

ANNUAL FINANCIAL REPORT

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Hibbing, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
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City of Hibbing, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

ELECTED

Name	Title	Term Expires
Pete Hyduke	Mayor	12/31/26
James Bayliss	Council Member	12/31/26
Chris Whitney	Council Member	12/31/24
Jennifer Hoffman Saccoman	Council Member	12/31/24
Justin Fosso	Member-at-Large	12/31/26
John Schweiberger	Member-at-Large	12/31/24
Jay Hildenbrand	Council Member	12/31/26

APPOINTED

Greg Pruszinske	City Administrator
Sheena Mulner	Finance Director/Treasurer
Candie Seppala	City Clerk/Deputy Administrator
Andy Borland	City Attorney

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FINANCIAL SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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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, 2023, 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, 2023, 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, 2023, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hibbing Public Utilities Commission is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer's Contributions, and the Schedule of Changes in the City's OPEB Liability and Related Ratios), and the Notes to the Required Supplementary Information, 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 is the responsibility of management and, 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 12, 2024 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 12, 2024



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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, 2023.

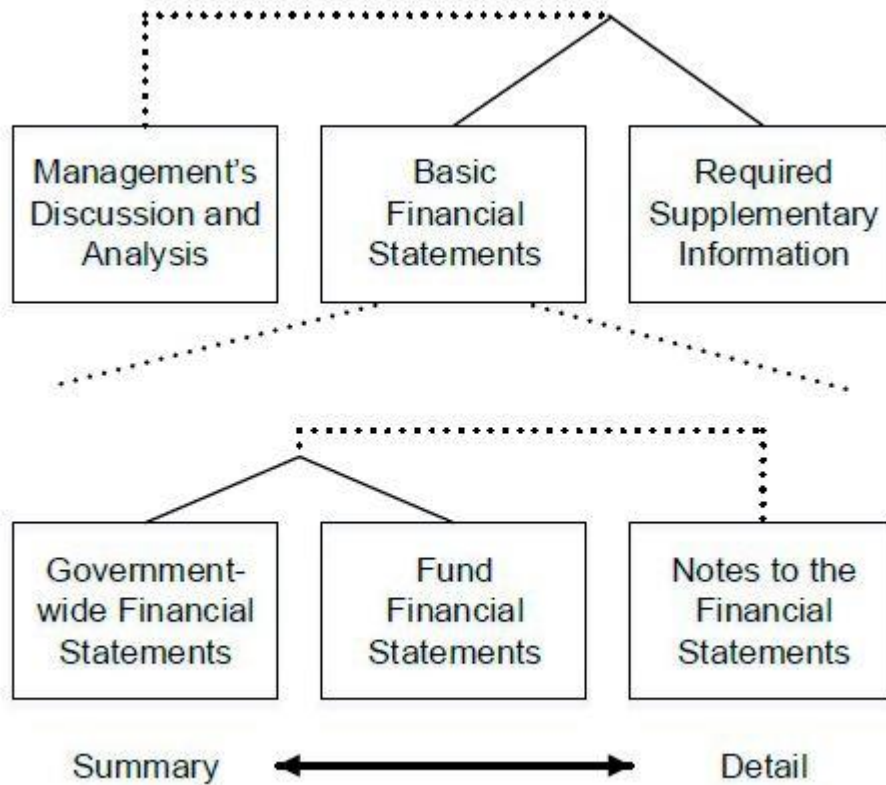
Financial Highlights

- 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 operating grants and contributions and unrestricted investment earnings.
- 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 with prior year largely to intergovernmental revenues and investment earnings in excess of budgeted amounts.
- 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, Capital Equipment and Improvement 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 49 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 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 114 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 48,846,863	\$ 46,394,870	\$ 2,451,993	\$ 10,938,511	\$ 10,187,871	\$ 750,640
Capital assets, net of depreciation	45,325,512	41,169,219	4,156,293	35,191,382	35,393,018	(201,636)
Total Assets	94,172,375	87,564,089	6,608,286	46,129,893	45,580,889	549,004
Deferred Outflows of Resources	18,101,363	17,588,121	513,242	2,058,997	1,358,530	700,467
Liabilities						
Noncurrent liabilities outstanding	36,817,497	49,291,473	(12,473,976)	12,140,312	12,182,752	(42,440)
Other liabilities	2,474,368	2,543,153	(68,785)	363,643	420,294	(56,651)
Total Liabilities	39,291,865	51,834,626	(12,542,761)	12,503,955	12,603,046	(99,091)
Deferred Inflows of Resources	14,759,585	2,480,459	12,279,126	1,386,787	385,358	1,001,429
Net Position						
Net investment in capital assets	42,235,595	36,966,362	5,269,233	29,514,188	29,070,937	443,251
Restricted	4,296,994	4,904,582	(607,588)	-	-	-
Unrestricted	11,689,699	8,966,181	2,723,518	4,783,960	4,880,078	(96,118)
Total Net Position	\$ 58,222,288	\$ 50,837,125	\$ 7,385,163	\$ 34,298,148	\$ 33,951,015	\$ 347,133
Net Position as a Percent of Total						
Net investment in capital assets	72.5 %	72.8 %		86.1 %	85.6 %	
Restricted	7.4	9.6		-	-	
Unrestricted	20.1	17.6		13.9	14.4	
	100.0 %	100.0 %		100.0 %	100.0 %	

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:

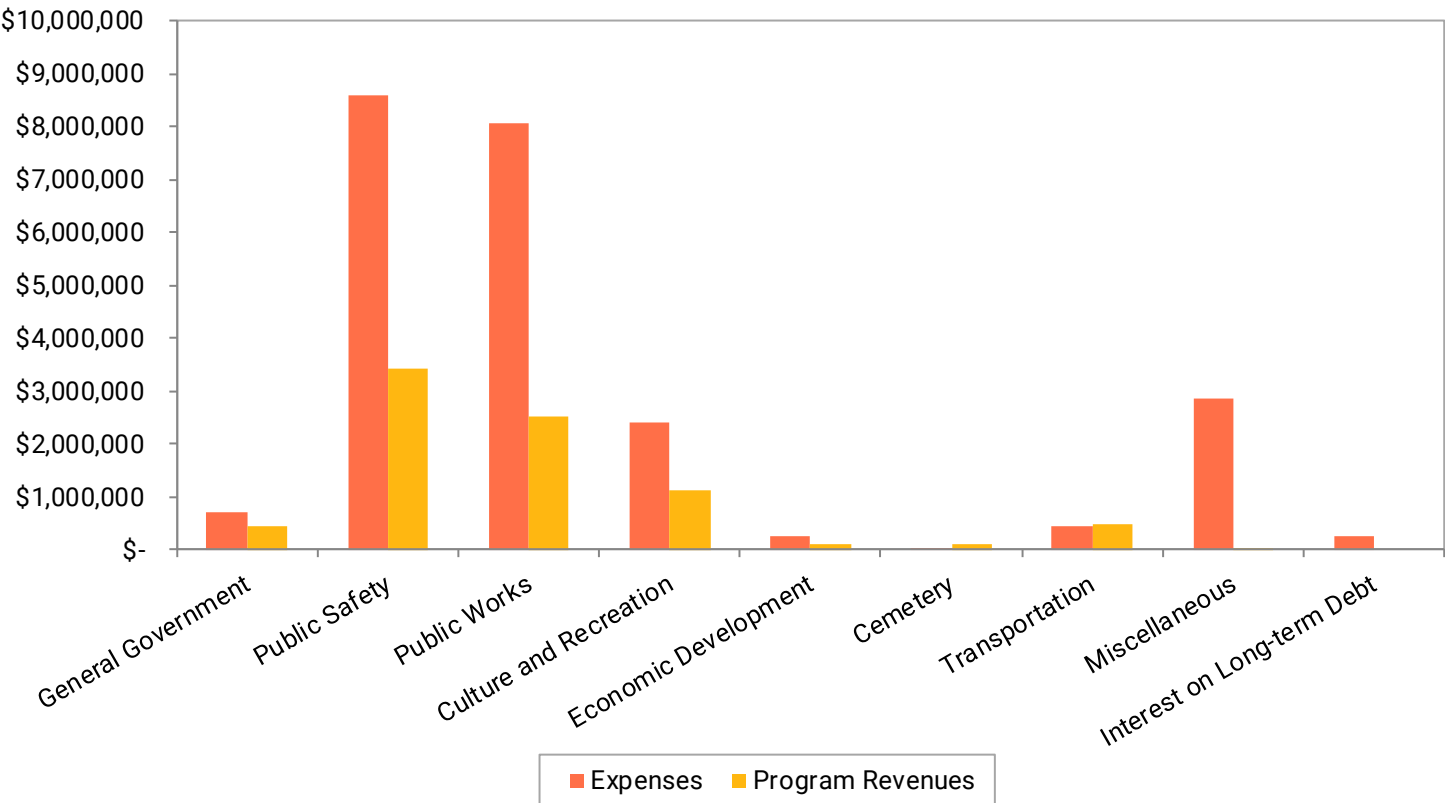
City of Hibbing's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,919,827	\$ 2,487,920	\$ 431,907	\$ 7,218,086	\$ 7,170,680	\$ 47,406
Operating grants and contributions	4,447,083	1,428,962	3,018,121	70	3,848	(3,778)
Capital grants and contributions	838,011	3,191,426	(2,353,415)	176,301	460,638	(284,337)
General Revenues						
Taxes						
Property taxes	11,868,178	11,042,633	825,545	-	-	-
Other taxes	114,274	126,505	(12,231)	-	-	-
Grants and contributions not restricted to specific programs	8,925,713	8,685,192	240,521	-	558,506	(558,506)
Unrestricted Investment earnings (loss)	1,790,728	(251,486)	2,042,214	297,618	39,053	258,565
Gain on sale of capital assets	78,184	32,430	45,754	-	-	-
Total Revenues	<u>30,981,998</u>	<u>26,743,582</u>	<u>4,238,416</u>	<u>7,692,075</u>	<u>8,232,725</u>	<u>(540,650)</u>
Expenses						
General government	689,364	2,232,803	(1,543,439)	-	-	-
Public safety	8,608,285	8,747,299	(139,014)	-	-	-
Public works	8,080,121	4,768,437	3,311,684	-	-	-
Culture and recreation	2,390,388	3,053,565	(663,177)	-	-	-
Economic development	269,591	27,380	242,211	-	-	-
Cemetery	297	1,812	(1,515)	-	-	-
Transportation	451,700	466,159	(14,459)	-	-	-
Miscellaneous	2,859,213	2,519,520	339,693	-	-	-
Interest on long-term debt	247,876	116,578	131,298	-	-	-
Garbage and refuse collection	-	-	-	3,314,511	2,987,299	327,212
Sewer operating and maintenance	-	-	-	4,026,900	3,710,271	316,629
Memorial building concessions	-	-	-	3,531	1,798	1,733
Total Expenses	<u>23,596,835</u>	<u>21,933,553</u>	<u>1,663,282</u>	<u>7,344,942</u>	<u>6,699,368</u>	<u>645,574</u>
Change in Net Position Before Transfers	7,385,163	4,810,029	2,575,134	347,133	1,533,357	(1,186,224)
Transfers - Internal Activities	-	-	-	-	-	-
Change in Net Position	7,385,163	4,810,029	2,575,134	347,133	1,533,357	(1,186,224)
Net Position, January 1	<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, December 31	<u>\$ 58,222,288</u>	<u>\$ 50,837,125</u>	<u>\$ 7,385,163</u>	<u>\$ 34,298,148</u>	<u>\$ 33,951,015</u>	<u>\$ 347,133</u>

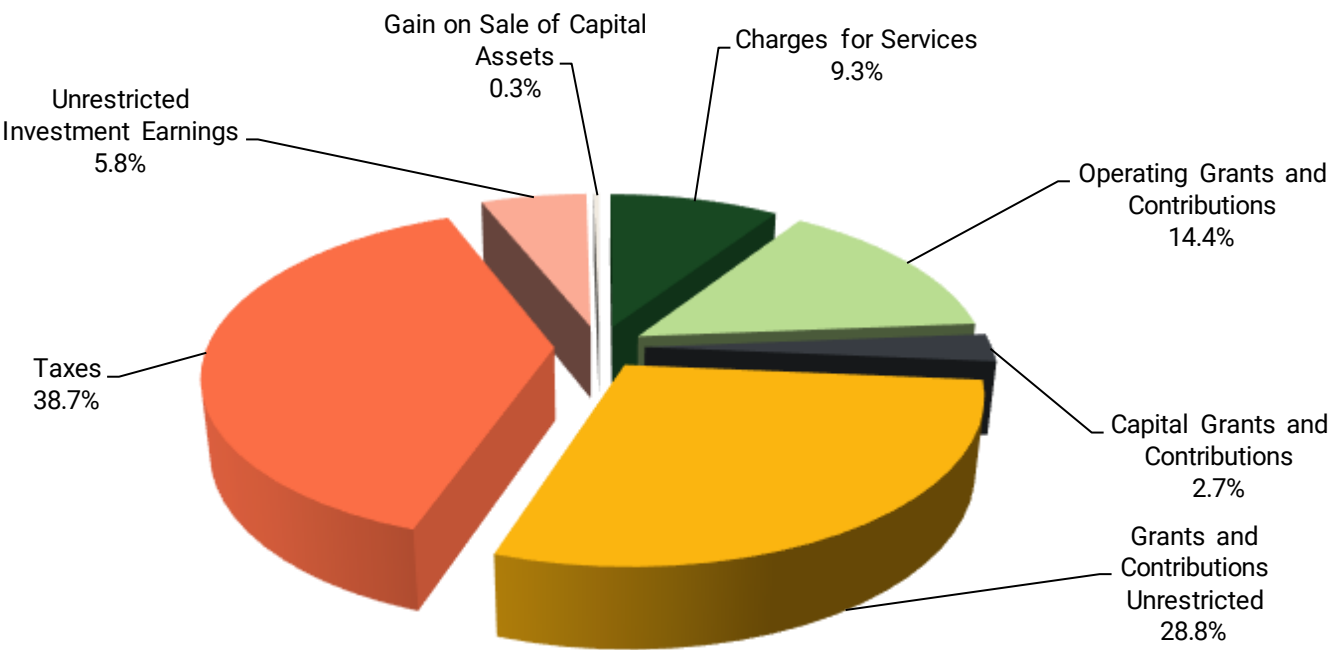
Public Safety expenses increased largely due to the increase in the public safety related pension liability. The operating grants and contributions increased primarily due to public safety aid received during the year.

