717</u>
Total	<u><u>\$ 5,364,099</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$654,866 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$22,819 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

At December 31, 2022, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 43,529	\$ 55,131
Changes in Actuarial Assumptions	1,167,262	21,196
Net Difference Between Projected and Actual Earnings on Plan Investments	111,819	-
Changes in Proportion	-	80,127
Contributions Paid to PERA Subsequent to the Measurement Date	197,104	-
Total	<u>\$ 1,519,714</u>	<u>\$ 156,454</u>

The \$197,104 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 390,721
2024	463,158
2025	(159,014)
2026	471,291

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$15,261,077 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.3507 percent which was an increase of 0.0060 percent from its proportionate share measured as of June 30, 2021.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$1,200,348 for its proportionate share of Police and Fire Plan's pension expense. In addition, the City recognized an additional \$129,313 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in state aid. The City recognized \$31,563 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 927,835	\$ 2,322
Changes in Actuarial Assumptions	8,935,383	98,735
Net Difference Between Projected and Actual Earnings on Plan Investments	288,406	-
Changes in Proportion	215,190	155,209
Contributions Paid to PERA Subsequent to the Measurement Date	396,598	-
Total	<u>\$ 10,763,412</u>	<u>\$ 256,266</u>

The \$396,598 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 1,937,268
2024	1,987,315
2025	1,777,771
2026	3,138,440
2027	1,269,754

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

Employees Fund Pension Costs - Discretely Presented Component Unit - PUC

At December 31, 2022, the PUC reported a liability of \$4,633,219 for its proportionate share of the General Employees Fund's net pension liability. The PUC's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State's proportionate share of the net pension liability associated with the PUC totaled \$135,798. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The PUC's proportion of the net pension liability was based on the PUC's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the PUC's proportionate share was 0.0585 percent which was a decrease of 0.0605 percent from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 4,633,219
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>135,798</u>
Total	<u><u>\$ 4,769,017</u></u>

For the year ended December 31, 2022, the PUC recognized pension expense of \$166,029 for its proportionate share of General Employees Plan's pension expense. In addition, the PUC recognized \$20,291 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, 2022, the PUC reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 38,700	\$ 51,526
Changes in Actuarial Assumptions	1,083,347	20,938
Net Difference Between Projected and Actual Earnings on Plan Investments	39,661	-
Changes in Proportion	-	-
Contributions Paid to PERA Subsequent to the Measurement Date	-	262,536
	<u>190,499</u>	<u>-</u>
Total	<u><u>\$ 1,352,207</u></u>	<u><u>\$ 335,000</u></u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The \$190,499 reported as deferred outflows of resources related to pensions resulting from the PUC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 256,297
2024	339,531
2025	(189,704)
2026	420,584

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 8,231,650	\$ 5,211,382	\$ 2,734,295
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	\$ 23,095,685	\$ 15,261,077	\$ 8,927,268
	PUC Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 7,318,413	\$ 4,633,219	\$ 2,430,946

H. Pension Plan Fiduciary Net Position

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

Total contributions made by the City and the PUC during the fiscal year 2022 were:

City Defined Contribution Plan Contributions					
Contribution Amount		Percentage of Covered Payroll		Required Rate	
Employee	Employer	Employee	Employer		
\$ 778	\$ 778	5.00%	5.00%	5.00%	
PUC Defined Contribution Plan Contributions					
Contribution Amount		Percentage of Covered Payroll		Required Rate	
Employee	Employer	Employee	Employer		
\$ 375	\$ 375	5.00%	5.00%	5.00%	

The City's contributions to the DCP for the years ended December 31, 2022, 2021 and 2020 were \$778, \$1,127 and \$1,137, respectively.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Hibbing Fire Department (the Department) are covered by a defined benefit plan administered by the Hibbing Volunteer Fire Department Relief Association (the Association). As of December 31, 2021, the plan covered 14 active firefighters and 4 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$87,140 and \$86,317 in 2022 and 2021, respectively, in fire state aid to the plan on behalf of the City Fire Department, which was recorded as a revenue within the City's financial statements. Required employer contributions are calculated annually based on statutory provisions. The City's had no statutorily-required contributions to the plan for the year ended December 31, 2022.

D. Pension Costs

At December 31, 2022, the City reported a net pension liability (asset) of (\$189,143) for the plan. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Milliman applying an actuarial formula to specific census data certified by the Department as of December 31, 2022.

For the year ended December 31, 2022, the City recognized a negative pension expense of \$27,999 .

At December 31, 2022, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 25,869	\$ 11,371
Changes in Actuarial Assumptions	3,562	-
Net Difference Between Projected and Actual Earnings on Plan Investments	47,343	-
Contributions to Plan Subsequent to the Measurement Date	-	-
Total	<u>\$ 76,774</u>	<u>\$ 11,371</u>

Deferred outflows of resources totaling \$87,140 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2023	\$ 17,598
2024	22,802
2025	11,576
2026	13,897
2027	(1,474)
Thereafter	1,004

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

E. Actuarial Assumptions

The total pension liability at December 31, 2022 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Cost of Living Increases	3.00% per year
Investment Rate of Return	5.00%
20-Year Municipal Bond Yield	3.72%

There were no changes in actuarial assumptions in 2022.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	73.00 %	5.76 %
Alternatives	5.00	6.71
Fixed Income	20.00	2.27
Cash and Equivalents	2.00	0.61
Total	<u>100.00 %</u>	

F. Discount Rate

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

G. Pension Asset Sensitivity

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

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

H. Pension Plan Fiduciary Net Position

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

	1 Percent Decrease (4.0%)	Current (5.0%)	1 Percent Increase (6.0%)
Defined Benefit Plan	\$ (178,231)	\$ (189,143)	\$ (199,045)

I. Investment Policy

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

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

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

Note 7: Joint Ventures

Chisholm - Hibbing Airport Authority

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

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

During 2022, there were no related party transactions between the City and the Chisholm-Hibbing Airport Authority. Complete financial information can be obtained from the Chisholm-Hibbing Airport Authority, 11038 Highway 37, Hibbing, Minnesota 55746.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 8: Postemployment Benefits Other Than Pensions

Primary Government

A. Plan Description

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

Pursuant to the provisions of contracts with bargaining units or other employment contracts, former employees who retire from the City and/or eligible dependents, may continue to participate in the City's plan for medical and life insurance coverage. The bargaining unit contract provisions were modified to exclude any employees hired after January 1, 2007 to participate in the City's medical plan upon retirement, but continue to allow for the life insurance coverage. For those eligible employees and/or eligible dependents, the City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined benefit plan are provided for life. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. For the year 2022, the City indirectly contributed \$1,749,572 to the plan.

At December 31, 2022, the following employees were covered by the benefit terms:

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

B. Actuarial Methods and Assumptions

The City's total OPEB liability of \$29,107,439 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

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

Discount Rate	2.06%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	2.06%
Inflation Rate	2.06%
Medical Trend Rate	(5.20%) for FY2022, gradually increasing to 3.70% in FY2073

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

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

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 8: Postemployment Benefits Other Than Pensions (Continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2021	<u>\$ 29,744,930</u>
Changes for the Year:	
Service cost	271,691
Interest	617,904
Changes in assumptions or other inputs	222,485
Benefit payments	<u>(1,749,571)</u>
Net Changes	<u>(637,491)</u>
Balances at December 31, 2022	<u><u>\$ 29,107,439</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was updated as of December 31, 2021 to 2.06%.
- The health assumptions have been updated based on recent experience and future expectations.

D. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.06 percent) or 1-percentage-point higher (3.06 percent) than the current discount rate:

1 Percent Decrease (1.06%)	Current (2.06%)	1 Percent Increase (3.06%)
\$ 33,265,958	\$ 29,107,439	\$ 25,732,897

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (4.2 percent decreasing to 2.70 percent) or 1-percentage-point higher (6.20 percent increasing to 4.70 percent) than the current discount rate:

1 Percent Decrease (4.2% Decreasing to 2.7%)	Healthcare Cost Trend Rates (5.2% Decreasing to 3.7%)	1 Percent Increase (6.2% Decreasing to 4.7%)
\$ 25,476,445	\$ 29,107,439	\$ 33,577,285

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 8: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$1,516,870. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,972,762	\$ -
Changes in Actuarial Assumptions	2,883,975	2,360,573
Contributions to OPEB Subsequent to the Measurement Date	1,749,572	-
Total	<u>\$ 6,606,309</u>	<u>\$ 2,360,573</u>

Deferred outflows of resources totaling \$1,749,572 related to OPEB resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in OPEB expense as follows:

Year Ended December 31:	
2023	\$ 627,275
2024	573,642
2025	493,791
2026	692,410
2027	93,524
Thereafter	15,522

Discretely Presented Component Unit - PUC

F. Plan Description

The PUC provides health care and dental insurance benefits for retired PUC employees. PUC employees become eligible for such benefits upon retirement. During the year ended December 31, 2022, the PUC expended approximately \$804,734 on benefits for approximately 95 retirees.

