

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2023

PREPARED BY:

FINANCE DEPARTMENT

ANDREW REID
Finance Director

Member GFOA of U.S. and
Canada Published June 21, 2024

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INTRODUCTORY SECTION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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June 21, 2024

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Hutchinson:

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, 2023.

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, 2023 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, 2023 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 meet the requirement for a Single Audit in 2023.

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, medical, agricultural and services. For 2023, the latest estimate of the City's population is 14,506.

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 seven 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.
- 7) Housing
 - The City will advocate for safe and affordable housing and encourage collaboration with other agencies and the private sector to meet community housing needs.

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 hospital security contract ended December 31, 2023 with the hospital assuming the duties internally.

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 expectations for the preliminary budget and to identify any Council initiatives or direction to be included in the 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 49 of this 2023 Annual Comprehensive 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, H.A.T.S Joint Powers Facility and the Hutchinson Enterprise Center

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 in 2023 and city management believes that stability will continue. The 2023 Standard & Poor's report, which reaffirmed the City's bond rating at AA-, noted the City's outlook as stable.

The tax base increased from \$13,166,940 to \$15,365,994 from 2022 to 2023, or a 16.7% increase. The City's overall market value increased 5.7% in 2023. The City's market valuation is comprised of Residential (75.9%), Commercial & Industrial (15.0%), Apartments (8.6%) and Agriculture (0.5%). The market values increased for Residential (5.9%), Apartments (15.2%) and Agricultural (4.5%) while Commercial & Industrial values remained flat. The 2023 market values serve as the basis for property taxes paid in 2024.

Construction activity slowed slightly in 2023 with 20 single family homes being built compare to 24 in 2022. The City issued 1,079 building permits with an estimated valuation of \$20,169,745 compared to 899 permits in 2022 with a valuation of \$40,527,420. The drop in valuation is due to a smaller number of permits issued for commercial and industrial activity.

Hutchinson serves as a regional retail-shopping hub with a variety of local retailers as well as national and regional retail stores such as Target, Wal-Mart, and Menards. The City's retail trade area covers a 30-mile radius with an estimated customer base of 130,000 people. A sizable number of fast food franchise restaurants are present in the community along with locally owned full service establishments. Hutchinson is also home to a 233,300 square foot enclosed shopping mall with Marshall's, Running's Fleet and Dunham's Sports as anchor tenants. Several strip malls along with a vibrant downtown add to Hutchinson's retail shopping base.

Hutchinson's unemployment rate is 3.2%, which is higher than the State rate of 2.8% and lower than the Federal rate of 3.6%.

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. Several policies within the Plan were updated in 2023. 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 to ensure the City can meet ongoing monthly obligations with cash on hand. Another 10 percent is reserved for budgetary contingencies and tax levy stabilization. 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 2023 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

A new police facility was completed in 2023 with the police staff occupying the facility by June 30. The project began in the summer of 2021 and was completed at a total cost of \$14.8M. The project, which includes the municipal DMV office, is adjacent to the City's municipal liquor store.

Investments were made at the municipal airport, including a new two-bay hangar and upgrades to the runway lighting and navigational aids. Federal aeronautic dollars funded 90% of the total project costs. Improvements were made to the City's east ice arena, with a new roof and HVAC system.

The City continued to invest in street improvements as part of its annual pavement management program. The 2023 program included partial reconstruction of Roberts Road, which is a main roadway for high school traffic. Portions of Century Avenue and Golf Course Road received new overlays. Major maintenance was done on five bridges, including School Road, South Grade Road, 5th Avenue SE, 2nd Avenue SE and Adams Street.

Tax Abatements

The City adopted a resolution on August 8, 2017 to provide a tax abatement subsidy for Uponor, Inc, a global pioneer in intelligent plumbing and climate solutions with a North American headquarters in Apple Valley, Minnesota. The abatement was requested to provide financial assistance to Uponor for the purchase and expansion of a vacant 237,000 square foot manufacturing facility previously owned by Hutchinson Technology, Inc (HTI). The building was vacant for several years due to HTI downsizing its Hutchinson operations.

The City expects the benefits of the abatement to at least equal the costs thereof. Granting the abatement was in the public interest because it will increase or preserve the tax base of the City, help retain and expand commercial and industrial enterprise in the City, and provide employment opportunities.

It's important to note that only the City taxes are abated on the property's valuation increase above the base value of \$4,705,500. The county and school district are not participating in the abatement. The City's taxpayers continue to receive the tax revenue on the base valuation and will see the benefit of increased valuation at the expiration of the abatement period. The annual abatement subsidy amount is included within the City's General fund operations as an expenditure, funded by the tax revenue received from Uponor. The 2023 valuation of \$6,710,400 is \$2,007,900 above the base value.

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, 2022. 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

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

**City
Administrator**

**Economic
Development
Director**

**Human Resources
Director**

City Attorney

**Liquor Sales
Manager**

**Compost
Manager**

**Motor Vehicle
Supervisor**

**Police Chief /
Emergency Mgmt**

**Fire
Chief**

**Planning
Director**

**Information
Technology
Director**

**PRCE
Director**

**Finance
Director**

**Public Works
Director**

Lieutenant
Sergeants

Building Officials
Facilities Manager

Rec Facilities/Oper Mgr
Rec Services Coordinator
Parks Supervisor

Asst. Fin 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
Chad Czmowski	12/31/2024
Pat May	12/31/2024
Tim Burley	12/31/2026
Dave Sebesta	12/31/2026

City Administrator

Matt Jaunich

Department Directors

Police	Tom Gifferson	Legal	Marc Sebor
Fire	Mike Schumann	Informational Tech.	Tom Kloss
Public Works	Mike Stifter	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, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION
CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 57 percent, 54 percent and 73 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

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

Other Information

Management is responsible for the other information 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 21, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 21, 2024



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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, 2023. 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 2023 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 \$2,149,650 due to unspent operating grants and contributions in addition to higher investment earnings as a result of higher than usual interest rates. Business-type activities net position increased by \$5,827,584 mainly due to Water, Sewer and Storm Water operations. Higher than usual investment earnings, similar to Government-type activities, also contributed to the increase.
- As of the close of 2023, 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 increased in comparison with the prior year. The increase is primarily due in large part to unspent, one-time Public Safety monies received from the State within the Capital Improvement Projects fund (\$643,408), unspent bond proceeds in the 2023 Special Assessment Improvement fund (\$689,443) and higher investment earnings than usual (\$916,253). 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 \$30,486,599 compared to \$31,870,414 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 \$8,325,231, or 58.4 percent of total General fund expenditures and transfers out. The unassigned fund balance of the General fund was \$726,817 or 5.1 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

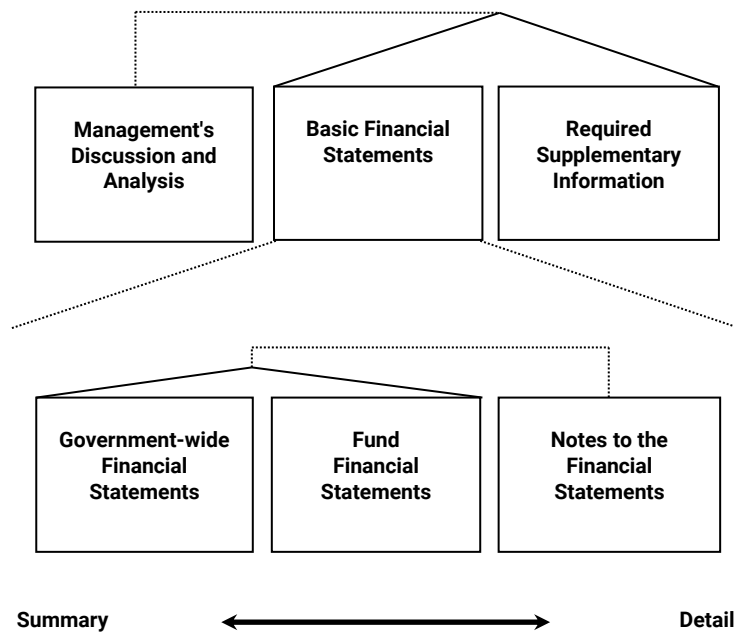


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide 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 39 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. 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 which is considered to be a major fund. 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 49 in this report to demonstrate compliance with this budget. The basic governmental fund financial statements can be found starting on page 44 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 50 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 65 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 postemployment 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 annual comprehensive financial report to facilitate additional analysis and can be found starting on page 182 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Current and Other Assets	\$ 27,489,954	\$ 30,717,537	\$ (3,227,583)	\$ 56,025,177	\$ 54,488,489	\$ 1,536,688
Capital Assets	103,236,260	100,170,457	3,065,803	129,433,726	130,952,374	(1,518,648)
Total Assets	<u>130,726,214</u>	<u>130,887,994</u>	<u>(161,780)</u>	<u>185,458,903</u>	<u>185,440,863</u>	<u>18,040</u>
Deferred Outflows of Resources	<u>5,270,183</u>	<u>6,661,198</u>	<u>(1,391,015)</u>	<u>1,470,587</u>	<u>2,378,538</u>	<u>(907,951)</u>
Noncurrent Liabilities	35,375,852	41,698,618	(6,322,766)	38,705,696	46,724,599	(8,018,903)
Other Liabilities	1,700,971	4,133,306	(2,432,335)	4,518,282	5,049,754	(531,472)
Total Liabilities	<u>37,076,823</u>	<u>45,831,924</u>	<u>(8,755,101)</u>	<u>43,223,978</u>	<u>51,774,353</u>	<u>(8,550,375)</u>
Deferred Inflows of Resources	<u>5,502,370</u>	<u>449,715</u>	<u>5,052,655</u>	<u>2,699,608</u>	<u>866,728</u>	<u>1,832,880</u>
Net Position						
Net investment in capital assets	73,577,226	69,226,746	4,350,480	100,691,199	97,008,636	3,682,563
Restricted	8,680,384	7,919,693	760,691	-	-	-
Unrestricted	<u>11,159,594</u>	<u>14,121,114</u>	<u>(2,961,520)</u>	<u>40,314,705</u>	<u>38,169,684</u>	<u>2,145,021</u>
Total Net Position	<u>\$ 93,417,204</u>	<u>\$ 91,267,553</u>	<u>\$ 2,149,651</u>	<u>\$ 141,005,904</u>	<u>\$ 135,178,320</u>	<u>\$ 5,827,584</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 2023, 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 4,233,176	\$ 4,344,020	\$ (110,844)	\$ 61,498,583	\$ 64,533,130	\$ (3,034,547)
Operating grants and contributions	3,601,631	2,350,909	1,250,722	44,780	50,639	(5,859)
Capital grants and contributions	1,170,545	741,494	429,051	127,300	161,316	(34,016)
General Revenues						
Property taxes/tax increments	8,275,087	7,972,690	302,397	-	-	-
Other taxes	679,425	725,030	(45,605)	1,880,647	1,947,530	(66,883)
Grants and contributions not restricted to specific programs	3,861,329	2,962,464	898,865	-	-	-
Unrestricted investment earnings (loss)	916,254	(36,458)	952,712	2,125,693	(952,700)	3,078,393
Other	1,725	2,074	(349)	-	-	-
Gain on sale of capital assets	98,284	50,007	48,277	81,870	4,297	77,573
Total Revenues	22,837,456	19,112,230	3,725,226	65,758,873	65,744,212	14,661
Expenses						
General government	2,729,988	2,800,928	(70,940)	-	-	-
Public safety	6,066,021	5,620,281	445,740	-	-	-
Streets and highways	7,069,241	6,270,480	798,761	-	-	-
Culture and recreation	4,173,435	4,074,734	98,701	-	-	-
Housing and economic development	1,046,498	792,940	253,558	-	-	-
Cemetery, airport and other	1,012,505	1,407,689	(395,184)	-	-	-
Interest on long-term debt	822,688	765,216	57,472	-	-	-
Electric	-	-	-	28,468,795	31,264,423	(2,795,628)
Natural gas	-	-	-	11,609,401	13,282,561	(1,673,160)
Water	-	-	-	2,567,674	2,513,246	54,428
Sewer	-	-	-	3,092,710	3,027,022	65,688
Refuse	-	-	-	1,458,384	1,318,176	140,208
Composting	-	-	-	2,615,098	2,830,698	(215,600)
Storm water	-	-	-	911,947	739,985	171,962
Municipal liquor store	-	-	-	6,974,709	6,865,015	109,694
Total Expenses	22,920,376	21,732,268	1,188,108	57,698,718	61,841,126	(4,142,408)
Increase (Decrease) in Net Position Before Transfers	(82,920)	(2,620,038)	2,537,118	8,060,155	3,903,086	4,157,069
Transfers	3,376,199	3,831,741	(455,542)	(3,376,199)	(3,831,741)	455,542
Contributed capital	(1,143,628)	(108,861)	(1,034,767)	1,143,628	108,861	1,034,767
Change in Net Position	2,149,651	1,102,842	1,046,809	5,827,584	180,206	5,647,378
Net Position - January 1	91,267,553	90,164,711	1,102,842	135,178,320	134,998,114	180,206
Net Position - December 31	\$ 93,417,204	\$ 91,267,553	\$ 2,149,651	\$ 141,005,904	\$ 135,178,320	\$ 5,827,584

The City of Hutchinson governmental revenues increased and business-type activity revenue increased for 2023 while governmental expenses increased and business-type expenses decreased. Governmental revenues increased in 2023 due to an increase of \$1,590,101 for operating grants and contributions. The City received \$643,408 of one-time monies from the State for future public safety expenditures, \$909,067 of Municipal State Aid for streets was used to help finance the Roberts Road improvement project and \$404,842 of ARPA monies were used to fund the HVAC replacement at the Ice Arena. Grants and contributions not restricted increased \$898,865 as the City received a \$661,626 FEMA grant and used another \$500,000 of ARPA monies to fund the purchase of five homes in order to prepare a site for future development. Unrestricted investment earnings increased \$952,711 due to higher investment yields and higher portfolio valuation at year end. Governmental expenses increased mainly due to higher personnel and pension cost for Public Safety and a significant repair project for the City's four bridges within Streets and Highways.

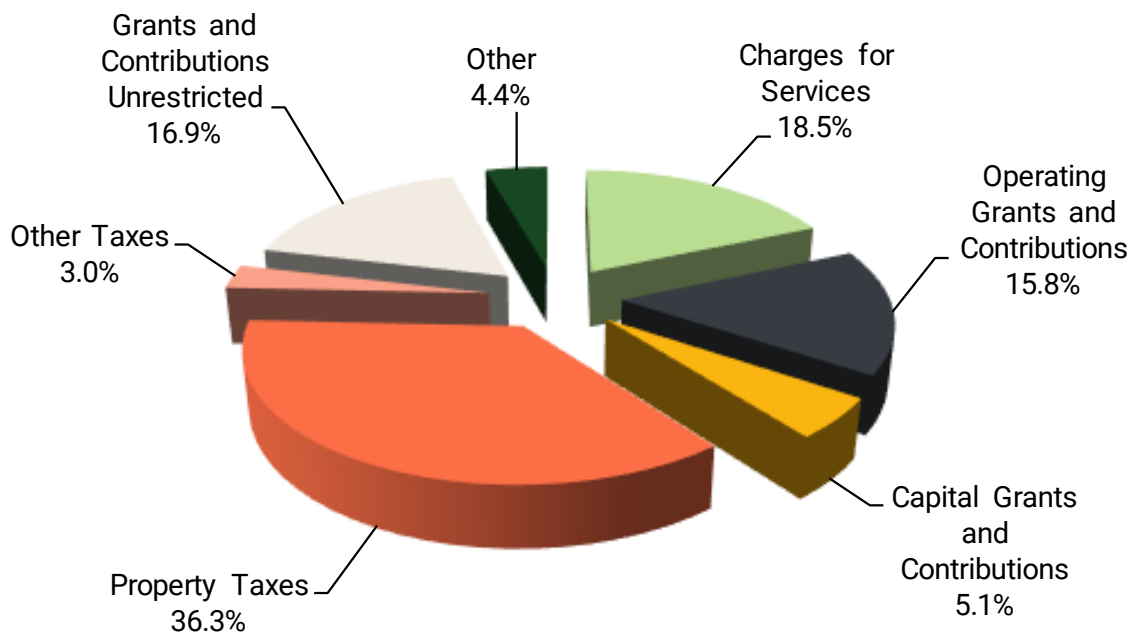
Business-type activities revenue increase is the result of investment earnings increasing \$3,078,393, which essentially offset the \$3,074,422 decrease in program revenues. The Water, Sewer, Refuse, Storm Water and Liquor funds saw moderate revenue increases for the year, while the Compost, Electric and Gas funds had moderate revenue decreases. The Water and Sewer funds collected higher sales revenues with a new rate structure effective January 1, 2023. As a whole, business-type activities saw an aggregate expense decrease of \$4,142,408 or 6.7 percent. The majority of the decrease is due to lower demand for the Electric and Gas divisions, which saw a \$2,836,336 decrease in production costs when compared to 2022. The Water, Sewer, Refuse, Storm Water and Liquor funds each reflected a moderate increase in expenses for the year, while the Composting, Electric and Gas funds had moderate expense decreases.

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

Expenses and Program Revenues - Governmental Activities

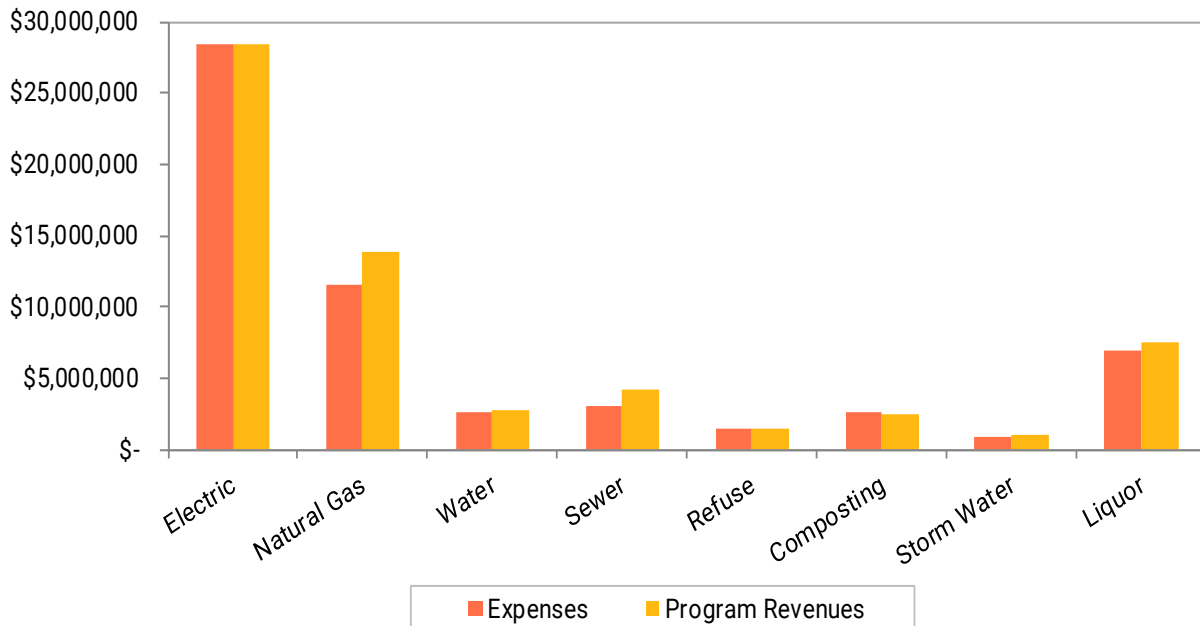


Revenues by Source - Governmental Activities

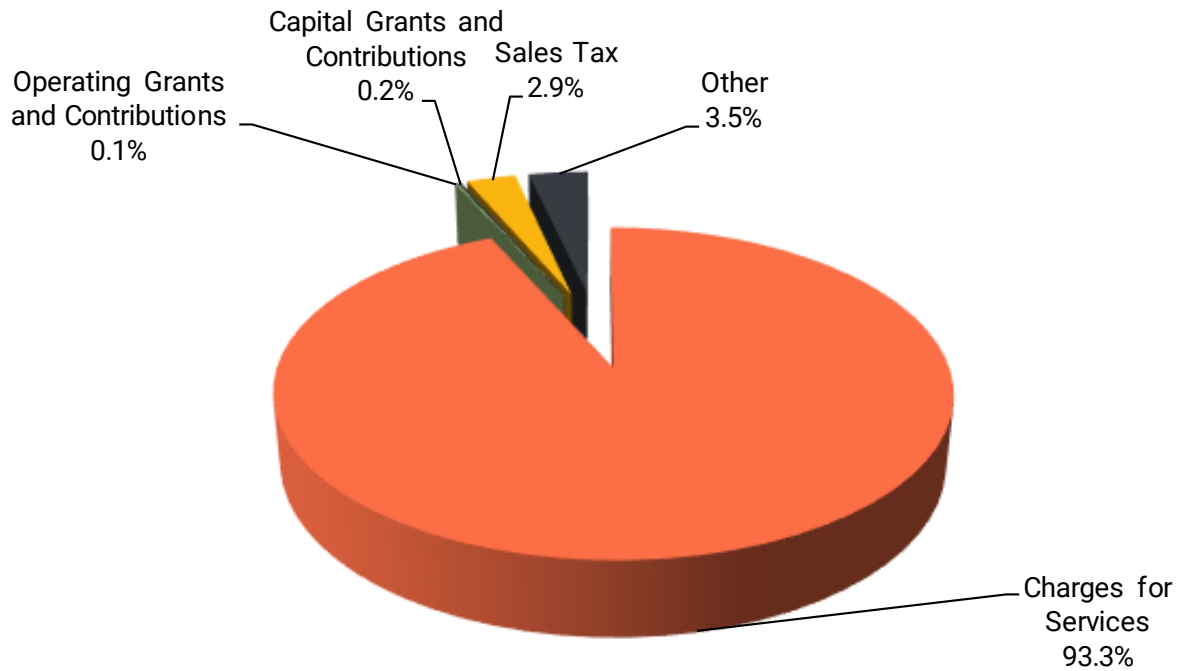


Business-type Activities. Business-type activities increased the City's net position as shown in the changes in net position table. Key elements of the activities are shown below:

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, 2023:

	General Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances					
Nonspendable	\$ 153,714	\$ -	\$ 153,714	\$ 10,091	\$ 143,623
Restricted	-	8,315,389	8,315,389	6,992,013	1,323,376
Committed	7,444,700	1,643,611	9,088,311	7,808,475	1,279,836
Assigned	-	6,060,033	6,060,033	4,983,296	1,076,737
Unassigned	726,817	(2,496,349)	(1,769,532)	670,224	(2,439,756)
	<u>\$ 8,325,231</u>	<u>\$ 13,522,684</u>	<u>\$ 21,847,915</u>	<u>\$ 20,464,099</u>	<u>\$ 1,383,816</u>

The General fund is the chief operating fund of the City. At the end of 2023, 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	\$ 153,714	\$ 10,091	\$ 143,623
Committed	7,444,700	5,741,774	1,702,926
Unassigned	726,817	2,133,808	(1,406,991)
	<u>\$ 8,325,231</u>	<u>\$ 7,885,673</u>	<u>\$ 439,558</u>
General Fund expenditures	\$ 13,773,534	\$ 13,869,281	
Unassigned as a percent of expenditures	5.3%	15.4%	
Total Fund Balance as a percent of expenditures	60.4%	56.9%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above.

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 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility	\$ 19,980,709	\$ 18,766,614	\$ 1,214,095
<i>The increase is attributed to the collection of sales tax and charges for services in excess of operating expenses.</i>			
Sewer Utility	28,373,753	26,180,497	2,193,256
<i>The increase is attributed to the collection of sales tax and charges for services in excess of operating expenses.</i>			
Public Utilities Commission	76,772,568	75,147,612	1,624,956
<i>The increase is attributed to the collection of charges for services and an increase in investment earnings in excess of operating expenses.</i>			

Rates in the Water and Sewer funds were adjusted to recover a higher level of fixed operating costs through the customer base charges. The change was planned to be revenue neutral from the prior rate structure but actually resulted in increased revenues for 2023. The local sales tax of 0.5 percent in place since January 1, 2012 resulted in \$1.881 million of revenue for these two funds in 2023, a 3.4% decrease from 2022. 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 \$347,278. Actual expenditures came in lower than budget by \$92,280. Significant budget variances are summarized below:

- Intergovernmental revenue exceeded the budget by \$93,470. One-time State monies of \$35,400 for the City's DMV contributed to the positive variance.
- Investment earnings exceeded the budget by \$268,059. This is the result of true interest earnings being \$185,828 higher than budget and the fair value of our investments being \$82,231 higher than expected.
- Public Safety expenses were \$196,225 over budget due mainly to personnel services being \$184,766 over budget for Police and Fire.
- General Government, Streets & Highways and Culture & Recreation were all under budget by \$51,592, \$124,267 and \$140,279, respectively.

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, 2023, 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 purchased five homes to the west of City-owned land at Franklin Street NW and 1st Avenue NW. The properties purchased will supplement the City land for a future multi-family housing project.
- The City's new police facility was completed and was occupied as of July 1, 2023. The project commenced in 2021 with expenditures in each year, including approximately \$1.5 million of cost in 2023.
- The City completed the Ice Arena HVAC replacement project that started in 2022.
- The 2023 roadway improvement projects included Roberts Road, Century Avenue and Golf Course Road.

Additional information on the City's capital assets can be found in Note 3C starting on page 80 of this report.

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

	Governmental Activities			Business-type Activities			Total		Increase (Decrease)
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)	2023	2022	
Land	\$ 10,397,875	\$ 9,096,164	\$ 1,301,711	\$ 1,994,381	\$ 1,994,381	\$ -	\$ 12,392,256	\$ 11,090,545	\$ 1,301,711
Buildings	9,481,327	7,273,014	2,208,313	16,825,569	17,778,886	(953,317)	26,306,896	25,051,900	1,254,996
Infrastructure and Improvements	59,986,519	60,921,196	(934,677)	98,126,641	100,061,753	(1,935,112)	158,113,160	160,982,949	(2,869,789)
Machinery and Equipment	2,189,504	1,923,035	266,469	3,414,106	3,419,217	(5,111)	5,603,610	5,342,252	261,358
Automotive Equipment	1,874,722	1,445,695	429,027	258,808	261,584	(2,776)	2,133,530	1,707,279	426,251
Construction in Progress	19,306,313	19,511,353	(205,040)	8,814,221	7,436,553	1,377,668	28,120,534	26,947,906	1,172,628
Total	\$ 103,236,260	\$ 100,170,457	\$ 3,065,803	\$ 129,433,726	\$ 130,952,374	\$ (1,518,648)	\$ 232,669,986	\$ 231,122,831	\$ 1,547,155
Percent increase (decrease)			3.1 %			(1.2) %			0.7 %

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			Total		Increase (Decrease)
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)	2023	2022	
G.O. Bonds	\$ 13,205,000	\$ 13,680,000	\$ (475,000)	\$ -	\$ -	\$ -	\$ 13,205,000	\$ 13,680,000	\$ (475,000)
G.O. Improvement Bonds	13,915,000	14,075,000	(160,000)	-	-	-	13,915,000	14,075,000	(160,000)
G.O. Revenue Bonds	-	-	-	10,933,370	13,657,370	(2,724,000)	10,933,370	13,657,370	(2,724,000)
Revenue Bonds	-	-	-	19,255,000	21,810,000	(2,555,000)	19,255,000	21,810,000	(2,555,000)
Financed Purchase Arrangements	-	-	-	141,251	208,816	(67,565)	141,251	208,816	(67,565)
Total	\$ 27,120,000	\$ 27,755,000	\$ (635,000)	\$ 30,329,621	\$ 35,676,186	\$ (5,346,565)	\$ 57,449,621	\$ 63,431,186	\$ (5,981,565)
Percent increase (decrease)			(2.3) %			(15.0) %			(9.4) %

The City's total debt decreased during 2023. Issuances of debt totaled \$1,350,000 and long-term debt of \$7,264,000 was retired during the year.

