CITY OF MOUNTAIN IRON, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Year Ended December 31, 2023

CITY OF MOUNTAIN IRON, MINNESOTA

TABLE OF CONTENTS
December 31, 2023

CITY OF MOUNTAIN IRON, MINNESOTA

TABLE OF CONTENTS (CONTINUED)
December 31, 2023

CITY OF MOUNTAIN IRON, MINNESOTA

ORGANIZATION
December 31, 2023

CITY COUNCIL

Mayor	Peggy Anderson
Council Members	Julie Buria Joe Prebeg, Jr. Ed Roskoski Alan Stanaway

ADMINISTRATION

Administrator	Craig J. Wainio

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mountain Iron, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Mountain Iron, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Mountain Iron, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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 unit, and each major fund of the City of Mountain Iron, Minnesota, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Mountain Manor Apartments Enterprise Fund, which represent five percent, five percent, and six percent, respectively, of the assets, net position, and revenues of the business-type activities as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mountain Manor Apartments Enterprise Fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards*). 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 of Mountain Iron, Minnesota 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 of Mountain Iron, Minnesota'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 GAAS 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 GAAS 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 of Mountain Iron, Minnesota'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 of Mountain Iron, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the City’s net other postemployment benefits (OPEB) liability and related ratios, schedules of City’s proportionate share of net pension liability and City’s contributions for defined benefit pension plan, schedule of changes in net pension liability/asset, and schedule of

City contributions 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 GAAS, 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 of Mountain Iron, Minnesota's basic financial statements. The individual fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 15 and No. 16 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 statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 15 and No. 16 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2024 on our consideration of the City of Mountain Iron, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provision 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 of Mountain Iron, Minnesota'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 City of Mountain Iron, Minnesota's internal control over financial reporting and compliance.

Virginia, Minnesota
August 2, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

The City of Mountain Iron, Minnesota's management's discussion and analysis provides an overview of the City's financial activities for the year ended December 31, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City of Mountain Iron, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $4,456,973 of which $8,900,387 represents net investment in capital assets.
- Business-type activities have total net position of $3,209,290. Net investment in capital assets represents $8,452,710 of the total.
- The Mountain Iron Economic Development Authority (EDA) has total net position of $9,288,908, of which $8,824,013 represents net investment in capital assets.
- The City of Mountain Iron's primary government's net position increased by $376,121 for the year ended December 31, 2023. Of the change, $547,238 was an increase in the governmental activities' net position and $171,117 represented a decrease in business-type activities' net position.
- The EDA's net position increased by $82,798.
- The net cost of governmental activities was $3,549,463 for the current fiscal year. The net cost was funded by general revenues totaling $4,096,701.
- Governmental funds' fund balances increased by $105,647.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps the reader determine whether the City's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These government-wide statements report the City's net position and how they have changed. You can think of the City's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the City's financial health or financial position. Increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the City's property tax base and state aid and the condition of City buildings also need to be considered in assessing the overall health of the City.

In the statement of net position and the statement of activities, all activities are shown in the governmental activities, business-type activities or the Mountain Iron EDA component unit:

- Governmental activities—Most of the City's basic services are reported here, including general government, public safety, streets, and culture and recreation. Property taxes and state and federal grants finance most of these activities.

- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's electric utility, water treatment, wastewater treatment, refuse removal and recycling sales and services, and the Mountain Manor Apartments rental fees are reported here.

- Component unit—The Mountain Iron Economic Development Authority (EDA) is reported here.

Fund Financial Statements

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

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

- Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the required supplementary information for budgetary comparison schedule, schedule of changes in the City's net OPEB liability and related ratios, schedules of City's proportionate share of net pension liability and City's contribution for defined benefit pension plan, schedule of changes in net pension liability/asset and schedule of City contributions. An individual fund financial statement and schedules of sources and uses of public funds for Mountain Iron's tax increment districts are presented as supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. The following tables show that in the case of the City of Mountain Iron, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7,666,263, an increase from the prior year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 6,698,119	$ 6,109,094	$ 112,629	$ 302,342	$ 6,810,748	$ 6,411,436
Capital assets	9,211,726	9,300,426	10,659,946	10,984,286	19,871,672	20,284,712
Total assets	15,909,845	15,409,520	10,772,575	11,286,628	26,682,420	26,696,148
Deferred outflows of resources	1,392,244	1,859,132	659,777	893,648	2,052,021	2,752,780
Long-term liabilities	8,235,151	11,240,329	6,105,973	7,666,453	14,341,124	18,906,782
Other liabilities	1,114,237	602,889	407,188	404,245	1,521,425	1,007,134
Total liabilities	9,349,388	11,843,218	6,513,161	8,070,698	15,862,549	19,913,916
Deferred inflows of resources	3,495,728	1,515,699	1,709,901	729,171	5,205,629	2,244,870
Net position						
Net investment in capital assets	8,900,387	8,880,823	8,452,710	8,630,183	17,353,097	17,511,006
Restricted	1,470,379	1,556,885	257,854	262,466	1,728,233	1,819,351
Unrestricted	(5,913,793)	(6,527,973)	(5,501,274)	(5,512,242)	(11,415,067)	(12,040,215)
Total net position	$ 4,456,973	$ 3,909,735	$ 3,209,290	$ 3,380,407	$ 7,666,263	$ 7,290,142

Net position of the City's governmental activities increased by 14.0 percent ($4,456,973 compared to $3,909,735). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from a $6,527,973 deficit at December 31, 2022 to a $5,913,793 deficit at the end of this year.

Net position of the City's business-type activities decreased by 5.1 percent ($3,209,290 compared to $3,380,407).

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Fees, fines, charges, and other	$ 242,797	$ 543,919	$ 4,857,662	$ 4,522,602	$ 5,100,459	$ 5,066,521
Operating grants and contributions	6,482	25,009	-	-	6,482	25,009
Capital grants and contributions	426,016	116,707	48,279	-	474,295	116,707
General revenues:						
Property and other taxes	1,469,257	1,463,106	-	-	1,469,257	1,463,106
Grants and contributions not restricted to specific programs	2,554,145	2,373,287	-	-	2,554,145	2,373,287
Other general revenues	73,299	3,491	13,891	1,380	87,190	4,871
Total revenues	4,771,996	4,525,519	4,919,832	4,523,982	9,691,828	9,049,501
Program expenses:						
General government	1,290,061	1,667,228	-	-	1,290,061	1,667,228
Public safety	1,057,520	890,676	-	-	1,057,520	890,676
Streets	1,231,993	1,524,502	-	-	1,231,993	1,524,502
Culture and recreation	635,252	737,134	-	-	635,252	737,134
Interest	9,932	13,631	-	-	9,932	13,631
Electric utility	-	-	3,082,148	2,724,905	3,082,148	2,724,905
Water treatment	-	-	418,651	600,236	418,651	600,236
Wastewater treatment	-	-	636,787	207,226	636,787	207,226
Refuse removal and recycling	-	-	587,715	648,852	587,715	648,852
Mountain Manor Apartments	-	-	365,648	381,112	365,648	381,112
Total program expenses	4,224,758	4,833,171	5,090,949	4,562,331	9,315,707	9,395,502
Increase (decrease) in net position	547,238	(307,652)	(171,117)	(38,349)	376,121	(346,001)
Net position, January 1	3,909,735	4,217,387	3,380,407	3,418,756	7,290,142	7,636,143
Net position, December 31	$ 4,456,973	$ 3,909,735	$ 3,209,290	$ 3,380,407	$ 7,666,263	$ 7,290,142

Governmental Activities

The most significant revenues of the governmental activities are grants and contributions not restricted to specific programs at 53% of revenues. Capital grants and contributions, 9% of revenues, include grants for major projects or purchases of equipment. Operating grants and contributions, 1% of revenues, include grants that help fund operating expenses. Property taxes and other taxes amount to $1,469,257, 31% of revenues.

General government expense (30%) and streets expense (29%) are the most significant, followed by public safety expense (25%) and culture and recreation expense (15%).

Governmental revenues during 2023 were $4,771,996 compared to $4,525,519 in the prior year, which is an increase of $246,477. Our taxpayers paid $1,469,257 in property and other taxes during the current year, which is an increase of $6,151.

The cost of all governmental activities this year was $3,549,463 compared to $4,147,536 last year. Governmental expenses decreased $608,413 in the current year. The most significant decrease occurred in the City's general government expenses.

Business-Type Activities

Revenues of the City's business-type activities were $4,919,832 and expenses were $5,090,949 (see Table 2). There was a decrease in net position of $171,117 during the year ended December 31, 2023, which compares to a decrease in net position of $38,349 for the year ended December 31, 2022. Factors driving this result include:

- Operations produced an operating loss of $209,827 for the year ended December 31, 2023. The wastewater treatment enterprise fund recorded the most significant operating loss of $126,038. The electric utility enterprise fund, water treatment enterprise fund, and Mountain Manor Apartments enterprise fund each recorded operating losses of $49,733, $32,480, and $23,566 respectively. The refuse removal and recycling enterprise fund recorded operating income of $21,990.