G. Actuarial Assumptions

The total OPEB liability was determined using an actuarial valuation date of January 1, 2022 and a measurement date of December 31, 2022. The following assumptions were used in the valuation:

Discount Rate	3.72%
Index Rate	2.06% using 20 year tax exempt municipal bond rate
Inflation Rate	2.60%
Mortality	Mortality rates were based on Pub-2010 Mortality table The mortality improvement scale is Scale MP-2021
Health Care Cost Trend Rate	4.90% - 3.90% over 54 years

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 8: Postemployment Benefits Other Than Pensions (Continued)

H. Changes in the Total OPEB Liability

The PUC's total OPEB liability of \$20,647,976 was measured as of December 31, 2022. Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balances at December 31, 2021	<u>\$ 20,647,976</u>
Changes for the Year:	
Service cost	623,529
Interest cost	429,946
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(4,289,364)
Benefit payments	(804,734)
Net Changes	<u>(4,040,623)</u>
Balances at December 31, 2022	<u><u>\$ 16,607,353</u></u>

I. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the PUC, as well as what the PUC's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.72 percent) or 1-percentage-point higher (4.72 percent) than the current discount rate:

1% Decrease 2.72%	Current 3.72%	1% Decrease 4.72%
<u> </u>	<u> </u>	<u> </u>
\$ 19,008,991	\$ 16,607,353	\$ 14,647,674

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

1% Decrease (3.9% Decreasing to 2.9%)	Healthcare Cost Trend Rates (4.9% Decreasing to 3.9%)	1% Increase (5.9% Decreasing to 4.9%)
<u> </u>	<u> </u>	<u> </u>
\$ 14,475,091	\$ 16,607,353	\$ 19,289,333

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 8: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2022, the PUC recognized OPEB expense of \$790,289. At December 31, 2022, the PUC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,110,186
Changes in Actuarial Assumptions	2,351,464	3,466,683
Total	<u>\$ 2,351,464</u>	<u>\$ 5,576,869</u>

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

Year Ended December 31:	
2023	\$ (873,344)
2024	(802,407)
2025	(782,734)
2026	(766,920)
2027	-
Thereafter	-

Note 9: Equity in Joint Venture

Component Unit - Hibbing Public Utilities Commission

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

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

In 2018, the Authority entered into a termination agreement with Northern States Power to cease providing bio massed produced power to Northern States Power. In conjunction with the termination agreement, Northern States Power agreed to pay the Authority \$108,500,000 divided into six annual payments.

In 2019, the Authority agreed to transfer ownership of its power production assets to each of its two members. The PUC's share of those assets totaled \$21,110,979 which represented the Authority's remaining book value of those assets. Also during the year, the Authority distributed equity payments to its two members. The PUC received \$9,041,66 and \$12,441,667 from the Authority in 2021 and 2022 respectively.

As of December 31, 2022, the Commission has reported on its balance sheet an investment of \$10,047,837 in the joint venture, which represents its remaining investment in the entity.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 9: Equity in Joint Venture (Continued)

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

Current Assets	\$ 35,389
Other Assets	18,263,335
Capital Assets	808,324
Total Assets	<u>19,107,048</u>
 Current Liabilities	 <u>355</u>
 Net Position	 <u><u>\$ 37,402,708</u></u>
 Total Operating Revenues	 \$ -
Operating Expenses	224,711
Non-Operating Revenues	<u>12,029</u>
 Change in Net Position	 <u><u>\$ (212,682)</u></u>

Note 10: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2022, the City is under the legal debt margin.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injures to employees; and natural disasters.

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

Property and casualty insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. For property and casualty coverage, the City has a \$500 deductible per occurrence with no annual maximum.

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

There were no settlements in excess of insurance coverage in 2022 and 2021. In 2017, the City did have one settlement related to a contract dispute.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 10: Other Information

The Hibbing PUC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the PUC carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in 2022.

C. Contingencies, Concentrations and Commitments

The Commission has entered into contracts for the purchase of fuel, including biomass and natural gas, for the purposes of meeting its obligations as a Midcontinent Independent System Operator (MISO) Market Participant, electrical generation owner and public gas system operator.

The agreed upon quantities are based upon current and forecasted needs versus current held supply and MISO capacity accreditation requirement.

Effective June 1, 2022, the Commission began a five year agreement with Minnesota Power to utilize Minnesota Power's 115 KV substation to access the MISO energy and capacity markets. Under the Agreement, the Commission annually accredits the Hibbing Renewable Energy Center through MISO and purchases an additional 6MW of capacity and associated energy from Minnesota Power's Boswell 4 Station.

As of the 2023-2024 MISO Planning Year, MISO implemented a seasonal capacity accreditation construct to determine market participants' capacity shortage and/or excess. For the 2023-2024 Planning Year, the Commission had an average accreditation requirement of 21.1 MW and an average of 32.3 MW capacity available. It is expected that the Commission would maintain its surplus capacity position for the remainder of the term.

The Commission purchases gas and pays for the transportation of the actual gas purchased under a transportation tariff approved by the Federal Energy and Regulatory Commission on Northern Natural Gas' pipeline system. Future gas commitments for the Commission from 2023 to 2028 total \$16.8 million at fixed prices. With current market prices at June 13, 2023, this represents a savings to rate payers of \$3.5 million. The major vendors for the Commission for purchased gas are World Fuel Services Inc, the parent company of its gas broker, WFS Kinnect.

The Commission was involved in legal proceedings as of December 31, 2022. The Commission's insurance carrier is defending the Commission in those proceedings. Although the final outcome is not known at this time, it is believed that any potential negative outcome would not have a material effect to the Commission.

The Commission has incurred expenses in the past related to the cleanup of its former gas plant site. Costs related to complete the cleanup at this time are not known but management does not believe that the Commission will have any significant additional costs based on municipal liability limits of \$400,000. The Minnesota Pollution Control Agency has indicated it is in agreement with the Commission assessment of the maximum limit.

D. Tax Increment Districts

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 10: Other Information (Continued)

E. 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, 2022:

Purpose	Percentage of City Taxes Abated during 2022	Amount of Taxes Abated during 2022
Provide incentive for real estate development company to complete residential and commercial development project	50 %	\$ 25,346
Provide incentive for real estate development company to complete residential development project	50 %	\$ 14,439

F. Steam Conversion Loan Program

In 2020, the Commission established a loan program for those residential customers wishing to convert their heating systems from steam to gas. The customers were required to go through a loan approval process in order to be eligible for the program. The loans are interest free and the loan repayment terms were open as to customer preferences but were not to exceed a ten year period. The Commission contracted with a local bank to handle the repayment process of the program. As of December 31, 2022, the Commission had outstanding loans of \$392,954 through the program. Subsequent to December 31, 2020 the program was suspended and no new loans are currently being issued.

