

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2022

PREPARED BY:

FINANCE DEPARTMENT

ANDREW REID
Finance Director

Member GFOA of U.S. and Canada
Published June 7, 2023

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INTRODUCTORY SECTION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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June 7, 2023

To the Honorable Mayor and City Council
City of Hutchinson
Hutchinson, MN 55350

Dear Honorable Mayor and City Council:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to these requirements, we hereby issue the annual financial report of the City of Hutchinson (City) for the fiscal year ended December 31, 2022.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed not only to protect the government's assets from loss, theft, or misuse, but also to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Abdo, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2022 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2022 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single auditor engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. The auditor places a special emphasis on internal controls and legal requirements involving the administration of federal awards. The City did not meet the requirement for a Single Audit in 2022.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.



PROFILE OF THE GOVERNMENT

The City of Hutchinson was incorporated in 1855 and exists under the state laws of Minnesota. The City is located in McLeod County in south-central Minnesota, 60 miles west of the Twin Cities at the junctions of Highways 7, 15, and 22 and occupies 4,734 acres. Considered a Greater Minnesota Regional Center, Hutchinson's economy is diverse and includes retail, manufacturing, agricultural and services. For 2022, the latest estimate of the City's population is 14,478.

The City is governed under City charter, which was readopted by voters on November 5, 2002. The charter provides for a separate electric and gas commission that oversees its operations but requires Council rate review. The Council is comprised of a mayor, serving a two (2) year term, and four Council members, each serving four (4) year staggered terms. Council members are elected at large but each candidate must file by seat. The City shall hold a primary election if there should be three or more candidates filing for one designated seat. The City Administrator is appointed by the Council and serves as the City Clerk.

The City's mission statement is as follows; "The City of Hutchinson exists so that residents, businesses, property owners and visitors are provided with quality services and programs that support a safe, healthy, sustainable and business-friendly community with a small-town atmosphere, for a cost of government similar to, or less than, comparable out-state Minnesota cities". To achieve its mission, the City has established six core areas of focus:

- 1) Public Safety
 - Provide residents and visitors a "safe" environment with protection of property.
- 2) Health & Recreation
 - Provide and contribute to a "healthy quality of life".
- 3) Transportation
 - Provide safe and effective movement throughout the city.
- 4) Economic Development
 - Provide diversification, job growth and employment opportunities.
- 5) Environment
 - Provide concepts that are sustainable and environmentally friendly.
- 6) Good Government
 - Citizens perceive the City is delivering quality services at a reasonable price and that there is adequate planning for the future.

The City provides the full range of municipal services prescribed by statute or charter. This includes police and fire protection, construction and maintenance of highways, streets and other infrastructure, and recreational and cultural events. Enterprise activities include water, wastewater, storm water, refuse, composting services and a municipal off-sale liquor store. The City owns and operates the airport, gas and electric services and provides security personnel to the local hospital per a mutual agreement.

The City's financial statements include all funds and departments of the City (primary government) and its component units. Component units are included in the city's reporting because of the significance of their operational or financial relationship to the City. The City has the following component units and further information regarding these entities can be found within Note 1 to the financial statements:

- 1) Economic Development Agency (EDA)
- 2) Housing Redevelopment Authority (HRA)



Each year the Council approves an annual budget, which serves as the foundation for the City's financial planning and control. The budget process begins in May of each year with a council workshop to discuss preliminary budgetary expectations and to identify any Council initiatives or direction to be included in the preliminary budget. Requests from all departments and agencies are submitted and prepared by the City Administrator for presentation to the Council. The Council, following a public hearing no later than December 31, approves the final budgets and tax levies. Page 51 of this 2022 Annual Financial Report provides the General fund budget to actual results.

The Council formally approves annual budgets for the following funds:

- General fund
- Enterprise funds: Liquor, Water, Wastewater, Storm Water, Compost and Refuse

Budgets for the following governmental funds are compiled but not approved by Council:

- Rural Fire and H.A.T.S Joint Powers Facility

The legal level of budgetary control is the department level. The City Administrator is authorized to approve a transfer of funds from one appropriation to another within the budget of any city department. Department means any city function organized under the direct control of a single department head within the same fund.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Hutchinson's economy continued to reflect stability and growth after the COVID-19 public health pandemic. Construction activity has remained steady over the past several years, contributing to the City's tax base growth. Since 2018, the City has annually averaged \$42,500,000 in building permit valuation while the tax base has grown 6.4% annually. The tax base increased from \$11,945,125 to \$13,166,940 from 2021 to 2022, or a 10.2% increase.

The City's overall market value increased 15.9% in 2022, which is the ninth consecutive annual increase after values stabilized from the recession in 2013. The City's market valuation is comprised of Residential (75.8%), Commercial & Industrial (15.9%), Apartments (7.9%) and Agriculture (0.5%). The market values increased for all property types; Residential (19.8%), Commercial & Industrial (4.4%), Apartments (5.6%) and Agricultural (17.4%). The 2022 market values serve as the basis for property taxes paid in 2023. Based on these numbers, the City expects another double-digit increase to the tax base for 2023.

The 2022 local average annual unemployment rate bounced back to a pre-pandemic level of 2.9%, down from 3.7% in 2021. This is slightly higher than the State average of 2.7% but significantly lower than the national average of 3.6%. The low unemployment rate continues to negatively impact local businesses that are struggling to fill open staff positions.

The downtown business climate provides vitality and a strong sense of community. Businesses range from retail stores, locally owned restaurants, local and nation-wide banks and personal service businesses. Investments continue to be made to preserve and promote the downtown area because of the vital aspect it brings to the community.



Long-term Financial Planning

The City annually prepares a 5-year capital improvement plan detailing specific projects and proposed financing sources. The plan is a collaborative effort between the City's fleet committee, facility committee, resource allocation committee, department directors and city council. Additionally, as part of the annual General fund budget process, a 5-year financial forecast is updated, trending revenues and expenditures. The intent of the 5-year forecast is to determine how easily a future balanced budget can be achieved based on a set of assumptions. Management can then make operational changes in the near-term that will positively affect the long-term budget outlook.

Relevant Financial Policies

The City of Hutchinson's Financial Management Plan is designed to serve as the framework upon which consistent operations may be built and sustained, guides responsible use of municipal resources and contributes to the City's overall financial health. The Plan serves three main purposes:

- 1) Draws together the City's major financial policies into a single document.
- 2) Establishes principles to guide both staff and city council members to make consistent and informed financial decisions.
- 3) Provides guidelines for ensuring and maintaining an appropriate level of funds, unreserved and reserved, to sustain the financial integrity of the City.

Management's philosophy used in the General fund budget for City Council consideration and approval included conservative revenue estimates and realistic expenditures. The City's fund balance policy designates 40 percent of General fund reserves for working capital. This threshold ensures the City can meet ongoing monthly obligations with cash on hand. In addition, management maintains a philosophy that expenditures included in the budget are not automatically considered "approved". Capital expenditures as well as other significant expenditures are not approved until it has been determined that adequate monies are available and the expenditure is necessary.

The City annually issues 15-year general obligation debt for roadway and infrastructure improvement projects. A debt tax levy and special assessments against benefitting properties are the main revenue sources for debt service payments. Federal and state aid or grants, enterprise fund transfers, and other City funding are other financing sources annually leveraged to reduce project costs to a level supported by the City's Debt Management plan. The Debt Management plan is a mechanism to control long-term debt funded by the debt tax levy and to assist in prioritizing capital infrastructure needs. The City's bond rating was reaffirmed by Standard & Poor's in 2022 at AA-.

The City uses a "pooled cash" concept of investing, which means that all the funds with cash balances participate in an investment pool. Available cash is invested in short-term government money market accounts, certificates of deposit, obligations of the U.S. Treasury and its agencies, and municipal bonds.

Major Initiatives

The City continued construction of a new police facility on a site adjacent to the City's municipal liquor store. The \$14.5M project is expected to be completed in May 2023. The City issued 25-year bonds at a par value of \$7,320,000 in 2021 and another \$3,905,000 in 2022 to finance the majority of construction costs. The project will consolidate several existing facilities into one, including police services, emergency operations and the municipal DMV.



The City continued to invest in street improvements as part of its annual pavement management program. The 2022 program focused on streets to the west of Linden Park, where a new storm water retention pond was built in 2018 to help alleviate flooding in that area. In addition to addressing poor roadway surfaces, the project included new storm water infrastructure to feed into the retention pond.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hutchinson, Minnesota for its annual comprehensive financial report for the fiscal year ended December 31, 2021. The Certificate of Achievement is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized financial report, with contents conforming to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year. The City of Hutchinson has received a certificate of achievement award each year since fiscal year ended 1996. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to all members of the finance department who assisted and contributed to the preparation of this report. Without their efficient and dedicated service, this report could not be accomplished. Special recognition is in order for Justin Juergensen, Assistant Finance Director, for his major contribution to the preparation and production of this report. We also thank Mayor Forcier and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

CITY OF HUTCHINSON

Matthew Jaunich
City Administrator

Andrew J. Reid
Finance Director

City of Hutchinson Organizational Chart

Citizens of Hutchinson

Mayor and City Council

**City
Administrator**

Airport Commission
Bicycle/Pedestrian Advisory Committee
Charter Commission
City/School/Community Advisory Committee
Library Board
Economic Development Authority (EDA)
Housing & Redevelopment Authority (HRA)

Parks/Recreation/Comm Ed. Advisory Board
Planning Commission
Police Civil Service Commission
Senior Advisory Board
Sustainability Committee
Utilities Commission

**Economic
Development
Director**

**Human Resources
Director**

City Attorney

**Liquor Sales
Manager**

**Compost
Manager**

**Motor Vehicle
Supervisor**

**Police Chief /
Emergency Mgmt**

Lieutenant
Sergeants

**Fire
Chief**

**Planning
Director**

Building Officials
Facilities Manager

**Information
Technology
Director**

**PRCE
Director**

Rec Facilities/Oper Mgr
Rec Services Coordinator
Parks Supervisor

**Finance
Director**

Asst. Fin Director

**Public Works
Director**

Public Works Manager
City Engineer
Water Supervisor
Wastewater Supervisor

CITY OFFICIALS

The City of Hutchinson operates under its own Home Rule Charter. The City is governed by the Council, consisting of the mayor (2-year term) and four council members elected at large (4-year staggered terms). The Council exercises legislative authority and determines all matters of policy.

<u>Council Members</u>	<u>Term Expires</u>
Gary Forcier, Mayor	12/31/2024
Mary Christensen	12/31/2022
Dave Sebesta	12/31/2026
Chad Czmowski	12/31/2024
Pat May	12/31/2024

City Administrator

Matt Jaunich

Department Directors

Police	Tom Gifferson	Legal	Marc Sebor
Fire	Mike Schumann	Informational Tech.	Tom Kloss
Public Works	John Olson - Interim	Human Resources	Kellie Wendland
Parks/Recreation	Lynn Neumann	Finance	Andy Reid
Planning	Dan Jochum	Motor Vehicle	Mary Filzen
EDA	Miles Seppelt	Liquor Store	Candice Woods
HRA	Judy Flemming	Compost/Refuse	Andy Kosek



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hutchinson
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hutchinson, Minnesota

Report on the Financial Statements

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 Hutchinson, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 the Hutchinson Public Utilities Commission, which is a major fund and 58 percent, 56 percent and 81 percent, respectively, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hutchinson Public Utilities Commission mentioned above, is based solely on the reports 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.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 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 Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios starting on page 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

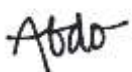
Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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 June 7, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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* in considering the City's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
June 7, 2023



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Management's Discussion and Analysis

As management of the City of Hutchinson, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

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 2022 fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of 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. Government-type activities increased by \$1,102,842 due in large part to higher than normal contributions for this year's Pavement Management Program from our Water & Sewer Funds, as well as significant unplanned donations to our Fire & Police Departments. Business-type activities net position increased by \$180,206 mainly due to the increase in Local Sales Taxes collected. The net position was mitigated because of a significant decrease in the fair value of investments that was reported at year-end, although this decrease will likely turn into future increases as our investments reach their maturity.
- As of the close of 2022, the City's combined governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance decreased in comparison with the prior year. The decrease is primarily due to the construction of the City's new Police and DMV facility. The City issued the bulk of our bonds in 2021 towards this project, with the majority of the expenditures recognized in 2022. Bonds issued in 2022 with a par value of \$3,905,000 to finance the 2022 police facility with construction costs for the project in 2022 at greater than \$10M. Improvements totaling \$2.7M to the east ice rink facility and HVAC system also occurred during the year with approximately \$2M being funded by cash reserves. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion (unassigned fund balance).
- During the year, the City's governmental expenditures and financing uses totaled \$37,693,650 compared to \$29,996,746 generated in revenues and other financing sources for governmental programs.
- At the end of the current fiscal year, the fund balance for the General fund was \$7,885,673, or 54.5 percent of total General fund expenditures and transfers out. The unassigned fund balance of the General fund was \$2,133,808 or 14.7 percent of total General fund expenditures and transfers out.

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 comprise 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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects 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.

Figure 1
Required Components of the
City's Annual Financial Report

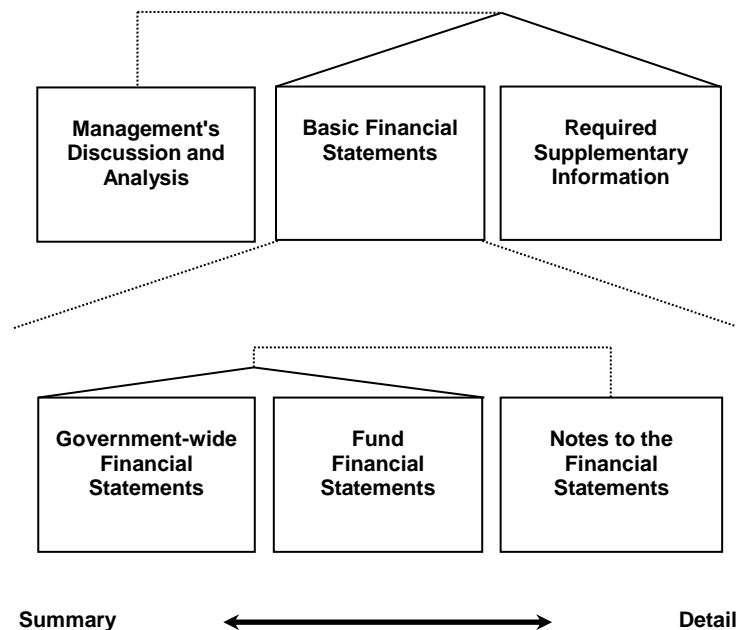


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary 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 water and sewer system
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"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
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
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
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
Type of outflow/inflow 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 payment is due during the year or soon thereafter	All revenues and expenses 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 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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, streets and highways, culture and recreation and housing and economic development. The business-type activities of the City include electric, natural gas, water, sewer, refuse, composting, storm water, and a municipal liquor store operation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate component units under the community redevelopment agency, the Economic Development Authority (EDA) and the Housing and Redevelopment Authority (HRA). Financial information for these component units is discretely presented in the government-wide financial statements.

The government-wide financial statements can be found starting on page 41 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. These statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 requirement.

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 government'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 numerous individual governmental funds, many of which are Debt Service funds, which are reported as one major fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Police Facility Construction fund, all of which are considered to be major funds. Data from the other nonmajor 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 the report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund on page 51 in this report to demonstrate compliance with this budget. The basic governmental fund financial statements can be found starting on page 46 of this report.

Proprietary Funds. The City maintains two different types 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 residential refuse pickup, compost, water and sewer, electric and gas, storm water, and liquor operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage and insurance operations. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of its operations that are considered to be major funds of the City. Both internal service funds balances have been incorporated into the functions of the governmental activities that benefited from these services. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found starting on page 52 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 can be found starting on page 67 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hutchinson's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found starting on page 118 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found starting on page 130 of this report.

Further, a statistical section has been included as part of the comprehensive annual financial report to facilitate additional analysis and can be found starting on page 184 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The table below presents net position - the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

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 Hutchinson's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Current and Other Assets	\$ 30,717,537	\$ 36,122,783	\$ (5,405,246)	\$ 54,488,489	\$ 56,831,011	\$ (2,342,522)
Capital Assets	100,170,457	88,244,990	11,925,467	130,952,374	131,980,607	(1,028,233)
Total Assets	<u>130,887,994</u>	<u>124,367,773</u>	<u>6,520,221</u>	<u>185,440,863</u>	<u>188,811,618</u>	<u>(3,370,755)</u>
Deferred Outflows of Resources	<u>6,661,198</u>	<u>4,148,092</u>	<u>2,513,106</u>	<u>2,378,538</u>	<u>3,135,206</u>	<u>(756,668)</u>
Noncurrent Liabilities	41,698,618	30,174,884	11,523,734	46,724,599	48,541,075	(1,816,476)
Other Liabilities	4,133,306	2,408,432	1,724,874	5,049,754	4,426,317	623,437
Total Liabilities	<u>45,831,924</u>	<u>32,583,316</u>	<u>13,248,608</u>	<u>51,774,353</u>	<u>52,967,392</u>	<u>(1,193,039)</u>
Deferred Inflows of Resources	<u>449,715</u>	<u>5,767,838</u>	<u>(5,318,123)</u>	<u>866,728</u>	<u>3,981,318</u>	<u>(3,114,590)</u>
Net Position						
Net investment in capital assets	71,011,363	68,307,217	2,704,146	97,033,372	93,747,446	3,285,926
Restricted	7,919,693	8,963,039	(1,043,346)	-	-	-
Unrestricted	<u>12,336,497</u>	<u>12,894,455</u>	<u>(557,958)</u>	<u>38,144,948</u>	<u>41,250,668</u>	<u>(3,105,720)</u>
Total Net Position	<u>\$ 91,267,553</u>	<u>\$ 90,164,711</u>	<u>\$ 1,102,842</u>	<u>\$ 135,178,320</u>	<u>\$ 134,998,114</u>	<u>\$ 180,206</u>

An additional 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 2022, 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 Activities. Governmental activities increased the City's net position as shown below. Key elements of the activities are shown below:

City of Hutchinson's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 4,344,020	\$ 4,258,912	\$ 85,108	\$ 64,533,130	\$ 63,262,600	\$ 1,270,530
Operating grants and contributions	2,350,909	2,055,168	295,741	50,639	16,146	34,493
Capital grants and contributions	741,494	906,335	(164,841)	161,316	227,296	(65,980)
General Revenues						
Property taxes/tax increments	7,972,690	7,636,822	335,868	-	-	-
Other taxes	725,030	633,594	91,436	1,947,530	1,751,928	195,602
Grants and contributions not restricted to specific programs	2,962,464	2,646,782	315,682	-	-	-
Unrestricted investment earnings (loss)	(36,458)	68,252	(104,710)	(952,700)	25,400	(978,100)
Other	2,074	5,077	(3,003)	-	-	-
Gain on sale of capital assets	50,007	138,006	(87,999)	4,297	102,802	(98,505)
Total Revenues	19,112,230	18,348,948	763,282	65,744,212	65,386,172	358,040
Expenses						
General government	2,800,928	2,490,920	310,008	-	-	-
Public safety	5,620,281	4,717,193	903,088	-	-	-
Streets and highways	6,270,480	6,273,183	(2,703)	-	-	-
Culture and recreation	4,074,734	3,339,956	734,778	-	-	-
Housing and economic development	792,940	859,162	(66,222)	-	-	-
Cemetery, airport and other	1,407,689	1,439,747	(32,058)	-	-	-
Interest on long-term debt	765,216	634,759	130,457	-	-	-
Electric	-	-	-	31,264,423	29,063,843	2,200,580
Natural gas	-	-	-	13,282,561	13,573,448	(290,887)
Water	-	-	-	2,513,246	2,497,449	15,797
Sewer	-	-	-	3,027,022	3,091,075	(64,053)
Refuse	-	-	-	1,318,176	1,188,408	129,768
Composting	-	-	-	2,830,698	2,603,527	227,171
Storm water	-	-	-	739,985	701,092	38,893
Liquor	-	-	-	6,865,015	6,753,197	111,818
Total Expenses	21,732,268	19,754,920	1,977,348	61,841,126	59,472,039	2,369,087
Increase (Decrease) in Net Position Before Transfers	(2,620,038)	(1,405,972)	(1,214,066)	3,903,086	5,914,133	(2,011,047)
Transfers	3,831,741	3,030,570	801,171	(3,831,741)	(3,030,570)	(801,171)
Contributed capital	(108,861)	(169,091)	60,230	108,861	169,091	(60,230)
Change in Net Position	1,102,842	1,455,507	(352,665)	180,206	3,052,654	(2,872,448)
Net Position - January 1	90,164,711	88,595,336	1,569,375	134,998,114	131,945,460	3,052,654
Prior Period Adjustment	-	113,868	(113,868)	-	-	-
Net Position - December 31	\$ 91,267,553	\$ 90,164,711	\$ 1,102,842	\$ 135,178,320	\$ 134,998,114	\$ 180,206

The City of Hutchinson governmental revenues increased and business-type activity revenue increased for 2022 while governmental expenses increased and business-type expenses increased. Governmental revenues increased in 2022 in large part due to an increase of \$315,682 for grants and contributions because of large donations to the City's Police and Fire departments.. Governmental revenues were diminished because of a \$104,710 decrease in unrestricted investment earnings because of the updated fair value of investments that was reported at year-end. Governmental expenses increased in 2022 due to two large capital projects that are under construction. A new Police & DMV Facility is currently under construction, along with multiple large projects in a renovation at the City's Ice Arena.

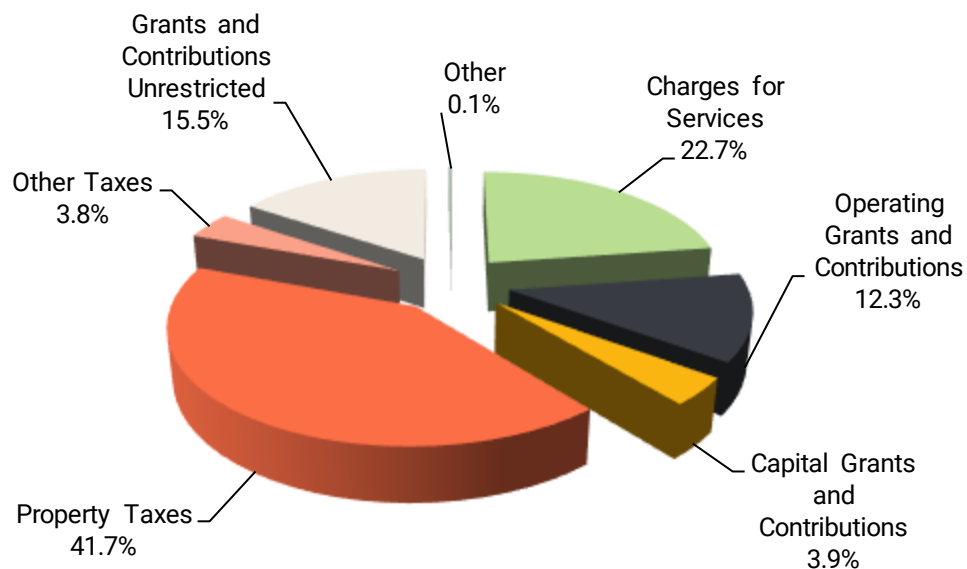
Business-type activities revenue increase is due to a \$692,005 increase in sales revenue for the Electric division based on customer demand. This increase is again lessened by a significant decrease in unrestricted investment earnings related to the market valuation adjustment for investments held. The Refuse, Liquor, Sewer, and Storm Water funds saw moderate revenue increases for the year, while the Compost and Water funds had moderate revenue decreases. The Compost fund saw a net revenue decrease due to a market adjustment that significantly raised the cost of sales after sales contracts with customers were already negotiated. The Water and Sewer funds collected \$195,603 more in local sales taxes during 2022 for an 11.5 percent increase. As a whole, business-type activities saw an aggregate expense increase of \$2,369,087 or 4.0 percent. Similar to last year, the majority of this increase is due to increased demands for the Electric and Gas divisions. The Electric and Gas divisions saw an increase in production costs of \$1,669,322 compared to 2021 due to the continued rise in natural gas prices and increased customer demand. The Refuse, Water, Liquor and Storm Water funds reflected a moderate increase in expenses for the year, while the Sewer and Compost funds had moderate expense decreases. Liquor fund expenses increased primarily due to an increase to labor costs and credit card fees. In an effort to attract and maintain staff, wage increases for part-time staff were implemented during 2022.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

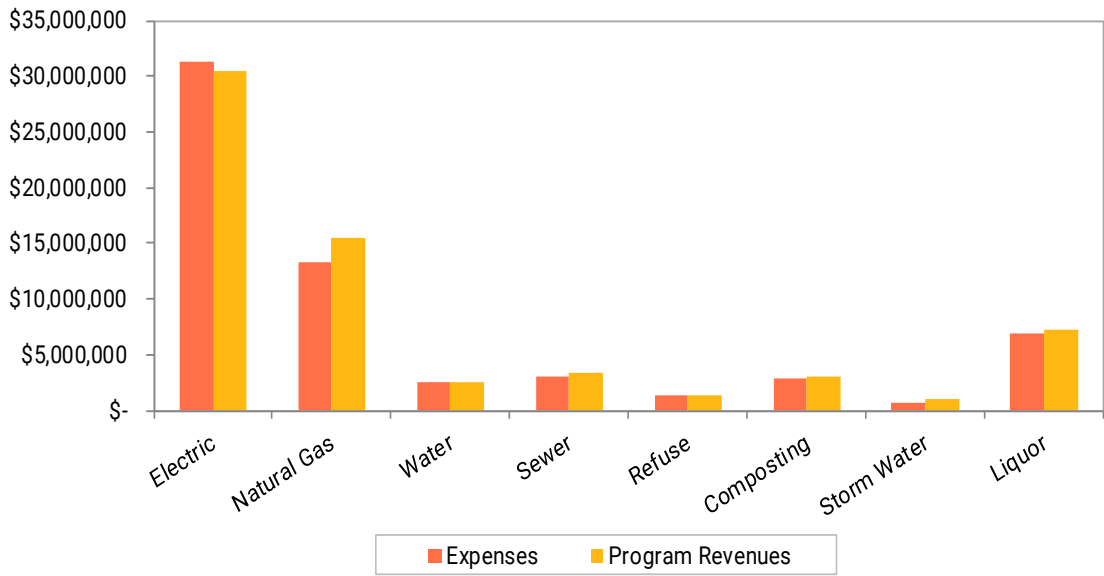


Revenues by Source - Governmental Activities

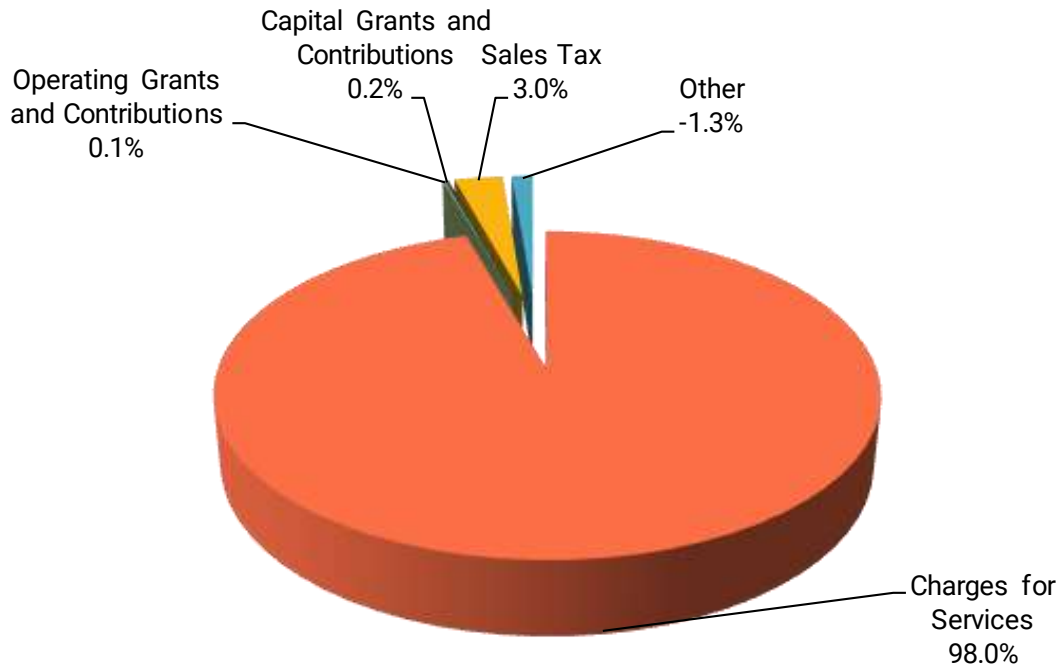


Business-type Activities. Business-type activities increased the City’s net position as shown in the changes in net position table. Key elements of the activities are shown below:

Expenses and Program Revenues - Business - type Activities



Revenues by Source Business - type Activities



Financial Analysis of City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

	General Fund	Debt Service Fund	Police Facility Construction	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 10,091	\$ -	\$ -	\$ -	\$ 10,091	\$ 4,347	\$ 5,744
Restricted	-	4,245,435	-	2,746,578	6,992,013	13,384,436	(6,392,423)
Committed	5,741,774	-	-	2,066,701	7,808,475	7,799,919	8,556
Assigned	-	-	-	4,983,296	4,983,296	5,670,655	(687,359)
Unassigned	2,133,808	-	(547,642)	(915,942)	670,224	1,301,646	(631,422)
	<u>\$ 7,885,673</u>	<u>\$ 4,245,435</u>	<u>\$ (547,642)</u>	<u>\$ 8,880,633</u>	<u>\$ 20,464,099</u>	<u>\$ 28,161,003</u>	<u>\$ (7,696,904)</u>

The General fund is the chief operating fund of the City. At the end of 2022, fund balance of the General fund is shown in the table above. 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	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 10,091	\$ 4,347	\$ 5,744
Committed	5,741,774	5,585,597	156,177
Unassigned	2,133,808	2,752,309	(618,501)
	<u>\$ 7,885,673</u>	<u>\$ 8,342,253</u>	<u>\$ (456,580)</u>
General Fund expenditures	\$13,869,281	\$13,434,800	
Unassigned as a percent of expenditures	15.4%	20.5%	
Total Fund Balance as a percent of expenditures	56.9%	62.1%	

The fund balance of the City's General fund decreased during the current fiscal year as shown in the table above. The major factor in the decrease in fund balance was due to a \$500,000 transfer out to fund the civic arena project and the decrease in the fair market value of investments.

Other major governmental fund analysis is shown below:

	December 31, 2022	December 31, 2021	Increase (Decrease)
Debt Service fund	\$ 4,245,435	\$ 4,801,759	\$ (556,324)
<i>The decrease in fund balance during the year was due to scheduled principal and interest payments made on bonds during the year.</i>			
Police Facility Construction	\$ (547,642)	\$ 5,570,813	\$ (6,118,455)
<i>The decrease in fund balance during the year was due to spending down bond proceeds on construction costs.</i>			

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 or (decreased) as follows:

	Ending Net Position 2022	Ending Net Position 2021	Increase/ (Decrease)
Water Utility	\$ 18,766,614	\$ 17,964,483	\$ 802,131
<i>The increase primarily is attributed to the collection of sales tax and lease revenues.</i>			
Sewer Utility	26,180,497	25,051,641	1,128,856
<i>The increase primarily is attributed to an increase in charges for services and sales tax revenues.</i>			
Public Utilities Commission	75,147,612	76,484,386	(1,336,774)
<i>The decrease primarily is attributed to an increase in pension expense related to the change in the Commission's pension activity.</i>			
Other Enterprise funds	15,090,507	15,506,182	(415,675)
<i>The decrease primarily is attributed to transfers out to fund Storm Water infrastructure improvements.</i>			

Rates in the Water and Sewer funds remained unchanged in 2022 and were last increased in 2011. The local sales tax of 0.5 percent in place since January 1, 2012 resulted in \$1.948 million of revenue for these two funds in 2022, an 11.5% increase from 2021. The local sales tax revenue is being used exclusively for debt service payments on the Water and Sewer facilities.

General Fund Budgetary Highlights

Several positive fluctuations in actual versus budgeted revenues resulted in a positive budget variance of \$51,071. Actual expenditures came in higher than budget by \$15,601. Significant budget variances are summarized below:

- Licenses and permit revenue exceeded the budget by \$49,765 due mainly to building permit activity.
- True investment earnings came in \$51,172 more than budgeted in 2022, but was offset by a \$184,470 decrease in the fair value of our investments.
- General Fund transfers-out exceeded the budget due to a \$500,000 allocation of general fund reserves to fund the Civic Arena roof improvement project.
- Besides the transfers-out, the largest factor in general fund expenditures was due to Wages and Benefits being \$51,836 higher than budgeted. One reason for this was due to a lack of turnover in police officers. Historically, the City budgeted for a vacancy factor to account for the consistent turnover in officers. There has been very little turnover in the past several years which has contributed to Police wages being over budget. Another factor was Waterpark wages exceeding the budget by \$55,386 due to an additional week of open hours as well as an increase in seasonal pay rates to help retain staffing levels.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and improvements, machinery and equipment, office furniture and fixtures, automotive equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year is due to the major capital asset events noted below.

Major capital asset events during the current fiscal year included the following:

- The City completed the final portion of the 3-year Linden Park storm water retention pond project by connecting the roadways to the west of the park to the pond system. This was done in conjunction with planned resurfacing improvements on those same roadways.
- The City completed the installation of a pedestrian crossing system at the intersection of Trunk Highway 7 and Montana St.
- The City completed the scheduled work of our water towers by reconditioning the Century Ave water tower.
- The City purchased land for future parking lot improvements surrounding the Fire Station and City Center.

Additional information on the City's capital assets can be found in Note 3C starting on page 82 of this report.