Mountain Iron EDA Component Unit Activity

The Mountain Iron EDA had an increase in net position of $82,798 for the year ended December 31, 2023. Net program revenues over expenses were $9,693. General tax revenues, interest earnings, miscellaneous revenues, and transfers from primary government were $73,105.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At December 31, 2023, the City's governmental funds reported total ending fund balances of $5,224,220, an increase of $105,647 in comparison with the prior year. The restricted fund balance of $1,353,408 is considered unavailable for appropriation for general operations. Assigned fund balance of $3,870,812 is intended to be used for cash flow, insurance, and buildings. More detailed information about the City's fund balances is presented in Note 8 to the financial statements.

At the end of the year, the general fund reported a fund balance of $3,743,629, decreasing $61,676 from the prior year. General fund revenues were $123,569 less than the prior year's and expenditures increased by $140,194. During the current year, the general fund transfers to other funds were $472,230, which were more than the prior year's transfers out of $426,704.

The debt service fund recorded a decrease in fund balance of $56,671 compared to a decrease in fund balance of $49,067 last year. Special assessment revenue was recorded in the amount of $33,006. Other financing sources included a $8,333 transfer from the general fund for debt principal and interest payments.

The city projects capital projects fund recorded an increase in fund balance of $219,938, resulting in an assigned fund balance of $118,421. Other financing sources included transfers of $463,897 from the general fund for capital projects.

Proprietary Funds
The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The electric utility enterprise fund accounts for the electric operations of the City. In 2023, operating revenues increased by $307,820 compared to the prior year. Operating expenses increased by $357,243. The electric operations produced an operating loss of $49,733 in 2023, compared to an operating loss of $310 the prior year. The results of these transactions and nonoperating revenues and expenses was a decrease of $49,267 in net position in the current year.

The water treatment enterprise fund accounts for the water operations of the City. In 2023, operating revenues increased by $8,379 compared to the prior year. Operating expenses decreased by $181,717. In 2023, an operating loss of $32,480 was recorded compared to an operating loss of $222,576 in the prior year. Coronavirus State and Local Fiscal Recovery Fund grant revenues recognized were $48,279. Interest expense charged to the water operations was $24,934. These transactions resulted in a decrease of $8,380 in net position in the current year.

The wastewater treatment enterprise fund accounts for the wastewater treatment operations of the City. In 2023, operating revenues increased by $16,844 compared to the prior year. Operating expenses increased by $430,815. In 2023, an operating loss of $126,038 was recorded compared to operating income of $287,933 in the prior year. These transactions and nonoperating revenues and expenses resulted in a decrease of $127,967 in net position in the current year.

The refuse removal and recycling enterprise fund accounts for the refuse removal and recycling operations of the City. In 2023, operating revenues increased $17,146 compared to the prior year. Operating expenses decreased by $61,137. In 2023, operating income of $21,990 was recorded compared to an operating loss of $56,293 in the prior year. The results of these transactions and nonoperating revenues and expenses was an increase of $27,206 in net position in the current year.

The Mountain Manor Apartments enterprise fund accounts for the operations of the Mountain Manor Apartments. In 2023, operating revenues increased by $33,697 compared to the prior year. Operating expenses decreased by $14,982 compared to the prior year. In 2023, an operating loss of $23,566 was recorded compared to an operating loss of $72,245 in the prior year. Interest expense charged to the Mountain Manor Apartments operations was $41,940. These transactions and other nonoperating revenues and expenses resulted in a decrease of $12,709 in net position in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not revise the general fund budget. The actual expenditures were $251,481 over the final budget amounts. The largest negative variance in the amount of ($248,797) occurred in the public safety department. Resources available for appropriation were above the final budgeted amounts. The City received more licenses and permits and intergovernmental revenues than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City's primary government had $19,871,672 invested in a broad range of capital assets (net of accumulated depreciation), including land, construction in progress, land improvements, buildings, infrastructure, machinery and equipment and licensed vehicles. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of $413,040 from last year. The Mountain Iron Economic Development Authority component unit had $17,355,634 invested in capital assets, which consisted of land, construction in progress, and buildings.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	$ 409,300	$ 409,300	$ 26,370	$ 26,370	$ 435,670	$ 435,670
Construction in progress	34,135	132,715	1,249,857	1,201,578	1,283,992	1,334,293
Land improvements	567,336	605,521	20,044	21,472	587,380	626,993
Buildings	1,858,751	1,938,436	3,424,777	3,612,975	5,283,528	5,551,411
Infrastructure	5,207,179	4,916,192	5,640,144	5,800,273	10,847,323	10,716,465
Machinery and equipment	349,171	448,666	110,367	73,680	459,538	522,346
Licensed vehicles	785,854	849,596	188,387	247,938	974,241	1,097,534
Totals	$ 9,211,726	$ 9,300,426	$ 10,659,946	$ 10,984,286	$ 19,871,672	$ 20,284,712
Component Unit - EDA						
Land	$ 2,461,456	$ 2,461,456	$ -	$ -	$ 2,461,456	$ 2,461,456
Construction in progress	-	11,810,239	-	-	-	11,810,239
Buildings	14,894,178	3,015,879	-	-	14,894,178	3,015,879
Totals	$ 17,355,634	$ 17,287,574	$ -	$ -	$ 17,355,634	$ 17,287,574

This year's major additions included costs on the Parkville Bike Trail Interconnect project, Municipal Well and Water Filtration System project costs, and Second Street Reconstruction project costs.

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the City had $2,518,574 in long-term debt outstanding for the primary government versus $2,773,706 last year—as shown in Table 4. The Mountain Iron EDA component unit had $8,531,621 in long-term debt outstanding, an increase of $45,756.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
GO refunding bonds	$ 240,000	$ 280,000	$ -	$ -	$ 240,000	$ 280,000
Lease purchase	71,339	139,603	-	-	71,339	139,603
Water GO revenue bonds	-	-	1,120,000	1,175,000	1,120,000	1,175,000
Water and Wastewater GO revenue notes	-	-	710,000	767,000	710,000	767,000
Notes payable	-	-	377,235	412,103	377,235	412,103
Total	$ 311,339	$ 419,603	$ 2,207,235	$ 2,354,103	$ 2,518,574	$ 2,773,706

Component Unit - EDA		
State loans	$ 8,531,621	$ 8,485,865

The State limits the amount of net debt that the City can issue to 3 percent of the market value of all taxable property in the City. The City's outstanding qualifying net debt is significantly below the State-imposed limit.

Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- City General Fund expenditures increased 5.1% over 2023.
- City property taxes will increase 3% in 2024.
- The City's 2024 capital budget calls for it to spend another $1,360,000.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information or for the separate financial statements for the Mountain Iron EDA and Mountain Manor Apartments should be addressed to the City's Administrator, Craig J. Wainio, City of Mountain Iron, 8586 Enterprise Drive South, Mountain Iron, Minnesota 55768, or e-mail cwainio@ci.mountain-iron.mn.us.