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

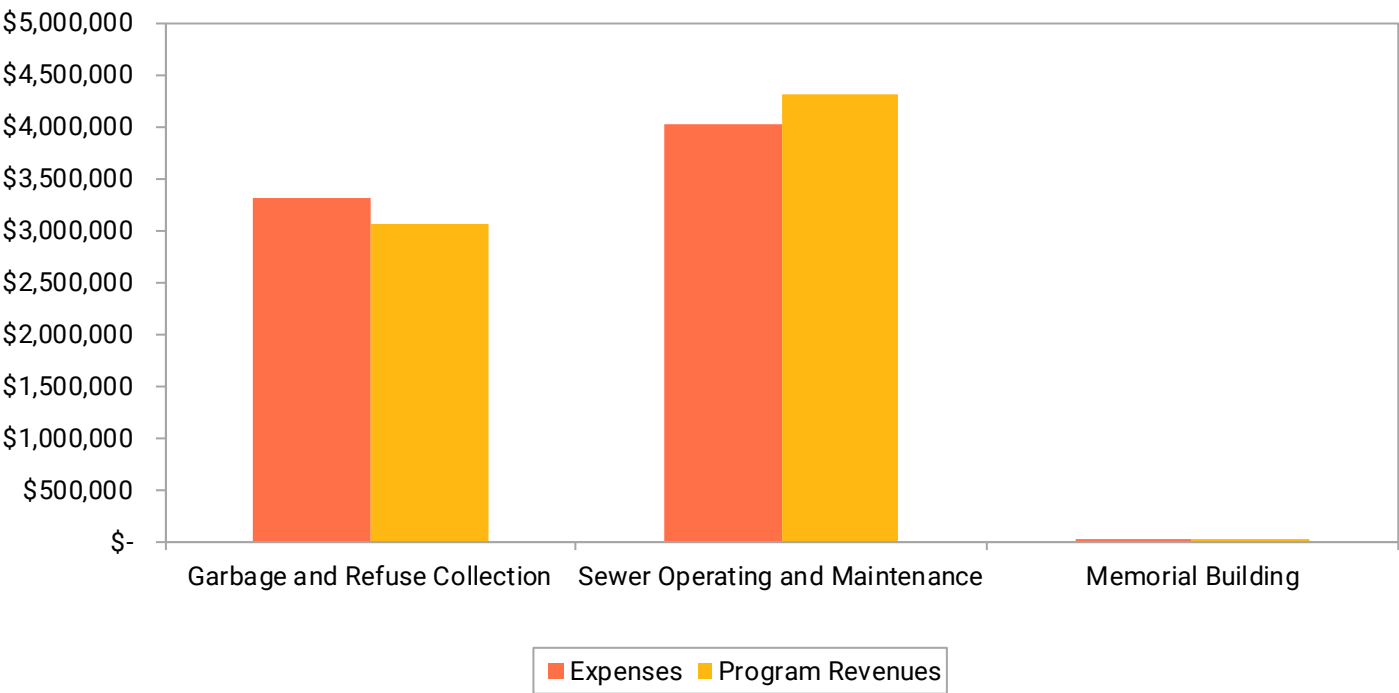


Revenues by Source - Governmental Activities

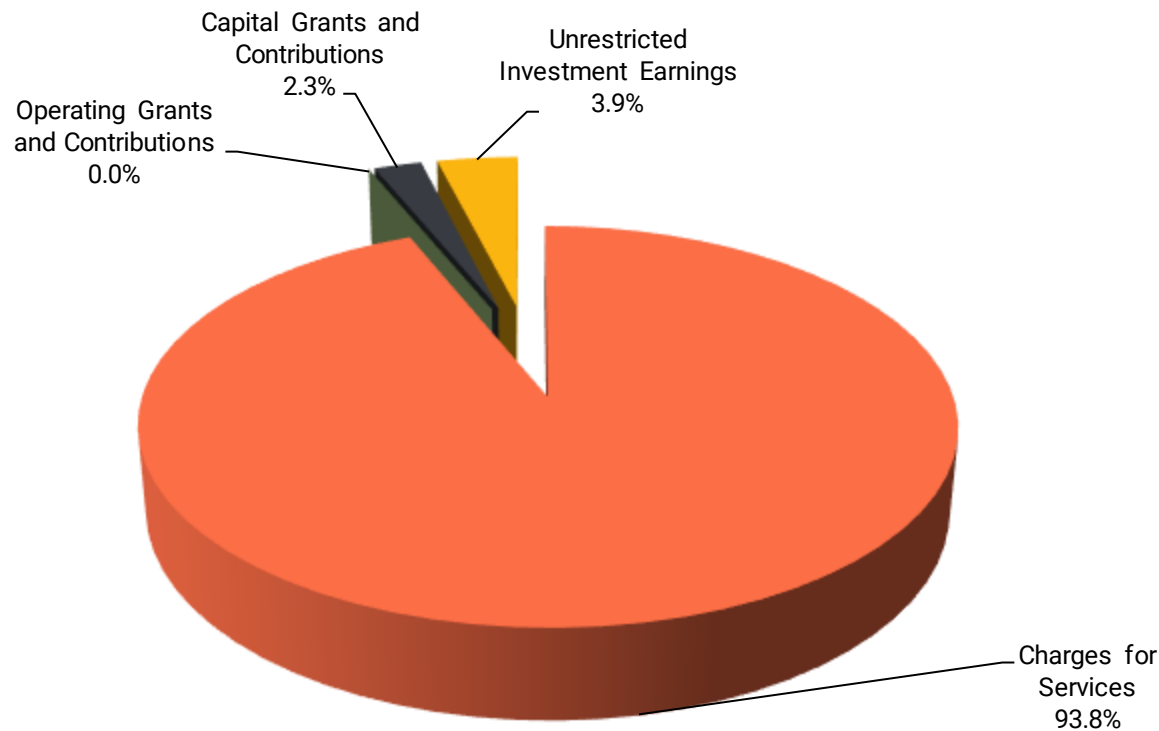


Business-type Activities. Business-type activities increased the City’s net position, as shown in the changes in net position table. The increase is attributed to capital grants and contributions related to the lift station improvements.

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, 2023.

	General	Other Post-Employment Benefits	Capital Equipment and Improvement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds	Prior Year Total
Fund Balances							
Nonspendable	\$ 51,162	\$ -	\$ 1,000	\$ -	\$ 3,923	\$ 56,085	\$ 32,905
Restricted	794,548	-	108,044	1,032,499	2,083,144	4,018,235	3,455,391
Committed	-	8,784,191	2,060,335	-	503,235	11,347,761	10,556,021
Assigned	12,917,646	-	396,131	-	311,814	13,625,591	13,509,176
Unassigned	16,262,019	-	-	-	(11,397)	16,250,622	14,338,401
Total	<u>\$ 30,025,375</u>	<u>\$ 8,784,191</u>	<u>\$ 2,565,510</u>	<u>\$ 1,032,499</u>	<u>\$ 2,890,719</u>	<u>\$ 45,298,294</u>	<u>\$ 41,891,894</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	\$ 51,162	\$ 23,368
Restricted	794,548	76,473
Assigned	12,917,646	12,742,617
Unassigned	16,262,019	14,338,401
Total	<u>\$ 30,025,375</u>	<u>\$ 27,180,859</u>
General Fund Expenditures	\$ 19,770,494	\$ 18,778,335
Unassigned as a percent of expenditures	82.3 %	76.4 %
Total Fund Balance as a percent of expenditures	151.9	144.7

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)
	2023	2022	
Other Post-Employment Benefits	\$ 8,784,191	\$ 8,006,195	\$ 777,996
Fund balance increased from the prior year primarily due to the collection of tax revenues and no retirement expenditures paid.			
Permanent Improvement	1,032,499	819,681	212,818
Fund balance increased from the prior year primarily due to increased intergovernmental and tax revenue.			
Capital Equipment and Improvement	2,890,719	2,627,506	263,213
Fund balance increased from the prior year primarily due to increased intergovernmental and tax revenue.			

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, 2023	December 31, 2022	Increase (Decrease)
Garbage and Refuse Collection	\$ 4,678,544	\$ 4,718,099	\$ (39,555)
<i>The garbage and refuse collection fund decreased during the current year primarily due to an increase in operating expenses.</i>			
Sewer Operating and Maintenance	29,600,628	29,219,250	381,378
<i>The sewer operating and maintenance fund increased during the current year primarily due to a decrease in operating expenses and an increase in investment earnings.</i>			
Memorial Building Concessions	18,976	13,666	5,310
<i>The memorial building concessions fund increased during the current year primarily due to a comparable increase in both service revenue and operating expenses.</i>			

General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 21,041,499	\$ 23,457,936	\$ 2,416,437
Expenditures	20,506,415	19,770,494	735,921
Excess of Revenues Over Expenditures	535,084	3,687,442	3,152,358
Other Financing Sources (Uses)			
Sale of capital assets	5,760	73,032	67,272
Transfers out	(540,844)	(915,958)	(375,114)
Total Other Financing Sources (Uses)	(535,084)	(842,926)	(307,842)
Net Change in Fund Balances	-	2,844,516	2,844,516
Fund Balances, January 1	27,180,859	27,180,859	-
Fund Balances, December 31	\$ 27,180,859	\$ 30,025,375	\$ 2,844,516

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, 2023, 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:

- 21st Street
- 19th Avenue
- Southview Drive

Equipment Purchases

- Two Dump Trucks
- Freightliner Truck
- Fire truck
- Industrial Snowblower
- Five Public Safety Vehicles

Property Improvements in Process

- Pickleball courts
- Carey Lake Campground
- Mineview Project
- Cemetery Columbarium

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

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land, Improvements, Intangibles,						
Artwork, Gravel Roads	\$ 8,382,153	\$ 8,382,153	\$ -	\$ 423,719	\$ 423,719	\$ -
Construction in Progress	4,090,324	1,382,364	2,707,960	841,276	799,904	41,372
Infrastructure	17,269,808	16,479,740	790,068	16,488,240	16,436,931	51,309
Buildings and improvements	10,833,623	11,324,609	(490,986)	15,796,678	16,514,574	(717,896)
Equipment, Machinery and Furniture	4,640,789	3,138,165	1,502,624	1,641,469	1,217,890	423,579
Leased Equipment (Intangible Right to Use Assets)	108,815	462,188	(353,373)	-	-	-
Total	\$ 45,325,512	\$ 41,169,219	\$ 4,156,293	\$ 35,191,382	\$ 35,393,018	\$ (201,636)

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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Bonds Payable	\$ 2,775,000	\$ 3,255,000	\$ (480,000)	\$ 5,567,954	\$ 6,204,954	\$ (637,000)
Unamortized Premium on Bonds	158,089	183,357	(25,268)	112,076	120,315	(8,239)
Unamortized Discount on Bonds	-	-	-	(2,836)	(3,188)	352
Lease Purchase Obligation	46,972	223,157	(176,185)	-	-	-
Lease Liability	109,856	-	109,856	-	-	-
Total	\$ 3,089,917	\$ 3,661,514	\$ (571,597)	\$ 5,677,194	\$ 6,322,081	\$ (644,887)

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, 2023.

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

The City's elected and appointed officials considered many factors when setting the 2024 budget, tax rates, and fees that will be charged for the business-type activities.

- The General Fund expenditures and transfers for 2024 are budgeted to be \$22,316,980, which is a \$1,135,753 increase from the 2023 final budget of \$21,181,227.
- Property tax levies increased 5.97 percent for 2024.
- Consistent with the national and global economy, rising health care significantly impacts the City's budgets.
- Consistent with our Sewer Rate Study, the city implemented a 1% rate increase for sewer and stormwater fees February 1, 2024.

Economic Factors and Next Year’s Budgets and Rates (Continued)

The City relies heavily on State LGA and taconite production tax to fund its budget. LGA payments are anticipated to supply 42% 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, during the 2023 legislative session this wasn’t a factor. The topic of LGA has continued to be quiet at the 2024 legislative session, as well, so a reduction in this funding shouldn’t be a factor in the near future.

The price of steel in the global market affects the City due to taconite aid received in lieu of property taxes, which is based on tonnage produced. The downturn in mining, which began during 2015, affected the three-year rolling average of production tax through 2018 when increased production improved the aid received by the city. Tonnage produced was down, again, in 2020 to 2015 levels, rebounded in 2021, and is back to 2015 levels in 2022. This reduction in 2021 affects taconite aid received through 2024 and staff keeps a close eye on these numbers each year. Further, one of the major taconite plants within the Hibbing city limits was successful negotiating new leases for extraction to ensure the facility can operate for the next few decades so, we are in close contact with our local mining representatives as the situation continues to develop. 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; however, more will be known in the coming years as this develops. Current estimates for total taconite aid to the City of Hibbing payable in 2024 is estimated at \$2.2 MM.

Lastly, the City’s ability to levy for certain revenue funds is determined by our estimated market value. While our residential values increased significantly over the prior year, the commercial values have largely been stagnant in spite of significant investments by local companies. Thus, revenue from property taxes is due to increase, again, in 2023, payable in 2024. 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 the lack of supply in the housing market driving home values up. 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. Thus, we are working diligently to drive new investments into housing stock through the creation of a local housing trust fund and other project-based work around site development and zoning.

In 2023, the City is undertook 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. Staff has since bought forward renovation projects for city hall and the library and has sought outside funding to assist with these projects. Additionally, a Local Sales Tax referendum is underway for the general election in 2024 to contribute funds to the Regional Public Safety Building that the city secured \$10MM in state bond funding for during the 2023 legislative session. Finally, a Tax Increment Finance study is underway in 2024 to ascertain potential funding streams for various redevelopment projects in the downtown. Further, the City hired a consultant in 2023 to assist with determining the capital improvement needs in infrastructure and is working to put together a long-term capital improvement plan.

The City’s 2024 capital budget calls for expenditures in the amount of \$6.35M for capital projects, principally the following:

General Government	\$50,000
City Hall	\$1,971,788
Memorial Building	\$58,000
Parks and Recreation	\$2,139,000
Mineview	\$440,000
Public Safety	\$463,500
Public Works	\$1,227,128
 Total	 <u>\$6,349,416</u>

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Hibbing, Minnesota
Statement of Net Position
December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Assets					
Cash and temporary investments	\$ 36,705,805	\$ 7,959,367	\$ 44,665,172	\$ 2,868,081	\$ 2,710,911
Designated cash - other postemployment benefits	7,105,720	1,800,000	8,905,720	-	250,000
Investments	-	-	-	-	34,716,235
Designated investments - other postemployment benefits	1,624,320	120,000	1,744,320	-	-
Restricted cash and temporary investments					
Cash held for fuel assistance recipients	-	-	-	-	55,566
Cash held for customer deposits	-	-	-	-	457,832
Bond reserve account	-	-	-	-	1,114,431
Receivables					
Taxes	408,533	-	408,533	1,956	-
Accounts, net	96,113	8,864	104,977	4,151	2,649,317
Leases	179,902	-	179,902	67,862	594,324
Accrued interest	237,505	-	237,505	-	-
Unbilled revenues	-	-	-	-	2,312,649
Loans, net of allowance	-	-	-	2,367,764	-
Special assessments	370,353	145,666	516,019	-	-
Note receivable - Steam conversion program	-	-	-	-	269,238
Due from other governments	1,817,432	346,907	2,164,339	-	-
Due from component units	-	557,707	557,707	-	-
Inventories	531	-	531	-	1,215,047
Prepaid items	46,177	-	46,177	770	716,379
Net pension asset	254,472	-	254,472	-	-
Regulatory assets	-	-	-	-	4,031,506
Capital assets					
Land and construction in progress	12,472,477	1,264,995	13,737,472	137,745	1,943,403
Depreciable assets (net of accumulated depreciation/amortization)	32,853,035	33,926,387	66,779,422	564,518	67,622,844
Total Assets	<u>94,172,375</u>	<u>46,129,893</u>	<u>140,302,268</u>	<u>6,012,847</u>	<u>120,659,682</u>
Deferred Outflows of Resources					
Deferred pension resources	9,885,129	255,429	10,140,558	19,558	1,096,135
Deferred LEA resources	-	-	-	-	213,590
Deferred other postemployment benefit resources	8,216,234	1,803,568	10,019,802	-	1,527,956
Total Deferred Outflows of Resources	<u>18,101,363</u>	<u>2,058,997</u>	<u>20,160,360</u>	<u>19,558</u>	<u>2,837,681</u>
Liabilities					
Accounts and other payables	206,124	133,753	339,877	7,937	2,418,195
Due to other governments	292,572	22,162	314,734	3,869	-
Accrued salaries payable	461,026	75,816	536,842	397	246,305
Accrued interest payable	32,709	52,583	85,292	4,598	-
Customer deposits payable	-	-	-	-	457,832
Contracts payable	311,963	79,329	391,292	-	-
Other accrued liabilities	141,697	-	141,697	-	-
Due to primary government	-	-	-	-	557,707
Unearned revenue	1,028,277	-	1,028,277	-	55,566
Noncurrent liabilities					
Due within one year					
Long-term liabilities	756,743	767,821	1,524,564	50,000	652,852
Other postemployment benefits payable	1,477,400	250,367	1,727,767	-	-
Due in more than one year					
Long-term liabilities	3,738,237	5,155,749	8,893,986	1,177,133	1,480,439
Net pension liability	8,516,998	991,128	9,508,126	67,037	3,478,154
Other postemployment benefits payable	22,328,119	4,975,247	27,303,366	-	16,128,037
Total Liabilities	<u>39,291,865</u>	<u>12,503,955</u>	<u>51,795,820</u>	<u>1,310,971</u>	<u>25,475,087</u>
Deferred Inflows of Resources					
Deferred lease resources	170,525	-	170,525	54,583	594,324
Deferred pension resources	9,718,652	317,670	10,036,322	2,037	1,263,352
Deferred other postemployment benefit resources	4,870,408	1,069,117	5,939,525	-	4,207,334
Total Deferred Inflows of Resources	<u>14,759,585</u>	<u>1,386,787</u>	<u>16,146,372</u>	<u>56,620</u>	<u>6,065,010</u>
Net Position					
Net investment in capital assets	42,235,595	29,514,188	71,749,783	155,130	68,989,249
Restricted for					
Capital projects	2,371,544	-	2,371,544	-	-
Debt service	876,430	-	876,430	66,883	161,984
Net pension asset	254,472	-	254,472	-	-
Police forfeiture	91,583	-	91,583	-	-
Public safety	702,965	-	702,965	-	-
Unrestricted	11,689,699	4,783,960	16,473,659	4,442,801	22,806,033
Total Net Position	<u>\$ 58,222,288</u>	<u>\$ 34,298,148</u>	<u>\$ 92,520,436</u>	<u>\$ 4,664,814</u>	<u>\$ 91,957,266</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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 689,364	\$ 336,007	\$ 104,961	\$ -
Public safety	8,608,285	2,011,008	1,431,340	-
Public works	8,080,121	44,080	2,368,894	98,360
Culture and recreation	2,390,388	353,331	34,078	739,651
Economic development	269,591	-	91,896	-
Cemetery	297	113,065	-	-
Transportation	451,700	59,503	415,914	-
Miscellaneous	2,859,213	2,833	-	-
Interest on long-term debt	247,876	-	-	-
Total Governmental Activities	<u>23,596,835</u>	<u>2,919,827</u>	<u>4,447,083</u>	<u>838,011</u>
Business-type Activities				
Garbage and refuse collection	3,314,511	3,076,619	-	-
Sewer operating and maintenance	4,026,900	4,133,236	70	176,301
Memorial building concessions	3,531	8,231	-	-
Total Business-type Activities	<u>7,344,942</u>	<u>7,218,086</u>	<u>70</u>	<u>176,301</u>
Total Primary Government	<u>\$ 30,941,777</u>	<u>\$ 10,137,913</u>	<u>\$ 4,447,153</u>	<u>\$ 1,014,312</u>
Component Units				
EDA	\$ 437,420	\$ 395,734	\$ 250,000	\$ -
PUC	32,027,136	30,866,335	-	640,245
Total Component Units	<u>\$ 32,464,556</u>	<u>\$ 31,262,069</u>	<u>\$ 250,000</u>	<u>\$ 640,245</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, 2023