City of Hutchinson's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
Land	\$ 9,096,164	\$ 9,071,306	\$ 24,858	\$ 1,994,381	\$ 1,994,381	\$ -	\$ 11,090,545	\$ 11,065,687
Buildings	7,273,014	6,866,806	406,208	17,778,886	18,852,158	(1,073,272)	25,051,900	25,718,964
Infrastructure and Improvements	60,921,196	62,030,776	(1,109,580)	100,061,753	104,315,501	(4,253,748)	160,982,949	166,346,277
Machinery and Equipment	1,923,035	2,132,764	(209,729)	3,419,217	3,686,794	(267,577)	5,342,252	5,819,558
Automotive Equipment	1,445,695	1,601,563	(155,868)	261,584	348,074	(86,490)	1,707,279	1,949,637
Construction in Progress	19,511,353	6,541,775	12,969,578	7,436,553	2,783,699	4,652,854	26,947,906	9,325,474
Total	<u>\$100,170,457</u>	<u>\$ 88,244,990</u>	<u>\$ 11,925,467</u>	<u>\$130,952,374</u>	<u>\$131,980,607</u>	<u>\$ (1,028,233)</u>	<u>\$ 231,122,831</u>	<u>\$ 220,225,597</u>

Long-term Debt - At the end of the current fiscal year, the City had total bonded debt outstanding consisting of revenue related debt and general obligation debt as well as financed purchase arrangements 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 Hutchinson's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
G.O. Bonds	\$ 13,680,000	\$ 7,795,000	\$ 5,885,000	\$ -	\$ -	\$ -
G.O. Improvement Bonds	14,075,000	16,595,000	(2,520,000)	-	-	-
G.O. Revenue Bonds	-	-	-	13,657,370	16,379,370	(2,722,000)
Revenue Bonds	-	-	-	21,810,000	24,240,000	(2,430,000)
Financed Purchase Arrangements	-	-	-	208,816	274,418	(65,602)
Total	\$ 27,755,000	\$ 24,390,000	\$ 3,365,000	\$ 35,676,186	\$ 40,893,788	\$ (5,217,602)

The City's total debt decreased during 2022. Issuances of debt totaled \$5,885,000 and long-term debt of \$7,737,602 was retired during the year.

Standard & Poor's rates the City of Hutchinson's 2022 bonds as "AA-". The revenue bonds of the Electric and Gas Utility fund are separately rated "Aa3" by Moody's Investor Service.

Additional information on the City's long-term debt can be found in Note 3F starting on page 88 of this report.

Economic Factors and Next Year's Budgets and Rates

- Hutchinson had an average unemployment rate of 2.9 percent during the fiscal year end 2022. This is an estimate based on information obtained from the Minnesota Department of Employment and Economic Development, which compares favorably to the average rate of 3.7 percent in the City a year ago. This current rate compares unfavorably to the state average unemployment rate of 2.7 percent and favorably to the federal average unemployment rate of 3.6 percent.
- Inflationary trends in the region on average for fiscal year 2022 were similar to national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the City's budget for the 2023 fiscal year:

City management and City Council continually look at cooperative partnerships as a cost savings measure, reductions in program and service areas, and where personnel cost savings can be achieved while at the same time minimizing service impacts on the community. The City continues to rely on a 5-year budget model to predict long-term challenges that may be faced so that in the near-term they can be addressed. Every effort is made each year to provide a realistic balanced budget to maintain long-term financial viability for the City of Hutchinson.

Factors involved in balancing the 2023 General fund budget included a 4.1 percent tax levy increase to address rising costs.

The City's LGA received from the state increased by \$29,850 in 2023 to a total of \$2,698,261. The City continued in 2023 the allocation of LGA as a 50/50 split between the General fund and the Capital Improvement Projects fund. This decision led to an additional \$14,925 being allocated to the General fund, for a total of \$1,349,130 which is being used to cover operating expenses. The remaining LGA is being reserved in the Capital Improvements Projects fund for General fund facility improvements, miscellaneous infrastructure maintenance, playground replacements, and other projects as approved by City Council.

The annual PILOT from the Hutchinson Utilities Commission increased in 2023 by \$37,345. The City also increased annual contributions towards the funding of General fund vehicles by \$25,000 in 2023.

The Storm Water fund rates were increased 3 percent in 2023 to address cash flow needs within the fund. Water and Sewer rates were changed for the first time since 2011. The entire rate structure has changed for these funds to collect a higher percentage of fixed costs through the monthly base fees. Water rates for residential customers now are billed on an increasing tiered structure instead of a singular rate. Sewer rates remain unchanged, however are now being billed based on actual consumption as opposed to the rate-averaging structure used in the past. Refuse rates remained unchanged for the year. The Compost pricing has been adjusted either up or down depending on the product line for 2023. Pricing adjustments occurred based on the actual cost to produce a certain product line or to neutralize market pricing from competitors.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Hutchinson, 111 Hassan Street Southeast, Hutchinson, Minnesota 55350.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
Assets					
Cash and temporary investments	\$ 24,355,591	\$ 39,411,517	\$ 63,767,108	\$ 162,119	\$ 3,318,940
Restricted assets	-	3,689,480	3,689,480	-	43,148
Receivables					
Interest	54,734	169,543	224,277	461	2,148
Delinquent taxes	113,263	-	113,263	-	-
Accounts, net of allowances	229,821	5,282,785	5,512,606	-	-
Sales taxes receivable	-	224,217	224,217	-	-
Notes	956,433	-	956,433	-	9,246
Leases	73,866	679,494	753,360	-	371,459
Special assessments	1,945,498	-	1,945,498	-	-
Intergovernmental	2,970,643	248,525	3,219,168	2,056	1,975
Internal balances	6,910	(6,910)	-	-	-
Due from primary government	-	-	-	107	-
Inventories	-	4,594,768	4,594,768	-	-
Prepaid items	10,778	195,070	205,848	188	5,525
Capital assets					
Nondepreciable	28,607,517	9,430,934	38,038,451	-	92,775
Depreciable, net of accumulated depreciation	71,562,940	121,521,440	193,084,380	-	1,144,657
Total Assets	<u>130,887,994</u>	<u>185,440,863</u>	<u>316,328,857</u>	<u>164,931</u>	<u>4,989,873</u>
Deferred Outflows of Resources					
Deferred pension resources	6,608,102	2,348,665	8,956,767	38,490	-
Deferred other postemployment benefit resources	53,096	29,873	82,969	672	-
Total Deferred Outflows of Resources	<u>6,661,198</u>	<u>2,378,538</u>	<u>9,039,736</u>	<u>39,162</u>	<u>-</u>
Liabilities					
Accounts payable	1,764,742	4,006,525	5,771,267	1,436	29,701
Contracts payable	621,791	24,736	646,527	-	-
Due to component unit	107	-	107	-	-
Due to other governments	27,188	100,822	128,010	31	43,739
Accrued interest payable	304,618	229,681	534,299	-	-
Accrued salaries payable	193,829	361,215	555,044	2,900	4,768
Deposits payable	90	326,775	326,865	-	43,148
Unearned revenue	1,220,941	-	1,220,941	-	25,075
Noncurrent liabilities					
Due within one year					
Long-term liabilities	2,418,432	5,731,184	8,149,616	4,502	4,068
Due in more than one year					
Long-term liabilities	27,280,990	32,894,092	60,175,082	-	322,642
Net pension liability	11,501,678	7,819,672	19,321,350	128,228	-
Other postemployment benefits liability	497,518	279,651	777,169	6,302	-
Total Liabilities	<u>45,831,924</u>	<u>51,774,353</u>	<u>97,606,277</u>	<u>143,399</u>	<u>473,141</u>
Deferred Inflows of Resources					
Deferred pension resources	272,309	179,139	451,448	2,448	-
Deferred other postemployment benefit resources	105,609	37,433	143,042	1,338	-
Deferred lease resources	71,797	650,156	721,953	-	364,109
Total Deferred Inflows of Resources	<u>449,715</u>	<u>866,728</u>	<u>1,316,443</u>	<u>3,786</u>	<u>364,109</u>
Net Position					
Net investment in capital assets	69,226,746	97,008,636	166,235,382	-	924,432
Restricted					
Debt service	5,163,166	-	5,163,166	-	-
Future loans	2,145,509	-	2,145,509	-	-
Public sites	253,992	-	253,992	-	-
Rural fire	21,275	-	21,275	-	-
Tax increment activities	307,478	-	307,478	-	-
Capital improvements	28,273	-	28,273	-	-
Unrestricted	14,121,114	38,169,684	52,290,798	56,908	3,228,191
Total Net Position	<u>\$ 91,267,553</u>	<u>\$ 135,178,320</u>	<u>\$ 226,445,873</u>	<u>\$ 56,908</u>	<u>\$ 4,152,623</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,800,928	\$ 664,180	\$ 18,870	\$ 4,800
Public safety	5,620,281	1,059,132	473,594	84,935
Streets and highways	6,270,480	876,346	1,196,062	447,303
Culture and recreation	4,074,734	1,335,675	445,685	84,570
Housing and economic development	792,940	97,244	-	-
Miscellaneous	1,407,689	311,443	216,698	119,886
Interest on long-term debt	765,216	-	-	-
Total Governmental Activities	<u>21,732,268</u>	<u>4,344,020</u>	<u>2,350,909</u>	<u>741,494</u>
Business-type Activities				
Electric	31,264,423	30,510,654	-	-
Natural gas	13,282,561	15,449,276	-	-
Water	2,513,246	2,543,719	1,797	73,206
Sewer	3,027,022	3,319,500	2,552	88,110
Refuse	1,318,176	1,331,180	40,335	-
Composting	2,830,698	3,010,654	2,149	-
Storm water	739,985	1,053,858	862	-
Liquor	6,865,015	7,314,289	2,944	-
Total Business-type Activities	<u>61,841,126</u>	<u>64,533,130</u>	<u>50,639</u>	<u>161,316</u>
Total Primary Government	<u>\$ 83,573,394</u>	<u>\$ 68,877,150</u>	<u>\$ 2,401,548</u>	<u>\$ 902,810</u>
Component units				
Economic development	\$ 218,907	\$ 1,736	\$ 579	\$ -
Housing and redevelopment	<u>767,210</u>	<u>454,233</u>	<u>523,320</u>	<u>-</u>
Total Component Units	<u>\$ 986,117</u>	<u>\$ 455,969</u>	<u>\$ 523,899</u>	<u>\$ -</u>

General Revenues
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Sales tax
Hotel/motel tax
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings (loss)
Other revenues
Gain on sale of capital assets
Transfers
Capital contributions
Total General Revenues and Transfers

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
\$ (2,113,078)		\$ (2,113,078)		
(4,002,620)		(4,002,620)		
(3,750,769)		(3,750,769)		
(2,208,804)		(2,208,804)		
(695,696)		(695,696)		
(759,662)		(759,662)		
(765,216)		(765,216)		
<u>(14,295,845)</u>		<u>(14,295,845)</u>		
-	\$ (753,769)	(753,769)		
-	2,166,715	2,166,715		
-	105,476	105,476		
-	383,140	383,140		
-	53,339	53,339		
-	182,105	182,105		
-	314,735	314,735		
-	452,218	452,218		
<u>-</u>	<u>2,903,959</u>	<u>2,903,959</u>		
<u>(14,295,845)</u>	<u>2,903,959</u>	<u>(11,391,886)</u>		
			\$ (216,592)	\$ -
			<u>-</u>	<u>210,343</u>
			<u>(216,592)</u>	<u>210,343</u>
5,624,438	-	5,624,438	217,595	207,422
2,348,252	-	2,348,252	-	-
383,359	-	383,359	-	-
-	1,947,530	1,947,530	-	-
134,051	-	134,051	-	-
207,620	-	207,620	-	-
2,962,464	-	2,962,464	-	-
(36,458)	(952,700)	(989,158)	(1,382)	9,019
2,074	-	2,074	-	-
50,007	4,297	54,304	-	-
3,831,741	(3,831,741)	-	-	-
(108,861)	108,861	-	-	-
<u>15,398,687</u>	<u>(2,723,753)</u>	<u>12,674,934</u>	<u>216,213</u>	<u>216,441</u>
1,102,842	180,206	1,283,048	(379)	426,784
<u>90,164,711</u>	<u>134,998,114</u>	<u>225,162,825</u>	<u>57,287</u>	<u>3,725,839</u>
<u>\$ 91,267,553</u>	<u>\$135,178,320</u>	<u>\$226,445,873</u>	<u>\$ 56,908</u>	<u>\$ 4,152,623</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Hutchinson, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Police Facility Construction	Other Governmental Funds	Total
Assets					
Cash and investments	\$ 8,097,613	\$ 3,815,631	\$ 853,426	\$ 10,053,440	\$ 22,820,110
Receivables					
Interest	25,428	-	-	24,096	49,524
Delinquent taxes	113,263	-	-	-	113,263
Accounts	225,821	-	-	4,000	229,821
Notes	-	-	-	956,433	956,433
Special assessments	-	1,211,850	-	733,648	1,945,498
Intergovernmental	126,002	22,274	-	2,822,367	2,970,643
Leases	73,866	-	-	-	73,866
Advances to other funds	-	418,793	-	470,508	889,301
Prepaid items	10,091	-	-	-	10,091
Total Assets	\$ 8,672,084	\$ 5,468,548	\$ 853,426	\$ 15,064,492	\$ 30,058,550
Liabilities					
Accounts payable	\$ 360,926	\$ -	\$ 917,482	\$ 465,596	\$ 1,744,004
Contracts payable	-	-	483,586	138,205	621,791
Advances from other funds	-	664	-	888,637	889,301
Due to other governments	27,163	-	-	25	27,188
Accrued salaries payable	181,046	-	-	12,783	193,829
Deposits payable	90	-	-	-	90
Unearned revenue	32,126	100	-	1,188,715	1,220,941
Total Liabilities	601,351	764	1,401,068	2,693,961	4,697,144
Deferred Inflows of Resources					
Unavailable revenue					
Interest receivable	-	10,499	-	-	10,499
Loan interest receivable	-	-	-	9,949	9,949
Taxes	113,263	-	-	-	113,263
Special assessments	-	1,211,850	-	733,648	1,945,498
Intergovernmental	-	-	-	2,746,301	2,746,301
Deferred lease resources	71,797	-	-	-	71,797
Total Deferred Inflows of Resources	185,060	1,222,349	-	3,489,898	4,897,307
Fund Balances					
Nonspendable	10,091	-	-	-	10,091
Restricted	-	4,245,435	-	2,746,578	6,992,013
Committed	5,741,774	-	-	2,066,701	7,808,475
Assigned	-	-	-	4,983,296	4,983,296
Unassigned	2,133,808	-	(547,642)	(915,942)	670,224
Total Fund Balances	7,885,673	4,245,435	(547,642)	8,880,633	20,464,099
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,672,084	\$ 5,468,548	\$ 853,426	\$ 15,064,492	\$ 30,058,550

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

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

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

Total Fund Balances - Governmental Funds	\$ 20,464,099
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	98,067,315
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	
Severance payable	(540,328)
Other postemployment benefit liability	(497,518)
Net pension liability	(11,501,678)
Bonds payable	(27,755,000)
Bond premiums issued, net of accumulated amortization	(1,404,094)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Interest receivable	20,448
Delinquent property taxes receivable	113,263
Special assessments receivable	1,945,498
Intergovernmental receivable	2,746,301
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	6,608,102
Deferred inflows of pension resources	(272,309)
Deferred outflows of other postemployment benefit resources	53,096
Deferred inflows of other postemployment benefit resources	(105,609)
Governmental funds do not report a liability for accrued interest until due and payable.	(304,618)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	3,630,585
Total Net Position - Governmental Activities	<u>\$ 91,267,553</u>

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

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

	General	Debt Service	Police Facility Construction	Other Governmental Funds	Total
Revenues					
Taxes	\$ 5,942,011	\$ 2,348,252	\$ -	\$ 386,510	\$ 8,676,773
Special assessments	-	337,624	-	73,696	411,320
Licenses and permits	492,165	-	-	-	492,165
Intergovernmental	1,900,010	-	-	2,477,503	4,377,513
Charges for services	2,493,527	-	-	617,490	3,111,017
Fines and forfeits	52,902	-	-	-	52,902
Investment earnings (loss)	(53,301)	59,033	(17,293)	(28,597)	(40,158)
Miscellaneous	477,558	50	-	684,433	1,162,041
Total Revenues	<u>11,304,872</u>	<u>2,744,959</u>	<u>(17,293)</u>	<u>4,211,035</u>	<u>18,243,573</u>
Expenditures					
Current					
General government	2,592,288	-	-	-	2,592,288
Public safety	4,950,238	-	-	142,479	5,092,717
Streets and highways	1,940,842	-	-	705,493	2,646,335
Culture and recreation	3,231,970	-	-	39,117	3,271,087
Housing and economic development	-	-	-	674,314	674,314
Miscellaneous	1,136,753	-	-	-	1,136,753
Capital outlay					
General government	7,586	-	-	294,951	302,537
Public safety	254	-	10,109,197	98,876	10,208,327
Streets and highways	-	-	-	3,519,627	3,519,627
Culture and recreation	9,350	-	-	3,021,275	3,030,625
Housing and economic development	-	267,614	-	45,562	313,176
Miscellaneous	-	-	-	4,075	4,075
Debt service					
Principal	-	2,465,000	-	-	2,465,000
Interest and other	-	623,951	-	25,698	649,649
Bond issuance costs	-	-	98,265	49,825	148,090
Total Expenditures	<u>13,869,281</u>	<u>3,356,565</u>	<u>10,207,462</u>	<u>8,621,292</u>	<u>36,054,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,564,409)</u>	<u>(611,606)</u>	<u>(10,224,755)</u>	<u>(4,410,257)</u>	<u>(17,811,027)</u>
Other Financing Sources (Uses)					
Sale of capital assets	7,950	-	-	-	7,950
Transfers in	2,710,192	55,282	-	2,728,317	5,493,791
Bonds issued	-	-	3,905,000	1,980,000	5,885,000
Premium on bonds issued	-	-	201,300	165,132	366,432
Transfers out	(610,313)	-	-	(1,028,737)	(1,639,050)
Total Other Financing Sources (Uses)	<u>2,107,829</u>	<u>55,282</u>	<u>4,106,300</u>	<u>3,844,712</u>	<u>10,114,123</u>
Net Change in Fund Balances	(456,580)	(556,324)	(6,118,455)	(565,545)	(7,696,904)
Fund Balances, January 1	<u>8,342,253</u>	<u>4,801,759</u>	<u>5,570,813</u>	<u>9,446,178</u>	<u>28,161,003</u>
Fund Balances, December 31	<u>\$ 7,885,673</u>	<u>\$ 4,245,435</u>	<u>\$ (547,642)</u>	<u>\$ 8,880,633</u>	<u>\$ 20,464,099</u>

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

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

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

Net Change in Fund Balances - Governmental Funds	\$ (7,696,904)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	16,773,471
Depreciation expense	(4,192,692)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.	
Sale/disposal of capital assets	(256,044)
Capital contributions to business-type activities, net	(108,861)
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.	
Principal repayments	2,465,000
Debt issued or incurred	(5,885,000)
Premium on bonds issued, net of amortization expense	(285,508)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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.	(48,309)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(443,174)
Direct aid contributions	92,974
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/tax increments	20,947
Special assessments	(208,517)
Intergovernmental	907,522
Interest earnings	15,441
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 governmental funds.	
Compensated absences	9,565
Other postemployment benefits costs	(1,314)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	(55,755)
Change in Net Position - Governmental Activities	<u>\$ 1,102,842</u>

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

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,937,556	\$ 5,937,556	\$ 5,942,011	\$ 4,455
Licenses and permits	438,600	438,600	492,165	53,565
Intergovernmental	1,860,906	1,860,906	1,900,010	39,104
Charges for services	2,526,752	2,526,752	2,493,527	(33,225)
Fines and forfeits	55,000	55,000	52,902	(2,098)
Investment earnings (loss)	80,000	80,000	(53,301)	(133,301)
Miscellaneous	354,987	354,987	477,558	122,571
Total Revenues	<u>11,253,801</u>	<u>11,253,801</u>	<u>11,304,872</u>	<u>51,071</u>
Expenditures				
Current				
General government	2,604,161	2,604,161	2,592,288	11,873
Public safety	4,819,731	4,819,731	4,950,238	(130,507)
Streets and highways	1,956,463	1,956,463	1,940,842	15,621
Culture and recreation	3,294,614	3,294,614	3,231,970	62,644
Miscellaneous	1,173,711	1,173,711	1,136,753	36,958
Capital outlay				
General government	-	-	7,586	(7,586)
Public safety	-	-	254	(254)
Streets and highways	5,000	5,000	-	5,000
Culture and recreation	-	-	9,350	(9,350)
Total Expenditures	<u>13,853,680</u>	<u>13,853,680</u>	<u>13,869,281</u>	<u>(15,601)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,599,879)</u>	<u>(2,599,879)</u>	<u>(2,564,409)</u>	<u>35,470</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	7,950	7,950
Transfers in	2,710,192	2,710,192	2,710,192	-
Transfers out	(110,313)	(110,313)	(610,313)	(500,000)
Total Other Financing Sources (Uses)	<u>2,599,879</u>	<u>2,599,879</u>	<u>2,107,829</u>	<u>(492,050)</u>
Net Change in Fund Balances	-	-	(456,580)	(456,580)
Fund Balances, January 1	<u>8,342,253</u>	<u>8,342,253</u>	<u>8,342,253</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 8,342,253</u>	<u>\$ 8,342,253</u>	<u>\$ 7,885,673</u>	<u>\$ (456,580)</u>

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

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

	Business-type Activities - Enterprise Funds	
	Water	Sewer
Assets		
Current Assets		
Cash and investments	\$ 3,919,473	\$ 6,833,749
Receivables		
Interest	13,782	21,653
Accounts, net of allowance of \$77,677	212,300	316,183
Sales tax	-	-
Leases	54,360	-
Intergovernmental	115,914	112,610
Advances to other funds	-	36,999
Inventories	-	-
Prepaid items	360	534
Total Current Assets	<u>4,316,189</u>	<u>7,321,728</u>
Noncurrent Assets		
Restricted assets		
Cash and investments	-	-
Lease receivable	<u>625,134</u>	<u>-</u>
Capital assets		
Land	16,282	311,915
Buildings and structures	17,698,455	28,270,454
Infrastructure and improvements	19,669,679	21,887,123
Machinery and equipment	3,596,798	7,395,215
Automotive equipment	87,948	463,056
Construction in progress	257,856	6,093,257
Less accumulated depreciation	<u>(21,510,770)</u>	<u>(36,415,086)</u>
Total Capital Assets		
(Net of Accumulated Depreciation)	<u>19,816,248</u>	<u>28,005,934</u>
Total Noncurrent Assets	<u>20,441,382</u>	<u>28,005,934</u>
Total Assets	<u>24,757,571</u>	<u>35,327,662</u>
Deferred Outflows of Resources		
Deferred pension resources	121,027	169,623
Deferred other postemployment benefit resources	3,360	4,705
Total Deferred Outflows of Resources	<u>124,387</u>	<u>174,328</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ 23,394,283	\$ 5,264,012	\$ 39,411,517	\$ 1,535,481
118,284	15,824	169,543	5,210
4,348,083	406,219	5,282,785	-
224,217	-	224,217	-
-	-	54,360	-
-	20,001	248,525	-
-	-	36,999	-
2,212,972	2,381,796	4,594,768	-
188,476	5,700	195,070	687
<u>30,486,315</u>	<u>8,093,552</u>	<u>50,217,784</u>	<u>1,541,378</u>
3,689,480	-	3,689,480	-
<u>-</u>	<u>-</u>	<u>625,134</u>	<u>-</u>
559,528	1,106,656	1,994,381	-
-	4,043,558	50,012,467	-
158,542,556	8,102,780	208,202,138	-
-	4,958,504	15,950,517	2,087,817
-	818,712	1,369,716	3,829,321
989,437	96,003	7,436,553	51,541
<u>(87,198,301)</u>	<u>(8,889,241)</u>	<u>(154,013,398)</u>	<u>(3,865,537)</u>
<u>72,893,220</u>	<u>10,236,972</u>	<u>130,952,374</u>	<u>2,103,142</u>
<u>76,582,700</u>	<u>10,236,972</u>	<u>135,266,988</u>	<u>2,103,142</u>
<u>107,069,015</u>	<u>18,330,524</u>	<u>185,484,772</u>	<u>3,644,520</u>
1,617,474	440,541	2,348,665	-
11,056	10,752	29,873	-
<u>1,628,530</u>	<u>451,293</u>	<u>2,378,538</u>	<u>-</u>

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

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

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Sewer
Liabilities		
Current Liabilities		
Accounts payable	\$ 54,493	\$ 197,150
Contracts payable	-	24,736
Advances from other funds	-	-
Due to other governments	1,685	-
Accrued interest payable	50,858	92,073
Accrued salaries payable	8,880	12,444
Accrued vacation payable	20,921	37,765
Deposits payable	-	-
Current portion of debt	1,242,000	1,337,000
Total Current Liabilities	<u>1,378,837</u>	<u>1,701,168</u>
Noncurrent Liabilities		
Accrued vacation payable	12,209	8,405
Other postemployment benefit liability	31,488	44,091
Net pension liability	413,807	565,672
Financed purchase arrangements and notes payable	-	-
Bonds payable	4,855,871	8,318,976
Less current portion of debt	(1,242,000)	(1,337,000)
Total Noncurrent Liabilities	<u>4,071,375</u>	<u>7,600,144</u>
Total Liabilities	<u>5,450,212</u>	<u>9,301,312</u>
Deferred Inflows of Resources		
Deferred pension resources	8,292	10,822
Deferred other postemployment benefit resources	6,684	9,359
Deferred lease resources	650,156	-
Total Deferred Inflows of Resources	<u>665,132</u>	<u>20,181</u>
Net Position		
Net investment in capital assets	14,960,377	19,662,222
Unrestricted	<u>3,806,237</u>	<u>6,518,275</u>
Total Net Position	<u>\$ 18,766,614</u>	<u>\$ 26,180,497</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ 3,378,907	\$ 375,975	\$ 4,006,525	\$ 20,738
-	-	24,736	-
-	36,999	36,999	-
-	99,137	100,822	-
65,534	21,216	229,681	-
305,225	34,666	361,215	-
35,030	71,838	165,554	-
326,775	-	326,775	-
<u>2,774,065</u>	<u>212,565</u>	<u>5,565,630</u>	-
<u>6,885,536</u>	<u>852,396</u>	<u>10,817,937</u>	<u>20,738</u>
805,856	29,640	856,110	-
103,307	100,765	279,651	-
5,361,862	1,478,331	7,819,672	-
-	208,816	208,816	-
23,036,032	1,183,917	37,394,796	-
(2,774,065)	(212,565)	(5,565,630)	-
<u>26,532,992</u>	<u>2,788,904</u>	<u>40,993,415</u>	-
<u>33,418,528</u>	<u>3,641,300</u>	<u>51,811,352</u>	<u>20,738</u>
131,405	28,620	179,139	-
-	21,390	37,433	-
-	-	650,156	-
<u>131,405</u>	<u>50,010</u>	<u>866,728</u>	-
53,541,798	8,844,239	97,008,636	2,103,142
<u>21,605,814</u>	<u>6,246,268</u>	<u>38,176,594</u>	<u>1,520,640</u>
<u>\$ 75,147,612</u>	<u>\$ 15,090,507</u>	135,185,230	<u>\$ 3,623,782</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			
			<u>(6,910)</u>
Net position of business-type activities			
			<u>\$ 135,178,320</u>

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

City of Hutchinson, Minnesota
Statement of Revenues, Expenses, and Changes in Net Position (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities Enterprise Funds	
	Water	Sewer
Operating Revenues		
Sales	\$ -	\$ -
Cost of sales	-	-
Gross Profit	-	-
Charges for services	2,401,547	3,263,410
Penalties	14,109	16,599
Other operating revenue	1,797	2,552
Total Operating Revenues	2,417,453	3,282,561
Operating Expenses		
Personal services	603,266	817,645
Supplies and maintenance	210,086	263,401
Other services and charges	453,336	692,253
Depreciation and depletion	1,112,757	1,082,548
Production	-	-
Purchased power/gas	-	-
Transmission	-	-
Distribution	-	-
Customer accounts expense	-	-
Sales expense	-	-
Administration and general	-	-
Total Operating Expenses	2,379,445	2,855,847
Operating Income (Loss)	38,008	426,714
Nonoperating Revenues (Expenses)		
Sales tax	973,765	973,765
Intergovernmental	-	-
Interest earnings (loss)	(19,748)	(38,808)
Rents	9,405	11,190
Lease revenue	101,460	-
Merchandise and contract work, net	-	-
Other income	17,198	28,301
Gain (loss) on sale of capital assets	-	-
Interest expense - bonds	(148,885)	(240,849)
Bond premium amortization	14,785	69,326
Total Nonoperating Revenues (Expenses)	947,980	802,925

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ -	\$ 10,306,263	\$ 10,306,263	\$ -
-	(7,672,953)	(7,672,953)	-
-	2,633,310	2,633,310	-
43,841,265	2,368,429	51,874,651	468,902
-	8,650	39,358	-
2,004,145	45,802	2,054,296	-
45,845,410	5,056,191	56,601,615	468,902
-	1,992,295	3,413,206	-
-	184,125	657,612	-
-	1,315,148	2,460,737	113,401
4,533,001	544,892	7,273,198	418,720
6,721,410	-	6,721,410	-
22,821,516	-	22,821,516	-
3,405,893	-	3,405,893	-
3,085,001	-	3,085,001	-
475,355	-	475,355	-
232,897	-	232,897	-
2,574,145	-	2,574,145	-
43,849,218	4,036,460	53,120,970	532,121
1,996,192	1,019,731	3,480,645	(63,219)
-	-	1,947,530	-
-	26,832	26,832	-
(878,835)	(15,309)	(952,700)	(11,741)
-	-	20,595	-
-	-	101,460	-
18,439	-	18,439	-
96,081	-	141,580	2,024
(3,693)	7,990	4,297	42,057
(916,831)	(50,840)	(1,357,405)	(92)
219,065	5,653	308,829	-
(1,465,774)	(25,674)	259,457	32,248

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

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

	Business-type Activities Enterprise Funds	
	601	602
	Water	Sewer
Income (Loss) Before Contributions and Transfers	\$ 985,988	\$ 1,229,639
Capital Contributions From Other Funds	21,773	-
Other Capital Contributions		
Special assessments	441	-
Connection fees	72,765	88,110
Transfers Out	(278,836)	(188,893)
Change in Net Position	802,131	1,128,856
Net Position, January 1	17,964,483	25,051,641
Net Position, December 31	<u>\$ 18,766,614</u>	<u>\$ 26,180,497</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ 530,418	\$ 994,057	\$ 3,740,102	\$ (30,971)
-	87,088	108,861	-
-	-	441	-
-	-	160,875	-
<u>(1,867,192)</u>	<u>(1,496,820)</u>	<u>(3,831,741)</u>	<u>(23,000)</u>
(1,336,774)	(415,675)	178,538	(53,971)
<u>76,484,386</u>	<u>15,506,182</u>	<u>135,006,692</u>	<u>3,677,753</u>
<u>\$ 75,147,612</u>	<u>\$ 15,090,507</u>	<u>\$ 135,185,230</u>	<u>\$ 3,623,782</u>
Change in net position as shown above		\$ 178,538	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>1,668</u>	
Change in net position of business-type activities.		<u>\$ 180,206</u>	

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

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

	Business-type Activities - Enterprise Funds	
	Water	Sewer
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,394,588	\$ 3,276,191
Receipts from interfund services provided	-	-
Other receipts	26,603	39,491
Payments to vendors and suppliers	(524,991)	(854,504)
Payments to or on behalf of employees	(562,600)	(774,683)
Net Cash Provided by Operating Activities	<u>1,333,600</u>	<u>1,686,495</u>
Cash Flows from Noncapital Financing Activities		
Transfers out	(278,836)	(188,893)
Lease receipts	72,122	-
Grants received	-	-
Net Cash Used by Noncapital Financing Activities	<u>(206,714)</u>	<u>(188,893)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(533,793)	(3,769,038)
Proceeds from sale of capital assets	-	-
Property taxes received	-	-
Sales tax received	973,765	973,765
Special assessments received	441	-
Connection fees collected	72,765	88,110
Principal paid on long-term debt	(1,303,000)	(1,279,000)
Interest paid on long-term debt	(162,102)	(247,217)
Interfund advance activity for capital improvements	-	35,921
Net Cash Used by Capital and Related Financing Activities	<u>(951,924)</u>	<u>(4,197,459)</u>
Cash Flows from Investing Activities		
Interest received (paid) on investments	<u>(24,052)</u>	<u>(38,729)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	150,910	(2,738,586)
Cash and Cash Equivalents, January 1	<u>3,768,563</u>	<u>9,572,335</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,919,473</u>	<u>\$ 6,833,749</u>
Cash and Cash Equivalents, Reported on Statement of Net Position		
Unrestricted cash and investments	\$ 3,919,473	\$ 6,833,749
Restricted cash and investments	-	-
Total Cash and Cash Equivalents	<u>\$ 3,919,473</u>	<u>\$ 6,833,749</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ 43,330,847	\$ 12,749,953	\$ 61,751,579	\$ -
-	-	-	468,902
2,035,224	-	2,101,318	2,036
(33,710,716)	(9,513,758)	(44,603,969)	(115,109)
(4,511,323)	(1,828,353)	(7,676,959)	-
<u>7,144,032</u>	<u>1,407,842</u>	<u>11,571,969</u>	<u>355,829</u>
(1,867,192)	(1,496,820)	(3,831,741)	(23,000)
-	-	72,122	-
-	26,832	26,832	-
<u>(1,867,192)</u>	<u>(1,469,988)</u>	<u>(3,732,787)</u>	<u>(23,000)</u>
(1,954,412)	(486,009)	(6,743,252)	(146,944)
64,156	7,990	72,146	42,057
-	-	-	297
-	-	1,947,530	-
-	-	441	-
-	-	160,875	-
(2,430,000)	(205,602)	(5,217,602)	(55,000)
(926,372)	(53,898)	(1,389,589)	(550)
-	-	35,921	-
<u>(5,246,628)</u>	<u>(737,519)</u>	<u>(11,133,530)</u>	<u>(160,140)</u>
(902,703)	(18,151)	(983,635)	(13,844)
(872,491)	(817,816)	(4,277,983)	158,845
<u>27,956,254</u>	<u>6,081,828</u>	<u>47,378,980</u>	<u>1,376,636</u>
<u>\$ 27,083,763</u>	<u>\$ 5,264,012</u>	<u>\$ 43,100,997</u>	<u>\$ 1,535,481</u>
\$ 23,394,283	\$ 5,264,012	39,411,517	\$ 1,535,481
3,689,480	-	3,689,480	-
<u>\$ 27,083,763</u>	<u>\$ 5,264,012</u>	<u>\$ 43,100,997</u>	<u>\$ 1,535,481</u>

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

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

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 38,008	\$ 426,714
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Other income related to operations	26,603	39,491
Depreciation and amortization (see note below)	1,112,757	1,082,548
Pension related adjustments	-	-
(Increase) decrease in assets		
Accounts receivable	17,693	31,825
Due from other governments	(40,558)	(38,195)
Inventories	-	-
Prepaid items	(360)	(534)
(Increase) decrease in deferred outflows of resources		
Deferred pension resources	35,048	57,625
Deferred other postemployment benefit resources	(11)	(17)
Increase (decrease) in liabilities		
Accounts payable	138,654	101,684
Due to other governments	137	-
Advances from other funds	-	-
Accrued salaries payable	201	(20)
Accrued vacation payable	3,608	3,901
Deposits payable	-	-
Other postemployment benefit liability	2,062	2,897
Net pension liability	193,074	263,127
Increase (decrease) in deferred inflows of resources		
Deferred pension resources	(192,199)	(282,989)
Deferred other postemployment benefit resources	(1,117)	(1,562)
Net Cash Provided by Operating Activities	<u>\$ 1,333,600</u>	<u>\$ 1,686,495</u>

Note: Depreciation expense for the Composting fund includes \$184,746 allocated to costs of good sold.