G. 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 2022, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

Note 11: Change in Accounting Principle

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. These changes were incorporated in the City's 2022 financial statements. The City's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset and the lease receivable and related deferred inflow of resources were equal balances and had no effect on the beginning net position of the Governmental Activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Hibbing, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

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

Primary Government

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/22	0.0658 %	\$ 5,211,382	\$ 152,717	\$ 5,364,099	\$ 4,926,255	105.8 %	76.7 %
06/30/21	0.0651	2,780,062	84,912	2,864,974	4,687,743	59.3	87.0
06/30/20	0.0658	3,945,010	121,598	4,066,608	4,692,600	84.1	79.0
06/30/19	0.0685	3,787,212	117,662	3,904,874	4,845,124	78.2	80.2
06/30/18	0.0704	3,905,503	128,091	4,033,594	4,739,514	82.4	79.5
06/30/17	0.0744	4,749,647	59,683	4,809,330	4,801,051	98.9	75.9
06/30/16	0.0709	5,756,728	75,263	5,831,991	4,409,847	130.5	68.9
06/30/15	0.0732	3,793,604	-	3,793,604	4,336,769	87.5	78.2

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

Component Unit - Hibbing Public Utilities Commission

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/22	0.0585 %	\$ 4,633,219	\$ 135,798	\$ 4,769,017	\$ 4,449,229	104.0 %	76.7 %
06/30/21	0.0605	2,538,621	78,965	2,617,586	4,574,751	87.0	63.2
06/30/20	0.0650	3,897,047	120,163	4,017,210	4,636,325	84.0	79.1
06/30/19	0.0696	3,848,028	119,661	3,967,689	4,925,725	78.0	80.2
06/30/18	0.0780	4,327,120	141,834	4,468,954	5,242,301	83.0	79.5
06/30/17	0.0855	5,458,264	68,646	5,526,910	5,515,110	99.0	75.9
06/30/16	0.0907	7,364,392	96,093	7,460,485	5,425,759	136.0	68.9
06/30/15	0.0939	4,866,386	-	4,866,386	5,519,343	88.0	78.2

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Schedule of Employer's PERA Contributions - General Employees Fund

Primary Government

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 387,291	\$ 387,291	\$ -	\$ 5,163,879	7.50 %
12/31/21	353,958	353,958	-	4,719,442	7.50
12/31/20	351,886	351,886	-	4,691,813	7.50
12/31/19	359,605	359,605	-	4,794,733	7.50
12/31/18	359,498	359,498	-	4,793,307	7.50
12/31/17	347,061	347,061	-	4,627,480	7.50
12/31/16	337,181	337,181	-	4,495,747	7.50
12/31/15	341,433	341,433	-	4,552,440	7.50

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

Component Unit - Hibbing Public Utilities Commission

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 343,997	\$ 343,997	\$ -	\$ 4,576,939	7.50 %
12/31/21	322,630	322,630	-	4,452,624	7.50
12/31/20	345,036	345,036	-	4,601,631	7.50
12/31/19	361,207	361,207	-	4,816,386	7.50
12/31/18	377,111	377,111	-	5,028,369	7.50
12/31/17	410,463	410,463	-	5,457,721	7.50
12/31/16	415,642	415,642	-	5,541,887	7.50
12/31/15	420,637	420,637	-	5,608,485	7.50

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

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

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

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/22	0.3507 %	\$ 15,261,077	\$ 666,651	\$ 15,927,730	\$ 4,254,707	358.7 %	70.5 %
06/30/21	0.3447	2,660,719	119,620	2,780,339	4,079,518	65.2	93.7
06/30/20	0.3611	4,759,684	112,128	4,871,812	4,078,664	116.7	87.2
06/30/19	0.3409	3,629,225	-	3,629,225	3,597,920	100.9	89.3
06/30/18	0.3386	3,609,127	-	3,609,127	1,774,469	203.4	88.8
06/30/17	0.3540	4,779,421	-	4,779,421	3,540,481	135.0	85.4
06/30/16	0.3430	13,765,187	-	13,765,187	3,540,481	388.8	63.9
06/30/15	0.3600	4,090,442	-	4,090,442	3,446,327	118.7	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 765,127	\$ 765,127	\$ -	\$ 4,322,753	17.70 %
12/31/21	741,673	741,673	-	4,190,245	17.70
12/31/20	709,410	709,410	-	4,007,964	17.70
12/31/19	659,645	659,645	-	3,891,713	16.95
12/31/18	585,350	585,350	-	3,613,272	16.20
12/31/17	573,558	573,558	-	3,540,481	16.20
12/31/16	552,264	552,264	-	3,409,037	16.20
12/31/15	558,305	558,305	-	3,446,327	16.20

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability							
Service cost	\$ 7,288	\$ 8,999	\$ 8,737	\$ 11,290	\$ 10,961	\$ 11,412	\$ 11,079
Interest	6,548	6,411	6,144	6,820	6,601	6,699	6,418
Differences between expected and actual experience	-	(11)	-	(17,841)	-	(4,341)	116,400
Changes of assumptions	1,518	2,835	-	39	-	12	-
Benefit payments, including refunds of employee contributions	(27,900)	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Net Change in Total Pension Liability	(12,546)	18,234	(4,712)	(2,640)	(6,524)	7,292	(2,071)
Total Pension Liability - January 1	137,461	119,227	123,939	126,579	133,103	125,811	127,882
Total Pension Liability - December 31 (a)	\$ 124,915	\$ 137,461	\$ 119,227	\$ 123,939	\$ 126,579	\$ 133,103	\$ 125,811
Plan Fiduciary Net Position							
Contributions - state	25,691	25,864	26,382	\$ 24,973	\$ 25,566	\$ 24,280	\$ 28,587
Net investment income	(58,132)	26,336	24,004	38,997	(16,336)	14,938	5,008
Benefit payments, including refunds of employee contributions	(27,900)	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Administrative expense	(3,590)	(6,526)	(4,724)	(3,412)	(7,203)	(6,141)	(4,015)
Other	1,000	(2,894)	-	-	79	-	38,769
Net Change in Plan Fiduciary Net Position	(62,931)	42,780	26,069	57,610	(21,980)	26,587	(67,619)
Plan Fiduciary Net Position - January 1	376,989	334,209	308,140	250,530	272,510	245,923	313,542
Plan Fiduciary Net Position - December 31 (b)	\$ 314,058	\$ 376,989	\$ 334,209	\$ 308,140	\$ 250,530	\$ 272,510	\$ 245,923
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (189,143)	\$ (239,528)	\$ (214,982)	\$ (184,201)	\$ (123,951)	\$ (139,407)	\$ (120,112)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	251.42%	274.25%	280.31%	248.62%	197.92%	204.74%	195.47%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/22	\$ 25,691	\$ 25,691	\$ -
12/31/21	25,864	25,864	-
12/31/20	26,382	26,382	-
12/31/19	24,973	24,973	-
12/31/18	25,566	25,566	-
12/31/17	24,280	24,280	-
12/31/16	28,587	28,587	-
12/31/15	12,484	12,484	-

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Primary Government

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 271,691	\$ 371,686	\$ 258,942	\$ 441,305	\$ 389,594
Interest	617,904	793,399	1,026,040	952,784	996,965
Differences between expected and actual experience	-	2,057,367	-	-	23,832
Changes in assumptions	222,485	(1,211,246)	4,244,880	(2,349,774)	1,217,122
Benefit payments	(1,749,571)	(1,690,100)	(1,727,593)	(1,345,948)	(1,366,298)
Net Change in Total OPEB Liability	(637,491)	321,106	(2,301,633)	(2,301,633)	1,261,215
Total OPEB Liability - Beginning	29,744,930	29,423,824	25,621,555	27,923,188	26,661,973
Total OPEB Liability - Ending	<u>\$ 29,107,439</u>	<u>\$ 29,744,930</u>	<u>\$ 29,423,824</u>	<u>\$ 25,621,555</u>	<u>\$ 27,923,188</u>
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	N/A %	N/A %	N/A %	N/A %	N/A

Changes in Assumptions:

2019

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

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

The mortality projection scale was updated to MP-2018.

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

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

Component Unit - Hibbing Public Utilities Commission

	2022	2021	2020
Total OPEB Liability			
Service cost	\$ 623,529	\$ 597,214	\$ 561,246
Interest	429,946	456,552	531,232
Differences between expected and actual experience	-	(1,100,781)	-
Changes in assumptions	(4,289,364)	181,569	1,882,985
Benefit payments	(804,734)	(845,235)	(881,213)
Net Change in Total OPEB Liability	(4,040,623)	(710,681)	2,094,250
Total OPEB Liability - Beginning	20,647,976	21,358,657	19,264,407
Total OPEB Liability - Ending	<u>\$ 16,607,353</u>	<u>\$ 20,647,976</u>	<u>\$ 21,358,657</u>
Covered - Employee Payroll	\$ 4,576,939	\$ 4,452,624	\$ 4,601,631
City' Total OPEB Liability as a Percentage of Covered Employee Payroll	464.87 %	387.79 %	353.59 %

The PUC does not have a formal funding policy and does not calculate an Actuarially Determined Contribution (ADC).
As such the disclosure of a Schedule of Contributions is not required.