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	\$ (248,396)	\$ -	\$ (248,396)	\$ -	\$ -
Public safety	(5,165,937)	-	(5,165,937)	-	-
Public works	(5,568,787)	-	(5,568,787)	-	-
Culture and recreation	(1,263,328)	-	(1,263,328)	-	-
Economic development	(177,695)	-	(177,695)	-	-
Cemetery	112,768	-	112,768	-	-
Transportation	23,717	-	23,717	-	-
Miscellaneous	(2,856,380)	-	(2,856,380)	-	-
Interest on long-term debt	(247,876)	-	(247,876)	-	-
Total Governmental Activities	(15,391,914)	-	(15,391,914)	-	-
Business-type Activities					
Garbage and refuse collection	-	(237,892)	(237,892)	-	-
Sewer operating and maintenance	-	282,707	282,707	-	-
Memorial building concessions	-	4,700	4,700	-	-
Total Business-type Activities	-	49,515	49,515	-	-
Total Primary Government	(15,391,914)	49,515	(15,342,399)	-	-
Component Units					
EDA	-	-	-	208,314	-
PUC	-	-	-	-	(520,556)
Total Component Units	-	-	-	208,314	(520,556)
General Revenues					
Taxes					
Property taxes, levied for general purposes	8,642,832	-	8,642,832	-	-
Property taxes, levied for specific purpose	3,225,346	-	3,225,346	191,707	-
Tax increments	-	-	-	75,780	-
Franchise taxes	114,274	-	114,274	-	-
Grants and contributions not restricted to specific programs	8,925,713	-	8,925,713	80	-
Unrestricted Investment earnings	1,790,728	297,618	2,088,346	79,465	2,039,019
Gain on sale of capital assets	78,184	-	78,184	-	-
Total General Revenues	22,777,077	297,618	23,074,695	347,032	2,039,019
Change in Net Position	7,385,163	347,133	7,732,296	555,346	1,518,463
Net Position, January 1	50,837,125	33,951,015	84,788,140	4,109,468	90,438,803
Net Position, December 31	<u>\$ 58,222,288</u>	<u>\$ 34,298,148</u>	<u>\$ 92,520,436</u>	<u>\$ 4,664,814</u>	<u>\$ 91,957,266</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, 2023

City of Hibbing, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	101	345	400
	General	Other Post- Employment Benefits	Capital Equipment and Improvement
Assets			
Cash and temporary investments	\$ 30,878,205	\$ -	\$ 2,578,512
Designated cash - other postemployment benefits	-	7,105,720	-
Designated investments - other postemployment benefits	-	1,624,320	-
Receivables			
Taxes	377,933	4,341	7,511
Accounts	82,925	-	2,505
Leases	179,902	-	-
Accrued interest	187,695	49,810	-
Special assessments	-	-	-
Due from other governments	373,160	-	244,258
Due from other funds	11,397	-	-
Inventory	531	-	-
Prepaid items	41,254	-	1,000
Total Assets	\$ 32,133,002	\$ 8,784,191	\$ 2,833,786
Liabilities			
Accounts payable	\$ 158,307	\$ -	\$ 41,648
Due to other governments	158,474	-	-
Accrued salaries payable	448,257	-	-
Due to other funds	-	-	-
Contracts payable	19,829	-	226,628
Unearned revenue	654,257	-	-
Other accrued liabilities	141,697	-	-
Total Liabilities	1,580,821	-	268,276
Deferred Inflows of Resources			
Unavailable revenue - delinquent taxes	356,281	-	-
Deferred lease resources	170,525	-	-
Unavailable revenue - special assessments	-	-	-
Unavailable revenue - intergovernmental	-	-	-
Total Deferred Inflows of Resources	526,806	-	-
Fund Balances			
Nonspendable	51,162	-	1,000
Restricted	794,548	-	108,044
Committed	-	8,784,191	2,060,335
Assigned	12,917,646	-	396,131
Unassigned	16,262,019	-	-
Total Fund Balances	30,025,375	8,784,191	2,565,510
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,133,002	\$ 8,784,191	\$ 2,833,786

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

401, 402		
<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (66,853)	\$ 3,315,941	\$ 36,705,805
-	-	7,105,720
-	-	1,624,320
8,453	10,295	408,533
-	10,683	96,113
-	-	179,902
-	-	237,505
-	370,353	370,353
1,200,014	-	1,817,432
-	-	11,397
-	-	531
-	3,923	46,177
<u>\$ 1,141,614</u>	<u>\$ 3,711,195</u>	<u>\$ 48,603,788</u>
\$ 2,926	\$ 3,243	\$ 206,124
-	134,098	292,572
-	12,769	461,026
-	11,397	11,397
49,193	16,313	311,963
-	374,020	1,028,277
-	-	141,697
<u>52,119</u>	<u>551,840</u>	<u>2,453,056</u>
-	-	356,281
-	-	170,525
-	268,636	268,636
<u>56,996</u>	<u>-</u>	<u>56,996</u>
<u>56,996</u>	<u>268,636</u>	<u>852,438</u>
-	3,923	56,085
1,032,499	2,083,144	4,018,235
-	503,235	11,347,761
-	311,814	13,625,591
-	(11,397)	16,250,622
<u>1,032,499</u>	<u>2,890,719</u>	<u>45,298,294</u>
<u>\$ 1,141,614</u>	<u>\$ 3,711,195</u>	<u>\$ 48,603,788</u>

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

City of Hibbing, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2023

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

Total Fund Balances - Governmental Funds	\$ 45,298,294
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	105,927,798
Less accumulated depreciation	(60,602,286)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	254,472
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	(2,775,000)
Plus unamortized bond premium	(158,089)
Lease purchase obligation	(46,972)
Leases payable	(109,856)
Compensated absences payable	(1,405,063)
Net pension liability	(8,516,998)
Other postemployment benefits payable	(23,805,519)
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	356,281
Special assessments receivable	268,636
Intergovernmental receivable	56,996
Governmental funds do not report a liability for accrued interest until due and payable.	(32,709)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	9,885,129
Deferred inflows of pension resources	(9,718,652)
Deferred outflows of other postemployment benefits resources	8,216,234
Deferred inflows of other postemployment benefits resources	(4,870,408)
Total Net Position - Governmental Activities	<u>\$ 58,222,288</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, 2023

	101	345	400	401, 402		
	General	Other Post- Employment Benefits	Capital Equipment and Improvement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 8,918,394	\$ 399,823	\$ 691,694	\$ 778,524	\$ 1,131,724	\$ 11,920,159
Licenses and permits	317,987	-	-	-	-	317,987
Intergovernmental	10,443,283	178	1,692,112	2,469,952	246,320	14,851,845
Charges for services	2,317,472	-	-	-	39,122	2,356,594
Fines and forfeitures	150,816	-	-	-	-	150,816
Special assessments	-	-	-	-	28,581	28,581
Investment earnings	1,250,319	377,995	83,677	35,727	43,010	1,790,728
Contributions and donations	13,520	-	337,057	-	34,078	384,655
Miscellaneous	46,145	-	-	-	2,833	48,978
Total Revenues	<u>23,457,936</u>	<u>777,996</u>	<u>2,804,540</u>	<u>3,284,203</u>	<u>1,525,668</u>	<u>31,850,343</u>
Expenditures						
Current						
General government	2,328,756	-	-	-	-	2,328,756
Public safety	8,081,598	-	-	-	-	8,081,598
Public works	3,588,720	-	-	-	-	3,588,720
Culture and recreation	2,085,083	-	-	-	780,450	2,865,533
Economic development	164,517	-	-	-	76,466	240,983
Transportation	442,564	-	-	-	-	442,564
Miscellaneous	2,798,283	-	-	-	-	2,798,283
Capital outlay						
General government	-	-	140,922	-	-	140,922
Public safety	-	-	641,505	-	-	641,505
Public works	-	-	1,058,568	2,996,385	81,457	4,136,410
Culture and recreation	-	-	2,339,982	-	1,228	2,341,210
Transportation	52,681	-	67,431	-	-	120,112
Debt service						
Principal	221,875	-	-	-	480,122	701,997
Interest and other	6,417	-	-	-	87,117	93,534
Total Expenditures	<u>19,770,494</u>	<u>-</u>	<u>4,248,408</u>	<u>2,996,385</u>	<u>1,506,840</u>	<u>28,522,127</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,687,442</u>	<u>777,996</u>	<u>(1,443,868)</u>	<u>287,818</u>	<u>18,828</u>	<u>3,328,216</u>
Other Financing Sources (Uses)						
Transfers in	-	-	746,573	-	322,844	1,069,417
Transfers out	(915,958)	-	-	(75,000)	(78,459)	(1,069,417)
Sale of capital assets	73,032	-	5,152	-	-	78,184
Total Other Financing Sources (Uses)	<u>(842,926)</u>	<u>-</u>	<u>751,725</u>	<u>(75,000)</u>	<u>244,385</u>	<u>78,184</u>
Net Change in Fund Balances	2,844,516	777,996	(692,143)	212,818	263,213	3,406,400
Fund Balances, January 1	<u>27,180,859</u>	<u>8,006,195</u>	<u>3,257,653</u>	<u>819,681</u>	<u>2,627,506</u>	<u>41,891,894</u>
Fund Balances, December 31	<u>\$ 30,025,375</u>	<u>\$ 8,784,191</u>	<u>\$ 2,565,510</u>	<u>\$ 1,032,499</u>	<u>\$ 2,890,719</u>	<u>\$ 45,298,294</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, 2023

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

Total Net Change in Fund Balances - Governmental Funds	\$ 3,406,400
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	7,343,075
Depreciation / Amortization expense	(3,131,103)
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	(55,679)
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.	
Write off of lease obligation	208,330
Principal repayments	656,185
Amortization of bond premium	25,268
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	11,245
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	(15,335)
Other postemployment benefits	799,348
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	62,293
Special assessments	69,779
Intergovernmental	(1,181,603)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(916,042)
Pension revenue from State contributions	103,002
Change in Net Position - Governmental Activities	<u>\$ 7,385,163</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 -
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 8,698,554	\$ 8,695,754	\$ 8,918,394	\$ 222,640
Licenses and permits	148,171	148,171	317,987	169,816
Intergovernmental	9,615,402	9,563,566	10,443,283	879,717
Charges for services	2,553,000	2,253,000	2,317,472	64,472
Fines and forfeitures	60,100	130,100	150,816	20,716
Investment earnings	50,000	194,908	1,250,319	1,055,411
Contributions and donations	6,000	6,000	13,520	7,520
Miscellaneous	50,000	50,000	46,145	(3,855)
Total Revenues	<u>21,181,227</u>	<u>21,041,499</u>	<u>23,457,936</u>	<u>2,416,437</u>
Expenditures				
Current				
General government	2,365,427	2,393,335	2,328,756	64,579
Public safety	8,681,660	8,492,660	8,081,598	411,062
Public works	3,567,331	3,567,331	3,588,720	(21,389)
Culture and recreation	2,492,533	2,475,533	2,085,083	390,450
Economic development	187,354	187,354	164,517	22,837
Transportation	551,823	551,823	442,564	109,259
Miscellaneous	2,642,879	2,642,879	2,798,283	(155,404)
Capital outlay				
Transportation	248,876	-	52,681	-
Debt service				
Principal	195,500	195,500	221,875	(26,375)
Interest and other	-	-	6,417	(6,417)
Total Expenditures	<u>20,933,383</u>	<u>20,506,415</u>	<u>19,770,494</u>	<u>788,602</u>
Excess of Revenues Over Expenditures	<u>247,844</u>	<u>535,084</u>	<u>3,687,442</u>	<u>3,152,358</u>
Other Financing Sources (Uses)				
Transfers out	(247,844)	(540,844)	(915,958)	(375,114)
Sale of capital assets	-	5,760	73,032	67,272
Total Other Financing Sources (Uses)	<u>(247,844)</u>	<u>(535,084)</u>	<u>(842,926)</u>	<u>(307,842)</u>
Net Change in Fund Balances	-	-	2,844,516	2,844,516
Fund Balances, January 1	<u>27,180,859</u>	<u>27,180,859</u>	<u>27,180,859</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 27,180,859</u>	<u>\$ 27,180,859</u>	<u>\$ 30,025,375</u>	<u>\$ 2,844,516</u>

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

City of Hibbing, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2023

	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	\$ 5,354,183	\$ 2,583,940	\$ 21,244	\$ 7,959,367
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000
Designated investments - other postemployment benefits	60,000	60,000	-	120,000
Receivables				
Accounts	2,624	6,240	-	8,864
Special assessments	43,722	101,944	-	145,666
Due from other governments	-	346,907	-	346,907
Due from component units	229,657	328,050	-	557,707
Total Current Assets	6,590,186	4,327,081	21,244	10,938,511
Noncurrent Assets				
Capital assets				
Land	297,689	126,030	-	423,719
Buildings and improvements	173,602	32,873,001	-	33,046,603
Infrastructure	-	21,758,157	-	21,758,157
Machinery and equipment	4,088,837	2,746,334	29,597	6,864,768
Construction in progress	-	841,276	-	841,276
Less accumulated depreciation	(3,217,210)	(24,496,334)	(29,597)	(27,743,141)
Total Capital Assets (Net of Accumulated Depreciation)	1,342,918	33,848,464	-	35,191,382
Total Noncurrent Assets	1,342,918	33,848,464	-	35,191,382
Total Assets	7,933,104	38,175,545	21,244	46,129,893
Deferred Outflows of Resources				
Deferred pension resources	111,051	144,378	-	255,429
Deferred other postemployment benefits	1,040,066	763,502	-	1,803,568
Total Deferred Outflows of Resources	1,151,117	907,880	-	2,058,997
Liabilities				
Current Liabilities				
Accounts payable	\$ 56,227	\$ 75,258	\$ 2,268	\$ 133,753
Due to other governments	10,531	11,631	-	22,162
Accrued salaries payable	32,716	43,100	-	75,816
Accrued interest payable	-	52,583	-	52,583
Contracts payable	-	79,329	-	79,329
Compensated absences payable - current	50,488	61,333	-	111,821
Bonds payable - current	-	656,000	-	656,000
Other postemployment benefits payable	145,845	104,522	-	250,367
Total Current Liabilities	295,807	1,083,756	2,268	1,381,831
Noncurrent Liabilities				
Compensated absences payable	56,778	77,777	-	134,555
Net pension liability	430,831	560,297	-	991,128
Bonds payable	-	5,021,194	-	5,021,194
Other postemployment benefits payable	2,867,616	2,107,631	-	4,975,247
Total Noncurrent Liabilities	3,355,225	7,766,899	-	11,122,124
Total Liabilities	3,651,032	8,850,655	2,268	12,503,955
Deferred Inflows of Resources				
Deferred pension resources	138,116	179,554	-	317,670
Deferred other postemployment benefits	616,529	452,588	-	1,069,117
Total Deferred Inflows of Resources	754,645	632,142	-	1,386,787
Net Position				
Net investment in capital assets	1,342,918	28,171,270	-	29,514,188
Unrestricted	3,335,626	1,429,358	18,976	4,783,960
Total Net Position	\$ 4,678,544	\$ 29,600,628	\$ 18,976	\$ 34,298,148