Schedule of Noncash Investing, Capital and Financing Activities		
Capital contributions from other funds	\$ 21,773	\$ -
Gain (loss) on disposal of capital assets	\$ -	\$ -
Book value of disposed/traded capital assets	\$ -	\$ -
Capital assets acquired on account	\$ -	\$ 134,559
Amortization of bond (premium) discount	\$ (14,785)	\$ (69,326)

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

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Utilities Commission	Other Enterprise Funds	Total	
\$ 1,996,192	\$ 1,019,731	\$ 3,480,645	\$ (63,219)
114,520	-	180,614	2,024
4,533,001	729,638	7,457,944	418,720
363,335	-	363,335	-
(607,083)	23,082	(534,483)	12
-	(2,273)	(81,026)	-
(28,908)	(435,858)	(464,766)	-
(141,429)	(766)	(143,089)	(34)
-	118,264	210,937	-
-	(39)	(67)	-
792,851	(56,732)	976,457	(1,674)
-	2,999	3,136	-
-	(35,921)	(35,921)	-
13,629	3,547	17,357	-
122,489	7,573	137,571	-
13,224	-	13,224	-
(27,789)	6,630	(16,200)	-
-	724,394	1,180,595	-
-	(692,862)	(1,168,050)	-
-	(3,565)	(6,244)	-
<u>\$ 7,144,032</u>	<u>\$ 1,407,842</u>	<u>\$ 11,571,969</u>	<u>\$ 355,829</u>

<u>\$ -</u>	<u>\$ 87,088</u>	<u>\$ 108,861</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,057</u>
<u>\$ 67,849</u>	<u>\$ -</u>	<u>\$ 67,849</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,559</u>	<u>\$ 14,349</u>
<u>\$ (219,065)</u>	<u>\$ (5,653)</u>	<u>\$ (308,829)</u>	<u>\$ -</u>

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

City of Hutchinson, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2022

	Custodial Fund State
Assets	
Cash and investments	<u>\$ 14,329</u>
Liabilities	
Due to primary government	<u>10,000</u>
Net Position	
Restricted	
Other governments	<u><u>\$ 4,329</u></u>

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

City of Hutchinson, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2022

	Custodial Fund State
Additions	
Fees collected on behalf of the state	\$ 5,223,647
Deductions	
Payments to state	<u>5,224,976</u>
Net Increase (Decrease) in Fiduciary Net Position	(1,329)
Net Position, January 1	<u>5,658</u>
Net Position, December 31	<u><u>\$ 4,329</u></u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Hutchinson (the City) operates under its own Home Rule Charter. The City is governed by an elected mayor and a four-member council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Discretely Presented Component Units. The Hutchinson Housing and Redevelopment Authority (HRA) was created pursuant to Minnesota statutes to carry out housing and redevelopment within the City in accordance with policies established by the City Council. The HRA is presented as a discretely presented component unit as a proprietary fund type. It is classified as a discretely presented component unit because the five-member board consists of five mayor-approved members, the HRA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the HRA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements for the HRA may be obtained at the City's offices.

The Hutchinson Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The EDA is presented as a discretely presented component unit as a governmental fund type. It is classified as a discretely presented component unit because the seven-member board consists of two Council members and five other Council approved members, the EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the EDA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements are not issued for this component unit.

Other Agencies. The Hutchinson Public Utilities Commission (PUC) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has five Council approved members who serve overlapping five-year terms for no more than two successive terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The PUC fund is considered to be part of the primary government and is included with the enterprise funds of this report. Separate financial statements are issued for the PUC and may be obtained at the City's offices.

Joint Ventures

The City has entered into a joint powers agreement with the Minnesota Department of Transportation and McLeod County. The purpose of the agreement is to provide policies and procedures for the joint operation of the Hutchinson Area Transportation Facility. The Joint Powers Board consists of four members. Two members are appointed by the Hutchinson City Council, one member is appointed by the Minnesota Commissioner of Transportation, and one member is appointed by the McLeod County Commissioners. The present budget funding for the operation is as follows:

City of Hutchinson	36 %
State of Minnesota	32 %
McLeod County	32 %

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City is the fiscal agent for the venture, whose operations are reported as a special revenue fund of the City. Since inception in 1996, the joint venture has accumulated sufficient financial resources from the funding sources to provide for operations. No separate financial statements are issued for this joint venture.

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 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. Amounts reported as *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.

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 custodial fund financial statements and 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, other postemployment benefits, 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Police Facility Construction fund* accounts for the resources provided and the improvements related to the City's police facility.

The City reports the following major proprietary funds:

The *Water fund* is used to account for the operation, maintenance, and capital improvements of the City's water, system.

The *Sewer fund* is used to account for the operation, maintenance, and capital improvements of the City's sewer system.

The *Public Utilities Commission fund* is used to account for the operation, maintenance, and capital improvements, of the municipally owned electric and natural gas systems in the City.

Additionally, the City reports the following fund types:

Internal service funds account for operations that provide central garage and insurance services to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds. The City's Custodial fund accounts for activities of State of Minnesota's motor vehicle, licensing and DNR services.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

Note 1: Summary of Significant Accounting Policies (Continued)

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and charges between the City's water, sewer, refuse, electric and natural gas 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 and of the City's internal service 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 and internal service 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. Certain restricted assets are included in cash and cash equivalents. 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.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

The City may also 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 purpose of this policy is to establish specific guidelines the City of Hutchinson will use in the investment of City funds. It will be the responsibility of the City Administrator to invest City Funds in order to attain the highest market rate of return with the maximum security while meeting the daily cash flow demands of the City and protecting the capital of the overall portfolio. Investments will be made in accordance with all state and local statutes governing the investment of public funds.

Investment officers acting in accordance with this policy, with Minnesota statutes, chapter 118A, and exercising due diligences shall be relieved of personal responsibility for an individual security's risk or market price change, provided that reasonable action is taken to control adverse developments and unexpected deviations are reported in a timely manner.

Objective

A. Safety - Safety of principal is of critical importance to the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk - the risk of loss due to failure of the security issuer or backer, will be minimized by:
 - Limiting investments to the types of securities listed in Section VIII of this investment policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business in accordance with Section VII.
 - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Insurance or collateral may be required to ensure return of principal.
2. Interest Rate Risk - the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates will be minimized to:
 - Provide for liquidity by reviewing cash flow requirements and make investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
 - Manage the average maturity of the overall portfolio to be consistent with the risk of the City.

B. Liquidity - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements reasonably anticipated. The portfolio will be structured so that the portfolio emphasizes liquidity and consists largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Yield - The City's investment portfolio shall be designed with the objective of attaining a market rate of return. The core of investments is limited to low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

The City Administrator or investment designee will attempt to diversify its investments according to type and maturity. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields. Diversifications strategies shall be determined and revised periodically by the City Council for all funds.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

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. There were no changes in valuation techniques that have a significant impact to the City and there are no nonrecurring fair value measurements. The City has the following recurring fair value measurements as of December 31, 2022:

- Government agency securities of \$939,280 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$18,922,849, FHLB bonds of \$1,537,330, FCCB bonds of \$993,700, US Treasury notes of \$2,986,540 and negotiable certificates of deposits of \$9,894,969 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the Public Utilities Commission enterprise fund at December 31, 2022 was \$77,677. The other utility funds do not record an allowance because uncollected bills may be certified to the County for collection.

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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."

Advances between funds are offset by a fund balance nonspendable account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

The inventories are stated at cost on the first-in, first-out (FIFO) method. The cost of inventory is recorded as expenditure at the time inventory is purchased in the General fund and as an expense when consumed in the proprietary fund types.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

Capital Assets

Capital assets, which include property, plant, equipment, 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. Capital assets are defined by the City as assets with an initial, individual cost of \$1 for land and more than \$5,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	20
Buildings and Improvements	15 - 40
System Improvements/Infrastructure	40
Office Furniture and Fixtures	7
Machinery and Equipment	3 - 10
Automotive Equipment	3 - 20

Deferred Outflows of Resources

In addition to assets, the statements 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 assets 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.

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.

For purposes of measuring the net pension liability, 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 Hutchinson 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. For the most part, the General fund is typically used to liquidate governmental net pension liability.

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

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total
	GERP	PEPFP	PEDCP		
Pension Expense	\$ 1,834,129	\$ 622,692	\$ 1,090	\$ (53,766)	\$ 2,404,145

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

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as "terminal leave" prior to retirement. All vacation and sick 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. Compensated absences at year end is shown in the chart below for governmental, business-type and component unit activities. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

	Governmental Activities	Business-type Activities	Component Unit Activities		Total
			EDA	HRA	
Compensated Absences	<u>\$ 540,328</u>	<u>\$1,021,664</u>	<u>\$ 4,502</u>	<u>\$ 13,710</u>	<u>\$1,580,204</u>

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 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. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2022. For the most part, the General fund is typically used to liquidate governmental OPEB liabilities.

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. Bond premiums and discounts are deferred and 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statements 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, intergovernmental and interest. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, deferred lease resources are reported as deferred inflows resulting from lease amortization calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance

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

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

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

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

Assigned - consists of amounts intended to be used for specific purposes set by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the City's fund balance policy, the City Administrator is authorized to establish assignments of fund balance.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: (1) committed, (2) assigned, and (3) unassigned.

The City's fund balance policy requires an unrestricted fund balance in the General fund of an amount not less than 40 percent of the next year's budgeted expenditures of the General fund.

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 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 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 first use restricted resources and then use unrestricted resources as they are needed.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Rural Fire Department and Hutchinson Area Transportation Facility special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council.

There were no budget amendments made by the City in 2022.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 13,853,680	\$ 13,869,281	\$ 15,601
Special Revenue			
Hutchinson Area Transportation Facility	656,145	726,147	70,002

The excess expenditures over appropriations were funded by higher revenues than anticipated and available fund balance.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2022:

Fund	Amount
Special Revenue	
Hutchinson Enterprise Center	\$ 186,774
Tax Increments 2016	458,671
TIF #4-17 Enterprise Center	118,001
TIF #4-20 Warrior Expansion	827
TIF #4-22 Jorgenson Hotel	5,356
Capital Projects	
Police Facility Construction	547,642
Special Assessment Improvement 2021	837
Special Assessment Improvement 2023	145,476

The City intends to fund these deficits through future tax increments and special assessment levies, grants, transfers from other funds and various other sources.

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with 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, bank balance, FDIC coverage and collateral pledged in the City's and the Public Utilities Commission's names, including the EDA are shown in the chart below. The primary government and the EDA component unit deposits and investments are pooled.

Carrying amount of deposits	<u>\$ 32,251,876</u>
Bank balance	\$ 37,464,764
Covered by FDIC	(500,000)
Collateralized with securities pledged in City's and PUC's names	<u>\$ 36,964,764</u>

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

Note 3: Detailed Notes on All Funds (Continued)

At year end, the HRA's (discretely presented component unit) carrying amount of deposits, bank balance, FDIC coverage and collateral pledged in the HRA's name are shown in the chart below.

Carrying amount of deposits	\$ 3,362,088
Bank balance	\$ 3,361,150
Covered by FDIC	(750,000)
Collateralized with securities pledged in City's name	\$ 2,611,150

Investments

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality	Segmented Time	Amount	Fair Value Measurement Using	
	Ratings (1)	Distribution (2)		Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Mutual Funds	N/A	less than 1 year	\$ 86,431		
Broker Deposits	N/A	less than 1 year	1,027		
Non-pooled Investments at Fair Value					
Municipal Bonds	AA2	less than 1 year	294,489	\$ -	\$ 294,489
Municipal Bonds	N/A	less than 1 year	241,388	-	241,388
Municipal Bonds	AA2	1 to 5 years	2,135,715	-	2,135,715
Municipal Bonds	AA+	1 to 5 years	692,829	-	692,829
Municipal Bonds	AA	1 to 5 years	1,270,368	-	1,270,368
Municipal Bonds	AA1	1 to 5 years	2,924,848	-	2,924,848
Municipal Bonds	AA3	1 to 5 years	1,059,138	-	1,059,138
Municipal Bonds	AA-	1 to 5 years	1,292,856	-	1,292,856
Municipal Bonds	N/A	1 to 13 years	9,011,218	-	9,011,218
US Treasury Notes	N/A	1 to 5 years	2,986,540	-	2,986,540
FFCB Bonds	N/A	1 to 5 years	993,700	-	993,700
FHLB Bonds	N/A	1 to 5 years	1,537,330	-	1,537,330
Government Agency Securities	N/A	1 to 5 years	939,280	939,280	-
Negotiable Certificates of Deposit	N/A	less than 1 year	2,186,861	-	2,186,861
Negotiable Certificates of Deposit	N/A	1 to 5 years	7,708,108	-	7,708,108
Total Investments			\$ 35,362,126	\$ 939,280	\$ 34,335,388

(1) Ratings are provided by various credit rating agencies 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 Hutchinson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

The investments of the City are subject to the following risks:

- *Credit Risk.* The credit risk for investments 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 limit the City's investments to the list on page 70 of the notes.
- *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 typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2022, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments.
- *Interest Rate Risk.* In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$4,705.

Cash and Investments Summary

Cash and investments as shown on the statement of net position for the City as follows:

	Primary Government	Component Unit - EDA	Component Unit - HRA	Total Reporting Entity
Deposits	\$ 32,089,757	\$ 162,119	\$ 3,362,088	\$ 35,613,964
Investments	35,362,126	-	-	35,362,126
Cash on Hand	4,705	-	-	4,705
Total	\$ 67,456,588	\$ 162,119	\$ 3,362,088	\$ 70,980,795
Cash and Investments				
Unrestricted	\$ 63,767,108	\$ 162,119	\$ 3,318,940	\$ 67,248,167
Restricted	3,689,480	-	43,148	3,732,628
Total	\$ 67,456,588	\$ 162,119	\$ 3,362,088	\$ 70,980,795

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

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments - Restricted

Cash and investments - restricted are deposits designated by bond covenants in the City's Public Utilities Commission fund for specific purposes. At December 31, 2022, restricted cash and investments consisted of the following:

Primary Government

Hutchinson Public Utilities Commission

Public Utility Revenue Refunding Bonds, Series 2012A

Funds required to be held in a debt service account based
on criteria set aside in the bond issuance document.

\$ 2,368,573

Public Utility Revenue Bonds, Series 2017B

Funds required to be held in a debt service account based
on criteria set aside in the bond issuance document.

1,320,907

Total Restricted Cash and Investments

\$ 3,689,480

Component Unit - HRA

Cash and investments - restricted are tenant security deposits in the HRA at December 31, 2022 in the amount of \$43,148.

B. Notes Receivable

Primary Government

The City has issued various notes to local residents and businesses which are payable to the City with variable payments and interest rates. The balance on these notes as of December 31, 2022 is \$956,433. Most of the notes to local residents do not have to be repaid if they remain property owners for ten years. This applies to Housing Rehabilitation Grant special revenue fund notes totaling \$415,539. This City also has TIF loans that do not have to be repaid if they remain in the property for five years totaling \$64,904. The Economic Development Loan fund has notes with local businesses outstanding of \$131,939 and the Minnesota Investment funds has loans outstanding of \$8,100. The City also has notes receivable in the Energy Loan fund of \$335,951 at year end.

Component Unit - HRA

The HRA has received grants to be used for economic development and housing redevelopment services. The proceeds of these grants were loan to individuals and are to be paid back to the HRA. The balances of these notes at December 31, 2022 is \$9,246.

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

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 9,071,306	\$ 216,322	\$ (191,464)	\$ 9,096,164
Construction in progress	6,541,775	16,459,296	(3,489,718)	19,511,353
Total Capital Assets not Being Depreciated	<u>15,613,081</u>	<u>16,675,618</u>	<u>(3,681,182)</u>	<u>28,607,517</u>
Capital Assets Being Depreciated				
Buildings and structures	12,877,772	725,944	-	13,603,716
Infrastructure and improvements	111,975,544	2,585,791	(80,508)	114,480,827
Machinery and equipment	5,809,505	243,241	(196,157)	5,856,589
Automotive equipment	5,173,913	107,737	(24,088)	5,257,562
Total Capital Assets Being Depreciated	<u>135,836,734</u>	<u>3,662,713</u>	<u>(300,753)</u>	<u>139,198,694</u>
Less Accumulated Depreciation for				
Buildings and structures	(6,010,966)	(319,736)	-	(6,330,702)
Infrastructure and improvements	(49,944,768)	(3,639,681)	24,818	(53,559,631)
Machinery and equipment	(3,676,741)	(388,390)	131,577	(3,933,554)
Automotive equipment	(3,572,350)	(263,605)	24,088	(3,811,867)
Total Accumulated Depreciation	<u>(63,204,825)</u>	<u>(4,611,412)</u>	<u>180,483</u>	<u>(67,635,754)</u>
Total Capital Assets Being Depreciated, Net	<u>72,631,909</u>	<u>(948,699)</u>	<u>(120,270)</u>	<u>71,562,940</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,244,990</u>	<u>\$ 15,726,919</u>	<u>\$ (3,801,452)</u>	<u>\$ 100,170,457</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,994,381	\$ -	\$ -	\$ 1,994,381
Construction in progress	2,783,699	4,791,297	(138,443)	7,436,553
Total Capital Assets not Being Depreciated	<u>4,778,080</u>	<u>4,791,297</u>	<u>(138,443)</u>	<u>9,430,934</u>
Capital Assets Being Depreciated				
Buildings and structures	50,012,467	-	-	50,012,467
Infrastructure and improvements	206,929,004	1,534,665	(261,531)	208,202,138
Machinery and equipment	15,651,361	310,041	(10,885)	15,950,517
Automotive equipment	1,410,929	-	(41,213)	1,369,716
Total Capital Assets Being Depreciated	<u>274,003,761</u>	<u>1,844,706</u>	<u>(313,629)</u>	<u>275,534,838</u>
Less Accumulated Depreciation for				
Buildings and structures	(31,160,309)	(1,073,272)	-	(32,233,581)
Infrastructure and improvements	(102,613,503)	(5,720,564)	193,682	(108,140,385)
Machinery and equipment	(11,964,567)	(577,618)	10,885	(12,531,300)
Automotive equipment	(1,062,855)	(86,490)	41,213	(1,108,132)
Total Accumulated Depreciation	<u>(146,801,234)</u>	<u>(7,457,944)</u>	<u>245,780</u>	<u>(154,013,398)</u>
Total Capital Assets Being Depreciated, Net	<u>127,202,527</u>	<u>(5,613,238)</u>	<u>(67,849)</u>	<u>121,521,440</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 131,980,607</u></u>	<u><u>\$ (821,941)</u></u>	<u><u>\$ (206,292)</u></u>	<u><u>\$ 130,952,374</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 51,571
Public safety	139,120
Streets and highways, including depreciation of general infrastructure assets	3,063,476
Culture and recreation	664,620
Housing and economic development	73,064
Miscellaneous	200,841
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>418,720</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,611,412</u></u>

Business-type Activities

Electric	\$ 3,440,752
Natural gas	1,092,249
Water	1,112,757
Sewer	1,082,548
Refuse	139,251
Composting	95,632
Storm water	237,043
Liquor	<u>72,966</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 7,273,198</u></u>

Construction Commitments

The City has active projects as of December 31, 2022. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
WWTF Headworks	\$ 4,310,521	\$ 3,020
PD Facility Construction	9,188,130	2,329,093
Ditch Aeration	336,609	88,141
2022 PMP	2,425,279	129,588
Hwy 15 LS	91,274	4,000
Arena HVAC	300,390	367,330
East Rink Reno	2,142,153	232,193
SCADA Improvements	<u>224,067</u>	<u>540,737</u>
Total	<u><u>\$ 19,018,423</u></u>	<u><u>\$ 3,694,102</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital Assets not Being Depreciated				
Land	\$ 92,775	\$ -	\$ -	\$ 92,775
Capital Assets Being Depreciated				
Buildings and structures	5,690,688	51,729	(17,629)	5,724,788
Machinery and equipment	238,875	2,552	-	241,427
Total Capital Assets Being Depreciated	5,929,563	54,281	(17,629)	5,966,215
Less Accumulated Depreciation for				
Buildings and structures	(4,442,558)	(175,911)	13,810	(4,604,659)
Machinery and equipment	(201,776)	(15,123)	-	(216,899)
Total Accumulated Depreciation	(4,644,334)	(191,034)	13,810	(4,821,558)
Total Capital Assets Being Depreciated, Net	1,285,229	(136,753)	(3,819)	1,144,657
HRA Capital Assets, Net	<u>\$ 1,378,004</u>	<u>\$ (136,753)</u>	<u>\$ (3,819)</u>	<u>\$ 1,237,432</u>

Depreciation expense was charged to functions/programs of the discretely presented component unit is as follows:

Discretely Presented Component Unit	
HRA	<u>\$ 191,034</u>

D. Interfund Receivables, Payables and Transfers

Advances from/to Other Funds

The Capital Improvement Projects fund advanced dollars to the 2020 Improvements fund, 2023 Improvements fund and the G.O. Tax Increment Refunding Bonds 2004 as temporary cash advances to eliminate fund deficits. The balances will be paid back as future funding becomes available.

The EDA Loan fund loaned funds to the Hutchinson Enterprise Center fund for construction costs. This balance will be paid back as future funding becomes available.

The Energy Loan fund loaned funds to the TIF #4-16 126 Franklin St SW fund to pay for costs identified in the TIF plans. This balance will be paid back as the TIF district generates future tax increment revenues.

The Debt Service fund loaned funds to the Tax Increment 2016 fund, the TIF #4-17 Enterprise Center fund, and the TIF 4-22 Jorgenson Hotel to pay for costs identified in the TIF plans. These balances will be paid back as the TIF districts generate future tax increment revenues.

The Sewer fund loaned the Storm Water fund for the purchase of a new street sweeper. The loan is to be paid back with annual payment of \$38,109 including interest at 3.00 percent from December 31, 2019 to December 31, 2023.

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

Note 3: Detailed Notes on All Funds (Continued)

Amounts due from/to the EDA component unit representing monthly and year-end charges to other funds are as follows:

Receivable Entity	Payable Entity	Amount
Component unit EDA	Primary Government Internal service - Central Garage	\$ 107

Interfund Transfers

The following transfers were made for the year ended December 31, 2022:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Fund	Tranfers In			
	General	Debt Service	Nonmajor Governmental	Total
Transfer Out				
General	\$ -	\$ -	\$ 610,313	\$ 610,313
Nonmajor governmental	-	55,282	973,455	1,028,737
Water enterprise	70,000	-	208,836	278,836
Sewer enterprise	80,000	-	108,893	188,893
Public Utilities Commission enterprise	1,867,192	-	-	1,867,192
Nonmajor enterprise	670,000	-	826,820	1,496,820
Self Insurance internal service	23,000	-	-	23,000
Total	<u>\$ 2,710,192</u>	<u>\$ 55,282</u>	<u>\$ 2,728,317</u>	<u>\$ 5,493,791</u>

For the year ended December 31, 2022, the City made the following unbudgeted transfers:

- From the Water fund (\$208,836), Sewer fund (\$108,893) and Stormwater fund (\$682,818) to the Special Assessment Improvement 2022 fund for project costs.
- From the Community Improvement fund (\$51,154) and various Debt Service funds (\$450,000) to close the Special Assessment Bonds 2013 fund.
- From the Special Assessment Improvement 2021 (\$33,963), the Stormwater fund (\$89,002), and the Capital Projects fund (\$60,494) to the Special Assessment Improvement 2020 fund to resolve cost overruns.
- From the Special Assessment Improvement 2021 (\$10,124) to the Special Assessment Improvement 2019 fund to resolve cost overruns.
- From the Capital Projects fund (\$3,420) to the Community Improvement fund to replenish the public arts maintenance fund.

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

Note 3: Detailed Notes on All Funds (Continued)

- From the Community Improvement fund (\$37,454) to the Capital Improvement Projects fund to fund the firemen's park improvements.
- From the TIF #4-19 Highway 7 & 15 Soils Condition fund (\$4,128) to the Special Assessment Bonds 2017 fund to reimburse public improvement costs.
- From the TIF #4-21 1105 Benjamin Ave SE fund (\$28,000) to the Community Improvement fund to reimburse land costs.
- From the General fund (\$500,000) and Community Improvement fund (\$800,000) to the Capital Improvement Projects fund to fund the east rink improvements.

E. Inventories

Inventories at December 31, 2022 consist of the following:

Fund	Amount
Municipal Liquor Store	
Liquor	\$ 318,981
Wine	227,746
Beer	149,542
Miscellaneous	26,752
Total	<u>723,021</u>
Composting	
Processed materials	449,420
Bulk product	253,659
Bagged product	882,184
Parts	73,512
Total	<u>1,658,775</u>
Public Utilities Commission	
Electric division	
Fuel oil and lubricants	98,318
Plant	8,327
Engine parts	890,925
Distribution materials	540,189
Transformers	164,156
Total	<u>1,701,915</u>
Natural gas division	
Fittings	207,487
Transmission line gas	303,570
Total	<u>511,057</u>
Total	<u>\$ 4,594,768</u>

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

Note 3: Detailed Notes on All Funds (Continued)

F. Lease Receivable

Primary Government

The City leases various tower sites and airport space. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2070.

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

Description	Issue Date	Discount Rate		Current Year Infow of Resources	Balance at Year End
AJA Aviation - Private Airport Hangar Lot	03/25/08	1.851	%	\$ -	\$ 18,796
TNT Air - Private Airport Hangar Lot	07/11/17	1.851		-	34,090
Eastep - Private Airport Hangar Lot	05/24/21	1.851		-	5,560
Skyview Dairy Airport Land Rent	02/01/18	0.380		15,480	15,420
Verizon - South Park Water Tower Antenna	01/01/10	0.476		32,080	69,317
T-Mobile South Park Water Tower Antenna	06/01/20	1.591		29,482	610,177
Total					<u>\$ 753,360</u>

Discretely Presented Component Unit

The HRA leases a tower site to New Cingular Wireless for an antenna. This agreement contained several extension options. The latest maturity date is projected to be in 2031.

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

Description	Issue Date	Discount Rate		Current Year Infow of Resources	Balance at Year End
New Cingular Wireless Antenna	12/26/06	1.30	%	\$ 40,456	<u>\$ 371,459</u>

G. Long-term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

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

Note 3: Detailed Notes on All Funds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Primary Government Debt - Governmental Activity Debt

General Obligation Bonds

These bonds were issued to finance various improvements and will be repaid entirely by ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement Bonds of 2021A					
Police Facility	\$ 7,320,000	2.00 - 4.00 %	08/19/21	02/01/52	\$ 7,320,000
Tax Abatement					
Bonds of 2021A	475,000	2.00 - 4.00	08/19/21	02/01/37	475,000
Improvement Bonds of 2022A	5,885,000	4.00 - 5.00	10/06/22	02/01/52	5,885,000
					<u>5,885,000</u>
Total General Obligation Bonds					<u>\$ 13,680,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 475,000	\$ 429,983	\$ 904,983
2024	665,000	454,638	1,119,638
2025	750,000	424,538	1,174,538
2026	685,000	393,013	1,078,013
2027	640,000	364,038	1,004,038
2028 - 2032	2,545,000	1,463,888	4,008,888
2033 - 2037	2,575,000	961,038	3,536,038
2038 - 2042	1,675,000	633,613	2,308,613
2043 - 2047	1,710,000	411,706	2,121,706
2048 - 2052	1,960,000	149,491	2,109,491
	<u>1,960,000</u>	<u>149,491</u>	<u>2,109,491</u>
Total	<u>\$ 13,680,000</u>	<u>\$ 5,685,946</u>	<u>\$ 19,365,946</u>

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

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Special Assessment Bonds

These bonds were issued to finance various improvements and will be repaid primarily by ad valorem tax levies. Some issues, however, are partly financed from special assessments levied on the properties benefiting from the improvements.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement and Refunding					
Bonds of 2014A	\$ 3,415,000	2.00 - 3.00 %	11/04/14	02/01/30	\$ 1,220,000
Improvement Bonds of 2015A	2,140,000	2.85 - 3.00	10/01/15	02/01/31	1,295,000
Improvement Bonds of 2016A	3,880,000	2.00	10/06/16	02/01/32	1,585,000
Improvement Bonds of 2017A	2,445,000	2.00 - 3.00	10/31/17	02/01/33	1,735,000
Improvement Bonds of 2018A	2,395,000	3.00 - 4.00	10/31/18	02/01/34	1,835,000
Improvement Bonds of 2019A	2,675,000	2.00 - 3.00	11/05/19	02/01/35	2,285,000
Improvement Bonds of 2020A	2,405,000	0.35 - 1.40	08/06/20	02/01/36	2,295,000
Improvement Bonds of 2021A	1,825,000	2.00 - 4.00	08/19/21	02/01/37	1,825,000
Total G.O. Special Assessment Bonds					<u>\$ 14,075,000</u>

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,510,000	\$ 333,235	\$ 1,843,235
2024	1,345,000	296,978	1,641,978
2025	1,330,000	262,215	1,592,215
2026	1,275,000	228,381	1,503,381
2027	1,210,000	196,473	1,406,473
2028 - 2032	5,470,000	521,895	5,991,895
2033 - 2037	1,935,000	67,669	2,002,669
Total	<u>\$ 14,075,000</u>	<u>\$ 1,906,846</u>	<u>\$ 15,981,846</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activity Debt

General Obligation Revenue Bonds

These bonds were issued to finance capital improvements to the Water, Sewer and Storm Water funds. These bonds will be retired from net revenue of these enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds of 2005 (PFA)	\$ 5,696,371	2.53 %	09/28/05	08/20/24	\$ 734,370
G.O. Water Revenue Bonds of 2006 (PFA)	12,216,000	2.63	08/07/06	08/20/25	2,398,000
G.O. Sewer Revenue Bonds of 2007 (PFA)	13,696,602	2.15	06/26/07	08/20/26	3,580,000
G.O. Storm Water Bonds of 2018B	1,550,000	3.00 - 4.00	10/31/18	02/01/29	1,150,000
G.O. Water and Sewer Refunding Bonds of 2019A	2,790,000	2.00 - 3.00	11/05/19	02/01/29	2,335,000
G.O. Wastewater Bonds of 2021A	3,460,000	3.00 - 4.00	08/19/21	02/01/32	3,460,000
Total G.O. Revenue Bonds					<u>\$ 13,657,370</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2023	\$ 2,724,000	\$ 387,220	\$ 3,111,220
2024	2,850,370	312,066	3,162,436
2025	2,719,000	231,065	2,950,065
2026	1,694,000	158,721	1,852,721
2027	800,000	111,105	911,105
2028 - 2032	2,870,000	194,670	3,064,670
Total	<u>\$ 13,657,370</u>	<u>\$ 1,394,847</u>	<u>\$ 15,052,217</u>

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

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water, Sewer and Storm Water funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, restricted sales tax revenues, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Storm Water
Revenue	\$ 3,391,218	\$ 4,256,326	\$ 1,054,720
Principal and Interest	1,465,102	1,526,217	185,693
Percent of Revenue	43.2%	35.9%	17.6%

Revenue Bonds

These bonds were issued to finance capital improvements to the Public Utilities Commission. These bonds will be retired from net revenue of this enterprise fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Utility Revenue					
Refunding Bonds of 2012A	\$ 20,720,000	4.00 - 5.00 %	07/19/12	12/01/26	\$ 7,780,000
Public Utility Revenue Bonds, 2017B	16,675,000	3.00 - 4.00	10/31/17	12/01/37	14,030,000
Total Revenue Bonds					<u>\$ 21,810,000</u>

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2023	\$ 2,555,000	\$ 786,406	\$ 3,341,406
2024	2,655,000	702,456	3,357,456
2025	2,770,000	596,256	3,366,256
2026	2,900,000	465,656	3,365,656
2027	850,000	328,856	1,178,856
2028 - 2032	4,675,000	1,232,934	5,907,934
2033 - 2037	5,405,000	502,907	5,907,907
Total	<u>\$ 21,810,000</u>	<u>\$ 4,615,471</u>	<u>\$ 26,425,471</u>

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

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the PUC and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the PUC are as follows:

	<u>PUC</u>
Revenue	\$ 43,841,265
Principal and Interest	3,330,906
Percent of Revenue	7.6%

Financed Purchase Arrangements

An obligation was issued by the City for the purchase of equipment in the Compost fund. The City entered into a financed purchase arrangement in 2019 for a compost turner. The turner is being paid off over 5 years at an interest rate of 2.99%.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Komptech Compost Turner	\$ 473,775	2.99 %	04/29/19	04/29/25	<u>\$ 208,816</u>

The annual debt service requirements to maturity for financed purchase arrangements are as follows:

Year Ending December 31	Financed Purchase Arrangements		
	Business-type Activities		
	Principal	Interest	Total
2023	\$ 67,565	\$ 6,244	\$ 73,809
2024	69,585	4,223	73,808
2025	71,666	2,143	73,809
Total	<u>\$ 208,816</u>	<u>\$ 12,610</u>	<u>\$ 221,426</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 7,795,000	\$ 5,885,000	\$ -	\$ 13,680,000	\$ 475,000
General obligation special assessment bonds	16,595,000	-	(2,520,000)	14,075,000	1,510,000
Bond premium	1,118,586	366,432	(80,924)	1,404,094	-
Total Bonds Payable	25,508,586	6,251,432	(2,600,924)	29,159,094	1,985,000
Compensated Absences Payable	549,893	490,067	(499,632)	540,328	433,432
Governmental Activity Long-term Liabilities	<u>\$ 26,058,479</u>	<u>\$ 6,741,499</u>	<u>\$ (3,100,556)</u>	<u>\$ 29,699,422</u>	<u>\$ 2,418,432</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 16,379,370	\$ -	\$ (2,722,000)	\$ 13,657,370	\$ 2,724,000
Revenue bonds	24,240,000	-	(2,430,000)	21,810,000	2,555,000
Bond premium	2,236,255	-	(308,829)	1,927,426	219,065
Total Bonds Payable	42,855,625	-	(5,460,829)	37,394,796	5,498,065
Financed Purchase Arrangements	274,418	-	(65,602)	208,816	67,565
Compensated Absences Payable	884,093	290,347	(152,776)	1,021,664	165,554
Business-type Activity Long-term Liabilities	<u>\$ 44,014,136</u>	<u>\$ 290,347</u>	<u>\$ (5,679,207)</u>	<u>\$ 38,625,276</u>	<u>\$ 5,731,184</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Component Unit Debt

Loans Payable

The HRA's long-term debt balance as of December 31, 2022, was for the 2013 and 2016 Minnesota Housing Finance Agency Publicly Owned Housing Program.