Standard & Poor's rates the City of Hutchinson's 2023 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 87 of this report.

Economic Factors and Next Year's Budgets and Rates

- Hutchinson had an average unemployment rate of 3.2 percent during the fiscal year end 2023. This is an estimate based on information obtained from the Minnesota Department of Employment and Economic Development, which compares unfavorably to the average rate of 2.9 percent in the City a year ago. This current rate compares unfavorably to the state average unemployment rate of 2.8 percent and favorably to the federal average unemployment rate of 3.6 percent.
- Inflationary trends in the region on average for fiscal year 2023 were similar to national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the City's budget for the 2024 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 2024 General fund budget included a 9.0 percent tax levy increase to address rising costs. Wage and benefit increases along with a 25% increase in health premiums was the main reason for a larger than normal tax levy increase.

The City's LGA received from the state increased by \$399,664 in 2024 to a total of \$3,097,925. The City continued in 2024 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 \$199,832 being allocated to the General fund, for a total of \$1,548,963 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. New for 2024, the council approved placing \$50,000 of LGA into the Equipment Replacement fund to help address the rising costs of replacing vehicles and equipment.

The annual PILOT from the Hutchinson Utilities Commission increased in 2024 by \$38,092. The Water and Sewer transfers to the General fund were increased \$20,000 and \$30,000, respectively. Interest revenue was increased \$60,000 with higher yields being achieved over the next five years.

The Hospital Security program was discontinued at the end of 2023 as the hospital assumed the duties internally. The General fund benefitted from the decision with a \$43,000 tax levy reduction as that was the budget gap between the hospital reimbursement amount and city expenditures.

The Storm Water fund rates were increased 3 percent and Refuse fund rates were increased 5% in 2024 to address cash flow needs within the fund. The Compost pricing has been adjusted either up or down depending on the product line for 2024. 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, 2023

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
Assets					
Cash and temporary investments	\$ 22,115,748	\$ 41,460,242	\$ 63,575,990	\$ 256,712	\$ 3,648,221
Restricted assets	-	3,255,656	3,255,656	-	47,815
Receivables					
Interest	81,777	219,270	301,047	1,130	-
Delinquent taxes	112,228	-	112,228	-	-
Accounts, net of allowances	262,645	4,299,684	4,562,329	-	-
Sales taxes receivable	-	318,168	318,168	-	-
Notes	695,034	-	695,034	-	9,246
Leases	70,784	722,390	793,174	-	337,224
Special assessments	1,864,694	-	1,864,694	-	-
Intergovernmental	2,172,432	272,422	2,444,854	1,086	677
Internal balances	(301,978)	301,978	-	-	-
Due from primary government	-	-	-	158	-
Inventories	-	4,940,893	4,940,893	-	-
Prepaid items	153,714	234,474	388,188	-	5,719
Net pension asset	262,876	-	262,876	-	-
Capital assets					
Nondepreciable	29,704,188	10,808,602	40,512,790	-	306,275
Depreciable, net of accumulated depreciation	73,532,072	118,625,124	192,157,196	-	1,053,915
Total Assets	<u>130,726,214</u>	<u>185,458,903</u>	<u>316,185,117</u>	<u>259,086</u>	<u>5,409,092</u>
Deferred Outflows of Resources					
Deferred pension resources	5,235,422	1,452,694	6,688,116	20,820	-
Deferred other postemployment benefit resources	34,761	17,893	52,654	446	-
Total Deferred Outflows of Resources	<u>5,270,183</u>	<u>1,470,587</u>	<u>6,740,770</u>	<u>21,266</u>	<u>-</u>
Liabilities					
Accounts payable	821,393	3,451,400	4,272,793	2,492	86,714
Contracts payable	128,853	56,635	185,488	-	-
Due to component unit	158	-	158	-	-
Due to other governments	28,903	102,000	130,903	-	48,875
Accrued interest payable	346,814	192,704	539,518	-	-
Accrued salaries payable	207,099	401,269	608,368	2,373	3,562
Deposits payable	470	314,274	314,744	-	41,204
Unearned revenue	167,281	-	167,281	-	23,298
Other current liability	-	-	-	-	12,631
Noncurrent liabilities					
Due within one year					
Long-term liabilities	2,474,255	5,977,110	8,451,365	2,150	7,700
Other postemployment benefits liability	18,002	4,363	22,365	161	-
Due in more than one year					
Long-term liabilities	26,631,296	27,023,518	53,654,814	-	318,572
Net pension liability	5,950,228	5,504,711	11,454,939	78,681	-
Other postemployment benefits liability	302,071	195,994	498,065	3,942	-
Total Liabilities	<u>37,076,823</u>	<u>43,223,978</u>	<u>80,300,801</u>	<u>89,799</u>	<u>542,556</u>
Deferred Inflows of Resources					
Deferred pension resources	5,189,122	1,937,465	7,126,587	27,049	-
Deferred other postemployment benefit resources	243,404	87,374	330,778	3,120	-
Deferred lease resources	69,844	674,769	744,613	-	323,653
Total Deferred Inflows of Resources	<u>5,502,370</u>	<u>2,699,608</u>	<u>8,201,978</u>	<u>30,169</u>	<u>323,653</u>
Net Position					
Net investment in capital assets	73,577,226	100,691,199	174,268,425	-	1,047,190
Restricted					
Pension asset	262,876	-	262,876	-	-
Debt service	5,089,603	-	5,089,603	-	-
Future loans	2,073,366	-	2,073,366	-	-
Public sites	275,127	-	275,127	-	-
Rural fire	32,546	-	32,546	-	-
Public safety	643,408	-	643,408	-	-
Drug forfeiture	28,273	-	28,273	-	-
Tax increment activities	206,527	-	206,527	-	-
Affordable housing	68,658	-	68,658	-	-
Unrestricted	11,159,594	40,314,705	51,474,299	160,384	3,495,693
Total Net Position	<u>\$ 93,417,204</u>	<u>\$ 141,005,904</u>	<u>\$ 234,423,108</u>	<u>\$ 160,384</u>	<u>\$ 4,542,883</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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 2,729,988	\$ 654,979	\$ 261,671	\$ 4,800
Public safety	6,066,021	989,307	1,125,013	22,307
Streets and highways	7,069,241	864,339	1,202,563	418,217
Culture and recreation	4,173,435	1,360,797	473,591	118,512
Housing and economic development	1,046,498	78,787	275,504	-
Miscellaneous	1,012,505	284,967	263,289	606,709
Interest on long-term debt	822,688	-	-	-
Total Governmental Activities	<u>22,920,376</u>	<u>4,233,176</u>	<u>3,601,631</u>	<u>1,170,545</u>
Business-type Activities				
Electric	28,468,795	28,389,502	-	-
Natural gas	11,609,401	13,863,451	-	-
Water	2,567,674	2,721,949	37	56,000
Sewer	3,092,710	4,083,883	50	71,300
Refuse	1,458,384	1,352,057	44,568	-
Composting	2,615,098	2,482,978	46	-
Storm water	911,947	1,087,903	18	-
Liquor	6,974,709	7,516,860	61	-
Total Business-type Activities	<u>57,698,718</u>	<u>61,498,583</u>	<u>44,780</u>	<u>127,300</u>
Total Primary Government	<u>\$ 80,619,094</u>	<u>\$ 65,731,759</u>	<u>\$ 3,646,411</u>	<u>\$ 1,297,845</u>
Component units				
Economic development	\$ 200,654	\$ 3,323	\$ 35,010	\$ -
Housing and redevelopment	793,972	469,374	537,294	-
Total Component Units	<u>\$ 994,626</u>	<u>\$ 472,697</u>	<u>\$ 572,304</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
- 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
\$ (1,808,538)	\$ -	\$ (1,808,538)	\$ -	\$ -
(3,929,394)	-	(3,929,394)	-	-
(4,584,122)	-	(4,584,122)	-	-
(2,220,535)	-	(2,220,535)	-	-
(692,207)	-	(692,207)	-	-
142,460	-	142,460	-	-
(822,688)	-	(822,688)	-	-
<u>(13,915,024)</u>	<u>-</u>	<u>(13,915,024)</u>	<u>-</u>	<u>-</u>
-	(79,293)	(79,293)	-	-
-	2,254,050	2,254,050	-	-
-	210,312	210,312	-	-
-	1,062,523	1,062,523	-	-
-	(61,759)	(61,759)	-	-
-	(132,074)	(132,074)	-	-
-	175,974	175,974	-	-
-	542,212	542,212	-	-
<u>-</u>	<u>3,971,945</u>	<u>3,971,945</u>	<u>-</u>	<u>-</u>
<u>(13,915,024)</u>	<u>3,971,945</u>	<u>(9,943,079)</u>	<u>-</u>	<u>-</u>
-	-	-	(162,321)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,696</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,321)</u>	<u>212,696</u>
5,865,510	-	5,865,510	258,137	161,173
2,409,577	-	2,409,577	-	-
354,850	-	354,850	-	-
-	1,880,647	1,880,647	-	-
131,873	-	131,873	-	-
192,702	-	192,702	-	-
3,861,329	-	3,861,329	-	-
916,254	2,125,693	3,041,947	7,660	16,391
1,725	-	1,725	-	-
98,284	81,870	180,154	-	-
3,376,199	(3,376,199)	-	-	-
<u>(1,143,628)</u>	<u>1,143,628</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,064,675</u>	<u>1,855,639</u>	<u>17,920,314</u>	<u>265,797</u>	<u>177,564</u>
2,149,651	5,827,584	7,977,235	103,476	390,260
<u>91,267,553</u>	<u>135,178,320</u>	<u>226,445,873</u>	<u>56,908</u>	<u>4,152,623</u>
<u>\$ 93,417,204</u>	<u>\$141,005,904</u>	<u>\$234,423,108</u>	<u>\$ 160,384</u>	<u>\$ 4,542,883</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, 2023

City of Hutchinson, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Other Governmental Funds	Total
Assets			
Cash and investments	\$ 8,380,055	\$ 13,341,352	\$ 21,721,407
Receivables			
Interest	36,558	43,299	79,857
Delinquent taxes	112,228	-	112,228
Accounts	219,467	43,178	262,645
Notes	-	695,034	695,034
Special assessments	-	1,864,694	1,864,694
Intergovernmental	186,307	1,986,125	2,172,432
Leases	70,784	-	70,784
Due from other funds	-	1,536	1,536
Advances to other funds	-	2,390,696	2,390,696
Prepaid items	153,714	-	153,714
	<u>\$ 9,159,113</u>	<u>\$ 20,365,914</u>	<u>\$ 29,525,027</u>
Liabilities			
Accounts payable	\$ 387,484	\$ 429,406	\$ 816,890
Contracts payable	-	128,853	128,853
Due to other funds	-	309,435	309,435
Advances from other funds	-	2,390,696	2,390,696
Due to other governments	24,903	4,000	28,903
Accrued salaries payable	198,308	8,791	207,099
Deposits payable	470	-	470
Unearned revenue	40,645	126,636	167,281
Total Liabilities	<u>651,810</u>	<u>3,397,817</u>	<u>4,049,627</u>
Deferred Inflows of Resources			
Unavailable revenue			
Interest receivable	-	21,804	21,804
Loan interest receivable	-	15,255	15,255
Taxes	112,228	-	112,228
Special assessments	-	1,864,694	1,864,694
Intergovernmental	-	1,543,660	1,543,660
Deferred lease resources	69,844	-	69,844
Total Deferred Inflows of Resources	<u>182,072</u>	<u>3,445,413</u>	<u>3,627,485</u>
Fund Balances			
Nonspendable	153,714	-	153,714
Restricted	-	8,315,389	8,315,389
Committed	7,444,700	1,643,611	9,088,311
Assigned	-	6,060,033	6,060,033
Unassigned	726,817	(2,496,349)	(1,769,532)
Total Fund Balances	<u>8,325,231</u>	<u>13,522,684</u>	<u>21,847,915</u>
	<u>\$ 9,159,113</u>	<u>\$ 20,365,914</u>	<u>\$ 29,525,027</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances			

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, 2023

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

Total Fund Balances - Governmental Funds	\$ 21,847,915
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	103,236,260
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	(561,492)
Other postemployment benefit liability	(320,073)
Net pension liability	(5,687,352)
Bonds payable	(27,120,000)
Bond premiums issued, net of accumulated amortization	(1,424,059)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Interest receivable	37,058
Delinquent property taxes receivable	112,228
Special assessments receivable	1,864,695
Intergovernmental receivable	1,543,660
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	5,235,422
Deferred inflows of pension resources	(5,189,122)
Deferred outflows of other postemployment benefit resources	34,761
Deferred inflows of other postemployment benefit resources	(243,404)
Governmental funds do not report a liability for accrued interest until due and payable.	(346,814)
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.	<u>397,521</u>
Total Net Position - Governmental Activities	<u><u>\$ 93,417,204</u></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, 2023

	General	Other Governmental Funds	Total
Revenues			
Taxes	\$ 6,187,328	\$ 2,768,219	\$ 8,955,547
Special assessments	-	481,036	481,036
Licenses and permits	363,240	-	363,240
Intergovernmental	2,008,247	7,282,174	9,290,421
Charges for services	2,527,430	613,563	3,140,993
Fines and forfeits	52,141	-	52,141
Investment earnings	348,059	533,421	881,480
Miscellaneous	490,733	324,910	815,643
Total Revenues	<u>11,977,178</u>	<u>12,003,323</u>	<u>23,980,501</u>
Expenditures			
Current			
General government	2,535,334	-	2,535,334
Public safety	5,272,887	157,179	5,430,066
Streets and highways	1,940,276	658,140	2,598,416
Culture and recreation	3,183,189	74,413	3,257,602
Housing and economic development	-	865,513	865,513
Miscellaneous	809,630	-	809,630
Capital outlay			
General government	-	386,008	386,008
Public safety	-	1,721,214	1,721,214
Streets and highways	20,721	4,693,235	4,713,956
Culture and recreation	11,497	692,711	704,208
Housing and economic development	-	1,142,425	1,142,425
Miscellaneous	-	1,662,061	1,662,061
Debt service			
Principal	-	1,985,000	1,985,000
Interest and other	-	798,405	798,405
Bond issuance costs	-	63,012	63,012
Total Expenditures	<u>13,773,534</u>	<u>14,899,316</u>	<u>28,672,850</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,796,356)</u>	<u>(2,895,993)</u>	<u>(4,692,349)</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	98,284	98,284
Transfers in	2,724,536	3,616,204	6,340,740
Bonds issued	-	1,350,000	1,350,000
Premium on bonds issued	-	100,890	100,890
Transfers out	(488,622)	(1,325,127)	(1,813,749)
Total Other Financing Sources (Uses)	<u>2,235,914</u>	<u>3,840,251</u>	<u>6,076,165</u>
Net Change in Fund Balances	439,558	944,258	1,383,816
Fund Balances, January 1	<u>7,885,673</u>	<u>12,578,426</u>	<u>20,464,099</u>
Fund Balances, December 31	<u>\$ 8,325,231</u>	<u>\$ 13,522,684</u>	<u>\$ 21,847,915</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, 2023

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

Net Change in Fund Balances - Governmental Funds	\$ 1,383,816
<p>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.</p>	
Capital outlay	8,987,103
Depreciation expense	(4,654,239)
<p>The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.</p>	
Sale/disposal of capital assets	(123,433)
Capital contributions from business-type activities, net	959,514
<p>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.</p>	
Principal repayments	1,985,000
Debt issued or incurred	(1,350,000)
Premium on bonds issued, net of amortization expense	(19,965)
<p>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.</p>	
	(42,196)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(483,543)
Direct aid contributions	8,376
<p>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.</p>	
Property taxes/tax increments	(1,035)
Special assessments	(80,803)
Intergovernmental	(1,202,641)
Interest earnings	16,610
<p>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.</p>	
Compensated absences	(21,164)
Other postemployment benefits costs	21,315
<p>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.</p>	
	(3,233,064)
Change in Net Position - Governmental Activities	\$ 2,149,651

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,176,751	\$ 6,176,751	\$ 6,187,328	\$ 10,577
Licenses and permits	437,100	437,100	363,240	(73,860)
Intergovernmental	1,914,777	1,914,777	2,008,247	93,470
Charges for services	2,567,441	2,567,441	2,527,430	(40,011)
Fines and forfeits	55,000	55,000	52,141	(2,859)
Investment earnings	80,000	80,000	348,059	268,059
Miscellaneous	398,831	398,831	490,733	91,902
Total Revenues	<u>11,629,900</u>	<u>11,629,900</u>	<u>11,977,178</u>	<u>347,278</u>
Expenditures				
Current				
General government	2,586,926	2,586,926	2,535,334	51,592
Public safety	5,076,662	5,076,662	5,272,887	(196,225)
Streets and highways	2,064,543	2,064,543	1,940,276	124,267
Culture and recreation	3,323,468	3,323,468	3,183,189	140,279
Miscellaneous	809,215	809,215	809,630	(415)
Capital outlay				
Streets and highways	5,000	5,000	20,721	(15,721)
Culture and recreation	-	-	11,497	(11,497)
Total Expenditures	<u>13,865,814</u>	<u>13,865,814</u>	<u>13,773,534</u>	<u>92,280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,235,914)</u>	<u>(2,235,914)</u>	<u>(1,796,356)</u>	<u>439,558</u>
Other Financing Sources (Uses)				
Transfers in	2,724,536	2,724,536	2,724,536	-
Transfers out	(488,622)	(488,622)	(488,622)	-
Total Other Financing Sources (Uses)	<u>2,235,914</u>	<u>2,235,914</u>	<u>2,235,914</u>	<u>-</u>
Net Change in Fund Balances	-	-	439,558	439,558
Fund Balances, January 1	<u>7,885,673</u>	<u>7,885,673</u>	<u>7,885,673</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 7,885,673</u>	<u>\$ 7,885,673</u>	<u>\$ 8,325,231</u>	<u>\$ 439,558</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, 2023

	Business-type Activities - Enterprise Funds	
	Water	Sewer
Assets		
Current Assets		
Cash and investments	\$ 4,495,762	\$ 7,239,068
Receivables		
Interest	22,678	33,431
Accounts, net of allowance of \$116,824	235,370	386,846
Sales tax	-	-
Leases	81,338	-
Intergovernmental	99,312	79,224
Due from other funds	-	307,899
Inventories	-	-
Prepaid items	-	-
Total Current Assets	4,934,460	8,046,468
Noncurrent Assets		
Restricted assets		
Cash and investments	-	-
Lease receivable	641,052	-
Capital assets		
Land	16,282	311,915
Buildings and structures	17,698,455	28,270,454
Infrastructure and improvements	19,733,445	22,498,078
Machinery and equipment	3,264,671	6,798,561
Automotive equipment	87,948	508,674
Construction in progress	471,375	6,389,436
Less accumulated depreciation	(22,073,363)	(36,641,168)
Total Capital Assets (Net of Accumulated Depreciation)	19,198,813	28,135,950
Total Noncurrent Assets	19,839,865	28,135,950
Total Assets	24,774,325	36,182,418
Deferred Outflows of Resources		
Deferred pension resources	78,267	101,490
Deferred other postemployment benefit resources	2,228	3,119
Total Deferred Outflows of Resources	80,495	104,609

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	
\$ 24,524,926	\$ 5,200,486	\$ 41,460,242	\$ 394,341
141,412	21,749	219,270	1,920
3,271,218	406,250	4,299,684	-
318,168	-	318,168	-
-	-	81,338	-
-	93,886	272,422	-
-	-	307,899	-
2,500,144	2,440,749	4,940,893	-
228,823	5,651	234,474	-
<u>30,984,691</u>	<u>8,168,771</u>	<u>52,134,390</u>	<u>396,261</u>
3,255,656	-	3,255,656	-
-	-	641,052	-
559,528	1,106,656	1,994,381	-
-	4,147,107	50,116,016	-
160,404,745	8,999,137	211,635,405	-
-	5,187,457	15,250,689	-
-	818,712	1,415,334	-
1,778,901	174,509	8,814,221	-
<u>(91,591,649)</u>	<u>(9,486,140)</u>	<u>(159,792,320)</u>	<u>-</u>
<u>71,151,525</u>	<u>10,947,438</u>	<u>129,433,726</u>	<u>-</u>
<u>74,407,181</u>	<u>10,947,438</u>	<u>133,330,434</u>	<u>-</u>
<u>105,391,872</u>	<u>19,116,209</u>	<u>185,464,824</u>	<u>396,261</u>
983,325	289,612	1,452,694	-
5,416	7,130	17,893	-
<u>988,741</u>	<u>296,742</u>	<u>1,470,587</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, 2023

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Sewer
Liabilities		
Current Liabilities		
Accounts payable	\$ 63,461	\$ 254,068
Contracts payable	12,800	43,835
Due to other governments	1,851	-
Accrued interest payable	38,484	78,228
Accrued salaries payable	9,438	13,815
Accrued vacation payable	23,935	39,837
Deposits payable	64	26
Other postemployment benefit liability	777	1,095
Current portion of debt	1,270,371	1,425,000
Total Current Liabilities	1,421,181	1,855,904
Noncurrent Liabilities		
Accrued vacation payable	6,901	3,379
Other postemployment benefit liability	19,740	27,629
Net pension liability	307,118	385,251
Financed purchase arrangements and notes payable	-	-
Bonds payable	3,599,085	6,912,649
Less current portion of debt	(1,270,371)	(1,425,000)
Total Noncurrent Liabilities	2,662,473	5,903,908
Total Liabilities	4,083,654	7,759,812
Deferred Inflows of Resources		
Deferred pension resources	100,085	131,619
Deferred other postemployment benefit resources	15,603	21,843
Deferred lease resources	674,769	-
Total Deferred Inflows of Resources	790,457	153,462
Net Position		
Net investment in capital assets	15,586,928	21,179,466
Unrestricted	4,393,781	7,194,287
Total Net Position	\$ 19,980,709	\$ 28,373,753

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	
\$ 2,641,109	\$ 492,762	\$ 3,451,400	\$ 4,503
-	-	56,635	-
-	100,149	102,000	-
58,538	17,454	192,704	-
340,772	37,244	401,269	-
35,930	83,387	183,089	-
314,101	83	314,274	-
-	2,491	4,363	-
<u>2,874,065</u>	<u>224,585</u>	<u>5,794,021</u>	-
<u>6,264,515</u>	<u>958,155</u>	<u>10,499,755</u>	<u>4,503</u>
836,584	22,459	869,323	-
85,461	63,164	195,994	-
3,701,830	1,110,512	5,504,711	-
-	141,251	141,251	-
20,261,967	1,033,264	31,806,965	-
<u>(2,874,065)</u>	<u>(224,585)</u>	<u>(5,794,021)</u>	-
<u>22,011,777</u>	<u>2,146,065</u>	<u>32,724,223</u>	-
<u>28,276,292</u>	<u>3,104,220</u>	<u>43,223,978</u>	<u>4,503</u>
1,331,753	374,008	1,937,465	-
-	49,928	87,374	-
-	-	674,769	-
<u>1,331,753</u>	<u>423,936</u>	<u>2,699,608</u>	-
54,151,882	9,772,923	100,691,199	-
<u>22,620,686</u>	<u>6,111,872</u>	<u>40,320,626</u>	<u>391,758</u>
<u>\$ 76,772,568</u>	<u>\$ 15,884,795</u>	141,011,825	<u>\$ 391,758</u>

Adjustment to reflect the consolidation
of internal service fund activities
related to enterprise funds. (5,921)

Net position of business-type
activities \$ 141,005,904

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, 2023

	Business-type Activities Enterprise Funds	
	Water	Sewer
Operating Revenues		
Sales	\$ -	\$ -
Cost of sales	-	-
Gross Profit	-	-
Charges for services	2,596,785	4,007,690
Penalties	14,361	21,279
Other operating revenue	37	50
Total Operating Revenues	2,611,183	4,029,019
Operating Expenses		
Personal services	613,065	767,642
Supplies and maintenance	281,726	220,297
Other services and charges	491,185	929,446
Depreciation and depletion	1,080,180	1,038,117
Production	-	-
Purchased power/gas	-	-
Transmission	-	-
Distribution	-	-
Customer accounts expense	-	-
Sales expense	-	-
Administration and general	-	-
Total Operating Expenses	2,466,156	2,955,502
Operating Income (Loss)	145,027	1,073,517
Nonoperating Revenues (Expenses)		
Sales tax	1,043,759	836,888
Intergovernmental	-	-
Interest earnings	201,346	323,765
Rents	2,574	3,340
Lease revenue	100,509	-
Merchandise and contract work, net	-	-
Other income	7,720	51,574
Gain (loss) on sale of capital assets	3,995	29,935
Interest expense - bonds	(116,468)	(206,719)
Bond premium amortization	14,786	69,327
Total Nonoperating Revenues (Expenses)	1,258,221	1,108,110

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	
\$ -	\$ 9,982,707	\$ 9,982,707	\$ -
-	(7,496,982)	(7,496,982)	-
-	2,485,725	2,485,725	-
40,032,517	2,421,900	49,058,892	111,245
-	9,048	44,688	-
1,968,197	39,081	2,007,365	-
42,000,714	4,955,754	53,596,670	111,245
-	2,109,599	3,490,306	-
-	437,239	939,262	-
-	1,350,088	2,770,719	107,499
4,423,776	530,266	7,072,339	-
5,147,394	-	5,147,394	-
19,985,180	-	19,985,180	-
3,456,580	-	3,456,580	-
3,169,253	-	3,169,253	-
502,610	-	502,610	-
208,674	-	208,674	-
2,568,771	-	2,568,771	-
39,462,238	4,427,192	49,311,088	107,499
2,538,476	528,562	4,285,582	3,746
-	-	1,880,647	-
-	31,594	31,594	-
1,354,735	245,847	2,125,693	18,164
-	-	5,914	-
-	-	100,509	-
7,263	-	7,263	-
244,976	-	304,270	-
-	47,940	81,870	-
(835,023)	(42,097)	(1,200,307)	-
219,065	5,653	308,831	-
991,016	288,937	3,646,284	18,164

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, 2023

	Business-type Activities Enterprise Funds	
	601	602
	Water	Sewer
Income (Loss) Before Contributions and Transfers	\$ 1,403,248	\$ 2,181,627
Capital Contributions From (To) Other Funds	216,362	30,909
Other Capital Contributions		
Connection fees	56,000	71,300
Transfers Out	(461,515)	(90,580)
Change in Net Position	1,214,095	2,193,256
Net Position, January 1	18,766,614	26,180,497
Net Position, December 31	\$ 19,980,709	\$ 28,373,753