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

City of Hibbing, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	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	\$ 3,061,928	\$ 4,104,658	\$ 8,128	\$ 7,174,714
Miscellaneous	14,691	28,648	-	43,339
Total Operating Revenues	<u>3,076,619</u>	<u>4,133,306</u>	<u>8,128</u>	<u>7,218,053</u>
Operating Expenses				
Personnel services	908,264	1,035,769	-	1,944,033
OPEB expense	540,950	453,521	-	994,471
Pension expense	25,880	12,630	-	38,510
Contractual services	1,222,621	107,155	-	1,329,776
Utilities	129,366	287,794	-	417,160
Repairs and maintenance	14,781	109,297	2,613	126,691
Other supplies and expense	108,636	276,361	918	385,915
Insurance claims and expense	67,750	72,128	-	139,878
Depreciation	263,791	1,465,640	-	1,729,431
Miscellaneous	32,472	79,319	-	111,791
Total Operating Expenses	<u>3,314,511</u>	<u>3,899,614</u>	<u>3,531</u>	<u>7,217,656</u>
Operating Income (Loss)	<u>(237,892)</u>	<u>233,692</u>	<u>4,597</u>	<u>397</u>
Nonoperating Revenues (Expenses)				
Investment earnings	198,337	98,671	610	297,618
Miscellaneous	-	-	103	103
Interest expense and other	-	(127,286)	-	(127,286)
Total Nonoperating Revenues (Expenses)	<u>198,337</u>	<u>(28,615)</u>	<u>713</u>	<u>170,435</u>
Income (Loss) Before Contributions	(39,555)	205,077	5,310	170,832
Capital Contributions				
Intergovernmental capital grants	-	176,301	-	176,301
Change in Net Position	(39,555)	381,378	5,310	347,133
Net Position - January 1	<u>4,718,099</u>	<u>29,219,250</u>	<u>13,666</u>	<u>33,951,015</u>
Net Position, December 31	<u>\$ 4,678,544</u>	<u>\$ 29,600,628</u>	<u>\$ 18,976</u>	<u>\$ 34,298,148</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, 2023

	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	\$ 3,604,636	\$ 4,823,075	\$ 10,699	\$ 8,438,410
Payments to suppliers	(1,722,436)	(882,251)	(1,263)	(2,605,950)
Payments to employees	(965,788)	(1,107,775)	-	(2,073,563)
Net Cash Provided by Operating Activities	916,412	2,833,049	9,436	3,758,897
Cash Flows from Noncapital Financing Activities				
Intergovernmental receipts	-	-	103	103
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(649,586)	(834,811)	-	(1,484,397)
Intergovernmental receipts	-	512,489	-	512,489
Principal paid on long-term debt	-	(637,000)	-	(637,000)
Interest paid on long-term debt	-	(140,525)	-	(140,525)
Net Cash Used by Capital and Related Financing Activities	(649,586)	(1,099,847)	-	(1,749,433)
Cash Flows from Investing Activities				
Investment income received	198,337	98,671	610	297,618
Net Increase (Decrease) in Cash and Cash Equivalents	465,163	1,831,873	10,149	2,307,185
Cash and Cash Equivalents, January 1	5,849,020	1,712,067	11,095	7,572,182
Cash and Cash Equivalents, December 31	<u>\$ 6,314,183</u>	<u>\$ 3,543,940</u>	<u>\$ 21,244</u>	<u>\$ 9,879,367</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	\$ 5,354,183	\$ 2,583,940	\$ 21,244	7,959,367
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>\$ 6,314,183</u>	<u>\$ 3,543,940</u>	<u>\$ 21,244</u>	<u>\$ 9,879,367</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, 2023

	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	\$ (237,892)	\$ 233,692	\$ 4,597	\$ 397
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	263,791	1,465,640	-	1,729,431
(Increase) decrease in assets				
Accounts receivable	29,835	82,271	2,571	114,677
Special assessments receivable	(11,315)	(3,990)	-	(15,305)
Due from component units	509,497	611,488	-	1,120,985
Increase (Decrease) in deferred outflows				
Deferred pension resources	59,757	86,036	-	145,793
Deferred other postemployment benefits resources	(482,410)	(363,850)	-	(846,260)
Increase (decrease) in liabilities				
Accounts and other payables	7,147	53,419	2,268	62,834
Due to other governments	(153,957)	(3,616)	-	(157,573)
Accrued salaries payable	(64)	106	-	42
Compensated absences payable	(7,739)	(15,740)	-	(23,479)
Net pension liability	(153,558)	(228,226)	-	(381,784)
Other postemployment benefits payable	556,425	451,285	-	1,007,710
Increase in deferred inflows				
Deferred pension resources	119,628	154,750	-	274,378
Deferred other postemployment benefit resources	417,267	309,784	-	727,051
Net Cash Provided by Operating Activities	<u>\$ 916,412</u>	<u>\$ 2,833,049</u>	<u>\$ 9,436</u>	<u>\$ 3,758,897</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	-	79,329	-	79,329

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, 2023

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. At that time, the City had an Appointed City Clerk/Treasurer, an Elected Mayor, Elected Council for each of the four Wards, and two Elected At-Large Councilors.

In December 2022, the city council approved revising the Clerk/Treasurer and Senior Executive Assistant job descriptions which split the appointed Clerk/Treasurer position into two separate positions, City Clerk/Deputy Administrator and Finance Director/Treasurer.

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, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The *Capital Equipment and Improvement fund* accounts for costs associated with the City's capital equipment and improvement projects.

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, 2023

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, 2023, 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, 2023

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, 2023.
- *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 \$1,800,000 at December 31, 2023 (\$900,000 in the garbage and refuse collection fund and sewer operating and maintenance fund, respectively) to cover future OPEB liability costs. The \$1,800,000 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 (\$900,000 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 \$900,000 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 \$7,105,720.

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, 2023

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 2023. The PUC has an allowance for doubtful accounts of \$54,000 at December 31, 2023.

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."

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023

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, 2023, 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, 2023

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, 2023. 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 (PEFPF), DCP and the Hibbing Fire Relief Association (FRA) is as follows:

	GERF	PEFPF	PEDCP	FRA	Total
City's proportionate share	\$ 540,845	\$ 1,589,191	\$ 1,118	\$ 340,863	\$ 2,472,017
Proportionate share of State's contribution	465.00	(14,128)	-	-	(13,663)
	<u>\$ 541,310</u>	<u>\$ 1,575,063</u>	<u>\$ 1,118</u>	<u>\$ 340,863</u>	<u>\$ 2,458,354</u>

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, 2023

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

A. Budgetary Information

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

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

Budgeted amounts are as originally adopted or as amended by the City Council. Budget amendments were completed in 2023 with no impact on change in fund balance.

B. Deficit Fund Equity

As of December 31, 2023, the following funds reported deficit fund equity:

Fund	Amount
Primary Government	
Nonmajor capital project	
Downtown Capital Project	\$ 11,397

The deficit is expected to be eliminated with future revenues related to transfers from other funds.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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 \$(636,402) and the bank balance was \$298,624. The entire bank balance was covered by federal depository insurance.

At year end, the EDA's carrying amount of deposits was \$149,219 and the bank balance was \$149,219. The entire bank balance was covered by federal depository insurance.

At December 31, 2023, the carrying amount of the PUC's deposits was \$3,635,493 and the bank balance was \$4,671,009. 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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 19,523,951			
Broker Money Market	N/A	less than 1 year	60,323			
LTD - OPEB	N/A	less than 1 year	261,203			
Non-pooled Investments						
Commercial Paper	AAA	less than 1 year	20,967,789	\$ -	\$ 20,967,789	\$ -
Brokered Certificates of Deposit	N/A	less than 1 year	4,996,288	-	4,996,288	-
Brokered Certificates of Deposit	N/A	1 to 5 years	7,445,762	-	7,445,762	-
Brokered Certificates of Deposit	N/A	more than 5 years	-	-	-	-
U.S. Government Bonds FNMA/FHLMC	AAA	less than 1 year	2,139,656	2,139,656	-	-
U.S. Government Bonds FNMA/FHLMC	AAA	1 to 5 years	3,275,503	3,275,503	-	-
Total Investments			\$ 58,670,476	\$ 5,415,159	\$ 33,409,839	\$ -

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

	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value Measurement Using			
Investments			Amount	Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 25,300,895			
Non-pooled Investments at Amortized Costs						
Bank Certificates of Deposit	N/A	less than 1 year	10,000,000	\$ -	\$ 10,000,000	\$ -
Non-pooled Investments at Fair Value						
U.S. Treasuries	N/A	less than 1 year	367,787	367,787	-	-
Total Investments			\$ 35,668,682	\$ 367,787	\$ 10,000,000	\$ -

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

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

N/A Indicates not applicable or available.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

	Primary Government	Component Units		Total
		EDA	PUC	
Carrying amount of deposits	\$ (636,402)	\$ 149,219	\$ 3,635,493	\$ 3,148,310
Investments	55,951,614	2,718,862	35,668,682	94,339,158
Petty Cash	-	-	800	800
Total	\$ 55,315,212	\$ 2,868,081	\$ 39,304,975	\$ 97,488,268
Statement of Net Position				
Cash and temporary investments	\$ 44,665,172	\$ 2,868,081	\$ 2,710,911	\$ 50,244,164
Designated cash				
- other postemployment benefits	8,905,720	-	250,000	9,155,720
Investments	-	-	34,716,235	34,716,235
Designated investments				
- other postemployment benefits	1,744,320	-	-	1,744,320
Restricted cash and temporary investments				
Cash held for fuel assistance recipients	-	-	55,566	55,566
Cash held for customer deposits	-	-	457,832	457,832
Bond reserve account	-	-	1,114,431	1,114,431
Total	\$ 55,315,212	\$ 2,868,081	\$ 39,304,975	\$ 97,488,268

B. Lease Receivable

Primary Government

As of December 31, 2023, 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%	\$ 2,336	\$ 23,356
Memorial Curling Club	08/01/22	07/31/25	1.25%	22,255	38,729
St. Louis County	07/01/23	06/30/28	4.22%	5,891	117,817
Total leases receivable					\$ 179,902

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.

The City leases office space to St. Louis County for assessor services.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit – EDA

As of December 31, 2023, the EDA had the following lease receivables:

Description	Issue Date	Maturity Date	Discount Rate	Current Year Infow of Resources	Balance at Year End
Advanced Machine Guarding Solutions	03/01/22	02/28/26	0.55%	\$ 21,008	\$ 57,367
RMB Environmental Laboratories	01/01/22	03/31/24	0.33%	36,259	<u>10,495</u>
Total leases receivable					<u>\$ 67,862</u>

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

Discretely Presented Component Unit – PUC

As of December 31, 2023, the PUC had the following lease receivables:

Description	Issue Date	Maturity Date	Discount Rate	Balance at Year End
Pole attachments	01/01/23	12/31/25	2.00%	\$ 135,675
Water tower space	10/24/23	02/14/28	2.00%	<u>458,649</u>
Total leases receivable				<u>\$ 594,324</u>

The PUC recognized \$62,756 of lease revenue and \$11,611 of interest income during 2023 related to its lessor contracts.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 2,029,132	\$ -	\$ -	\$ 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	1,382,364	3,342,663	(634,703)	4,090,324
Total Capital Assets not Being Depreciated/Amortized	<u>9,764,517</u>	<u>3,342,663</u>	<u>(634,703)</u>	<u>12,472,477</u>
Capital Assets Being Depreciated/Amortized				
Infrastructure	41,860,611	2,006,404	-	43,867,015
Building and improvements	30,944,302	103,528	-	31,047,830
Equipment, machinery and furniture	15,833,919	2,496,684	(294,332)	18,036,271
Leased Equipment (Intangible Right to Use Asset)	504,205	-	-	504,205
Total Capital Assets Being Depreciated/Amortized	<u>89,143,037</u>	<u>4,606,616</u>	<u>(294,332)</u>	<u>93,455,321</u>
Less Accumulated Depreciation/Amortization				
Infrastructure	(25,380,871)	(1,216,336)	-	(26,597,207)
Building and improvements	(19,619,693)	(594,514)	-	(20,214,207)
Equipment, machinery and furniture	(12,695,754)	(966,880)	267,152	(13,395,482)
Leased Equipment (Intangible Right to Use Asset)	(42,017)	(353,373)	-	(395,390)
Total Accumulated Depreciation/Amortization	<u>(57,738,335)</u>	<u>(3,131,103)</u>	<u>267,152</u>	<u>(60,602,286)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>31,404,702</u>	<u>1,475,513</u>	<u>(27,180)</u>	<u>32,853,035</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,169,219</u>	<u>\$ 4,818,176</u>	<u>\$ (661,883)</u>	<u>\$ 45,325,512</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General Government	\$ 95,485
Public Safety	506,674
Public Works, including depreciation of general infrastructure assets	1,937,615
Culture and Recreation	526,499
Transportation	8,780
Miscellaneous	<u>56,050</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,131,103</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 423,719	\$ -	\$ -	\$ 423,719
Construction in progress	799,904	41,372	-	841,276
Total Capital Assets not Being Depreciated	<u>1,223,623</u>	<u>41,372</u>	<u>-</u>	<u>1,264,995</u>
Capital Assets Being Depreciated				
Infrastructure	21,183,159	574,998	-	21,758,157
Buildings and improvements	32,999,675	46,927	-	33,046,602
Equipment, machinery and furniture	6,000,271	864,498	-	6,864,769
Total Capital Assets Being Depreciated	<u>60,183,105</u>	<u>1,486,423</u>	<u>-</u>	<u>61,669,528</u>
Less Accumulated Depreciation for				
Infrastructure	(4,746,228)	(523,689)	-	(5,269,917)
Buildings and improvements	(16,485,101)	(764,823)	-	(17,249,924)
Equipment, machinery and furniture	(4,782,381)	(440,919)	-	(5,223,300)
Total Accumulated Depreciation	<u>(26,013,710)</u>	<u>(1,729,431)</u>	<u>-</u>	<u>(27,743,141)</u>
Total Capital Assets Being Depreciated, Net	<u>34,169,395</u>	<u>(243,008)</u>	<u>-</u>	<u>33,926,387</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 35,393,018</u></u>	<u><u>\$ (201,636)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,191,382</u></u>

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

Business-type Activities

Garbage and Refuse Collection	\$ 263,791
Sewer Operating and Maintenance	<u>1,465,640</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,729,431</u></u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 130,865	\$ -	\$ -	\$ 130,865
Construction in progress	6,880	-	-	6,880
Total Capital Assets not Being Depreciated	137,745	-	-	137,745
Capital Assets Being Depreciated				
Infrastructure	19,699	-	-	19,699
Buildings and improvements	626,319	-	-	626,319
Total Capital Assets Being Depreciated	646,018	-	-	646,018
Less Accumulated Depreciation for				
Buildings and improvements	(40,829)	(18,091)	-	(58,920)
Equipment, machinery and furniture	(22,580)	-	-	(22,580)
Total Accumulated Depreciation	(63,409)	(18,091)	-	(81,500)
Total Capital Assets Being Depreciated, Net	582,609	(18,091)	-	564,518
Component Unit Activities				
Capital Assets, Net	<u>\$ 720,354</u>	<u>\$ (18,091)</u>	<u>\$ -</u>	<u>\$ 702,263</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - PUC