The HRA's long term debt consists of the following:

On December 12, 2013, the HRA issued an MHFA loan in the amount of \$79,000. The bond is interest free and the loan will be forgiven on December 12, 2033 as long as the HRA complies with the terms and conditions of the loan agreement.

On May 31, 2016, the HRA issued an MHFA loan in the amount of \$234,000. The bond is interest free and the loan will be forgiven on May 31, 2036 as long as the HRA complies with the terms and conditions of the loan agreement.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2013 MHFA Loan - Boiler Replacement Project	\$ 79,000	0.00 %	12/12/13	12/12/33	\$ 79,000
2016 MHFA Loan - Elevator Project	234,000	0.00	05/31/16	05/31/36	234,000
Total Loans Payable					<u>\$ 313,000</u>

Change in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities (EDA)					
Compensated Absences Payable	<u>\$ 3,099</u>	<u>\$ 10,173</u>	<u>\$ (8,770)</u>	<u>\$ 4,502</u>	<u>\$ 4,502</u>
Component Unit Activities (HRA)					
Loans Payable	\$ 313,000	\$ -	\$ -	\$ 313,000	\$ -
Compensated Absences Payable	<u>12,173</u>	<u>12,783</u>	<u>(11,246)</u>	<u>13,710</u>	<u>4,068</u>
Total	<u>\$ 325,173</u>	<u>\$ 12,783</u>	<u>\$ (11,246)</u>	<u>\$ 326,710</u>	<u>\$ 4,068</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance Classification

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

	General	Police Facility Construction	Debt Service	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepaid items	\$ 10,091	\$ -	\$ -	\$ -	\$ 10,091
Restricted					
Drug forfeiture	-	-	-	28,273	28,273
Debt service	-	-	4,245,435	-	4,245,435
Parkland dedication	-	-	-	228,048	228,048
Police Memorial Park maintenance	-	-	-	25,944	25,944
Rural fire department	-	-	-	21,275	21,275
Economic development loans	-	-	-	518,061	518,061
Energy loans	-	-	-	839,004	839,004
HRA loans	-	-	-	82,297	82,297
Housing rehabilitation	-	-	-	678,936	678,936
Minnesota investment	-	-	-	17,262	17,262
Tax increment financing	-	-	-	307,478	307,478
Total Restricted	-	-	4,245,435	2,746,578	6,992,013
Committed					
Working capital	5,741,774	-	-	-	5,741,774
Tree escrow	-	-	-	71,940	71,940
Tree mitigation	-	-	-	509,316	509,316
Future police facility	-	-	-	1,136,812	1,136,812
Public arts commission - Community Improvement	-	-	-	1,887	1,887
Public arts commission - Public Sites	-	-	-	14,784	14,784
Lakes and River Basin project	-	-	-	331,962	331,962
Total Committed	5,741,774	-	-	2,066,701	7,808,475
Assigned					
Hutchinson area transportation facility	-	-	-	506,499	506,499
Public arts commission (maintenance)	-	-	-	10,000	10,000
Capital projects	-	-	-	2,603,255	2,603,255
Community improvement	-	-	-	1,863,542	1,863,542
Total Assigned	-	-	-	4,983,296	4,983,296
Unassigned	2,133,808	(547,642)	-	(915,942)	670,224
Total Fund Balance	\$ 7,885,673	\$ (547,642)	\$ 4,245,435	\$ 8,880,633	\$ 20,464,099

Note 4: Defined Benefit Pension Plan - 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

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees 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 Employee 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement

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

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

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 3.0 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.

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 member were required to contribute 6.50 percent of their annual covered salary in the fiscal year 2022 and the City was required to pay 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund are shown in the chart below. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Employees Fund	<u>\$ 892,170</u>	<u>\$ 860,768</u>	<u>\$ 862,466</u>

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 2022 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 are shown in the chart below. The City's contributions were equal to the required contributions for each year as set by state statute.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Police and Fire Fund	<u>\$ 359,318</u>	<u>\$ 336,868</u>	<u>\$ 322,455</u>

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

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City of Hutchinson reported a liability of \$12,307,731 for its proportionate share of the General Employees Fund's net pension liability of which the EDA's portion was calculated at \$128,228. 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 \$360,700. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.1554 percent which was a 0.0032 percent decrease from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 12,307,731
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>360,700</u>
Total	<u><u>\$ 12,668,431</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$1,780,233 for its proportionate share of the General Employees Plan's pension expense of which the EDA's portion was calculated at \$33,917. In addition, the City recognized \$53,896 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Primary Government		Component Unit - EDA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 101,699	\$ 132,662	\$ 1,105	\$ 1,258
Changes in Actuarial Assumptions	2,810,609	49,422	30,479	539
Net Difference Between Projected and Actual Earnings on Plan Investments	113,937	-	1,375	-
Changes in Proportion	153,078	84,758	1,138	651
Contributions Paid to PERA Subsequent to the Measurement Date	<u>441,677</u>	<u>-</u>	<u>4,393</u>	<u>-</u>
Total	<u><u>\$ 3,621,000</u></u>	<u><u>\$ 266,842</u></u>	<u><u>\$ 38,490</u></u>	<u><u>\$ 2,448</u></u>

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

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

The \$446,070 reported as deferred outflows related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit - EDA
2023	\$ 1,146,985	\$ 12,322
2024	1,101,649	11,705
2025	(437,057)	(4,525)
2026	1,100,904	12,147

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$7,027,842 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the City's proportionate share was 0.1615 percent which was a 0.0096 percent increase from its proportionate share measured as of June 30, 2021.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$563,123 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$59,569 as pension expense 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 supplemental state aid. The City recognized \$14,535 for the year ended December 31, 2022 as pension expense 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.

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

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

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

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 420,602	\$ 4,139
Changes in Actuarial Assumptions	4,061,148	54,715
Net Difference Between Projected and Actual Earnings on Plan Investments	201,904	-
Changes in Proportion	88,205	125,213
Contributions Paid to PERA Subsequent to the Measurement Date	188,258	-
Total	<u>\$ 4,960,117</u>	<u>\$ 184,067</u>

The \$188,258 reported as deferred outflows related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

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

2023	\$ 894,981
2024	884,576
2025	786,412
2026	1,437,091
2027	584,732

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	33.5 %	5.10 %
International Equity	16.5	5.30
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
Total	<u>100.0 %</u>	

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

E. Actuarial Assumptions

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

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 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.

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

F. Discount Rate

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

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund			
Primary Government	\$ 19,231,680	\$ 12,179,503	\$ 6,388,159
Component Unit - EDA	209,026	128,228	69,432
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	10,635,738	7,027,842	4,111,075

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.

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

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

The City has City Council members that 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.

The City's contributions to the DCP for the years ended December 31, 2022, 2021 and 2020 were \$1,090, \$1,090 and \$1,405, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 10,901	\$ 1,090	5.00%	5.00%	5.00%

Note 6: Defined Contribution Plans (Component Unit)

HRA

All eligible employees as determined by the local HRA HUD approved personnel policy are covered by a pension plan with The Housing Renewal and Local Agency Retirement Plan. The HRA's contributions to the DCP for the years ended December 31, 2022, 2021 and 2020 were \$13,212, \$17,901 and \$16,779, respectively. Pension contributions for the year under the plan were as follows:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 14,918	\$ 17,305	6.50%	7.50%	N/A

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

Firefighters, retired and active, of the City are members of the Hutchinson Fire Department Relief Association (the Association). The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The Association was established May 6, 1907, and operates under the provisions of Minnesota statutes, chapters 69 and 424. It is governed by a Board of Trustees made up of nine members, of which six are elected by the members of the Association for three-year terms, the Mayor, the City Clerk and the fire chief, who serve as ex-officio voting members of the board. As of December 31, 2022, the plan covered 29 active firefighters, 1 inactive members, 46 vested terminated fire fighters and 9 surviving beneficiaries whose pension benefits are deferred.

B. Benefits Provided

A fire fighter who completes at least 20 years as an active member of the Municipal Fire Department (the Department) is entitled, after age 50, to a full service pension upon retirement.

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 at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times \$17 per month per year of service up to a maximum benefit of \$450 per month. The City has agreed to contribute an annual amount equal to the greater of the statutorily-required amount or \$2,500 per active firefighter.

In 2020, a lump sum plan was added for active members. The annuity option was eliminated for members hired after October 8, 2020, and survivor benefit was changed from annuity to lump sum.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by property taxes, 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 \$130,954 in fire state aid to the plan on behalf of the Hutchinson Fire Department for the year ended December 31, 2022, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2022 were \$130,954. The City's contributions were equal to the required contributions as set by state statute. The City also made \$76,275 of voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2022, the City reported a net pension liability of \$114,005 for the plan. The net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2022. The following table presents the changes in net pension liability during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2022	\$ 2,420,661	\$ 2,792,410	\$ (371,749)
Changes for the Year			
Service cost	52,603	-	52,603
Interest on pension liability (asset)	131,599	-	131,599
Actuarial experience (gains)/losses	71,965	-	71,965
Change in assumptions	48,330	-	48,330
Nonemployer contributions	-	207,229	(207,229)
Net investment income (loss)	-	(376,960)	376,960
Benefit payments	(161,093)	(161,093)	-
Administrative expenses	-	(11,526)	11,526
Total Net Changes	143,404	(342,350)	485,754
Ending Balance December 31, 2022	\$ 2,564,065	\$ 2,450,060	\$ 114,005

For the year ended December 31, 2022, the City recognized pension expense of \$(53,766).

At December 31, 2022, the City reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 59,606	\$ -
Changes in Actuarial Assumptions	83,495	539
Net Difference Between Projected and Actual Earnings on Plan Investments	232,549	-
Total	\$ 375,650	\$ 539

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

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

2023	\$ 66,016
2024	99,775
2025	99,937
2026	109,383

E. Actuarial Assumptions

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

Retirement Eligibility at Later of Age 50 and 20 Years of Service	N/A
Salary Increases	5.25%
Discount Rate	2.50%
Inflation Rate	5.25%
Expected Return on Plan Assets	4.05%
20 Year Municipal Bond Yield	

No changes in benefits occurred in 2022.

The following changes in actuarial assumptions occurred in 2022:

- The expected investment return and discount rate decreased from 5.50 percent to 5.25 percent to reflect updated capital market assumptions.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption increased from 2.25 percent to 2.50 percent.

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

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

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

The target allocation and best estimates of arithmetic 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	45.00 %	4.10 %
International Equity	15.00	4.64
Fixed Income	25.00	1.05
Cash and equivalents	15.00	(0.45)
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25 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 Liability Sensitivity

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

	1 Percent Decrease (4.25%)	Current (5.25%)	1 Percent Increase (6.25%)
Defined Benefit Plan	\$ 374,985	\$ 114,005	\$ (105,993)

H. Pension Plan Fiduciary Net Position

For financial reporting purposes, the Association's financial statements are not included with the City's financial statements because the Association is not a component unit of the City. The financial statements of the Association may be obtained at the City's offices.

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

Note 8: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report and is not administered through a trust or equivalent arrangement and thus there are no assets accumulated in a GASB-compliant trust.

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

	City	PUC
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	-	1
Active Plan Members	101	51
Total Plan Members	101	52

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2022, the City did not directly contribute to the Plan, while the implicit contributions totaled \$47,214.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$783,471 was measured as of January 1, 2021. The EDA's portion of the OPEB liability is \$6,302. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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

	City Plan	PUC Plan
Discount Rate	2.00%	1.84%
20-Year Municipal Bond Yield	2.00%	1.84%
Inflation Rate	2.00%	2.50%
Salary Increases	Service graded table	Based on the most recently disclosed assumptions for the pension plan in which employee participates.
Medical Trend Rate	6.25% as of January 1, 2022 grading to 5.0% over 6 years and then to 4.0% over the next 48 years	6.20% in 2022 decreasing on average .05% per year to an ultimate rate of 3.70% for 20 and later years.

The discount rate used to measure the total OPEB liability for the City was 2.00 percent and 1.84 percent for the PUC. Since the plan is not funded (has no assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

City: Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

PUC: Mortality rates were based on the assumptions for General Employees used in the July 1, 2021 PERA of Minnesota Retirement Plan actuarial valuations.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Primary Government	Component Unit Economic Development Authority	Total OPEB Liability
Balances at December 31, 2021	\$ 766,768	\$ 6,025	\$ 772,793
Changes for the Year			
Service Cost	57,547	440	57,987
Interest	11,626	126	11,752
Differences Between Expected and Actual Experience	(25,876)	-	(25,876)
Changes in Assumptions or Other Inputs	(2,021)	-	(2,021)
Benefit payments	(30,875)	(289)	(31,164)
Net Changes	10,401	277	10,678
Balances at December 31, 2022	<u>\$ 777,169</u>	<u>\$ 6,302</u>	<u>\$ 783,471</u>

Since the prior measurement date, the following assumptions changed (City):

- There were no changes in assumptions since the last measurement date.

Since the prior measurement date, the following assumptions changed (PUC):

- The discount rate was changed from 2.00 percent to 1.84 percent.

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City and the EDA, as well as what the City's and EDA's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.00 percent/0.84percent) or one-percentage-point higher (3.00 percent/2.84 percent) than the current discount rate:

	City Plan		
	1 Percent Decrease (1.00%)	Current (2.00%)	1 Percent Increase (3.00%)
Primary Government Component Unit - EDA	\$ 730,468 6,831	\$ 673,862 6,302	\$ 641,247 5,997
	PUC Plan		
	1 Percent Decrease (0.84%)	Current (1.84%)	1 Percent Increase (2.84%)
Primary Government	\$ 109,808	\$ 103,307	\$ 97,082

The following presents the total OPEB liability of the City and EDA as well as what the City's and EDA's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is one-percentage point lower (5.50 percent decreasing to 4.00 percent/5.20 percent decreasing to 2.70 percent) or one-percentage-point higher (7.50 percent increasing to 6.00 percent/7.2 percent decreasing to 4.7 percent) than the current cost trend rate:

	City Plan		
	1 Percent Decrease (5.5% Decreasing to 4%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5%)	1 Percent Increase (7.5% Decreasing to 6%)
Primary Government Component Unit - EDA	\$ 584,897 5,470	\$ 673,862 6,302	\$ 781,578 7,309
	PUC Plan		
	1 Percent Decrease (5.2% Decreasing to 2.7%)	Healthcare Cost Trend Rates (6.2% Decreasing to 3.7%)	1 Percent Increase (7.2% Decreasing to 4.7%)
Primary Government	\$ 94,684	\$ 103,307	\$ 113,180

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2022, the City recognized OPEB expense of \$(168,318). At December 31, 2022, the City and the EDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit - EDA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 36,089	\$ 13,326	\$ 338	\$ 125
Net Difference Between Projected and Actual Earnings on Plan Investments	-	129,716	-	1,213
Contributions to OPEB Subsequent to the Measurement Date	46,880	-	334	-
Total	<u>\$ 82,969</u>	<u>\$ 143,042</u>	<u>\$ 672</u>	<u>\$ 1,338</u>

Deferred outflows of resources totaling \$46,880 from the City and \$334 from the EDA related to the contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023.

Year ended December 31		
2023	\$ (21,135)	\$ (196)
2024	(21,135)	(196)
2025	(21,135)	(196)
2026	(21,125)	(196)
2027	(11,711)	(109)
Thereafter	(10,712)	(107)

Note 9: Other Information

A. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

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

Note 9: Other Information (Continued)

B. Commitments and Contingencies

The City has received Federal and State grants in current and past years for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The City administration believes such disallowances if any, will be immaterial.

The City is a defendant in various legal proceedings; however, City administration believes that the ultimate disposition of these proceedings will not have a material adverse effect on the City's financial position.

The PUC is committed to purchase 25 MW of its power requirements from Missouri River Power Company through pursuant to the Power Sale Agreement dated April 28, 2010. This contract is effective through January 1, 2046.

C. Self-Insurance - Benefit Plans

Self-funded Dental Insurance: The City (internal service self-insurance fund) and Public Utilities Commission (the funds) provide dental insurance coverage to its employees under a self-funded plan. The funds pay the dental insurance claims as they are incurred by the employee up to \$1,000. The Funds record a liability for claims incurred but not reported or paid, which is included in accrued expenses on the balance sheet. Settled claims have not exceeded coverage in either of the past three years.

The claims liability at December 31, 2022 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2022, 2021 and 2020 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2022	\$ 7,779	\$ 92,097	\$ (93,487)	\$ 6,389
2021	339	93,822	(86,382)	7,779
2020	6,341	73,522	(79,524)	339

D. Major Customers

For the year ended December 31, 2022, the PUC's Electric Division derived approximately 48 percent of utility revenue from the top five major industrial customers.

For the year ended December 31, 2022, the PUC's Natural Gas Division derived approximately 46 percent of its utility revenue from the top five major industrial customers.

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

Note 9: Other Information (Continued)

E. 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 Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 4-13 (Downtown Theater)	56.919%	\$ 16,426	\$ 9,350
TIF District 4-14 (Conerstone Commons)	59.363%	23,790	14,122
TIF District 4-17 (Econ, Industrial Park)	73.966%	7,479	5,532
TIF District 4-18 (Highfield Apartments)	73.966%	102,198	75,592
TIF District 4-19 (Cobblestone Hotel & Suites)	71.953%	27,276	19,626
TIF District 4-20 (Fifth Ave Ind Park)	67.045%	51,190	34,320
TIF District 4-21 (Energy Park North)	66.473%	28,878	19,196
Total			<u>\$ 177,738</u>

F. Tax Abatements

As of December 31, 2022, the City has one agreement entered into by the City listed below that abate City property taxes. Below is information specific to the agreement:

The City entered into a tax abatement agreement with Uponor Inc., dated 2/13/2018 for a manufacturing project located at 500 Technology Drive. The project includes the acquisition of and improvements to an approximately 36-acre parcel of land and approximately 237,000 square-foot facility. The improvements include the renovation, retrofitting, upgrading and use of the manufacturing facility on said property. The abatement is for the increase in City taxes over and above the taxes based on the payable 2017 market value of \$4,702,500, beginning for taxes payable in 2019. The agreement, negotiated under state law (Minnesota Statute 469.1812-469-1815), has a maximum abatement amount of \$902,291 and a maximum duration of 15 years (2019-2033). Total taxes abated during 2022 amount to \$24,998.

G. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. Currently, the City has no general obligation debt outstanding subject to this limit.

H. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2022 was \$1,334,205 for LGA. This accounted 12.0 percent of General fund revenues. In addition to the General fund amount noted above, the City has allocated \$1,334,406 of LGA to the Capital Improvement Projects fund.

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

Note 9: Other Information (Continued)

I. Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

Note 10: Change in Accounting Principles

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement 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 Primary Government (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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.1554 %	\$ 12,307,731	\$ 360,700	\$ 12,668,431	\$ 11,985,561	105.7 %	76.7 %
06/30/21	0.1586	6,772,930	206,903	6,979,833	11,475,587	60.8	87.0
06/30/20	0.1551	9,298,954	286,598	9,585,552	11,108,419	86.3	79.1
06/30/19	0.1502	8,304,222	257,988	8,562,210	10,646,616	80.4	80.2
06/30/18	0.1508	8,365,767	274,506	8,640,273	10,145,867	85.2	79.5
06/30/17	0.1497	9,556,749	120,135	9,676,884	9,641,342	100.4	75.9
06/30/16	0.1547	12,560,874	164,029	12,724,903	9,593,197	132.6	68.9
06/30/15	0.1559	8,079,548	-	8,079,548	9,207,014	87.8	78.2

* Includes EDA activity

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

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

Year Ending	Statutorily Required Contribution (a) *	Contributions in Relation to the Statutorily Required Contribution (b) *	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c) *	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 892,170	\$ 892,170	\$ -	\$ 11,895,596	7.5 %
12/31/21	860,768	860,768	-	11,476,908	7.5
12/31/20	862,466	862,466	-	11,499,551	7.5
12/31/19	813,778	813,778	-	10,850,378	7.5
12/31/18	782,227	782,227	-	10,429,696	7.5
12/31/17	735,178	735,178	-	9,803,713	7.5
12/31/16	715,812	715,812	-	9,544,167	7.5
12/31/15	708,668	708,668	-	9,448,902	7.5

* Includes EDA activity

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

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

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-20120 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 Hutchinson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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.

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.

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

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 Hutchinson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability – Public Employees 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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.1615 %	\$ 7,027,842	\$ 307,097	\$ 7,334,939	\$ 2,041,857	344.2 %	70.5 %
06/30/21	0.1519	1,172,507	52,736	1,225,243	1,795,809	65.3	93.7
06/30/20	0.1543	2,033,839	47,933	2,081,772	1,742,264	116.7	87.2
06/30/19	0.1672	1,780,013	-	1,780,013	1,764,991	100.9	89.3
06/30/18	0.1631	1,738,478	-	1,738,478	1,719,323	101.1	88.8
06/30/17	0.1580	2,133,188	-	2,133,188	1,621,218	131.6	85.4
06/30/16	0.1590	6,380,947	-	6,380,947	1,531,607	416.6	63.9
06/30/15	0.1630	1,852,061	-	1,852,061	1,472,983	125.7	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 – Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 359,318	\$ 359,318	\$ -	\$ 2,030,045	17.70 %
12/31/21	336,868	336,868	-	1,903,212	17.70
12/31/20	322,455	322,455	-	1,821,780	17.70
12/31/19	296,227	296,227	-	1,747,653	16.95
12/31/18	284,969	284,969	-	1,759,067	16.20
12/31/17	270,509	270,509	-	1,669,810	16.20
12/31/16	256,640	256,640	-	1,584,198	16.20
12/31/15	240,427	240,427	-	1,484,116	16.20

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

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

Notes to the Required Supplementary Information – Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

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.

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

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

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

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

Notes to the Required Supplementary Information – Public Employees Police and Fire Fund (Continued)

Changes in Plan Provisions

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 Hutchinson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 52,603	\$ 51,445	\$ 37,705	\$ 39,252	\$ 33,093	\$ 32,207	\$ 31,267	\$ 37,483
Interest	131,599	140,602	155,596	152,579	159,108	158,458	144,254	141,826
Changes of benefit terms	-	-	(34,805)	-	-	-	165,505	61,339
Differences between expected and actual experience	71,965	-	15,323	-	(53,618)	-	23,647	-
Changes of assumptions	48,330	-	140,688	(72,427)	240,542	-	114,838	(200,047)
Benefit payments	(161,093)	(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)	(156,240)
Net Change in Total Pension Liability	143,404	(360,633)	136,947	(59,314)	198,743	7,958	302,741	(115,639)
Total Pension Liability - January 1	2,420,661	2,781,294	2,644,347	2,703,661	2,504,918	2,496,960	2,194,219	2,309,858
Total Pension Liability - December 31 (A)	\$ 2,564,065	\$ 2,420,661	\$ 2,781,294	\$ 2,644,347	\$ 2,703,661	\$ 2,504,918	\$ 2,496,960	\$ 2,194,219
Plan Fiduciary Net Position								
Contributions - State	\$ 130,954	\$ 122,893	\$ 117,030	\$ 111,162	\$ 109,292	\$ 108,253	\$ 106,662	\$ 106,989
Contributions - employer	76,275	81,259	75,236	83,074	75,000	75,000	75,000	96,664
Projected investment return	(376,960)	322,787	243,347	377,486	(83,675)	264,914	165,615	(54,069)
Benefit payments, including refunds of employee contributions	(161,093)	(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)	(156,240)
Administrative expenses	(11,526)	(20,198)	(19,969)	(20,740)	(14,379)	(17,714)	(16,414)	(19,904)
Other	-	-	-	-	-	-	(1,534)	-
Net Change in Plan Fiduciary Net Position	(342,350)	(45,939)	238,084	372,264	(94,144)	247,746	152,559	(26,560)
Plan Fiduciary Net Position - January 1	2,792,410	2,838,349	2,600,265	2,228,001	2,322,145	2,074,399	1,921,840	1,948,400
Plan Fiduciary Net Position - December 31 (B)	\$ 2,450,060	\$ 2,792,410	\$ 2,838,349	\$ 2,600,265	\$ 2,228,001	\$ 2,322,145	\$ 2,074,399	\$ 1,921,840
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	\$ 114,005	\$ (371,749)	\$ (57,055)	\$ 44,082	\$ 475,660	\$ 182,773	\$ 422,561	\$ 272,379
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	95.55%	115.36%	102.05%	98.33%	82.41%	92.70%	83.08%	87.59%
Covered 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 Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Benefits

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

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

2020 - The lump sum option was added for active members. The annuity option was eliminated for members hired after October 8, 2020. Survivor benefit was changed from annuity to lump sum.

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

2018 - There were no changes in benefits since the previous valuation.

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

Notes to the Required Supplementary Information - Fire Relief Association (Continued)

2017 - There were no changes in benefits since the previous valuation.

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

2015 - Monthly benefit was increased from \$15 to \$17 per month.

Changes in Assumptions

2022 - The expected investment return and discount rate decreased from 5.50 percent to 5.25 percent to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.25 percent to 2.50 percent.

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

2020 - The expected investment return and discount rate decreased from 6.00% to 5.50% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%. The election assumption for future retirees of 50% electing a lump sum plan and 50% electing a monthly plan was added to reflect new pension options for those hired before 10/8/2020.

2019 - The expected investment return and discount rate increased from 5.75% to 6.00% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire.

2018 - The expected investment return and discount rate decreased from 6.50% to 5.75% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire plan actuarial valuation.

2017 - There were no changes in assumptions since the previous valuation.

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

2015 - The discount rate was updated to reflect current asset returns. The index rate for 20-year municipal bonds was updated to reflect index rates as of December 31, 2015. Retirement rates were updated to reflect plan experience and expectations.

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

Notes to the Required Supplementary Information - Fire Relief Association (Continued)

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/22	\$ 207,229	\$ 207,229	\$ -
12/31/21	204,152	204,152	-
12/31/20	188,996	192,266	(3,270)
12/31/19	188,037	194,236	(6,199)
12/31/18	184,292	188,037	(3,745)
12/31/17	144,183	183,253	(39,070)
12/31/16	144,183	181,662	(37,479)

* Actuarially report does not disclose an amount for actuarial determined contribution

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

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 58,977	\$ 56,316	\$ 52,612	\$ 52,767	\$ 56,111
Interest	16,271	31,131	30,427	27,430	25,975
Differences between expected and actual experience	(25,876)	(142,260)	(10,484)	(48,475)	-
Changes in assumptions	(2,021)	56,000	11,924	(30,750)	4,199
Benefit payments	<u>(36,673)</u>	<u>(46,944)</u>	<u>(31,476)</u>	<u>(26,943)</u>	<u>(23,931)</u>
Net Change in Total OPEB Liability	10,678	(45,757)	53,003	(25,971)	62,354
Total OPEB Liability - Beginning	<u>772,793</u>	<u>818,550</u>	<u>765,547</u>	<u>791,518</u>	<u>729,164</u>
Total OPEB Liability - Ending	<u>\$ 783,471</u>	<u>\$ 772,793</u>	<u>\$ 818,550</u>	<u>\$ 765,547</u>	<u>\$ 791,518</u>
Covered-Employee Payroll	\$ 7,909,611	\$ 7,679,234	\$ 7,775,549	\$ 7,549,077	\$ 11,238,479
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.91 %	10.06 %	10.53 %	10.14 %	7.04 %

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
There are no assets accumulated in a GASB-compliant trust.*

Notes to the Required Supplementary Information - City's Total OPEB Liability and Related Ratios

Changes in Plan

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

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

Notes to the Required Supplementary Information - City's Total OPEB Liability and Related Ratios (Continued)

Changes in Assumptions

2022 - The discount rate was changed from 2.00 percent to 1.84 percent based on the updated 20-year municipal bond rates for the PUC plan.

2021 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. The retirement and withdrawal rates were updated for non-safety personnel. The inflation rate changed from 2.50% to 2.00%. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.80% to 2.00%. The discount rate was changed from 2.75% to 2.00% based on the updated 20-year municipal bond rates for the PUC plan.

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The retirement and withdrawal tables for all employees were updated. PUC: The discount rate was changed from 3.71% to 2.75% based on the updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Mortality and salary increase rates were update from the rates used in the 7/1/2017 PERA General Employees Plan valuation to the rates used in the 7/1/2019 valuation. The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 - The discount rate was changed from 3.30 to 3.80% for the City plan. PUC: The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.31% to 3.71%. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

2018 - The discount rate was changed from 3.50% to 3.30% for the City plan.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Assets			
Cash and investments	\$ 3,916,270	\$ 6,137,170	\$ 10,053,440
Receivables			
Interest	8,693	15,403	24,096
Accounts	4,000	-	4,000
Notes	956,433	-	956,433
Delinquent special assessments	-	39,774	39,774
Noncurrent special assessments	-	693,874	693,874
Intergovernmental	16,336	2,806,031	2,822,367
Advances to other funds	369,128	101,380	470,508
Total Assets	\$ 5,270,860	\$ 9,793,632	\$ 15,064,492
Liabilities			
Accounts payable	\$ 220,252	\$ 245,344	\$ 465,596
Contracts payable	-	138,205	138,205
Advances from other funds	787,921	100,716	888,637
Due to other governments	25	-	25
Accrued salaries payable	12,783	-	12,783
Unearned revenue	1,188,715	-	1,188,715
Total Liabilities	2,209,696	484,265	2,693,961
Deferred Inflows of Resources			
Unavailable revenue			
Loan interest receivable	9,949	-	9,949
Special assessments	-	733,648	733,648
Intergovernmental	-	2,746,301	2,746,301
Total Deferred Inflows of Resources	9,949	3,479,949	3,489,898
Fund Balances			
Restricted	2,718,305	28,273	2,746,578
Committed	596,040	1,470,661	2,066,701
Assigned	506,499	4,476,797	4,983,296
Unassigned	(769,629)	(146,313)	(915,942)
Total Fund Balances	3,051,215	5,829,418	8,880,633
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,270,860	\$ 9,793,632	\$ 15,064,492

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes			
Property taxes	\$ -	\$ 3,151	\$ 3,151
Tax increment district taxes	383,359	-	383,359
Special assessments	-	73,696	73,696
Intergovernmental			
Federal			
Street maintenance and construction aid	-	244,500	244,500
Other	-	339,379	339,379
Airport aid	-	119,886	119,886
State			
Local government aid	-	1,334,406	1,334,406
Street maintenance and construction aid	98,126	203,570	301,696
Other	3,500	36,010	39,510
County			
County shared aids	98,126	-	98,126
Charges for services			
Public safety	140,000	-	140,000
Streets and highways	390,895	-	390,895
Housing and economic development	71,380	-	71,380
Miscellaneous	-	15,215	15,215
Investment earnings (loss)	(11,718)	(16,879)	(28,597)
Miscellaneous			
Contributions and donations	1,770	416,500	418,270
Loan interest	12,254	-	12,254
Refunds and reimbursements	116,040	60,490	176,530
Other	2,300	75,079	77,379
Total Revenues	<u>1,306,032</u>	<u>2,905,003</u>	<u>4,211,035</u>
Expenditures			
Current			
Public safety	142,479	-	142,479
Streets and highways	705,493	-	705,493
Culture and recreation	39,117	-	39,117
Housing and economic development	674,314	-	674,314
Capital outlay			
General government	-	294,951	294,951
Public safety	52,107	46,769	98,876
Streets and highways	20,654	3,498,973	3,519,627
Culture and recreation	2,520	3,018,755	3,021,275
Housing and economic development	45,562	-	45,562
Miscellaneous	-	4,075	4,075
Debt service			
Interest and other	25,698	-	25,698
Bond issuance costs	-	49,825	49,825
Total Expenditures	<u>1,707,944</u>	<u>6,913,348</u>	<u>8,621,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(401,912)</u>	<u>(4,008,345)</u>	<u>(4,410,257)</u>
Other Financing Sources (Uses)			
Transfers in	165,313	2,563,004	2,728,317
Bonds issued	-	1,980,000	1,980,000
Premium on bonds issued	-	165,132	165,132
Transfers out	(32,128)	(996,609)	(1,028,737)
Total Other Financing Sources (Uses)	<u>133,185</u>	<u>3,711,527</u>	<u>3,844,712</u>
Net Change in Fund Balances	(268,727)	(296,818)	(565,545)
Fund Balances, January 1	<u>3,319,942</u>	<u>6,126,236</u>	<u>9,446,178</u>
Fund Balances, December 31	<u>\$ 3,051,215</u>	<u>\$ 5,829,418</u>	<u>\$ 8,880,633</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City's Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City's Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's refuse system.