BASIC FINANCIAL STATEMENTS

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF NET POSITION
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDA
ASSETS				
Cash and cash equivalents	$ 1,695,255	$ 815,775	$ 2,511,030	$ 425,086
Investments	2,016,131	219,893	2,236,024	-
Taxes receivable	26,506	-	26,506	-
Special assessments receivable	116,972	-	116,972	-
Accounts receivable	8,191	786,134	794,325	8,076
Grants receivable	272,845	-	272,845	-
Internal balances	2,315,387	(2,315,387)	-	-
Due from component unit	9,864	-	9,864	-
Due from primary government	-	-	-	33,267
Land sale receivable	-	-	-	10,000
Loans receivable	-	-	-	20,181
Lease receivable	-	-	-	4,869,496
Inventories	-	347,088	347,088	-
Prepaid items	-	1,272	1,272	-
Net pension asset	236,968	-	236,968	-
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	257,854	257,854	-
Capital assets not being depreciated:				
Land	409,300	26,370	435,670	2,461,456
Construction in progress	34,135	1,249,857	1,283,992	-
Capital assets net of accumulated depreciation:				
Land improvements	567,336	20,044	587,380	-
Buildings	1,858,750	3,424,777	5,283,527	14,894,178
Infrastructure	5,207,180	5,640,144	10,847,324	-
Machinery and equipment	349,171	110,367	459,538	-
Licensed vehicles	785,854	188,387	974,241	-
TOTAL ASSETS	15,909,845	10,772,575	26,682,420	22,721,740
DEFERRED OUTFLOWS OF RESOURCES				
Related to other postemployment benefits	1,119,466	551,378	1,670,844	-
Related to pensions	272,778	108,399	381,177	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,392,244	659,777	2,052,021	-
LIABILITIES				
Accounts payable	405,328	278,654	683,982	16,851
Salaries payable	57,457	23,407	80,864	-
Accrued interest payable	4,661	12,327	16,988	-
Due to primary government	-	-	-	9,864
Due to component unit	33,267	-	33,267	-
Customer deposits	6,950	92,800	99,750	-
Unearned revenues	606,574	-	606,574	5,000
Noncurrent liabilities:				
Due within one year				
Bonds, loans, notes payable and financed purchases	116,339	150,825	267,164	-
Due in more than one year				
Bonds, loans, notes payable and financed purchases	195,000	2,056,410	2,251,410	8,531,621
Other postemployment benefits	7,093,601	3,493,864	10,587,465	-
Severance payable	125,297	41,737	167,034	-
PERA net pension liability	704,914	363,137	1,068,051	-
TOTAL LIABILITIES	9,349,388	6,513,161	15,862,549	8,563,336
DEFERRED INFLOWS OF RESOURCES				
Related to other postemployment benefits	3,157,759	1,555,315	4,713,074	-
Related to pensions	337,969	154,586	492,555	-
Related to leases	-	-	-	4,869,496
TOTAL DEFERRED INFLOWS OF RESOURCES	3,495,728	1,709,901	5,205,629	4,869,496
NET POSITION				
Net investment in capital assets	8,900,387	8,452,710	17,353,097	8,824,013
Restricted for:				
Debt service	1,470,379	257,854	1,728,233	493,583
Unrestricted	(5,913,793)	(5,501,274)	(11,415,067)	(28,688)
TOTAL NET POSITION	$ 4,456,973	$ 3,209,290	$ 7,666,263	$ 9,288,908

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental Activities			
General government	$ 1,290,061	$ 121,971	$ 6,482
Public safety	1,057,520	23,348	-
Streets	1,231,993	-	-
Culture and recreation	635,252	97,478	-
Interest on long-term debt	9,932	-	-
Total Governmental Activities	4,224,758	242,797	6,482
Business-type Activities			
Electric utility	3,082,148	3,032,881	-
Water treatment	418,651	361,243	-
Wastewater treatment	636,787	505,579	-
Refuse removal and recycling	587,715	609,716	-
Mountain Manor Apartments	365,648	348,243	-
Total Business-type Activities	5,090,949	4,857,662	-
TOTAL PRIMARY GOVERNMENT	$ 9,315,707	$ 5,100,459	$ 6,482
COMPONENT UNIT			
EDA	$ 324,944	$ 334,637	$ -

General Revenues
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for specific purposes
Franchise taxes
Mineral rents and royalties
Grants and contributions not restricted to specific programs
Unrestricted investment earnings

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - JANUARY 1

NET POSITION - DECEMBER 31

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

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	EDA
$ 3,171	$ (1,158,437)	$ -	$ (1,158,437)	
-	(1,034,172)	-	(1,034,172)	
-	(1,231,993)	-	(1,231,993)	
422,845	(114,929)	-	(114,929)	
-	(9,932)	-	(9,932)	
426,016	(3,549,463)	-	(3,549,463)	
-	-	(49,267)	(49,267)	
48,279	-	(9,129)	(9,129)	
-	-	(131,208)	(131,208)	
-	-	22,001	22,001	
-	-	(17,405)	(17,405)	
48,279	-	(185,008)	(185,008)	
$ 474,295	(3,549,463)	(185,008)	(3,734,471)	
$ -				$ 9,693
	1,408,833	-	1,408,833	46,263
	-	-	-	25,907
	28,831	-	28,831	-
	31,593	-	31,593	-
	2,554,145	-	2,554,145	-
	73,299	13,891	87,190	935
	4,096,701	13,891	4,110,592	73,105
	547,238	(171,117)	376,121	82,798
	3,909,735	3,380,407	7,290,142	9,206,110
	$ 4,456,973	$ 3,209,290	$ 7,666,263	$ 9,288,908

CITY OF MOUNTAIN IRON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 604,862	$ 732,195	$ 349,436	$ 8,762	$ 1,695,255
Investments	1,394,919	621,212	-	-	2,016,131
Taxes receivable	26,506	-	-	-	26,506
Special assessments receivable	-	116,972	-	-	116,972
Accounts receivable	8,191	-	-	-	8,191
Grants receivable	-	-	272,845	-	272,845
Due from other funds	2,315,387	-	-	-	2,315,387
Due from component unit	9,864	-	-	-	9,864
TOTAL ASSETS	$ 4,359,729	$ 1,470,379	$ 622,281	$ 8,762	$ 6,461,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 401,468	$ -	$ 3,860	$ -	$ 405,328
Salaries payable	57,457	-	-	-	57,457
Due to component unit	33,267	-	-	-	33,267
Customer deposits	6,950	-	-	-	6,950
Unearned revenue	106,574	-	500,000	-	606,574
TOTAL LIABILITIES	605,716	-	503,860	-	1,109,576
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	10,384	-	-	-	10,384
Unavailable revenue - special assessments	-	116,971	-	-	116,971
TOTAL DEFERRED INFLOWS OF RESOURCES	10,384	116,971	-	-	127,355
FUND BALANCES					
Restricted	-	1,353,408	-	-	1,353,408
Assigned	3,743,629	-	118,421	8,762	3,870,812
TOTAL FUND BALANCES	3,743,629	1,353,408	118,421	8,762	5,224,220
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,359,729	$ 1,470,379	$ 622,281	$ 8,762	$ 6,461,151

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

CITY OF MOUNTAIN IRON, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2023

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

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS		$ 5,224,220
Net pension asset used in governmental activities is not a current financial resource and, therefore, is not reported in the governmental funds.		236,968
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		9,211,726
Deferred inflows of resources in governmental funds are susceptible to full accrual on the government-wide statements.		127,355
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.		(4,661)
Long-term liabilities, including bonds, loans, notes payable, financed purchases, other postemployment benefits, severance payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(8,235,151)
Deferred outflows and inflows of resources related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to OPEB and pensions.	1,392,244	
Deferred inflows of resources related to OPEB and pensions.	(3,495,728)	
		(2,103,484)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,456,973

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
REVENUES					
Taxes	$ 1,470,311	$ -	$ -	$ -	$ 1,470,311
Special assessments	2,947	33,006	-	-	35,953
Licenses and permits	42,938	-	-	-	42,938
Intergovernmental	2,553,804	-	422,845	-	2,976,649
Charges for services	141,921	-	47,360	-	189,281
Fines	7,633	-	-	-	7,633
Gifts and contributions	-	-	-	6,394	6,394
Interest earnings	19,783	9,013	292	12	29,100
Gain on change in market value of investments	30,448	13,751	-	-	44,199
TOTAL REVENUES	4,269,785	55,770	470,497	6,406	4,802,458
EXPENDITURES					
Current					
General government	1,295,100	-	77,499	2,350	1,374,949
Public safety	997,947	-	20,743	-	1,018,690
Streets	924,687	-	24,378	-	949,065
Culture and recreation	641,497	-	-	-	641,497
Debt Service					
Principal	-	108,264	-	-	108,264
Interest and other charges	-	12,510	-	-	12,510
Capital Outlay					
Streets	-	-	99,882	-	99,882
Culture and recreation	-	-	491,954	-	491,954
TOTAL EXPENDITURES	3,859,231	120,774	714,456	2,350	4,696,811
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	410,554	(65,004)	(243,959)	4,056	105,647
OTHER FINANCING SOURCES (USES)					
Transfers in	-	8,333	463,897	-	472,230
Transfers out	(472,230)	-	-	-	(472,230)
TOTAL OTHER FINANCING SOURCES (USES)	(472,230)	8,333	463,897	-	-
NET CHANGE IN FUND BALANCES	(61,676)	(56,671)	219,938	4,056	105,647
FUND BALANCES - JANUARY 1	3,805,305	1,410,079	(101,517)	4,706	5,118,573
FUND BALANCES - DECEMBER 31	$ 3,743,629	$ 1,353,408	$ 118,421	$ 8,762	$ 5,224,220

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

CITY OF MOUNTAIN IRON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 105,647
Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	591,836	
Less current year depreciation	(680,536)	
Net capital assets		(88,700)
Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.		
Change in unavailable revenue - delinquent property taxes	(713)	
Change in unavailable revenue - special assessments	(29,835)	
Net change		(30,548)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		108,264
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.		
Change in accrued interest payable on long-term debt	2,578	
Change in severance payable	(6,824)	
Change in other postemployment benefits payable and related deferred inflows and outflows	469,249	
Change in net pension liability, change in net pension asset, and related deferred inflows and outflows	(12,428)	
Net change		452,575
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 547,238