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land and land rights	\$ 344,407	\$ 218,021	\$ -	\$ 562,428
Construction in progress	2,178,089	14,597,612	(15,394,726)	1,380,975
Total Capital Assets not Being Depreciated	<u>2,522,496</u>	<u>14,815,633</u>	<u>(15,394,726)</u>	<u>1,943,403</u>
Capital Assets Being Depreciated				
Intangible Asset	2,764,688	-	-	2,764,688
Land improvements	-	2,272,059	-	2,272,059
Building and grounds	9,994,994	1,379,543	-	11,374,537
Production equipment	73,336,016	8,108,459	(105,467)	81,339,008
Transmission and distribution system	53,289,138	7,613,680	(700,971)	60,201,847
Equipment, machinery and furniture	4,639,205	490,334	(292,946)	4,836,593
Leased assets:				
Vehicles	68,911	-	-	68,911
Substation equipment	892,644	-	-	892,644
Total Capital Assets Being Depreciated	<u>144,985,596</u>	<u>19,864,075</u>	<u>(1,099,384)</u>	<u>163,750,287</u>
Less accumulated depreciation	(89,901,591)	(6,865,667)	930,946	(95,836,312)
Less accumulated amortization on leased assets	<u>(119,992)</u>	<u>(171,139)</u>	<u>-</u>	<u>(291,131)</u>
Total Capital Assets Being Depreciated, Net	<u>54,964,013</u>	<u>12,827,269</u>	<u>(168,438)</u>	<u>67,622,844</u>
Component Unit Activities				
Capital Assets, Net	<u>\$ 57,486,509</u>	<u>\$ 27,642,902</u>	<u>\$ (15,563,164)</u>	<u>\$ 69,566,247</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, 2023 total costs, net of amortization were \$2,513,353.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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	Primary Government	
General	Downtown Capital Project Fund	\$ 11,397
Primary Government	Discretely presented component unit	
Garbage and Refuse	Public Utilities Commission	\$ 229,657
Sewer Operating	Public Utilities Commission	328,050
Total		\$ 557,707

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, 2023 is as follows:

Fund	Transfers in		
	Capital Equipment and Improvement	Nonmajor Governmental	Total
Transfers Out			
General	\$ 668,114	\$ 247,844	\$ 915,958
Permanent Improvement	-	75,000	75,000
Nonmajor governmental	78,459	-	78,459
Total Transfers Out	\$ 746,573	\$ 322,844	\$ 1,069,417

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 general fund balance to separate funds from the Nonmajor Capital fund.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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	\$ 645,000
2020A G.O. Certificates	1,615,000	1.24	11/24/20	02/01/29	1,235,000
2020A G.O. Certificates	670,000	1.35	11/24/20	02/01/30	530,000
2022A G.O. Certificates	295,000	3.125	03/28/22	02/01/32	268,000
2022A G.O. Certificates	120,000	3.125	03/28/22	02/01/27	97,000
Total General Obligation Bonds					<u>\$ 2,775,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	450,000	20,849	470,849
2029 - 2032	508,000	14,276	522,276
Total	<u>\$ 2,775,000</u>	<u>\$ 240,373</u>	<u>\$ 3,015,373</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 obligation is an agreement for the purchase of a TORO mower.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Lease Purchase Obligation					
TORO Mower	78,075	6.74 %	01/10/22	06/01/26	<u>\$ 46,972</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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
2024	\$ 14,618	\$ 4,214	\$ 18,832
2025	15,634	3,264	18,898
2026	16,720	2,249	18,969
Total	<u>\$ 46,972</u>	<u>\$ 9,727</u>	<u>\$ 56,699</u>

Lease Payable

Lease agreements are summarized as follows:

Description	Amount Issued	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Compudyne Equipment - Library	\$ 39,917	3.24 %	10/01/22	3 Years	\$ 1,109 Monthly	\$ 22,609
Compudyne Equipment - City Hall	75,228	2.01	04/01/22	3 Years	2,090 Monthly	30,928
John Deere Graders	394,506	0.33	10/01/21	3 Years	14,089 Monthly	56,319
Total Lease Payable						<u>\$ 109,856</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
2024	\$ 93,762	\$ 978	\$ 94,740
2025	16,094	154	16,248
Total	<u>\$ 109,856</u>	<u>\$ 1,132</u>	<u>\$ 110,988</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds and Notes

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

					<u>Sewer</u>
Operating Revenues					\$ 4,133,306
Principal and Interest					777,525
Percentage of Revenues					532 %

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	\$ 2,640,000
2020A General Obligation Bonds	610,000	1.91	11/24/20	02/01/32	510,000
Total G.O. Revenue Bonds					<u>\$ 3,150,000</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	\$ 223,000
2012 Sewer Revenue Notes	4,912,830	1.00	10/23/12	08/20/31	2,194,954
Total G.O. Revenue Notes					<u>\$ 2,417,954</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
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	330,000	60,723	390,723
2029 - 2033	690,000	186,081	876,081
2034 - 2038	650,000	126,610	776,610
2039 - 2039	300,000	12,200	312,200
Total	<u>\$ 3,150,000</u>	<u>\$ 729,981</u>	<u>\$ 3,879,981</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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
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	276,000	11,210	287,210
2029 - 2031	841,954	15,530	857,484
Total	<u>\$ 2,417,954</u>	<u>\$ 103,129</u>	<u>\$ 2,521,083</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 3,255,000	\$ -	\$ (480,000)	\$ 2,775,000	\$ 454,000
Unamortized premium on bonds	183,357	-	(25,268)	158,089	-
Total Bonds Payable	<u>3,438,357</u>	<u>-</u>	<u>(505,268)</u>	<u>2,933,089</u>	<u>454,000</u>
Lease Purchase Obligations	223,157	-	(176,185)	46,972	14,618
Leases Payable	318,186	-	(208,330)	109,856	93,762
Compensated Absences Payable	<u>1,389,728</u>	<u>204,964</u>	<u>(189,629)</u>	<u>1,405,063</u>	<u>194,363</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,369,428</u>	<u>\$ 204,964</u>	<u>\$ (1,079,412)</u>	<u>\$ 4,494,980</u>	<u>\$ 756,743</u>
Business-type Activities					
Bonds Payable					
G.O. revenue notes	\$ 2,789,954	\$ -	\$ (372,000)	\$ 2,417,954	\$ 376,000
G.O. revenue bonds	3,415,000	-	(265,000)	3,150,000	280,000
Unamortized discount on bonds	(3,188)	-	352	(2,836)	-
Unamortized premium on bonds	120,315	-	(8,239)	112,076	-
Total Bonds Payable	<u>6,322,081</u>	<u>-</u>	<u>(644,887)</u>	<u>5,677,194</u>	<u>656,000</u>
Compensated Absences Payable	<u>269,855</u>	<u>95,290</u>	<u>(118,769)</u>	<u>246,376</u>	<u>111,821</u>
Business-type Activity Long-term Liabilities	<u>\$ 6,591,936</u>	<u>\$ 95,290</u>	<u>\$ (763,656)</u>	<u>\$ 5,923,570</u>	<u>\$ 767,821</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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>\$ 680,000</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
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	50,000	8,823	58,823
2029 - 2033	210,000	26,999	236,999
2034 - 2036	220,000	9,831	229,831
Total	<u>\$ 680,000</u>	<u>\$ 86,444</u>	<u>\$ 766,444</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, 2023

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 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	\$ 725,000	\$ -	\$ (45,000)	\$ 680,000	\$ 50,000
Unamortized discount on bonds	(1,713)	-	1,713	-	-
Total Bonds Payable	<u>723,287</u>	<u>-</u>	<u>(43,287)</u>	<u>680,000</u>	<u>50,000</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>\$ 1,270,420</u>	<u>\$ -</u>	<u>\$ (43,287)</u>	<u>\$ 1,227,133</u>	<u>\$ 50,000</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>\$ 300,000</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
2024	\$ 145,000	\$ 14,374	\$ 159,374
2025	155,000	6,984	161,984
Total	<u>\$ 300,000</u>	<u>\$ 21,358</u>	<u>\$ 321,358</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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
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>\$ 647,460</u>	<u>\$ 32,856</u>	<u>\$ 680,316</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - PUC					
Bonds Payable					
G.O. revenue notes	\$ 440,000	\$ -	\$ (140,000)	\$ 300,000	\$ 145,000
Unamortized discount on notes	(4,066)	-	1,392	(2,674)	-
Total Bonds Payable	<u>435,934</u>	<u>-</u>	<u>(138,608)</u>	<u>297,326</u>	<u>145,000</u>
Lease Payable	841,633	-	(194,173)	647,460	199,867
Compensated Absences Payable	<u>757,309</u>	<u>202,732</u>	<u>(79,520)</u>	<u>880,521</u>	<u>307,985</u>
Discretely Presented Component Unit Long-term Liabilities	<u>\$ 2,034,876</u>	<u>\$ 202,732</u>	<u>\$ (412,301)</u>	<u>\$ 1,825,307</u>	<u>\$ 652,852</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, 2023, the account had a balance of \$367,787.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023:

Issuer	Amount
City of Buhl (St Francis Health Services)	\$ 5,129,093
Central Minnesota Diagnostic, Inc	197,871
Minnesota Diversified Industries Project	1,291,274

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2023, 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	Capital Equipment and Improvement	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable for						
Prepays	\$ 41,254	\$ -	\$ 1,000	\$ -	\$ 3,923	\$ 46,177
Inventory	531	-	-	-	-	531
Lease receivable	9,377	-	-	-	-	9,377
Total Nonspendable	\$ 51,162	\$ -	\$ 1,000	\$ -	\$ 3,923	\$ 56,085
Restricted for						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 909,139	\$ 909,139
Capital equipment and improvements	-	-	108,044	1,032,499	1,174,005	2,314,548
Public safety	702,965	-	-	-	-	702,965
Police forfeiture fund	91,583	-	-	-	-	91,583
Total Restricted	\$ 794,548	\$ -	\$ 108,044	\$ 1,032,499	\$ 2,083,144	\$ 4,018,235
Committed to						
Housing incentive	\$ -	\$ -	\$ -	\$ -	\$ 53,889	\$ 53,889
Small cities development	-	-	-	-	27,655	27,655
Economic development	-	-	-	-	84,976	84,976
Library	-	-	-	-	257,346	257,346
OPEB obligation	-	8,784,191	-	-	-	8,784,191
Memorial building	-	-	-	-	79,369	79,369
Capital equipment and improvements	-	-	2,060,335	-	-	2,060,335
Total Committed	\$ -	\$ 8,784,191	\$ 2,060,335	\$ -	\$ 503,235	\$ 11,347,761
Assigned to						
2024 budget	\$ 11,056,213	\$ -	\$ -	\$ -	\$ -	\$ 11,056,213
Future capital projects funded from sale of assets	1,173,149	-	-	-	-	1,173,149
Workers' compensation premium adjustments	688,284	-	-	-	-	688,284
Capital equipment and improvements	-	-	396,131	-	-	396,131
Other improvement projects	-	-	-	-	311,814	311,814
Total Assigned	\$ 12,917,646	\$ -	\$ 396,131	\$ -	\$ 311,814	\$ 13,625,591

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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, 2023

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 2023 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, 2023, 2022 and 2021 were \$403,071, \$387,291 and \$353,958, 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, 2023 were \$371,070. 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 2023 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, 2023, 2022 and 2021 were \$785,093, \$765,127 and \$741,673, 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, 2023, the City reported a liability of \$3,752,157 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. 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 \$103,509. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0671 at the end of the measurement period and 0.0658 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 3,752,157
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>103,509</u>
Total	<u><u>\$ 3,855,666</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$540,845 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$465 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, 2023

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

At December 31, 2023, 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	\$ 122,648	\$ 25,078
Changes in Actuarial Assumptions	589,569	1,028,434
Net Difference Between Projected and Actual Earnings on Plan Investments	-	129,785
Changes in Proportion	51,480	-
Contributions Paid to PERA Subsequent to the Measurement Date	13,879	-
	<u>199,739</u>	<u>-</u>
Total	<u>\$ 963,436</u>	<u>\$ 1,197,176</u>

The \$199,739 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 95,899
2025	(526,273)
2026	78,293
2027	(81,398)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$5,823,066 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.3372 at the end of the measurement period and 0.3507 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. 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, 2022. 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, 2023

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, 2023, the City recognized negative pension expense of \$14,128 for its proportionate share of Police and Fire Plan's pension expense. In addition, the City recognized an additional \$146,864 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 \$1,629,815 for the year ended December 31, 2023 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, 2023, 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	\$ 1,629,815	\$ -
Changes in Actuarial Assumptions	6,986,809	8,189,313
Net Difference Between Projected and Actual Earnings on Plan Investments	-	210,120
Changes in Proportion	143,864	463,701
Contributions Paid to PERA Subsequent to the Measurement Date	397,970	-
Total	<u>\$ 9,158,458</u>	<u>\$ 8,863,134</u>

The \$397,969 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 279,514
2025	69,971
2026	1,430,640
2027	(438,047)
2028	(1,444,724)

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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

Employees Fund Pension Costs - Discretely Presented Component Unit - PUC

At December 31, 2023, the PUC reported a liability of \$3,478,154 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 \$95,859. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0622 at the end of the measurement period and 0.0585 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 3,478,154
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>95,859</u>
Total	<u><u>\$ 3,574,013</u></u>

For the year ended December 31, 2023, the PUC recognized pension expense of \$240,303 for its proportionate share of General Employees Plan's pension expense.

At December 31, 2023, 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	\$ 115,817	\$ 23,305
Changes in Actuarial Assumptions	549,593	953,333
Net Difference Between Projected and Actual Earnings on Plan Investments	-	171,222
Changes in Proportion	219,781	115,492
Contributions Paid to PERA Subsequent to the Measurement Date	<u>210,944</u>	<u>-</u>
Total	<u><u>\$ 1,096,135</u></u>	<u><u>\$ 1,263,352</u></u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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

The \$210,944 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 48,491
2025	(480,744)
2026	129,545
2027	(75,453)

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, 2023 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 7.0 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 7.0 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, 2023

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was 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 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.00 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.

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 (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 6,637,867	\$ 3,752,157	\$ 1,378,551
	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
Police and Fire Fund	\$ 11,553,538	\$ 5,823,006	\$ 1,111,742
	PUC Proportionate Share of NPL		
	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 6,153,134	\$ 3,478,154	\$ 1,277,882

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, 2023

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

Total contributions made by the City and the PUC during the fiscal year 2023 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		
\$ 210	\$ 210	5.00%	5.00%	5.00%	

The City's contributions to the DCP for the years ended December 31, 2023, 2022 and 2021 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, 2022, 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, 2023

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 \$27,040 and \$25,691 in 2023 and 2022, 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, 2023.

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of (\$254,472) for the plan. The net pension asset was measured as of December 31, 2023. 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, 2023.

For the year ended December 31, 2023, the City recognized a negative pension expense of \$26,218 .

At December 31, 2023, 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	\$ 12,936	\$ (21,951)
Changes in Actuarial Assumptions	3,053	-
Net Difference Between Projected and Actual Earnings on Plan Investments	<u>22,233</u>	<u>-</u>
Total	<u>\$ 38,222</u>	<u>\$ (21,951)</u>

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

2024	\$ 16,213
2025	4,987
2026	7,308
2027	(8,065)
2028	(1,463)
Thereafter	(2,709)

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Cost of Living Increases	2.50% per year
Investment Rate of Return	5.00%
20-Year Municipal Bond Yield	3.26%

There were no changes in actuarial assumptions in 2023.

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	70.00 %	3.82 %
Alternatives	5.00	4.49
Fixed Income	23.00	2.08
Cash and Equivalents	2.00	0.74
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, 2023

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	\$ (245,315)	\$ (254,472)	\$ (262,906)

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 2023, 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, 2023

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 2023, the City indirectly contributed \$1,727,767 to the plan.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	192
Active Plan Members	<u>113</u>
Total Plan Members	<u><u>305</u></u>

B. Actuarial Methods and Assumptions

The City's total OPEB liability of \$29,031,133 was measured as of December 31, 2023, and was determined by an actuarial valuation as of January 1, 2023.

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.72%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.26%
Inflation Rate	3.26%
Medical Trend Rate	(12.10%) for FY2023, gradually declining to 3.70% in FY2073

The discount rate used to measure the total OPEB liability was 3.72 percent.

The assumptions relating to mortality, withdrawal, disability, retirement and spouse age difference have been updated per the PERA 2023 actuarial valuations.