Composting Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's composting system.

Storm Water Fund: This fund is used to account for the operation, maintenance, and capital improvement of the City's storm water system.

Municipal Liquor Store Fund: This fund is used to account for the operation, maintenance, and capital improvement of the City's liquor store.

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

	Business-type Activities - Enterprise Funds				Total
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	
Assets					
Current Assets					
Cash and investments	\$ 1,771,893	\$ 2,224,366	\$ 886,024	\$ 381,729	\$ 5,264,012
Receivables					
Interest	6,107	6,937	2,780	-	15,824
Accounts	120,325	161,276	24,476	100,142	406,219
Intergovernmental	3,137	16,864	-	-	20,001
Inventories	-	1,658,775	-	723,021	2,381,796
Prepaid items	-	1,859	-	3,841	5,700
Total Current Assets	1,901,462	4,070,077	913,280	1,208,733	8,093,552
Noncurrent Assets					
Capital assets					
Land	10,913	400,608	387,063	308,072	1,106,656
Buildings and structures	2,355,400	57,121	-	1,631,037	4,043,558
Infrastructure and improvements	188,775	708,696	7,050,666	154,643	8,102,780
Machinery and equipment	1,349,560	3,303,082	165,691	140,171	4,958,504
Automotive equipment	45,938	419,380	353,394	-	818,712
Construction in progress	96,003	-	-	-	96,003
Less accumulated depreciation	(2,851,956)	(2,804,579)	(1,936,524)	(1,296,182)	(8,889,241)
Total Capital Assets	1,194,633	2,084,308	6,020,290	937,741	10,236,972
(Net of Accumulated Depreciation)					
Total Assets	3,096,095	6,154,385	6,933,570	2,146,474	18,330,524
Deferred Outflows of Resources					
Deferred pension resources	43,394	142,829	57,330	196,988	440,541
Deferred other postemployment benefit resources	672	4,705	2,015	3,360	10,752
Total Deferred Outflows of Resources	44,066	147,534	59,345	200,348	451,293

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

	Business-type Activities - Enterprise Funds				
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Liabilities					
Current Liabilities					
Accounts payable	\$ 72,502	\$ 133,742	\$ 16,130	\$ 153,601	\$ 375,975
Advances from other funds	-	-	36,999	-	36,999
Due to other governments	10,548	493	-	88,096	99,137
Accrued interest payable	-	4,162	17,054	-	21,216
Accrued salaries payable	2,977	10,837	4,186	16,666	34,666
Accrued vacation payable	4,221	32,693	6,977	27,947	71,838
Current portion of debt	-	67,565	145,000	-	212,565
Total Current Liabilities	90,248	249,492	226,346	286,310	852,396
Noncurrent Liabilities					
Accrued vacation payable	-	18,452	-	11,188	29,640
Other postemployment benefit liability	6,302	44,091	18,884	31,488	100,765
Net pension liability	146,308	475,853	191,123	665,047	1,478,331
Financed purchase arrangements and notes payable	-	208,816	-	-	208,816
Bonds payable	-	-	1,183,917	-	1,183,917
Less current portion of debt	-	(67,565)	(145,000)	-	(212,565)
Total Noncurrent Liabilities	152,610	679,647	1,248,924	707,723	2,788,904
Total Liabilities	242,858	929,139	1,475,270	994,033	3,641,300
Deferred Inflows of Resources					
Deferred pension resources	2,858	9,087	3,654	13,021	28,620
Deferred other post employment benefit resources	1,338	9,359	4,009	6,684	21,390
Total Deferred Inflows of Resources	4,196	18,446	7,663	19,705	50,010
Net Position					
Net investment in capital assets	1,194,633	1,875,492	4,836,373	937,741	8,844,239
Unrestricted	1,698,474	3,478,842	673,609	395,343	6,246,268
Total Net Position	\$ 2,893,107	\$ 5,354,334	\$ 5,509,982	\$ 1,333,084	\$ 15,090,507

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

	Business-type Activities - Enterprise Funds				
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Operating Revenues					
Sales	\$ -	\$ 3,008,255	\$ -	\$ 7,298,008	\$ 10,306,263
Cost of sales	-	(2,016,946)	-	(5,656,007)	(7,672,953)
Gross Profit	-	991,309	-	1,642,001	2,633,310
Charges for services	1,321,146	-	1,047,283	-	2,368,429
Penalties	8,650	-	-	-	8,650
Other operating revenue	14,887	4,548	7,437	18,930	45,802
Total Operating Revenues	1,344,683	995,857	1,054,720	1,660,931	5,056,191
Operating Expenses					
Personal services	242,010	509,143	306,615	934,527	1,992,295
Supplies and maintenance	49,513	9,538	102,005	23,069	184,125
Other services and charges	887,476	193,022	56,212	178,438	1,315,148
Depreciation and depletion	139,251	95,632	237,043	72,966	544,892
Total Operating Expenses	1,318,250	807,335	701,875	1,209,000	4,036,460
Operating Income	26,433	188,522	352,845	451,931	1,019,731
Nonoperating Revenues (Expenses)					
Intergovernmental	26,832	-	-	-	26,832
Interest earnings (loss)	(8,336)	(9,043)	1,075	995	(15,309)
Gain (loss) on sale/disposal of capital assets	-	7,990	-	-	7,990
Interest expense - bonds	-	(6,897)	(43,943)	-	(50,840)
Bond premium amortization	-	-	5,653	-	5,653
Total Nonoperating Revenues (Expenses)	18,496	(7,950)	(37,215)	995	(25,674)
Income Before Contributions and Transfers	44,929	180,572	315,630	452,926	994,057
Capital Contributions From Other Funds	-	-	87,088	-	87,088
Transfers Out	(55,000)	(120,000)	(771,820)	(550,000)	(1,496,820)
Change in Net Position	(10,071)	60,572	(369,102)	(97,074)	(415,675)
Net Position, January 1	2,903,178	5,293,762	5,879,084	1,430,158	15,506,182
Net Position, December 31	\$ 2,893,107	\$ 5,354,334	\$ 5,509,982	\$ 1,333,084	\$ 15,090,507

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

	Business-type Activities - Enterprise Funds				
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,344,386	\$ 3,065,963	\$ 1,051,202	\$ 7,288,402	\$ 12,749,953
Payments to vendors and suppliers	(932,511)	(2,488,643)	(186,912)	(5,905,692)	(9,513,758)
Payments to or on behalf of employees	(217,671)	(473,164)	(297,052)	(840,466)	(1,828,353)
Net Cash Provided by Operating Activities	194,204	104,156	567,238	542,244	1,407,842
Cash Flows from Noncapital Financing Activities					
Transfers out	(55,000)	(120,000)	(771,820)	(550,000)	(1,496,820)
Grants received	26,832	-	-	-	26,832
Net Cash Used by Noncapital Financing Activities	(28,168)	(120,000)	(771,820)	(550,000)	(1,469,988)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(339,093)	(120,312)	-	(26,604)	(486,009)
Proceeds from sale of capital assets	-	7,990	-	-	7,990
Principal paid on long-term debt	-	(65,602)	(140,000)	-	(205,602)
Interest paid on long-term debt	-	(8,205)	(45,693)	-	(53,898)
Net Cash Used by Capital and Related Financing Activities	(339,093)	(186,129)	(185,693)	(26,604)	(737,519)
Cash Flows from Investing Activities					
Interest received (paid) on investments	(9,561)	(10,379)	794	995	(18,151)
Net Increase (Decrease) in Cash and Cash Equivalents	(182,618)	(212,352)	(389,481)	(33,365)	(817,816)
Cash and Cash Equivalents, January 1	1,954,511	2,436,718	1,275,505	415,094	6,081,828
Cash and Cash Equivalents, December 31	\$ 1,771,893	\$ 2,224,366	\$ 886,024	\$ 381,729	\$ 5,264,012

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

	Business-type Activities - Enterprise Funds				
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Reconciliation of Operating Income to Net Cash					
Provided by Operating Activities					
Operating income	\$ 26,433	\$ 188,522	\$ 352,845	\$ 451,931	\$ 1,019,731
Adjustments to reconcile operating income to					
net cash provided by operating activities					
Depreciation and amortization (see note below)	139,251	280,378	237,043	72,966	729,638
(Increase) decrease in assets					
Accounts receivable	(330)	55,466	(3,518)	(28,536)	23,082
Due from other governments	33	(2,306)	-	-	(2,273)
Inventories	-	(394,285)	-	(41,573)	(435,858)
Prepaid items	-	(234)	-	(532)	(766)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	6,258	50,098	22,437	39,471	118,264
Deferred other postemployment benefit resources	(3)	(17)	(7)	(12)	(39)
Increase (decrease) in liabilities					
Accounts payable	4,336	(58,982)	7,226	(9,312)	(56,732)
Due to other governments	142	(382)	-	3,239	2,999
Advances from other funds	-	-	(35,921)	-	(35,921)
Accrued salaries payable	259	311	(312)	3,289	3,547
Accrued vacation payable	136	5,150	1,525	762	7,573
Other postemployment benefit liability	423	2,897	1,237	2,073	6,630
Pension liability	78,669	219,502	84,818	341,405	724,394
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(61,183)	(240,400)	(99,466)	(291,813)	(692,862)
Deferred other postemployment benefit resources	(220)	(1,562)	(669)	(1,114)	(3,565)
Net Cash Provided by Operating Activities	<u>\$ 194,204</u>	<u>\$ 104,156</u>	<u>\$ 567,238</u>	<u>\$ 542,244</u>	<u>\$ 1,407,842</u>
Note: Depreciation expense for the Composting fund includes \$184,746 allocated to costs of good sold.					
Schedule of Noncash Investing, Capital and Financing Activities					
Capital contributions from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,088</u>	<u>\$ -</u>	<u>\$ 87,088</u>
Amortization of bond (premium) discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,653)</u>	<u>\$ -</u>	<u>\$ (5,653)</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Rural Fire Department Fund: This fund accounts for funds from rural townships to support their equipment and expenditures of the fire department while training and responding to rural fires.

Hutchinson Area Transportation Services Facility Fund: This fund accounts for the expenditures and revenues of the transportation building. This building is jointly operated by the City of Hutchinson, McLeod County and the Minnesota Department of Transportation.

Economic Development Loan Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Energy Loan Fund: Revolving loan funds received from the City and State which are under Hutchinson Economic Development Authority (EDA) guidelines are approved by City Council for downtown commercial rehabilitation loans.

Minnesota Investment Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Hutchinson Enterprise Center Fund: This fund accounts for the expenditures and revenues of the Hutchinson Enterprise Center building, a 20,000 square foot business incubator to help small business grow.

HRA Loan Fund: This fund accounts for the housing rehabilitation loans with the City and the Minnesota Housing Finance Agency (MnHFA).

Housing Rehabilitation Grant Fund: This fund accounts for the Hutchinson housing rehabilitation project grant from the State of Minnesota Department of Trade and Economic Development.

Tax Increment Fund: This fund includes TIF districts 7, 8, 13 and 14.

Tax Increment Fund 2016 Fund: This fund includes TIF district 16.

Tax Increment Fund #4-17 Enterprise Center Fund: This fund includes TIF district 17.

Tax Increment Fund #4-18 Highfield Housing Development Fund: This fund includes TIF district 18.

Tax Increment Fund #4-19 Highway 7 & 15 Soils Condition Fund: This fund includes TIF district 19.

Tax Increment Fund #4-20 Warrior Expansion Fund: This fund includes TIF district 20.

Tax Increment Fund #4-21 1105 Benjamin Ave SE Fund: This fund includes TIF district 21.

Tax Increment Fund #4-22 Jorgenson Hotel: This fund includes TIF district 22.

Tax Increment Fund #4-23 RD Machine Expansion: This fund includes TIF district 23.

Public Sites Fund: This fund is used to account for payments made by developments in lieu of land contributions for parkland purchases and improvements.

Tree Disease Mitigation Fund: This fund is used for the City's efforts in restoring its tree canopy due to tree disease infestation, including proactive plantings of new tree species, treatment or removal of infected trees and future replacements

COVID Relief Funding Fund: This fund is used to account for American Rescue Plan Act money received from the U.S. Treasury through the State of Minnesota that was used to help offset costs associated with the COVID-19 pandemic.

City of Hutchinson, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2022

	225	226	231	232	233/234/235
	Rural Fire Department	Hutchinson Area Transportation Facility	Economic Development Loan	Energy Loan	Minnesota Investment
Assets					
Cash and investments	\$ 41,801	\$ 528,722	\$ 158,648	\$ 369,529	\$ 9,130
Receivables					
Interest	73	1,732	549	1,270	32
Accounts	-	-	-	-	-
Notes	-	-	131,939	335,951	8,100
Intergovernmental	-	16,336	-	-	-
Advance to other funds	-	-	226,925	142,203	-
Total Assets	\$ 41,874	\$ 546,790	\$ 518,061	\$ 848,953	\$ 17,262
Liabilities					
Accounts payable	\$ 8,423	\$ 39,659	\$ -	\$ -	\$ -
Due to other governments	-	25	-	-	-
Advances from other funds	-	-	-	-	-
Accrued salaries payable	12,176	607	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	20,599	40,291	-	-	-
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	9,949	-
Fund Balances					
Restricted	21,275	-	518,061	839,004	17,262
Committed	-	-	-	-	-
Assigned	-	506,499	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	21,275	506,499	518,061	839,004	17,262
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 41,874	\$ 546,790	\$ 518,061	\$ 848,953	\$ 17,262

239	240	241	250	258
Hutchinson Enterprise Center	HRA Loan	Housing Rehabilitation Grant	Tax Increment	Tax Increment 2016
\$ 40,768	\$ 82,018	\$ 262,503	\$ 216,702	\$ -
172	279	894	734	-
4,000	-	-	-	-
-	-	415,539	64,904	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 44,940</u>	<u>\$ 82,297</u>	<u>\$ 678,936</u>	<u>\$ 282,340</u>	<u>\$ -</u>
\$ 4,789	\$ -	\$ -	\$ -	\$ 21,275
-	-	-	-	-
226,925	-	-	-	437,396
-	-	-	-	-
-	-	-	-	-
<u>231,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,671</u>
-	-	-	-	-
-	82,297	678,936	282,340	-
-	-	-	-	-
-	-	-	-	-
(186,774)	-	-	-	(458,671)
<u>(186,774)</u>	<u>82,297</u>	<u>678,936</u>	<u>282,340</u>	<u>(458,671)</u>
<u>\$ 44,940</u>	<u>\$ 82,297</u>	<u>\$ 678,936</u>	<u>\$ 282,340</u>	<u>\$ -</u>

City of Hutchinson, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued)
December 31, 2022

	259	260	261	262	263
	TIF #4-17 Enterprise Center	TIF #4-18 Highfield Housing Development	TIF #4-19 Highway 7 & 15 Soils Condition	TIF #4-20 Warrior Expansion	TIF #4-21 1105 Benjamin Ave SE
Assets					
Cash and investments	\$ 242	\$ 82,002	\$ 37,700	\$ 35,238	\$ 1,389
Receivables					
Interest	1	29	11	-	5
Accounts	-	-	-	-	-
Notes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Total Assets	\$ 243	\$ 82,031	\$ 37,711	\$ 35,238	\$ 1,394
Liabilities					
Accounts payable	\$ -	\$ 74,801	\$ 35,091	\$ 36,065	\$ -
Due to other governments	-	-	-	-	-
Advances from other funds	118,244	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	118,244	74,801	35,091	36,065	-
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	-	-
Fund Balances					
Restricted	-	7,230	2,620	-	1,394
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(118,001)	-	-	(827)	-
Total Fund Balances	(118,001)	7,230	2,620	(827)	1,394
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 243	\$ 82,031	\$ 37,711	\$ 35,238	\$ 1,394

264	265	270	275	299	
TIF #4-22 Jorgenson Hotel	TIF #4-23 RD Machine Expansion	Public Sites	Tree Disease Mitigation	COVID Relief Funding	Total
\$ -	\$ 14,013	\$ 339,561	\$ 507,589	\$ 1,188,715	\$ 3,916,270
-	30	1,155	1,727	-	8,693
-	-	-	-	-	4,000
-	-	-	-	-	956,433
-	-	-	-	-	16,336
-	-	-	-	-	369,128
<u>\$ -</u>	<u>\$ 14,043</u>	<u>\$ 340,716</u>	<u>\$ 509,316</u>	<u>\$ 1,188,715</u>	<u>\$ 5,270,860</u>
\$ -	\$ 149	\$ -	\$ -	\$ -	\$ 220,252
-	-	-	-	-	25
5,356	-	-	-	-	787,921
-	-	-	-	-	12,783
-	-	-	-	1,188,715	1,188,715
<u>5,356</u>	<u>149</u>	<u>-</u>	<u>-</u>	<u>1,188,715</u>	<u>2,209,696</u>
-	-	-	-	-	9,949
-	13,894	253,992	-	-	2,718,305
-	-	86,724	509,316	-	596,040
-	-	-	-	-	506,499
(5,356)	-	-	-	-	(769,629)
<u>(5,356)</u>	<u>13,894</u>	<u>340,716</u>	<u>509,316</u>	<u>-</u>	<u>3,051,215</u>
<u>\$ -</u>	<u>\$ 14,043</u>	<u>\$ 340,716</u>	<u>\$ 509,316</u>	<u>\$ 1,188,715</u>	<u>\$ 5,270,860</u>

City of Hutchinson, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2022

	225	226	231	232	233/234/235
	Rural Fire Department	Hutchinson Area Transportation Facility	Economic Development Loan	Energy Loan	Minnesota Investment
Revenues					
Taxes					
Tax increment district taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
State					
Street maintenance aid	-	98,126	-	-	-
Other	-	-	-	-	-
County					
County shared aids	-	98,126	-	-	-
Charges for services					
Public safety	140,000	-	-	-	-
Streets and highways	-	390,895	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings (loss)	(7)	(3,149)	3,789	(1,918)	(51)
Miscellaneous					
Contributions and donations	-	-	-	-	-
Loan interest	-	-	3,618	8,636	-
Refunds and reimbursements	52,107	31,733	350	200	-
Other	-	-	-	-	-
Total Revenues	<u>192,100</u>	<u>615,731</u>	<u>7,757</u>	<u>6,918</u>	<u>(51)</u>
Expenditures					
Current					
Public safety	142,479	-	-	-	-
Streets and highways	-	705,493	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	44,940	-
Capital outlay					
Public safety	52,107	-	-	-	-
Streets and highways	-	20,654	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	-	-	-	-	-
Total Expenditures	<u>194,586</u>	<u>726,147</u>	<u>-</u>	<u>44,940</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,486)</u>	<u>(110,416)</u>	<u>7,757</u>	<u>(38,022)</u>	<u>(51)</u>
Other Financing Sources (Uses)					
Transfers in	-	110,313	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>110,313</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,486)	(103)	7,757	(38,022)	(51)
Fund Balances, January 1	<u>23,761</u>	<u>506,602</u>	<u>510,304</u>	<u>877,026</u>	<u>17,313</u>
Fund Balances, December 31	<u>\$ 21,275</u>	<u>\$ 506,499</u>	<u>\$ 518,061</u>	<u>\$ 839,004</u>	<u>\$ 17,262</u>

239	240	241	250	258
Hutchinson Enterprise Center	HRA Loan	Housing Rehabilitation Grant	Tax Increment	Tax Increment 2016
\$ -	\$ -	\$ -	\$ 56,873	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
65,440	-	-	-	-
(103)	(464)	(1,426)	(1,295)	-
-	-	-	-	-
-	-	-	-	-
4,000	-	-	-	-
-	-	-	-	-
<u>69,337</u>	<u>(464)</u>	<u>(1,426)</u>	<u>55,578</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
37,912	-	178,759	132,554	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45,562
4,812	-	-	-	15,784
<u>42,724</u>	<u>-</u>	<u>178,759</u>	<u>132,554</u>	<u>61,346</u>
<u>26,613</u>	<u>(464)</u>	<u>(180,185)</u>	<u>(76,976)</u>	<u>(61,346)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
26,613	(464)	(180,185)	(76,976)	(61,346)
(213,387)	82,761	859,121	359,316	(397,325)
<u>\$ (186,774)</u>	<u>\$ 82,297</u>	<u>\$ 678,936</u>	<u>\$ 282,340</u>	<u>\$ (458,671)</u>

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

	259	260	261	262	263
	TIF #4-17 Enterprise Center	TIF #4-18 Highfield Housing Development	TIF #4-19 Highway 7 & 15 Soils Condition	TIF #4-20 Warrior Expansion	TIF #4-21 1105 Benjamin Ave SE
Revenues					
Taxes					
Tax increment district taxes	\$ 11,339	\$ 154,229	\$ 41,284	\$ 75,926	\$ 43,708
Intergovernmental					
State					
Street maintenance aid	-	-	-	-	-
Other	-	-	-	-	-
County					
County shared aids	-	-	-	-	-
Charges for services					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings (loss)	61	(1,066)	(499)	(485)	45
Miscellaneous					
Contributions and donations	-	-	-	-	-
Loan interest	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>11,400</u>	<u>153,163</u>	<u>40,785</u>	<u>75,441</u>	<u>43,753</u>
Expenditures					
Current					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	1,132	151,634	36,523	74,861	1,132
Capital outlay					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	4,971	-	-	-	126
Total Expenditures	<u>6,103</u>	<u>151,634</u>	<u>36,523</u>	<u>74,861</u>	<u>1,258</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,297</u>	<u>1,529</u>	<u>4,262</u>	<u>580</u>	<u>42,495</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(4,128)	-	(28,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(4,128)</u>	<u>-</u>	<u>(28,000)</u>
Net Change in Fund Balances	5,297	1,529	134	580	14,495
Fund Balances, January 1	<u>(123,298)</u>	<u>5,701</u>	<u>2,486</u>	<u>(1,407)</u>	<u>(13,101)</u>
Fund Balances, December 31	<u>\$ (118,001)</u>	<u>\$ 7,230</u>	<u>\$ 2,620</u>	<u>\$ (827)</u>	<u>\$ 1,394</u>

264	265	270	275	299	
TIF #4-22 Jorgenson Hotel	TIF #4-23 RD Machine Expansion	Public Sites	Tree Disease Mitigation	COVID Relief Funding	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,359
-	-	-	-	-	98,126
-	-	3,500	-	-	3,500
-	-	-	-	-	98,126
-	-	-	-	-	140,000
-	-	-	-	-	390,895
-	-	5,940	-	-	71,380
(22)	(132)	(2,010)	(2,986)	-	(11,718)
-	-	1,770	-	-	1,770
-	-	-	-	-	12,254
8,650	15,000	4,000	-	-	116,040
-	-	2,300	-	-	2,300
<u>8,628</u>	<u>14,868</u>	<u>15,500</u>	<u>(2,986)</u>	<u>-</u>	<u>1,306,032</u>
-	-	-	-	-	142,479
-	-	-	-	-	705,493
-	-	8,126	30,991	-	39,117
13,893	974	-	-	-	674,314
-	-	-	-	-	52,107
-	-	-	-	-	20,654
-	-	2,520	-	-	2,520
-	-	-	-	-	45,562
5	-	-	-	-	25,698
<u>13,898</u>	<u>974</u>	<u>10,646</u>	<u>30,991</u>	<u>-</u>	<u>1,707,944</u>
<u>(5,270)</u>	<u>13,894</u>	<u>4,854</u>	<u>(33,977)</u>	<u>-</u>	<u>(401,912)</u>
-	-	-	55,000	-	165,313
-	-	-	-	-	(32,128)
-	-	-	55,000	-	133,185
(5,270)	13,894	4,854	21,023	-	(268,727)
(86)	-	335,862	488,293	-	3,319,942
<u>\$ (5,356)</u>	<u>\$ 13,894</u>	<u>\$ 340,716</u>	<u>\$ 509,316</u>	<u>\$ -</u>	<u>\$ 3,051,215</u>

City of Hutchinson, Minnesota
Rural Fire Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			2021
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Charges for services				
Public safety	\$ 140,000	\$ 140,000	\$ -	\$ 130,000
Investment earnings (loss)	200	(7)	(207)	(693)
Miscellaneous				
Refunds and reimbursements	54,000	52,107	(1,893)	264,625
Total Revenues	<u>194,200</u>	<u>192,100</u>	<u>(2,100)</u>	<u>393,932</u>
Expenditures				
Current				
Public safety				
Rural fire department				
Personal services	95,951	94,144	1,807	91,229
Supplies	27,875	28,445	(570)	28,369
Other services and charges	17,653	19,890	(2,237)	46,694
Capital outlay				
Public safety				
Rural fire department	54,000	52,107	1,893	263,665
Total Expenditures	<u>195,479</u>	<u>194,586</u>	<u>893</u>	<u>429,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,279)	(2,486)	(1,207)	(36,025)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	18,250
Net Change in Fund Balances	(1,279)	(2,486)	(1,207)	(17,775)
Fund Balances, January 1	<u>23,761</u>	<u>23,761</u>	<u>-</u>	<u>41,536</u>
Fund Balances, December 31	<u>\$ 22,482</u>	<u>\$ 21,275</u>	<u>\$ (1,207)</u>	<u>\$ 23,761</u>

City of Hutchinson, Minnesota
Hutchinson Area Transportation Facility Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			2021
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
State				
Street maintenance aid	\$ 98,126	\$ 98,126	\$ -	\$ 96,202
County				
County shared aids	98,126	98,126	-	96,202
Charges for services				
Streets and highways	315,580	390,895	75,315	303,859
Investment earnings (loss)	5,000	(3,149)	(8,149)	(1,357)
Miscellaneous				
Refunds and reimbursements	29,000	31,733	2,733	27,002
Total Revenues	<u>545,832</u>	<u>615,731</u>	<u>69,899</u>	<u>521,908</u>
Expenditures				
Current				
Streets and highways				
Streets and alleys				
Personal services	44,258	35,316	8,942	40,401
Supplies	379,425	517,236	(137,811)	385,936
Other services and charges	171,375	152,941	18,434	145,407
Capital outlay				
Streets and highways				
Streets and alleys	61,087	20,654	40,433	6,686
Total Expenditures	<u>656,145</u>	<u>726,147</u>	<u>(70,002)</u>	<u>578,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,313)	(110,416)	(103)	(56,522)
Other Financing Sources (Uses)				
Transfers in	<u>110,313</u>	<u>110,313</u>	<u>-</u>	<u>108,150</u>
Net Change in Fund Balances	-	(103)	(103)	51,628
Fund Balances, January 1	<u>506,602</u>	<u>506,602</u>	<u>-</u>	<u>454,974</u>
Fund Balances, December 31	<u>\$ 506,602</u>	<u>\$ 506,499</u>	<u>\$ (103)</u>	<u>\$ 506,602</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

	401	402	407	408	439
	Capital Improvement Projects	MSA Construction	Community Improvement	Airport Renovation	Special Assessment Improvement 2019
Assets					
Cash and investments	\$ 2,525,362	\$ -	\$ 3,366,216	\$ 56,876	\$ -
Receivables					
Interest	8,459	-	6,235	148	-
Delinquent special assessments	-	-	39,774	-	-
Noncurrent special assessments	-	-	693,874	-	-
Intergovernmental	639	2,746,301	3,401	-	-
Advances to other funds	101,380	-	-	-	-
Total Assets	<u>\$ 2,635,840</u>	<u>\$ 2,746,301</u>	<u>\$ 4,109,500</u>	<u>\$ 57,024</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ 60,998	\$ -	\$ 31,647	\$ 4,075	\$ -
Contracts payable	113,707	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>174,705</u>	<u>-</u>	<u>31,647</u>	<u>4,075</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	-	-	733,648	-	-
Intergovernmental	-	2,746,301	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>2,746,301</u>	<u>733,648</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	28,273	-	-	-	-
Committed	-	-	1,470,661	-	-
Assigned	2,432,862	-	1,873,544	52,949	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>2,461,135</u>	<u>-</u>	<u>3,344,205</u>	<u>52,949</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,635,840</u>	<u>\$ 2,746,301</u>	<u>\$ 4,109,500</u>	<u>\$ 57,024</u>	<u>\$ -</u>

440 Special Assessment Improvement 2020	441 Special Assessment Improvement 2021	442 Special Assessment Improvement 2022	443 Special Assessment Improvement 2023	Total
\$ -	\$ 47,256	\$ 141,460	\$ -	\$ 6,137,170
-	81	480	-	15,403
-	-	-	-	39,774
-	-	-	-	693,874
55,690	-	-	-	2,806,031
-	-	-	-	101,380
<u>\$ 55,690</u>	<u>\$ 47,337</u>	<u>\$ 141,940</u>	<u>\$ -</u>	<u>\$ 9,793,632</u>
\$ -	\$ 48,174	\$ -	\$ 100,450	\$ 245,344
-	-	24,498	-	138,205
55,690	-	-	45,026	100,716
<u>55,690</u>	<u>48,174</u>	<u>24,498</u>	<u>145,476</u>	<u>484,265</u>
-	-	-	-	733,648
-	-	-	-	2,746,301
-	-	-	-	3,479,949
-	-	-	-	28,273
-	-	-	-	1,470,661
-	-	117,442	-	4,476,797
-	(837)	-	(145,476)	(146,313)
-	(837)	117,442	(145,476)	5,829,418
<u>\$ 55,690</u>	<u>\$ 47,337</u>	<u>\$ 141,940</u>	<u>\$ -</u>	<u>\$ 9,793,632</u>

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

	401	402	407	408	439
	Capital Improvement Projects	MSA Construction	Community Improvement	Airport Renovation	Special Assessment Improvement 2019
Revenues					
Taxes					
Property taxes	\$ 3,151	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	73,696	-	-
Intergovernmental					
Federal					
Airport aid	-	-	-	119,886	-
Street construction aid	-	-	-	-	-
Other	339,379	-	-	-	-
State					
Local government aid	1,334,406	-	-	-	-
Street maintenance and construction aid	-	-	-	-	123,570
Other	36,010	-	-	-	-
Charges for services					
Miscellaneous	815	-	-	14,400	-
Investment earnings (loss)	(36,378)	-	21,605	(347)	301
Miscellaneous					
Contributions and donations	416,500	-	-	-	-
Refunds and reimbursements	4,800	-	-	-	-
Other	75,079	-	-	-	-
Total Revenues	<u>2,173,762</u>	<u>-</u>	<u>95,301</u>	<u>133,939</u>	<u>123,871</u>
Expenditures					
Capital outlay					
General government	284,264	-	10,687	-	-
Public safety	46,769	-	-	-	-
Streets and highways	247,701	-	100,194	-	-
Culture and recreation	2,981,448	-	37,307	-	-
Miscellaneous	-	-	-	4,075	-
Debt service					
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>3,560,182</u>	<u>-</u>	<u>148,188</u>	<u>4,075</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,386,420)</u>	<u>-</u>	<u>(52,887)</u>	<u>129,864</u>	<u>123,871</u>
Other Financing Sources (Uses)					
Transfers in	1,337,454	-	31,420	-	10,124
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Transfers out	(63,914)	-	(888,608)	-	-
Total Other Financing Sources (Uses)	<u>1,273,540</u>	<u>-</u>	<u>(857,188)</u>	<u>-</u>	<u>10,124</u>
Net Change in Fund Balances	(112,880)	-	(910,075)	129,864	133,995
Fund Balances, January 1	<u>2,574,015</u>	<u>-</u>	<u>4,254,280</u>	<u>(76,915)</u>	<u>(133,995)</u>
Fund Balances, December 31	<u>\$ 2,461,135</u>	<u>\$ -</u>	<u>\$ 3,344,205</u>	<u>\$ 52,949</u>	<u>\$ -</u>

440 Special Assessment Improvement 2020	441 Special Assessment Improvement 2021	442 Special Assessment Improvement 2022	443 Special Assessment Improvement 2023	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,151
-	-	-	-	73,696
-	-	-	-	119,886
4,500	240,000	-	-	244,500
-	-	-	-	339,379
-	-	-	-	1,334,406
20,000	60,000	-	-	203,570
-	-	-	-	36,010
-	-	-	-	15,215
-	(69)	(1,991)	-	(16,879)
-	-	-	-	416,500
55,690	-	-	-	60,490
-	-	-	-	75,079
<u>80,190</u>	<u>299,931</u>	<u>(1,991)</u>	<u>-</u>	<u>2,905,003</u>
-	-	-	-	294,951
-	-	-	-	46,769
-	29,181	2,976,421	145,476	3,498,973
-	-	-	-	3,018,755
-	-	-	-	4,075
-	-	49,825	-	49,825
<u>-</u>	<u>29,181</u>	<u>3,026,246</u>	<u>145,476</u>	<u>6,913,348</u>
<u>80,190</u>	<u>270,750</u>	<u>(3,028,237)</u>	<u>(145,476)</u>	<u>(4,008,345)</u>
183,459	-	1,000,547	-	2,563,004
-	-	1,980,000	-	1,980,000
-	-	165,132	-	165,132
-	(44,087)	-	-	(996,609)
<u>183,459</u>	<u>(44,087)</u>	<u>3,145,679</u>	<u>-</u>	<u>3,711,527</u>
263,649	226,663	117,442	(145,476)	(296,818)
<u>(263,649)</u>	<u>(227,500)</u>	<u>-</u>	<u>-</u>	<u>6,126,236</u>
<u>\$ -</u>	<u>\$ (837)</u>	<u>\$ 117,442</u>	<u>\$ (145,476)</u>	<u>\$ 5,829,418</u>