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 100	$ -	$ 529,006	$ 275,821	$ 10,848	$ 815,775
Investments	3,495	21,704	65,499	129,195	-	219,893
Accounts receivable	557,637	54,296	72,450	95,683	6,068	786,134
Inventories	220,119	126,969	-	-	-	347,088
Prepaid items	-	-	-	-	1,272	1,272
TOTAL CURRENT ASSETS	781,351	202,969	666,955	500,699	18,188	2,170,162
NONCURRENT ASSETS						
Restricted cash and cash equivalents						
Reserve account	-	-	-	-	230,824	230,824
Escrow deposits	-	-	-	-	19,500	19,500
Tenant security deposits	-	-	-	-	7,530	7,530
Total restricted cash and cash equivalents	-	-	-	-	257,854	257,854
Capital assets						
Land	18,034	-	-	-	8,336	26,370
Construction in progress	-	1,249,857	-	-	-	1,249,857
Land improvements	28,565	-	-	-	-	28,565
Buildings	741,987	3,286,139	2,718,281	12,761	1,721,265	8,480,433
Infrastructure	1,079,091	5,978,802	5,621,788	-	-	12,679,681
Machinery and equipment	-	19,979	418,447	-	361,692	800,118
Licensed vehicles	522,859	-	20,546	644,733	-	1,188,138
Less accumulated depreciation	(1,525,672)	(4,253,988)	(5,691,075)	(535,080)	(1,787,401)	(13,793,216)
Total capital assets (net of accumulated depreciation)	864,864	6,280,789	3,087,987	122,414	303,892	10,659,946
TOTAL NONCURRENT ASSETS	864,864	6,280,789	3,087,987	122,414	561,746	10,917,800
TOTAL ASSETS	1,646,215	6,483,758	3,754,942	623,113	579,934	13,087,962
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	233,918	83,542	83,542	150,376	-	551,378
Related to pensions	47,823	12,753	22,317	25,506	-	108,399
TOTAL DEFERRED OUTFLOWS OF RESOURCES	281,741	96,295	105,859	175,882	-	659,777
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	224,964	4,578	9,096	17,650	22,366	278,654
Salaries payable	15,555	-	7,852	-	-	23,407
Accrued interest payable	-	9,876	1,566	-	885	12,327
Due to other funds	1,136,749	1,178,638	-	-	-	2,315,387
Customer deposits payable	81,907	1,725	-	-	9,168	92,800
Bonds and notes payable - current	-	80,000	33,000	-	37,825	150,825
TOTAL CURRENT LIABILITIES	1,459,175	1,274,817	51,514	17,650	70,244	2,873,400
NONCURRENT LIABILITIES						
Bonds and notes payable	-	1,541,000	176,000	-	339,410	2,056,410
Other postemployment benefit obligation	1,482,245	529,373	529,373	952,873	-	3,493,864
Severance payable	17,487	-	24,250	-	-	41,737
PERA net pension liability	160,208	42,722	74,764	85,443	-	363,137
TOTAL NONCURRENT LIABILITIES	1,659,940	2,113,095	804,387	1,038,316	339,410	5,955,148
TOTAL LIABILITIES	3,119,115	3,387,912	855,901	1,055,966	409,654	8,828,548
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	659,830	235,654	235,654	424,177	-	1,555,315
Related to pensions	68,199	18,187	31,827	36,373	-	154,586
TOTAL DEFERRED INFLOWS OF RESOURCES	728,029	253,841	267,481	460,550	-	1,709,901
NET POSITION						
Net investment in capital assets	864,864	4,659,789	2,878,986	122,414	(73,343)	8,452,710
Restricted for debt service	-	-	-	-	257,854	257,854
Unrestricted	(2,784,052)	(1,721,489)	(141,567)	(839,935)	(14,231)	(5,501,274)
TOTAL NET POSITION	$ (1,919,188)	$ 2,938,300	$ 2,737,419	$ (717,521)	$ 170,280	$ 3,209,290

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
REVENUES						
Charges for sales and services	$ 3,032,415	$ 361,237	$ 505,571	$ 609,705	$ 300,142	$ 4,809,070
OPERATING EXPENSES						
Cost of sales	2,164,538	-	-	-	-	2,164,538
Salaries	257,317	55,182	158,645	87,693	-	558,837
Employee benefits	167,415	24,116	84,171	98,715	-	374,417
Contract services	-	-	30,561	-	85,857	116,418
Insurance	19,242	7,209	7,409	18,604	28,931	81,395
Miscellaneous	116,313	22,939	53,232	37,756	34,130	264,370
Repairs and maintenance	219,329	58,691	37,226	62,062	109,425	486,733
Solid waste management and tipping fees	-	-	-	215,828	-	215,828
Supplies	64,991	1,125	20,891	29,915	-	116,922
Telephone	2,619	586	1,934	1,659	-	6,798
Utilities	-	29,531	61,848	-	30,689	122,068
Depreciation	70,384	194,338	175,692	35,483	34,676	510,573
TOTAL OPERATING EXPENSES	3,082,148	393,717	631,609	587,715	323,708	5,018,897
OPERATING INCOME (LOSS)	(49,733)	(32,480)	(126,038)	21,990	(23,566)	(209,827)
NONOPERATING REVENUES (EXPENSES)						
Coronavirus State and Local Fiscal Recovery Fund	-	48,279	-	-	-	48,279
Investment income	-	258	1,797	2,258	4,696	9,009
Interest subsidy	-	-	-	-	48,101	48,101
Miscellaneous income	466	6	8	11	-	491
Gain on change in market value of investments	-	491	1,444	2,947	-	4,882
Interest expense	-	(24,934)	(5,178)	-	(41,940)	(72,052)
TOTAL NONOPERATING REVENUES (EXPENSES)	466	24,100	(1,929)	5,216	10,857	38,710
CHANGE IN NET POSITION	(49,267)	(8,380)	(127,967)	27,206	(12,709)	(171,117)
TOTAL NET POSITION - JANUARY 1	(1,869,921)	2,946,680	2,865,386	(744,727)	182,989	3,380,407
TOTAL NET POSITION - DECEMBER 31	$ (1,919,188)	$ 2,938,300	$ 2,737,419	$ (717,521)	$ 170,280	$ 3,209,290

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 3,074,528	$ 364,664	$ 509,267	$ 600,714	$ 307,379	$ 4,856,552
Cash paid to suppliers	(2,773,822)	(190,531)	(331,430)	(545,957)	(291,593)	(4,133,333)
Cash paid to employees	(254,495)	(55,182)	(133,730)	(87,693)	-	(531,100)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	46,211	118,951	44,107	(32,936)	15,786	192,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund financing of cash deficit	39,056	(12,216)	-	-	-	26,840
Interest subsidy	-	-	-	-	48,101	48,101
Miscellaneous income	466	6	8	11	-	491
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	39,522	(12,210)	8	11	48,101	75,432
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase or construction of capital assets	(85,733)	(50,154)	(50,346)	-	-	(186,233)
Principal paid on long-term debt	-	(80,000)	(32,000)	-	(34,868)	(146,868)
Interest paid on long-term debt	-	(25,124)	(5,418)	-	(41,940)	(72,482)
Capital grants	-	48,279	-	-	-	48,279
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(85,733)	(106,999)	(87,764)	-	(76,808)	(357,304)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	-	258	1,797	2,258	4,696	9,009
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	(41,852)	(30,667)	(8,225)	(80,744)
CASH AND CASH EQUIVALENTS, JANUARY 1 (including $262,466 in restricted accounts)	100	-	570,858	306,488	276,927	1,154,373
CASH AND CASH EQUIVALENTS, DECEMBER 31 (including $257,854 in restricted accounts)	$ 100	$ -	$ 529,006	$ 275,821	$ 268,702	$ 1,073,629

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ (49,733)	$ (32,480)	$ (126,038)	$ 21,990	$ (23,566)	$ (209,827)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	70,384	194,338	175,692	35,483	34,676	510,573
Other postemployment benefit obligation and deferred outflows and deferred inflows related to other postemployment benefit obligation	(98,052)	(35,018)	(35,018)	(63,033)	-	(231,121)
Net pension liability and deferred outflows and deferred inflows related to pensions	2,825	753	1,290	1,506	-	6,374
Changes in assets and liabilities						
(Increase) decrease in:						
Accounts receivable	43,902	3,686	3,696	(8,991)	7,237	49,530
Inventories	47,954	(10,944)	-	-	-	37,010
Prepaid items	-	-	-	-	501	501
Increase (decrease) in:						
Accounts payable	27,898	(1,125)	(430)	(19,891)	(1,287)	5,165
Salaries payable	1,365	-	665	-	-	2,030
Customer deposits payable	(1,789)	(259)	-	-	(1,775)	(3,823)
Severance payable	1,457	-	24,250	-	-	25,707
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 46,211	$ 118,951	$ 44,107	$ (32,936)	$ 15,786	$ 192,119

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note.