The actuarial assumptions used in the January 1, 2023 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, 2023

Note 8: Postemployment Benefits Other Than Pensions (Continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2022	<u>\$ 29,107,439</u>
Changes for the Year:	
Service cost	281,812
Interest	589,736
Effect of economic/demographic gains or losses	5,764,030
Changes in assumptions or other inputs	(5,181,511)
Benefit payments	<u>(1,530,373)</u>
Net Changes	<u>(76,306)</u>
Balances at December 31, 2023	<u><u>\$ 29,031,133</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was updated as of December 31, 2023 to 3.26%.
- 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 (2.72 percent) or 1-percentage-point higher (4.72 percent) than the current discount rate:

1 Percent Decrease (2.72%)	Current (3.72%)	1 Percent Increase (4.72%)
\$ 32,588,309	\$ 29,031,133	\$ 26,085,004

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (3.72 percent decreasing to 2.72 percent) or 1-percentage-point higher (3.72 percent increasing to 4.72 percent) than the current discount rate:

1 Percent Decrease (11.1% Decreasing to 2.72%)	Healthcare Cost Trend Rates (12.1% Decreasing to 3.72%)	1 Percent Increase (13.1% Decreasing to 4.72%)
\$ 32,588,309	\$ 29,031,133	\$ 26,085,004

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023, the City recognized OPEB expense of \$1,516,870. At December 31, 2023, 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	\$ 6,243,633	\$ -
Changes in Actuarial Assumptions	2,048,401	5,939,525
Contributions to OPEB Subsequent to the Measurement Date	1,727,768	-
Total	<u>\$ 10,019,802</u>	<u>\$ 5,939,525</u>

Deferred outflows of resources totaling \$1,727,767 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, 2024. 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:	
2024	\$ 627,542
2025	592,691
2026	791,310
2027	192,424
2028	103,541
Thereafter	45,001

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, 2023, the PUC expended approximately \$942,596 on benefits for approximately 95 retirees.

G. Actuarial Assumptions

The total OPEB liability was determined using an actuarial valuation date of January 1, 2023 and a measurement date of December 31, 2023. The following assumptions were used in the valuation:

Discount Rate	3.26%
Index Rate	3.26% using 20 year tax exempt municipal bond rate
Inflation Rate	2.50%
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, 2023

Note 8: Postemployment Benefits Other Than Pensions (Continued)

H. Changes in the Total OPEB Liability

The PUC's total OPEB liability of \$16,128,037 was measured as of December 31, 2023. Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balances at December 31, 2022	<u>\$ 16,607,353</u>
Changes for the Year:	
Service cost	276,170
Interest cost	610,696
Effect of economic/demographic gains or losses	(453,865)
Effect of assumptions changes or inputs	30,279
Benefit payments	<u>(942,596)</u>
Net Changes	<u>(479,316)</u>
Balances at December 31, 2023	<u><u>\$ 16,128,037</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>
\$ 18,326,591	\$ 16,128,037	\$ 14,316,768

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>
\$ 14,261,634	\$ 16,128,037	\$ 18,446,894

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023, the PUC recognized OPEB expense of \$790,289. At December 31, 2023, 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	\$ -	\$ 1,705,206
Changes in Actuarial Assumptions	1,527,956	2,502,128
Total	<u>\$ 1,527,956</u>	<u>\$ 4,207,334</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:	
2024	\$ (898,676)
2025	(879,004)
2026	(863,188)
2027	(38,510)
2028	-
Thereafter	-

Note 9: Equity in Joint Venture

Component Unit - Hibbing Public Utilities Commission

The Commission entered into a joint venture with the Virginia Public Utilities Commission to form the Laurentian Energy Authority, LLC (Authority). The Authority is a limited liability company created under Minnesota Statutes, Sections 452.25 and 471.59 and was 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.

Prior to the transaction in August 2023 described below, the management of the business and affairs of the Authority were governed by a Board of Directors. The Board consisted 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 comprised six seats on the Board. The remaining Board position was 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 Commission'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 Commission received \$9,041,666 in cash payments from the Authority in 2023 and 2022, representing purchasing power termination payments the Authority received in those years.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 9: Equity in Joint Venture (Continued)

The Commission had a 50% ownership interest in the Authority. In August 2023, the Commission purchased the remaining 50% ownership interest from the Virginia Public Utilities Commission for \$759,860 due to the operational benefit the remaining partnership assets had for the Commission's biomass operations. The acquisition date of the transaction was July 1, 2023. At the time of the transaction, the Authority's total net position was \$1,049,195 and the portion purchased was \$524,598. At December 31, 2023, the balances of the Authority are blended into the financial statements of the Commission.

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, 2023, the City is under the legal debt margin.

B. Risk Management

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City has a \$1,000 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 \$5000 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 2023 and 2022.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 10: Other Information (Continued)

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

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 2024-2025 MISO Planning Year, MISO implemented a seasonal capacity accreditation construct to determine market participants' capacity shortage and/or excess. For the 2024-2025 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 2024 to 2028 total \$13.4 million at fixed prices. With current market prices at February 8, 2024, this represents a savings to rate payers of \$1.3 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, 2023. 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, 2023

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, 2023:

Purpose	Percentage of City Taxes Abated during 2023	Amount of Taxes Abated during 2023
Provide incentive for real estate development company to complete residential and commercial development project	50 %	\$ 27,123
Provide incentive for real estate development company to complete residential development project	50 %	\$ 16,674

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, 2023, the Commission had outstanding loans of \$225,238 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 2023, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

Note 11: Subsequent Event

On March 14, 2024, the City issued 2024A General Obligation Bonds for \$1,935,000. The bonds will mature on February 1, 2034 and will be used to finance the acquisition of various capital equipment.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hibbing, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2023

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
06/30/23	0.0671 %	\$ 3,752,157	\$ 103,509	\$ 3,855,666	\$ 5,339,143	70.3 %	83.1 %
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
06/30/23	0.0622 %	\$ 3,478,154	\$ 95,859	\$ 3,574,013	\$ 4,756,870	73.1 %	83.1 %
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, 2023

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)
12/31/23	\$ 403,071	\$ 403,071	\$ -	\$ 5,374,279	7.50 %
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)
12/31/23	\$ 389,966	\$ 389,966	\$ -	\$ 5,410,488	7.50 %
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, 2023

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021

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, 2023

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

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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, 2023

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
06/30/23	0.3372 %	\$ 5,823,006	\$ 234,566	\$ 6,057,572	\$ 4,427,809	131.5 %	86.5 %
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)
12/31/23	\$ 785,093	\$ 785,093	\$ -	\$ 4,435,555	17.70 %
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, 2023

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2023 - The investment return assumption was changed from 6.5 percent to 7.00 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - 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.

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.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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

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.

Changes in Plan Provisions

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 - There were no changes in plan provisions since the previous valuation.

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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability								
Service cost	\$ 7,652	\$ 7,288	\$ 8,999	\$ 8,737	\$ 11,290	\$ 10,961	\$ 11,412	\$ 11,079
Interest	6,618	6,548	6,411	6,144	6,820	6,601	6,699	6,418
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(15,012)	-	(11)	-	(17,841)	-	(4,341)	116,400
Changes of assumptions	1	1,518	2,835	-	39	-	12	-
Benefit payments, including refunds of employee contributions	(448)	(27,900)	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Net Change in Total Pension Liability	(1,189)	(12,546)	18,234	(4,712)	(2,640)	(6,524)	7,292	(2,071)
Total Pension Liability - January 1	124,915	137,461	119,227	123,939	126,579	133,103	125,811	127,882
Total Pension Liability - December 31 (a)	\$ 123,726	\$ 124,915	\$ 137,461	\$ 119,227	\$ 123,939	\$ 126,579	\$ 133,103	\$ 125,811
Plan Fiduciary Net Position								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - state	27,040	25,691	25,864	26,382	24,973	25,566	24,280	28,587
Net investment income	39,434	(58,132)	26,336	24,004	38,997	(16,336)	14,938	5,008
Benefit payments, including refunds of employee contributions	(448)	(27,900)	-	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Administrative expense	(1,886)	(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	64,140	(62,931)	42,780	26,069	57,610	(21,980)	26,587	(67,619)
Plan Fiduciary Net Position - January 1	314,058	376,989	334,209	308,140	250,530	272,510	245,923	313,542
Plan Fiduciary Net Position - December 31 (b)	\$ 378,198	\$ 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)	\$ (254,472)	\$ (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)	305.67%	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	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	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)
12/31/23	\$ 27,040	\$ 27,040	\$ -
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, 2023

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

Primary Government

	2023	2022	2021	2020	2019
Total OPEB Liability					
Service cost	\$ 281,812	\$ 271,691	\$ 371,686	\$ 258,942	\$ 441,305
Interest	589,736	617,904	793,399	1,026,040	952,784
Effect of economic/demographic gains or losses	5,764,030	-	2,057,367	-	-
Changes in assumptions	(5,181,511)	222,485	(1,211,246)	4,244,880	(2,349,774)
Benefit payments	(1,530,373)	(1,749,571)	(1,690,100)	(1,727,593)	(1,345,948)
Net Change in Total OPEB Liability	(76,306)	(637,491)	321,106	(2,301,633)	(2,301,633)
Total OPEB Liability - Beginning	29,107,439	29,744,930	29,423,824	25,621,555	27,923,188
Total OPEB Liability - Ending	<u>\$ 29,031,133</u>	<u>\$ 29,107,439</u>	<u>\$ 29,744,930</u>	<u>\$ 29,423,824</u>	<u>\$ 25,621,555</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

Benefit changes:

2023

The discount rate was updated as of December 31, 2023 to 3.72%

Changes in Assumptions:

2023

The discount rate was updated as of December 31, 2023 to 3.72%

The mortality projection scale was updated to MP-2021.

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.

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, 2023

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

Component Unit - Hibbing Public Utilities Commission

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 276,170	\$ 623,529	\$ 597,214
Interest	610,696	429,946	456,552
Differences between expected and actual experience	(453,865)	-	(1,100,781)
Changes in assumptions	30,279	(4,289,364)	181,569
Benefit payments	(942,596)	(804,734)	(845,235)
Net Change in Total OPEB Liability	(479,316)	(4,040,623)	(710,681)
Total OPEB Liability - Beginning	16,607,353	20,647,976	21,358,657
Total OPEB Liability - Ending	<u>\$ 16,128,037</u>	<u>\$ 16,607,353</u>	<u>\$ 20,647,976</u>
Covered - Employee Payroll	\$ 4,756,870	\$ 4,449,229	\$ 4,576,939
City' Total OPEB Liability as a Percentage of Covered Employee Payroll	339.05 %	373.26 %	451.13 %

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.

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, 2023

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 2023. 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, 2023

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, 2023, the City's gravel roads all rated at a Level 3.

The estimated budget required to preserve gravel roads to this condition for the years 2024 and 2025 are \$377,500 and \$382,500, respectively.

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, 2023 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
2023	330,000	180,000	180,000

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2023

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 456,396	\$ 1,744,255	\$ 1,115,290	\$ 3,315,941
Receivables				
Taxes	6,361	-	3,934	10,295
Accounts	-	10,683	-	10,683
Special assessments	-	370,353	-	370,353
Prepaid items	3,923	-	-	3,923
Total Assets	<u>\$ 466,680</u>	<u>\$ 2,125,291</u>	<u>\$ 1,119,224</u>	<u>\$ 3,711,195</u>
Liabilities				
Accounts payable	\$ 2,658	\$ -	\$ 585	\$ 3,243
Due to other funds	-	11,397	-	11,397
Due to other governments	5,393	128,705	-	134,098
Accrued salaries payable	12,769	-	-	12,769
Contracts payable	-	16,313	-	16,313
Unearned revenue	18,071	146,449	209,500	374,020
Total Liabilities	<u>38,891</u>	<u>302,864</u>	<u>210,085</u>	<u>551,840</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	268,636	-	268,636
Fund Balances				
Nonspendable	3,923	-	-	3,923
Restricted	-	1,174,005	909,139	2,083,144
Committed	423,866	79,369	-	503,235
Assigned	-	311,814	-	311,814
Unassigned	-	(11,397)	-	(11,397)
Total Fund Balances	<u>427,789</u>	<u>1,553,791</u>	<u>909,139</u>	<u>2,890,719</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 466,680</u>	<u>\$ 2,125,291</u>	<u>\$ 1,119,224</u>	<u>\$ 3,711,195</u>

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2023

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 585,783	\$ 183,602	\$ 362,339	\$ 1,131,724
Intergovernmental	260	25,000	221,060	246,320
Charges for services	5,372	33,750	-	39,122
Special assessments	-	28,581	-	28,581
Contributions and donations	21,584	12,494	-	34,078
Investment earnings	3,047	16,953	23,010	43,010
Miscellaneous	-	-	2,833	2,833
Total Revenues	<u>616,046</u>	<u>300,380</u>	<u>609,242</u>	<u>1,525,668</u>
Expenditures				
Current				
Culture and recreation	750,116	30,334	-	780,450
Capital outlay				
Public works	-	81,457	-	81,457
Culture and recreation	-	1,228	-	1,228
Housing and economic development	-	76,466	-	76,466
Debt service				
Principal	-	-	480,122	480,122
Interest and other	-	-	87,117	87,117
Total Expenditures	<u>750,116</u>	<u>189,485</u>	<u>567,239</u>	<u>1,506,840</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(134,070)</u>	<u>110,895</u>	<u>42,003</u>	<u>18,828</u>
Other Financing Sources (Uses)				
Transfers in	247,844	75,000	-	322,844
Transfers out	(22,550)	(55,909)	-	(78,459)
Total Other Financing Sources (Uses)	<u>225,294</u>	<u>19,091</u>	<u>-</u>	<u>244,385</u>
Net Change in Fund Balances	91,224	129,986	42,003	263,213
Fund Balances, January 1	<u>336,565</u>	<u>1,423,805</u>	<u>867,136</u>	<u>2,627,506</u>
Fund Balances, December 31	<u>\$ 427,789</u>	<u>\$ 1,553,791</u>	<u>\$ 909,139</u>	<u>\$ 2,890,719</u>

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2023

	211	220	225	421	
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans	Total
Assets					
Cash and temporary investments	\$ 289,876	\$ 53,889	\$ 27,655	\$ 84,976	\$ 456,396
Receivables					
Taxes	6,361	-	-	-	6,361
Prepaid items	3,923	-	-	-	3,923
Total Assets	\$ 300,160	\$ 53,889	\$ 27,655	\$ 84,976	\$ 466,680
Liabilities					
Accounts and other payables	\$ 2,658	\$ -	\$ -	\$ -	\$ 2,658
Due to other governments	5,393	-	-	-	5,393
Accrued salaries payable	12,769	-	-	-	12,769
Unearned revenue	18,071	-	-	-	18,071
Total Liabilities	38,891	-	-	-	38,891
Fund Balances					
Nonspendable	3,923	-	-	-	3,923
Committed	257,346	53,889	27,655	84,976	423,866
Total Fund Balances	261,269	53,889	27,655	84,976	427,789
Total Liabilities and Fund Balances	\$ 300,160	\$ 53,889	\$ 27,655	\$ 84,976	\$ 466,680

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2023

	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	\$ 585,783	\$ -	\$ -	\$ -	\$ 585,783
Property taxes					
Intergovernmental	260	-	-	-	260
Charges for services	5,372	-	-	-	5,372
Contributions and donations	21,584	-	-	-	21,584
Investment earnings	309	1,738	892	108	3,047
Total Revenues	<u>613,308</u>	<u>1,738</u>	<u>892</u>	<u>108</u>	<u>616,046</u>
Expenditures					
Current					
Culture and recreation	<u>750,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,116</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(136,808)</u>	<u>1,738</u>	<u>892</u>	<u>108</u>	<u>(134,070)</u>
Other Financing Sources (Uses)					
Transfers in	247,844	-	-	-	247,844
Transfers out	<u>(22,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,550)</u>
Total Other Financing Sources (Uses)	<u>225,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,294</u>
Net Change in Fund Balances	88,486	1,738	892	108	91,224
Fund Balances, January 1	<u>172,783</u>	<u>52,151</u>	<u>26,763</u>	<u>84,868</u>	<u>336,565</u>
Fund Balances, December 31	<u>\$ 261,269</u>	<u>\$ 53,889</u>	<u>\$ 27,655</u>	<u>\$ 84,976</u>	<u>\$ 427,789</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 586,043	\$ 586,043	\$ 585,783	\$ (260)
Intergovernmental	-	-	260	260
Charges for services	3,700	3,700	5,372	1,672
Contributions and donations	12,623	12,623	21,584	8,961
Investment earnings	-	-	309	309
Total Revenues	<u>602,366</u>	<u>602,366</u>	<u>613,308</u>	<u>10,942</u>
Expenditures				
Current				
Culture and recreation				
Personnel services	629,599	607,049	513,630	93,419
Supplies	109,111	109,111	110,397	(1,286)
Other	111,500	111,500	126,089	(14,589)
Total Expenditures	<u>850,210</u>	<u>827,660</u>	<u>750,116</u>	<u>77,544</u>
Deficiency of Revenues				
Under Expenditures	<u>(247,844)</u>	<u>(225,294)</u>	<u>(136,808)</u>	<u>88,486</u>
Other Financing Sources (Uses)				
Transfer in	247,844	247,844	247,844	-
Transfer out	-	(22,550)	(22,550)	-
Total Other Financing Sources (Uses)	<u>247,844</u>	<u>225,294</u>	<u>225,294</u>	<u>-</u>
Net Change in Fund Balances	-	-	88,486	88,486
Fund Balances, January 1	<u>172,783</u>	<u>172,783</u>	<u>172,783</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 172,783</u>	<u>\$ 172,783</u>	<u>\$ 261,269</u>	<u>\$ 88,486</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2023