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GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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

	2022			2021
	Original Budget	Final Budget	Actual Amounts	Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 5,617,556	\$ 5,617,556	\$ 5,600,340	\$ 5,408,925
Hotel/motel tax	110,000	110,000	134,051	124,033
Franchise fees	210,000	210,000	207,620	212,832
Total taxes	5,937,556	5,937,556	5,942,011	5,745,790
Licenses and permits				
Business	38,500	38,500	42,159	22,555
Nonbusiness	400,100	400,100	450,006	541,984
Total licenses and permits	438,600	438,600	492,165	564,539
Intergovernmental				
Federal				
Other federal aids	1,500	1,500	1,868	7,298
State				
Local government aid	1,334,205	1,334,205	1,334,205	1,268,473
Property tax credits	-	-	181	385
Police aid	202,236	202,236	230,378	202,237
Fire aid	121,900	121,900	127,954	121,903
Street maintenance aid	29,280	29,280	29,280	29,280
Airport aid	26,200	26,200	20,446	38,128
Other state aids	29,500	29,500	39,090	77,729
Total state	1,743,321	1,743,321	1,781,534	1,738,135
Local				
School liaison program	54,747	54,747	52,434	48,209
Community education reimbursement	61,338	61,338	64,174	47,035
Total local	116,085	116,085	116,608	95,244
Total intergovernmental	1,860,906	1,860,906	1,900,010	1,840,677
Charges for services				
General government	353,075	353,075	341,099	325,167
Public safety	417,835	417,835	370,413	384,513
Streets and highways	446,310	446,310	444,600	473,207
Culture and recreation	1,116,632	1,116,632	1,122,185	1,061,321
Other charges	192,900	192,900	215,230	194,849
Total charges for services	2,526,752	2,526,752	2,493,527	2,439,057
Fines and forfeits	55,000	55,000	52,902	45,356
Investment earnings (loss)	80,000	80,000	(53,301)	(43,870)
Miscellaneous				
Contributions and donations	27,500	27,500	49,790	41,077
Refunds and reimbursements	148,500	148,500	252,918	218,732
Other	178,987	178,987	174,850	164,404
Total miscellaneous	354,987	354,987	477,558	424,213
Total Revenues	11,253,801	11,253,801	11,304,872	11,015,762

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

	2022				2021
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 42,317	\$ 42,317	\$ 37,488	\$ 4,829	\$ 37,346
Supplies	100	100	-	100	119
Other services and charges	7,660	7,660	3,290	4,370	8,628
Total mayor and council	50,077	50,077	40,778	9,299	46,093
City administrator					
Personal services	460,562	460,562	475,577	(15,015)	448,967
Supplies	1,000	1,000	144	856	1,480
Other services and charges	21,055	21,055	48,786	(27,731)	30,289
Total city administrator	482,617	482,617	524,507	(41,890)	480,736
Elections					
Personal services	16,000	16,000	12,112	3,888	-
Supplies	2,000	2,000	5,134	(3,134)	-
Other services and charges	700	700	3,118	(2,418)	62
Total elections	18,700	18,700	20,364	(1,664)	62
Finance					
Personal services	324,820	324,820	323,086	1,734	299,266
Supplies	500	500	1,576	(1,076)	1,423
Other services and charges	78,850	78,850	68,112	10,738	73,536
Total finance	404,170	404,170	392,774	11,396	374,225
Motor vehicles					
Personal services	277,290	277,290	281,607	(4,317)	259,614
Supplies	5,850	5,850	8,672	(2,822)	3,910
Other services and charges	13,020	13,020	13,033	(13)	13,284
Total motor vehicles	296,160	296,160	303,312	(7,152)	276,808
Assessing					
Other services and charges	61,205	61,205	61,478	(273)	61,205
Legal					
Personal services	237,404	237,404	238,725	(1,321)	233,601
Supplies	27,400	27,400	17,994	9,406	18,011
Other services and charges	63,930	63,930	54,010	9,920	51,879
Total legal	328,734	328,734	310,729	18,005	303,491
Planning					
Personal services	159,324	159,324	157,127	2,197	153,519
Supplies	750	750	-	750	-
Other services and charges	10,440	10,440	6,545	3,895	7,473
Total planning	170,514	170,514	163,672	6,842	160,992
Information services					
Personal services	337,930	337,930	335,254	2,676	324,467
Supplies	38,050	38,050	21,484	16,566	41,829
Other services and charges	222,155	222,155	232,488	(10,333)	193,618
Total information services	598,135	598,135	589,226	8,909	559,914

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

	2022				2021
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)					
Current (continued)					
General government (continued)					
City hall building					
Personal services	\$ 99,164	\$ 99,164	\$ 99,565	\$ (401)	\$ 95,477
Supplies	20,350	20,350	13,249	7,101	14,647
Other services and charges	74,335	74,335	72,634	1,701	90,356
Total city hall building	193,849	193,849	185,448	8,401	200,480
Total general government	2,604,161	2,604,161	2,592,288	11,873	2,464,006
Public safety					
Police					
Personal services	3,195,059	3,195,059	3,354,992	(159,933)	3,334,714
Supplies	99,500	99,500	111,595	(12,095)	90,233
Other services and charges	202,970	202,970	202,967	3	384,632
Total police	3,497,529	3,497,529	3,669,554	(172,025)	3,809,579
Emergency management					
Supplies	500	500	119	381	72
Other services and charges	16,480	16,480	10,999	5,481	14,248
Total emergency management	16,980	16,980	11,118	5,862	14,320
Safety council					
Supplies	-	-	-	-	983
Other services and charges	11,370	11,370	9,840	1,530	10,116
Total safety council	11,370	11,370	9,840	1,530	11,099
Fire					
Personal services	443,941	443,941	467,242	(23,301)	437,981
Supplies	56,200	56,200	46,460	9,740	64,566
Other services and charges	97,853	97,853	86,343	11,510	88,074
Total fire	597,994	597,994	600,045	(2,051)	590,621
Building inspection					
Personal services	307,389	307,389	312,185	(4,796)	289,045
Supplies	7,425	7,425	2,646	4,779	2,826
Other services and charges	19,365	19,365	12,646	6,719	8,206
Total building inspection	334,179	334,179	327,477	6,702	300,077
Hospital security					
Personal services	358,679	358,679	330,529	28,150	317,435
Supplies	1,500	1,500	1,590	(90)	755
Other services and charges	1,500	1,500	85	1,415	1,100
Total hospital security	361,679	361,679	332,204	29,475	319,290
Total public safety	4,819,731	4,819,731	4,950,238	(130,507)	5,044,986
Streets and highways					
Engineering					
Personal services	354,960	354,960	344,667	10,293	366,176
Supplies	8,700	8,700	7,833	867	6,146
Other services and charges	77,650	77,650	86,853	(9,203)	82,103
Total engineering	441,310	441,310	439,353	1,957	454,425

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

	2022				2021
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)					
Current (continued)					
Streets and highways (continued)					
Streets and alleys					
Personal services	\$ 677,478	\$ 677,478	\$ 670,068	\$ 7,410	\$ 647,352
Supplies	243,350	243,350	267,033	(23,683)	218,832
Other services and charges	594,325	594,325	564,388	29,937	524,637
Total streets and alleys	<u>1,515,153</u>	<u>1,515,153</u>	<u>1,501,489</u>	<u>13,664</u>	<u>1,390,821</u>
Total streets and highways	<u>1,956,463</u>	<u>1,956,463</u>	<u>1,940,842</u>	<u>15,621</u>	<u>1,845,246</u>
Culture and recreation					
Parks and recreation administration					
Personal services	200,116	200,116	199,203	913	215,552
Supplies	1,700	1,700	2,258	(558)	1,383
Other services and charges	47,900	47,900	63,999	(16,099)	70,830
Total park and recreation administration	<u>249,716</u>	<u>249,716</u>	<u>265,460</u>	<u>(15,744)</u>	<u>287,765</u>
Recreation					
Personal services	177,833	177,833	133,206	44,627	165,686
Supplies	49,500	49,500	36,258	13,242	36,258
Other services and charges	51,200	51,200	40,788	10,412	41,901
Total recreation	<u>278,533</u>	<u>278,533</u>	<u>210,252</u>	<u>68,281</u>	<u>243,845</u>
Senior citizen center					
Personal services	45,171	45,171	53,221	(8,050)	39,105
Supplies	6,250	6,250	663	5,587	1,612
Other services and charges	45,375	45,375	35,382	9,993	19,093
Total senior citizen center	<u>96,796</u>	<u>96,796</u>	<u>89,266</u>	<u>7,530</u>	<u>59,810</u>
Evergreen building					
Supplies	5,200	5,200	2,852	2,348	1,728
Other services and charges	26,175	26,175	31,137	(4,962)	28,055
Total evergreen building	<u>31,375</u>	<u>31,375</u>	<u>33,989</u>	<u>(2,614)</u>	<u>29,783</u>
Civic arena					
Personal services	185,942	185,942	148,742	37,200	126,093
Supplies	44,390	44,390	21,869	22,521	20,409
Other services and charges	181,000	181,000	211,144	(30,144)	174,034
Total civic arena	<u>411,332</u>	<u>411,332</u>	<u>381,755</u>	<u>29,577</u>	<u>320,536</u>
Park					
Personal services	741,704	741,704	740,223	1,481	642,919
Supplies	182,850	182,850	178,197	4,653	158,106
Other services and charges	148,200	148,200	143,088	5,112	136,885
Total park	<u>1,072,754</u>	<u>1,072,754</u>	<u>1,061,508</u>	<u>11,246</u>	<u>937,910</u>
Recreation building					
Personal services	203,600	203,600	191,699	11,901	151,778
Supplies	15,200	15,200	5,914	9,286	10,563
Other services and charges	46,800	46,800	41,371	5,429	38,598
Total recreation building	<u>265,600</u>	<u>265,600</u>	<u>238,984</u>	<u>26,616</u>	<u>200,939</u>

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

	2022				2021
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Waterpark					
Personal services	\$ 275,459	\$ 275,459	\$ 330,846	\$ (55,387)	\$ 247,762
Supplies	75,750	75,750	83,836	(8,086)	64,626
Other services and charges	45,450	45,450	54,612	(9,162)	47,514
Total waterpark	396,659	396,659	469,294	(72,635)	359,902
Events center					
Personal services	179,732	179,732	143,517	36,215	169,884
Supplies	9,575	9,575	4,387	5,188	4,017
Other services and charges	72,050	72,050	107,395	(35,345)	74,200
Total events center	261,357	261,357	255,299	6,058	248,101
Library					
Supplies	3,300	3,300	2,080	1,220	1,737
Other services and charges	227,192	227,192	224,083	3,109	212,844
Total library	230,492	230,492	226,163	4,329	214,581
Total culture and recreation	3,294,614	3,294,614	3,231,970	62,644	2,903,172
Miscellaneous					
Cemetery					
Personal services	95,303	95,303	83,701	11,602	84,610
Supplies	17,375	17,375	17,209	166	17,711
Other services and charges	33,160	33,160	42,972	(9,812)	35,368
Total cemetery	145,838	145,838	143,882	1,956	137,689
Airport					
Personal services	46,473	46,473	30,905	15,568	33,184
Supplies	10,250	10,250	12,367	(2,117)	6,068
Other services and charges	88,400	88,400	77,273	11,127	85,455
Total airport	145,123	145,123	120,545	24,578	124,707
Unallocated					
Other services and charges	882,750	882,750	872,326	10,424	843,194
Total miscellaneous	1,173,711	1,173,711	1,136,753	36,958	1,105,590
Total current	13,848,680	13,848,680	13,852,091	(3,411)	13,363,000
Capital outlay					
General government	-	-	7,586	(7,586)	5,827
Public safety	-	-	254	(254)	29,832
Streets and highways	5,000	5,000	-	5,000	10,000
Culture and recreation	-	-	9,350	(9,350)	17,587
Miscellaneous	-	-	-	-	8,554
Total capital outlay	5,000	5,000	17,190	(12,190)	71,800
Total Expenditures	13,853,680	13,853,680	13,869,281	(15,601)	13,434,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,599,879)	(2,599,879)	(2,564,409)	35,470	(2,419,038)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	7,950	7,950	7,000
Transfers in	2,710,192	2,710,192	2,710,192	-	2,723,192
Transfers out	(110,313)	(110,313)	(610,313)	(500,000)	(134,398)
Total Other Financing Sources (Uses)	2,599,879	2,599,879	2,107,829	(492,050)	2,595,794
Net Change in Fund Balances	-	-	(456,580)	(456,580)	176,756
Fund Balances, January 1	8,342,253	8,342,253	8,342,253	-	8,165,497
Fund Balances, December 31	<u>\$ 8,342,253</u>	<u>\$ 8,342,253</u>	<u>\$ 7,885,673</u>	<u>\$ (456,580)</u>	<u>\$ 8,342,253</u>

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DEBT SERVICE FUNDS

The Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from City resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

City of Hutchinson, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2022

	383 G.O. Tax Increment Refunding Bonds 2004	328 Special Assessment Bonds 2008	333 Special Assessment Bonds 2013	334 Special Assessment Bonds 2014	335 Special Assessment Bonds 2015	336 Special Assessment Bonds 2016
Assets						
Cash and investments	\$ -	\$ 85,596	\$ -	\$ 295,617	\$ 326,854	\$ 336,733
Receivables						
Delinquent special assessments	-	96,560	-	1,712	1,059	365
Noncurrent special assessments	-	-	-	124,530	73,965	89,734
Intergovernmental	-	1,046	-	1,173	1,520	1,022
Advances to other funds	418,793	-	-	-	-	-
Total Assets	<u>\$ 418,793</u>	<u>\$ 183,202</u>	<u>\$ -</u>	<u>\$ 423,032</u>	<u>\$ 403,398</u>	<u>\$ 427,854</u>
Liabilities						
Advances from other funds	\$ 664	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	100	-	-	-	-	-
Total Liabilities	<u>764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	-	96,560	-	126,242	75,024	90,099
Interest receivable	10,499	-	-	-	-	-
Total Deferred Inflows of Resources	<u>10,499</u>	<u>96,560</u>	<u>-</u>	<u>126,242</u>	<u>75,024</u>	<u>90,099</u>
Fund Balances						
Restricted	407,530	86,642	-	296,790	328,374	337,755
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 418,793</u>	<u>\$ 183,202</u>	<u>\$ -</u>	<u>\$ 423,032</u>	<u>\$ 403,398</u>	<u>\$ 427,854</u>

337 Special Assessment Bonds 2017	338 Special Assessment Bonds 2018	339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment Bonds 2021	342 Special Assessment Bonds 2022	396 G.O. Bonds 2022	Total
\$ 269,134	\$ 507,523	\$ 577,432	\$ 340,401	\$ 338,249	\$ 88,288	\$ 649,804	\$ 3,815,631
420	290	632	3,047	2,837	-	-	106,922
165,496	115,378	83,193	204,580	181,800	66,252	-	1,104,928
2,055	2,406	1,919	2,181	1,500	-	7,452	22,274
-	-	-	-	-	-	-	418,793
<u>\$ 437,105</u>	<u>\$ 625,597</u>	<u>\$ 663,176</u>	<u>\$ 550,209</u>	<u>\$ 524,386</u>	<u>\$ 154,540</u>	<u>\$ 657,256</u>	<u>\$ 5,468,548</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 664
-	-	-	-	-	-	-	100
-	-	-	-	-	-	-	764
165,916	115,668	83,825	207,627	184,637	66,252	-	1,211,850
-	-	-	-	-	-	-	10,499
<u>165,916</u>	<u>115,668</u>	<u>83,825</u>	<u>207,627</u>	<u>184,637</u>	<u>66,252</u>	<u>-</u>	<u>1,222,349</u>
271,189	509,929	579,351	342,582	339,749	88,288	657,256	4,245,435
<u>\$ 437,105</u>	<u>\$ 625,597</u>	<u>\$ 663,176</u>	<u>\$ 550,209</u>	<u>\$ 524,386</u>	<u>\$ 154,540</u>	<u>\$ 657,256</u>	<u>\$ 5,468,548</u>

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

	383 G.O. Tax Increment Refunding Bonds 2004	328 Special Assessment Bonds 2008	333 Special Assessment Bonds 2013	334 Special Assessment Bonds 2014	335 Special Assessment Bonds 2015	336 Special Assessment Bonds 2016
Revenues						
Taxes						
Property taxes	\$ -	\$ 119,254	\$ -	\$ 127,681	\$ 140,548	\$ 145,213
Special assessments	-	128	118	42,618	12,637	31,436
Investment earnings	9,196	608	-	3,468	5,028	5,404
Miscellaneous						
Other	50	-	-	-	-	-
Total Revenues	<u>9,246</u>	<u>119,990</u>	<u>118</u>	<u>173,767</u>	<u>158,213</u>	<u>182,053</u>
Expenditures						
Capital outlay						
Economic development	267,614	-	-	-	-	-
Debt service						
Principal	-	110,000	1,100,000	180,000	150,000	175,000
Interest and other costs	22,271	3,813	17,360	33,408	38,250	34,270
Total Expenditures	<u>289,885</u>	<u>113,813</u>	<u>1,117,360</u>	<u>213,408</u>	<u>188,250</u>	<u>209,270</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,639)</u>	<u>6,177</u>	<u>(1,117,242)</u>	<u>(39,641)</u>	<u>(30,037)</u>	<u>(27,217)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	501,154	-	-	-
Transfers out	-	-	-	-	(55,000)	(80,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>501,154</u>	<u>-</u>	<u>(55,000)</u>	<u>(80,000)</u>
Net Change in Fund Balances	(280,639)	6,177	(616,088)	(39,641)	(85,037)	(107,217)
Fund Balances, January 1	<u>688,169</u>	<u>80,465</u>	<u>616,088</u>	<u>336,431</u>	<u>413,411</u>	<u>444,972</u>
Fund Balances, December 31	<u>\$ 407,530</u>	<u>\$ 86,642</u>	<u>\$ -</u>	<u>\$ 296,790</u>	<u>\$ 328,374</u>	<u>\$ 337,755</u>

337 Special Assessment Bonds 2017	338 Special Assessment Bonds 2018	339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment Bonds 2021	342 Special Assessment Bonds 2022	396 G.O. Bonds 2022	Total
\$ 194,100	\$ 227,832	\$ 218,888	\$ 153,932	\$ 170,998	\$ -	\$ 849,806	\$ 2,348,252
7,563	42,185	23,313	60,697	29,365	87,564	-	337,624
6,012	6,186	8,741	4,554	4,240	724	4,872	59,033
-	-	-	-	-	-	-	50
<u>207,675</u>	<u>276,203</u>	<u>250,942</u>	<u>219,183</u>	<u>204,603</u>	<u>88,288</u>	<u>854,678</u>	<u>2,744,959</u>
-	-	-	-	-	-	-	267,614
160,000	255,000	225,000	110,000	-	-	-	2,465,000
52,120	68,220	64,671	21,975	70,171	-	197,422	623,951
<u>212,120</u>	<u>323,220</u>	<u>289,671</u>	<u>131,975</u>	<u>70,171</u>	<u>-</u>	<u>197,422</u>	<u>3,356,565</u>
<u>(4,445)</u>	<u>(47,017)</u>	<u>(38,729)</u>	<u>87,208</u>	<u>134,432</u>	<u>88,288</u>	<u>657,256</u>	<u>(611,606)</u>
4,128	-	-	-	-	-	-	505,282
(200,000)	-	(75,000)	(40,000)	-	-	-	(450,000)
<u>(195,872)</u>	<u>-</u>	<u>(75,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,282</u>
(200,317)	(47,017)	(113,729)	47,208	134,432	88,288	657,256	(556,324)
<u>471,506</u>	<u>556,946</u>	<u>693,080</u>	<u>295,374</u>	<u>205,317</u>	<u>-</u>	<u>-</u>	<u>4,801,759</u>
<u>\$ 271,189</u>	<u>\$ 509,929</u>	<u>\$ 579,351</u>	<u>\$ 342,582</u>	<u>\$ 339,749</u>	<u>\$ 88,288</u>	<u>\$ 657,256</u>	<u>\$ 4,245,435</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Central Garage and Equipment Fund: This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are maintained by the central garage and billed for the maintenance on a departmental basis.

Self-insurance Fund: This fund is used to account for the costs of the City employee dental insurance plan. Premiums are paid by the benefiting funds and dental insurance and other claims are paid out of the fund.

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2022

	701	703	
	<u>Central Garage</u>	<u>Self-insurance</u>	<u>Total</u>
Assets			
Current Assets			
Cash and investments	\$ 1,161,232	\$ 374,249	\$ 1,535,481
Receivables			
Interest	3,909	1,301	5,210
Prepaid items	-	687	687
Total Current Assets	<u>1,165,141</u>	<u>376,237</u>	<u>1,541,378</u>
Capital Assets			
Construction in progress	51,541	-	51,541
Machinery and equipment	2,087,817	-	2,087,817
Vehicles	3,829,321	-	3,829,321
Less accumulated depreciation	<u>(3,865,537)</u>	<u>-</u>	<u>(3,865,537)</u>
Total Capital Assets	<u>2,103,142</u>	<u>-</u>	<u>2,103,142</u>
Total Assets	<u>3,268,283</u>	<u>376,237</u>	<u>3,644,520</u>
Liabilities			
Current Liabilities			
Accounts payable	<u>14,349</u>	<u>6,389</u>	<u>20,738</u>
Net Position			
Investment in capital assets	2,103,142	-	2,103,142
Unrestricted	<u>1,150,792</u>	<u>369,848</u>	<u>1,520,640</u>
Total Net Position	<u>\$ 3,253,934</u>	<u>\$ 369,848</u>	<u>\$ 3,623,782</u>

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	701 <u>Central Garage</u>	703 <u>Self-insurance</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Premiums	\$ -	\$ 111,457	\$ 111,457
Vehicle rent	350,000	-	350,000
Other operating revenue	7,445	-	7,445
Total Operating Revenues	<u>357,445</u>	<u>111,457</u>	<u>468,902</u>
Operating Expenses			
Medical and dental claims	-	92,097	92,097
Other services and charges	-	21,304	21,304
Depreciation	418,720	-	418,720
Total Operating Expenses	<u>418,720</u>	<u>113,401</u>	<u>532,121</u>
Operating Income (Loss)	<u>(61,275)</u>	<u>(1,944)</u>	<u>(63,219)</u>
Nonoperating Revenues (Expenses)			
Interest earnings (loss)	(9,872)	(1,869)	(11,741)
Gain on sale/trade-in of capital assets	42,057	-	42,057
Refunds and reimbursements	-	2,024	2,024
Interest expense - bonds	(92)	-	(92)
Total Nonoperating Revenues (Expenses)	<u>32,093</u>	<u>155</u>	<u>32,248</u>
Income (Loss) Before Transfers	(29,182)	(1,789)	(30,971)
Transfers Out	<u>-</u>	<u>(23,000)</u>	<u>(23,000)</u>
Change in Net Position	(29,182)	(24,789)	(53,971)
Net Position, January 1	<u>3,283,116</u>	<u>394,637</u>	<u>3,677,753</u>
Net Position, December 31	<u><u>\$ 3,253,934</u></u>	<u><u>\$ 369,848</u></u>	<u><u>\$ 3,623,782</u></u>

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2022

	701 <u>Central Garage</u>	703 <u>Self-insurance</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 357,445	\$ 111,457	\$ 468,902
Payments to suppliers and vendors	(201)	(114,908)	(115,109)
Other receipts	-	2,036	2,036
Net Cash Provided (Used) by Operating Activities	<u>357,244</u>	<u>(1,415)</u>	<u>355,829</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	<u>-</u>	<u>(23,000)</u>	<u>(23,000)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(146,944)	-	(146,944)
Proceeds from sale of capital assets	42,057	-	42,057
Property taxes received	297	-	297
Principal paid on long-term debt	(55,000)	-	(55,000)
Interest paid on long-term debt	(550)	-	(550)
Net Cash Used by Capital and Related Financing Activities	<u>(160,140)</u>	<u>-</u>	<u>(160,140)</u>
Cash Flows from Investing Activities			
Interest received (paid) on investments	<u>(11,651)</u>	<u>(2,193)</u>	<u>(13,844)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	185,453	(26,608)	158,845
Cash and Cash Equivalents, January 1	<u>975,779</u>	<u>400,857</u>	<u>1,376,636</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,161,232</u></u>	<u><u>\$ 374,249</u></u>	<u><u>\$ 1,535,481</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (61,275)	\$ (1,944)	\$ (63,219)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	-	2,024	2,024
Depreciation	418,720	-	418,720
(Increase) decrease in assets			
Accounts receivable	-	12	12
Prepaid items	-	(34)	(34)
Increase (decrease) in liabilities			
Accounts payable	(201)	(1,473)	(1,674)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 357,244</u></u>	<u><u>\$ (1,415)</u></u>	<u><u>\$ 355,829</u></u>
Schedule of Noncash Investing, Capital and Financing Activities			
Capital assets acquired on account	<u>\$ 14,349</u>	<u>\$ -</u>	<u>\$ 14,349</u>
Gain on disposal of capital assets	<u><u>\$ 42,057</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,057</u></u>

DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Balance Sheet/Statement of Net Position
December 31, 2022

Assets	
Cash and investments	\$ 162,119
Receivables	
Interest	461
Intergovernmental	2,056
Prepaid items	188
	<hr/>
Total Assets	\$ 164,824
	<hr/>
Liabilities	
Accounts payable	\$ 1,436
Due to other governments	31
Accrued salaries payable	2,900
Accrued vacation payable	4,502
Total Liabilities	8,869
	<hr/>
Fund Balances	
Assigned	155,955
	<hr/>
Total Liabilities and Fund Balances	\$ 164,824
	<hr/>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Economic Development Authority	\$ 155,955
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	
Other postemployment benefit liability	(6,302)
Net pension liability	(128,228)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	38,490
Deferred inflows of pension resources	(2,448)
Deferred outflows of other postemployment benefits	672
Deferred inflows of other postemployment benefits	(1,338)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	107
	<hr/>
Total Net Position - Governmental Activities	\$ 56,908
	<hr/>

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Position
For the Year Ended December 31, 2022

Revenues	
Taxes	
Property taxes	\$ 217,595
Charges for services	1,736
Investment earnings (loss)	(1,382)
Total Revenues	<u>217,949</u>
Expenditures	
Current	
Housing and economic development	<u>210,294</u>
Net Change in Fund Balances	7,655
Fund Balances, January 1	<u>148,300</u>
Fund Balances, December 31	<u><u>\$ 155,955</u></u>
Amounts reported for governmental activities in the statement of activities are different because	
Net Change in Fund Balances - Economic Development Authority	\$ 7,655
Long-term pension activity is not reported in governmental funds.	
Pension expense	(8,529)
Pension revenue	579
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 governmental funds.	
Other postemployment benefit costs	(200)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	
	<u>116</u>
Change in Net Position - Governmental Activities	<u><u>\$ (379)</u></u>

City of Hutchinson, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2022 and 2021

	Totals		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 8,676,773	\$ 8,197,347	5.9 %
Special assessments	411,320	614,314	(33.0)
Licenses and permits	492,165	564,539	(12.8)
Intergovernmental	4,377,513	4,665,768	(6.2)
Charges for services	3,111,017	2,958,696	5.2
Fines and forfeits	52,902	45,356	16.6
Investment earnings	(40,158)	127,619	(131.5)
Miscellaneous	1,162,041	940,026	23.6
Total Revenues	<u>\$ 18,243,573</u>	<u>\$ 18,113,665</u>	0.7 %
Per Capita	<u>\$ 1,241</u>	<u>\$ 1,241</u>	- %
Expenditures			
Current			
General government	\$ 2,592,288	\$ 2,464,006	5.2 %
Public safety	5,092,717	5,211,278	(2.3)
Streets and highways	2,646,335	2,416,990	9.5
Culture and recreation	3,271,087	2,963,694	10.4
Economic development	674,314	775,348	(13.0)
Miscellaneous	1,136,753	1,105,590	2.8
Capital outlay			
General government	302,537	146,512	106.5
Public safety	10,208,327	2,427,774	320.5
Streets and highways	3,519,627	3,988,641	(11.8)
Culture and recreation	3,030,625	226,823	1,236.1
Economic development	313,176	127,070	146.5
Miscellaneous	4,075	17,134	(76.2)
Debt service			
Principal	2,465,000	4,490,000	(45.1)
Interest and other charges	649,649	510,255	27.3
Bond issuance costs	148,090	143,484	3.2
Total Expenditures	<u>\$ 36,054,600</u>	<u>\$ 27,014,599</u>	33.5 %
Per Capita	<u>\$ 2,452</u>	<u>\$ 1,850</u>	32.5 %
Total Long-Term Indebtedness	\$ 27,755,000	\$ 24,390,000	13.8 %
Per Capita	1,888	1,671	13.0
General Fund Balance - December 31	\$ 7,885,673	\$ 8,342,253	(5.47) %
Per Capita	536	571	(6.14)

The purpose of this report is to provide a summary of financial information concerning the City of Hutchinson, Minnesota to interested citizens. The complete financial statements may be examined at 111 Hassan St. SE, Hutchinson, Minnesota. Questions about this report should be directed to Andy Reid, Finance Director at 320-234-4244.