A. Financial Reporting Entity

The City of Mountain Iron, Minnesota, a political subdivision of the State of Minnesota, is a statutory city, governed by an elected city council which consists of one mayor and four councilors.

The City complies with GAAP and includes all component units for which the City appointed a voting majority of the organization's board; and the City is either able to impose its will on the organization or a financial benefit or burden relationship exists. As a result of applying these component unit criteria, the Mountain Iron Housing and Redevelopment Authority (HRA) is considered a component unit and is presented in the City's financial statements as a blended component unit; meaning it is reported as if it were a part of the City. The Mountain Iron Economic Development Authority (EDA) is considered a component unit of the City and operates as a separate legal entity, and meets the component unit criteria to be discretely presented in the City's government-wide financial statements. Each component unit prepares separate financial statements, which can be obtained by contacting the City Administrator's office, 8586 Enterprise Drive South, Mountain Iron, Minnesota 55768.

Blended Component Unit

The HRA was created in 1974 by the City to assume primary responsibility for housing and redevelopment services in the local area. In 1980 and 1981, the HRA entered into two promissory notes with Rural Development (a division of the United States Department of Agriculture) for the construction of a 39-unit non-profit housing development, Mountain Manor Apartments (the Project), located in the City of Mountain Iron, Minnesota. The Project has a rental agreement with Rural Development for interest credit and rental assistance; and, is regulated by Rural Development as to rent charges and operating methods. The HRA governing board consists of City Council members.

Discretely Presented Component Unit

The EDA was created in 2004 to assume primary responsibility for development activities within the City. The EDA has entered into State loans for the construction and then expansion of a manufacturing facility. The EDA accounts for the building lease revenues from the manufacturing facility and revolving loan funds. The EDA governing board is appointed by the City Council.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues,

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Fund Financial Statements

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

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

Governmental Funds

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

Major Governmental Funds:

The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

The Debt Service Fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.

The City Projects Capital Projects Fund is used to account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Charitable Gambling Special Revenue Fund is used to account for and report the proceeds from lawful gambling contributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

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

Major Proprietary Funds:

The Electric Utility Enterprise Fund is used to account for the revenues generated from the charges for electric services to the residential and commercial users of the City.

The Water Treatment Enterprise Fund is used to account for revenues generated from the charges for water services to the residential and commercial users of the City.

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

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

The Mountain Manor Apartments Enterprise Fund is used to account for the revenues generated from rent charges to tenants.

C. Measurement Focus and Basis of Accounting

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

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

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. Depreciation expense can be specifically identified by program and is included in the direct expenses of each program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

Property taxes, special assessments, and loan repayments are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers. Operating expenses for proprietary funds include the cost of 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. Cash and Cash Equivalents

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

1) Cash balances for all funds of the City are maintained on a combined basis and invested to the extent possible, in allowable short-term investments. All investments are stated at fair value.

2) Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) The enterprise funds report accounts receivable net of uncollectible accounts. The allowance amounts of $31,875 in the electric utility enterprise fund, $3,188 in the water treatment enterprise fund, $5,314 in the wastewater treatment enterprise fund, and $10,623 in the refuse removal and recycling enterprise fund were estimated using an average of prior years' accounts written off.

4) The City has no significant inventories in the general fund and records supplies and materials as expenditures when purchased. Enterprise funds' inventories are valued at cost, on a first-in, first-out (FIFO) basis, and the cost of these inventories are recorded as expenditures when consumed rather than when purchased.

5) Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted assets are reported only in the government-wide and proprietary fund financial statements.

6) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Outstanding balances between funds are reported as "due to/from other funds".

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

7) The City determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position and fund financial statements.

   Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

   Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease terms. The deferred inflows of resources related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

   The City has elected to recognize payments for short-term leases with a lease term of twelve months or less as revenues as incurred, and these leases are not included as lease receivables and deferred inflows of resources on the statement of net position and fund financial statements.

8) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) Capital assets, which include land, construction in progress, land improvements, buildings, infrastructure, machinery and equipment, and licensed vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, proprietary fund financial statements, and the component unit.

   Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements. The City maintains a threshold level of $5,000 or more for capitalizing machinery and equipment and $10,000 or more for capitalizing land, land improvements, buildings, infrastructure and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

   Capital assets are depreciated using the straight-line method over their estimated useful lives. When assets are no longer needed by the City, such assets are either disposed of if it is determined there is no value, or sold for an immaterial amount. Useful lives vary from 20 to 50 years for land improvements and buildings, 20 years for infrastructure, and 5 to 30 years for machinery, equipment and vehicles. Capital assets not being depreciated include land and construction in progress.

10) The City determines if an arrangement is a lease at inception. Leases are included in right-to use assets and lease liabilities in the statement of net position.

    Right-to-use assets represent the City's control of the right to use an underlying capital asset for the lease term, as specified in the contract, in an exchange or exchange like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement date of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

    Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

    The lease term may include options to extend or terminate the lease when it is reasonably certain that the City will exercise that option.

    The City has recognized payments for short-term leases with a lease term of twelve months or less of expenses incurred, as these leases are not included as lease liabilities or right-to-use assets on the statements of net position.

    The City accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to eliminate the price of such components, the City treats the components as a single lease unit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11) Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items in this category, related to other postemployment benefits and related to pensions. See Notes 15, 16, and 17 for details.

12) Government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received, but not yet earned.

    Delinquent property taxes receivable, less any delinquent taxes that are to be received within 60 days, are recorded as deferred inflows of resources in the fund financial statements because they are not available to finance the current year operations of the City. Deferred inflows of resources reported in the debt service fund represents special assessments receivable.

13) In the government-wide financial statements and proprietary fund-type 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. Debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt. The governmental fund financial statements report debt premiums and discounts as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures. The long-term liabilities consist primarily of general obligation bonds payable, revenue bonds, a general obligation revenue note, a State loan, notes payable, severance payable, other postemployment benefit obligation, and net pension liability.

14) For purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources, and pension expenses, 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.

15) Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources; property taxes, which are reported in the general fund and special assessments, which are reported in the debt service fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of deferred inflows of resources is related to other postemployment benefits and pensions. See Notes 15, 16, and 17 for details. Mountain Iron EDA has deferred inflows of resources related to leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the fund financial statements, proprietary fund equity is classified the same as in the government-wide financial statements. Fund balances of the governmental funds represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Fund balances of the governmental funds are classified as follows:

Nonspendable—amounts that cannot be spent either because they are in nonspendable form, such as inventory and prepaid items, or because they are legally or contractually required to be maintained intact.

Restricted—amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed—amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned—amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council or an individual or committee authorized by the City Council may assign amounts for specific purposes.

Unassigned—all other spendable amounts. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues and Expenditures

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

   Federal, state, and other revenues are reported under the legal and contractual requirements of the individual programs and are classified into essentially two types of revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the City; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

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

G. Use of Estimates

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 the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

	Primary Government	Component Unit EDA
Petty cash	$ 500	$ -
Cash	2,768,384	425,086
Investments	2,236,024	-
Total	$ 5,004,908	$ 425,086

	Primary Government	Component Unit EDA
Statement of Net Position		
Cash and cash equivalents	$ 2,511,030	$ 425,086
Investments	2,236,024	-
Temporarily restricted cash and cash equivalents	257,854	-
Total	$ 5,004,908	$ 425,086

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. The City has a formal deposit policy for custodial credit risk, which requires the City to obtain collateral for all uninsured amounts of deposit.

The City maintains deposits at financial institutions authorized by the City Council. Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the City's deposits was $2,768,384; the bank balance was $2,776,858. At year-end, the City's bank balances were entirely insured or collateralized with Federal Home Loan Bank letters of credit. At year-end, the carrying amount of the Mountain Iron EDA's deposits was $425,086; the bank balance was $425,086. At year-end, the Mountain Iron EDA's bank balances were entirely insured or collateralized with securities held by the pledging financial institution's agent in the Mountain Iron EDA's name.

Investments

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or securities that are in the possession of an outside party. The City has a formal investment policy for custodial credit risk, which permits brokers to hold City investments only to the extent of SIPC coverage. Securities purchased for the City that exceed SIPC coverage shall be transferred to the City's custodian.

Credit Risk and Concentration of Credit Risk

The City has a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City places no limit on the amount the City may invest in any one issuer and, as of December 31, 2023, had investments of certificates of deposits held with a broker in which all five issuers exceeded five percent of total investments. The City has $2,170,150 invested in certificates of deposit and $65,874 invested in money market funds at Northland Securities. Money market funds are not rated as to credit risk.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investment. The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value of Investments
The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The City's investment in money market funds and certificates of deposit at December 31, 2023 are not subject to measurement.