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	
\$ 3,529,492	\$ 817,499	\$ 7,931,866	\$ 21,910
-	896,357	1,143,628	(2,103,142)
-	-	127,300	-
<u>(1,904,536)</u>	<u>(919,568)</u>	<u>(3,376,199)</u>	<u>(1,150,792)</u>
1,624,956	794,288	5,826,595	(3,232,024)
<u>75,147,612</u>	<u>15,090,507</u>	<u>135,185,230</u>	<u>3,623,782</u>
<u>\$ 76,772,568</u>	<u>\$ 15,884,795</u>	<u>\$ 141,011,825</u>	<u>\$ 391,758</u>
Change in net position as shown above		\$ 5,826,595	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>989</u>	
Change in net position of business-type activities		<u>\$ 5,827,584</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, 2023

	Business-type Activities - Enterprise Funds	
	Water	Sewer
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,604,779	\$ 3,991,768
Receipts from interfund services provided	-	-
Other receipts	10,294	54,914
Payments to vendors and suppliers	(763,417)	(982,468)
Payments to or on behalf of employees	(587,857)	(762,013)
Net Cash Provided by Operating Activities	1,263,799	2,302,201
Cash Flows from Noncapital Financing Activities		
Transfers out	(461,515)	(90,580)
Lease receipts	82,226	-
Grants received	-	-
Net Cash Used by Noncapital Financing Activities	(379,289)	(90,580)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(233,583)	(1,227,948)
Proceeds from sale of capital assets	3,995	29,935
Sales tax received	1,043,759	836,888
Special assessments received	-	-
Connection fees collected	56,000	71,300
Principal paid on long-term debt	(1,242,000)	(1,337,000)
Interest paid on long-term debt	(128,842)	(220,564)
Interfund advance activity for capital improvements	-	(270,900)
Net Cash Used by Capital and Related Financing Activities	(500,671)	(2,118,289)
Cash Flows from Investing Activities		
Interest received on investments	192,450	311,987
Net Increase (Decrease) in Cash and Cash Equivalents	576,289	405,319
Cash and Cash Equivalents, January 1	3,919,473	6,833,749
Cash and Cash Equivalents, December 31	\$ 4,495,762	\$ 7,239,068
Cash and Cash Equivalents, Reported on Statement of Net Position		
Unrestricted cash and investments	\$ 4,495,762	\$ 7,239,068
Restricted cash and investments	-	-
Total Cash and Cash Equivalents	\$ 4,495,762	\$ 7,239,068

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	
\$ 41,096,708	\$ 12,378,903	\$ 60,072,158	\$ -
-	-	-	111,245
2,126,485	-	2,191,693	-
(30,918,911)	(9,073,535)	(41,738,331)	(108,698)
<u>(4,955,434)</u>	<u>(1,977,105)</u>	<u>(8,282,409)</u>	<u>-</u>
<u>7,348,848</u>	<u>1,328,263</u>	<u>12,243,111</u>	<u>2,547</u>
(1,904,536)	(919,568)	(3,376,199)	(1,150,792)
-	-	82,226	-
-	31,594	31,594	-
<u>(1,904,536)</u>	<u>(887,974)</u>	<u>(3,262,379)</u>	<u>(1,150,792)</u>
(2,682,081)	(533,253)	(4,676,865)	(14,349)
-	47,940	81,870	-
-	-	1,880,647	-
-	-	-	-
-	-	127,300	-
(2,555,000)	(212,565)	(5,346,565)	-
(842,019)	(45,859)	(1,237,284)	-
<u>-</u>	<u>-</u>	<u>(270,900)</u>	<u>-</u>
<u>(6,079,100)</u>	<u>(743,737)</u>	<u>(9,441,797)</u>	<u>(14,349)</u>
<u>1,331,607</u>	<u>239,922</u>	<u>2,075,966</u>	<u>21,454</u>
696,819	(63,526)	1,614,901	(1,141,140)
<u>27,083,763</u>	<u>5,264,012</u>	<u>43,100,997</u>	<u>1,535,481</u>
<u>\$ 27,780,582</u>	<u>\$ 5,200,486</u>	<u>\$ 44,715,898</u>	<u>\$ 394,341</u>
\$ 24,524,926	\$ 5,200,486	41,460,242	\$ 394,341
<u>3,255,656</u>	<u>-</u>	<u>3,255,656</u>	<u>-</u>
<u>\$ 27,780,582</u>	<u>\$ 5,200,486</u>	<u>\$ 44,715,898</u>	<u>\$ 394,341</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, 2023

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ 145,027	\$ 1,073,517
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Other income related to operations	10,294	54,914
Depreciation	1,080,180	1,038,117
Pension related adjustments	-	-
(Increase) decrease in assets		
Accounts receivable	(23,070)	(70,663)
Due from other governments	16,602	33,386
Inventories	-	-
Prepaid items	360	534
(Increase) decrease in deferred outflows of resources		
Deferred pension resources	42,760	68,133
Deferred other postemployment benefit resources	1,132	1,586
Increase (decrease) in liabilities		
Accounts payable	8,968	166,741
Due to other governments	166	-
Advances from other funds	-	-
Accrued salaries payable	558	1,371
Accrued vacation payable	(2,294)	(2,954)
Deposits payable	64	26
Other postemployment benefit liability	(10,971)	(15,367)
Net pension liability	(106,689)	(180,421)
Increase (decrease) in deferred inflows of resources		
Deferred pension resources	91,793	120,797
Deferred other postemployment benefit resources	8,919	12,484
	<u>\$ 1,263,799</u>	<u>\$ 2,302,201</u>
Schedule of Noncash Investing, Capital and Financing Activities		
Capital contributions from (to) other funds	<u>\$ 216,362</u>	<u>\$ 30,909</u>
Capital assets acquired on account	<u>\$ 12,800</u>	<u>\$ 43,835</u>
Amortization of bond (premium) discount	<u>\$ (14,786)</u>	<u>\$ (69,327)</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	
\$ 2,538,476	\$ 528,562	\$ 4,285,582	\$ 3,746
252,239	-	317,447	-
4,423,776	719,144	7,261,217	-
174,465	-	174,465	-
982,914	(31)	889,150	-
-	(73,885)	(23,897)	-
(287,172)	(58,953)	(346,125)	-
(40,347)	49	(39,404)	687
-	150,929	261,822	-
-	3,622	6,340	-
(737,798)	116,787	(445,302)	(1,886)
-	1,012	1,178	-
-	(36,999)	(36,999)	-
35,547	2,578	40,054	-
31,628	4,368	30,748	-
(12,674)	83	(12,501)	-
(12,206)	(35,110)	(73,654)	-
-	(367,819)	(654,929)	-
-	345,388	557,978	-
-	28,538	49,941	-
<u>\$ 7,348,848</u>	<u>\$ 1,328,263</u>	<u>\$ 12,243,111</u>	<u>\$ 2,547</u>
<u>\$ -</u>	<u>\$ 896,357</u>	<u>\$ 1,143,628</u>	<u>\$ (2,103,142)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,635</u>	<u>\$ -</u>
<u>\$ (219,065)</u>	<u>\$ (5,653)</u>	<u>\$ (308,831)</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, 2023

	<u>Custodial Fund State</u>
Assets	
Cash and investments	<u>\$ 13,269</u>
Liabilities	
Due to primary government	<u>10,000</u>
Net Position	
Restricted	
Other governments	<u><u>\$ 3,269</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, 2023

	Custodial Fund State
Additions	
Fees collected on behalf of the state	\$ 5,629,889
Deductions	
Payments to state	5,630,949
Net Increase (Decrease) in Fiduciary Net Position	(1,060)
Net Position, January 1	4,329
Net Position, December 31	\$ 3,269

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, 2023

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, 2023

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, 2023

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 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.
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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.
- 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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. Diversification 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, 2023:

- Government agency securities of \$957,295 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$20,814,177, Corporate bonds of \$2,176,958, FHLB bonds of \$3,597,645, FCCB bonds of \$1,570,675, negotiable certificates of deposits of \$10,764,493 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 2023. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the Public Utilities Commission enterprise fund at December 31, 2023 was \$116,824. The other utility funds do not record an allowance because uncollected bills may be certified to the County for collection.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 Cost of Goods Sold

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.

The City's compost enterprise fund allocates payroll, supplies, other costs and depreciation to the cost of producing compost. These costs are included in inventory and transferred to cost of goods sold when the compost is sold. The allocation of these costs ensures that the financial statements accurately reflect the cost of production and sale of compost.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. 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, 2023

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:

<u>Assets</u>	<u>Years</u>
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:

	<u>GERF</u>	<u>PEPFF</u>	<u>PEDCP</u>	<u>FRA</u>	<u>Total</u>
City's proportionate share	\$ 796,922	\$ 875,443	\$ 1,078	\$ (124,812)	\$ 1,548,631
Proportionate share of State's contribution	615	(6,967)	-	-	(6,352)
Total pension expense	<u>\$ 797,537</u>	<u>\$ 868,476</u>	<u>\$ 1,078</u>	<u>\$ (124,812)</u>	<u>\$ 1,542,279</u>

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

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	\$ 561,492	\$ 1,052,412	\$ 2,150	\$ 13,272	\$ 1,629,326

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, 2023. 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 on both the statement of net position and in the governmental and business-type fund statements.

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 40 percent of next year's General fund budgeted expenditures for working capital. This provides adequate cash flow to fund operations since major revenues, including property taxes and other government aid, are received on a biannual basis. The will also commit 10% of next year's General fund budgeted expenditures to plan for contingencies and tax levy stabilization.

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, 2023

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 2023.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Rural Fire Department	\$ 157,100	\$ 157,179	\$ 79

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, 2023:

Fund	Amount
Special Revenue	
Hutchinson Enterprise Center	\$ 166,992
Tax Increments 2016	462,060
TIF #4-17 Enterprise Center	111,367
TIF #4-22 Jorgenson Hotel	5,570
TIF #4-23 RD Machine Expansion	7,500
Airport Renovation	824,561
Police Facility Construction	918,299

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, 2023

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><u>\$ 27,185,912</u></u>
Bank balance	\$ 48,596,055
Covered by FDIC	(500,000)
Collateralized with securities pledged in City's and PUC's names	<u><u>\$ 48,096,055</u></u>

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

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	\$ 3,696,036
Bank balance	\$ 3,696,036
Covered by FDIC	(750,000)
Collateralized with securities pledged in City's name	\$ 2,946,036

Investments

As of December 31, 2023, 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 Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Mutual Funds	N/A	less than 1 year	\$ 15,885		
Broker Deposits	N/A	less than 1 year	363		
Non-pooled Investments at Fair Value					
Corporate Bonds	AAA	1 to 5 years	2,176,958	\$ -	\$ 2,176,958
Municipal Bonds	AA2	less than 1 year	484,753	-	484,753
Municipal Bonds	N/A	less than 1 year	2,710,887	-	2,710,887
Municipal Bonds	AA+	1 to 5 years	2,427,937	-	2,427,937
Municipal Bonds	AA	1 to 5 years	975,220	-	975,220
Municipal Bonds	AA-	1 to 5 years	767,104	-	767,104
Municipal Bonds	N/A	1 to 13 years	13,448,276	-	13,448,276
FFCB Bonds	N/A	1 to 5 years	1,570,675	-	1,570,675
FHLB Bonds	N/A	1 to 5 years	3,597,645	-	3,597,645
Government Agency Securities	N/A	1 to 5 years	957,295	957,295	-
Negotiable Certificates of Deposit	N/A	less than 1 year	1,705,216	-	1,705,216
Negotiable Certificates of Deposit	N/A	1 to 5 years	9,059,277	-	9,059,277
Total Investments			\$ 39,897,491	\$ 957,295	\$ 38,923,948

(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, 2023

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, 2023, 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 \$4,955.

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	\$ 26,929,200	\$ 256,712	\$ 3,696,036	\$ 30,881,948
Investments	39,897,491	-	-	39,897,491
Cash on Hand	4,955	-	-	4,955
Total	\$ 66,831,646	\$ 256,712	\$ 3,696,036	\$ 70,784,394
Cash and Investments				
Unrestricted	\$ 63,575,990	\$ 256,712	\$ 3,648,221	\$ 67,480,923
Restricted	3,255,656	-	47,815	3,303,471
Total	\$ 66,831,646	\$ 256,712	\$ 3,696,036	\$ 70,784,394

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, 2023, restricted cash and investments consisted of the following:

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

Note 3: Detailed Notes on All Funds (Continued)

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.	\$ 2,072,000
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.	<u>1,183,656</u>
Total Restricted Cash and Investments	<u>\$ 3,255,656</u>

Component Unit - HRA

Cash and investments - restricted are tenant security deposits in the HRA at December 31, 2023 in the amount of \$47,815.

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, 2023 is \$695,034. 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 \$302,412. This City also has TIF loans that do not have to be repaid if they remain in the property for five years totaling \$10,000. The Economic Development Loan fund has notes with local businesses outstanding of \$84,354 and the Minnesota Investment funds has loans outstanding of \$5,244. The City also has notes receivable in the Energy Loan fund of \$293,024 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, 2023 is \$9,246.

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

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 9,096,164	\$ 1,423,031	\$ (121,320)	\$ 10,397,875
Construction in progress	19,511,353	5,706,300	(5,911,340)	19,306,313
Total Capital Assets not Being Depreciated	<u>28,607,517</u>	<u>7,129,331</u>	<u>(6,032,660)</u>	<u>29,704,188</u>
Capital Assets Being Depreciated				
Buildings and structures	13,603,716	2,565,316	-	16,169,032
Infrastructure and improvements	114,480,827	2,740,396	(7,838)	117,213,385
Machinery and equipment	5,856,589	632,226	(182,578)	6,306,237
Automotive equipment	5,257,562	687,546	(246,845)	5,698,263
Total Capital Assets Being Depreciated	<u>139,198,694</u>	<u>6,625,484</u>	<u>(437,261)</u>	<u>145,386,917</u>
Less Accumulated Depreciation for				
Buildings and structures	(6,330,702)	(357,003)	-	(6,687,705)
Infrastructure and improvements	(53,559,631)	(3,675,073)	7,838	(57,226,866)
Machinery and equipment	(3,933,554)	(363,644)	180,465	(4,116,733)
Automotive equipment	(3,811,867)	(258,519)	246,845	(3,823,541)
Total Accumulated Depreciation	<u>(67,635,754)</u>	<u>(4,654,239)</u>	<u>435,148</u>	<u>(71,854,845)</u>
Total Capital Assets Being Depreciated, Net	<u>71,562,940</u>	<u>1,971,245</u>	<u>(2,113)</u>	<u>73,532,072</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,170,457</u>	<u>\$ 9,100,576</u>	<u>\$ (6,034,773)</u>	<u>\$ 103,236,260</u>

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

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	7,436,553	2,544,439	(1,166,771)	8,814,221
Total Capital Assets not Being Depreciated	<u>9,430,934</u>	<u>2,544,439</u>	<u>(1,166,771)</u>	<u>10,808,602</u>
Capital Assets Being Depreciated				
Buildings and structures	50,012,467	103,549	-	50,116,016
Infrastructure and improvements	208,202,138	3,702,625	(269,358)	211,635,405
Machinery and equipment	15,950,517	491,998	(1,191,826)	15,250,689
Automotive equipment	1,369,716	66,729	(21,111)	1,415,334
Total Capital Assets Being Depreciated	<u>275,534,838</u>	<u>4,364,901</u>	<u>(1,482,295)</u>	<u>278,417,444</u>
Less Accumulated Depreciation for				
Buildings and structures	(32,233,581)	(1,056,866)	-	(33,290,447)
Infrastructure and improvements	(108,140,385)	(5,637,737)	269,358	(113,508,764)
Machinery and equipment	(12,531,300)	(497,109)	1,191,826	(11,836,583)
Automotive equipment	(1,108,132)	(69,505)	21,111	(1,156,526)
Total Accumulated Depreciation	<u>(154,013,398)</u>	<u>(7,261,217)</u>	<u>1,482,295</u>	<u>(159,792,320)</u>
Total Capital Assets Being Depreciated, Net	<u>121,521,440</u>	<u>(2,896,316)</u>	<u>-</u>	<u>118,625,124</u>
Business-type Activities Capital Assets, Net	<u>\$ 130,952,374</u>	<u>\$ (351,877)</u>	<u>\$ (1,166,771)</u>	<u>\$ 129,433,726</u>

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

Governmental Activities	
General government	\$ 68,109
Public safety	208,639
Streets and highways, including depreciation of general infrastructure assets	3,305,484
Culture and recreation	798,566
Housing and economic development	72,658
Miscellaneous	200,783
Total Depreciation Expense - Governmental Activities	<u>\$ 4,654,239</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activities

Electric	\$ 3,326,461
Natural gas	1,097,315
Water	1,080,180
Sewer	1,038,117
Refuse	136,285
Composting	83,666
Storm water	248,749
Liquor	61,566
	<u>61,566</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 7,072,339</u>

Compost Depreciation

The total annual depreciation expense for all capital assets is reported in the capital asset note disclosure. The portion of depreciation allocated to inventory and included in cost of goods sold is reflected in the income statement. The following table reconciles the total depreciation expense to the depreciation included in cost of goods sold:

Total depreciation expense (capital asset note)	\$ 7,261,217
Less: Depreciation allocated to inventory and included in cost of goods sold	(188,878)
Depreciation expense (income statement)	<u>\$ 7,072,339</u>

Construction Commitments

The City has active projects as of December 31, 2023. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Arena HVAC	\$ 643,789	\$ 32,018
Alley Improvements	189,911	33,855
PD Facility Construction	11,566,920	58,299
SCADA Improvements - Water	243,203	34,554
SCADA Improvements - Sewer	451,663	64,172
Ditch Aeration	381,211	43,539
Roberts Road	1,524,644	80,305
Airport Hangar	583,243	30,948
Airport Lighting	661,067	43,605
	<u>661,067</u>	<u>43,605</u>
Total	<u>\$ 16,245,651</u>	<u>\$ 421,295</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital Assets not Being Depreciated				
Land	\$ 92,775	\$ -	\$ -	\$ 92,775
Construction in progress	-	213,500	-	213,500
Total Capital Assets not being Depreciated	<u>92,775</u>	<u>213,500</u>	<u>-</u>	<u>306,275</u>
Capital Assets Being Depreciated				
Buildings and structures	5,724,788	93,606	(7,084)	5,811,310
Machinery and equipment	241,427	3,738	(1,134)	244,031
Total Capital Assets Being Depreciated	<u>5,966,215</u>	<u>97,344</u>	<u>(8,218)</u>	<u>6,055,341</u>
Less Accumulated Depreciation	<u>(4,821,558)</u>	<u>(182,845)</u>	<u>2,977</u>	<u>(5,001,426)</u>
Total Capital Assets Being Depreciated, Net	<u>1,144,657</u>	<u>(85,501)</u>	<u>(5,241)</u>	<u>1,053,915</u>
HRA Capital Assets, Net	<u>\$ 1,237,432</u>	<u>\$ 127,999</u>	<u>\$ (5,241)</u>	<u>\$ 1,360,190</u>

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

Discretely Presented Component Unit	
HRA	<u>\$ 182,845</u>

D. Interfund Receivables, Payables and Transfers

Advances from/to Other Funds

The Economic Development 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 Community Improvement fund loaned funds to the Police Facility for the community improvement project for short term financing, the final project costs to be funded in 2024.

The Economic Development Loan fund loaned funds to the TIF #4-23 RD Machine Expansion. These funds are to be reimbursed by future TIF proceeds.

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

Note 3: Detailed Notes on All Funds (Continued)

The Capital Projects fund loaned short term funds to the Airport Construction Fund for the lighting and navigational aid project.

The Sewer fund loaned funds to the Airport Construction fund for the new hangar construction to be repaid by future federal aeronautic monies.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	Nonmajor governmental	
Community Improvement Projects	Police Facility	\$ 901,941
EDA Loan	Hutchinson Enterprise Center	207,407
Energy Loan	TIF #4-16 126 Franklin St SW	147,493
EDA Loan	TIF #4-23 RD Machine Expansion	7,500
Debt Service	Tax Increment 2016	316,729
Debt Service	TIF #4-17 Enterprise Center	112,473
Debt Service	TIF #4-22 Jorgenson Hotel	5,570
		<u>5,570</u>
Total		<u><u>\$ 2,390,696</u></u>

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

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit	Primary Government	
EDA	Internal service - Central Garage	<u>\$ 158</u>

Interfund Transfers

The following transfers were made for the year ended December 31, 2023:

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.

<u>Fund</u>	<u>Tranfers In</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer Out			
General	\$ -	\$ 488,622	\$ 488,622
Nonmajor governmental	-	1,325,127	1,325,127
Water enterprise	70,000	391,515	461,515
Sewer enterprise	80,000	10,580	90,580
Public Utilities Commission enterprise	1,904,536	-	1,904,536
Nonmajor enterprise	670,000	249,568	919,568
Central Garage	-	1,150,792	1,150,792
	<u>-</u>	<u>1,150,792</u>	<u>1,150,792</u>
Total	<u><u>\$ 2,724,536</u></u>	<u><u>\$ 3,616,204</u></u>	<u><u>\$ 6,340,740</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

For the year ended December 31, 2023, the City made the following unbudgeted transfers:

- From the Water fund (\$391,515), Sewer fund (\$10,580) and Stormwater fund (\$194,568) to the Special Assessment Improvement 2023 fund for project costs.
- From the Central Garage fund (\$1,150,793) to the Capital Equipment Replacement fund to close internal service fund into a capital equipment replacement fund
- From the 2008 Special Assessment Bonds fund (\$62,871) to the Community Improvement fund to close the 2008 Debt fund.
- From the Capital Projects fund (\$1,680) to the Community Improvement fund to replenish public arts maintenance fund.
- From the Capital Projects fund (\$58,605) to the Construction fund for funding airport hangar project with capital dollars.
- From the TIF #4-19 Highway 7 & 15 Soils Condition fund (\$5,347) to the Special Assessment Bonds 2017 fund to reimburse public improvement costs.
- From the TIF #4-21 1105 Benjamin Ave SE fund (\$52,000) to the Community Improvement fund to reimburse land costs.
- From the Community Improvements fund (\$1,136,812) to the Construction fund for the committed fund balance for police department facility project.
- From the 2021 Construction fund (\$312) and 2022 Construction fund (\$7,499) to the 2023 Construction fund to close the 2021 and 2022 Construction fund.

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

Note 3: Detailed Notes on All Funds (Continued)

E. Inventories

Inventories at December 31, 2023 consist of the following:

Fund	Amount
Municipal Liquor Store	
Liquor	\$ 337,375
Wine	225,504
Beer	147,443
THC	8,409
Miscellaneous	24,381
Total	743,112
Composting	
Processed materials	408,765
Bulk product	434,310
Bagged product	854,562
Total	1,697,637
Public Utilities Commission	
Electric division	
Fuel oil and lubricants	59,446
Plant	9,155
Engine parts	984,693
Distribution materials	544,394
Transformers	348,101
Total	1,945,789
Natural gas division	
Fittings	250,785
Transmission line gas	303,570
Total	554,355
Total	\$ 4,940,893

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

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 in 2070.

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

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Governmental				
AJA Aviation - Private Airport Hangar Lot	03/25/08	1.851 %	\$ 1,435	\$ 18,008
TNT Air - Private Airport Hangar Lot	07/11/17	1.851	2,239	33,026
Eastep - Private Airport Hangar Lot	05/24/21	1.851	347	5,405
Skyview Dairy Airport Land Rent	02/01/18	0.380	15,480	14,345
Business-type				
Verizon - South Park Water Tower Antenna	01/01/10	0.476	33,880	35,770
Verizon - Century Water Tower Antenna	06/01/23	0.250	23,280	97,256
T-Mobile South Park Water Tower Antenna	06/01/20	1.591	30,366	589,364
Total				<u>\$ 793,174</u>

The annual receipts for governmental and business-type activities to maturity for lease receivables are as follows:

Year Ending December 31	Lease Receivables		
	Principal	Interest	Total
2024	\$ 81,338	\$ 9,628	\$ 90,966
2025	47,400	9,037	56,437
2026	49,292	8,595	57,887
2027	51,246	8,131	59,377
2028	27,560	7,642	35,202
2029 - 2033	161,528	30,975	192,503
2034 - 2038	206,743	16,420	223,163
2039 - 2040	97,283	1,637	98,920
Total	<u>\$ 722,390</u>	<u>\$ 92,065</u>	<u>\$ 814,455</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31	Lease Receivables		
	Business-type Activities		
	Principal	Interest	Total
2024	\$ 15,310	\$ 1,108	\$ 16,418
2025	982	1,035	2,017
2026	1,001	1,017	2,018
2027	1,019	998	2,017
2028	1,038	979	2,017
2029 - 2033	5,490	4,597	10,087
2034 - 2038	6,022	4,065	10,087
2039 - 2043	6,605	3,482	10,087
2044 - 2048	7,244	2,843	10,087
2049 - 2053	7,946	2,141	10,087
2054 - 2058	7,995	1,372	9,367
2059 - 2063	5,752	734	6,486
2063 - 2067	4,041	198	4,239
2068 - 2070	339	10	349
Total	<u>\$ 70,784</u>	<u>\$ 24,579</u>	<u>\$ 95,363</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, 2023 was as follows:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
New Cingular Wireless Antenna	12/26/06	1.30 %	\$ 40,493	<u>\$ 337,224</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, 2023

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	\$ 6,865,000
Tax Abatement Bonds of 2021A	475,000	2.00 - 4.00	08/19/21	02/01/37	455,000
Improvement Bonds of 2022A	5,885,000	4.00 - 5.00	10/06/22	02/01/52	<u>5,885,000</u>
Total General Obligation Bonds					<u><u>\$ 13,205,000</u></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
2024	\$ 665,000	\$ 454,638	\$ 1,119,638
2025	750,000	424,538	1,174,538
2026	685,000	393,012	1,078,012
2027	640,000	364,038	1,004,038
2028	555,000	337,763	892,763
2029 - 2033	2,540,000	1,352,962	3,892,962
2034 - 2038	2,480,000	879,662	3,359,662
2039 - 2043	1,545,000	589,141	2,134,141
2044 - 2048	1,755,000	363,309	2,118,309
2049 - 2052	<u>1,590,000</u>	<u>96,900</u>	<u>1,686,900</u>
Total	<u><u>\$ 13,205,000</u></u>	<u><u>\$ 5,255,963</u></u>	<u><u>\$ 18,460,963</u></u>

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

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	\$ 930,000
Improvement Bonds of 2015A	2,140,000	2.85 - 3.00	10/01/15	02/01/31	1,140,000
Improvement Bonds of 2016A	3,880,000	2.00	10/06/16	02/01/32	1,405,000
Improvement Bonds of 2017A	2,445,000	2.00 - 3.00	10/31/17	02/01/33	1,570,000
Improvement Bonds of 2018A	2,395,000	3.00 - 4.00	10/31/18	02/01/34	1,600,000
Improvement Bonds of 2019A	2,675,000	2.00 - 3.00	11/05/19	02/01/35	2,060,000
Improvement Bonds of 2020A	2,405,000	0.35 - 1.40	08/06/20	02/01/36	2,120,000
Improvement Bonds of 2021A	1,825,000	2.00 - 4.00	08/19/21	02/01/37	1,740,000
Improvement Bonds of 2023A	1,350,000	4.00 - 5.00	08/31/23	02/01/39	1,350,000
Total G.O. Special Assessment Bonds					<u><u>\$ 13,915,000</u></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
2024	\$ 1,345,000	\$ 354,213	\$ 1,699,213
2025	1,390,000	322,965	1,712,965
2026	1,360,000	285,506	1,645,506
2027	1,300,000	249,223	1,549,223
2028	1,290,000	212,991	1,502,991
2029 - 2033	5,435,000	558,694	5,993,694
2034 - 2038	1,705,000	95,030	1,800,030
2039	90,000	1,800	91,800
Total	<u><u>\$ 13,915,000</u></u>	<u><u>\$ 2,080,422</u></u>	<u><u>\$ 15,995,422</u></u>