STATISTICAL SECTION
(UNAUDITED)

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Hutchinson's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Hutchinson, Minnesota
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Governmental Activities					
Net investment in capital assets	\$ 71,011,363	\$ 68,307,217	\$ 66,566,111	\$ 66,499,781	\$ 63,850,387
Restricted	7,919,693	8,963,039	11,102,357	11,088,577	10,716,849
Unrestricted	12,336,497	12,894,455	10,926,868	11,057,517	10,919,210
Total Governmental Activities Net Position	<u>91,267,553</u>	<u>90,164,711</u>	<u>88,595,336</u>	<u>88,645,875</u>	<u>85,486,446</u>
Business-type Activities					
Net investment in capital assets	97,033,372	93,747,446	92,049,992	85,016,805	87,042,770
Restricted	-	-	-	-	-
Unrestricted	38,144,948	41,250,668	39,895,468	39,155,727	31,742,528
Total Business-type Activities Net Position	<u>135,178,320</u>	<u>134,998,114</u>	<u>131,945,460</u>	<u>124,172,532</u>	<u>118,785,298</u>
Primary Government					
Net investment in capital assets	168,044,735	162,054,663	158,616,103	151,516,586	150,893,157
Restricted	7,919,693	8,963,039	11,102,357	11,088,577	10,716,849
Unrestricted	50,481,445	54,145,123	50,822,336	50,213,244	42,661,738
Total Primary Government Net Position	<u>\$ 226,445,873</u>	<u>\$ 225,162,825</u>	<u>\$ 220,540,796</u>	<u>\$ 212,818,407</u>	<u>\$ 204,271,744</u>

Source: Financial Statements

Table 1

Fiscal Year				
2017	2016	2015	2014	2013
\$ 61,255,089	\$ 57,290,296	\$ 53,823,361	\$ 50,999,100	\$ 49,566,730
9,853,847	10,680,796	11,119,053	10,939,342	9,121,915
5,478,380	6,860,854	9,263,817	15,351,159	18,324,681
<u>76,587,316</u>	<u>74,831,946</u>	<u>74,206,231</u>	<u>77,289,601</u>	<u>77,013,326</u>
83,793,697	83,737,730	86,594,081	85,492,312	85,583,151
3,561,829	2,539,625	541,716	365,983	191,832
26,447,540	24,470,821	21,113,701	24,293,705	20,135,323
<u>113,803,066</u>	<u>110,748,176</u>	<u>108,249,498</u>	<u>110,152,000</u>	<u>105,910,306</u>
145,048,786	141,028,026	140,417,442	136,491,412	135,149,881
13,415,676	13,220,421	11,660,769	11,305,325	9,313,747
<u>31,925,920</u>	<u>31,331,675</u>	<u>30,377,518</u>	<u>39,644,864</u>	<u>38,460,004</u>
<u>\$ 190,390,382</u>	<u>\$ 185,580,122</u>	<u>\$ 182,455,729</u>	<u>\$ 187,441,601</u>	<u>\$ 182,923,632</u>

City of Hutchinson, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Expenses					
Governmental Activities					
General government	\$ 2,800,928	\$ 2,490,920	\$ 3,020,058	\$ 2,435,032	\$ 2,341,846
Public safety	5,620,281	4,717,193	4,999,680	4,987,199	4,631,282
Streets and highways	6,270,480	6,273,183	5,771,299	5,657,370	5,368,926
Culture and recreation	4,074,734	3,339,956	3,117,665	3,766,612	3,598,025
Housing and economic development	792,940	859,162	1,332,749	392,392	349,307
Miscellaneous	1,407,689	1,439,747	1,432,116	1,216,593	1,224,478
Interest on long-term debt	765,216	634,759	496,265	502,343	475,627
Total Governmental Activities Expenses	<u>21,732,268</u>	<u>19,754,920</u>	<u>20,169,832</u>	<u>18,957,541</u>	<u>17,989,491</u>
Business-type Activities					
Electric	31,264,423	29,063,843	25,726,245	27,345,524	28,140,954
Natural gas	13,282,561	13,573,448	9,337,234	9,776,175	9,439,397
Water	2,513,246	2,497,449	2,515,244	2,621,826	2,421,732
Sewer	3,027,022	3,091,075	2,757,621	3,087,632	3,196,430
Refuse	1,318,176	1,188,408	1,202,458	1,160,163	1,121,538
Composting	2,830,698	2,603,527	2,704,006	2,360,824	2,267,201
Storm water	739,985	701,092	794,014	691,435	609,845
Liquor	6,865,015	6,753,197	6,946,464	5,822,275	5,662,393
Total Business-type Activities Expenses	<u>61,841,126</u>	<u>59,472,039</u>	<u>51,983,286</u>	<u>52,865,854</u>	<u>52,859,490</u>
Total Primary Government Expenses	<u>\$ 83,573,394</u>	<u>\$ 79,226,959</u>	<u>\$ 72,153,118</u>	<u>\$ 71,823,395</u>	<u>\$ 70,848,981</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 664,180	\$ 625,642	\$ 625,923	\$ 677,525	\$ 679,200
Public safety	1,059,132	1,152,422	1,052,079	1,120,786	1,140,667
Streets and highways	876,346	808,966	766,131	888,371	883,671
Culture and recreation	1,335,675	1,251,824	615,623	1,268,375	1,384,047
Housing and economic development	97,244	135,844	74,199	73,746	88,458
Miscellaneous	311,443	284,214	214,354	205,034	184,545
Operating grants and contributions	2,350,909	2,055,168	1,962,884	696,234	767,930
Capital grants and contributions	741,494	906,335	1,759,802	4,367,498	2,453,603
Total Governmental Activities Program Revenues	<u>7,436,423</u>	<u>7,220,415</u>	<u>7,070,995</u>	<u>9,297,569</u>	<u>7,582,121</u>

Table 2

Fiscal Year				
2017	2016	2015	2014	2013
\$ 2,391,495	\$ 2,354,768	\$ 2,274,447	\$ 2,032,887	\$ 2,307,145
4,836,976	5,307,395	4,297,569	4,181,806	4,018,616
5,438,739	5,421,270	4,568,949	5,579,567	4,909,837
3,428,673	2,892,986	2,779,174	2,585,826	2,675,883
280,895	583,421	217,094	436,241	300,264
1,229,192	1,316,993	1,109,584	1,267,447	1,014,805
477,838	491,730	436,626	477,101	556,537
<u>18,083,808</u>	<u>18,368,563</u>	<u>15,683,443</u>	<u>16,560,875</u>	<u>15,783,087</u>
27,379,450	26,538,262	26,936,359	26,012,324	26,189,278
10,304,619	9,232,357	9,563,857	13,601,847	11,450,559
2,635,888	2,610,633	2,634,150	2,556,042	2,717,124
3,303,898	3,593,584	3,327,256	3,513,726	3,736,919
1,087,830	1,077,519	1,036,616	1,106,012	1,079,901
1,855,135	2,064,529	2,634,096	2,715,660	2,449,375
632,334	585,575	497,695	527,613	401,086
5,634,824	5,451,353	5,264,041	5,098,025	4,865,901
<u>52,833,978</u>	<u>51,153,812</u>	<u>51,894,070</u>	<u>55,131,249</u>	<u>52,890,143</u>
<u>\$ 70,917,786</u>	<u>\$ 69,522,375</u>	<u>\$ 67,577,513</u>	<u>\$ 71,692,124</u>	<u>\$ 68,673,230</u>
\$ 696,494	\$ 641,899	\$ 663,176	\$ 731,450	\$ 703,624
1,185,169	833,853	919,533	819,654	525,525
748,479	760,014	778,973	1,051,923	1,139,288
1,311,050	938,724	943,835	983,674	1,004,713
18,869	19,076	22,251	21,029	51,442
231,923	266,494	253,403	237,595	253,208
937,732	715,410	598,506	866,989	685,199
2,428,531	1,823,110	3,325,032	1,389,461	3,053,878
<u>7,558,247</u>	<u>5,998,580</u>	<u>7,504,709</u>	<u>6,101,775</u>	<u>7,416,877</u>

City of Hutchinson, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Program Revenues (Continued)					
Business-type Activities					
Charges for services					
Electric	\$ 30,510,654	\$ 29,763,957	\$ 28,208,330	\$ 27,965,283	\$ 28,780,665
Natural gas	15,449,276	15,264,718	11,636,939	12,501,316	12,830,426
Water	2,543,719	2,533,715	2,461,472	2,278,265	2,321,059
Sewer	3,319,500	3,165,477	3,144,635	3,204,763	3,145,437
Refuse	1,331,180	1,304,109	1,258,989	1,237,112	1,213,982
Composting	3,010,654	2,868,093	3,112,047	2,423,121	2,544,124
Storm water	1,053,858	1,019,255	984,216	957,189	929,187
Liquor	7,314,289	7,343,276	7,669,235	6,371,522	6,244,754
Operating grants and contributions	50,639	16,146	17,483	26,594	36,234
Capital grants and contributions	161,316	227,296	298,848	313,081	353,581
Total Business-type Activities Program Revenues	<u>64,745,085</u>	<u>63,506,042</u>	<u>58,792,194</u>	<u>57,278,246</u>	<u>58,399,449</u>
 Total Primary Government Program Revenues	<u>\$ 72,181,508</u>	<u>\$ 70,726,457</u>	<u>\$ 65,863,189</u>	<u>\$ 66,575,815</u>	<u>\$ 65,981,570</u>
 Net (Expense)/Revenue					
Governmental activities	\$ (14,295,845)	\$ (12,534,505)	\$ (13,098,837)	\$ (9,659,972)	\$ (10,407,370)
Business-type activities	<u>2,903,959</u>	<u>4,034,003</u>	<u>6,808,908</u>	<u>4,412,392</u>	<u>5,539,959</u>
 Total Primary Government Net Expense	<u>\$ (11,391,886)</u>	<u>\$ (8,500,502)</u>	<u>\$ (6,289,929)</u>	<u>\$ (5,247,580)</u>	<u>\$ (4,867,411)</u>
 General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 5,624,438	\$ 5,436,822	\$ 5,288,603	\$ 5,131,925	\$ 4,967,617
Property taxes, levied for debt service	2,348,252	2,200,000	2,200,000	2,200,000	2,200,000
Tax increments	383,359	296,729	207,626	165,193	234,200
Hotel-motel tax	134,051	124,033	86,660	110,155	103,941
Payment in lieu of taxes	-	-	-	-	260,624
Franchise taxes	207,620	212,832	192,677	189,233	194,967
Grants and contributions not restricted to specific programs	2,962,464	2,646,782	2,577,193	2,421,043	2,428,676
Unrestricted investment earnings (loss)	(36,458)	68,252	539,587	692,739	252,723
Other revenues	2,074	5,077	-	-	5,939,376
Gain on sale of capital assets	50,007	138,006	97,194	59,757	46,440
Transfers	3,831,741	3,030,570	1,858,758	1,849,356	2,677,936
Capital contributions	(108,861)	(169,091)	-	-	-
Total Governmental Activities	<u>15,398,687</u>	<u>13,990,012</u>	<u>13,048,298</u>	<u>12,819,401</u>	<u>19,306,500</u>
 General Revenues and Other Changes in Net Position					
Business-type Activities					
Sales tax	1,947,530	1,751,928	1,571,978	1,537,844	1,482,066
Unrestricted investment earnings (loss)	(952,700)	25,400	1,130,054	1,183,696	595,182
Gain on sale of capital assets	4,297	102,802	120,746	102,658	42,961
Transfers	(3,831,741)	(3,030,570)	(1,858,758)	(1,849,356)	(2,677,936)
Capital contributions	108,861	169,091	-	-	-
Total Business-type Activities	<u>(2,723,753)</u>	<u>(981,349)</u>	<u>964,020</u>	<u>974,842</u>	<u>(557,727)</u>
 Total Primary Government	<u>\$ 12,674,934</u>	<u>\$ 13,008,663</u>	<u>\$ 14,012,318</u>	<u>\$ 13,794,243</u>	<u>\$ 18,748,773</u>
 Changes in Net Position					
Governmental Activities	\$ 1,102,842	\$ 1,455,507	\$ (50,539)	\$ 3,159,429	\$ 8,899,130
Business-type Activities	<u>180,206</u>	<u>3,052,654</u>	<u>7,772,928</u>	<u>5,387,234</u>	<u>4,982,232</u>
 Total Primary Government	<u>\$ 1,283,048</u>	<u>\$ 4,508,161</u>	<u>\$ 7,722,389</u>	<u>\$ 8,546,663</u>	<u>\$ 13,881,362</u>

Source: Financial Statements

Table 2 (Continued)

Fiscal Year				
2017	2016	2015	2014	2013
\$ 27,804,162	\$ 27,207,567	\$ 26,882,789	\$ 26,150,428	\$ 25,834,604
12,440,383	11,658,645	11,425,821	16,171,261	13,946,578
2,380,704	2,355,374	2,482,639	2,336,775	2,464,672
3,138,718	3,194,892	3,389,165	3,226,938	3,345,367
1,187,304	1,172,250	1,146,693	1,143,283	1,130,817
2,036,626	2,143,152	3,100,161	3,158,465	2,843,294
898,137	868,817	802,235	735,773	677,421
6,150,453	5,989,628	5,853,469	5,614,596	5,388,997
13,505	22,452	12,608	12,600	12,231
213,389	199,684	1,019,453	102,476	117,357
56,263,381	54,812,461	56,115,033	58,652,595	55,761,338
<u>\$ 63,821,628</u>	<u>\$ 60,811,041</u>	<u>\$ 63,619,742</u>	<u>\$ 64,754,370</u>	<u>\$ 63,178,215</u>
\$ (10,525,561)	\$ (12,369,983)	\$ (8,178,734)	\$ (10,459,100)	\$ (8,366,210)
3,429,403	3,658,649	4,220,963	3,521,346	2,871,195
<u>\$ (7,096,158)</u>	<u>\$ (8,711,334)</u>	<u>\$ (3,957,771)</u>	<u>\$ (6,937,754)</u>	<u>\$ (5,495,015)</u>
\$ 4,742,969	\$ 4,597,702	\$ 4,526,246	\$ 4,518,247	\$ 4,492,207
2,200,000	2,200,000	2,177,193	2,073,517	1,974,778
271,574	293,878	267,068	315,558	323,237
100,864	95,133	96,269	86,613	83,175
248,213	236,393	225,137	214,416	204,206
192,976	196,777	195,074	184,421	85,765
2,316,429	2,306,470	2,290,237	2,265,678	1,674,549
155,127	89,916	109,278	223,893	(93,334)
18,050	269,357	4,904	6,364	2,348
242,024	106,699	8,198	14,924	120,359
1,994,792	2,603,373	750,657	831,744	2,765,536
-	-	-	-	-
12,483,018	12,995,698	10,650,261	10,735,375	11,632,826
1,308,598	1,270,814	1,224,846	1,323,298	1,354,668
265,281	88,542	134,502	183,535	63,661
117,365	84,046	6,819	45,259	10,000
(1,994,792)	(2,603,373)	(750,657)	(831,744)	(2,765,536)
-	-	-	-	-
<u>(303,548)</u>	<u>(1,159,971)</u>	<u>615,510</u>	<u>720,348</u>	<u>(1,337,207)</u>
<u>\$ 12,179,470</u>	<u>\$ 11,835,727</u>	<u>\$ 11,265,771</u>	<u>\$ 11,455,723</u>	<u>\$ 10,295,619</u>
\$ 1,957,457	\$ 625,715	\$ 2,471,527	\$ 276,275	\$ 3,266,616
3,125,855	2,498,678	4,836,473	4,241,694	1,533,988
<u>\$ 5,083,312</u>	<u>\$ 3,124,393</u>	<u>\$ 7,308,000</u>	<u>\$ 4,517,969</u>	<u>\$ 4,800,604</u>

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City of Hutchinson, Minnesota
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Hotel- Motel Tax	Payment in Lieu of Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service					
2022	\$ 5,624,438	\$ 2,348,252	\$ 383,359	\$ 134,051	\$ -	\$ 207,620	\$ 8,697,720
2021	5,436,822	2,200,000	296,729	124,033	-	212,832	8,270,416
2020	5,288,603	2,200,000	207,626	86,660	-	192,677	7,975,566
2019	5,131,925	2,200,000	165,193	110,155	-	189,233	7,796,506
2018	4,967,617	2,200,000	234,200	103,941	260,624	194,967	7,961,349
2017	4,742,969	2,200,000	271,574	100,864	248,213	192,976	7,756,596
2016	4,597,702	2,200,000	293,878	95,133	236,393	196,777	7,619,883
2015	4,526,246	2,177,193	267,068	96,269	225,137	195,074	7,486,987
2014	4,518,247	2,073,517	315,558	86,613	214,416	184,421	7,392,772
2013	4,492,207	1,974,778	323,237	83,175	204,206	85,765	7,163,368

Source: Financial Statements

City of Hutchinson, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
General Fund					
Nonspendable	\$ 10,091	\$ 4,347	\$ 11,371	\$ 5,762	\$ 2,110
Restricted	-	-	220,052	226,754	59,514
Committed	5,741,774	5,585,597	5,478,457	5,381,040	5,249,917
Assigned	-	-	-	-	113,413
Unassigned	2,133,808	2,752,309	2,455,617	2,011,107	1,823,781
Total General Fund	<u>\$ 7,885,673</u>	<u>\$ 8,342,253</u>	<u>\$ 8,165,497</u>	<u>\$ 7,624,663</u>	<u>\$ 7,248,735</u>
All Other Governmental Funds					
Nonspendable, reported in					
Special revenue funds	\$ -	\$ -	\$ 1,573	\$ 260	\$ -
Capital projects funds	-	-	1,062	-	-
Restricted, reported in					
Debt service funds	4,245,435	4,801,759	6,162,692	5,998,978	5,591,291
Special revenue funds	2,718,305	2,984,407	3,107,146	3,328,125	3,330,716
Capital projects funds	28,273	5,598,270	-	-	-
Committed, reported in					
Special revenue funds	596,040	577,537	583,392	106,017	110,737
Capital projects funds	1,470,661	1,636,785	2,584,308	3,507,022	3,009,837
Assigned, reported in					
Special revenue funds	506,499	506,602	453,821	644,870	583,327
Capital projects funds	4,476,797	5,164,053	4,471,954	5,026,875	5,253,983
Unassigned, reported in					
Special revenue funds	(769,629)	(748,604)	(728,961)	(744,370)	(1,488,413)
Capital projects funds	(693,955)	(702,059)	(1,189,852)	(961,767)	(156,631)
Total All Other Governmental Funds	<u>\$ 12,578,426</u>	<u>\$ 19,818,750</u>	<u>\$ 15,447,135</u>	<u>\$ 16,906,010</u>	<u>\$ 16,234,847</u>

Source: Financial Statements

Table 4

Fiscal Year				
2017	2016	2015	2014	2013
\$ 275	\$ 4,959	\$ 126,547	\$ -	\$ 112,127
59,514	56,607	54,607	29,786	67,434
5,544,809	5,266,128	4,959,914	4,663,847	4,616,184
113,413	113,413	255,279	426,610	395,301
1,001,811	1,219,563	1,539,298	1,614,284	1,059,185
<u>\$ 6,719,822</u>	<u>\$ 6,660,670</u>	<u>\$ 6,935,645</u>	<u>\$ 6,734,527</u>	<u>\$ 6,250,231</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
5,183,989	5,481,226	4,498,594	4,950,754	4,872,276
2,904,796	3,088,961	3,933,227	4,057,729	2,049,954
-	8,999	-	-	12,019
118,531	830,372	120,278	120,278	121,398
-	236,293	-	14,661	-
566,448	506,798	435,872	375,967	284,861
2,037,769	2,577,499	5,383,434	5,926,037	7,236,090
(749,137)	(298,639)	-	(1,026)	(7,159)
(199,567)	(273,711)	(210,900)	(111,282)	(28,367)
<u>\$ 9,862,829</u>	<u>\$ 12,157,798</u>	<u>\$ 14,160,505</u>	<u>\$ 15,333,118</u>	<u>\$ 14,541,072</u>

City of Hutchinson, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Taxes	\$ 8,676,773	\$ 8,197,347	\$ 7,793,254	\$ 7,452,325	\$ 7,371,440
Special assessments	411,320	614,314	612,621	923,986	1,088,178
Intergovernmental revenue	4,377,513	4,665,768	4,697,226	6,904,746	5,013,658
Licenses and permits	492,165	564,539	505,409	529,002	561,655
Charges for services	3,111,017	2,958,696	2,183,064	2,916,389	2,772,324
Fines and forfeits	52,902	45,356	45,158	67,225	55,989
Investment earnings (loss)	(40,158)	127,619	494,380	631,050	218,938
Other revenues	1,162,041	940,026	574,710	857,919	7,242,496
Total Revenues	<u>18,243,573</u>	<u>18,113,665</u>	<u>16,905,822</u>	<u>20,282,642</u>	<u>24,324,678</u>
Expenditures					
General government	2,592,288	2,464,006	2,589,239	2,329,239	2,254,302
Community development	674,314	775,348	1,259,893	319,328	278,181
Public safety	5,092,717	5,211,278	4,779,423	4,758,499	4,723,644
Streets and highways	2,646,335	2,416,990	2,451,698	2,598,778	2,453,797
Culture and recreation	3,271,087	2,963,694	2,410,610	2,939,353	2,933,982
Miscellaneous	1,136,753	1,105,590	1,069,735	973,641	914,299
Capital outlay	17,378,367	6,933,954	6,844,765	9,072,931	7,022,252
Debt service					
Principal	2,465,000	4,490,000	2,015,000	2,110,000	1,970,000
Interest	649,649	510,255	513,545	489,069	475,741
Bond issuance costs	148,090	143,484	45,400	54,307	36,057
Total Expenditures	<u>36,054,600</u>	<u>27,014,599</u>	<u>23,979,308</u>	<u>25,645,145</u>	<u>23,062,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,811,027)</u>	<u>(8,900,934)</u>	<u>(7,073,486)</u>	<u>(5,362,503)</u>	<u>1,262,423</u>
Other Financing Sources (Uses)					
Sale of capital assets	7,950	41,628	2,500	2,500	6,495
Transfers in	5,493,791	4,776,388	4,659,144	3,779,206	4,193,817
Transfers out	(1,639,050)	(1,699,818)	(1,025,067)	(183,091)	(1,006,288)
Bonds issued	5,885,000	9,620,000	2,405,000	2,675,000	2,395,000
Premium on bonds issued	366,432	711,107	-	135,979	49,484
Total Other Financing Sources (Uses)	<u>10,114,123</u>	<u>13,449,305</u>	<u>6,041,577</u>	<u>6,409,594</u>	<u>5,638,508</u>
Net Change in Fund Balances	<u><u>\$ (7,696,904)</u></u>	<u><u>\$ 4,548,371</u></u>	<u><u>\$ (1,031,909)</u></u>	<u><u>\$ 1,047,091</u></u>	<u><u>\$ 6,900,931</u></u>
Debt Service as a Percentage of Noncapital Expenditures	16.15%	24.05%	13.84%	15.19%	14.74%

Source: Financial Statements

* The capital outlay is broken down in the CAFR's by function of government but consolidated on this table.

Table 5

Fiscal Year				
2017	2016	2015	2014	2013
\$ 6,868,189	\$ 7,378,523	\$ 7,255,422	\$ 7,168,812	\$ 6,980,438
781,191	2,812,394	830,081	1,057,900	1,646,524
4,798,875	1,904,422	5,911,845	4,227,782	4,000,220
686,987	281,559	324,083	283,488	278,629
2,604,636	2,192,444	1,922,483	2,183,844	2,249,396
50,233	45,588	45,449	59,737	60,012
134,569	74,374	101,220	207,830	(85,668)
1,161,766	1,275,922	1,485,213	2,251,024	2,304,362
17,086,446	15,965,226	17,875,796	17,440,417	17,433,913
2,182,465	2,101,566	1,995,215	1,902,830	2,247,388
242,142	575,177	208,850	427,997	325,164
4,457,700	4,208,847	4,176,717	3,949,625	3,741,161
2,163,764	2,108,807	2,161,317	2,458,488	2,638,192
2,855,857	2,392,960	2,339,479	2,258,762	2,365,151
892,511	972,558	887,981	834,461	712,597
9,521,627	8,455,158	7,347,784	7,601,893	5,892,215
1,835,000	2,150,000	3,330,000	4,470,000	3,080,000
434,866	458,736	459,149	499,079	566,548
63,431	43,495	50,384	76,143	48,223
24,649,363	23,467,304	22,956,876	24,479,278	21,616,639
(7,562,917)	(7,502,078)	(5,081,080)	(7,038,861)	(4,182,726)
107,222	2,915	-	-	525,359
5,585,344	5,926,322	3,396,428	4,521,284	4,381,016
(2,893,680)	(3,203,949)	(1,508,781)	(1,771,083)	(1,615,480)
2,445,000	2,435,000	2,140,000	3,415,000	2,230,000
83,214	64,108	81,938	86,554	51,686
5,327,100	5,224,396	4,109,585	6,251,755	5,572,581
<u>\$ (2,235,817)</u>	<u>\$ (2,277,682)</u>	<u>\$ (971,495)</u>	<u>\$ (787,106)</u>	<u>\$ 1,389,855</u>
14.09%	16.15%	23.86%	24.54%	21.65%

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City of Hutchinson, Minnesota
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ended December 31	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Estimated ⁽¹⁾ Actual Taxable Value	Total Direct Tax Rate
2022	\$ 1,077,965,200	\$ 163,175,100	\$ 2,236,300	\$ 1,243,376,600	\$1,308,817,474	60.407
2021	1,016,610,700	164,429,000	1,995,700	1,183,035,400	1,245,300,421	63.882
2020	898,916,100	165,297,600	1,874,300	1,066,088,000	1,122,197,895	66.473
2019	771,174,100	149,313,600	1,879,200	922,366,900	970,912,526	67.045
2018	740,142,000	151,192,700	1,889,700	893,224,400	940,236,211	71.141
2017	677,811,800	187,632,100	1,673,200	867,117,100	912,754,842	71.953
2016	646,911,200	186,475,400	1,681,000	835,067,600	879,018,526	73.966
2015	609,870,300	185,836,600	1,659,800	797,366,700	839,333,368	74.416
2014	583,378,600	187,325,600	1,612,500	772,316,700	812,964,947	74.518
2013	577,624,600	186,990,400	463,500	765,078,500	805,345,789	73.230

Source: County Auditors Office

Note: ⁽¹⁾ According to the Minnesota Department of Revenue, the Assessor's Taxable Market Value for the City of Hutchinson is about 104% of the actual selling prices of property most recently sold in the City. Estimated actual taxable value is calculated by dividing assessed value by the percent (104%). Valuations are determined as of January 1st of the year preceding the tax collection year. Amounts are shown for the year in which taxes are payable. Assessed value is prior to Fiscal Disparity and Tax Increment District Adjustments.

City of Hutchinson, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Hutchinson			Overlapping Rates County		
	Operating	Debt Service	Total City	Operating	Debt Service	Total County
2022	42.573	17.834	60.407	54.257	3.277	57.534
2021	45.464	18.418	63.882	55.112	3.445	58.557
2020	46.867	19.606	66.473	56.305	3.504	59.809
2019	46.867	20.178	67.045	55.248	2.634	57.882
2018	49.139	22.002	71.141	54.253	1.881	56.134
2017	49.182	22.771	71.953	51.660	1.932	53.592
2016	50.112	23.854	73.966	51.002	1.952	52.954
2015	50.280	24.136	74.416	50.785	2.175	52.960
2014	51.137	23.381	74.518	55.418	-	55.418
2013	51.027	22.203	73.230	59.664	-	59.664

Source: McLeod County Auditor and Treasurers Office

Table 7

Overlapping Rates				Total Direct Rates	Total Overlapping Rates	Total Direct and Overlapping Rates
School District						
Operating	Debt Service	Total School	Special Districts			
7.568	22.947	30.515	3.446	60.407	91.495	151.902
8.746	24.798	33.544	3.559	63.882	95.660	159.542
6.992	27.261	34.253	3.612	66.473	97.674	164.147
8.685	14.870	23.555	3.581	67.045	85.018	152.063
8.206	17.005	25.211	3.608	71.141	84.953	156.094
8.037	17.452	25.489	3.609	71.953	82.690	154.643
9.600	17.772	27.372	3.659	73.966	83.985	157.951
8.641	6.332	14.973	3.634	74.416	71.567	145.983
8.033	6.966	14.999	3.678	74.518	74.095	148.613
9.040	7.767	16.807	3.651	73.230	80.122	153.352

City of Hutchinson, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

Taxpayer	Type of Business	2022			2013		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
3M Company (MN Mining & Mfg)	Manufacturing	\$15,750,200	1	1.25 %	\$16,483,200	1	2.16 %
Sterling Properties LLLP	Apartments	10,404,300	2	0.84	4,585,700	7	0.60
Menards, Inc	Commercial/Retail	7,916,400	3	0.64	7,483,600	4	0.98
Wal-Mart	Commercial/Retail	7,913,100	4	0.64	7,950,700	3	1.04
Hutch Ward II LLC	Apartments	7,410,000	5	0.60			
Uponor	Manufacturing	6,710,400	6	0.54			
Spirit Realty LP	Industrial	5,670,700	7	0.46			
Bear Paw Properties	Senior Living	5,635,400	8	0.45			
City of Hutchinson	Retail Building	5,041,400	9	0.41	5,071,600	6	0.66
Target (Dayton Hudson Corp)	Commercial/Retail	4,964,600	10	0.40	5,461,000	5	0.71
TDK Corporation (formerly HTI)	Manufacturing				10,046,300	2	1.31
Crow River Apartments Limited	Apartments				3,972,200	8	0.52
Coborn Realty Co / Cash Wise Foods	Commercial/Grocery				3,531,200	9	0.46
Nolan River Mall	Commercial/Retail				3,414,500	10	0.45
Total		<u>\$ 77,416,500</u>		<u>6.23 %</u>	<u>\$ 68,000,000</u>		<u>8.89 %</u>

Source: McLeod County Auditors Office

City of Hutchinson, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2022	\$ 7,953,808	\$ 7,861,311	98.84 %	\$ -	\$ 7,861,311	98.84 %
2021	7,630,779	7,563,984	99.12	57,627	7,621,611	99.88
2020	7,458,910	7,414,433	99.40	40,567	7,455,000	99.95
2019	7,310,005	7,278,548	99.57	31,457	7,310,005	100.00
2018	7,113,466	7,088,464	99.65	23,337	7,111,801	99.98
2017	6,951,796	6,905,665	99.34	45,111	6,950,776	99.99
2016	6,769,035	6,720,677	99.29	47,376	6,768,053	99.99
2015	6,656,623	6,604,808	99.22	51,225	6,656,033	99.99
2014	6,552,963	6,493,765	99.10	58,464	6,552,229	99.99
2013	6,454,224	6,403,138	99.21	48,389	6,451,527	99.96

Source: McLeod County Tax Settlements and City of Hutchinson Finance Department

City of Hutchinson, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	General Obligation Tax Increment Bonds	Special Assessment Bonds	Notes Payable
2022	\$ 14,505,753	\$ -	\$ 14,653,341	\$ -
2021	8,272,088	-	17,236,498	-
2020	-	-	19,895,195	-
2019	-	-	19,857,912	30,000
2018	-	-	19,515,584	60,000
2017	-	-	19,676,467	90,000
2016	-	-	19,003,047	120,000
2015	-	-	17,184,350	150,000
2014	-	-	18,322,782	180,000
2013	-	-	19,314,609	210,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- ⁽¹⁾ Outstanding General Obligation Revenue Bonds are a combination of Water and Sewer Bonds and Minnesota Public Facilities Authority (MPFA) Drinking Water Revolving Fund loans. The Funds from the MPFA are being used to build a new water treatment facility.
- ⁽²⁾ Outstanding Revenue Bonds reflect bonds issued by the City owned by Public Utilities
- ⁽³⁾ Business-type financed purchase arrangements reflect equipment leased in Water, Sewer, Refuse and Compost funds and the Public Utility Commission.
- ⁽⁴⁾ Includes refunded bonds of \$15,195,000

Table 10

Business-type Activities					
General Obligation Revenue Bonds ⁽¹⁾	Revenue Bonds ⁽²⁾	Financed Purchase Arrangements ⁽³⁾	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 14,358,762	\$ 23,036,034	\$ 208,816	\$ 66,762,706	8.13 %	\$ 4,611
17,170,528	25,685,097	274,418	68,638,629	9.00	4,738
15,815,368	28,144,162	423,600	64,278,325	9.01	4,533
21,369,536	30,463,228	568,643	72,289,319	10.40	5,107
20,934,620	32,677,293	249,644	73,437,141	10.85	5,191
21,817,341	34,191,359 ⁽⁴⁾	384,487	76,159,654	12.01	5,382
24,240,591	18,845,615	133,865	62,343,118	9.82	4,411
26,637,841	20,316,224	209,287	64,497,702	10.47	4,552
29,301,371	21,903,551	314,301	70,022,005	11.91	4,958
33,469,371	23,269,326	415,298	76,678,604	13.46	5,416

City of Hutchinson, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	General Obligation Tax Increment Bonds	Special Assessment Bonds	Revenue Bonds	Less: Amounts Paid from Proprietary Revenue	Less: Amounts Available in Debt Service Fund
2022	\$ 28,864,515	\$ -	\$ 14,653,341	\$ 23,036,034	\$ 37,394,796	\$ 4,245,435
2021	25,442,616	-	17,236,498	25,685,097	42,855,625	4,801,759
2020	15,815,368	-	19,895,195	28,144,162	43,959,530	6,162,692
2019	21,369,536	-	19,857,912	30,463,228	51,832,764	5,998,978
2018	20,934,620	-	19,515,584	32,677,293	53,611,913	5,591,291
2017	21,817,341	-	19,676,467	34,191,359	56,008,700	5,183,989
2016	24,240,591	-	19,003,047	18,845,615	43,086,206	5,481,226
2015	26,637,841	-	17,184,350	20,316,224	46,954,065	4,498,594
2014	29,301,371	-	18,322,782	21,903,551	51,204,922	4,950,754
2013	33,469,371	-	19,314,609	23,269,326	56,738,697	4,872,276

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See Table 6 for property value data.

Table 11

Total	Percentage of Total Taxable Assessed ⁽¹⁾ Value of Property	Per Capita
\$ 24,913,659	2.00 %	\$ 1,721
20,706,827	1.75	1,429
13,732,503	1.29	968
13,858,934	1.30	979
13,924,293	1.51	984
14,492,478	1.62	1,024
13,521,821	1.56	957
12,685,756	1.52	895
13,372,028	1.68	947
14,442,333	1.87	1,020

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City of Hutchinson, Minnesota
Computation of Direct and Overlapping Governmental Activities Debt
December 31, 2022

Table 12

Governmental Unit	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable ⁽²⁾	Estimated Share of Overlapping Debt
Direct Debt			
City of Hutchinson	\$ 29,159,094	100.00 %	\$ 29,159,094
Overlapping Debt			
McLeod County	18,358,986	29.54	5,424,060
Independent School Dist. 423	67,640,000	66.71	45,122,184
Total Overlapping Debt	85,998,986		50,546,244
Total Direct and Overlapping Debt	\$115,158,080		\$ 79,705,338

Sources : ⁽¹⁾ Outstanding debt data provided by the City, McLeod County Auditors Office and ISD #423.

⁽²⁾ Estimated percentages come from the Local Taxable Tax Capacity numbers supplied annually by the McLeod County Auditors Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hutchinson. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Hutchinson, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Assessed Value (See Table 6)	\$1,243,376,600	\$1,183,035,400	\$1,066,088,000	\$ 922,366,900	\$ 893,224,400
Legal Debt Limit Debt limit (3% of assessed value)	37,301,298	35,491,062	31,982,640	27,671,007	26,796,732
Debt Applicable to Limit: (See Table 10)					
General Obligation Bonds	14,505,753	8,272,088	-	-	-
Less: Amount reserved for repayment of general obligation debt	(4,245,435)	(4,801,759)	(6,162,692)	(5,998,978)	(5,591,291)
Total Net Debt Applicable to Limit	<u>10,260,318</u>	<u>3,470,329</u>	<u>(6,162,692)</u>	<u>(5,998,978)</u>	<u>(5,591,291)</u>
Legal Debt Margin	<u>\$ 27,040,980</u>	<u>\$ 32,020,733</u>	<u>\$ 38,145,332</u>	<u>\$ 33,669,985</u>	<u>\$ 32,388,023</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	27.51%	9.78%	-19.27%	-21.68%	-20.87%

Source: Assessed values are provided by McLeod County Auditor's Office.

Note: Minn. Stat. Section 475.53, subd. 1 states that except as otherwise provided in Minn. Stat. Sections 474.74 to 475.51, no municipality except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the estimated market value.

Table 13

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 867,117,100	\$ 835,067,600	\$ 797,366,700	\$ 772,316,700	\$ 765,078,500
26,013,513	25,052,028	23,921,001	23,169,501	22,952,355
-	-	-	-	-
<u>(5,183,989)</u>	<u>(5,481,226)</u>	<u>(4,498,594)</u>	<u>(4,950,754)</u>	<u>(4,872,276)</u>
<u>(5,183,989)</u>	<u>(5,481,226)</u>	<u>(4,498,594)</u>	<u>(4,950,754)</u>	<u>(4,872,276)</u>
<u>\$ 31,197,502</u>	<u>\$ 30,533,254</u>	<u>\$ 28,419,595</u>	<u>\$ 28,120,255</u>	<u>\$ 27,824,631</u>
-19.93%	-21.88%	-18.81%	-21.37%	-21.23%

City of Hutchinson, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Year	Utility Revenue Bonds ⁽¹⁾					
	Operating Revenues	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Interest	
2022	\$ 52,600,144	\$ 49,786,385	\$ 2,813,759	\$ 5,217,602	\$ 1,389,589	0.43
2021	51,506,805	47,741,114	3,765,691	5,034,182	1,456,574	0.58
2020	44,458,646	39,878,458	4,580,188	7,746,043	1,611,375	0.49
2019	46,727,885	41,989,301	4,738,584	4,680,776	1,808,777	0.73
2018	47,793,436	42,208,203	5,585,233	3,892,843	1,891,142	0.97
2017	46,345,385	42,834,203	3,511,182	4,372,655	1,600,041	0.59
2016	44,808,639	41,281,522	3,527,117	3,731,422	1,544,312	0.67
2015	44,645,425	41,306,845	3,338,580	3,549,014	1,668,286	0.64
2014	48,405,216	44,148,102	4,257,114	3,313,997	1,839,412	0.83
2013	46,072,120	41,713,462	4,358,658	5,029,891	2,478,505	0.58

Source: City of Hutchinson Financial Records

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Utility Revenue Bonds include Water, Sewer, Storm Water and Public Utilities Commission funds
(excludes the Municipal Liquor Store, Composting and Refuse funds which have no outstanding debt service requirements)

⁽²⁾ Total operating expenses exclusive of depreciation

⁽³⁾ Debt service requirements for special assessment bonds issued comes from a combination of tax collections, which includes tax credits from the State of Minnesota and special assessment collections.