NOTE 3 - LOANS RECEIVABLE

The Mountain Iron EDA is involved in economic development projects. Several businesses were issued revolving loans with one outstanding balance as of December 31, 2023. The unpaid principal balance at December 31, 2023 was $20,181 and is recorded as loans receivable in the Mountain Iron EDA general fund.

NOTE 4 - LEASES RECEIVABLE

The Mountain Iron EDA, acting as lessor, leases a manufacturing facility and premises to Heliene USA to manufacture solar panels under a long-term lease agreement. The lease carries a discount rate of 3.84% expiring January 1, 2032. During 2023, the Mountain Iron EDA recognized $282,460 and $0 in lease revenue and interest revenue, respectively, pursuant this contract.

Total future minimum lease payments to be received under the lease agreements are as follows:

	Long-Term Leases Receivable	
Year-Ending December 31,	Principal	Interest
2024	$ 261,491	$ 186,987
2025	321,173	176,947
2026	433,466	164,614
2027	526,271	147,969
2028	616,240	127,760
2029-2033	2,710,855	265,146
Total	$ 4,869,496	$ 1,069,423

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 409,300	$ -	$ -	$ 409,300
Construction in progress	132,715	25,868	(124,448)	34,135
Total capital assets, not being depreciated	542,015	25,868	(124,448)	443,435
Capital assets, being depreciated:				
Land improvements	1,480,322	27,341	-	1,507,663
Buildings	3,705,146	-	-	3,705,146
Infrastructure	12,238,662	538,627	124,448	12,901,737
Machinery and equipment	1,581,217	-	-	1,581,217
Licensed vehicles	2,915,253	-	-	2,915,253
Total capital assets, being depreciated	21,920,600	565,968	124,448	22,611,016
Less accumulated depreciation for:				
Land improvements	(874,801)	(65,526)	-	(940,327)
Buildings	(1,766,710)	(79,686)	-	(1,846,396)
Infrastructure	(7,322,470)	(372,087)	-	(7,694,557)
Machinery and equipment	(1,132,551)	(99,495)	-	(1,232,046)
Licensed vehicles	(2,065,657)	(63,742)	-	(2,129,399)
Total accumulated depreciation	(13,162,189)	(680,536)	-	(13,842,725)
Total capital assets, being depreciated, net	8,758,411	(114,568)	124,448	8,768,291
Governmental activities capital assets, net	$ 9,300,426	$ (88,700)	$ -	$ 9,211,726
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 26,370	$ -	$ -	$ 26,370
Construction in progress	1,201,578	48,279	-	1,249,857
Total capital assets, not being depreciated	1,227,948	48,279	-	1,276,227
Capital assets, being depreciated:				
Land improvements	28,565	-	-	28,565
Buildings	8,480,433	-	-	8,480,433
Infrastructure	12,592,073	87,608	-	12,679,681
Machinery and equipment	749,772	50,346	-	800,118
Licensed vehicles	1,188,138	-	-	1,188,138
Total capital assets, being depreciated	23,038,981	137,954	-	23,176,935
Less accumulated depreciation for:				
Land improvements	(7,093)	(1,428)	-	(8,521)
Buildings	(4,867,458)	(188,198)	-	(5,055,656)
Infrastructure	(6,791,800)	(247,737)	-	(7,039,537)
Machinery and equipment	(676,092)	(13,659)	-	(689,751)
Licensed vehicles	(940,200)	(59,551)	-	(999,751)
Total accumulated depreciation	(13,282,643)	(510,573)	-	(13,793,216)
Total capital assets, being depreciated, net	9,756,338	(372,619)	-	9,383,719
Business-type activities capital assets, net	$10,984,286	$ (324,340)	$ -	$10,659,946

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	$ 63,513
Public safety	38,831
Streets	503,156
Culture and recreation	75,036
Total depreciation expense - governmental activities	$ 680,536
Business-type activities	
Electric utility	$ 70,384
Water treatment	194,338
Wastewater treatment	175,692
Refuse removal and recycling	35,483
Mountain Manor Apartments	34,676
Total depreciation expense - business-type activities	$ 510,573

Discretely presented component unit:
Mountain Iron EDA capital asset activity for the year ended December 31, 2023, is as follows:

Governmental activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,461,456	$ -	$ -	$ 2,461,456
Construction in progress	11,810,239	262,898	(12,073,137)	-
Total capital assets, not being depreciated	14,271,695	262,898	(12,073,137)	2,461,456
Capital assets, being depreciated:				
Building	3,705,345	12,073,137	-	15,778,482
Less accumulated depreciation for:				
Building	(689,466)	(194,838)	-	(884,304)
Total capital assets, being depreciated, net	3,015,879	11,878,299	-	14,894,178
Governmental activities capital assets, net	$ 17,287,574	$ 12,141,197	$ (12,073,137)	$ 17,355,634

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

Governmental activities	
Economic development	$ 194,838

NOTE 6 - LONG-TERM DEBT

The City previously issued general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities or improvements. Bonded indebtedness has since been entered into to advance refund these general obligation bonds, as well as water revenue bonds. General obligation notes have been issued for business-type activities and are being repaid from the applicable resources. The water revenue, water revenue refunding bonds, and general obligation water revenue note are payable solely from the net revenues of the Water Treatment Enterprise Fund. The Mountain Iron Housing and Redevelopment Authority entered into a mortgage note for the construction of a housing facility. This note is guaranteed by the City. The City also previously entered into a financed purchase for a fire pumper. The fire pumper secures the financed purchase agreement. For governmental activities, claims and judgments are generally liquidated by the General Fund.

The Mountain Iron EDA previously entered into two state loans for the construction and expansion of a manufacturing facility. The loans are considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Components of long-term debt are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
Governmental activities					
General Obligation Bonds					
2016 Refunding	11/01/2016	1.625-2.25%	$ 575,000	02/01/2028	$ 240,000
Financed Purchase					
Fire Pumper Lease	03/19/2019	4.51%	$ 327,237	03/19/2024	71,339
Governmental activities long-term debt					311,339
Business-type activities					
Revenue Bonds					
2020 Water Revenue Bonds	12/16/2020	0.5-2.0%	$ 1,225,000	02/01/2041	1,120,000
General Obligation Revenue Notes					
2009 PFA Wastewater Revenue Notes	10/20/2009	2.25%	$ 599,250	08/20/2029	209,000
2022 PFA Drinking Water Revenue Note	12/28/2021	1.04%	$ 535,973	08/20/2041	501,000
Total Revenue Notes Payable					710,000
Notes Payable					
1980 Rural Development	09/04/1980	3.61%	$ 819,370	09/01/2030	269,048
1981 Rural Development	01/16/1981	3.61%	$ 320,630	10/01/2030	108,187
Total Notes Payable					377,235
Business-type activities long-term debt					2,207,235
Total primary government long-term debt					2,518,574
Discretely presented component unit					
EDA					
State Loans					
2010 IRRR	06/18/2010	1.00%	$ 3,600,000	01/15/2037	3,031,621
2022 IRRR	06/17/2022	0.0%	$5,500,000	07/13/2043	5,500,000
Total State Loans					8,531,621
Total reporting entity					$ 11,050,195

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds Payable					
2016 GO Refunding	$ 280,000	$ -	$ 40,000	$ 240,000	$ 45,000
Financed Purchase					
Fire Pumper Lease	139,603	-	68,264	71,339	71,339
Governmental activities - long-term debt	419,603	-	108,264	311,339	116,339
Business-type activities					
Bonds Payable					
2020 Water Revenue Bonds	1,175,000	-	55,000	1,120,000	55,000
Revenue Notes					
2009 GO PFA Wastewater	241,000	-	32,000	209,000	33,000
2022 GO PFA Drinking Water	526,000	-	25,000	501,000	25,000
Total Revenue Notes	767,000	-	57,000	710,000	58,000
Notes Payable					
1980 Rural Development	294,388	-	25,340	269,048	27,489
1981 Rural Development	117,715	-	9,528	108,187	10,336
Total Notes Payable	412,103	-	34,868	377,235	37,825
Business-type activities - long-term debt	2,354,103	-	146,868	2,207,235	150,825
Total primary government	2,773,706	-	255,132	2,518,574	267,164
Discretely presented component unit					
EDA					
State loan					
2010 IRRR	3,202,148	-	170,527	3,031,621	-
2022 IRRR	5,283,717	216,283	-	5,500,000	-
Total State Loans	8,485,865	216,283	170,527	8,531,621	-
Total reporting entity	$ 11,259,571	$ 216,283	$ 425,659	$ 11,050,195	$ 267,164

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending	Governmental Activities		Business-Type Activities		Government-wide	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 116,339	$ 8,108	$ 150,825	$ 68,297	$ 267,164	$ 76,405
2025	45,000	3,881	157,099	62,775	202,099	66,656
2026	50,000	2,813	161,853	56,643	211,853	59,456
2027	50,000	1,688	168,147	49,875	218,147	51,563
2028	50,000	563	176,036	40,672	226,036	41,235
2029-2033	-	-	619,275	104,900	619,275	104,900
2034-2038	-	-	474,000	48,167	474,000	48,167
2039-2043	-	-	300,000	8,579	300,000	8,579
Total	$ 311,339	$ 17,053	$ 2,207,235	$ 439,908	$ 2,518,574	$ 456,961

No interest was capitalized during 2023 for the City or Mountain Iron EDA. Interest incurred and charged to expense totaled $81,060 for the City. No interest was incurred or charged to expense for Mountain Iron EDA.