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

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	\$ 371,370
G.O. Water Revenue					
Bonds of 2006 (PFA)	12,216,000	2.63	08/07/06	08/20/25	1,619,000
G.O. Sewer Revenue					
Bonds of 2007 (PFA)	13,696,602	2.15	06/26/07	08/20/26	2,713,000
G.O. Storm Water					
Bonds of 2018B	1,550,000	3.00 - 4.00	10/31/18	02/01/29	1,005,000
G.O. Water and Sewer					
Refunding Bonds of 2019A	2,790,000	2.00 - 3.00	11/05/19	02/01/29	2,000,000
G.O. Wastewater					
Bonds of 2021A	3,460,000	3.00 - 4.00	08/19/21	02/01/32	<u>3,225,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 10,933,370</u></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
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	820,000	83,305	903,305
2029 - 2032	<u>2,050,000</u>	<u>111,365</u>	<u>2,161,365</u>
 Total	 <u><u>\$ 10,933,370</u></u>	 <u><u>\$ 1,007,627</u></u>	 <u><u>\$ 11,940,997</u></u>

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

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	\$ 3,654,942	\$ 4,865,907	\$ 1,087,921
Principal and Interest	1,370,842	1,557,564	184,615
Percent of Revenue	37.5%	32.0%	17.0%

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	\$ 5,955,000
Public Utility Revenue Bonds, 2017B	16,675,000	3.00 - 4.00	10/31/17	12/01/37	13,300,000
Total Revenue Bonds					<u>\$ 19,255,000</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
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	885,000	294,856	1,179,856
2029 - 2033	4,810,000	1,101,659	5,911,659
2034 - 2037	4,385,000	339,326	4,724,326
Total	<u>\$ 19,255,000</u>	<u>\$ 3,829,065</u>	<u>\$ 23,084,065</u>

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

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:

	PUC
Revenue	\$ 40,032,517
Principal and Interest	3,341,406
Percent of Revenue	8.3%

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	\$ 141,251

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
2024	\$ 69,585	\$ 4,223	\$ 73,808
2025	71,666	2,143	73,809
Total	\$ 141,251	\$ 6,366	\$ 147,617

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 13,680,000	\$ -	\$ (475,000)	\$ 13,205,000	\$ 665,000
General obligation special assessment bonds	14,075,000	1,350,000	(1,510,000)	13,915,000	1,345,000
Bond premium	1,404,094	100,890	(80,925)	1,424,059	-
Total Bonds Payable	<u>29,159,094</u>	<u>1,450,890</u>	<u>(2,065,925)</u>	<u>28,544,059</u>	<u>2,010,000</u>
Compensated Absences Payable	<u>540,328</u>	<u>501,385</u>	<u>(480,221)</u>	<u>561,492</u>	<u>464,255</u>
Governmental Activity Long-term Liabilities	<u>\$ 29,699,422</u>	<u>\$ 1,952,275</u>	<u>\$ (2,546,146)</u>	<u>\$ 29,105,551</u>	<u>\$ 2,474,255</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 13,657,370	\$ -	\$ (2,724,000)	\$ 10,933,370	\$ 2,850,370
Revenue bonds	21,810,000	-	(2,555,000)	19,255,000	2,655,000
Bond premium	1,927,426	-	(308,831)	1,618,595	219,066
Total Bonds Payable	<u>37,394,796</u>	<u>-</u>	<u>(5,587,831)</u>	<u>31,806,965</u>	<u>5,724,436</u>
Financed Purchase Arrangements	208,816	-	(67,565)	141,251	69,585
Compensated Absences Payable	<u>1,021,664</u>	<u>204,956</u>	<u>(174,208)</u>	<u>1,052,412</u>	<u>183,089</u>
Business-type Activity Long-term Liabilities	<u>\$ 38,625,276</u>	<u>\$ 204,956</u>	<u>\$ (5,829,604)</u>	<u>\$ 33,000,628</u>	<u>\$ 5,977,110</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Component Unit Debt

Loans Payable

The HRA's long-term debt balance as of December 31, 2023, 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	<u>234,000</u>
Total Loans Payable					<u>\$ 313,000</u>

Change in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities (EDA)					
Compensated Absences Payable	<u>\$ 4,502</u>	<u>\$ 6,532</u>	<u>\$ (8,884)</u>	<u>\$ 2,150</u>	<u>\$ 2,150</u>
Component Unit Activities (HRA)					
Loans Payable	\$ 313,000	\$ -	\$ -	\$ 313,000	\$ -
Compensated Absences Payable	<u>13,710</u>	<u>19,492</u>	<u>(19,930)</u>	<u>13,272</u>	<u>7,700</u>
Total	<u>\$ 326,710</u>	<u>\$ 19,492</u>	<u>\$ (19,930)</u>	<u>\$ 326,272</u>	<u>\$ 7,700</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance Classification

At December 31, 2023, a summary of the governmental fund balance classifications are as follows:

	General	Other Governmental Funds	Total
Fund Balances			
Nonspendable			
Prepaid items	\$ 153,714	\$ -	\$ 153,714
Restricted			
Drug forfeiture	-	28,273	28,273
Debt service	-	4,313,296	4,313,296
Parkland dedication	-	249,478	249,478
Police Memorial Park maintenance	-	25,649	25,649
Rural fire department	-	32,546	32,546
Economic development loans	-	518,580	518,580
Energy loans	-	855,217	855,217
HRA loans	-	86,177	86,177
Housing rehabilitation	-	579,635	579,635
Minnesota investment	-	18,502	18,502
Tax increment financing	-	206,527	206,527
Construction fund	-	689,443	689,443
Public Safety	-	643,408	643,408
Affordable Housing	-	68,658	68,658
Total Restricted	-	8,315,389	8,315,389
Committed			
Working capital	5,955,760	-	5,955,760
Hutchinson area transportation facility	-	589,595	589,595
Budget contingencies & levy stabilization	1,488,940	-	1,488,940
Tree escrow	-	69,780	69,780
Tree mitigation	-	520,610	520,610
Public arts commission - Community Improvement	-	4,192	4,192
Public arts commission - Public Sites	-	14,784	14,784
Lakes and River Basin project	-	444,650	444,650
Total Committed	7,444,700	1,643,611	9,088,311
Assigned			
Public arts commission (maintenance)	-	10,000	10,000
Capital projects	-	3,005,444	3,005,444
Community improvement	-	2,087,800	2,087,800
Equipment replacement	-	956,789	956,789
Total Assigned	-	6,060,033	6,060,033
Unassigned	726,817	(2,496,349)	(1,769,532)
Total Fund Balance	\$ 8,325,231	\$ 13,522,684	\$ 21,847,915

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 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. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$519,492, \$503,711 and \$484,306, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2023, 2022 and 2021 were \$380,335, \$359,318 and \$336,868, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

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

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$4,960,005 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$136,812. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0887 percent at the end of the measurement period and 0.0877 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 4,960,005
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>136,812</u>
Total	<u><u>\$ 5,096,817</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$796,922 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$615 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, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 162,447	\$ 34,400
Changes in Actuarial Assumptions	807,809	1,359,495
Net Difference Between Projected and Actual Investment Earnings	-	220,383
Changes in Proportion	39,600	17,082
Contributions Paid to PERA Subsequent to the Measurement Date	<u>262,339</u>	<u>-</u>
Total	<u><u>\$ 1,272,195</u></u>	<u><u>\$ 1,631,360</u></u>

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

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

The \$262,339 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$	114,651
2025		(737,198)
2026		108,642
2027		(107,599)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$2,871,785 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1663 percent at the end of the measurement period and 0.1615 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$115,678.

City Proportionate Share of the Net Pension Liability	\$	2,871,785
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the		115,678
Total	\$	2,987,463

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$875,444 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional negative \$6,967 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$14,967 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

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

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 775,380	\$ -
Changes in Actuarial Assumptions	3,170,940	4,036,803
Net Difference Between Projected and Actual Investment Earnings	-	70,245
Changes in Proportion	187,901	83,475
Contributions Paid to PERA Subsequent to the Measurement Date	196,153	-
Total	\$ 4,330,374	\$ 4,190,523

The \$196,153 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 125,425
2025	27,261
2026	677,940
2027	(174,420)
2028	(712,508)

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
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the the Police and Fire Plan.

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 for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 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 and Police and Fire Funds 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.

H. 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:

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 8,774,647	\$ 4,960,005	\$ 1,822,317
Police and Fire Fund	5,697,964	2,871,785	548,288

I. 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, 2023

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, 2023, 2022 and 2021 were \$1,078, \$1,090 and \$1,090, 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	
\$ 1,078	\$ 1,078	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, 2023, 2022 and 2021 were \$13,399, \$17,305 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	
\$ 11,612	\$ 13,399	6.50%	7.50%	N/A

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

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, 2023, 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 \$144,926 in fire state aid to the plan on behalf of the Hutchinson Fire Department for the year ended December 31, 2023, 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, 2023 were \$144,926. The City's contributions were equal to the required contributions as set by state statute. The City also made \$75,000 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, 2023

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

D. Pension Costs

At December 31, 2023, the City reported a net pension liability (asset) of (\$262,876) for the plan. The net pension asset was measured as of December 31, 2023. The total pension liability (asset) used to calculate the net pension liability (asset) 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, 2023. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2023	\$ 2,564,065	\$ 2,450,060	\$ 114,005
Changes for the Year			
Service cost	44,334	-	44,334
Interest	132,734	-	132,734
Contributions - State and local	-	219,926	(219,926)
Net investment income	-	358,874	(358,874)
Benefit payments	(160,254)	(160,254)	-
Administrative expense	-	(24,851)	24,851
Total Net Changes	<u>16,814</u>	<u>393,695</u>	<u>(376,881)</u>
Ending Balance December 31, 2023	<u>\$ 2,580,879</u>	<u>\$ 2,843,755</u>	<u>\$ (262,876)</u>

For the year ended December 31, 2023, the City recognized negative pension expense of \$124,812.

At December 31, 2023, 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	\$ 38,734	\$ -
Changes in Actuarial Assumptions	40,500	-
Net Difference Between Projected and Actual Earnings on Plan Investments	<u>43,808</u>	<u>-</u>
Total	<u>\$ 123,042</u>	<u>\$ -</u>

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

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:

2024	\$	53,262
2025		53,424
2026		62,870
2027		(46,514)

E. Actuarial Assumptions

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

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

No changes in benefits occurred in 2023.

There were no changes in actuarial assumptions in 2023

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

The target allocation and best estimates of 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	100.00 %	

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

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

F. Discount Rate

The discount rate used to measure the total pension liability (asset) 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 (asset).

G. Pension Liability Sensitivity

The following presents the City’s net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension liability (asset) 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	\$ (6,530)	\$ (262,876)	\$ (479,125)

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.

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, 2023, the following employees were covered by the benefit terms:

	City	PUC
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	3	2
Active Plan Members	111	51
Total Plan Members	114	53

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 2023, the City did not directly contribute to the Plan, while the implicit contributions totaled \$22,745.

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$524,533 was measured as of January 1, 2023. The EDA's portion of the OPEB liability is \$4,103.

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

	City Plan	PUC Plan
Discount Rate	4.00%	4.05%
20-Year Municipal Bond Yield	4.00%	4.05%
Inflation Rate	2.50%	2.25%
Salary Increases	Service graded table	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Medical Trend Rate	6.50% as of January 1, 2023 grading to 5.0% over 6 years and then to 4.0% over the next 48 years	6.20% in 2023 decreasing over several decades to an ultimate rate of 3.70% for 2074 and later years.

The discount rate used to measure the total OPEB liability for the City was 4.00 percent and 4.05 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-2021 Generational Improvement Scale.

PUC: Mortality rates were based on assumptions for General Employees used in the July 1, 2021 PERA of Minnesota Retirement Plan actuarial valuations, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

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.

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Primary Government	Component Unit Economic Development Authority	Total OPEB Liability
Balances at December 31, 2022	\$ 777,169	\$ 6,302	\$ 783,471
Changes for the Year			
Service Cost	21,792	325	22,117
Interest	15,570	129	15,699
Differences Between Expected and Actual Experience	(180,420)	(1,702)	(182,122)
Changes in Assumptions or Other Inputs	(77,861)	(613)	(78,474)
Benefit payments	(35,820)	(338)	(36,158)
Net Changes	(256,739)	(2,199)	(258,938)
Balances at December 31, 2023	\$ 520,430	\$ 4,103	\$ 524,533

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

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- The discount rate was changed from 2.00% to 4.00%.
- These changes decreased the liability \$65,565.

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

- The discount rate was changed from 1.84 percent to 4.05 percent.

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

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 (3.00 percent/3.05 percent) or one-percentage-point higher (4.00 percent/5.05 percent) than the current discount rate:

	City Plan		
	1 Percent Decrease (3.00%)	Current (4.00%)	1 Percent Increase (5.00%)
Primary Government	\$ 473,811	\$ 434,969	\$ 399,027
Component Unit - EDA	4,469	4,103	3,764

	PUC Plan		
	1 Percent Decrease (3.05%)	Current (4.05%)	1 Percent Increase (5.05%)
Primary Government	\$ 91,135	\$ 85,461	\$ 80,097

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	\$ 384,094	\$ 434,969	\$ 49,545
Component Unit - EDA	3,623	4,103	467

	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	\$ 77,748	\$ 85,461	\$ 94,265

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

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, 2023, the City recognized OPEB expense of \$(184,042). At December 31, 2023, 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	\$ 30,071	\$ 66,826	\$ 284	\$ 630
Net Difference Between Projected and Actual Earnings on Plan Investments	-	263,952	-	2,490
Changes in proportion	-	-	-	-
Contributions to OPEB Subsequent to the Measurement Date	22,583	-	162	-
Total	\$ 52,654	\$ 330,778	\$ 446	\$ 3,120

Deferred outflows of resources totaling \$52,654 from the City and \$446 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		
2024	\$ (52,097)	\$ (487)
2025	(52,097)	(487)
2026	(52,087)	(487)
2027	(42,673)	(399)
2028	(42,674)	(399)
2029	(30,962)	(289)
Thereafter	(28,117)	(288)

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, 2023

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, 2023 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 2023, 2022 and 2021 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2023	\$ 6,389	\$ 97,984	\$ (99,870)	\$ 4,503
2022	7,779	92,097	(93,487)	6,389
2021	339	93,822	(86,382)	7,779

D. Major Customers

For the year ended December 31, 2023, the PUC's Electric Division derived approximately 45.33 percent of utility revenue from the top five major industrial customers.

For the year ended December 31, 2023, the PUC's Natural Gas Division derived approximately 46.93 percent of its utility revenue from the top five major industrial customers.

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

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.

	<u>City Tax Rate (Year of Establishment)</u>	<u>District Tax Capacity</u>	<u>Amount of Taxes Abated the Fiscal Year</u>
Tax Increment Districts (PAYGO)			
TIF District 4-13 (Downtown Theater)	56.919%	\$ 18,823	\$ 10,714
TIF District 4-14 (Conerstone Commons)	59.363%	27,340	16,230
TIF District 4-17 (Econ, Industrial Park)	73.966%	9,259	6,849
TIF District 4-18 (Highfield Apartments)	73.966%	77,162	57,074
TIF District 4-19 (Cobblestone Hotel & Suites)	71.953%	40,656	29,253
TIF District 4-20 (Fifth Ave Ind Park)	71.141%	56,140	39,939
TIF District 4-21 (Energy Park North)	66.473%	40,440	26,882
TIF District 4-22 (Jorgensen Hotel)	63.882%	-	-
TIF District 4-23 (RD Machine Expansion)	60.407%	-	-
			<u>\$ 186,939</u>
Total			<u>\$ 186,939</u>

F. Tax Abatements

As of December 31, 2023, 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 2023 amount to \$21,331.

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.

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

Note 9: Other Information (Continued)

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 2023 was \$1,349,130 for LGA. This accounted 11.3 percent of General fund revenues. In addition to the General fund amount noted above, the City has allocated \$1,349,131 of LGA to the Capital Improvement Projects fund.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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

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
06/30/23	0.1549 %	\$ 8,661,835	\$ 238,971	\$ 8,900,806	\$ 12,122,039	73.4 %	83.1 %
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	79.0
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	10,145,597	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	12,560,873	164,029	12,724,902	9,593,197	132.6	68.9
06/30/15	0.1559	8,079,548	-	8,079,548	7,459,096	108.3	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)
12/31/23	\$ 925,201	\$ 925,201	\$ -	\$ 12,336,018	7.5 %
12/31/22	892,170	892,170	-	11,895,596	7.5
12/31/21	860,768	860,768	-	10,476,908	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, 2023

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

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

2022 - The mortality improvement scale was changed from Scale MP-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, 2023

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

Changes in Plan Provisions

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

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

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

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

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

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

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, 2023

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
06/30/23	0.1663 %	\$ 2,871,785	\$ 115,678	\$ 2,987,463	\$ 2,104,185	136.5 %	86.5 %
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	-	2,033,839	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	1,759,067	121.3	85.4
06/30/16	0.1590	6,380,947	-	6,380,947	1,584,198	402.8	63.9
06/30/15	0.1630	1,852,061	-	1,852,061	1,484,116	124.8	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)
12/31/23	\$ 380,335	\$ 380,335	\$ -	\$ 2,148,788	17.70 %
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	-	1,821,781	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, 2023

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

Changes in Actuarial Assumptions

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

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

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

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

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

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

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, 2023

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	\$ 44,334	\$ 52,603	\$ 51,445	\$ 37,705	\$ 39,252	\$ 33,093	\$ 32,207	\$ 31,267	\$ 37,483
Interest	132,734	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	(160,254)	(161,093)	(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)	(156,240)
Net Change in Total Pension Liability	16,814	143,404	(360,633)	136,947	(59,314)	198,743	7,958	302,741	(115,639)
Total Pension Liability - January 1	2,564,065	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)	\$ 2,580,879	\$ 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 and local	\$ 144,926	\$ 130,954	\$ 122,893	\$ 117,030	\$ 111,162	\$ 109,292	\$ 108,253	\$ 106,662	\$ 106,989
Contributions - employer	75,000	76,275	81,259	75,236	83,074	75,000	75,000	75,000	96,664
Projected investment return	358,874	(376,960)	322,787	243,347	377,486	(83,675)	264,914	165,615	(54,069)
Other	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(160,254)	(161,093)	(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)	(156,240)
Administrative expense	(24,851)	(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	393,695	(342,350)	(45,939)	238,084	372,264	(94,144)	247,746	152,559	(26,560)
Plan Fiduciary Net Position - January 1	2,450,060	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)	\$ 2,843,755	\$ 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)	\$ (262,876)	\$ 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)	110.19%	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	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	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

2023 - There were no changes in benefits since the previous valuation.

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.

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

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

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

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

2023 - There were no changes in assumptions since the previous valuation.

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, 2023

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/23	\$ 219,926	\$ 219,926	\$ -
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

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 33,173	\$ 58,977	\$ 56,316	\$ 52,612	\$ 52,767	\$ 56,111
Interest	15,699	16,271	31,131	30,427	27,430	25,975
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(182,122)	(25,876)	(142,260)	(10,484)	(48,475)	-
Changes in assumptions	(78,474)	(2,021)	56,000	11,924	(30,750)	4,199
Benefit payments	(47,214)	(36,673)	(46,944)	(31,476)	(26,943)	(23,931)
Net Change in Total OPEB Liability	(258,938)	10,678	(45,757)	53,003	(25,971)	62,354
Total OPEB Liability - Beginning	783,471	772,793	818,550	765,547	791,518	729,164
Total OPEB Liability - Ending	<u>\$ 524,533</u>	<u>\$ 783,471</u>	<u>\$ 772,793</u>	<u>\$ 818,550</u>	<u>\$ 765,547</u>	<u>\$ 791,518</u>
Covered-Employee Payroll	\$ 8,130,186	\$ 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	6.45 %	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.

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

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

Changes in Plan

2023 - There were no changes in plan provisions since the previous valuation.

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.

Changes in Assumptions

2023 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale. The inflation rate was changed from 2.00% to 2.50%. The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study. The discount rate was changed from 2.00% to 4.00%. These changes decreased the liability \$65,565.

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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total
Assets				
Cash and investments	\$ 2,942,352	\$ 6,500,123	\$ 3,898,877	\$ 13,341,352
Receivables				
Interest	13,302	29,997	-	43,299
Accounts	12,394	30,784	-	43,178
Notes	695,034	-	-	695,034
Delinquent special assessments	-	133,077	12,353	145,430
Noncurrent special assessments	-	630,300	1,088,964	1,719,264
Intergovernmental	9,837	1,914,448	61,840	1,986,125
Due from other funds	-	1,536	-	1,536
Advances to other funds	362,400	1,593,524	434,772	2,390,696
	<u>\$ 4,035,319</u>	<u>\$ 10,833,789</u>	<u>\$ 5,496,806</u>	<u>\$ 20,365,914</u>
Liabilities				
Accounts payable	\$ 72,338	\$ 296,679	\$ 60,389	\$ 429,406
Contracts payable	-	128,853	-	128,853
Due to other funds	1,536	307,899	-	309,435
Advances from other funds	797,172	1,593,524	-	2,390,696
Due to other governments	-	4,000	-	4,000
Accrued salaries payable	8,791	-	-	8,791
Unearned revenue	126,636	-	-	126,636
Total Liabilities	<u>1,006,473</u>	<u>2,330,955</u>	<u>60,389</u>	<u>3,397,817</u>
Deferred Inflows of Resources				
Unavailable revenue				
Loan interest receivable	15,255	-	-	15,255
Special assessments	-	763,377	1,101,317	1,864,694
Interest receivable	-	-	21,804	21,804
Intergovernmental	-	1,543,660	-	1,543,660
Total Deferred Inflows of Resources	<u>15,255</u>	<u>2,307,037</u>	<u>1,123,121</u>	<u>3,445,413</u>
Fund Balances				
Restricted	2,572,311	1,429,782	4,313,296	8,315,389
Committed	1,194,769	448,842	-	1,643,611
Assigned	-	6,060,033	-	6,060,033
Unassigned	(753,489)	(1,742,860)	-	(2,496,349)
Total Fund Balances	<u>3,013,591</u>	<u>6,195,797</u>	<u>4,313,296</u>	<u>13,522,684</u>
	<u>\$ 4,035,319</u>	<u>\$ 10,833,789</u>	<u>\$ 5,496,806</u>	<u>\$ 20,365,914</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total
Revenues				
Taxes				
Property taxes	\$ -	\$ 3,792	\$ 2,409,577	\$ 2,413,369
Tax increment district taxes	354,850	-	-	354,850
Special assessments	-	100,432	380,604	481,036
Intergovernmental				
Federal				
Other	-	1,723,705	-	1,723,705
Airport aid	-	606,709	-	606,709
State				
Local government aid	-	1,350,631	-	1,350,631
Street maintenance and construction aid	101,070	-	-	101,070
Other	275,504	3,123,485	-	3,398,989
County				
County shared aids	101,070	-	-	101,070
Charges for services				
Public safety	160,000	-	-	160,000
Streets and highways	373,237	-	-	373,237
Housing and economic development	65,926	-	-	65,926
Miscellaneous	-	14,400	-	14,400
Investment earnings	132,756	309,544	91,121	533,421
Miscellaneous				
Contributions and donations	1,720	107,051	-	108,771
Loan interest	12,192	-	-	12,192
Refunds and reimbursements	37,881	79,566	-	117,447
Other	5,370	79,405	1,725	86,500
Total Revenues	<u>1,621,576</u>	<u>7,498,720</u>	<u>2,883,027</u>	<u>12,003,323</u>
Expenditures				
Current				
Public safety	157,179	-	-	157,179
Streets and highways	658,140	-	-	658,140
Culture and recreation	74,413	-	-	74,413
Housing and economic development	865,513	-	-	865,513
Capital outlay				
General government	-	386,008	-	386,008
Public safety	-	1,721,214	-	1,721,214
Streets and highways	-	4,693,235	-	4,693,235
Culture and recreation	2,460	690,251	-	692,711
Housing and economic development	(12,993)	1,155,418	-	1,142,425
Miscellaneous	-	1,662,061	-	1,662,061
Debt service				
Principal	-	-	1,985,000	1,985,000
Interest and other	25,763	-	772,642	798,405
Bond issuance costs	-	63,012	-	63,012
Total Expenditures	<u>1,770,475</u>	<u>10,371,199</u>	<u>2,757,642</u>	<u>14,899,316</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(148,899)</u>	<u>(2,872,479)</u>	<u>125,385</u>	<u>(2,895,993)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	98,284	-	98,284
Transfers in	168,623	3,442,234	5,347	3,616,204
Bonds issued	-	1,350,000	-	1,350,000
Premium on bonds issued	-	100,890	-	100,890
Transfers out	(57,348)	(1,204,908)	(62,871)	(1,325,127)
Total Other Financing Sources (Uses)	<u>111,275</u>	<u>3,786,500</u>	<u>(57,524)</u>	<u>3,840,251</u>
Net Change in Fund Balances	(37,624)	914,021	67,861	944,258
Fund Balances, January 1	<u>3,051,215</u>	<u>5,281,776</u>	<u>4,245,435</u>	<u>12,578,426</u>
Fund Balances, December 31	<u>\$ 3,013,591</u>	<u>\$ 6,195,797</u>	<u>\$ 4,313,296</u>	<u>\$ 13,522,684</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, 2023

	Business-type Activities - Enterprise Funds				Total
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	
Assets					
Current Assets					
Cash and investments	\$ 1,643,184	\$ 1,990,071	\$ 983,872	\$ 583,359	\$ 5,200,486
Receivables					
Interest	8,321	9,012	4,416	-	21,749
Accounts	122,606	168,224	19,885	95,535	406,250
Intergovernmental	3,175	90,711	-	-	93,886
Inventories	-	1,697,637	-	743,112	2,440,749
Prepaid items	1,056	1,056	-	3,539	5,651
Total Current Assets	1,778,342	3,956,711	1,008,173	1,425,545	8,168,771
Noncurrent Assets					
Capital assets					
Land	10,913	400,608	387,063	308,072	1,106,656
Buildings and structures	2,416,970	99,100	-	1,631,037	4,147,107
Infrastructure and improvements	188,775	708,696	7,947,023	154,643	8,999,137
Machinery and equipment	1,494,506	3,382,089	170,691	140,171	5,187,457
Automotive equipment	45,938	419,380	353,394	-	818,712
Construction in progress	174,509	-	-	-	174,509
Less accumulated depreciation	(2,988,241)	(2,954,878)	(2,185,273)	(1,357,748)	(9,486,140)
Total Capital Assets (Net of Accumulated Depreciation)	1,343,370	2,054,995	6,672,898	876,175	10,947,438
Total Assets	3,121,712	6,011,706	7,681,071	2,301,720	19,116,209
Deferred Outflows of Resources					
Deferred pension resources	34,177	94,149	35,678	125,608	289,612
Deferred other postemployment benefit resources	446	3,119	1,337	2,228	7,130
Total Deferred Outflows of Resources	34,623	97,268	37,015	127,836	296,742