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

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

The City has elected to use a "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its gravel roads. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements: Roads are graded, dust control applied, travel speeds up to legal speed limit.

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

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

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

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

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

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 3. As of December 31, 2022, the City's gravel roads all rated at a Level 3.

The City expended \$386,500 on gravel road maintenance for the year ended December 31, 2019. This amount in 2019 included 44 culvert changes, 9 road lifts, and 11 spot road repairs. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2020 is a minimum of \$1,129,000 (\$386,500 projected budget each year for the years ending December 31, 2021 and 2022).

A schedule of the estimated annual amount calculated to maintain and preserve its gravel roads at the current level compared to actual expenditures for gravel road maintenance for the years ended December 31, 2006 through December 31, 2022 is presented below:

<u>Year</u>	<u>Estimated Annual Expenditures</u>	<u>Actual Expenditures</u>	<u>Funded by General Fund</u>
2006	\$ 125,000	\$ 141,244	\$ 141,244
2007	132,832	146,959	146,959
2008	139,680	150,345	150,345
2009	175,311	192,151	192,151
2010	175,311	183,088	183,088
2011	180,000	331,896	331,896
2012	200,000	362,118	362,118
2013	200,000	379,983	379,983
2014	306,000	324,888	324,888
2015	317,445	305,000	305,000
2016	356,000	328,000	328,000
2017	341,000	332,000	332,000
2018	356,000	365,000	365,000
2019	386,500	386,500	386,500
2020	386,500	386,500	386,500
2021	386,500	386,500	386,500
2022	386,500	386,500	386,500

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 358,978	\$ 4,945,474	\$ 1,067,808	\$ 6,372,260
Receivables				
Taxes	8,764	6,606	6,313	21,683
Accounts	-	10,431	-	10,431
Special assessments	-	200,346	-	200,346
Due from other governments	-	9,755	-	9,755
Prepaid items	9,537	-	-	9,537
	<u>9,537</u>	<u>-</u>	<u>-</u>	<u>9,537</u>
Total Assets	<u><u>\$ 377,279</u></u>	<u><u>\$ 5,172,612</u></u>	<u><u>\$ 1,074,121</u></u>	<u><u>\$ 6,624,012</u></u>
Liabilities				
Accounts payable	\$ 3,880	\$ 1,392	\$ 585	\$ 5,857
Due to other governments	5,937	15,901	-	21,838
Accrued salaries payable	10,729	-	-	10,729
Contracts payable	-	51,462	-	51,462
Unearned revenue	20,168	223,542	206,400	450,110
Total Liabilities	<u>40,714</u>	<u>292,297</u>	<u>206,985</u>	<u>539,996</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	198,857	-	198,857
	<u>-</u>	<u>198,857</u>	<u>-</u>	<u>198,857</u>
Fund Balances				
Nonspendable	9,537	-	-	9,537
Restricted	-	1,692,101	867,136	2,559,237
Committed	327,028	2,222,798	-	2,549,826
Assigned	-	766,559	-	766,559
Total Fund Balances	<u>336,565</u>	<u>4,681,458</u>	<u>867,136</u>	<u>5,885,159</u>
	<u>336,565</u>	<u>4,681,458</u>	<u>867,136</u>	<u>5,885,159</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 377,279</u></u>	<u><u>\$ 5,172,612</u></u>	<u><u>\$ 1,074,121</u></u>	<u><u>\$ 6,624,012</u></u>

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 585,790	\$ 637,656	\$ 422,014	\$ 1,645,460
Intergovernmental	253	83,723	224,882	308,858
Charges for services	4,394	32,050	-	36,444
Special assessments	-	39,006	-	39,006
Contributions and donations	12,114	8,351	-	20,465
Investment earnings	533	23,152	-	23,685
Total Revenues	<u>603,084</u>	<u>823,938</u>	<u>646,896</u>	<u>2,073,918</u>
Expenditures				
Current				
Culture and recreation	658,699	5,006	-	663,705
Capital outlay				
General government	-	19,915	-	19,915
Public safety	-	467,227	-	467,227
Public works	-	306,280	-	306,280
Culture and recreation	-	411,710	-	411,710
Housing and economic development	-	28,499	-	28,499
Miscellaneous	-	74,963	-	74,963
Debt service				
Principal	-	-	545,121	545,121
Interest and other	-	-	82,771	82,771
Bond issuance costs	-	6,614	-	6,614
Total Expenditures	<u>658,699</u>	<u>1,320,214</u>	<u>627,892</u>	<u>2,606,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,615)</u>	<u>(496,276)</u>	<u>19,004</u>	<u>(532,887)</u>
Other Financing Sources (Uses)				
Transfers in	177,326	624,936	-	802,262
Transfers out	-	(61,551)	-	(61,551)
Bonds issued	-	415,000	-	415,000
Sale of capital assets	-	4,255	-	4,255
Total Other Financing Sources (Uses)	<u>177,326</u>	<u>982,640</u>	<u>-</u>	<u>1,159,966</u>
Net Change in Fund Balances	121,711	486,364	19,004	627,079
Fund Balances, January 1	<u>214,854</u>	<u>4,195,094</u>	<u>848,132</u>	<u>5,258,080</u>
Fund Balances, December 31	<u>\$ 336,565</u>	<u>\$ 4,681,458</u>	<u>\$ 867,136</u>	<u>\$ 5,885,159</u>

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2022

	211	220	225	421	
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans	Total
Assets					
Cash and temporary investments	\$ 195,196	\$ 52,151	\$ 26,763	\$ 84,868	\$ 358,978
Receivables					
Taxes	8,764	-	-	-	8,764
Prepaid items	9,537	-	-	-	9,537
Total Assets	\$ 213,497	\$ 52,151	\$ 26,763	\$ 84,868	\$ 377,279
Liabilities					
Accounts and other payables	\$ 3,880	\$ -	\$ -	\$ -	\$ 3,880
Due to other governments	5,937	-	-	-	5,937
Accrued salaries payable	10,729	-	-	-	10,729
Unearned revenue	20,168	-	-	-	20,168
Total Liabilities	40,714	-	-	-	40,714
Fund Balances					
Nonspendable	9,537	-	-	-	9,537
Committed	163,246	52,151	26,763	84,868	327,028
Total Fund Balances	172,783	52,151	26,763	84,868	336,565
Total Liabilities and Fund Balances	\$ 213,497	\$ 52,151	\$ 26,763	\$ 84,868	\$ 377,279

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2022

	211	220	225	421	
	<u>Library</u>	<u>Housing Incentive</u>	<u>Small Cities Development</u>	<u>Minnesota Investment Revolving Loans</u>	<u>Total</u>
Revenues					
Taxes	\$ 585,790	\$ -	\$ -	\$ -	\$ 585,790
Property taxes					
Intergovernmental	253	-	-	-	253
Charges for services	4,394	-	-	-	4,394
Contributions and donations	12,114	-	-	-	12,114
Investment earnings	-	345	177	11	533
Total Revenues	<u>602,551</u>	<u>345</u>	<u>177</u>	<u>11</u>	<u>603,084</u>
Expenditures					
Current					
Culture and recreation	<u>658,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>658,699</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,148)	345	177	11	(55,615)
Other Financing Sources (Uses)					
Transfers in	<u>177,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,326</u>
Net Change in Fund Balances	121,178	345	177	11	121,711
Fund Balances, January 1	<u>51,605</u>	<u>51,806</u>	<u>26,586</u>	<u>84,857</u>	<u>214,854</u>
Fund Balances, December 31	<u>\$ 172,783</u>	<u>\$ 52,151</u>	<u>\$ 26,763</u>	<u>\$ 84,868</u>	<u>\$ 336,565</u>

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City of Hibbing, Minnesota
Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 586,043	\$ 586,043	\$ 585,790	\$ (253)
Intergovernmental	-	-	253	253
Charges for services	6,200	6,200	4,394	(1,806)
Contributions and donations	12,623	12,623	12,114	(509)
Total Revenues	<u>604,866</u>	<u>604,866</u>	<u>602,551</u>	<u>(2,315)</u>
Expenditures				
Current				
Culture and recreation				
Personnel services	574,742	574,742	462,175	112,567
Supplies	100,550	100,550	87,492	13,058
Other	106,900	106,900	109,032	(2,132)
Total Expenditures	<u>782,192</u>	<u>782,192</u>	<u>658,699</u>	<u>123,493</u>
Deficiency of Revenues Under Expenditures	(177,326)	(177,326)	(56,148)	121,178
Other Financing Sources (Uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>177,326</u>	<u>177,326</u>
Net Change in Fund Balances	(177,326)	(177,326)	121,178	298,504
Fund Balances, January 1	<u>51,605</u>	<u>51,605</u>	<u>51,605</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (125,721)</u>	<u>\$ (125,721)</u>	<u>\$ 172,783</u>	<u>\$ 298,504</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2022