Table 14

G.O. Bonds				Special Assessment Bonds			
Tax Collections	Debt Service Requirements		Coverage	Special Assessment and Tax Collections ⁽³⁾	Debt Service Requirements		Coverage
	Principal	Interest			Principal	Interest	
\$ 297	\$ 55,000	\$ 550	0.01	\$ 2,685,876	\$ 2,465,000	\$ 601,680	0.88
59,787	155,000	2,650	0.38	2,721,594	4,490,000	475,690	0.55
188,511	310,000	7,300	0.59	2,578,243	1,985,000	483,982	1.04
336,420	325,000	13,650	0.99	2,767,674	2,080,000	463,555	1.09
358,995	600,000	23,138	-	2,601,776	1,940,000	434,862	1.10
-	-	-	-	2,151,946	1,805,000	416,431	0.97
-	-	-	-	3,379,975	2,120,000	415,406	1.33
-	-	-	-	2,991,334	2,070,000	429,706	1.20
-	-	-	-	3,105,874	2,315,000	494,045	1.11
-	-	-	-	2,944,900	2,395,000	517,024	1.01

City of Hutchinson, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

Fiscal Year	Population ⁽¹⁾	Personal ⁽²⁾ Income	Per Capita Personal Income	School ⁽³⁾ Enrollment (K-12)	Unemployment Rate ⁽⁴⁾	State Unemployment Rate ⁽⁴⁾	National Unemployment Rate ⁽⁴⁾
2022	14,478	\$ 821,227,847 ⁽⁵⁾	\$ 56,722	2,761	2.9 %	2.7 %	3.6 %
2021	14,487	762,550,434	52,637	2,756	3.7	3.4	5.3
2020	14,181	713,110,810	50,286	2,761	5.4	6.2	8.1
2019	14,155	695,110,825	49,107	2,916	3.8	3.2	3.7
2018	14,147	676,997,265	47,854	2,944	3.1	2.9	3.9
2017	14,151	634,148,809	44,813	2,958	3.7	3.4	4.4
2016	14,135	634,658,573	44,900	2,968	4.4	3.9	4.9
2015	14,170	616,173,372	43,484	2,957	3.9	3.7	5.3
2014	14,124	587,806,085	41,618	2,959	5.0	4.2	6.2
2013	14,158	569,746,963	40,242	3,055	6.1	5.0	7.4

Data Sources: ⁽¹⁾ United States Census Bureau or Minnesota State Demographer.

⁽²⁾ Personal Income is estimated based on McLeod County numbers, McLeod County population and City of Hutchinson Population.

⁽³⁾ Minnesota Department of Education.

⁽⁴⁾ Minnesota Department of Employment and Economic Development (DEED); average annual rates

⁽⁵⁾ 2022 data is not available at time of publish; these are estimated totals

City of Hutchinson, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 16

Employer	2022 ⁽¹⁾			2013 ⁽²⁾		
	Employees ⁽⁴⁾	Rank	Percentage of Total County Employment ⁽⁴⁾	Employees ⁽³⁾	Rank	Percentage of Total County Employment ⁽⁴⁾
3M Corporation	1,576	1	8.69 %	1,500	1	8.08 %
Hutchinson Area Health Care	572	2	3.15	630	3	3.39
Hutchinson Schools - ISD 423	456	3	2.51	452	4	2.43
Wal-Mart	286	4	1.58	280	6	1.51
Ridgewater College	197	5	1.09			
City of Hutchinson	196	6	1.08	290	5	1.56
Cash Wise Foods	174	7	0.96	200	8	1.08
Resonetics	161	8	0.89			
Menards	157	9	0.87	130	10	
Heartland Ag Systems	130	10	0.72			
Aveyron Homes				135	9	0.73
TDK Corporation (formerly HTI)				653	2	3.52
National Guard Recruiting				202	7	1.09
Total	<u>3,905</u>		<u>21.54 %</u>	<u>4,472</u>		<u>23.39 %</u>

Sources: ⁽¹⁾ 2017 Offering Statement on Municipal Bonds sold.

⁽²⁾ 2008 Offering Statement on Municipal Bonds sold.

⁽³⁾ Includes full-time, part-time and seasonal employees.

⁽⁴⁾ Percentages are compiled based on Total County employment and come from the Minnesota Department of Employment and Economic Development.

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City of Hutchinson, Minnesota
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 17

Function/Program	Full-time Equivalent Employees as of December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
Mayor and City Council ⁽¹⁾	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration	3.58	3.39	3.48	3.24	3.24	3.25	3.17	3.45	3.08	3.53
Finance	3.01	2.86	3.09	2.99	2.99	2.93	2.98	3.21	2.82	3.16
Attorney	1.53	1.52	1.53	1.49	1.52	1.50	1.50	1.22	1.22	1.19
Planning and zoning	1.70	1.20	1.25	1.20	1.17	1.30	1.22	1.29	1.31	1.47
Information services	3.02	3.02	3.01	2.68	2.77	3.00	3.00	3.16	3.16	3.79
Motor vehicle	4.11	3.93	3.90	3.97	3.82	3.72	3.28	2.97	3.16	3.18
Building maintenance	1.00	1.00	1.04	1.00	1.00	1.19	0.69	0.46	0.71	0.78
Cemetery	2.26	1.01	1.38	1.10	1.02	1.33	0.96	1.16	1.11	1.11
Public Safety										
Police										
Officers	24.44	25.89	23.66	23.26	22.79	21.91	21.63	21.74	21.87	22.04
Civilians	10.32	11.15	15.60	15.33	17.34	16.53	15.59	15.73	13.19	9.86
Fire										
Firefighters and officers ⁽²⁾	5.25	5.72	5.51	5.31	4.62	4.98	4.98	4.20	4.46	3.23
Building inspection	2.80	3.25	3.32	3.91	3.30	2.97	2.50	2.26	2.07	2.06
Streets and Highways										
Engineering	3.12	3.39	4.24	3.71	3.73	3.82	3.77	3.94	4.30	5.31
Maintenance	7.31	7.81	7.76	7.77	7.87	7.20	7.05	7.41	8.18	7.15
Culture and Recreation										
Parks ⁽³⁾	31.09	28.71	20.48	31.16	33.45	34.84	23.48	25.30	24.04	24.43
Library	-	-	-	-	-	-	0.00	0.13	0.20	0.21
Housing and Economic Development	1.31	1.36	1.35	1.36	1.67	1.42	1.53	1.55	1.79	1.92
Transportation										
Airport and bus drivers	0.57	0.56	0.55	0.56	0.50	0.20	0.34	0.26	0.31	0.25
Liquor	12.98	12.82	13.19	12.32	12.72	12.52	11.55	11.30	10.97	10.35
Water	5.86	5.52	5.88	5.82	5.90	6.03	7.65	6.11	5.34	5.37
Sewer	8.43	8.59	8.88	8.44	8.50	7.50	6.64	7.39	7.94	7.55
Refuse	2.28	2.30	2.34	2.44	2.51	2.49	1.58	2.07	2.46	2.66
Storm Water	3.44	3.20	3.35	2.96	2.34	2.76	2.71	1.87	1.59	1.53
Composting	6.09	6.98	7.27	6.59	6.06	5.99	5.57	6.14	7.67	7.91
Natural Gas	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Electric	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Total	<u>195.50</u>	<u>195.18</u>	<u>192.06</u>	<u>198.61</u>	<u>200.83</u>	<u>199.38</u>	<u>183.37</u>	<u>184.32</u>	<u>182.95</u>	<u>180.04</u>

Source: City of Hutchinson Budget Books, Hutchinson Area Health Care and Public Utilities Commission

⁽¹⁾ The City of Hutchinson is comprised of one mayor and four council members. These numbers do not reflect full-time equivalent hours based on actual yearly full-time hours worked.

⁽²⁾ Paid-on-call volunteer firefighters are reflected in full-time equivalent hours on a yearly basis.

⁽³⁾ Seasonal employees were added in 2017 for the new aquatic center operations.

City of Hutchinson, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2022	2021	2020 (2)	2019	2018
General Government					
Permits issued	899	1,060	2,275	1,038	1,424
Building inspections	1,913	2,099	1,154	3,685	2,737
Public Safety					
Police					
Incidents (calls for service)	15,709	16,329	17,459	20,042	20,116
Arrests	730	365	360	458	481
Citations		511	631	892	845
Fire					
Number of calls answered	497	498	484	463	492
Code inspections	77	51	46	254	306
Training hours	3,073	3,066	2,203	3,403	2,793
Highways and Streets					
Street reconstruction (miles)	1	1.00	0.70	1.59	1.35
Street resurfacing (miles)	1.00	1.00	1.00	3.79	6.09
Patching material used (tons)	124	216	399	345	148
Sanitation					
Raw incoming (tons)					
Source separated organics	1,355	1,437	1,612	1,494	1,597
Leaves, grass, and other wastes	7,010	6,728	6,796	7,148	8,292
Culture and Recreation					
Athletic field maintenance hours	2,680	2,475	707	3,271	3,281
Ice time sold	1,988	1,709	1,003	2,134	2,180
Pool admissions ⁽²⁾	43,120	40,687	-	41,470	48,623
Shelters reserved	544	109	249	524	440
Water					
Average daily consumption (in gallons)	1,476,900	1,506,900	1,490,200	1,356,900	1,347,500
Wastewater					
Average daily sewage treatment MGD (million gallons/day)	2.00	1.91	2.00	2.65	2.28
Public Utilities					
Kilowatt hours (KWH) generated	43,733,000	48,269,000	19,844,000	22,900,000	34,524,000
Natural gas purchased and generated (MCF)	2,132,094	1,988,268	1,770,463	1,925,515	1,937,455
Liquor					
Liquor store sales volume (\$)	\$ 7,298,303	\$ 7,334,887	\$ 7,666,596	\$ 6,369,376	\$ 6,242,500

Sources: Various City departments, Public Utilities Commission and Hutchinson Area Health Care

⁽¹⁾ The outdoor pool was closed in 2016 and a new outdoor aquatic center opened in 2017.

⁽²⁾ The majority of City functions and programs in 2020 were severely and negatively impacted by the COVID-19 pandemic.

Table 18

Fiscal Year				
2017 (1)	2016	2015	2014	2013
2,291	1,089	1,108	1,080	1,133
3,029	1,415	1,850	1,222	1,716
18,913	17,152	15,589	17,119	16,812
422	372	371	380	369
757	802	484	1,179	1,185
532	505	466	465	388
233	218	74	660	869
3,078	3,018	3,038	3,636	3,327
1.29	1.63	1.18	1.55	0.72
0.24	8.25	0.55	8.56	2.10
123	183	348	136	103
1,677	1,785	2,150	2,728	2,137
7,648	8,227	8,149	14,158	14,623
2,994	2,811	2,664	2,698	2,898
2,120	2,222	2,121	1,793	2,089
54,937	-	10,487	11,415	12,564
439	522	465	364	380
1,430,400	1,418,500	1,476,445	1,458,000	1,493,000
2.43	2.54	2.00	2.25	1.97
28,605,000	35,823,000	22,411,000	28,819,000	35,619,000
1,854,437	1,817,631	1,714,534	2,058,642	2,014,780
\$ 6,148,149	\$ 5,986,472	\$ 5,850,584	\$ 5,612,423	\$ 5,384,444

City of Hutchinson, Minnesota
Capital Asset and Infrastructure Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2022	2021	2020	2019	2018
General Government					
City center	1	1	1	1	1
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol units	12	12	12	12	12
Fire					
Stations	1	1	1	1	1
Vehicles	9	9	9	9	9
Highways and Streets					
Miles of street	77.0	77.0	77.5	77.5	77.0
Bridges	6	6	6	6	6
Parks and Recreation					
Parks	41	41	41	41	41
Area in acres	401	401	401	401	401
Indoor ice arena	2	2	2	2	2
Recreation center (includes pool)	1	1	1	1	1
Event center	1	1	1	1	1
Compost/Refuse					
Compost buildings	2	2	2	2	2
Liquor					
Liquor store building	1	1	1	1	1
Utilities					
Municipal water					
Water treatment plant	1	1	1	1	1
Water towers	3	3	3	3	3
Miles of water main	103.0	102.0	102.0	100.0	100.0
Municipal sanitary sewer					
Wastewater treatment buildings	8	8	8	8	8
Miles of sanitary sewer	92.0	92.0	92.0	91.0	91.0
Number of lift stations	15	15	15	15	15
Storm sewer					
Holding ponds and lakes	57	56	53	53	53
Electric division					
Miles of transmission lines	17.0	17.0	17.0	17.0	17.0
Number of substations	6	6	6	6	6
Natural gas division					
Miles of gas lines	297	295	294	294	294

Source: Various City departments and capital asset system

Table 19

Fiscal Year				
2017	2016	2015	2014	2013
1	1	1	1	1
1	1	1	1	1
12	11	11	11	11
1	1	1	1	1
8	9	9	9	9
77.0	77.0	76.0	76.0	76.0
6	6	6	6	6
37	37	37	37	37
401	401	401	401	401
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
3	3	3	3	3
100.0	99.0	109.0	106.0	106.0
8	8	8	8	8
91.0	91.0	95.0	95.0	95.0
15	13	13	13	13
53	53	53	50	49
17.0	17.0	17.1	17.1	17.0
6	6	6	6	6
292	292	292	290	290

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City of Hutchinson, Minnesota
Combined Schedule of Bonds Payable
December 31, 2022

Table 20

<u>Year Issued</u>	<u>Original Amount</u>	<u>Retired</u>	<u>Bonds Outstanding</u>	<u>Coupon Rates</u>
GENERAL OBLIGATION BONDS				
2021A	\$ 7,795,000	\$ -	\$ 7,795,000	2.00 - 4.00 %
2022A	<u>5,885,000</u>	<u>-</u>	<u>5,885,000</u>	4.00 - 5.00
Totals	<u>\$ 13,680,000</u>	<u>\$ -</u>	<u>\$ 13,680,000</u>	
GENERAL OBLIGATION SPECIAL ASSESSMENT BONDS				
2009D	\$ 2,255,000	\$ 2,255,000	\$ -	2.00 - 3.63 %
2010C	4,595,000	4,595,000	-	3.00 - 3.13
2011A	2,830,000	2,830,000	-	0.05 - 3.25
2012B	2,095,000	2,095,000	-	3.00
2012C	2,275,000	2,275,000	-	2.00 - 2.50
2013A	2,230,000	2,230,000	-	2.00 - 3.50
2014A	3,415,000	2,195,000	1,220,000	2.00 - 3.00
2015A	2,140,000	845,000	1,295,000	2.85 - 3.00
2016A	3,880,000	2,295,000	1,585,000	2.00
2017A	2,445,000	710,000	1,735,000	2.00 - 3.00
2018A	2,395,000	560,000	1,835,000	3.00 - 4.00
2019A	2,675,000	390,000	2,285,000	2.00 - 3.00
2020A	2,405,000	110,000	2,295,000	0.35 - 1.40
2021A	<u>1,825,000</u>	<u>-</u>	<u>1,825,000</u>	2.00 - 4.00
Totals	<u>\$ 37,460,000</u>	<u>\$ 23,385,000</u>	<u>\$ 14,075,000</u>	
GENERAL OBLIGATION REVENUE BONDS				
2005 PFA	\$ 5,696,371	\$ 4,962,001	\$ 734,370	2.53 %
2006 PFA	12,216,000	9,818,000	2,398,000	2.63
2007 PFA	13,696,602	10,116,602	3,580,000	2.15
2012B	2,700,000	2,700,000	-	3.00
2018A	1,550,000	400,000	1,150,000	3.00 - 4.00
2019A	2,790,000	455,000	2,335,000	2.00 - 3.00
2021A	<u>3,460,000</u>	<u>-</u>	<u>3,460,000</u>	3.00 - 4.00
Totals	<u>\$ 42,108,973</u>	<u>\$ 28,451,603</u>	<u>\$ 13,657,370</u>	
ELECTRIC UTILITIES REVENUE BONDS				
2012A	\$ 20,720,000	\$ 12,940,000	\$ 7,780,000	4.00 - 5.00 %
2017B	<u>16,675,000</u>	<u>2,645,000</u>	<u>14,030,000</u>	3.00 - 4.00
Totals	<u>\$ 37,395,000</u>	<u>\$ 15,585,000</u>	<u>\$ 21,810,000</u>	

City of Hutchinson, Minnesota
Public Utilities Commission
Operating Expenses by Function
Last Ten Fiscal Years

<u>Electric Division</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Production	\$ 6,721,410	\$ 5,052,088	\$ 3,483,546	\$ 3,776,245	\$ 3,883,945
Purchase Power/Gas	13,464,644	13,740,072	13,175,999	14,037,852	15,162,365
Transmission	3,180,332	3,110,471	2,334,541	3,064,741	2,652,119
Distribution	1,954,926	1,446,601	1,485,856	1,368,188	1,321,212
Customer Accounts	253,103	240,193	252,606	240,775	223,038
Administrative	1,779,772	1,667,276	1,686,199	1,597,928	1,592,817
Depreciation and Depletion	<u>3,440,752</u>	<u>3,334,286</u>	<u>2,804,539</u>	<u>2,728,998</u>	<u>2,770,697</u>
Total Electric	<u>\$ 30,794,939</u>	<u>\$ 28,590,987</u>	<u>\$ 25,223,286</u>	<u>\$ 26,814,727</u>	<u>\$ 27,606,193</u>
<u>Natural Gas Division</u>					
Transmission	\$ 225,561	\$ 229,104	\$ 236,423	\$ 183,311	\$ 148,891
Purchased Gas	9,356,872	9,830,566	5,588,511	5,961,040	6,084,090
Distribution	1,130,075	984,148	948,091	979,913	838,259
Customer Accounts	222,252	197,186	189,536	184,860	192,484
Administrative	1,027,270	942,757	932,864	965,449	656,350
Depreciation and Depletion	<u>1,092,249</u>	<u>1,097,263</u>	<u>1,088,555</u>	<u>1,078,481</u>	<u>1,033,788</u>
Total Natural Gas	<u>\$ 13,054,279</u>	<u>\$ 13,281,024</u>	<u>\$ 8,983,980</u>	<u>\$ 9,353,054</u>	<u>\$ 8,953,862</u>

Table 21

2017	2016	2015	2014	2013
\$ 3,071,804	\$ 3,387,289	\$ 3,066,764	\$ 3,602,519	\$ 3,944,441
14,634,350	13,889,577	15,068,183	14,187,971	13,769,831
2,707,438	2,376,359	1,953,324	1,684,538	1,493,351
893,411	969,907	894,143	863,097	882,745
275,042	246,627	229,470	190,638	191,713
2,684,081	2,816,972	2,610,006	2,709,414	2,680,919
<u>2,830,636</u>	<u>2,820,446</u>	<u>2,816,301</u>	<u>2,744,769</u>	<u>2,612,388</u>
<u>\$ 27,096,762</u>	<u>\$ 26,507,177</u>	<u>\$ 26,638,191</u>	<u>\$ 25,982,946</u>	<u>\$ 25,575,388</u>
\$ 127,459	\$ 119,454	\$ 119,452	\$ 130,519	\$ 118,379
6,883,154	5,697,867	5,988,821	10,460,268	7,433,522
624,192	580,503	638,944	614,544	590,116
205,154	201,785	187,748	155,976	156,843
896,901	1,036,110	984,438	1,032,731	1,035,498
<u>1,022,038</u>	<u>1,001,952</u>	<u>1,008,133</u>	<u>1,002,804</u>	<u>1,027,662</u>
<u>\$ 9,758,898</u>	<u>\$ 8,637,671</u>	<u>\$ 8,927,536</u>	<u>\$ 13,396,842</u>	<u>\$ 10,362,020</u>

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division
Last Ten Fiscal Years

<u>Type of Service</u>	<u>MCF</u>	<u>Amount Billed</u>	<u>Revenue Per MCF</u>	<u>Percent of MCF to Total MCF</u>	<u>Percent of Revenue to Total Revenue</u>	<u>Number of Meters</u>
<u>2022</u>						
Residential	468,417	\$4,474,818	9.55306	27.9 %	33.8 %	5,396
Commercial	360,647	3,275,405	9.08202	21.4	24.8	580
Large Industrial	<u>854,149</u>	<u>5,483,012</u>	<u>6.41927</u>	<u>50.7</u>	<u>41.4</u>	<u>3</u>
Total Sales	<u>1,683,213</u>	<u>13,233,235</u>	<u>7.86189</u>	<u>100.0</u>	<u>100.0</u>	<u>5,979</u>
<u>2021</u>						
Residential	391,998	4,639,771	11.83621	25.8	35.2	5,280
Commercial	302,691	3,469,964	11.46372	19.9	26.3	574
Large Industrial	<u>827,019</u>	<u>5,081,290</u>	<u>6.14410</u>	<u>54.3</u>	<u>38.5</u>	<u>5</u>
Total Sales	<u>1,521,708</u>	<u>13,191,025</u>	<u>8.66857</u>	<u>100.0</u>	<u>100.0</u>	<u>5,859</u>
<u>2020</u>						
Residential	406,279	3,663,453	9.01709	26.1	37.4	5,280
Commercial	309,544	2,597,225	8.39049	19.9	26.5	574
Large Industrial	<u>839,782</u>	<u>3,539,862</u>	<u>4.21522</u>	<u>54.0</u>	<u>36.1</u>	<u>5</u>
Total Sales	<u>1,555,605</u>	<u>9,800,540</u>	<u>6.30015</u>	<u>100.0</u>	<u>100.0</u>	<u>5,859</u>
<u>2019</u>						
Residential	458,153	3,981,709	8.69078	27.6	37.4	5,201
Commercial	372,139	2,974,834	7.99388	22.4	28.0	581
Large Industrial	<u>827,804</u>	<u>3,679,890</u>	<u>4.44536</u>	<u>50.0</u>	<u>34.6</u>	<u>5</u>
Total Sales	<u>1,658,096</u>	<u>10,636,433</u>	<u>6.41485</u>	<u>100.0</u>	<u>100.0</u>	<u>5,787</u>
<u>2018</u>						
Residential	446,224	4,139,639	9.27704	27.7	37.9	5,127
Commercial	349,806	3,070,904	8.77888	21.7	28.2	570
Large Industrial	<u>817,621</u>	<u>3,696,099</u>	<u>4.52055</u>	<u>50.6</u>	<u>33.9</u>	<u>5</u>
Total Sales	<u>1,613,651</u>	<u>10,906,642</u>	<u>6.75898</u>	<u>100.0</u>	<u>100.0</u>	<u>5,702</u>

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division (Continued)
Last Ten Fiscal Years

Table 22

<u>Type of Service</u>	<u>MCF</u>	<u>Amount Billed</u>	<u>Revenue Per MCF</u>	<u>Percent of MCF to Total MCF</u>	<u>Percent of Revenue to Total Revenue</u>	<u>Number of Meters</u>
<u>2017</u>						
Residential	396,762	\$ 3,937,048	\$ 9.92295	25.8 %	37.1 %	5,086
Commercial	325,984	3,019,230	9.26190	21.2	28.5	564
Large Industrial	<u>817,723</u>	<u>3,653,263</u>	<u>4.46760</u>	<u>53.0</u>	<u>34.4</u>	<u>3</u>
Total Sales	<u>1,540,469</u>	<u>10,609,541</u>	<u>6.88721</u>	<u>100.0</u>	<u>100.0</u>	<u>5,653</u>
<u>2016</u>						
Residential	382,184	3,839,034	10.04499	26.7	38.8	5,051
Commercial	292,212	2,824,329	9.66534	20.4	28.6	551
Large Industrial	<u>754,604</u>	<u>3,215,714</u>	<u>4.26146</u>	<u>52.9</u>	<u>32.6</u>	<u>3</u>
Total Sales	<u>1,429,000</u>	<u>9,879,077</u>	<u>6.91328</u>	<u>100.0</u>	<u>100.0</u>	<u>5,605</u>
<u>2015</u>						
Residential	387,205	3,731,066	9.63589	26.7	37.6	5,032
Commercial	295,186	2,748,161	9.30993	20.3	27.7	552
Large Industrial	<u>770,455</u>	<u>3,444,273</u>	<u>4.47044</u>	<u>53.0</u>	<u>34.7</u>	<u>5</u>
Total Sales	<u>1,452,846</u>	<u>9,923,500</u>	<u>6.83039</u>	<u>100.0</u>	<u>100.0</u>	<u>5,589</u>
<u>2014</u>						
Residential	475,387	4,706,388	9.90012	28.2	32.2	4,992
Commercial	401,726	3,853,504	9.59237	23.9	26.3	550
Large Industrial	<u>805,780</u>	<u>6,066,290</u>	<u>7.52847</u>	<u>47.9</u>	<u>41.5</u>	<u>4</u>
Total Sales	<u>1,682,893</u>	<u>14,626,182</u>	<u>8.69109</u>	<u>100.0</u>	<u>100.0</u>	<u>5,546</u>
<u>2013</u>						
Residential	470,678	4,626,722	9.82991	28.7	38.5	4,941
Commercial	392,469	3,729,790	9.50340	24.0	31.1	526
Large Industrial	<u>774,035</u>	<u>3,646,509</u>	<u>4.71104</u>	<u>47.3</u>	<u>30.4</u>	<u>3</u>
Total Sales	<u>1,637,182</u>	<u>12,003,021</u>	<u>7.33151</u>	<u>100.0</u>	<u>100.0</u>	<u>5,470</u>

City of Hutchinson, Minnesota
Raw Water Finished and Sold
Last Ten Fiscal Years

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue Per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2022</u>					
Net Raw Water	671,611,600	100.0 %			
Used in Production	<u>131,988,600</u>	<u>19.7</u>			
Net Finished Water	539,623,000	80.3			
Loss in Distribution System	<u>35,443,000</u>	<u>5.3</u>			
Total Sales	<u>504,180,000</u>	<u>75.0</u>	\$2,332,971	\$ 4.627258	5,215
<u>2021</u>					
Net Raw Water	688,644,600	100.0			
Used in Production	<u>137,984,100</u>	<u>20.0</u>			
Net Finished Water	550,660,500	80.0			
Loss in Distribution System	<u>46,866,500</u>	<u>6.8</u>			
Total Sales	<u>503,794,000</u>	<u>73.2</u>	2,380,002	4.724157	5,196
<u>2020</u>					
Net Raw Water	678,668,700	100.0			
Used in Production	<u>132,921,700</u>	<u>19.6</u>			
Net Finished Water	545,747,000	80.4			
Loss in Distribution System	<u>36,754,000</u>	<u>5.4</u>			
Total Sales	<u>508,993,000</u>	<u>75.0</u>	2,319,635	4.557302	5,149
<u>2019</u>					
Net Raw Water	626,882,300	100.0			
Used in Production	<u>131,302,800</u>	<u>20.9</u>			
Net Finished Water	495,579,500	79.1			
Loss in Distribution System	<u>44,378,500</u>	<u>7.1</u>			
Total Sales	<u>451,201,000</u>	<u>72.0</u>	2,139,682	4.742193	4,969
<u>2018</u>					
Net Raw Water	625,791,600	100.0			
Used in Production	<u>133,500,400</u>	<u>21.3</u>			
Net Finished Water	492,291,200	78.7			
Loss in Distribution System	<u>30,999,200</u>	<u>5.0</u>			
Total Sales	<u>461,292,000</u>	<u>73.7</u>	2,171,465	4.707355	4,954

City of Hutchinson, Minnesota
Raw Water Finished and Sold (Continued)
Last Ten Fiscal Years

Table 23

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue Per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2017</u>					
Net Raw Water	666,954,000	100.0 %			
Used in Production	<u>139,553,900</u>	<u>20.9</u>			
Net Finished Water	527,400,100	79.1			
Loss in Distribution System	<u>44,630,100</u>	<u>6.7</u>			
Total Sales	<u>482,770,000</u>	<u>72.4</u>	\$2,240,319	\$ 4.640551	4,933
<u>2016</u>					
Net Raw Water	650,851,600	100.0			
Used in Production	<u>135,169,452</u>	<u>20.8</u>			
Net Finished Water	515,682,148	79.2			
Loss in Distribution System	<u>18,056,148</u>	<u>2.8</u>			
Total Sales	<u>497,626,000</u>	<u>76.4</u>	2,203,975	4.428979	4,920
<u>2015</u>					
Net Raw Water	663,500,100	100.0			
Used in Production	<u>139,485,505</u>	<u>21.0</u>			
Net Finished Water	524,014,595	79.0			
Loss in Distribution System	<u>20,317,595</u>	<u>3.1</u>			
Total Sales	<u>503,697,000</u>	<u>75.9</u>	2,302,296	4.570796	4,913
<u>2014</u>					
Net Raw Water	664,897,200	100.0			
Used in Production	<u>138,648,200</u>	<u>20.9</u>			
Net Finished Water	526,249,000	79.1			
Loss in Distribution System	<u>47,410,000</u>	<u>7.1</u>			
Total Sales	<u>478,839,000</u>	<u>72.0</u>	2,214,552	4.624836	4,755
<u>2013</u>					
Net Raw Water	681,159,000	100.0			
Used in Production	<u>134,780,000</u>	<u>19.8</u>			
Net Finished Water	546,379,000	80.2			
Loss in Distribution System	<u>24,031,000</u>	<u>3.5</u>			
Total Sales	<u>522,348,000</u>	<u>76.7</u>	2,334,708	4.469641	4,718

City of Hutchinson, Minnesota
Cost Per Thousand Gallons of Finished Water
Last Ten Fiscal Years

Table 24

<u>Year</u>	<u>Production Cost Per M Gallons</u>	<u>Administrative Cost Per M Gallons</u>	<u>Depreciation Cost Per M Gallons</u>	<u>Total Operating Expenses Per M Gallons</u>	<u>Finished Water Billed</u>	<u>Cost Per M Gallons Billed</u>
2022	\$ 1,088,102 2.0164	\$ 139,935 0.2593	\$ 1,112,757 2.0621	\$ 2,340,794 4.3378	539,623,000 504,180,000	\$ 4.6428
2021	1,069,273 1.9418	138,255 0.2511	1,139,427 2.0692	2,346,955 4.2621	550,660,500 503,794,000	4.6586
2020	1,071,377 1.9631	152,167 0.2788	1,115,771 2.0445	2,339,315 4.2864	545,747,000 508,993,000	4.5960
2019	1,101,304 2.2223	128,421 0.2591	1,078,696 2.1766	2,308,421 4.6580	495,579,500 451,201,000	5.1162
2018	928,774 1.8866	126,327 0.2566	1,109,796 2.2543	2,164,897 4.3975	492,291,200 461,292,000	4.6931
2017	980,529 1.8592	115,417 0.2188	1,218,822 2.3110	2,314,768 4.3890	527,400,100 482,770,000	4.7948
2016	859,423 1.6666	124,715 0.2418	1,227,282 2.3799	2,211,420 4.2883	515,682,148 497,626,000	4.4439
2015	987,374 1.8842	111,763 0.2133	1,159,268 2.2123	2,258,405 4.3098	524,014,595 503,697,000	4.4837
2014	951,131 1.8074	105,442 0.2004	1,093,807 2.0785	2,150,380 4.0863	526,249,000 478,839,000	4.4908
2013	848,825 1.5535	185,095 0.3388	1,088,642 1.9925	2,122,562 3.8848	546,379,000 522,348,000	4.0635

City of Hutchinson, Minnesota
Wastewater Inflow and Cost Per Thousand Gallons Treated
Last Ten Fiscal Years

Table 25

<u>Year</u>	<u>Total M Gallons to Treatment Facility</u>	<u>Treatment/ Collection Cost Per M Gallons</u>	<u>Administrative Cost Per M Gallons</u>	<u>Depreciation Cost Per M Gallons</u>	<u>Total Cost Per M Gallons</u>	<u>Daily Flow Gallons Minimum/ Maximum</u>
2022	716,572	\$ 1,520,840 2.1224	\$ 210,826 0.2942	\$ 1,082,548 1.5107	\$ 2,814,214 3.9273	1,172,000 4,037,000
2021	695,884	1,573,282 2.2608	207,780 0.2986	1,108,374 1.5928	2,889,436 4.1522	1,338,000 3,046,000
2020	780,818	1,333,226 1.7075	221,412 0.2836	1,080,629 1.3840	2,635,267 3.3751	1,443,000 5,788,000
2019	967,934	1,582,066 1.6345	198,333 0.2049	1,053,799 1.0887	2,834,198 2.9281	1,729,000 5,815,000
2018	832,229	1,437,640 1.7275	192,026 0.2307	1,336,077 1.6054	2,965,743 3.5636	1,652,000 3,772,000
2017	889,101 ⁽¹⁾	1,261,759 1.4191	174,037 0.1957	1,621,990 1.8243	3,057,786 3.4391	1,756,000 6,193,000
2016	930,509	1,466,815 1.5764	189,585 0.2037	1,621,494 1.7426	3,277,894 3.5227	1,500,000 7,755,000
2015	728,632	1,319,913 1.8115	170,670 0.2342	1,552,533 2.1308	3,043,116 4.1765	1,580,000 3,270,000
2014	820,690	1,401,814 1.7081	178,580 0.2176	1,571,081 1.9143	3,151,475 3.8400	1,640,000 6,070,000
2013	719,950	1,354,855 1.8819	302,650 ⁽²⁾ 0.4204	1,637,557 2.2745	3,295,062 4.5768	1,230,000 4,780,000

⁽¹⁾ As part of the Wastewater Infrastructure fund (WIF) grant, the City processed zero gallons related to the grant during 2020. The restricted balance in the System Replacement fund at December 31, 2020 is \$350.

⁽²⁾ Includes a one-time bad debt write-off of \$117,214.

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OTHER REQUIRED REPORTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hutchinson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 Hutchinson, Minnesota (the City) as of and for the year ended December 31, 2022, and the notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hutchinson 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
Mankato, Minnesota
June 7, 2023

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING 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 Hutchinson, 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 Hutchinson, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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*.

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
Mankato, Minnesota
June 7, 2023