City of Hutchinson, Minnesota
Statement of Net Position (Continued)
Nonmajor Proprietary Funds
December 31, 2023

	Business-type Activities - Enterprise Funds				
	603	651	652	609	Total
	Refuse	Composting	Storm Water	Municipal Liquor Store	
Liabilities					
Current Liabilities					
Accounts payable	\$ 89,768	\$ 104,345	\$ 19,778	\$ 278,871	\$ 492,762
Due to other governments	10,722	641	-	88,786	100,149
Accrued interest payable	-	2,816	14,638	-	17,454
Accrued salaries payable	4,821	12,585	4,499	15,339	37,244
Accrued vacation payable	5,089	37,564	7,741	32,993	83,387
Deposits payable	53	-	30	-	83
Other postemployment benefit liability	161	1,095	458	777	2,491
Current portion of debt	-	69,585	155,000	-	224,585
Total Current Liabilities	110,614	228,631	202,144	416,766	958,155
Noncurrent Liabilities					
Accrued vacation payable	552	17,373	-	4,534	22,459
Other postemployment benefit liability	3,942	27,629	11,853	19,740	63,164
Net pension liability	132,052	357,853	135,511	485,096	1,110,512
Financed purchase arrangements and notes payable	-	141,251	-	-	141,251
Bonds payable	-	-	1,033,264	-	1,033,264
Less current portion of debt	-	(69,585)	(155,000)	-	(224,585)
Total Noncurrent Liabilities	136,546	474,521	1,025,628	509,370	2,146,065
Total Liabilities	247,160	703,152	1,227,772	926,136	3,104,220
Deferred Inflows of Resources					
Deferred pension resources	43,995	122,033	46,257	161,723	374,008
Deferred other post employment benefit resources	3,120	21,843	9,362	15,603	49,928
Total Deferred Inflows of Resources	47,115	143,876	55,619	177,326	423,936
Net Position					
Net investment in capital assets	1,343,370	1,913,744	5,639,634	876,175	9,772,923
Unrestricted	1,518,690	3,348,202	795,061	449,919	6,111,872
Total Net Position	\$ 2,862,060	\$ 5,261,946	\$ 6,434,695	\$ 1,326,094	\$ 15,884,795

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

	Business-type Activities - Enterprise Funds				Total
	603	651	652	609	
	Refuse	Composting	Storm Water	Municipal Liquor Store	
Operating Revenues					
Sales	\$ -	\$ 2,475,742	\$ -	\$ 7,506,965	\$ 9,982,707
Cost of sales	-	(1,669,155)	-	(5,827,827)	(7,496,982)
Gross Profit	-	806,587	-	1,679,138	2,485,725
Charges for services	1,342,069	-	1,079,831	-	2,421,900
Penalties	9,048	-	-	-	9,048
Other operating revenue	13,914	7,282	8,090	9,795	39,081
Total Operating Revenues	<u>1,365,031</u>	<u>813,869</u>	<u>1,087,921</u>	<u>1,688,933</u>	<u>4,955,754</u>
Operating Expenses					
Personal services	305,770	580,433	309,709	913,687	2,109,599
Supplies and maintenance	49,676	88,875	270,477	28,211	437,239
Other services and charges	966,715	188,361	51,593	143,419	1,350,088
Depreciation and depletion	136,285	83,666	248,749	61,566	530,266
Total Operating Expenses	<u>1,458,446</u>	<u>941,335</u>	<u>880,528</u>	<u>1,146,883</u>	<u>4,427,192</u>
Operating Income (Loss)	<u>(93,415)</u>	<u>(127,466)</u>	<u>207,393</u>	<u>542,050</u>	<u>528,562</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	31,594	-	-	-	31,594
Interest earnings	85,774	112,036	47,077	960	245,847
Gain (loss) on sale/disposal of capital assets	-	47,940	-	-	47,940
Interest expense - bonds	-	(4,898)	(37,199)	-	(42,097)
Bond premium amortization	-	-	5,653	-	5,653
Total Nonoperating Revenues (Expenses)	<u>117,368</u>	<u>155,078</u>	<u>15,531</u>	<u>960</u>	<u>288,937</u>
Income Before Contributions and Transfers	23,953	27,612	222,924	543,010	817,499
Capital Contributions From Other Funds	-	-	896,357	-	896,357
Transfers Out	(55,000)	(120,000)	(194,568)	(550,000)	(919,568)
Change in Net Position	(31,047)	(92,388)	924,713	(6,990)	794,288
Net Position, January 1	<u>2,893,107</u>	<u>5,354,334</u>	<u>5,509,982</u>	<u>1,333,084</u>	<u>15,090,507</u>
Net Position, December 31	<u>\$ 2,862,060</u>	<u>\$ 5,261,946</u>	<u>\$ 6,434,695</u>	<u>\$ 1,326,094</u>	<u>\$ 15,884,795</u>

City of Hutchinson, Minnesota
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				
	603	651	652	609	Total
	Refuse	Composting	Storm Water	Municipal Liquor Store	
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,362,765	\$ 2,402,229	\$ 1,092,542	\$ 7,521,367	\$ 12,378,903
Payments to vendors and suppliers	(1,000,007)	(1,824,821)	(355,421)	(5,893,286)	(9,073,535)
Payments to or on behalf of employees	(266,599)	(532,564)	(300,531)	(877,411)	(1,977,105)
Net Cash Provided by Operating Activities	<u>96,159</u>	<u>44,844</u>	<u>436,590</u>	<u>750,670</u>	<u>1,328,263</u>
Cash Flows from Noncapital Financing Activities					
Transfers out	(55,000)	(120,000)	(194,568)	(550,000)	(919,568)
Grants received	31,594	-	-	-	31,594
Net Cash Used by Noncapital Financing Activities	<u>(23,406)</u>	<u>(120,000)</u>	<u>(194,568)</u>	<u>(550,000)</u>	<u>(887,974)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(285,022)	(243,231)	(5,000)	-	(533,253)
Proceeds from sale of capital assets	-	47,940	-	-	47,940
Principal paid on long-term debt	-	(67,565)	(145,000)	-	(212,565)
Interest paid on long-term debt	-	(6,244)	(39,615)	-	(45,859)
Net Cash Used by Capital and Related Financing Activities	<u>(285,022)</u>	<u>(269,100)</u>	<u>(189,615)</u>	<u>-</u>	<u>(743,737)</u>
Cash Flows from Investing Activities					
Interest received on investments	83,560	109,961	45,441	960	239,922
Net Increase (Decrease) in Cash and Cash Equivalents	(128,709)	(234,295)	97,848	201,630	(63,526)
Cash and Cash Equivalents, January 1	1,771,893	2,224,366	886,024	381,729	5,264,012
Cash and Cash Equivalents, December 31	<u>\$ 1,643,184</u>	<u>\$ 1,990,071</u>	<u>\$ 983,872</u>	<u>\$ 583,359</u>	<u>\$ 5,200,486</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ (93,415)	\$ (127,466)	\$ 207,393	\$ 542,050	\$ 528,562
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	136,285	272,544	248,749	61,566	719,144
(Increase) decrease in assets					
Accounts receivable	(2,281)	(6,948)	4,591	4,607	(31)
Due from other governments	(38)	(73,847)	-	-	(73,885)
Inventories	-	(38,862)	-	(20,091)	(58,953)
Prepaid items	(1,056)	803	-	302	49
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	9,217	48,680	21,652	71,380	150,929
Deferred other postemployment benefit resources	226	1,586	678	1,132	3,622
Increase (decrease) in liabilities					
Accounts payable	17,266	(29,397)	3,648	125,270	116,787
Due to other governments	174	148	-	690	1,012
Advances from other funds	-	-	(36,999)	-	(36,999)
Accrued salaries payable	1,844	1,748	313	(1,327)	2,578
Accrued vacation payable	1,420	3,792	764	(1,608)	4,368
Other postemployment benefit liability	(2,199)	(15,367)	(6,573)	(10,971)	(35,110)
Pension liability	(14,256)	(118,000)	(55,612)	(179,951)	(367,819)
Deposits payable	53	-	30	-	83
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	41,137	112,946	42,603	148,702	345,388
Deferred other postemployment benefit resources	1,782	12,484	5,353	8,919	28,538
Net Cash Provided by Operating Activities	<u>\$ 96,159</u>	<u>\$ 44,844</u>	<u>\$ 436,590</u>	<u>\$ 750,670</u>	<u>\$ 1,328,263</u>
Schedule of Noncash Investing, Capital and Financing Activities					
Capital contributions from other funds	\$ -	\$ -	\$ 896,357	\$ -	\$ 896,357
Amortization of bond (premium) discount	\$ -	\$ -	\$ (5,653)	\$ -	\$ (5,653)

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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, 2023

	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	\$ 40,452	\$ 637,509	\$ 218,265	\$ 430,400	\$ 13,192
Receivables					
Interest	105	2,787	1,070	2,107	66
Accounts	3,400	3,374	-	-	-
Notes	-	-	84,354	293,024	5,244
Intergovernmental	-	9,837	-	-	-
Advance to other funds	-	-	214,907	147,493	-
Total Assets	<u>\$ 43,957</u>	<u>\$ 653,507</u>	<u>\$ 518,596</u>	<u>\$ 873,024</u>	<u>\$ 18,502</u>
Liabilities					
Accounts payable	\$ 3,225	\$ 63,307	\$ -	\$ 1,032	\$ -
Due to other funds	-	-	-	1,536	-
Advances from other funds	-	-	-	-	-
Accrued salaries payable	8,186	605	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>11,411</u>	<u>63,912</u>	<u>-</u>	<u>2,568</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	16	15,239	-
Fund Balances					
Restricted	32,546	-	518,580	855,217	18,502
Committed	-	589,595	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>32,546</u>	<u>589,595</u>	<u>518,580</u>	<u>855,217</u>	<u>18,502</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 43,957</u>	<u>\$ 653,507</u>	<u>\$ 518,596</u>	<u>\$ 873,024</u>	<u>\$ 18,502</u>

239	240	241	250	258
Hutchinson Enterprise Center	HRA Loan	Housing Rehabilitation Grant	Tax Increment	Tax Increment 2016
\$ 40,979	\$ 85,762	\$ 275,885	\$ 176,244	\$ 2,162
210	415	1,338	854	-
4,000	-	-	-	-
-	-	302,412	10,000	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 45,189</u>	<u>\$ 86,177</u>	<u>\$ 579,635</u>	<u>\$ 187,098</u>	<u>\$ 2,162</u>
\$ 4,774	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
207,407	-	-	-	464,222
-	-	-	-	-
-	-	-	-	-
<u>212,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,222</u>
-	-	-	-	-
-	86,177	579,635	187,098	-
-	-	-	-	-
(166,992)	-	-	-	(462,060)
<u>(166,992)</u>	<u>86,177</u>	<u>579,635</u>	<u>187,098</u>	<u>(462,060)</u>
<u>\$ 45,189</u>	<u>\$ 86,177</u>	<u>\$ 579,635</u>	<u>\$ 187,098</u>	<u>\$ 2,162</u>

City of Hutchinson, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet (Continued)
 December 31, 2023

	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	\$ 1,100	\$ 10,497	\$ 3,954	\$ 2,534	\$ 2,350
Receivables					
Interest	6	51	19	12	12
Accounts	-	-	-	-	-
Notes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Total Assets	<u>\$ 1,106</u>	<u>\$ 10,548</u>	<u>\$ 3,973</u>	<u>\$ 2,546</u>	<u>\$ 2,362</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Advances from other funds	112,473	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>112,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	-	-
Fund Balances					
Restricted	-	10,548	3,973	2,546	2,362
Committed	-	-	-	-	-
Unassigned	(111,367)	-	-	-	-
Total Fund Balances	<u>(111,367)</u>	<u>10,548</u>	<u>3,973</u>	<u>2,546</u>	<u>2,362</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,106</u>	<u>\$ 10,548</u>	<u>\$ 3,973</u>	<u>\$ 2,546</u>	<u>\$ 2,362</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
\$ -	\$ -	\$ 356,331	\$ 518,100	\$ 126,636	\$ 2,942,352
-	-	1,740	2,510	-	13,302
-	-	1,620	-	-	12,394
-	-	-	-	-	695,034
-	-	-	-	-	9,837
-	-	-	-	-	362,400
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,691</u>	<u>\$ 520,610</u>	<u>\$ 126,636</u>	<u>\$ 4,035,319</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,338
-	-	-	-	-	1,536
5,570	7,500	-	-	-	797,172
-	-	-	-	-	8,791
-	-	-	-	126,636	126,636
<u>5,570</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>126,636</u>	<u>1,006,473</u>
-	-	-	-	-	15,255
-	-	275,127	-	-	2,572,311
-	-	84,564	520,610	-	1,194,769
(5,570)	(7,500)	-	-	-	(753,489)
<u>(5,570)</u>	<u>(7,500)</u>	<u>359,691</u>	<u>520,610</u>	<u>-</u>	<u>3,013,591</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,691</u>	<u>\$ 520,610</u>	<u>\$ 126,636</u>	<u>\$ 4,035,319</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, 2023

	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	-	101,070	-	-	-
Other	-	-	-	-	275,504
County					
County shared aids	-	101,070	-	-	-
Charges for services					
Public safety	160,000	-	-	-	-
Streets and highways	-	373,237	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings	1,402	25,472	12,379	18,112	1,240
Miscellaneous					
Contributions and donations	-	-	-	-	-
Loan interest	-	-	3,754	8,438	-
Refunds and reimbursements	5,628	26,764	-	-	-
Other	1,420	-	-	-	-
Total Revenues	<u>168,450</u>	<u>627,613</u>	<u>16,133</u>	<u>26,550</u>	<u>276,744</u>
Expenditures					
Current					
Public safety	157,179	-	-	-	-
Streets and highways	-	658,140	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	15,614	10,337	275,504
Capital outlay					
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	-	-	-	-	-
Total Expenditures	<u>157,179</u>	<u>658,140</u>	<u>15,614</u>	<u>10,337</u>	<u>275,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,271</u>	<u>(30,527)</u>	<u>519</u>	<u>16,213</u>	<u>1,240</u>
Other Financing Sources (Uses)					
Transfers in	-	113,623	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>113,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	11,271	83,096	519	16,213	1,240
Fund Balances, January 1	<u>21,275</u>	<u>506,499</u>	<u>518,061</u>	<u>839,004</u>	<u>17,262</u>
Fund Balances, December 31	<u>\$ 32,546</u>	<u>\$ 589,595</u>	<u>\$ 518,580</u>	<u>\$ 855,217</u>	<u>\$ 18,502</u>

239	240	241	250	258
Hutchinson Enterprise Center	HRA Loan	Housing Rehabilitation Grant	Tax Increment	Tax Increment 2016
\$ -	\$ -	\$ -	\$ 60,711	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
59,986	-	-	-	-
2,280	3,880	12,481	9,898	-
-	-	-	-	-
-	-	-	-	-
5,189	-	-	-	-
-	-	-	-	-
<u>67,455</u>	<u>3,880</u>	<u>12,481</u>	<u>70,609</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
43,252	-	111,782	165,851	-
-	-	-	-	-
-	-	-	-	(12,993)
4,421	-	-	-	16,382
<u>47,673</u>	<u>-</u>	<u>111,782</u>	<u>165,851</u>	<u>3,389</u>
<u>19,782</u>	<u>3,880</u>	<u>(99,301)</u>	<u>(95,242)</u>	<u>(3,389)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
19,782	3,880	(99,301)	(95,242)	(3,389)
<u>(186,774)</u>	<u>82,297</u>	<u>678,936</u>	<u>282,340</u>	<u>(458,671)</u>
<u>\$ (166,992)</u>	<u>\$ 86,177</u>	<u>\$ 579,635</u>	<u>\$ 187,098</u>	<u>\$ (462,060)</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, 2023

	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	\$ 12,177	\$ 101,479	\$ 53,468	\$ 73,831	\$ 53,184
Intergovernmental					
State					
Street maintenance aid	-	-	-	-	-
Other	-	-	-	-	-
County					
County shared aids	-	-	-	-	-
Charges for services					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings	159	2,146	1,022	953	756
Miscellaneous					
Contributions and donations	-	-	-	-	-
Loan interest	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>12,336</u>	<u>103,625</u>	<u>54,490</u>	<u>74,784</u>	<u>53,940</u>
Expenditures					
Current					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	972	100,307	47,789	71,411	972
Capital outlay					
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	4,730	-	-	-	-
Total Expenditures	<u>5,702</u>	<u>100,307</u>	<u>47,789</u>	<u>71,411</u>	<u>972</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,634</u>	<u>3,318</u>	<u>6,701</u>	<u>3,373</u>	<u>52,968</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(5,348)	-	(52,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(5,348)</u>	<u>-</u>	<u>(52,000)</u>
Net Change in Fund Balances	6,634	3,318	1,353	3,373	968
Fund Balances, January 1	<u>(118,001)</u>	<u>7,230</u>	<u>2,620</u>	<u>(827)</u>	<u>1,394</u>
Fund Balances, December 31	<u>\$ (111,367)</u>	<u>\$ 10,548</u>	<u>\$ 3,973</u>	<u>\$ 2,546</u>	<u>\$ 2,362</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 354,850
-	-	-	-	-	101,070
-	-	-	-	-	275,504
-	-	-	-	-	101,070
-	-	-	-	-	160,000
-	-	-	-	-	373,237
-	-	5,940	-	-	65,926
-	344	16,071	24,161	-	132,756
-	-	1,720	-	-	1,720
-	-	-	-	-	12,192
-	-	300	-	-	37,881
-	-	3,950	-	-	5,370
-	344	27,981	24,161	-	1,621,576
-	-	-	-	-	157,179
-	-	-	-	-	658,140
-	-	6,546	67,867	-	74,413
-	21,722	-	-	-	865,513
-	-	2,460	-	-	2,460
-	-	-	-	-	(12,993)
214	16	-	-	-	25,763
214	21,738	9,006	67,867	-	1,770,475
(214)	(21,394)	18,975	(43,706)	-	(148,899)
-	-	-	55,000	-	168,623
-	-	-	-	-	(57,348)
-	-	-	55,000	-	111,275
(214)	(21,394)	18,975	11,294	-	(37,624)
(5,356)	13,894	340,716	509,316	-	3,051,215
\$ (5,570)	\$ (7,500)	\$ 359,691	\$ 520,610	\$ -	\$ 3,013,591

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

	2023			2022
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Charges for services				
Public safety	\$ 160,000	\$ 160,000	\$ -	\$ 140,000
Investment earnings (loss)	200	1,402	1,202	(7)
Miscellaneous				
Refunds and reimbursements	-	5,628	5,628	52,107
Other	-	1,420	1,420	-
Total Revenues	<u>160,200</u>	<u>168,450</u>	<u>8,250</u>	<u>192,100</u>
Expenditures				
Current				
Public safety				
Rural fire department				
Personal services	99,134	105,665	(6,531)	94,144
Supplies	31,850	28,535	3,315	28,445
Other services and charges	26,116	22,979	3,137	19,890
Capital outlay				
Public safety				
Rural fire department	-	-	-	52,107
Total Expenditures	<u>157,100</u>	<u>157,179</u>	<u>(79)</u>	<u>194,586</u>
Net Change in Fund Balances	3,100	11,271	8,171	(2,486)
Fund Balances, January 1	<u>21,275</u>	<u>21,275</u>	<u>-</u>	<u>23,761</u>
Fund Balances, December 31	<u>\$ 24,375</u>	<u>\$ 32,546</u>	<u>\$ 8,171</u>	<u>\$ 21,275</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
State				
Street maintenance aid	\$ 101,070	\$ 101,070	\$ -	\$ 98,126
County				
County shared aids	101,070	101,070	-	98,126
Charges for services				
Streets and highways	363,808	373,237	9,429	390,895
Investment earnings	5,000	25,472	20,472	(3,149)
Miscellaneous				
Refunds and reimbursements	32,000	26,764	(5,236)	31,733
Total Revenues	<u>602,948</u>	<u>627,613</u>	<u>24,665</u>	<u>615,731</u>
Expenditures				
Current				
Streets and highways				
Streets and alleys				
Personal services	42,028	42,886	(858)	35,316
Supplies	441,050	453,728	(12,678)	517,236
Other services and charges	176,950	161,526	15,424	152,941
Capital outlay				
Streets and highways				
Streets and alleys	56,543	-	56,543	20,654
Total Expenditures	<u>716,571</u>	<u>658,140</u>	<u>58,431</u>	<u>726,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(113,623)	(30,527)	83,096	(110,416)
Other Financing Sources (Uses)				
Transfers in	<u>113,623</u>	<u>113,623</u>	<u>-</u>	<u>110,313</u>
Net Change in Fund Balances	-	83,096	83,096	(103)
Fund Balances, January 1	<u>506,499</u>	<u>506,499</u>	<u>-</u>	<u>506,602</u>
Fund Balances, December 31	<u>\$ 506,499</u>	<u>\$ 589,595</u>	<u>\$ 83,096</u>	<u>\$ 506,499</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, 2023

	401	402	405	407	408
	Capital Improvement Projects	MSA Construction	Equipment Replacement	Community Improvement	Airport Renovation
Assets					
Cash and investments	\$ 3,111,544	\$ -	\$ 1,016,379	\$ 1,652,995	\$ -
Receivables					
Interest	14,875	-	4,636	5,730	1,312
Accounts	17,984	-	12,800	-	-
Delinquent special assessments	-	-	-	133,077	-
Noncurrent special assessments	-	-	-	630,300	-
Intergovernmental	57	1,543,660	-	425	366,246
Due from other funds	1,536	-	-	-	-
Advances to other funds	691,583	-	-	901,941	-
	<u>3,837,579</u>	<u>1,543,660</u>	<u>1,033,815</u>	<u>3,324,468</u>	<u>367,558</u>
Total Assets	\$ 3,837,579	\$ 1,543,660	\$ 1,033,815	\$ 3,324,468	\$ 367,558
Liabilities					
Accounts payable	\$ 59,779	\$ -	\$ 73,026	\$ 14,449	\$ 127,197
Contracts payable	32,017	-	-	-	65,440
Due to other funds	-	-	-	-	307,899
Advances from other funds	-	-	-	-	691,583
Due to other governments	-	-	4,000	-	-
	<u>91,796</u>	<u>-</u>	<u>77,026</u>	<u>14,449</u>	<u>1,192,119</u>
Total Liabilities	\$ 91,796	\$ -	\$ 77,026	\$ 14,449	\$ 1,192,119
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	-	-	-	763,377	-
Intergovernmental	-	1,543,660	-	-	-
	<u>-</u>	<u>1,543,660</u>	<u>-</u>	<u>763,377</u>	<u>-</u>
Total Deferred Inflows of Resources	\$ -	\$ 1,543,660	\$ -	\$ 763,377	\$ -
Fund Balances					
Restricted	740,339	-	-	-	-
Committed	-	-	-	448,842	-
Assigned	3,005,444	-	956,789	2,097,800	-
Unassigned	-	-	-	-	(824,561)
	<u>3,745,783</u>	<u>-</u>	<u>956,789</u>	<u>2,546,642</u>	<u>(824,561)</u>
Total Fund Balances	\$ 3,745,783	\$ -	\$ 956,789	\$ 2,546,642	\$ (824,561)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,837,579	\$ 1,543,660	\$ 1,033,815	\$ 3,324,468	\$ 367,558

441 Special Assessment Improvement 2021	442 Special Assessment Improvement 2022	443 Special Assessment Improvement 2023	496 Police Facility Construction	Total
\$ -	\$ -	\$ 719,205	\$ -	\$ 6,500,123
-	-	3,444	-	29,997
-	-	-	-	30,784
-	-	-	-	133,077
-	-	-	-	630,300
-	-	-	4,060	1,914,448
-	-	-	-	1,536
-	-	-	-	1,593,524
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,649</u>	<u>\$ 4,060</u>	<u>\$ 10,833,789</u>
\$ -	\$ -	\$ 7,810	\$ 14,418	\$ 296,679
-	-	25,396	6,000	128,853
-	-	-	901,941	307,899
-	-	-	-	1,593,524
-	-	-	-	4,000
<u>-</u>	<u>-</u>	<u>33,206</u>	<u>922,359</u>	<u>2,330,955</u>
-	-	-	-	763,377
-	-	-	-	1,543,660
-	-	-	-	2,307,037
-	-	689,443	-	1,429,782
-	-	-	-	448,842
-	-	-	-	6,060,033
-	-	-	(918,299)	(1,742,860)
-	-	689,443	(918,299)	6,195,797
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,649</u>	<u>\$ 4,060</u>	<u>\$ 10,833,789</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, 2023

	401	402	405	407	408
	Capital Improvement Projects	MSA Construction	Equipment Replacement	Community Improvement	Airport Renovation
Revenues					
Taxes					
Property taxes	\$ 3,792	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	100,432	-
Intergovernmental					
Federal					
Airport aid	-	-	-	-	606,709
Other	1,723,705	-	-	-	-
State					
Local government aid	1,349,131	-	-	1,500	-
Other	764,482	-	-	213,591	33,704
Charges for services					
Miscellaneous	-	-	-	-	14,400
Investment earnings	93,203	-	49,949	144,091	2,590
Miscellaneous					
Contributions and donations	106,301	-	-	750	-
Refunds and reimbursements	48,500	-	31,066	-	-
Other	79,405	-	-	-	-
Total Revenues	<u>4,168,519</u>	<u>-</u>	<u>81,015</u>	<u>460,364</u>	<u>657,403</u>
Expenditures					
Capital outlay					
General government	316,417	-	42,278	27,313	-
Public safety	116,381	-	74,832	5,960	-
Streets and highways	527,320	-	631,192	153,649	-
Culture and recreation	639,507	-	-	50,744	-
Economic development	1,155,418	-	-	-	-
Miscellaneous	68,543	-	-	-	1,593,518
Debt service					
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>2,823,586</u>	<u>-</u>	<u>748,302</u>	<u>237,666</u>	<u>1,593,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,344,933</u>	<u>-</u>	<u>(667,287)</u>	<u>222,698</u>	<u>(936,115)</u>
Other Financing Sources (Uses)					
Sale of capital assets					
	-	-	98,284	-	-
Transfers in					
	-	-	1,525,792	116,551	58,605
Bonds issued					
	-	-	-	-	-
Premium on bonds issued					
	-	-	-	-	-
Transfers out					
	(60,285)	-	-	(1,136,812)	-
Total Other Financing Sources (Uses)	<u>(60,285)</u>	<u>-</u>	<u>1,624,076</u>	<u>(1,020,261)</u>	<u>58,605</u>
Net Change in Fund Balances	1,284,648	-	956,789	(797,563)	(877,510)
Fund Balances, January 1	<u>2,461,135</u>	<u>-</u>	<u>-</u>	<u>3,344,205</u>	<u>52,949</u>
Fund Balances, December 31	<u>\$ 3,745,783</u>	<u>\$ -</u>	<u>\$ 956,789</u>	<u>\$ 2,546,642</u>	<u>\$ (824,561)</u>