	405	415	430	400
	Urban Redevelopment	Privately- Financed	Memorial Building	Capital Equipment and Improvement
Assets				
Cash and temporary investments	\$ 241,304	\$ 62,105	\$ 54,566	\$ 3,339,515
Receivables				
Taxes	-	-	-	6,606
Accounts	-	250	1,975	206
Special assessments	-	200,346	-	-
Due from other governments	-	-	-	9,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 241,304</u>	<u>\$ 262,701</u>	<u>\$ 56,541</u>	<u>\$ 3,356,082</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,392
Due to other governments	-	15,901	-	-
Contracts payable	19,425	-	-	32,037
Unearned revenue	-	-	-	65,000
Total Liabilities	<u>19,425</u>	<u>15,901</u>	<u>-</u>	<u>98,429</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	198,857	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	-	-	645,789
Committed	-	-	56,541	2,166,257
Assigned	221,879	47,943	-	445,607
Total Fund Balances	<u>221,879</u>	<u>47,943</u>	<u>56,541</u>	<u>3,257,653</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 241,304</u>	<u>\$ 262,701</u>	<u>\$ 56,541</u>	<u>\$ 3,356,082</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2022

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Assets				
Cash and temporary investments	\$ 1,046,312	\$ 178,978	\$ 22,694	\$ 4,945,474
Receivables				
Taxes	-	-	-	6,606
Accounts	-	8,000	-	10,431
Special assessments	-	-	-	200,346
Due from other governments	-	-	-	9,755
Total Assets	<u>\$ 1,046,312</u>	<u>\$ 186,978</u>	<u>\$ 22,694</u>	<u>\$ 5,172,612</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,392
Due to other governments	-	-	-	15,901
Contracts payable	-	-	-	51,462
Unearned revenue	-	158,542	-	223,542
Total Liabilities	<u>-</u>	<u>158,542</u>	<u>-</u>	<u>292,297</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	198,857
Fund Balances				
Restricted	1,046,312	-	-	1,692,101
Committed	-	-	-	2,222,798
Assigned	-	28,436	22,694	766,559
Total Fund Balances	<u>1,046,312</u>	<u>28,436</u>	<u>22,694</u>	<u>4,681,458</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,046,312</u>	<u>\$ 186,978</u>	<u>\$ 22,694</u>	<u>\$ 5,172,612</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2022

	405	415	430	400
	Urban Revelopment	Privately- Financed	Memorial Building	Capital Equipment and Improvement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 441,542
Intergovernmental	-	-	-	83,723
Charges for services	-	-	20,050	-
Special assessments	-	39,006	-	-
Contributions and donations	-	-	-	8,351
Investment earnings	378	107	300	21,080
Total Revenues	<u>378</u>	<u>39,113</u>	<u>20,350</u>	<u>554,696</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	-	-	19,915
Public safety	-	-	-	467,227
Public works	-	104,370	-	201,910
Culture and recreation	-	-	800	410,910
Housing and economic development	28,499	-	-	-
Miscellaneous	-	-	-	74,963
Debt service				
Bond issuance costs	-	-	-	6,614
Total Expenditures	<u>28,499</u>	<u>104,370</u>	<u>800</u>	<u>1,181,539</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,121)</u>	<u>(65,257)</u>	<u>19,550</u>	<u>(626,843)</u>
Other Financing Sources (Uses)				
Transfers in	250,000	75,000	-	299,936
Transfers out	-	-	-	-
Bonds issuance	-	-	-	415,000
Sale of capital assets	-	-	-	4,255
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>75,000</u>	<u>-</u>	<u>719,191</u>
Net Change in Fund Balances	221,879	9,743	19,550	92,348
Fund Balances, January 1	<u>-</u>	<u>38,200</u>	<u>36,991</u>	<u>3,165,305</u>
Fund Balances, December 31	<u>\$ 221,879</u>	<u>\$ 47,943</u>	<u>\$ 56,541</u>	<u>\$ 3,257,653</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2022

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Revenues				
Taxes	\$ 196,114	\$ -	\$ -	\$ 637,656
Intergovernmental	-	-	-	83,723
Charges for services	-	12,000	-	32,050
Special assessments	-	-	-	39,006
Contributions and donations	-	-	-	8,351
Investment earnings	-	1,137	150	23,152
Total Revenues	<u>196,114</u>	<u>13,137</u>	<u>150</u>	<u>823,938</u>
Expenditures				
Current				
Culture and recreation	-	5,006	-	5,006
Capital outlay				
General government	-	-	-	19,915
Public safety	-	-	-	467,227
Public works	-	-	-	306,280
Culture and recreation	-	-	-	411,710
Housing and economic development	-	-	-	28,499
Miscellaneous	-	-	-	74,963
Debt service				
Bond issuance costs	-	-	-	6,614
Total Expenditures	<u>-</u>	<u>5,006</u>	<u>-</u>	<u>1,320,214</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>196,114</u>	<u>8,131</u>	<u>150</u>	<u>(496,276)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	624,936
Transfers out	(61,551)	-	-	(61,551)
Bonds issuance	-	-	-	415,000
Sale of capital assets	-	-	-	4,255
Total Other Financing Sources (Uses)	<u>(61,551)</u>	<u>-</u>	<u>-</u>	<u>982,640</u>
Net Change in Fund Balances	134,563	8,131	150	486,364
Fund Balances, January 1	<u>911,749</u>	<u>20,305</u>	<u>22,544</u>	<u>4,195,094</u>
Fund Balances, December 31	<u>\$ 1,046,312</u>	<u>\$ 28,436</u>	<u>\$ 22,694</u>	<u>\$ 4,681,458</u>

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2022

	395 2002 G.O. Refunding Bonds	396 2013A G.O. 2020A Refunding MSA Bonds	308 2018A G.O. Bonds	309 2012A G.O. Bonds	310 2020A Refunding Bonds (2013A Equipment Certificates)	Total
Assets						
Cash and temporary investments	\$ 357,631	\$ 273,593	\$ 190,545	\$ 83,830	\$ 162,209	\$ 1,067,808
Receivables						
Taxes	-	-	2,534	1,979	1,800	6,313
Total Assets	<u>\$ 357,631</u>	<u>\$ 273,593</u>	<u>\$ 193,079</u>	<u>\$ 85,809</u>	<u>\$ 164,009</u>	<u>\$ 1,074,121</u>
Liabilities						
Accounts and other payables	\$ -	\$ 117	\$ 117	\$ 117	\$ 234	\$ 585
Unearned revenue	-	206,400	-	-	-	206,400
Total Liabilities	<u>-</u>	<u>206,517</u>	<u>117</u>	<u>117</u>	<u>234</u>	<u>206,985</u>
Fund Balances						
Restricted for debt service	357,631	67,076	192,962	85,692	163,775	867,136
Total Liabilities and Fund Balances	<u>\$ 357,631</u>	<u>\$ 273,593</u>	<u>\$ 193,079</u>	<u>\$ 85,809</u>	<u>\$ 164,009</u>	<u>\$ 1,074,121</u>

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2022

	395	396	308	309	310	
	2002 G.O. Refunding Bonds	2013A G.O. 2020A Refunding MSA Bonds	2018A G.O. Bonds	2012A G.O. Bonds	2020A Refunding Bonds (2013A Equipment Certificates)	Total
Revenues						
Taxes	\$ -	\$ -	\$ 169,397	\$ 132,308	\$ 120,309	\$ 422,014
Intergovernmental	-	224,699	74	57	52	224,882
Total Revenues	-	224,699	169,471	132,365	120,361	646,896
Expenditures						
Debt service						
Principal	-	190,000	130,000	125,000	100,121	545,121
Interest and other	-	35,087	31,641	1,179	14,864	82,771
Total Expenditures	-	225,087	161,641	126,179	114,985	627,892
Net Change in Fund Balances	-	(388)	7,830	6,186	5,376	19,004
Fund Balances, January 1	357,631	67,464	185,132	79,506	158,399	848,132
Fund Balances, December 31	<u>\$ 357,631</u>	<u>\$ 67,076</u>	<u>\$ 192,962</u>	<u>\$ 85,692</u>	<u>\$ 163,775</u>	<u>\$ 867,136</u>