Pledged Revenue

<u>Governmental Funds</u>

In 2016, the City issued $575,000 general obligation refunding bonds of which the proceeds were used to prepay the outstanding balance of the City's $1,455,000 general obligation improvement bonds of 2007. Principal and interest paid in the current year was $45,725. Principal and interest to maturity in 2028 to be paid from a combination of special assessments levied upon the benefited property and ad valorem property taxes total $253,837.

<u>Enterprise Funds</u>

The City has pledged net revenues of the Water Treatment Enterprise Fund to pay principal and interest on the $1,225,000 general obligation water revenue bonds issued in 2020. Proceeds from these bonds were used to finance the water treatment plant filter project and water tower rehabilitation. Principal and interest paid for the current year was $74,674. At December 31, 2023, principal and interest to maturity in 2041 to be paid from pledged future revenues totaled $1,329,557.

The City has pledged net revenues of the Water Treatment Enterprise Fund to pay principal and interest on the $535,973 general obligation water revenue note issued in 2022. Proceeds from this note were used to finance the municipal well project. Principal and interest paid for the current year was $30,449. At December 31, 2023, principal and interest to maturity in 2041 to be paid from pledged future revenues totaled $551,733.

The City has pledged net revenues of the Wastewater Treatment Enterprise Fund to pay principal and interest on the $599,250 general obligation revenue note issued in 2009. Proceeds from this note were used to update the wastewater treatment plant. Principal and interest paid for the current year was $37,418. At December 31, 2023, principal and interest to maturity in 2029 to be paid from pledged future revenues totaled $225,747.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

EDA

Component Unit

Mountain Iron EDA entered into a state loan agreement for the construction and partial equipping of a 25,000 square foot manufacturing facility on June 18, 2010. The loan settlement occurred on February 15, 2011 and the final loan funds were drawn in 2013. The Mountain Iron EDA leased this facility to Silicon Energy MN, LLC. Silicon Energy terminated its lease agreement with the EDA effective April 30, 2017. The Mountain Iron EDA currently leases this facility to Heliene, USA. This lease became effective January 1, 2023. The loan is considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues (gross revenues less building expenses) due to the State by January 15th of each calendar year, as defined in the loan agreement. At December 31, 2023, the principal balance outstanding totals $3,031,621.

Mountain Iron EDA entered into a state loan agreement for additional construction and expansion totaling 65,000 square feet to the 25,000 square foot manufacturing facility on June 17, 2022. The loan settlement occurred on July 13, 2022 and the final loan funds were drawn in 2023. The Mountain Iron EDA currently leases this facility to Heliene, USA. This lease became effective January 1, 2023. The loan is considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues (gross revenues less building expenses) due to the State by the first day of the month following the first anniversary date of the closing date and on the first day of each month thereafter until the due date, as defined in the promissory note. At December 31, 2023, the principal balance outstanding totals $5,500,000.

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2023 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water Treatment Enterprise Fund	$ 1,178,638
General Fund	Electric Utility Enterprise Fund	1,136,749
	Total	$ 2,315,387

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payment between funds are made; and (4) to eliminate cash deficits.

NOTE 7 - INTERFUND BALANCES AND ACTIVITY (CONTINUED)

Interfund transfers for the year ended December 31, 2023 consisted of the following:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	$ -	$ 472,230
Debt Service Fund	8,333	-
City Projects Capital Projects Fund	463,897	-
Total	$ 472,230	$ 472,230

Transfers are used to: 1) move revenues from the General Fund to the City Projects Capital Projects Fund for authorized projects, and 2) move receipts from funds collecting receipts to the Debt Service Fund as the debt service payments come due.

NOTE 8 - FUND EQUITY

As of December 31, 2023, fund balances are comprised of the following:

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total
Restricted:					
Debt service	$ -	$ 1,353,408	$ -	$ -	$ 1,353,408
Assigned:					
Cash flow	250,000	-	-	-	250,000
Insurance	1,164,543	-	-	-	1,164,543
Buildings	1,164,543	-	-	-	1,164,543
Rate stabilization	1,164,543	-	-	-	1,164,543
Capital projects	-	-	118,421	-	118,421
Community contributions	-	-	-	8,762	8,762
Total assigned	3,743,629	-	118,421	8,762	3,870,812
Total fund balances	$ 3,743,629	$ 1,353,408	$ 118,421	$ 8,762	$ 5,224,220

NOTE 9 - RISK MANAGEMENT

The City and the Mountain Iron EDA are 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. To cover these risks of loss, except for faithful performance of employee duties, the City and Mountain Iron EDA, as allowed under state statutes, joined the League of Minnesota Cities Insurance Trust, a public entity risk pool currently operating as a common risk management

NOTE 9 - RISK MANAGEMENT (CONTINUED)

and insurance program for its member cities. The City and Mountain Iron EDA pay annual premiums to the Trust for insurance coverage and retain the risk for the deductible portions of the insurance. The League of Minnesota Cities Insurance Trust is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of the limits set by the Trustees. The City and Mountain Iron EDA carry commercial insurance for faithful performance of employee duties. There were no significant increases or reductions in insurance from the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 - TAX INCREMENT FINANCING DISTRICTS

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

Tax Increment Financing District	No. 15	No. 16
Economic development district established in:	2016	2018
Anticipated last tax increment year:	2026	2028
Original net tax capacity:	$ 2,684	$ 927
Current net tax capacity:	$ 16,248	$ 10,566
Fiscal disparity deduction	$ -	$ -
Captured net tax capacity retained by Authority:	$ 13,564	$ 9,639
Total bonds issued		
Tax increment bonds	$ -	$ -
Amounts redeemed	-	-
Outstanding bonds at 12/31/23	$ -	$ -

NOTE 11 - TAX ABATEMENTS

The City is authorized by *Minnesota Statutes*, Section 469.1812 through 469.1815, to enter into property tax abatements for the purpose of attracting or retaining businesses. Tax abatements may not exceed ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or $200,000, whichever is greater. Tax abatements may be granted to any business located within or promising to relocate to the City if:

NOTE 11 - TAX ABATEMENTS (CONTINUED)

A. the City expects its benefits of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement, or intends the abatement to phase in a property tax increase; and
B. finds that doing so is in the public interest because it will:
    a. increase or preserve the tax base;
    b. provide employment opportunities in the City;
    c. provide or help acquire or construct public facilities;
    d. help redevelop or renew blighted areas;
    e. help provide access to service for residents of the City;
    f. finance or provide public infrastructure;
    g. phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or
    h. stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

For the year ended December 31, 2023, the City abated $7,500 of property taxes for Iron Range Investment LLC, $1,000 of property taxes for Virginia Plastics, and $5,000 of property taxes for Lakeland Investors, Inc., for a total of $13,500.

NOTE 12 - OTHER COMMITMENTS AND CONTINGENCIES

Grants
The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Electric Utility Commitments
The City entered into an agreement with Minnesota Power to supply the City with a portion of its total electric requirements. This agreement is in effect from January 1, 2022 through December 31, 2029. Contract prices for this electric supply are adjusted throughout the contract period as set forth in the agreement.

NOTE 12 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Projects

The City had the following outstanding construction projects as of December 31, 2023. The projects are evidenced by contractual commitments with contractors:

Project	Spent to Date	Commitments Remaining
Municipal Well #3	$ 374,368	$ 5,086
Parkville Trail Interconnect	401,427	45,507
Second Street Reconstruction	85,521	39,019
	$ 861,316	$ 89,612

NOTE 13 - JOINT VENTURES

Tri-Cities Biosolids Disposal Authority

The City is a member in a joint authority agreement with the Cities of Eveleth and Gilbert for the operation of the Tri-Cities Biosolids Disposal Authority, which owns and operates a biosolids truck for the member cities. Each city appoints one member to the Tri-Cities Biosolids Disposal Authority which oversees the daily operations. Upon termination, if the expenses and liabilities of the Authority exceed the proceeds received from the sale, the loss shall be divided between the members on the same basis as member contributions to capital and operation cost. If upon termination the assets of the Authority exceed its liabilities, the net proceeds from the sale thereof shall be divided between the members on the same basis as the contributions to capital and operation cost.