441 Special Assessment Improvement 2021	442 Special Assessment Improvement 2022	443 Special Assessment Improvement 2023	496 Police Facility Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,792
-	-	-	-	100,432
-	-	-	-	606,709
-	-	-	-	1,723,705
-	-	-	-	1,350,631
-	-	2,111,708	-	3,123,485
-	-	-	-	14,400
1,149	4,521	(2,531)	16,572	309,544
-	-	-	-	107,051
-	-	-	-	79,566
-	-	-	-	79,405
<u>1,149</u>	<u>4,521</u>	<u>2,109,177</u>	<u>16,572</u>	<u>7,498,720</u>
-	-	-	-	386,008
-	-	-	1,524,041	1,721,214
-	114,464	3,266,610	-	4,693,235
-	-	-	-	690,251
-	-	-	-	1,155,418
-	-	-	-	1,662,061
-	-	63,012	-	63,012
-	<u>114,464</u>	<u>3,329,622</u>	<u>1,524,041</u>	<u>10,371,199</u>
<u>1,149</u>	<u>(109,943)</u>	<u>(1,220,445)</u>	<u>(1,507,469)</u>	<u>(2,872,479)</u>
-	-	-	-	98,284
-	-	604,474	1,136,812	3,442,234
-	-	1,350,000	-	1,350,000
-	-	100,890	-	100,890
(312)	(7,499)	-	-	(1,204,908)
<u>(312)</u>	<u>(7,499)</u>	<u>2,055,364</u>	<u>1,136,812</u>	<u>3,786,500</u>
837	(117,442)	834,919	(370,657)	914,021
<u>(837)</u>	<u>117,442</u>	<u>(145,476)</u>	<u>(547,642)</u>	<u>5,281,776</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 689,443</u>	<u>\$ (918,299)</u>	<u>\$ 6,195,797</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, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Revenues					
Taxes					
Property taxes	\$ 5,846,751	\$ 5,846,751	\$ 5,862,753	\$ 16,002	\$ 5,600,340
Hotel/motel tax	120,000	120,000	131,873	11,873	134,051
Franchise fees	210,000	210,000	192,702	(17,298)	207,620
Total taxes	<u>6,176,751</u>	<u>6,176,751</u>	<u>6,187,328</u>	<u>10,577</u>	<u>5,942,011</u>
Licenses and permits					
Business	38,500	38,500	41,762	3,262	42,159
Nonbusiness	398,600	398,600	321,478	(77,122)	450,006
Total licenses and permits	<u>437,100</u>	<u>437,100</u>	<u>363,240</u>	<u>(73,860)</u>	<u>492,165</u>
Intergovernmental					
Federal					
Other federal aids	1,500	1,500	3,586	2,086	1,868
State					
Local government aid	1,349,130	1,349,130	1,349,130	-	1,334,205
Property tax credits	-	-	1,442	1,442	181
Police aid	230,377	230,377	246,827	16,450	230,378
Fire aid	127,954	127,954	142,926	14,972	127,954
Street maintenance aid	29,280	29,280	29,280	-	29,280
Airport aid	26,200	26,200	27,445	1,245	20,446
Other state aids	29,500	29,500	92,862	63,362	39,090
Total state	<u>1,792,441</u>	<u>1,792,441</u>	<u>1,889,912</u>	<u>97,471</u>	<u>1,781,534</u>
Local					
School liaison program	54,747	54,747	48,243	(6,504)	52,434
Community education reimbursement	66,089	66,089	66,506	417	64,174
Total local	<u>120,836</u>	<u>120,836</u>	<u>114,749</u>	<u>(6,087)</u>	<u>116,608</u>
Total intergovernmental	<u>1,914,777</u>	<u>1,914,777</u>	<u>2,008,247</u>	<u>93,470</u>	<u>1,900,010</u>
Charges for services					
General government	320,000	320,000	320,826	826	341,099
Public safety	408,415	408,415	413,049	4,634	370,413
Streets and highways	510,473	510,473	449,066	(61,407)	444,600
Culture and recreation	1,133,633	1,133,633	1,138,260	4,627	1,122,185
Other charges	194,920	194,920	206,229	11,309	215,230
Total charges for services	<u>2,567,441</u>	<u>2,567,441</u>	<u>2,527,430</u>	<u>(40,011)</u>	<u>2,493,527</u>
Fines and forfeits	55,000	55,000	52,141	(2,859)	52,902
Investment earnings (loss)	80,000	80,000	348,059	268,059	(53,301)
Miscellaneous					
Contributions and donations	27,500	27,500	51,903	24,403	49,790
Refunds and reimbursements	181,800	181,800	249,815	68,015	252,918
Other	189,531	189,531	189,015	(516)	174,850
Total miscellaneous	<u>398,831</u>	<u>398,831</u>	<u>490,733</u>	<u>91,902</u>	<u>477,558</u>
Total Revenues	<u>11,629,900</u>	<u>11,629,900</u>	<u>11,977,178</u>	<u>347,278</u>	<u>11,304,872</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, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 42,327	\$ 42,327	\$ 37,576	\$ 4,751	\$ 37,488
Supplies	100	100	267	(167)	-
Other services and charges	7,660	7,660	2,420	5,240	3,290
Total mayor and council	<u>50,087</u>	<u>50,087</u>	<u>40,263</u>	<u>9,824</u>	<u>40,778</u>
City administrator					
Personal services	457,603	457,603	455,493	2,110	475,577
Supplies	3,500	3,500	1,064	2,436	144
Other services and charges	25,143	25,143	15,716	9,427	48,786
Total city administrator	<u>486,246</u>	<u>486,246</u>	<u>472,273</u>	<u>13,973</u>	<u>524,507</u>
Elections					
Personal services	-	-	-	-	12,112
Supplies	-	-	-	-	5,134
Other services and charges	-	-	-	-	3,118
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,364</u>
Finance					
Personal services	325,568	325,568	320,460	5,108	323,086
Supplies	1,500	1,500	1,642	(142)	1,576
Other services and charges	79,252	79,252	72,686	6,566	68,112
Total finance	<u>406,320</u>	<u>406,320</u>	<u>394,788</u>	<u>11,532</u>	<u>392,774</u>
Motor vehicles					
Personal services	270,779	270,779	296,197	(25,418)	281,607
Supplies	5,850	5,850	4,260	1,590	8,672
Other services and charges	23,318	23,318	14,375	8,943	13,033
Total motor vehicles	<u>299,947</u>	<u>299,947</u>	<u>314,832</u>	<u>(14,885)</u>	<u>303,312</u>
Assessing					
Other services and charges	61,478	61,478	61,499	(21)	61,478
Legal					
Personal services	235,627	235,627	235,393	234	238,725
Supplies	22,900	22,900	19,438	3,462	17,994
Other services and charges	67,170	67,170	58,564	8,606	54,010
Total legal	<u>325,697</u>	<u>325,697</u>	<u>313,395</u>	<u>12,302</u>	<u>310,729</u>
Planning					
Personal services	160,725	160,725	160,559	166	157,127
Supplies	750	750	195	555	-
Other services and charges	9,450	9,450	8,600	850	6,545
Total planning	<u>170,925</u>	<u>170,925</u>	<u>169,354</u>	<u>1,571</u>	<u>163,672</u>
Information services					
Personal services	342,764	342,764	342,348	416	335,254
Supplies	37,608	37,608	39,975	(2,367)	21,484
Other services and charges	204,229	204,229	191,441	12,788	232,488
Total information services	<u>584,601</u>	<u>584,601</u>	<u>573,764</u>	<u>10,837</u>	<u>589,226</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, 2023
 (With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Expenditures (Continued)					
Current (continued)					
General government (continued)					
City hall building					
Personal services	\$ 104,480	\$ 104,480	\$ 104,506	\$ (26)	\$ 99,565
Supplies	17,850	17,850	18,094	(244)	13,249
Other services and charges	79,295	79,295	72,566	6,729	72,634
Total city hall building	<u>201,625</u>	<u>201,625</u>	<u>195,166</u>	<u>6,459</u>	<u>185,448</u>
Total general government	<u>2,586,926</u>	<u>2,586,926</u>	<u>2,535,334</u>	<u>51,592</u>	<u>2,592,288</u>
Public safety					
Police					
Personal services	3,345,113	3,345,113	3,482,950	(137,837)	3,354,992
Supplies	110,000	110,000	114,920	(4,920)	111,595
Other services and charges	255,966	255,966	292,267	(36,301)	202,967
Total police	<u>3,711,079</u>	<u>3,711,079</u>	<u>3,890,137</u>	<u>(179,058)</u>	<u>3,669,554</u>
Emergency management					
Supplies	500	500	-	500	119
Other services and charges	16,480	16,480	14,170	2,310	10,999
Total emergency management	<u>16,980</u>	<u>16,980</u>	<u>14,170</u>	<u>2,810</u>	<u>11,118</u>
Safety council					
Other services and charges	<u>12,000</u>	<u>12,000</u>	<u>12,342</u>	<u>(342)</u>	<u>9,840</u>
Fire					
Personal services	455,526	455,526	517,426	(61,900)	467,242
Supplies	52,200	52,200	46,974	5,226	46,460
Other services and charges	95,672	95,672	86,424	9,248	86,343
Total fire	<u>603,398</u>	<u>603,398</u>	<u>650,824</u>	<u>(47,426)</u>	<u>600,045</u>
Building inspection					
Personal services	337,471	337,471	327,260	10,211	312,185
Supplies	7,575	7,575	1,887	5,688	2,646
Other services and charges	14,195	14,195	10,585	3,610	12,646
Total building inspection	<u>359,241</u>	<u>359,241</u>	<u>339,732</u>	<u>19,509</u>	<u>327,477</u>
Hospital security					
Personal services	370,964	370,964	364,732	6,232	330,529
Supplies	1,500	1,500	920	580	1,590
Other services and charges	1,500	1,500	30	1,470	85
Total hospital security	<u>373,964</u>	<u>373,964</u>	<u>365,682</u>	<u>8,282</u>	<u>332,204</u>
Total public safety	<u>5,076,662</u>	<u>5,076,662</u>	<u>5,272,887</u>	<u>(196,225)</u>	<u>4,950,238</u>
Streets and highways					
Engineering					
Personal services	425,022	425,022	343,567	81,455	344,667
Supplies	8,600	8,600	6,014	2,586	7,833
Other services and charges	71,851	71,851	82,553	(10,702)	86,853
Total engineering	<u>505,473</u>	<u>505,473</u>	<u>432,134</u>	<u>73,339</u>	<u>439,353</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Expenditures (Continued)					
Current (continued)					
Streets and highways (continued)					
Streets and alleys					
Personal services	\$ 695,115	\$ 695,115	\$ 683,760	\$ 11,355	\$ 670,068
Supplies	278,300	278,300	304,078	(25,778)	267,033
Other services and charges	585,655	585,655	520,304	65,351	564,388
Total streets and alleys	<u>1,559,070</u>	<u>1,559,070</u>	<u>1,508,142</u>	<u>50,928</u>	<u>1,501,489</u>
Total streets and highways	<u>2,064,543</u>	<u>2,064,543</u>	<u>1,940,276</u>	<u>124,267</u>	<u>1,940,842</u>
Culture and recreation					
Parks and recreation administration					
Personal services	210,988	210,988	210,509	479	199,203
Supplies	1,700	1,700	825	875	2,258
Other services and charges	51,123	51,123	50,219	904	63,999
Total park and recreation administration	<u>263,811</u>	<u>263,811</u>	<u>261,553</u>	<u>2,258</u>	<u>265,460</u>
Recreation					
Personal services	137,697	137,697	118,882	18,815	133,206
Supplies	43,500	43,500	40,222	3,278	36,258
Other services and charges	51,000	51,000	49,528	1,472	40,788
Total recreation	<u>232,197</u>	<u>232,197</u>	<u>208,632</u>	<u>23,565</u>	<u>210,252</u>
Senior citizen center					
Personal services	37,961	37,961	37,793	168	53,221
Supplies	2,250	2,250	1,505	745	663
Other services and charges	44,650	44,650	38,436	6,214	35,382
Total senior citizen center	<u>84,861</u>	<u>84,861</u>	<u>77,734</u>	<u>7,127</u>	<u>89,266</u>
Evergreen building					
Supplies	3,550	3,550	2,144	1,406	2,852
Other services and charges	31,330	31,330	30,554	776	31,137
Total evergreen building	<u>34,880</u>	<u>34,880</u>	<u>32,698</u>	<u>2,182</u>	<u>33,989</u>
Civic arena					
Personal services	172,144	172,144	174,166	(2,022)	148,742
Supplies	34,640	34,640	42,024	(7,384)	21,869
Other services and charges	200,950	200,950	164,468	36,482	211,144
Total civic arena	<u>407,734</u>	<u>407,734</u>	<u>380,658</u>	<u>27,076</u>	<u>381,755</u>
Park					
Personal services	783,476	783,476	769,413	14,063	740,223
Supplies	211,350	211,350	197,208	14,142	178,197
Other services and charges	150,910	150,910	186,351	(35,441)	143,088
Total park	<u>1,145,736</u>	<u>1,145,736</u>	<u>1,152,972</u>	<u>(7,236)</u>	<u>1,061,508</u>
Recreation building					
Personal services	214,260	214,260	204,094	10,166	191,699
Supplies	15,100	15,100	16,968	(1,868)	5,914
Other services and charges	51,870	51,870	46,482	5,388	41,371
Total recreation building	<u>281,230</u>	<u>281,230</u>	<u>267,544</u>	<u>13,686</u>	<u>238,984</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			Variance with Final Budget	2022
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Waterpark					
Personal services	\$ 315,163	\$ 315,163	\$ 290,368	\$ 24,795	\$ 330,846
Supplies	84,250	84,250	72,380	11,870	83,836
Other services and charges	58,234	58,234	58,398	(164)	54,612
Total waterpark	<u>457,647</u>	<u>457,647</u>	<u>421,146</u>	<u>36,501</u>	<u>469,294</u>
Events center					
Personal services	89,845	89,845	88,238	1,607	143,517
Supplies	9,575	9,575	2,911	6,664	4,387
Other services and charges	71,736	71,736	55,182	16,554	107,395
Total events center	<u>171,156</u>	<u>171,156</u>	<u>146,331</u>	<u>24,825</u>	<u>255,299</u>
Library					
Supplies	3,300	3,300	2,422	878	2,080
Other services and charges	240,916	240,916	231,499	9,417	224,083
Total library	<u>244,216</u>	<u>244,216</u>	<u>233,921</u>	<u>10,295</u>	<u>226,163</u>
Total culture and recreation	<u>3,323,468</u>	<u>3,323,468</u>	<u>3,183,189</u>	<u>140,279</u>	<u>3,231,970</u>
Miscellaneous					
Cemetery					
Personal services	97,299	97,299	96,853	446	83,701
Supplies	17,575	17,575	22,752	(5,177)	17,209
Other services and charges	36,211	36,211	30,751	5,460	42,972
Total cemetery	<u>151,085</u>	<u>151,085</u>	<u>150,356</u>	<u>729</u>	<u>143,882</u>
Airport					
Personal services	44,685	44,685	38,472	6,213	30,905
Supplies	11,300	11,300	7,548	3,752	12,367
Other services and charges	87,920	87,920	91,326	(3,406)	77,273
Total airport	<u>143,905</u>	<u>143,905</u>	<u>137,346</u>	<u>6,559</u>	<u>120,545</u>
Unallocated					
Other services and charges	514,225	514,225	521,928	(7,703)	872,326
Total miscellaneous	<u>809,215</u>	<u>809,215</u>	<u>809,630</u>	<u>(415)</u>	<u>1,136,753</u>
Total current	<u>13,860,814</u>	<u>13,860,814</u>	<u>13,741,316</u>	<u>119,498</u>	<u>13,852,091</u>
Capital outlay					
General government	-	-	-	-	7,586
Public safety	-	-	-	-	254
Streets and highways	5,000	5,000	20,721	(15,721)	-
Culture and recreation	-	-	11,497	(11,497)	9,350
Total capital outlay	<u>5,000</u>	<u>5,000</u>	<u>32,218</u>	<u>(27,218)</u>	<u>17,190</u>
Total Expenditures	<u>13,865,814</u>	<u>13,865,814</u>	<u>13,773,534</u>	<u>92,280</u>	<u>13,869,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,235,914)</u>	<u>(2,235,914)</u>	<u>(1,796,356)</u>	<u>439,558</u>	<u>(2,564,409)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	7,950
Transfers in	2,724,536	2,724,536	2,724,536	-	2,710,192
Transfers out	(488,622)	(488,622)	(488,622)	-	(610,313)
Total Other Financing Sources (Uses)	<u>2,235,914</u>	<u>2,235,914</u>	<u>2,235,914</u>	<u>-</u>	<u>2,107,829</u>
Net Change in Fund Balances	-	-	439,558	439,558	(456,580)
Fund Balances, January 1	<u>7,885,673</u>	<u>7,885,673</u>	<u>7,885,673</u>	<u>-</u>	<u>8,342,253</u>
Fund Balances, December 31	<u>\$ 7,885,673</u>	<u>\$ 7,885,673</u>	<u>\$ 8,325,231</u>	<u>\$ 439,558</u>	<u>\$ 7,885,673</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, 2023

	383 G.O. Tax Increment Refunding Bonds 2004	334 Special Assessment Bonds 2014	335 Special Assessment Bonds 2015	336 Special Assessment Bonds 2016	337 Special Assessment Bonds 2017	338 Special Assessment Bonds 2018
Assets						
Cash and investments	\$ 7,942	\$ 255,574	\$ 294,525	\$ 301,486	\$ 234,185	\$ 392,139
Receivables						
Delinquent special assessments	-	1,991	1,059	689	210	289
Noncurrent special assessments	-	93,764	28,571	67,330	162,241	89,651
Intergovernmental	51,375	548	573	597	1,221	596
Advances to other funds	434,772	-	-	-	-	-
Total Assets	\$ 494,089	\$ 351,877	\$ 324,728	\$ 370,102	\$ 397,857	\$ 482,675
Liabilities						
Accounts payable	\$ 60,389	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	-	95,755	29,630	68,019	162,451	89,940
Interest receivable	21,804	-	-	-	-	-
Total Deferred Inflows of Resources	21,804	95,755	29,630	68,019	162,451	89,940
Fund Balances						
Restricted	411,896	256,122	295,098	302,083	235,406	392,735
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 494,089	\$ 351,877	\$ 324,728	\$ 370,102	\$ 397,857	\$ 482,675

339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment and G.O. Bonds 2021	342 Special Assessment Bonds 2022	343 Special Assessment Bonds 2023	344 Special Assessment Bonds 2024	396 G.O. Bonds 2022	Total
\$ 543,571	\$ 330,412	\$ 366,812	\$ 208,410	\$ 168,186	\$ 37,011	\$ 758,624	\$ 3,898,877
358	5,560	1,583	614	-	-	-	12,353
71,308	181,849	161,600	59,627	173,023	-	-	1,088,964
913	834	708	763	-	-	3,712	61,840
-	-	-	-	-	-	-	434,772
<u>\$ 616,150</u>	<u>\$ 518,655</u>	<u>\$ 530,703</u>	<u>\$ 269,414</u>	<u>\$ 341,209</u>	<u>\$ 37,011</u>	<u>\$ 762,336</u>	<u>\$ 5,496,806</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,389
71,666	187,409	163,183	60,241	173,023	-	-	1,101,317
-	-	-	-	-	-	-	21,804
<u>71,666</u>	<u>187,409</u>	<u>163,183</u>	<u>60,241</u>	<u>173,023</u>	<u>-</u>	<u>-</u>	<u>1,123,121</u>
544,484	331,246	367,520	209,173	168,186	37,011	762,336	4,313,296
<u>\$ 616,150</u>	<u>\$ 518,655</u>	<u>\$ 530,703</u>	<u>\$ 269,414</u>	<u>\$ 341,209</u>	<u>\$ 37,011</u>	<u>\$ 762,336</u>	<u>\$ 5,496,806</u>

City of Hutchinson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2023

	383 G.O. Tax Increment Refunding Bonds 2004	328 Special Assessment Bonds 2008	334 Special Assessment Bonds 2014	335 Special Assessment Bonds 2015	336 Special Assessment Bonds 2016	337 Special Assessment Bonds 2017
Revenues						
Taxes						
Property taxes	\$ -	\$ 86,800	\$ 131,358	\$ 137,364	\$ 143,124	\$ 161,379
Special assessments	-	-	32,244	10,511	24,422	4,532
Intergovernmental						
Federal	-	-	-	-	-	-
Investment earnings	4,960	667	5,559	7,533	7,511	6,038
Miscellaneous						
Other	1,725	-	-	-	-	-
Total Revenues	<u>6,685</u>	<u>87,467</u>	<u>169,161</u>	<u>155,408</u>	<u>175,057</u>	<u>171,949</u>
Expenditures						
Debt service						
Principal	-	110,000	180,000	155,000	180,000	165,000
Interest and other costs	2,319	1,238	29,829	33,684	30,729	48,079
Total Expenditures	<u>2,319</u>	<u>111,238</u>	<u>209,829</u>	<u>188,684</u>	<u>210,729</u>	<u>213,079</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,366</u>	<u>(23,771)</u>	<u>(40,668)</u>	<u>(33,276)</u>	<u>(35,672)</u>	<u>(41,130)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	5,347
Transfers out	-	(62,871)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(62,871)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,347</u>
Net Change in Fund Balances	4,366	(86,642)	(40,668)	(33,276)	(35,672)	(35,783)
Fund Balances, January 1	<u>407,530</u>	<u>86,642</u>	<u>296,790</u>	<u>328,374</u>	<u>337,755</u>	<u>271,189</u>
Fund Balances, December 31	<u>\$ 411,896</u>	<u>\$ -</u>	<u>\$ 256,122</u>	<u>\$ 295,098</u>	<u>\$ 302,083</u>	<u>\$ 235,406</u>

338 Special Assessment Bonds 2018	339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment and G.O. Bonds 2021	342 Special Assessment Bonds 2022	343 Special Assessment Bonds 2023	344 Special Assessment Bonds 2023	396 G.O. Bonds 2022	Total
\$ 135,666	\$ 218,955	\$ 152,131	\$ 169,686	\$ 182,923	\$ -	\$ -	\$ 890,191	\$ 2,409,577
30,253	14,598	25,027	25,853	8,998	167,155	37,011	-	380,604
-	-	-	-	-	-	-	-	-
10,316	14,510	7,965	8,974	4,371	1,385	-	11,332	91,121
-	-	-	-	-	-	-	-	1,725
<u>176,235</u>	<u>248,063</u>	<u>185,123</u>	<u>204,513</u>	<u>196,292</u>	<u>168,540</u>	<u>37,011</u>	<u>901,523</u>	<u>2,883,027</u>
235,000	225,000	175,000	105,000	-	-	-	455,000	1,985,000
58,429	57,930	21,459	71,742	75,407	354	-	341,443	772,642
<u>293,429</u>	<u>282,930</u>	<u>196,459</u>	<u>176,742</u>	<u>75,407</u>	<u>354</u>	<u>-</u>	<u>796,443</u>	<u>2,757,642</u>
<u>(117,194)</u>	<u>(34,867)</u>	<u>(11,336)</u>	<u>27,771</u>	<u>120,885</u>	<u>168,186</u>	<u>37,011</u>	<u>105,080</u>	<u>125,385</u>
-	-	-	-	-	-	-	-	5,347
-	-	-	-	-	-	-	-	(62,871)
-	-	-	-	-	-	-	-	<u>(57,524)</u>
(117,194)	(34,867)	(11,336)	27,771	120,885	168,186	37,011	105,080	67,861
509,929	579,351	342,582	339,749	88,288	-	-	657,256	4,245,435
<u>\$ 392,735</u>	<u>\$ 544,484</u>	<u>\$ 331,246</u>	<u>\$ 367,520</u>	<u>\$ 209,173</u>	<u>\$ 168,186</u>	<u>\$ 37,011</u>	<u>\$ 762,336</u>	<u>\$ 4,313,296</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, 2023

	701	703	
	<u>Central Garage</u>	<u>Self-insurance</u>	<u>Total</u>
Assets			
Current Assets			
Cash and investments	\$ -	\$ 394,341	\$ 394,341
Receivables			
Interest	-	1,920	1,920
Total Current Assets	<u>-</u>	<u>396,261</u>	<u>396,261</u>
Liabilities			
Current Liabilities			
Accounts payable	-	4,503	4,503
Net Position			
Unrestricted	<u>\$ -</u>	<u>\$ 391,758</u>	<u>\$ 391,758</u>

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

	701	703	
	<u>Central Garage</u>	<u>Self-insurance</u>	<u>Total</u>
Operating Revenues			
Charges for services			
Premiums	\$ -	\$ 111,245	\$ 111,245
Operating Expenses			
Medical and dental claims	-	97,984	97,984
Other services and charges	-	9,515	9,515
Total Operating Expenses	<u>-</u>	<u>107,499</u>	<u>107,499</u>
Operating Income (Loss)	-	3,746	3,746
Nonoperating Revenues (Expenses)			
Interest earnings	<u>-</u>	<u>18,164</u>	<u>18,164</u>
Income (Loss) Before Contributions and Transfers	-	21,910	21,910
Capital Contributions to Other Funds	(2,103,142)	-	(2,103,142)
Transfers Out	<u>(1,150,792)</u>	<u>-</u>	<u>(1,150,792)</u>
Change in Net Position	(3,253,934)	21,910	(3,232,024)
Net Position, January 1	<u>3,253,934</u>	<u>369,848</u>	<u>3,623,782</u>
Net Position, December 31	<u>\$ -</u>	<u>\$ 391,758</u>	<u>\$ 391,758</u>

City of Hutchinson, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2023

	701	703	
	<u>Central Garage</u>	<u>Self-insurance</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ -	\$ 111,245	\$ 111,245
Payments to suppliers and vendors	-	(108,698)	(108,698)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>2,547</u>	<u>2,547</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	<u>(1,150,792)</u>	<u>-</u>	<u>(1,150,792)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	<u>(14,349)</u>	<u>-</u>	<u>(14,349)</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>3,909</u>	<u>17,545</u>	<u>21,454</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,161,232)	20,092	(1,141,140)
Cash and Cash Equivalents, January 1	<u>1,161,232</u>	<u>374,249</u>	<u>1,535,481</u>
Cash and Cash Equivalents, December 31	<u>\$ -</u>	<u>\$ 394,341</u>	<u>\$ 394,341</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ -	\$ 3,746	\$ 3,746
Adjustments to reconcile operating income (loss) to Net Cash Provided (Used) by Operating Activities			
Prepaid items	-	687	687
Increase (decrease) in liabilities			
Accounts payable	<u>-</u>	<u>(1,886)</u>	<u>(1,886)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 2,547</u>	<u>\$ 2,547</u>
Schedule of Noncash Investing, Capital and Financing Activities			
Capital contributions from (to) other funds	<u>\$ (2,103,142)</u>	<u>\$ -</u>	<u>\$ (2,103,142)</u>

DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Balance Sheet/Statement of Net Position
December 31, 2023