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 5,826,496	\$ 5,826,496	\$ 5,847,782	\$ 21,286	\$ 5,267,664
Taconite	2,604,196	2,604,196	2,637,896	33,700	2,589,383
Franchise	130,000	130,000	126,505	(3,495)	135,187
Total taxes	<u>8,560,692</u>	<u>8,560,692</u>	<u>8,612,183</u>	<u>51,491</u>	<u>7,992,234</u>
Licenses and permits					
Business	<u>105,836</u>	<u>105,836</u>	<u>141,336</u>	<u>35,500</u>	<u>121,282</u>
Intergovernmental					
Federal					
Transportation	269,812	269,812	135,925	(133,887)	22,431
Other	5,000	5,000	123,895	118,895	79,455
State					
Local government aid	8,308,919	8,308,919	8,308,919	-	8,280,595
Market value credit	2,767	2,767	2,777	10	2,940
Transportation	440,046	440,046	324,113	(115,933)	430,634
Police and fire aid	292,000	292,000	365,651	73,651	336,904
Other	70,500	70,500	80,514	10,014	143,067
Local					
Other	<u>26,605</u>	<u>26,605</u>	<u>73,503</u>	<u>46,898</u>	<u>59,283</u>
Total intergovernmental	<u>9,415,649</u>	<u>9,415,649</u>	<u>9,415,297</u>	<u>(352)</u>	<u>9,355,309</u>
Charges for services					
General government	63,350	63,350	75,365	12,015	68,528
Public safety	1,603,000	1,603,000	1,763,740	160,740	2,073,403
Highways and streets	1,000	1,000	-	(1,000)	1,790
Culture and recreation	302,750	302,750	277,732	(25,018)	208,852
Cemetery	75,100	75,100	79,045	3,945	88,515
Total charges for services	<u>2,045,200</u>	<u>2,045,200</u>	<u>2,195,882</u>	<u>150,682</u>	<u>2,441,088</u>
Fines and forfeitures	<u>52,100</u>	<u>52,100</u>	<u>76,319</u>	<u>24,219</u>	<u>83,512</u>
Investment earnings (loss)	<u>50,000</u>	<u>50,000</u>	<u>(353,397)</u>	<u>(403,397)</u>	<u>(73,006)</u>
Contributions and donations	<u>6,200</u>	<u>6,200</u>	<u>16,200</u>	<u>10,000</u>	<u>53,062</u>
Miscellaneous					
Other	<u>51,000</u>	<u>51,000</u>	<u>72,707</u>	<u>21,707</u>	<u>143,523</u>
Total Revenues	<u>20,286,677</u>	<u>20,286,677</u>	<u>20,176,527</u>	<u>(110,150)</u>	<u>20,117,004</u>
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	247,929	247,929	227,174	20,755	227,460
Supplies	10,000	10,000	1,675	8,325	1,713
Other services and charges	50,600	50,600	47,384	3,216	42,100
Total mayor and council	<u>308,529</u>	<u>308,529</u>	<u>276,233</u>	<u>32,296</u>	<u>271,273</u>

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Administration					
Personnel services	\$ 190,846	\$ 190,846	\$ 178,573	\$ 12,273	\$ 345,611
Supplies	5,000	5,000	9,238	(4,238)	2,255
Other services and charges	19,500	19,500	4,926	14,574	3,873
Total administration	215,346	215,346	192,737	22,609	351,739
Elections					
Personnel services	50,144	50,144	49,403	741	717
Supplies	4,800	4,800	3,344	1,456	-
Other services and charges	18,700	18,700	14,376	4,324	3,665
Total elections	73,644	73,644	67,123	6,521	4,382
City clerk					
Personnel services	634,225	634,225	568,496	65,729	540,844
Supplies	11,000	11,000	7,846	3,154	4,657
Other services and charges	46,000	46,000	29,796	16,204	33,570
Total city clerk	691,225	691,225	606,138	85,087	579,071
City hall					
Supplies	20,750	20,750	20,810	(60)	20,039
Other services and charges	80,500	80,500	68,359	12,141	66,431
Total city hall	101,250	101,250	89,169	12,081	86,470
Accounting					
Other services and charges	55,000	55,000	55,075	(75)	47,475
Data processing					
Supplies	2,000	2,000	1,629	371	521
Other services and charges	145,000	145,000	152,897	(7,897)	138,029
Total data processing	147,000	147,000	154,526	(7,526)	138,550
Legal					
Other services and charges	170,000	170,000	141,436	28,564	148,571
Personnel administration					
Personnel services	134,838	134,838	214,293	(79,455)	117,850
Supplies	3,000	3,000	463	2,537	1,035
Other services and charges	88,650	88,650	97,170	(8,520)	65,104
Total personnel administration	226,488	226,488	311,926	(85,438)	183,989
Zoning and housing					
Personnel services	191,213	191,213	190,753	460	185,820
Supplies	2,700	2,700	1,980	720	1,770
Other services and charges	45,700	45,700	33,575	12,125	34,085
Total zoning and housing	239,613	239,613	226,308	13,305	221,675

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Assessor					
Personnel services	\$ 73,961	\$ 73,961	\$ 73,754	\$ 207	74,212
Supplies	100	100	-	100	-
Other services and charges	200	200	42	158	135
Total assessor	74,261	74,261	73,796	465	74,347
Total general government	2,302,356	2,302,356	2,194,467	107,889	2,107,542
Public safety					
Police					
Personnel services	3,522,095	3,522,095	3,451,903	70,192	3,471,007
Supplies	219,000	219,000	278,822	(59,822)	159,746
Other services and charges	244,260	244,260	265,022	(20,762)	218,765
Total police	3,985,355	3,985,355	3,995,747	(10,392)	3,849,518
Animal shelter					
Supplies	7,000	7,000	1,155	5,845	1,279
Other services and charges	147,800	147,800	128,952	18,848	71,523
Total animal shelter	154,800	154,800	130,107	24,693	72,802
Fire					
Personnel services	2,135,119	2,135,119	1,962,984	172,135	2,033,221
Supplies	131,500	131,500	123,735	7,765	70,930
Other services and charges	162,800	162,800	114,754	48,046	124,511
Total fire	2,429,419	2,429,419	2,201,473	227,946	2,228,662
Paid on-call					
Personnel services	38,443	38,443	31,890	6,553	35,863
Supplies	57,000	57,000	54,679	2,321	30,146
Other services and charges	69,000	69,000	60,552	8,448	63,026
Total paid on-call	164,443	164,443	147,121	17,322	129,035
Civil defense					
Other services and charges	5,500	5,500	6,272	(772)	5,302
Ambulance					
Personnel services	1,114,332	1,114,332	1,099,980	14,352	1,081,718
Supplies	115,000	115,000	170,727	(55,727)	125,625
Other services and charges	182,250	182,250	141,515	40,735	112,486
Total ambulance	1,411,582	1,411,582	1,412,222	(640)	1,319,829
Total public safety	8,151,099	8,151,099	7,892,942	258,157	7,605,148