	405	415	418	430
	Urban Redevelopment	Privately- Financed	Downtown Capital Project	Memorial Building
Assets				
Cash and temporary investments	\$ 190,274	\$ 98,338	\$ 6,831	\$ 77,336
Receivables				
Accounts	-	250	-	2,433
Special assessments	-	370,353	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 190,274</u>	<u>\$ 468,941</u>	<u>\$ 6,831</u>	<u>\$ 79,769</u>
Liabilities				
Due to other governments	\$ -	\$ 128,705	\$ -	\$ -
Contracts payable	1,945	-	6,831	-
Due to other funds	-	-	11,397	-
Unearned revenue	-	-	-	400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,945</u>	<u>128,705</u>	<u>18,228</u>	<u>400</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	268,636	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	-	-	-
Committed	-	-	-	79,369
Assigned	188,329	71,600	-	-
Unassigned	-	-	(11,397)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>188,329</u>	<u>71,600</u>	<u>(11,397)</u>	<u>79,369</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 190,274</u>	<u>\$ 468,941</u>	<u>\$ 6,831</u>	<u>\$ 79,769</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2023

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Assets				
Cash and temporary investments	\$ 1,174,005	\$ 174,021	\$ 23,450	\$ 1,744,255
Receivables				
Accounts	-	8,000	-	10,683
Special assessments	-	-	-	370,353
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,174,005</u>	<u>\$ 182,021</u>	<u>\$ 23,450</u>	<u>\$ 2,125,291</u>
Liabilities				
Due to other governments	\$ -	\$ -	\$ -	\$ 128,705
Contracts payable	-	7,537	-	16,313
Due to other funds	-	-	-	11,397
Unearned revenue	-	146,049	-	146,449
Total Liabilities	<u> </u>	<u>153,586</u>	<u> </u>	<u>302,864</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	268,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	1,174,005	-	-	1,174,005
Committed	-	-	-	79,369
Assigned	-	28,435	23,450	311,814
Unassigned	-	-	-	(11,397)
Total Fund Balances	<u>1,174,005</u>	<u>28,435</u>	<u>23,450</u>	<u>1,553,791</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,174,005</u>	<u>\$ 182,021</u>	<u>\$ 23,450</u>	<u>\$ 2,125,291</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, 2023

	405	415	418	430
	Urban Revelopment	Privately- Financed	Downtown Capital Project	Memorial Building
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	25,000	-	-	-
Charges for services	-	-	-	21,750
Special assessments	-	28,581	-	-
Contributions and donations	-	-	-	-
Investment earnings	6,519	1,533	-	2,306
Total Revenues	<u>31,519</u>	<u>30,114</u>	<u>-</u>	<u>24,056</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
Public works	-	81,457	-	-
Culture and recreation	-	-	-	1,228
Housing and economic development	65,069	-	11,397	-
Total Expenditures	<u>65,069</u>	<u>81,457</u>	<u>11,397</u>	<u>1,228</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,550)</u>	<u>(51,343)</u>	<u>(11,397)</u>	<u>22,828</u>
Other Financing Sources (Uses)				
Transfers in	-	75,000	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(33,550)	23,657	(11,397)	22,828
Fund Balances, January 1	<u>221,879</u>	<u>47,943</u>	<u>-</u>	<u>56,541</u>
Fund Balances, December 31	<u><u>\$ 188,329</u></u>	<u><u>\$ 71,600</u></u>	<u><u>\$ (11,397)</u></u>	<u><u>\$ 79,369</u></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, 2023

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Revenues				
Taxes	\$ 183,602	\$ -	\$ -	\$ 183,602
Intergovernmental	-	-	-	25,000
Charges for services	-	12,000	-	33,750
Special assessments	-	-	-	28,581
Contributions and donations	-	12,494	-	12,494
Investment earnings	-	5,839	756	16,953
Total Revenues	<u>183,602</u>	<u>30,333</u>	<u>756</u>	<u>300,380</u>
Expenditures				
Current				
Culture and recreation	-	30,334	-	30,334
Capital outlay				
Public works	-	-	-	81,457
Culture and recreation	-	-	-	1,228
Housing and economic development	-	-	-	76,466
Total Expenditures	<u>-</u>	<u>30,334</u>	<u>-</u>	<u>189,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>183,602</u>	<u>(1)</u>	<u>756</u>	<u>110,895</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	75,000
Transfers out	<u>(55,909)</u>	<u>-</u>	<u>-</u>	<u>(55,909)</u>
Total Other Financing Sources (Uses)	<u>(55,909)</u>	<u>-</u>	<u>-</u>	<u>19,091</u>
Net Change in Fund Balances	127,693	(1)	756	129,986
Fund Balances, January 1	<u>1,046,312</u>	<u>28,436</u>	<u>22,694</u>	<u>1,423,805</u>
Fund Balances, December 31	<u><u>\$ 1,174,005</u></u>	<u><u>\$ 28,435</u></u>	<u><u>\$ 23,450</u></u>	<u><u>\$ 1,553,791</u></u>

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2023

	395 2002 G.O. Refunding Bonds	396 2013A G.O. 2020A Refunding MSA Bonds	308 2018A G.O. Bonds	309 2012A G.O. Bonds
Assets				
Cash and temporary investments	\$ 369,556	\$ 279,564	\$ 202,372	\$ 88,525
Receivables				
Taxes	-	-	1,892	-
Total Assets	<u><u>\$ 369,556</u></u>	<u><u>\$ 279,564</u></u>	<u><u>\$ 204,264</u></u>	<u><u>\$ 88,525</u></u>
Liabilities				
Accounts payable	\$ -	\$ 117	\$ 117	\$ -
Unearned revenue	-	209,500	-	-
Total Liabilities	<u>-</u>	<u>209,617</u>	<u>117</u>	<u>-</u>
Fund Balances				
Restricted for debt service	<u>369,556</u>	<u>69,947</u>	<u>204,147</u>	<u>88,525</u>
Total Liabilities and Fund Balances	<u><u>\$ 369,556</u></u>	<u><u>\$ 279,564</u></u>	<u><u>\$ 204,264</u></u>	<u><u>\$ 88,525</u></u>

310 2020A Refunding Bonds (2013A Equipment Certificates)	312 2022A Equipment Certificates	Total
\$ 172,691	\$ 2,582	\$ 1,115,290
<u>1,283</u>	<u>759</u>	<u>3,934</u>
<u><u>\$ 173,974</u></u>	<u><u>\$ 3,341</u></u>	<u><u>\$ 1,119,224</u></u>
\$ 234	\$ 117	\$ 585
-	-	209,500
<u>234</u>	<u>117</u>	<u>210,085</u>
<u>173,740</u>	<u>3,224</u>	<u>909,139</u>
<u><u>\$ 173,974</u></u>	<u><u>\$ 3,341</u></u>	<u><u>\$ 1,119,224</u></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, 2023

	395	396	308	309
	2002 G.O. Refunding Bonds	2013A G.O. 2020A Refunding MSA Bonds	2018A G.O. Bonds	2012A G.O. Bonds
Revenues				
Taxes	\$ -	\$ -	\$ 174,223	\$ -
Intergovernmental	-	220,900	77	-
Investment earnings	11,925	3,259	3,126	
Miscellaneous	-	-	-	2,833
Total Revenues	<u>11,925</u>	<u>224,159</u>	<u>177,426</u>	<u>2,833</u>
Expenditures				
Debt service				
Principal	-	190,000	140,000	-
Interest and other	-	31,288	26,241	-
Total Expenditures	<u>-</u>	<u>221,288</u>	<u>166,241</u>	<u>-</u>
Net Change in Fund Balances	11,925	2,871	11,185	2,833
Fund Balances, January 1	<u>357,631</u>	<u>67,076</u>	<u>192,962</u>	<u>85,692</u>
Fund Balances, December 31	<u>\$ 369,556</u>	<u>\$ 69,947</u>	<u>\$ 204,147</u>	<u>\$ 88,525</u>

310 2020A Refunding Bonds (2013A Equipment Certificates)	312 2022A Equipment Certificates	Total
\$ 118,199	\$ 69,917	\$ 362,339
52	31	221,060
4,700	-	23,010
		2,833
<u>122,951</u>	<u>69,948</u>	<u>609,242</u>
100,122	50,000	480,122
<u>12,864</u>	<u>16,724</u>	<u>87,117</u>
<u>112,986</u>	<u>66,724</u>	<u>567,239</u>
9,965	3,224	42,003
<u>163,775</u>	<u>-</u>	<u>867,136</u>
<u>\$ 173,740</u>	<u>\$ 3,224</u>	<u>\$ 909,139</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 6,543,296	\$ 5,990,496	\$ 6,164,557	\$ 174,061	\$ 5,847,782
Taconite	2,030,258	2,580,258	2,639,563	59,305	2,637,896
Franchise	125,000	125,000	114,274	(10,726)	126,505
Total taxes	<u>8,698,554</u>	<u>8,695,754</u>	<u>8,918,394</u>	<u>222,640</u>	<u>8,612,183</u>
Licenses and permits					
Business	<u>148,171</u>	<u>148,171</u>	<u>317,987</u>	<u>169,816</u>	<u>141,336</u>
Intergovernmental					
Federal					
Transportation	419,892	255,614	189,158	(66,456)	135,925
Other	5,000	5,000	20,629	15,629	123,895
State					
Local government aid	8,360,051	8,360,051	8,360,051	-	8,308,919
Market value credit	-	2,800	2,898	98	2,777
Transportation	380,459	295,861	226,756	(69,105)	324,113
Police and fire aid	305,000	382,000	397,764	15,764	365,651
Other	83,000	200,240	1,182,209	981,969	80,514
Local					
Other	<u>62,000</u>	<u>62,000</u>	<u>63,818</u>	<u>1,818</u>	<u>73,503</u>
Total intergovernmental	<u>9,615,402</u>	<u>9,563,566</u>	<u>10,443,283</u>	<u>879,717</u>	<u>9,415,297</u>
Charges for services					
General government	70,000	70,000	81,182	11,182	75,365
Public safety	2,101,400	1,801,400	1,810,192	8,792	1,763,740
Highways and streets	1,000	1,000	6,364	5,364	-
Culture and recreation	285,500	285,500	306,669	21,169	277,732
Cemetery	95,100	95,100	113,065	17,965	79,045
Total charges for services	<u>2,553,000</u>	<u>2,253,000</u>	<u>2,317,472</u>	<u>64,472</u>	<u>2,195,882</u>
Fines and forfeitures	<u>60,100</u>	<u>130,100</u>	<u>150,816</u>	<u>20,716</u>	<u>76,319</u>
Investment earnings (loss)	<u>50,000</u>	<u>194,908</u>	<u>1,250,319</u>	<u>1,055,411</u>	<u>(353,397)</u>
Contributions and donations	<u>6,000</u>	<u>6,000</u>	<u>13,520</u>	<u>7,520</u>	<u>16,200</u>
Miscellaneous					
Other	<u>50,000</u>	<u>50,000</u>	<u>46,145</u>	<u>(3,855)</u>	<u>72,707</u>
Total Revenues	<u>21,181,227</u>	<u>21,041,499</u>	<u>23,457,936</u>	<u>2,416,437</u>	<u>20,176,527</u>
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	\$ 229,755	\$ 114,405	\$ 115,044	\$ (639)	\$ 227,174
Supplies	7,000	3,000	6,870	(3,870)	1,675
Other services and charges	59,200	51,800	51,693	107	47,384
Total mayor and council	<u>295,955</u>	<u>169,205</u>	<u>173,607</u>	<u>(4,402)</u>	<u>276,233</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Administration					
Personnel services	\$ 193,822	\$ 193,822	\$ 190,401	\$ 3,421	\$ 178,573
Supplies	5,000	5,000	2,174	2,826	9,238
Other services and charges	10,500	10,500	6,151	4,349	4,926
Total administration	209,322	209,322	198,726	10,596	192,737
Elections					
Personnel services	-	160,258	160,718	(460)	49,403
Supplies	-	4,000	5,456	(1,456)	3,344
Other services and charges	5,100	12,500	8,831	3,669	14,376
Total elections	5,100	176,758	175,005	1,753	67,123
City clerk					
Personnel services	679,671	679,671	576,135	103,536	568,496
Supplies	11,500	11,500	2,866	8,634	7,846
Other services and charges	50,000	50,000	28,511	21,489	29,796
Total city clerk	741,171	741,171	607,512	133,659	606,138
City hall					
Supplies	23,000	17,700	15,831	1,869	20,810
Other services and charges	81,100	69,400	67,519	1,881	68,359
Total city hall	104,100	87,100	83,350	3,750	89,169
Accounting					
Other services and charges	57,000	57,000	54,746	2,254	55,075
Data processing					
Supplies	6,600	6,600	469	6,131	1,629
Other services and charges	169,680	169,680	175,936	(6,256)	152,897
Total data processing	176,280	176,280	176,405	(125)	154,526
Legal					
Other services and charges	170,000	170,000	170,674	(674)	141,436
Personnel administration					
Personnel services	157,381	157,381	157,490	(109)	214,293
Supplies	3,000	3,000	886	2,114	463
Other services and charges	82,500	82,500	72,652	9,848	97,170
Total personnel administration	242,881	242,881	231,028	11,853	311,926
Zoning and housing					
Personnel services	207,023	207,023	204,913	2,110	190,753
Supplies	2,850	2,850	1,673	1,177	1,980
Other services and charges	74,100	74,100	173,293	(99,193)	33,575
Total zoning and housing	283,973	283,973	379,879	(95,906)	226,308

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
General government (continued)				
Assessor				
Personnel services	\$ 79,645	\$ 79,645	\$ 77,745	\$ 73,754
Other services and charges	-	-	79	42
Total assessor	79,645	79,645	77,824	73,796
Total general government	2,365,427	2,393,335	2,328,756	2,194,467
Public safety				
Police				
Personnel services	3,920,577	3,931,577	3,627,157	3,451,903
Supplies	159,000	159,000	150,509	278,822
Other services and charges	261,500	261,500	255,221	265,022
Total police	4,341,077	4,352,077	4,032,887	3,995,747
Animal shelter				
Supplies	7,000	7,000	1,880	1,155
Other services and charges	91,300	91,300	73,757	128,952
Total animal shelter	98,300	98,300	75,637	130,107
Fire				
Personnel services	627,623	602,623	555,948	1,962,984
Supplies	146,000	146,000	136,487	123,735
Other services and charges	141,800	141,800	126,706	114,754
Total fire	915,423	890,423	819,141	2,201,473
Paid on-call				
Personnel services	53,825	53,825	33,026	31,890
Supplies	59,000	59,000	56,024	54,679
Other services and charges	78,400	78,400	57,098	60,552
Total paid on-call	191,225	191,225	146,148	147,121
Civil defense				
Other services and charges	7,000	7,000	5,833	6,272
Ambulance				
Personnel services	2,780,520	2,605,520	2,706,832	1,099,980
Supplies	166,115	166,115	155,171	170,727
Other services and charges	182,000	182,000	139,949	141,515
Total ambulance	3,128,635	2,953,635	3,001,952	1,412,222
Total public safety	8,681,660	8,492,660	8,081,598	7,892,942