Assets	
Cash and investments	\$ 256,712
Receivables	
Interest	1,130
Intergovernmental	<u>1,086</u>
Total Assets	<u><u>\$ 258,928</u></u>
Liabilities	
Accounts payable	\$ 2,492
Accrued salaries payable	2,373
Accrued vacation payable	<u>2,150</u>
Total Liabilities	7,015
Fund Balances	
Assigned	<u>251,913</u>
Total Liabilities and Fund Balances	<u><u>\$ 258,928</u></u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Economic Development Authority	\$ 251,913
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	(4,103)
Net pension liability	(78,681)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	20,820
Deferred inflows of pension resources	(27,049)
Deferred outflows of other postemployment benefits	446
Deferred inflows of other postemployment benefits	(3,120)
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.	
	<u>158</u>
Total Net Position - Governmental Activities	<u><u>\$ 160,384</u></u>

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, 2023

Revenues	
Taxes	
Property taxes	\$ 258,137
Other State grant	35,000
Charges for services	3,323
Investment earnings	7,660
Total Revenues	304,120
Expenditures	
Current	
Housing and economic development	208,162
Net Change in Fund Balances	95,958
Fund Balances, January 1	155,955
Fund Balances, December 31	\$ 251,913
Amounts reported for governmental activities in the statement of activities are different because	
Net Change in Fund Balances - Economic Development Authority	\$ 95,958
Long-term pension activity is not reported in governmental funds.	
Pension expense	7,266
Pension revenue	10
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	191
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.	
	51
Change in Net Position - Governmental Activities	\$ 103,476

City of Hutchinson, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2023 and 2022

	Totals		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 8,955,547	\$ 8,676,773	3.2 %
Special assessments	481,036	411,320	17.0
Licenses and permits	363,240	492,165	(26.2)
Intergovernmental	9,290,421	4,377,513	112.2
Charges for services	3,140,993	3,111,017	1.0
Fines and forfeits	52,141	52,902	(1.4)
Investment earnings	881,480	(40,158)	(2,295.0)
Miscellaneous	815,643	1,162,041	(29.8)
Total Revenues	<u>\$ 23,980,501</u>	<u>\$ 18,243,573</u>	31.5 %
Per Capita	\$ 1,595	\$ 1,241	28.5 %
Expenditures			
Current			
General government	\$ 2,535,334	\$ 2,592,288	(2.2) %
Public safety	5,430,066	5,092,717	6.6
Streets and highways	2,598,416	2,646,335	(1.8)
Culture and recreation	3,257,602	3,271,087	(0.4)
Economic development	865,513	674,314	28.4
Miscellaneous	809,630	1,136,753	(28.8)
Capital outlay			
General government	386,008	302,537	27.6
Public safety	1,721,214	10,208,327	(83.1)
Streets and highways	4,713,956	3,519,627	33.9
Culture and recreation	704,208	3,030,625	(76.8)
Economic development	1,142,425	313,176	264.8
Miscellaneous	1,662,061	4,075	40,686.8
Debt service			
Principal	1,985,000	2,465,000	(19.5)
Interest and other charges	798,405	649,649	22.9
Bond issuance costs	63,012	148,090	(57.5)
Total Expenditures	<u>\$ 28,672,850</u>	<u>\$ 36,054,600</u>	(20.5) %
Per Capita	\$ 1,907	\$ 2,452	(22.2) %
Total Long-Term Indebtedness	\$ 27,120,000	\$ 27,755,000	(2.3) %
Per Capita	1,804	1,888	(4.5)
General Fund Balance - December 31	\$ 8,325,231	\$ 7,885,673	5.57 %
Per Capita	554	536	3.23

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, 2023

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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				
	2023	2022	2021	2020	2019
Governmental Activities					
Net investment in capital assets	\$ 73,577,226	\$ 69,226,746	\$ 68,307,217	\$ 66,566,111	\$ 66,499,781
Restricted	8,680,384	7,919,693	8,963,039	11,102,357	11,088,577
Unrestricted	11,159,594	14,121,114	12,894,455	10,926,868	11,057,517
Total Governmental Activities Net Position	<u>93,417,204</u>	<u>91,267,553</u>	<u>90,164,711</u>	<u>88,595,336</u>	<u>88,645,875</u>
Business-type Activities					
Net investment in capital assets	100,691,199	97,008,636	93,747,446	92,049,992	85,016,805
Restricted	-	-	-	-	-
Unrestricted	40,314,705	38,169,684	41,250,668	39,895,468	39,155,727
Total Business-type Activities Net Position	<u>141,005,904</u>	<u>135,178,320</u>	<u>134,998,114</u>	<u>131,945,460</u>	<u>124,172,532</u>
Primary Government					
Net investment in capital assets	174,268,425	166,235,382	162,054,663	158,616,103	151,516,586
Restricted	8,680,384	7,919,693	8,963,039	11,102,357	11,088,577
Unrestricted	51,474,299	52,290,798	54,145,123	50,822,336	50,213,244
Total Primary Government Net Position	<u>\$ 234,423,108</u>	<u>\$ 226,445,873</u>	<u>\$ 225,162,825</u>	<u>\$ 220,540,796</u>	<u>\$ 212,818,407</u>

Source: Financial Statements

Table 1

Fiscal Year				
2018	2017	2016	2015	2014
\$ 63,850,387	\$ 61,255,089	\$ 57,290,296	\$ 53,823,361	\$ 50,999,100
10,716,849	9,853,847	10,680,796	11,119,053	10,939,342
10,919,210	5,478,380	6,860,854	9,263,817	15,351,159
<u>85,486,446</u>	<u>76,587,316</u>	<u>74,831,946</u>	<u>74,206,231</u>	<u>77,289,601</u>
87,042,770	83,793,697	83,737,730	86,594,081	85,492,312
-	3,561,829	2,539,625	541,716	365,983
31,742,528	26,447,540	24,470,821	21,113,701	24,293,705
<u>118,785,298</u>	<u>113,803,066</u>	<u>110,748,176</u>	<u>108,249,498</u>	<u>110,152,000</u>
150,893,157	145,048,786	141,028,026	140,417,442	136,491,412
10,716,849	13,415,676	13,220,421	11,660,769	11,305,325
42,661,738	31,925,920	31,331,675	30,377,518	39,644,864
<u>\$ 204,271,744</u>	<u>\$ 190,390,382</u>	<u>\$ 185,580,122</u>	<u>\$ 182,455,729</u>	<u>\$ 187,441,601</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses					
Governmental Activities					
General government	\$ 2,729,988	\$ 2,800,928	\$ 2,490,920	\$ 3,020,058	\$ 2,435,032
Public safety	6,066,021	5,620,281	4,717,193	4,999,680	4,987,199
Streets and highways	7,069,241	6,270,480	6,273,183	5,771,299	5,657,370
Culture and recreation	4,173,435	4,074,734	3,339,956	3,117,665	3,766,612
Housing and economic development	1,046,498	792,940	859,162	1,332,749	392,392
Miscellaneous	1,012,505	1,407,689	1,439,747	1,432,116	1,216,593
Interest on long-term debt	822,688	765,216	634,759	496,265	502,343
Total Governmental Activities Expenses	<u>22,920,376</u>	<u>21,732,268</u>	<u>19,754,920</u>	<u>20,169,832</u>	<u>18,957,541</u>
Business-type Activities					
Electric	28,468,795	31,264,423	29,063,843	25,726,245	27,345,524
Natural gas	11,609,401	13,282,561	13,573,448	9,337,234	9,776,175
Water	2,567,674	2,513,246	2,497,449	2,515,244	2,621,826
Sewer	3,092,710	3,027,022	3,091,075	2,757,621	3,087,632
Refuse	1,458,384	1,318,176	1,188,408	1,202,458	1,160,163
Composting	2,615,098	2,830,698	2,603,527	2,704,006	2,360,824
Storm water	911,947	739,985	701,092	794,014	691,435
Liquor	6,974,709	6,865,015	6,753,197	6,946,464	5,822,275
Total Business-type Activities Expenses	<u>57,698,718</u>	<u>61,841,126</u>	<u>59,472,039</u>	<u>51,983,286</u>	<u>52,865,854</u>
Total Primary Government Expenses	<u>\$ 80,619,094</u>	<u>\$ 83,573,394</u>	<u>\$ 79,226,959</u>	<u>\$ 72,153,118</u>	<u>\$ 71,823,395</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 654,979	\$ 664,180	\$ 625,642	\$ 625,923	\$ 677,525
Public safety	989,307	1,059,132	1,152,422	1,052,079	1,120,786
Streets and highways	864,339	876,346	808,966	766,131	888,371
Culture and recreation	1,360,797	1,335,675	1,251,824	615,623	1,268,375
Housing and economic development	78,787	97,244	135,844	74,199	73,746
Miscellaneous	284,967	311,443	284,214	214,354	205,034
Operating grants and contributions	3,601,631	2,350,909	2,055,168	1,962,884	696,234
Capital grants and contributions	1,170,545	741,494	906,335	1,759,802	4,367,498
Total Governmental Activities Program Revenues	<u>9,005,352</u>	<u>7,436,423</u>	<u>7,220,415</u>	<u>7,070,995</u>	<u>9,297,569</u>

Table 2

Fiscal Year				
2018	2017	2016	2015	2014
\$ 2,341,846	\$ 2,391,495	\$ 2,354,768	\$ 2,274,447	\$ 2,032,887
4,631,282	4,836,976	5,307,395	4,297,569	4,181,806
5,368,926	5,438,739	5,421,270	4,568,949	5,579,567
3,598,025	3,428,673	2,892,986	2,779,174	2,585,826
349,307	280,895	583,421	217,094	436,241
1,224,478	1,229,192	1,316,993	1,109,584	1,267,447
475,627	477,838	491,730	436,626	477,101
<u>17,989,491</u>	<u>18,083,808</u>	<u>18,368,563</u>	<u>15,683,443</u>	<u>16,560,875</u>
28,140,954	27,379,450	26,538,262	26,936,359	26,012,324
9,439,397	10,304,619	9,232,357	9,563,857	13,601,847
2,421,732	2,635,888	2,610,633	2,634,150	2,556,042
3,196,430	3,303,898	3,593,584	3,327,256	3,513,726
1,121,538	1,087,830	1,077,519	1,036,616	1,106,012
2,267,201	1,855,135	2,064,529	2,634,096	2,715,660
609,845	632,334	585,575	497,695	527,613
5,662,393	5,634,824	5,451,353	5,264,041	5,098,025
<u>52,859,490</u>	<u>52,833,978</u>	<u>51,153,812</u>	<u>51,894,070</u>	<u>55,131,249</u>
<u>\$ 70,848,981</u>	<u>\$ 70,917,786</u>	<u>\$ 69,522,375</u>	<u>\$ 67,577,513</u>	<u>\$ 71,692,124</u>
\$ 679,200	\$ 696,494	\$ 641,899	\$ 663,176	\$ 731,450
1,140,667	1,185,169	833,853	919,533	819,654
883,671	748,479	760,014	778,973	1,051,923
1,384,047	1,311,050	938,724	943,835	983,674
88,458	18,869	19,076	22,251	21,029
184,545	231,923	266,494	253,403	237,595
767,930	937,732	715,410	598,506	866,989
2,453,603	2,428,531	1,823,110	3,325,032	1,389,461
<u>7,582,121</u>	<u>7,558,247</u>	<u>5,998,580</u>	<u>7,504,709</u>	<u>6,101,775</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Program Revenues (Continued)					
Business-type Activities					
Charges for services					
Electric	\$ 28,389,502	\$ 30,510,654	\$ 29,763,957	\$ 28,208,330	\$ 27,965,283
Natural gas	13,863,451	15,449,276	15,264,718	11,636,939	12,501,316
Water	2,721,949	2,543,719	2,533,715	2,461,472	2,278,265
Sewer	4,083,883	3,319,500	3,165,477	3,144,635	3,204,763
Refuse	1,352,057	1,331,180	1,304,109	1,258,989	1,237,112
Composting	2,482,978	3,010,654	2,868,093	3,112,047	2,423,121
Storm water	1,087,903	1,053,858	1,019,255	984,216	957,189
Liquor	7,516,860	7,314,289	7,343,276	7,669,235	6,371,522
Operating grants and contributions	44,780	50,639	16,146	17,483	26,594
Capital grants and contributions	127,300	161,316	227,296	298,848	313,081
Total Business-type Activities Program Revenues	<u>61,670,663</u>	<u>64,745,085</u>	<u>63,506,042</u>	<u>58,792,194</u>	<u>57,278,246</u>
Total Primary Government Program Revenues	<u>\$ 70,676,015</u>	<u>\$ 72,181,508</u>	<u>\$ 70,726,457</u>	<u>\$ 65,863,189</u>	<u>\$ 66,575,815</u>
Net (Expense)/Revenue					
Governmental activities	\$ (13,915,024)	\$ (14,295,845)	\$ (12,534,505)	\$ (13,098,837)	\$ (9,659,972)
Business-type activities	3,971,945	2,903,959	4,034,003	6,808,908	4,412,392
Total Primary Government Net Expense	<u>\$ (9,943,079)</u>	<u>\$ (11,391,886)</u>	<u>\$ (8,500,502)</u>	<u>\$ (6,289,929)</u>	<u>\$ (5,247,580)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 5,865,510	\$ 5,624,438	\$ 5,436,822	\$ 5,288,603	\$ 5,131,925
Property taxes, levied for debt service	2,409,577	2,348,252	2,200,000	2,200,000	2,200,000
Tax increments	354,850	383,359	296,729	207,626	165,193
Hotel-motel tax	131,873	134,051	124,033	86,660	110,155
Payment in lieu of taxes	-	-	-	-	-
Franchise taxes	192,702	207,620	212,832	192,677	189,233
Grants and contributions not restricted to specific programs	3,861,329	2,962,464	2,646,782	2,577,193	2,421,043
Unrestricted investment earnings (loss)	916,254	(36,458)	68,252	539,587	692,739
Other revenues	1,725	2,074	5,077	-	-
Gain on sale of capital assets	98,284	50,007	138,006	97,194	59,757
Transfers	3,376,199	3,831,741	3,030,570	1,858,758	1,849,356
Capital contributions	(1,143,628)	(108,861)	(169,091)	-	-
Total Governmental Activities	<u>16,064,675</u>	<u>15,398,687</u>	<u>13,990,012</u>	<u>13,048,298</u>	<u>12,819,401</u>
General Revenues and Other Changes in Net Position					
Business-type Activities					
Sales tax	1,880,647	1,947,530	1,751,928	1,571,978	1,537,844
Unrestricted investment earnings (loss)	2,125,693	(952,700)	25,400	1,130,054	1,183,696
Gain on sale of capital assets	81,870	4,297	102,802	120,746	102,658
Transfers	(3,376,199)	(3,831,741)	(3,030,570)	(1,858,758)	(1,849,356)
Capital contributions	1,143,628	108,861	169,091	-	-
Total Business-type Activities	<u>1,855,639</u>	<u>(2,723,753)</u>	<u>(981,349)</u>	<u>964,020</u>	<u>974,842</u>
Total Primary Government	<u>\$ 17,920,314</u>	<u>\$ 12,674,934</u>	<u>\$ 13,008,663</u>	<u>\$ 14,012,318</u>	<u>\$ 13,794,243</u>
Changes in Net Position					
Governmental Activities	\$ 2,149,651	\$ 1,102,842	\$ 1,455,507	\$ (50,539)	\$ 3,159,429
Business-type Activities	5,827,584	180,206	3,052,654	7,772,928	5,387,234
Total Primary Government	<u>\$ 7,977,235</u>	<u>\$ 1,283,048</u>	<u>\$ 4,508,161</u>	<u>\$ 7,722,389</u>	<u>\$ 8,546,663</u>

Source: Financial Statements

Table 2 (Continued)

Fiscal Year				
2018	2017	2016	2015	2014
\$ 28,780,665	\$ 27,804,162	\$ 27,207,567	\$ 26,882,789	\$ 26,150,428
12,830,426	12,440,383	11,658,645	11,425,821	16,171,261
2,321,059	2,380,704	2,355,374	2,482,639	2,336,775
3,145,437	3,138,718	3,194,892	3,389,165	3,226,938
1,213,982	1,187,304	1,172,250	1,146,693	1,143,283
2,544,124	2,036,626	2,143,152	3,100,161	3,158,465
929,187	898,137	868,817	802,235	735,773
6,244,754	6,150,453	5,989,628	5,853,469	5,614,596
36,234	13,505	22,452	12,608	12,600
353,581	213,389	199,684	1,019,453	102,476
<u>58,399,449</u>	<u>56,263,381</u>	<u>54,812,461</u>	<u>56,115,033</u>	<u>58,652,595</u>
<u>\$ 65,981,570</u>	<u>\$ 63,821,628</u>	<u>\$ 60,811,041</u>	<u>\$ 63,619,742</u>	<u>\$ 64,754,370</u>
\$ (10,407,370)	\$ (10,525,561)	\$ (12,369,983)	\$ (8,178,734)	\$ (10,459,100)
5,539,959	3,429,403	3,658,649	4,220,963	3,521,346
<u>\$ (4,867,411)</u>	<u>\$ (7,096,158)</u>	<u>\$ (8,711,334)</u>	<u>\$ (3,957,771)</u>	<u>\$ (6,937,754)</u>
\$ 4,967,617	\$ 4,742,969	\$ 4,597,702	\$ 4,526,246	\$ 4,518,247
2,200,000	2,200,000	2,200,000	2,177,193	2,073,517
234,200	271,574	293,878	267,068	315,558
103,941	100,864	95,133	96,269	86,613
260,624	248,213	236,393	225,137	214,416
194,967	192,976	196,777	195,074	184,421
2,428,676	2,316,429	2,306,470	2,290,237	2,265,678
252,723	155,127	89,916	109,278	223,893
5,939,376	18,050	269,357	4,904	6,364
46,440	242,024	106,699	8,198	14,924
2,677,936	1,994,792	2,603,373	750,657	831,744
-	-	-	-	-
<u>19,306,500</u>	<u>12,483,018</u>	<u>12,995,698</u>	<u>10,650,261</u>	<u>10,735,375</u>
1,482,066	1,308,598	1,270,814	1,224,846	1,323,298
595,182	265,281	88,542	134,502	183,535
42,961	117,365	84,046	6,819	45,259
(2,677,936)	(1,994,792)	(2,603,373)	(750,657)	(831,744)
-	-	-	-	-
<u>(557,727)</u>	<u>(303,548)</u>	<u>(1,159,971)</u>	<u>615,510</u>	<u>720,348</u>
<u>\$ 18,748,773</u>	<u>\$ 12,179,470</u>	<u>\$ 11,835,727</u>	<u>\$ 11,265,771</u>	<u>\$ 11,455,723</u>
\$ 8,899,130	\$ 1,957,457	\$ 625,715	\$ 2,471,527	\$ 276,275
4,982,232	3,125,855	2,498,678	4,836,473	4,241,694
<u>\$ 13,881,362</u>	<u>\$ 5,083,312</u>	<u>\$ 3,124,393</u>	<u>\$ 7,308,000</u>	<u>\$ 4,517,969</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					
2023	\$ 5,865,510	\$ 2,409,577	\$ 354,850	\$ 131,873	\$ -	\$ 192,702	\$ 8,954,512
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

Source: Financial Statements

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

	Fiscal Year				
	2023	2022	2021	2020	2019
General Fund					
Nonspendable	\$ 153,714	\$ 10,091	\$ 4,347	\$ 11,371	\$ 5,762
Restricted	-	-	-	220,052	226,754
Committed	7,444,700	5,741,774	5,585,597	5,478,457	5,381,040
Assigned	-	-	-	-	-
Unassigned	726,817	2,133,808	2,752,309	2,455,617	2,011,107
Total General Fund	\$ 8,325,231	\$ 7,885,673	\$ 8,342,253	\$ 8,165,497	\$ 7,624,663
All Other Governmental Funds					
Nonspendable, reported in					
Special revenue funds	\$ -	\$ -	\$ -	\$ 1,573	\$ 260
Capital projects funds	-	-	-	1,062	-
Restricted, reported in					
Debt service funds	4,313,296	4,245,435	4,801,759	6,162,692	5,998,978
Special revenue funds	2,572,311	2,718,305	2,984,407	3,107,146	3,328,125
Capital projects funds	1,429,782	28,273	5,598,270	-	-
Committed, reported in					
Special revenue funds	1,194,769	596,040	577,537	583,392	106,017
Capital projects funds	448,842	1,470,661	1,636,785	2,584,308	3,507,022
Assigned, reported in					
Special revenue funds	-	506,499	506,602	453,821	644,870
Capital projects funds	6,060,033	4,476,797	5,164,053	4,471,954	5,026,875
Unassigned, reported in					
Special revenue funds	(753,489)	(769,629)	(748,604)	(728,961)	(744,370)
Capital projects funds	(1,742,860)	(693,955)	(702,059)	(1,189,852)	(961,767)
Total All Other Governmental Funds	\$ 13,522,684	\$ 12,578,426	\$ 19,818,750	\$ 15,447,135	\$ 16,906,010

Source: Financial Statements

Table 4

Fiscal Year				
2018	2017	2016	2015	2014
\$ 2,110	\$ 275	\$ 4,959	\$ 126,547	\$ -
59,514	59,514	56,607	54,607	29,786
5,249,917	5,544,809	5,266,128	4,959,914	4,663,847
113,413	113,413	113,413	255,279	426,610
<u>1,823,781</u>	<u>1,001,811</u>	<u>1,219,563</u>	<u>1,539,298</u>	<u>1,614,284</u>
<u>\$ 7,248,735</u>	<u>\$ 6,719,822</u>	<u>\$ 6,660,670</u>	<u>\$ 6,935,645</u>	<u>\$ 6,734,527</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
5,591,291	5,183,989	5,481,226	4,498,594	4,950,754
3,330,716	2,904,796	3,088,961	3,933,227	4,057,729
-	-	8,999	-	-
110,737	118,531	830,372	120,278	120,278
3,009,837	-	236,293	-	14,661
583,327	566,448	506,798	435,872	375,967
5,253,983	2,037,769	2,577,499	5,383,434	5,926,037
(1,488,413)	(749,137)	(298,639)	-	(1,026)
<u>(156,631)</u>	<u>(199,567)</u>	<u>(273,711)</u>	<u>(210,900)</u>	<u>(111,282)</u>
<u>\$ 16,234,847</u>	<u>\$ 9,862,829</u>	<u>\$ 12,157,798</u>	<u>\$ 14,160,505</u>	<u>\$ 15,333,118</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues					
Taxes	\$ 8,955,547	\$ 8,676,773	\$ 8,197,347	\$ 7,793,254	\$ 7,452,325
Special assessments	481,036	411,320	614,314	612,621	923,986
Intergovernmental revenue	9,290,421	4,377,513	4,665,768	4,697,226	6,904,746
Licenses and permits	363,240	492,165	564,539	505,409	529,002
Charges for services	3,140,993	3,111,017	2,958,696	2,183,064	2,916,389
Fines and forfeits	52,141	52,902	45,356	45,158	67,225
Investment earnings (loss)	881,480	(40,158)	127,619	494,380	631,050
Other revenues	815,643	1,162,041	940,026	574,710	857,919
Total Revenues	23,980,501	18,243,573	18,113,665	16,905,822	20,282,642
Expenditures					
General government	2,535,334	2,592,288	2,464,006	2,589,239	2,329,239
Community development	865,513	674,314	775,348	1,259,893	319,328
Public safety	5,430,066	5,092,717	5,211,278	4,779,423	4,758,499
Streets and highways	2,598,416	2,646,335	2,416,990	2,451,698	2,598,778
Culture and recreation	3,257,602	3,271,087	2,963,694	2,410,610	2,939,353
Miscellaneous	809,630	1,136,753	1,105,590	1,069,735	973,641
Capital outlay	10,329,872	17,378,367	6,933,954	6,844,765	9,072,931
Debt service					
Principal	1,985,000	2,465,000	4,490,000	2,015,000	2,110,000
Interest	798,405	649,649	510,255	513,545	489,069
Bond issuance costs	63,012	148,090	143,484	45,400	54,307
Total Expenditures	28,672,850	36,054,600	27,014,599	23,979,308	25,645,145
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,692,349)	(17,811,027)	(8,900,934)	(7,073,486)	(5,362,503)
Other Financing Sources (Uses)					
Sale of capital assets	98,284	7,950	41,628	2,500	2,500
Transfers in	6,340,740	5,493,791	4,776,388	4,659,144	3,779,206
Transfers out	(1,813,749)	(1,639,050)	(1,699,818)	(1,025,067)	(183,091)
Bonds issued	1,350,000	5,885,000	9,620,000	2,405,000	2,675,000
Premium on bonds issued	100,890	366,432	711,107	-	135,979
Total Other Financing Sources (Uses)	6,076,165	10,114,123	13,449,305	6,041,577	6,409,594
Net Change in Fund Balances	\$ 1,383,816	\$ (7,696,904)	\$ 4,548,371	\$ (1,031,909)	\$ 1,047,091
Debt Service as a Percentage of Noncapital Expenditures	14.14%	24.05%	13.84%	15.19%	14.74%

Source: Financial Statements

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

Table 5

Fiscal Year				
2018	2017	2016	2015	2014
\$ 7,371,440	\$ 6,868,189	\$ 7,378,523	\$ 7,255,422	\$ 7,168,812
1,088,178	781,191	2,812,394	830,081	1,057,900
5,013,658	4,798,875	1,904,422	5,911,845	4,227,782
561,655	686,987	281,559	324,083	283,488
2,772,324	2,604,636	2,192,444	1,922,483	2,183,844
55,989	50,233	45,588	45,449	59,737
218,938	134,569	74,374	101,220	207,830
7,242,496	1,161,766	1,275,922	1,485,213	2,251,024
<u>24,324,678</u>	<u>17,086,446</u>	<u>15,965,226</u>	<u>17,875,796</u>	<u>17,440,417</u>
2,254,302	2,182,465	2,101,566	1,995,215	1,902,830
278,181	242,142	575,177	208,850	427,997
4,723,644	4,457,700	4,208,847	4,176,717	3,949,625
2,453,797	2,163,764	2,108,807	2,161,317	2,458,488
2,933,982	2,855,857	2,392,960	2,339,479	2,258,762
914,299	892,511	972,558	887,981	834,461
7,022,252	9,521,627	8,455,158	7,347,784	7,601,893
1,970,000	1,835,000	2,150,000	3,330,000	4,470,000
475,741	434,866	458,736	459,149	499,079
36,057	63,431	43,495	50,384	76,143
<u>23,062,255</u>	<u>24,649,363</u>	<u>23,467,304</u>	<u>22,956,876</u>	<u>24,479,278</u>
<u>1,262,423</u>	<u>(7,562,917)</u>	<u>(7,502,078)</u>	<u>(5,081,080)</u>	<u>(7,038,861)</u>
6,495	107,222	2,915	-	-
4,193,817	5,585,344	5,926,322	3,396,428	4,521,284
(1,006,288)	(2,893,680)	(3,203,949)	(1,508,781)	(1,771,083)
2,395,000	2,445,000	2,435,000	2,140,000	3,415,000
49,484	83,214	64,108	81,938	86,554
<u>5,638,508</u>	<u>5,327,100</u>	<u>5,224,396</u>	<u>4,109,585</u>	<u>6,251,755</u>
<u>\$ 6,900,931</u>	<u>\$(2,235,817)</u>	<u>\$(2,277,682)</u>	<u>\$(971,495)</u>	<u>\$(787,106)</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
2023	\$1,142,095,200	\$ 165,748,600	\$ 1,385,700	\$ 1,309,229,500	\$1,378,136,316	53.653
2022	1,077,965,200	163,175,100	2,236,300	1,243,376,600	1,245,300,421	60.407
2021	1,016,610,700	164,429,000	1,995,700	1,183,035,400	1,122,197,895	63.882
2020	898,916,100	165,297,600	1,874,300	1,066,088,000	970,912,526	66.473
2019	771,174,100	149,313,600	1,879,200	922,366,900	940,236,211	67.045
2018	740,142,000	151,192,700	1,889,700	893,224,400	912,754,842	71.141
2017	677,811,800	187,632,100	1,673,200	867,117,100	879,018,526	71.953
2016	646,911,200	186,475,400	1,681,000	835,067,600	839,333,368	73.966
2015	609,870,300	185,836,600	1,659,800	797,366,700	812,964,947	74.416
2014	583,378,600	187,325,600	1,612,500	772,316,700	805,345,789	74.518