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Engineering					
Personnel services	\$ 365,570	\$ 365,570	\$ 367,672	\$ (2,102)	367,683
Supplies	7,300	7,300	8,364	(1,064)	5,847
Other services and charges	38,260	38,260	21,437	16,823	37,981
Total engineering	411,130	411,130	397,473	13,657	411,511
Streets and alleys					
Personnel services	1,619,105	1,619,105	1,529,942	89,163	1,493,884
Supplies	579,250	579,250	788,922	(209,672)	526,747
Other services and charges	70,250	70,250	59,388	10,862	179,221
Total streets and alleys	2,268,605	2,268,605	2,378,252	(109,647)	2,199,852
Street lighting					
Other services and charges	58,000	58,000	63,335	(5,335)	57,290
Garage					
Personnel services	292,709	292,709	238,523	54,186	239,334
Supplies	50,000	50,000	43,548	6,452	35,106
Other services and charges	171,500	171,500	161,450	10,050	152,650
Total garage	514,209	514,209	443,521	70,688	427,090
Total public works	3,251,944	3,251,944	3,282,581	(30,637)	3,095,743
Culture and recreation					
Recreation					
Supplies	25,300	25,300	16,577	8,723	14,477
Other services and charges	38,300	38,300	21,964	16,336	17,726
Total recreation	63,600	63,600	38,541	25,059	32,203
Memorial building					
Personnel services	1,000	1,000	-	1,000	-
Supplies	67,000	67,000	64,423	2,577	71,726
Other services and charges	334,000	334,000	306,483	27,517	262,397
Total memorial building	402,000	402,000	370,906	31,094	334,123
Municipal golf course					
Supplies	20,325	20,325	16,658	3,667	17,696
Other services and charges	47,150	47,150	38,963	8,187	48,787
Total municipal golf course	67,475	67,475	55,621	11,854	66,483
Parks					
Supplies	80,100	80,100	76,922	3,178	82,602
Other services and charges	89,830	89,830	64,809	25,021	90,048
Total parks	169,930	169,930	141,731	28,199	172,650
City services					
Personnel services	1,653,309	1,653,309	1,398,554	254,755	1,523,305
Total culture and recreation	2,356,314	2,356,314	2,005,353	350,961	2,128,764

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Economic development					
Administration					
Supplies	\$ 300	\$ 300	\$ 269	\$ 31	110
Other services and charges	65,300	65,300	26,823	38,477	18,080
Total economic development	65,600	65,600	27,092	38,508	18,190
Transportation					
Bus					
Personnel services	30,450	30,450	15,068	15,382	15,267
Supplies	86,838	86,838	88,593	(1,755)	83,320
Other services and charges	405,495	405,495	362,009	43,486	348,437
Total transportation	522,783	522,783	465,670	57,113	447,024
Miscellaneous					
Cemetery					
Personnel services	209,085	209,085	197,417	11,668	244,869
Supplies	34,000	34,000	28,190	5,810	25,967
Other services and charges	22,000	22,000	11,062	10,938	15,043
Total cemetery	265,085	265,085	236,669	28,416	285,879
Public access					
Other services and charges	110,000	110,000	147,987	(37,987)	98,903
Insurance					
Other services and charges	2,152,170	2,152,170	2,022,177	129,993	2,159,116
Donations and contributions					
Other services and charges	25,000	25,000	21,449	3,551	21,865
Other					
Other services and charges	427,000	427,000	86,075	340,925	50,931
Total miscellaneous	2,979,255	2,979,255	2,514,357	464,898	2,616,694
Total current	19,629,351	19,629,351	18,382,462	1,246,889	18,019,105

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			2021
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Capital outlay				
Public safety	\$ -	\$ -	\$ 111,160	\$ -
Culture and recreation	-	-	78,075	-
Transportation	205,000	205,000	-	-
Total capital outlay	205,000	205,000	189,235	-
Debt service				
Principal	275,000	275,000	203,334	-
Interest and other	-	-	3,304	-
Total debt service	275,000	275,000	206,638	-
Total Expenditures	20,109,351	20,109,351	18,778,335	18,019,105
Excess of Revenues Over Expenditures	177,326	177,326	1,398,192	2,097,899
Other Financing Sources (Uses)				
Transfers out	(177,326)	(177,326)	(665,711)	(510,815)
Financed purchase obligation issued	-	-	78,075	78,075
Lease issued	-	-	111,160	111,160
Sale of capital assets	-	-	30,288	28,043
Total Other Financing Sources (Uses)	(177,326)	(177,326)	(446,188)	(482,772)
Net Change in Fund Balances	-	-	952,004	1,615,127
Fund Balances, January 1	26,228,855	26,228,855	26,228,855	24,613,728
Fund Balances, December 31	\$ 26,228,855	\$ 26,228,855	\$ 27,180,859	\$ 26,228,855

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued on the Following Pages)
December 31, 2022

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Assets				
Cash and temporary investments	\$ 463,461	\$ 1,429,224	\$ 53,983	\$ (2,013)
Receivables				
Taxes	1,573	-	-	-
Accounts	610	-	-	-
Leases	-	-	-	-
Loans, net of allowance	-	2,212,534	-	162,518
Capital assets				
Buildings	-	-	-	-
Less accumulated depreciation	-	-	-	-
Total Assets	<u>\$ 465,644</u>	<u>\$ 3,641,758</u>	<u>\$ 53,983</u>	<u>\$ 160,505</u>
Liabilities				
Accounts payable	\$ 7,830	\$ -	\$ 117	\$ -
Accrued salaries payable	10,067	-	-	-
Loans payable	-	-	-	-
Due to other governments	-	-	252	-
Contracts payable	12,850	-	-	-
Total Liabilities	<u>30,747</u>	<u>-</u>	<u>369</u>	<u>-</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2022

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Deferred Inflows of Resources				
Deferred lease resources	\$ -	\$ -	\$ -	\$ -
Fund Balances/Net Position				
Fund balances				
Restricted for debt service	-	-	53,614	-
Restricted economic development	-	-	-	-
Committed	434,897	3,641,758	-	-
Assigned	-	-	-	160,505
Net position				
Net investment in capital assets	-	-	-	-
Unrestricted	-	-	-	-
Total Fund Balances/ Net Position	434,897	3,641,758	53,614	160,505
Total Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position	\$ 465,644	\$ 3,641,758	\$ 53,983	\$ 160,505

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2022

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Assets					
Cash and temporary investments	\$ 133,647	\$ 172,976	\$ 184,864	\$ 3,000	\$ 2,439,142
Receivables					
Taxes	-	-	1,262	-	2,835
Accounts	-	-	-	62,739	63,349
Leases	-	-	-	124,512	124,512
Loans, net of allowance	84,357	-	-	-	2,459,409
Capital assets					
Buildings	-	-	-	626,319	626,319
Less accumulated depreciation	-	-	-	(55,460)	(55,460)
Total Assets	\$ 218,004	\$ 172,976	\$ 186,126	\$ 761,110	\$ 5,660,106
Liabilities					
Accounts payable	\$ -	\$ -	\$ 4,723	\$ 14,725	\$ 27,395
Accrued salaries payable	-	-	-	-	10,067
Loans payable	-	-	-	547,133	547,133
Due to other governments	-	172,976	32,596	7,518	213,342
Contracts payable	-	-	-	-	12,850
Total Liabilities	-	172,976	37,319	569,376	810,787

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2022

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Deferred Inflows of Resources					
Deferred lease resources	\$ -	\$ -	\$ -	\$ 111,851	\$ 111,851
Fund Balances/Net Position					
Fund balances					
Restricted for debt service	-	-	-	-	53,614
Restricted economic development	-	-	-	-	-
Committed	-	-	-	-	4,076,655
Assigned	218,004	-	148,807	-	527,316
Net position					
Net investment in capital assets	-	-	-	23,726	23,726
Unrestricted	-	-	-	56,157	56,157
Total Fund Balances/ Net Position	218,004	-	148,807	79,883	4,737,468
Total Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position	<u>\$ 218,004</u>	<u>\$ 172,976</u>	<u>\$ 186,126</u>	<u>\$ 761,110</u>	<u>\$ 5,660,106</u>
Amounts reported for the Economic Development Authority in the statement of net position are different because					
Total Fund Balances/Net Position Reported above					\$ 4,737,468
Capital assets used in the Economic Development Authority are not financial resources and therefore are not reported as assets in the funds.					
Cost of capital assets					157,444
Less accumulated depreciation					(7,949)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
Bonds payable					(723,287)
Net pension liability					(67,037)
Governmental funds do not report a liability for accrued interest until due and payable.					(4,692)
Governmental funds of the Economic Development Authority do not report long-term amounts related to pensions.					
Deferred outflows of resources					19,558
Deferred inflows of resources					(2,037)
Total Net Position - Economic Development Authority					<u>\$ 4,109,468</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued on the Following Pages)
For the Year Ended December 31, 2022

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Revenues				
Taxes				
General property taxes	\$ 105,131	\$ -	\$ -	\$ -
Tax increments	-	-	76,724	-
Intergovernmental	45	-	-	-
Charges for services	-	-	-	-
Interest earnings	3,360	38	-	6
Miscellaneous	-	51,578	-	-
Total Revenues	<u>108,536</u>	<u>51,616</u>	<u>76,724</u>	<u>6</u>
Expenditures/Expenses				
Current				
Housing and economic development				
Administration	128,248	-	1,653	-
Professional services	72,058	-	-	-
Depreciation	-	-	-	-
Debt service/nonoperating expense				
Principal	-	-	40,000	-
Interest and other	-	-	11,972	-
Total Expenditures/Expenses	<u>200,306</u>	<u>-</u>	<u>53,625</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures/Expenses	(91,770)	51,616	23,099	6
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2022