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Engineering					
Personnel services	\$ 405,987	\$ 405,987	\$ 361,026	\$ 44,961	367,672
Supplies	8,000	8,000	7,276	724	8,364
Other services and charges	62,760	62,760	62,760	-	21,437
Total engineering	476,747	476,747	431,062	45,685	397,473
Streets and alleys					
Personnel services	1,764,597	1,764,597	1,628,381	136,216	1,529,942
Supplies	698,250	698,250	855,386	(157,136)	788,922
Other services and charges	70,250	70,250	103,245	(32,995)	59,388
Total streets and alleys	2,533,097	2,533,097	2,587,012	(53,915)	2,378,252
Street lighting					
Other services and charges	61,500	61,500	59,532	1,968	63,335
Garage					
Personnel services	273,487	273,487	286,190	(12,703)	238,523
Supplies	50,000	50,000	53,504	(3,504)	43,548
Other services and charges	172,500	172,500	171,420	1,080	161,450
Total garage	495,987	495,987	511,114	(15,127)	443,521
Total public works	3,567,331	3,567,331	3,588,720	(21,389)	3,282,581
Culture and recreation					
Recreation					
Supplies	29,500	29,500	25,156	4,344	16,577
Other services and charges	29,000	29,000	23,347	5,653	21,964
Total recreation	58,500	58,500	48,503	9,997	38,541
Memorial building					
Supplies	67,000	65,000	62,199	2,801	64,423
Other services and charges	309,000	305,000	321,153	(16,153)	306,483
Total memorial building	376,000	370,000	383,352	(13,352)	370,906
Municipal golf course					
Supplies	31,000	31,000	23,817	7,183	16,658
Other services and charges	54,000	54,000	65,388	(11,388)	38,963
Total municipal golf course	85,000	85,000	89,205	(4,205)	55,621
Parks					
Supplies	82,100	82,100	84,732	(2,632)	76,922
Other services and charges	100,000	100,000	76,022	23,978	64,809
Total parks	182,100	182,100	160,754	21,346	141,731
City services					
Personnel services	1,790,933	1,779,933	1,403,269	376,664	1,398,554
Total culture and recreation	2,492,533	2,475,533	2,085,083	390,450	2,005,353

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Economic development					
Administration					
Personnel services	\$ 129,504	\$ 129,504	\$ 129,678	\$ (174)	-
Supplies	850	850	202	648	269
Other services and charges	57,000	57,000	34,637	22,363	26,823
Total administration	187,354	187,354	164,517	22,837	27,092
Total economic development	187,354	187,354	164,517	22,837	27,092
Transportation					
Bus					
Personnel services	23,769	23,769	19,689	4,080	15,068
Supplies	130,114	130,114	77,127	52,987	88,593
Other services and charges	397,940	397,940	345,748	52,192	362,009
Total transportation	551,823	551,823	442,564	109,259	465,670
Miscellaneous					
Cemetery					
Personnel services	213,346	213,346	203,855	9,491	197,417
Supplies	35,500	35,500	37,207	(1,707)	28,190
Other services and charges	22,500	22,500	13,626	8,874	11,062
Total cemetery	271,346	271,346	254,688	16,658	236,669
Public access					
Other services and charges	110,000	110,000	96,276	13,724	147,987
Insurance					
Other services and charges	2,155,748	2,155,748	2,093,063	62,685	2,022,177
Donations and contributions					
Other services and charges	25,000	25,000	36,173	(11,173)	21,449
Other					
Other services and charges	80,785	80,785	318,083	(237,298)	86,075
Total miscellaneous	2,642,879	2,642,879	2,798,283	(155,404)	2,514,357
Total current	20,489,007	20,310,915	19,489,521	821,394	18,382,462

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Capital outlay				
Public safety	\$ -	\$ -	\$ -	\$ 111,160
Culture and recreation	-	-	-	78,075
Transportation	248,876	-	52,681	-
Total capital outlay	248,876	-	52,681	189,235
Debt service				
Principal	195,500	195,500	221,875	203,334
Interest and other	-	-	6,417	3,304
Total debt service	195,500	195,500	228,292	206,638
Total Expenditures	20,933,383	20,506,415	19,770,494	18,778,335
Excess of Revenues Over Expenditures	247,844	535,084	3,687,442	1,398,192
Other Financing Sources (Uses)				
Transfers out	(247,844)	(540,844)	(915,958)	(665,711)
Financed purchase obligation issued	-	-	-	78,075
Lease issued	-	-	-	111,160
Sale of capital assets	-	5,760	73,032	30,288
Total Other Financing Sources (Uses)	(247,844)	(535,084)	(842,926)	(446,188)
Net Change in Fund Balances	-	-	2,844,516	952,004
Fund Balances, January 1	27,180,859	27,180,859	27,180,859	26,228,855
Fund Balances, December 31	\$ 27,180,859	\$ 27,180,859	\$ 30,025,375	\$ 27,180,859

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, 2023

	Governmental Activities				
	Special Revenue Funds			Debt Service Funds	
	255	250	422	392, 417	375
	General Fund	Economic Development	Deferred Loan Program	Tax Increment XII	Animal Shelter
Assets					
Cash and temporary investments	\$ 490,510	\$ 918,378	\$ 470,830	\$ 72,108	\$ -
Receivables					
Taxes	1,142	-	-	-	-
Accounts	610	-	-	-	-
Leases	-	-	-	-	-
Loans, net of allowance	-	2,319,752	-	-	-
Due from other funds	-	500,000	-	-	-
Prepaid items	770	-	-	-	-
Capital assets					
Buildings	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-
Total Assets	<u>\$ 493,032</u>	<u>\$ 3,738,130</u>	<u>\$ 470,830</u>	<u>\$ 72,108</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ 649	\$ -	\$ -	\$ 117	\$ -
Accrued salaries payable	397	-	-	-	-
Due to other funds	-	-	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	-	-	-	510	-
Total Liabilities	<u>1,046</u>	<u>-</u>	<u>-</u>	<u>627</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, 2023

	Governmental Activities				
	Special Revenue Funds			Debt Service Funds	
	255	250	422	392, 417	375
	General Fund	Economic Development	Deferred Loan Program	Tax Increment XII	Animal Shelter
Deferred Inflows of Resources					
Deferred lease resources	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances/Net Position					
Fund balances					
Restricted for debt service	-	-	-	71,481	-
Committed	491,986	3,738,130	470,830	-	-
Assigned	-	-	-	-	-
Net position					
Net investment in capital assets	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total Fund Balances/ Net Position	491,986	3,738,130	470,830	71,481	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position	\$ 493,032	\$ 3,738,130	\$ 470,830	\$ 72,108	\$ -

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2023

	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	\$ 178,528	\$ -	\$ 156,493	\$ 581,234	\$ 2,868,081
Receivables					
Taxes	-	-	814	-	1,956
Accounts	-	-	-	3,541	4,151
Leases	-	-	-	67,862	67,862
Loans, net of allowance	48,012	-	-	-	2,367,764
Due from other funds	-	-	-	-	500,000
Prepaid items	-	-	-	-	770
Capital assets					
Buildings	-	-	-	626,319	626,319
Less accumulated depreciation	-	-	-	(72,860)	(72,860)
Total Assets	<u>\$ 226,540</u>	<u>\$ -</u>	<u>\$ 157,307</u>	<u>\$ 1,206,096</u>	<u>\$ 6,364,043</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 6,328	\$ 843	\$ 7,937
Accrued salaries payable	-	-	-	-	397
Due to other funds	-	-	-	500,000	500,000
Loans payable	-	-	-	547,133	547,133
Due to other governments	-	-	-	3,359	3,869
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,328</u>	<u>1,051,335</u>	<u>1,059,336</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2023

	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	\$ -	\$ -	\$ -	\$ 54,583	54,583
Fund Balances/Net Position					
Fund balances					
Restricted for debt service	-	-	-	-	71,481
Committed	-	-	-	-	4,700,946
Assigned	226,540	-	150,979	-	377,519
Net position					
Net investment in capital assets	-	-	-	6,326	6,326
Unrestricted	-	-	-	93,852	93,852
Total Fund Balances/ Net Position	226,540	-	150,979	100,178	5,250,124
Total Liabilities, Deferred Inflows of Resources and Fund Balances/ Net Position	<u>\$ 226,540</u>	<u>\$ -</u>	<u>\$ 157,307</u>	<u>\$ 1,206,096</u>	<u>\$ 6,364,043</u>
Amounts reported for the Economic Development Authority in the statement of net position are different because					
Total Fund Balances/Net Position Reported above					\$ 5,250,124
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					(8,640)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
Bonds payable					(680,000)
Net pension liability					(67,037)
Governmental funds do not report a liability for accrued interest until due and payable.					(4,598)
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>\$ 4,664,814</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, 2023

	Governmental Activities				
	Special Revenue Funds			Debt Service Funds	
	255	250	422	392, 417	375
	General Fund	Economic Development	Deferred Loan Program	Tax Increment XII	Animal Shelter
Revenues					
Taxes					
General property taxes	\$ 105,130	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	75,780	-
Intergovernmental	47	-	250,000	-	-
Charges for services	-	-	-	-	-
Interest earnings	19,373	39,271	2,403	781	23
Miscellaneous	268,485	57,101	-	-	1,990
Total Revenues	<u>393,035</u>	<u>96,372</u>	<u>252,403</u>	<u>76,561</u>	<u>2,013</u>
Expenditures/Expenses					
Current					
Housing and economic development					
Administration	36,838	-	31,573	1,934	162,518
Professional services	49,108	-	-	-	-
Depreciation	-	-	-	-	-
Debt service/nonoperating expense					
Principal	-	-	-	45,000	-
Interest and other	-	-	-	11,760	-
Total Expenditures/Expenses	<u>85,946</u>	<u>-</u>	<u>31,573</u>	<u>58,694</u>	<u>162,518</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures/Expenses	<u>307,089</u>	<u>96,372</u>	<u>220,830</u>	<u>17,867</u>	<u>(160,505)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	250,000	-	-
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>-</u>	<u>250,000</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, 2023

	Governmental Activities				
	Special Revenue Funds			Debt Service Funds	
	255	250	422	392, 417	375
	General Fund	Economic Development	Deferred Loan Program	Tax Increment XII	Animal Shelter
Net Change in Fund Balances/Net Position	\$ 57,089	\$ 96,372	\$ 470,830	\$ 17,867	\$ (160,505)
Fund Balances/ Net Position, January 1	434,897	3,641,758	-	53,614	160,505
Fund Balances/Net Position, December 31	<u>\$ 491,986</u>	<u>\$ 3,738,130</u>	<u>\$ 470,830</u>	<u>\$ 71,481</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, 2023

	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	\$ -	\$ -	\$ 86,577	\$ -	\$ 191,707
Tax increments	-	-	-	-	75,780
Intergovernmental	-	-	33	-	250,080
Charges for services	-	-	-	62,545	62,545
Interest earnings	5,195	-	5,336	7,083	79,465
Miscellaneous	3,341	-	-	2,272	333,189
Total Revenues	<u>8,536</u>	<u>-</u>	<u>91,946</u>	<u>71,900</u>	<u>992,766</u>
Expenditures/Expenses					
Current					
Housing and economic development					
Administration	-	-	89,774	34,205	356,842
Professional services	-	-	-	-	49,108
Depreciation	-	-	-	17,400	17,400
Debt service/nonoperating expense					
Principal	-	-	-	-	45,000
Interest and other	-	-	-	-	11,760
Total Expenditures/Expenses	<u>-</u>	<u>-</u>	<u>89,774</u>	<u>51,605</u>	<u>480,110</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures/Expenses	<u>8,536</u>	<u>-</u>	<u>2,172</u>	<u>20,295</u>	<u>512,656</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	250,000
Transfers out	-	-	-	-	(250,000)
Total Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financing Sources (Uses)	<u>-</u>	<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, 2023

	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	\$ 8,536	\$ -	\$ 2,172	\$ 20,295	\$ 512,656
Fund Balances/ Net Position, January 1	218,004	-	148,807	79,883	4,737,468
Fund Balances/Net Position, December 31	<u>\$ 226,540</u>	<u>\$ -</u>	<u>\$ 150,979</u>	<u>\$ 100,178</u>	<u>\$ 5,250,124</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 \$ 512,656

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 45,000
Amortization of bond discount (1,713)

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.

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Change in Net Position - Economic Development Authority \$ 555,346

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Statement of Cash Flows
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds <u>610</u>
	<u>1111 7th Ave East</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 123,397
Payments to suppliers	(52,246)
Net Cash Used by Operating Activities	<u>71,151</u>
Cash Flows from Capital and Related Financing Activities	
Intergovernmental grant	500,000
Cash Flows from Investing Activities	
Investment received	<u>7,083</u>
Net Increase in Cash and Cash Equivalents	578,234
Cash and Cash Equivalents, January 1	<u>3,000</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 581,234</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating income	\$ 13,212
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	17,400
(Increase) in assets	
Accounts receivable	59,198
Lease receivable	56,650
Increase (Decrease) in liabilities and deferred inflow of resources	
Accounts and other payables	(13,882)
Due to other governments	(4,159)
Deferred lease resources	<u>(57,268)</u>
Net Cash Used by Operating Activities	<u><u>\$ 71,151</u></u>

City of Hibbing, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2023

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 11,920,159	\$ 11,197,236	6.46 %
Special assessments	28,581	39,006	(26.73)
Licenses and permits	317,987	141,336	124.99
Intergovernmental	14,851,845	11,748,236	26.42
Charges for services	2,356,594	2,232,326	5.57
Fines and forfeitures	150,816	76,319	97.61
Contributions and donations	384,655	36,665	949.11
Investment earnings (loss)	1,790,728	(251,486)	N/A
Miscellaneous	48,978	72,707	(32.64)
Total Revenues	<u>\$ 31,850,343</u>	<u>\$ 25,292,345</u>	25.93 %
Per Capita	<u>\$ 1,974</u>	<u>\$ 1,574</u>	25.39 %
Expenditures			
Current			
General government	\$ 2,328,756	\$ 2,194,467	6.12 %
Public safety	8,081,598	7,892,942	2.39
Public works	3,588,720	3,282,581	9.33
Culture and recreation	2,865,533	2,669,058	7.36
Economic development	240,983	55,591	333.49
Transportation	442,564	465,670	(4.96)
Miscellaneous	2,798,283	2,514,357	11.29
Capital outlay			
General government	140,922	19,915	607.62
Public safety	641,505	467,227	37.30
Public works	4,136,410	3,170,649	30.46
Culture and recreation	2,341,210	489,785	378.01
Transportation	52,681	-	N/A
Miscellaneous	67,431	74,963	(10.05)
Debt service			
Principal	701,997	748,455	(6.21)
Interest and other	93,534	86,075	8.67
Bond issuance costs	-	6,614	(100.00)
Total Expenditures	<u>\$ 28,522,127</u>	<u>\$ 24,138,349</u>	18.16 %
Per Capita	<u>\$ 1,768</u>	<u>\$ 1,503</u>	17.66 %
Total Long-term Indebtedness	\$ 2,775,000	\$ 3,255,000	(14.75) %
Per Capita	172	203	(15.11)
General Fund Balance - December 31	\$ 30,025,375	\$ 27,180,859	10.47 %
Per Capita	1,861	1,692	9.99

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, Finance Director/Treasurer.

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OTHER REQUIRED REPORTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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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, 2023, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2024.

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 12, 2024

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, 2023, 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 12, 2024.

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 2023-001 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 12, 2024



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FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

**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, 2023. 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, 2023.

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 12, 2024



City of Hibbing, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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	\$ 123,125	
			Total Community Development Block Grant Cluster		\$ 123,125
U.S. Department of Transportation	Minnesota Commissioner of Transportation	20.509	Formula Grants for Rural Areas and Tribal Transit Program		189,158
U.S. Department of Homeland Security	Minnesota Department of Homeland Security	97.036	Disaster Grants-Public Assistance		83,678
U.S. Department of Justice	Direct	16.738	Edward Byrne Memorial Justice Assistance Grant Program		12,939
U.S. Department of Justice	Direct	16.607	Bulletproof Vest Partnership Program		2,628
U.S. Department of Treasury	Direct	21.027C	Coronavirus State and Local Fiscal Recovery Funds - COVID 19		529,071
	Total				\$ 940,599

City of Hibbing, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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, 2023. 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, 2023, the City did not elect to use the 10% de minimis indirect cost rate.

Note 6: Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City. The City's financial statements include operations of the Hibbing Public Utilities Commission (PUC) component unit, which expended \$ 5,547,975 in federal awards during the year ended December 31, 2023, which are not included in the Schedule of Expenditures of Federal Awards. The PUC had a separate single audit.

The City's reporting entity is defined in Note 1 to the financial statements.

City of Hibbing, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended December 31, 2023

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?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Coronavirus State and Local Fiscal Recovery Funds COVID-19	21.027C
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 Findings, Responses and Questioned Costs (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	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.