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
2023	37.972	15.681	53.653	47.889	2.720	50.609
2022	42.573	17.834	60.407	55.112	3.277	58.389
2021	45.464	18.418	63.882	56.305	3.445	59.750
2020	46.867	19.606	66.473	55.248	3.504	58.752
2019	46.867	20.178	67.045	54.253	2.634	56.887
2018	49.139	22.002	71.141	51.660	1.881	53.541
2017	49.182	22.771	71.953	51.002	1.932	52.934
2016	50.112	23.854	73.966	50.785	1.952	52.737
2015	50.280	24.136	74.416	55.418	2.175	57.593
2014	51.137	23.381	74.518	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			Special Districts			
Operating	Debt Service	Total School				
3.395	21.428	24.823	2.901	53.653	78.333	131.986
7.568	22.947	30.515	3.446	60.407	92.350	152.757
8.746	24.798	33.544	3.559	63.882	96.853	160.735
6.992	27.261	34.253	3.612	66.473	96.617	163.090
8.685	14.870	23.555	3.581	67.045	84.023	151.068
8.206	17.005	25.211	3.608	71.141	82.360	153.501
8.037	17.452	25.489	3.609	71.953	82.032	153.985
9.600	17.772	27.372	3.659	73.966	83.768	157.734
8.641	6.332	14.973	3.634	74.416	76.200	150.616
8.033	6.966	14.999	3.678	74.518	78.341	152.859

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

Table 8

Taxpayer	Type of Business	2023			2014		
		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	\$15,771,500	1	1.22 %	\$16,483,200	1	2.15 %
Sterling Properties LLLP	Apartments	11,754,900	2	0.90	4,585,700	6	0.59
Hutch Ward II LLC	Apartments	9,153,500	3	0.70			
Wal-Mart	Commercial/Retail	7,913,100	4	0.60	7,950,700	3	1.03
Menards, Inc	Commercial/Retail	7,787,000	5	0.59	7,415,100	4	0.96
City of Hutchinson	Retail Building	7,735,900	6	0.59	3,883,600	8	0.50
Uponor	Manufacturing	6,710,400	7	0.51			
Spirit Realty LP	Industrial	5,792,400	8	0.44			
Bear Paw Properties	Senior Living	5,766,100	9	0.44			
Target (Dayton Hudson Corp)	Commercial/Retail	4,964,600	10	0.38	5,108,200	5	0.66
TDK Corporation (formerly HTI)	Manufacturing				10,046,300	2	1.30
Crow River Apartments Limited	Apartments				3,886,900	7	0.50
Coborn Realty Co / Cash Wise Foods	Commercial/Grocery				3,531,200	9	0.46
Nolan River Mall	Commercial/Retail				3,414,500	10	0.44
Total		<u>\$ 83,349,400</u>		<u>6.37 %</u>	<u>\$ 66,305,400</u>		<u>8.59 %</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
2023	\$ 8,244,328	\$ 8,160,370	98.98 %	\$ -	\$ 8,160,370	98.98 %
2022	7,953,808	7,861,311	98.84	82,289	7,943,600	99.87
2021	7,630,779	7,563,984	99.12	59,594	7,623,578	99.91
2020	7,458,910	7,414,433	99.40	40,903	7,455,336	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	51,236	6,656,044	99.99
2014	6,552,963	6,493,765	99.10	58,464	6,552,229	99.99

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	Special Assessment Bonds	Notes Payable
2023	\$ 14,012,986	\$ 14,531,073	\$ -
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

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
\$ 11,544,993	\$ 20,261,972	\$ 141,251	\$ 60,492,275	7.25 %	\$ 4,170
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 ⁽⁴⁾	249,644	73,437,141	10.85	5,191
21,817,341	34,191,359	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

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
2023	\$ 25,557,979	\$ -	\$ 14,531,073	\$ 20,261,972	\$ 31,806,965	\$ 4,319,504
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

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

<u>Total</u>	<u>Percentage of Total Taxable Assessed⁽¹⁾ Value of Property</u>	<u>Per Capita</u>
\$ 24,224,555	1.85 %	\$ 1,670
24,913,659	2.00	1,721
20,706,827	1.75	1,429
13,732,503	1.16	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

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City of Hutchinson, Minnesota
 Computation of Direct and Overlapping Governmental Activities Debt
 December 31, 2023

Table 12

Governmental Unit	Debt Outstanding ⁽¹⁾	Estimated Percentage Applicable ⁽²⁾	Estimated Share of Overlapping Debt
Direct Debt			
City of Hutchinson	\$ 28,544,059	100.00 %	\$ 28,544,059
Overlapping Debt			
McLeod County	16,605,767	28.73	4,771,521
Independent School Dist. 423	61,175,000	65.12	39,839,617
Total Overlapping Debt	77,780,767		44,611,138
Total Direct and Overlapping Debt	\$106,324,826		\$ 73,155,197

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

	2023	2022	2021	2020	2019
Assessed Value (See Table 6)	\$1,309,229,500	\$1,243,376,600	\$1,183,035,400	\$1,066,088,000	\$ 922,366,900
Legal Debt Limit Debt limit (3% of assessed value)	39,276,885	37,301,298	35,491,062	31,982,640	27,671,007
Debt Applicable to Limit: (See Table 10)					
General Obligation Bonds	14,012,986	14,505,753	8,272,088	-	-
Less: Amount reserved for repayment of general obligation debt	(4,319,504)	(4,245,435)	(4,801,759)	(6,162,692)	(5,998,978)
Total Net Debt Applicable to Limit	<u>9,693,482</u>	<u>10,260,318</u>	<u>3,470,329</u>	<u>(6,162,692)</u>	<u>(5,998,978)</u>
Legal Debt Margin	<u>\$ 29,583,403</u>	<u>\$ 27,040,980</u>	<u>\$ 32,020,733</u>	<u>\$ 38,145,332</u>	<u>\$ 33,669,985</u>
 Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	 24.68%	 27.51%	 9.78%	 -19.27%	 -21.68%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 893,224,400	\$ 867,117,100	\$ 835,067,600	\$ 797,366,700	\$ 772,316,700
26,796,732	26,013,513	25,052,028	23,921,001	23,169,501
-	-	-	-	-
<u>(5,591,291)</u>	<u>(5,183,989)</u>	<u>(5,481,226)</u>	<u>(4,498,594)</u>	<u>(4,950,754)</u>
<u>(5,591,291)</u>	<u>(5,183,989)</u>	<u>(5,481,226)</u>	<u>(4,498,594)</u>	<u>(4,950,754)</u>
<u>\$ 32,388,023</u>	<u>\$ 31,197,502</u>	<u>\$ 30,533,254</u>	<u>\$ 28,419,595</u>	<u>\$ 28,120,255</u>
-20.87%	-19.93%	-21.88%	-18.81%	-21.37%

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

Year	Utility Revenue Bonds ⁽¹⁾					Coverage
	Operating Revenues	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements		
				Principal	Interest	
2023	\$ 49,728,837	\$ 45,764,424	\$ 3,964,413	\$ 5,346,565	\$ 1,237,284	0.60
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

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	
\$ -	\$ -	\$ -	-	\$ 2,790,181	\$ 1,985,000	\$ 770,323	1.01
297	550	2,650	0.09	2,685,876	2,465,000	601,680	0.88
59,787	2,650	7,300	6.01	2,721,594	4,490,000	475,690	0.55
188,511	7,300	13,650	9.00	2,578,243	1,985,000	483,982	1.04
336,420	13,650	23,138	9.14	2,767,674	2,080,000	463,555	1.09
358,995	23,138	-	15.52	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

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⁾
2023	14,506	\$ 833,848,423 ⁽⁵⁾	\$ 57,483	2,783	3.2 %	2.8 %	3.6 %
2022	14,478	821,227,847	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

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⁾ 2023 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	2023 ⁽¹⁾			2014 ⁽²⁾		
	Employees ⁽⁴⁾	Rank	Percentage of Total County Employment ⁽⁴⁾	Employees ⁽³⁾	Rank	Percentage of Total County Employment ⁽⁴⁾
3M Corporation	1,300	1	6.99 %	1,600	1	8.49 %
Hutchinson Area Health Care	566	2	3.04	639	3	3.39
Hutchinson Schools - ISD 423	497	3	2.67	470	4	2.49
Wal-Mart	270	4	1.45	280	6	1.49
Resonetics	165	5	0.89			
City of Hutchinson	150	6	0.81	324	5	1.72
Cash Wise Foods	147	7	0.79	190	7	1.01
Menards	143	8	0.77			
Ridgewater College	131	9	0.70			
Target	111	10	0.60			
TDK Corporation (formerly HTI)				901	2	4.78
Customer Elations				189	8	1.00
National Guard Recruiting				151	9	0.80
Aveyron Homes				135	10	0.72
Total	3,480		18.71 %	4,879		25.89 %

Sources: ⁽¹⁾ 2023 Offering Statement on Municipal Bonds sold.

⁽²⁾ 2014 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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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	3.38	3.58	3.39	3.48	3.24	3.24	3.25	3.17	3.45	3.08
Finance	3.00	3.01	2.86	3.09	2.99	2.99	2.93	2.98	3.21	2.82
Attorney	1.52	1.53	1.52	1.53	1.49	1.52	1.50	1.50	1.22	1.22
Planning and zoning	1.31	1.70	1.20	1.25	1.20	1.17	1.30	1.22	1.29	1.31
Information services	3.01	3.02	3.02	3.01	2.68	2.77	3.00	3.00	3.16	3.16
Motor vehicle	3.76	4.11	3.93	3.90	3.97	3.82	3.72	3.28	2.97	3.16
Building maintenance	1.00	1.00	1.00	1.04	1.00	1.00	1.19	0.69	0.46	0.71
Cemetery	1.02	2.26	1.01	1.38	1.10	1.02	1.33	0.96	1.16	1.11
Public Safety										
Police										
Officers	24.96	24.44	25.89	23.66	23.26	22.79	21.91	21.63	21.74	21.87
Civilians	10.60	10.32	11.15	15.60	15.33	17.34	16.53	15.59	15.73	13.19
Fire										
Firefighters and officers ⁽²⁾	6.44	5.25	5.72	5.51	5.31	4.62	4.98	4.98	4.20	4.46
Building inspection	3.45	2.80	3.25	3.32	3.91	3.30	2.97	2.50	2.26	2.07
Streets and Highways										
Engineering	3.43	3.12	3.39	4.24	3.71	3.73	3.82	3.77	3.94	4.30
Maintenance	8.16	7.31	7.81	7.76	7.77	7.87	7.20	7.05	7.41	8.18
Culture and Recreation										
Parks ⁽³⁾	29.43	31.09	28.71	20.48	31.16	33.45	34.84	23.48	25.30	24.04
Library	-	-	-	-	-	-	0.00	0.00	0.13	0.20
Housing and Economic Development										
Transportation	1.20	1.31	1.36	1.35	1.36	1.67	1.42	1.53	1.55	1.79
Airport and bus drivers	0.57	0.57	0.56	0.55	0.56	0.50	0.20	0.34	0.26	0.31
Liquor	13.66	12.98	12.82	13.19	12.32	12.72	12.52	11.55	11.30	10.97
Water	5.99	5.86	5.52	5.88	5.82	5.90	6.03	7.65	6.11	5.34
Sewer	8.20	8.43	8.59	8.88	8.44	8.50	7.50	6.64	7.39	7.94
Refuse	3.27	2.28	2.30	2.34	2.44	2.51	2.49	1.58	2.07	2.46
Storm Water	2.89	3.44	3.20	3.35	2.96	2.34	2.76	2.71	1.87	1.59
Composting	7.46	6.09	6.98	7.27	6.59	6.06	5.99	5.57	6.14	7.67
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	197.71	195.50	195.18	192.06	198.61	200.83	199.38	183.37	184.32	182.95

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				
	2023	2022	2021 (2)	2020	2019
General Government					
Permits issued	1,079	899	1,060	2,275	1,038
Building inspections	1,956	1,913	2,099	1,154	3,685
Public Safety					
Police					
Incidents (calls for service)	15,331	15,709	16,329	17,459	20,042
Arrests	421	401	365	360	458
Citations	622	730	511	631	892
Fire					
Number of calls answered	516	497	498	484	463
Code inspections	87	77	51	46	254
Training hours	3,277	3,073	3,066	2,203	3,403
Highways and Streets					
Street reconstruction (miles)	1.00	1.00	1.00	0.70	1.59
Street resurfacing (miles)	2.00	1.00	1.00	1.00	3.79
Patching material used (tons)	447	124	216	399	345
Sanitation					
Raw incoming (tons)					
Source separated organics	1,356	1,355	1,437	1,612	1,494
Leaves, grass, and other wastes	6,899	7,010	6,728	6,796	7,148
Culture and Recreation					
Athletic field maintenance hours	2,487	2,680	2,475	707	3,271
Ice time sold	2,362	1,988	1,709	1,003	2,134
Pool admissions ⁽²⁾	38,816	43,120	40,687	-	41,470
Shelters reserved	526	544	109	249	524
Water					
Average daily consumption (in gallons)	1,433,500	1,476,900	1,506,900	1,490,200	1,356,900
Wastewater					
Average daily sewage treatment MGD (million gallons/day)	2.00	2.00	1.91	2.00	2.65
Public Utilities					
Kilowatt hours (KWH) generated	56,795,000	43,733,000	48,269,000	19,844,000	22,900,000
Natural gas purchased and generated (MCF)	2,015,172	2,132,094	1,988,268	1,770,463	1,925,515
Liquor					
Liquor store sales volume (\$)	\$ 7,507,127	\$ 7,298,303	\$ 7,334,887	\$ 7,666,596	\$ 6,369,376

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				
2018	2017	2016 (1)	2015	2014
1,424	2,291	1,089	1,108	1,080
2,737	3,029	1,415	1,850	1,222
20,116	18,913	17,152	15,589	17,119
481	422	372	371	380
845	757	802	484	1,179
492	532	505	466	465
306	233	218	74	660
2,793	3,078	3,018	3,038	3,636
1.35	1.29	1.63	1.18	1.55
6.09	0.24	8.25	0.55	8.56
148	123	183	348	136
1,597	1,677	1,785	2,150	2,728
8,292	7,648	8,227	8,149	14,158
3,281	2,994	2,811	2,664	2,698
2,180	2,120	2,222	2,121	1,793
48,623	54,937	-	10,487	11,415
440	439	522	465	364
1,347,500	1,430,400	1,418,500	1,476,445	1,458,000
2.28	2.43	2.54	2.00	2.25
34,524,000	28,605,000	35,823,000	22,411,000	28,819,000
1,937,455	1,854,437	1,817,631	1,714,534	2,058,642
\$ 6,242,500	\$ 6,148,149	\$ 5,986,472	\$ 5,850,584	\$ 5,612,423

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

Function	Fiscal Year				
	2023	2022	2021	2020	2019
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	78	77	77	78	78
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	103	102	102	100
Municipal sanitary sewer					
Wastewater treatment buildings	8	8	8	8	8
Miles of sanitary sewer	92	92	92	92	91
Number of lift stations	15	15	15	15	15
Storm sewer					
Holding ponds and lakes	57	57	56	53	53
Electric division					
Miles of transmission lines	17	17	17	17	17
Number of substations	6	6	6	6	6
Natural gas division					
Miles of gas lines	297	297	295	294	294

Source: Various City departments and capital asset system

Table 19

Fiscal Year				
2018	2017	2016	2015	2014
1	1	1	1	1
1	1	1	1	1
12	12	11	11	11
1	1	1	1	1
9	8	9	9	9
77	77	77	76	76
6	6	6	6	6
41	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	100	99	109	106
8	8	8	8	8
91	91	91	95	95
15	15	13	13	13
53	53	53	53	50
17	17	17	17	17
6	6	6	6	6
294	292	292	292	290

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City of Hutchinson, Minnesota
 Combined Schedule of Bonds Payable
 December 31, 2023

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	\$ 475,000	\$ 7,320,000	2.00 - 4.00 %
2022A	5,885,000	-	5,885,000	4.00 - 5.00
Totals	<u>\$ 13,680,000</u>	<u>\$ 475,000</u>	<u>\$ 13,205,000</u>	
GENERAL OBLIGATION SPECIAL ASSESSMENT BONDS				
2014A	3,415,000	2,485,000	930,000	2.00 - 3.00
2015A	2,140,000	1,000,000	1,140,000	2.85 - 3.00
2016A	3,880,000	2,475,000	1,405,000	2.00
2017A	2,445,000	875,000	1,570,000	2.00 - 3.00
2018A	2,395,000	795,000	1,600,000	3.00 - 4.00
2019A	2,675,000	615,000	2,060,000	2.00 - 3.00
2020A	2,405,000	285,000	2,120,000	0.35 - 1.40
2021A	1,825,000	85,000	1,740,000	2.00 - 4.00
2023A	1,350,000	-	1,350,000	4.00 - 5.00
Totals	<u>\$ 22,530,000</u>	<u>\$ 8,615,000</u>	<u>\$ 13,915,000</u>	
GENERAL OBLIGATION REVENUE BONDS				
2005 PFA	\$ 5,696,371	\$ 5,325,001	\$ 371,370	2.53 %
2006 PFA	12,216,000	10,597,000	1,619,000	2.63
2007 PFA	13,696,602	10,983,602	2,713,000	2.15
2018A	1,550,000	545,000	1,005,000	3.00 - 4.00
2019A	2,790,000	790,000	2,000,000	2.00 - 3.00
2021A	3,460,000	235,000	3,225,000	3.00 - 4.00
Totals	<u>\$ 39,408,973</u>	<u>\$ 28,475,603</u>	<u>\$ 10,933,370</u>	
ELECTRIC UTILITIES REVENUE BONDS				
2012A	\$ 20,720,000	\$ 14,765,000	\$ 5,955,000	4.00 - 5.00 %
2017B	16,675,000	3,375,000	13,300,000	3.00 - 4.00
Totals	<u>\$ 37,395,000</u>	<u>\$ 18,140,000</u>	<u>\$ 19,255,000</u>	

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

<u>Electric Division</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Production	\$ 5,147,394	\$ 6,721,410	\$ 5,052,088	\$ 3,483,546	\$ 3,776,245
Purchase Power/Gas	12,350,033	13,464,644	13,740,072	13,175,999	14,037,852
Transmission	3,253,936	3,180,332	3,110,471	2,334,541	3,064,741
Distribution	1,926,092	1,954,926	1,446,601	1,485,856	1,368,188
Customer Accounts	286,500	253,103	240,193	252,606	240,775
Administrative	1,711,555	1,779,772	1,667,276	1,686,199	1,597,928
Depreciation and Depletion	<u>3,326,461</u>	<u>3,440,752</u>	<u>3,334,286</u>	<u>2,804,539</u>	<u>2,728,998</u>
Total Electric	<u>\$ 28,001,971</u>	<u>\$ 30,794,939</u>	<u>\$ 28,590,987</u>	<u>\$ 25,223,286</u>	<u>\$ 26,814,727</u>
<u>Natural Gas Division</u>					
Transmission	\$ 202,644	\$ 225,561	\$ 229,104	\$ 236,423	\$ 183,311
Purchased Gas	7,635,147	9,356,872	9,830,566	5,588,511	5,961,040
Distribution	1,243,161	1,130,075	984,148	948,091	979,913
Customer Accounts	216,110	222,252	197,186	189,536	184,860
Administrative	1,065,890	1,027,270	942,757	932,864	965,449
Depreciation and Depletion	<u>1,097,315</u>	<u>1,092,249</u>	<u>1,097,263</u>	<u>1,088,555</u>	<u>1,078,481</u>
Total Natural Gas	<u>\$ 11,460,267</u>	<u>\$ 13,054,279</u>	<u>\$ 13,281,024</u>	<u>\$ 8,983,980</u>	<u>\$ 9,353,054</u>

Table 21

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,883,945	\$ 3,071,804	\$ 3,387,289	\$ 3,066,764	\$ 3,602,519
15,162,365	14,634,350	13,889,577	15,068,183	14,187,971
2,652,119	2,707,438	2,376,359	1,953,324	1,684,538
1,321,212	893,411	969,907	894,143	863,097
223,038	275,042	246,627	229,470	190,638
1,592,817	2,684,081	2,816,972	2,610,006	2,709,414
<u>2,770,697</u>	<u>2,830,636</u>	<u>2,820,446</u>	<u>2,816,301</u>	<u>2,744,769</u>
<u>\$ 27,606,193</u>	<u>\$ 27,096,762</u>	<u>\$ 26,507,177</u>	<u>\$ 26,638,191</u>	<u>\$ 25,982,946</u>
\$ 148,891	\$ 127,459	\$ 119,454	\$ 119,452	\$ 130,519
6,084,090	6,883,154	5,697,867	5,988,821	10,460,268
838,259	624,192	580,503	638,944	614,544
192,484	205,154	201,785	187,748	155,976
656,350	896,901	1,036,110	984,438	1,032,731
<u>1,033,788</u>	<u>1,022,038</u>	<u>1,001,952</u>	<u>1,008,133</u>	<u>1,002,804</u>
<u>\$ 8,953,862</u>	<u>\$ 9,758,898</u>	<u>\$ 8,637,671</u>	<u>\$ 8,927,536</u>	<u>\$ 13,396,842</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>2023</u>						
Residential	397,210	\$3,949,946	9.94423	26.6 %	33.0 %	5,419
Commercial	309,695	2,888,770	9.32779	20.7	24.1	575
Large Industrial	<u>786,469</u>	<u>5,138,193</u>	<u>6.53324</u>	<u>52.7</u>	<u>42.9</u>	<u>5</u>
Total Sales	<u>1,493,374</u>	<u>11,976,909</u>	<u>8.02003</u>	<u>100.0</u>	<u>100.0</u>	<u>5,999</u>
<u>2022</u>						
Residential	468,417	4,474,818	9.55306	27.8	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>50.8</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>

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>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	817,621	3,696,099	4.52055	50.6	33.9	5
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>
<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	817,723	3,653,263	4.46760	53.0	34.4	3
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	754,604	3,215,714	4.26146	52.9	32.6	3
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	770,455	3,444,273	4.47044	53.0	34.7	5
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	805,780	6,066,290	7.52847	47.9	41.5	4
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>

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>2023</u>					
Net Raw Water	653,033,100	100.0 %			
Used in Production	<u>129,201,000</u>	<u>19.8</u>			
Net Finished Water	523,832,100	80.2			
Loss in Distribution System	<u>29,098,100</u>	<u>4.5</u>			
 Total Sales	 <u>494,734,000</u>	 <u>75.7</u>	 \$ 2,435,727	 \$ 4.923306	 5,239
<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

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

Table 23

<u>2018</u>	<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>
Net Raw Water	625,791,600	100.0 %			
Used in Production	133,500,400	21.3			
Net Finished Water	<u>492,291,200</u>	<u>78.7</u>			
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
 <u>2017</u>					
Net Raw Water	666,954,000	100.0			
Used in Production	139,553,900	20.9			
Net Finished Water	<u>527,400,100</u>	<u>79.1</u>			
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	135,169,452	20.8			
Net Finished Water	<u>515,682,148</u>	<u>79.2</u>			
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	139,485,505	21.0			
Net Finished Water	<u>524,014,595</u>	<u>79.0</u>			
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	138,648,200	20.9			
Net Finished Water	<u>526,249,000</u>	<u>79.1</u>			
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

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

Table 24

Year	Production Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Operating Expenses Per M Gallons	Finished Water Billed	Cost Per M Gallons Billed
2023	\$ 1,202,917 2.2964	\$ 149,245 0.2849	\$ 1,080,180 2.0621	\$ 2,432,342 4.6434	523,832,100 494,734,000	\$ 4.9165
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

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

Table 25

Year	Total M Gallons to Treatment Facility	Treatment/ Collection Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Cost Per M Gallons	Daily Flow Gallons Minimum/ Maximum
2023	763,710	\$ 1,669,494 2.1860	\$ 233,790 0.3061	\$ 1,038,117 1.3593	\$ 2,941,401 3.8514	1,267,000 7,534,000
2022	716,572	1,520,840 2.1224	210,826 0.2942	1,108,374 1.5468	2,840,040 3.9634	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

(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.

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OTHER REQUIRED REPORTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of 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, 2023, and the notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2024.

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 21, 2024

**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 21, 2024



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

Honorable Mayor and City Council
City of Hutchinson, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hutchinson's, Hutchinson, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Government Auditing Standards requires the auditor to perform limited procedures on City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Abdo
Mankato, Minnesota
June 21, 2024



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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hutchinson, Minnesota (the City) under programs of the federal government for the year ended December 31, 2023. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

4. Subrecipients

There were no expenditures in the current year provided to subrecipients.

5. Indirect Cost Rate

During the year ended December 31, 2023, the City did not elect to use the 10 percent de minimis indirect cost rate.

City of Hutchinson, Minnesota
Schedule of Expenditure of Federal Award Programs
For the Year Ended December 31, 2023

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Justice	Direct	Bulletproof Vest Partnership Program	16.607	N/A	\$ 3,586
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	A4304-40 A4304-42	207,987 398,722
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027C	N/A	1,062,079
U.S. Department of Homeland Security	Minnesota Department of Natural Resources	Hazard Mitigation Grant	97.039	N/A	661,626
U.S. Department of Health and Human Services	Minnesota Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>400</u>
	Total Federal Expenditures				<u>\$ 2,334,400</u>

City of Hutchinson, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
2023-001	Uniform Guidance Written Policies and Procedures
<i>Condition:</i>	During our audit, we discovered that the City has no developed written procedures required by the Uniform Guidance.
<i>Criteria:</i>	The City must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Awards.
<i>Cause:</i>	The City did not have written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.
<i>Effect:</i>	The City was out of compliance with this requirement.
<i>Recommendation:</i>	The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.
<i>Management Response:</i>	
	The City has unwritten policies and procedures regarding federal grant monies, and is working to implement a formal policy in 2024.

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance.	No

Identification of Major Programs/Clusters

	CFDA No.
Coronavirus State and Local Fiscal Recovery Funds	21.027C
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

There are no material weaknesses or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance. Finding 2023-001 is reported as a significant deficiency but does not qualify as an instance of

Section IV - Schedule of Prior Year Audit Findings

There were no prior year audit findings.

Other Issues

A Corrective Action Plan is attached as required to be reported under the Federal Single Audit Act.

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2023-001 Uniform Guidance Written Policies and Procedures

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The finance staff will develop a policy for the Council to review and approve.

3. Official Responsible for Ensuring CAP:

Andy Reid, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

December 31, 2024.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,



Andy Reid
Finance Director