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Net Change in Fund Balances/Net Position	\$ (91,770)	\$ 51,616	\$ 23,099	\$ 6
Fund Balances/ Net Position, January 1	<u>526,667</u>	<u>3,590,142</u>	<u>30,515</u>	<u>160,499</u>
Fund Balances/Net Position, December 31	<u><u>\$ 434,897</u></u>	<u><u>\$ 3,641,758</u></u>	<u><u>\$ 53,614</u></u>	<u><u>\$ 160,505</u></u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2022

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Revenues					
Taxes					
General property taxes	\$ -	\$ -	\$ 96,472	\$ -	\$ 201,603
Tax increments	-	16,103	-	-	92,827
Intergovernmental	-	-	36	-	81
Charges for services	-	-	-	61,093	61,093
Interest earnings	-	1,078	1,021	-	5,503
Miscellaneous	5,912	-	-	-	57,490
Total Revenues	<u>5,912</u>	<u>17,181</u>	<u>97,529</u>	<u>61,093</u>	<u>418,597</u>
Expenditures/Expenses					
Current					
Housing and economic development					
Administration	-	2,303	84,528	18,397	235,129
Professional services	-	-	-	-	72,058
Depreciation	-	-	-	16,455	16,455
Debt service/nonoperating expense					
Principal	-	-	-	-	40,000
Interest and other	-	-	-	-	11,972
Total Expenditures/Expenses	<u>-</u>	<u>2,303</u>	<u>84,528</u>	<u>34,852</u>	<u>375,614</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures/Expenses	5,912	14,878	13,001	26,241	42,983
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>(172,724)</u>	<u>-</u>	<u>-</u>	<u>(172,724)</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2022

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Net Change in Fund Balances/Net Position	\$ 5,912	\$ (157,846)	\$ 13,001	\$ 26,241	\$ (129,741)
Fund Balances/ Net Position, January 1	212,092	157,846	135,806	53,642	4,867,209
Fund Balances/Net Position, December 31	<u>\$ 218,004</u>	<u>\$ -</u>	<u>\$ 148,807</u>	<u>\$ 79,883</u>	<u>\$ 4,737,468</u>

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

Net Change in Fund Balances/Net Position Reported above \$ (129,741)

Capital outlays are reported in the fund financial statements as expenditures for governmental activities. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.
Depreciation expense (691)

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

Principal repayments 40,000
Amortization of bond discount (1,712)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,775

Long-term pension activity is not reported in governmental funds of the Economic Development Authority.
Pension expense (39,308)
Pension revenue from state contributions 293

Change in Net Position - Economic Development Authority \$ (126,384)

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Statement of Cash Flows
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds <u>610</u>
	<u>1111 7th Ave East</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ (5,465)
Payments to suppliers	(25,271)
Net Cash Used by Operating Activities	<u>(30,736)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>(17,615)</u>
Net Decrease in Cash and Cash Equivalents	(48,351)
Cash and Cash Equivalents, January 1	<u>51,351</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 3,000</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating income	\$ 26,241
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	16,455
(Increase) in assets	
Accounts receivable	(53,897)
Lease receivable	(124,512)
Increase (Decrease) in liabilities and deferred inflow of resources	
Accounts and other payables	(9,930)
Due to other governments	3,056
Deferred lease resources	<u>111,851</u>
Net Cash Used by Operating Activities	<u><u>\$ (30,736)</u></u>

City of Hibbing, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2022

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 11,197,236	\$ 10,553,485	6.10 %
Special assessments	39,006	83,037	(53.03)
Licenses and permits	141,336	121,282	16.54
Intergovernmental	11,748,236	10,942,340	7.36
Charges for services	2,232,326	2,464,125	(9.41)
Fines and forfeitures	76,319	83,512	(8.61)
Contributions and donations	36,665	129,956	(71.79)
Investment earnings (loss)	(251,486)	(59,041)	N/A
Miscellaneous	72,707	143,523	(49.34)
Total Revenues	<u>\$ 25,292,345</u>	<u>\$ 24,462,219</u>	3.39 %
Per Capita	<u>\$ 1,574</u>	<u>\$ 1,509</u>	4.36 %
Expenditures			
Current			
General government	\$ 2,194,467	\$ 2,107,542	4.12 %
Public safety	7,892,942	7,605,148	3.78
Public works	3,282,581	3,095,743	6.04
Culture and recreation	2,669,058	2,903,084	(8.06)
Economic development	55,591	18,190	205.61
Transportation	465,670	447,024	4.17
Miscellaneous	2,514,357	2,616,694	(3.91)
Capital outlay			
General government	19,915	10,862	83.35
Public safety	467,227	292,604	59.68
Public works	3,170,649	2,059,402	53.96
Culture and recreation	489,785	801,873	(38.92)
Miscellaneous	74,963	28,113	166.65
Debt service			
Principal	748,455	460,000	62.71
Interest and other	86,075	79,276	8.58
Bond issuance costs	6,614	-	N/A
Total Expenditures	<u>\$ 24,138,349</u>	<u>\$ 22,525,555</u>	7.16 %
Per Capita	<u>\$ 1,503</u>	<u>\$ 1,389</u>	8.16 %
Total Long-term Indebtedness	\$ 3,255,000	\$ 3,385,000	(3.84) %
Per Capita	203	209	(2.94)
General Fund Balance - December 31	\$ 27,180,859	\$ 26,228,855	3.63 %
Per Capita	1,692	1,618	4.60

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

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OTHER REQUIRED REPORTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hibbing, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



Abdo
Minneapolis, Minnesota
August 15, 2023

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

Honorable Mayor and City Council
City of Hibbing, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

The City's Response to the Finding

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

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
August 15, 2023



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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

Honorable Mayor and City Council
City of Hibbing, Minnesota

Opinion on Each Major Federal Program

We have audited the City of Hibbing, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Finding, Response and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Abdo
Minneapolis, Minnesota
August 15, 2023



City of Hibbing, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Funding Source	Administering Department	Assistance Listing Number	Program Name	Federal Program Cluster	Total Federal Expenditures
U.S. Department of Housing and Urban Development	Saint Louis County	14.218	Community Development Block Grants/Entitlement Grants	<u>\$ 150,000</u>	
			Total Community Development Block Grant Cluster		\$ 150,000
U.S. Department of Transportation	Minnesota Department of Transportation	20.205	Highway Planning and Construction	51,310	
U.S. Department of Transportation	Minnesota Department of Transportation	20.205	Highway Planning and Construction	<u>720,000</u>	
			Total Highway Planning and Construction Cluster		771,310
U.S. Department of Transportation	Minnesota Commissioner of Transportation	20.509	Formula Grants for Rural Areas and Tribal Transit Program		135,925
National Endowment for the Humanities	Minnesota Department of Education	45.31	Grants to States		4,687
U.S. Department of Homeland Security	Minnesota Department of Homeland Security	97.036	Disaster Grants-Public Assistance		50,956
U.S. Department of Homeland Security	Direct	97.044	Assistance to Firefighters Grant		32,010
U.S. Department of Justice	Direct	16.607	Bulletproof Vest Partnership Program		6,921
U.S. Department of Treasury	Minnesota Department of Revenue	21.027	Coronavirus State and Local Fiscal Recovery Funds - COVID 19		<u>736,054</u>
	Total				<u><u>\$ 1,887,863</u></u>

City of Hibbing, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hibbing, Minnesota (the City) for the year ended December 31, 2022. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

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

Note 3: Pass-through Entity Identifying Numbers

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

Note 4: Subrecipients

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

Note 5: Indirect Cost Rate

During the year ended December 31, 2022, the City did not elect to use the 10% de minimis indirect cost rate.

City of Hibbing, Minnesota
Schedule of Finding, Response and Questioned Costs
For the Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Highway Planning and Construction Cluster	20.205
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

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

Other Issues

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

City of Hibbing, Minnesota
Schedule of Finding, Response and Questioned Costs (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.