Each member city contributes to the budget of the Authority based on actual loads hauled during the previous year. The City of Mountain Iron's contribution to the Authority's budget during 2023 was $24,160. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, Eveleth, Minnesota 55734.

Biosolids Disposal Site Authority

The City is also a member in a joint authority agreement with the Cities of Eveleth, Gilbert, and Virginia for the operation of the Biosolids Disposal Site Authority, which owns and manages the Biosolids Site property. Each city appoints one member to the Biosolids Disposal Site Authority which oversees the operations.

Upon termination, if the expenses and liabilities of the Authority exceed the proceeds received from the sale, the loss shall be divided between the members on the same basis as member contributions to capital and operation cost. If upon termination the assets of the Authority exceed its liabilities, the net proceeds from the sale thereof shall be divided between the members on the same basis as the contributions to capital and operation cost.

Each member city contributes to the budget of the Authority based on the per capita reported in the 2010 Census. The City of Mountain Iron's contribution to the Authority's budget during 2023 was $6,401. Complete financial information can be obtained from the Biosolids Disposal Site Authority, Eveleth, Minnesota 55734.

NOTE 13 - JOINT VENTURES (CONTINUED)

Quad Cities Joint Recreational Authority

The City is a member in a joint powers agreement with the Cities of Eveleth, Gilbert, and Virginia to cooperatively acquire property, construct a building, maintain the property and building and operate the Quad Cities Joint Recreational Authority. The Authority is governed by nine commissioners; two commissioners are appointed by each member city. One at-large commissioner is appointed by the governing board.

In the event of dissolution and following the payment of all outstanding obligations, assets of the Authority will be distributed between the members in direct proportion to their cumulative annual membership contributions. If those obligations exceed the assets of the Authority, the net deficit of the Authority will be charged to and paid by the then existing members in direct proportion to their cumulative annual membership contributions.

The City of Mountain Iron's contribution to the Authority's budget during 2023 was $6,577. Complete financial information can be obtained from the Quad Cities Recreation Center, Eveleth, Minnesota 55734.

NOTE 14 - SEVERANCE BENEFITS AND OTHER EMPLOYEE BENEFITS

Upon retirement, the City provides most retirees a severance amount based on accumulated unused sick leave hours and rate of pay at the date of retirement, as established by contracts with bargaining units and other employment agreements. The agreements establish the terms for this severance amount, which may vary between bargaining units or employee groups. The City incurred no expenditures for this benefit in 2023.

All employees, who have accumulated sick leave days to their credit at the time of retirement or death, or at such time that they become totally permanently disabled, shall be credited with an amount of sick leave equivalent to the current value of their unused sick leave less the amount paid as outlined in the above paragraph. The monetary amount shall be placed in a separate and special fund for each such affected employee for the sole purpose of providing continuation of the retiree's, disabled employee's, or deceased employee's and their dependents' hospitalization and medical insurance coverage until each such employee's separate fund is exhausted. Severance activity for the year ended December 31, 2023 was as follows:

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23
Governmental activities	$ 118,473	$ 6,824	$ -	$ 125,297
Business-type activities	16,030	25,707	-	41,737
Total Primary Government	$ 134,503	$ 32,531	$ -	$ 167,034

The City offers a Health Care Savings Plan (HCSP) to all eligible employees. HCSP is an employer-sponsored program that allows employees to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. Amounts to be put into the accounts must be negotiated or agreed to by both the bargaining unit and employer and written into the collective bargaining agreement or included in an individual contract for those employees

NOTE 14 - SEVERANCE BENEFITS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

not covered by a bargaining unit. Employer contributions into eligible employee's accounts were $15,528 for the year ended December 31, 2023.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description
The City operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. The City reported its plan in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which requires the liability of the City's defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The liability is reported on the City's government-wide financial statements and proprietary funds.

Benefits Provided
Benefits and eligibility are established and amended through contracts with bargaining units or other employment contracts. The City subsidizes the premium rates of the retirees by allowing them to participate in the plan at reduced or blended (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Plan Membership
At December 31, 2021, plan membership consisted of the following:

Active employees electing coverage	20
Active employees waiving coverage	0
Retirees electing coverage	18
Retirees with only non-medical OPEB coverage	1
	39

Contributions
The City and retirees make contributions toward health insurance premiums based on their employment contracts. During the year ended December 31, 2023, the City pays postemployment benefits on a pay-as-you-go method. Contributions into individual health accounts for current employees are also paid on a pay-as-you go method. The City has not advance-funded or established a funding methodology. The City will continue to contribute towards the medical premium for retirees who retired before or on July 1, 2006, current management employees hired before July 1, 2006 who retire after July 1, 2006 and have twenty-five years of service or ninety points, and union employees hired before July 1, 2006 who retire after July 1, 2006 and have twenty-five years of service and are PERA retirement eligible. The contribution amount is either part of or the full amount of the medical premium and continues for the life of most retirees.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of $10,587,465 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.05%
Long-term expected investment return	N/A
Inflation rate	2.25%
Mortality	From the July 1, 2021 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.
Health care cost trend rate	6.2% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.7% in FY2074 and later years.

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index because it meets the GASB requirements and is based on a large amount of municipal security data.

The City has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The measurement date (when assets and liabilities are measured) is December 31, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	$ 14,319,526
Changes for the year:	
Service cost	134,039
Interest	260,545
Differences between expected and actual experience	55,309
Changes of assumptions	(3,901,757)
Changes in benefit terms	306,790
Benefit payments paid directly	(586,987)
Net changes	(3,732,061)
Balance at 12/31/2023	$ 10,587,465

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.05%, an increase from the 1.84% discount rate measured as of December 31, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05 %) or 1-percentage-point higher (5.05%) than the current discount rate.

	1% Decrease (3.05%)	Current Discount Rate (4.05%)	1% Increase (5.05%)
Net OPEB liability	$ 12,167,166	$ 10,587,465	$ 9,295,175

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ 9,287,362	$ 10,587,465	$ 12,180,919

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 $(700,373). At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ 211,904	$ 592,839
Change of assumptions	901,205	4,120,235
Contributions between measurement date and reporting date	557,735	-
Total	$ 1,670,844	$ 4,713,074

$557,735 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Year Ended December 31:	OPEB Expense Amount
2024	$ (913,416)
2025	$ (777,241)
2026	$ (505,466)
2027	$ (729,969)
2028	$ (642,084)
Thereafter	$ (31,789)

NOTE 16 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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.

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 Employees 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

C. Contributions

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

General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were $97,330. The City's contributions were not equal to the required contributions as set by state statute. As a result, the City has recorded $15,014 as payable to PERA for unpaid employer and employee contributions as of December 31, 2023.

D. Pension Costs

General Employees Fund Pension Costs
At December 31, 2023, the City reported a liability of $1,068,051 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 $29,403.

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 0.0191 percent at the end of the measurement period and 0.0212 percent for the beginning of the period.

City's proportionate share of the net pension liability	$ 1,068,051
State of Minnesota's proportionate share of the net pension liability associated with the City	29,403
Total	$ 1,097,454

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

There were no provision changes during the measurement period.

For the year ended December 31, 2023, the City recognized pension expense of $28,130 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $132 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	$ 36,002	$ 7,203
Changes in actuarial assumptions	170,184	292,744
Net difference between projected and actual investment earnings	15,567	-
Changes in proportion	53,381	154,719
Contributions paid to PERA subsequent to the measurement date	43,687	-
Total	$ 318,821	$ 454,666

The $43,687 reported as deferred outflows of resources related to pensions resulting from City 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2024	$ 288
2025	$ (155,046)
2026	$ (1,605)
2027	$ (23,169)

Total Pension Expense
The total pension expense for all plans recognized by the City for the year ended December 31, 2023 was $125,581.

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

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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%	

F. Actuarial Methods and 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. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees 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.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is 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 following changes in actuarial assumptions and plan provisions occurred in 2023:

<u>General Employees Fund</u>
Changes in Actuarial Assumptions:

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

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates			
	General Employees Fund		
1% Lower	6.00%	$	1,889,467
Current Discount Rate	7.00%	$	1,068,051
1% Higher	8.00%	$	392,404

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.

NOTE 17 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT

Plan Description

The Mountain Iron Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered twenty-five active firefighters and eleven vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G. Due to PERA's restructuring of its GASB 68 reporting of the Statewide Volunteer Firefighter (SVF) Fund, PERA has not provided SVF GASB 68 information for the period ending December 31, 2023. Per PERA, the measurement date, values, and information reported in December 31, 2023, financial statements is the same information that was reported for the period ending December 31, 2022.

Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed $17,423 in fire state aid to the fund for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. No City contributions were required in 2022.

Pension Costs

At December 31, 2023, the City reported a net pension asset of $236,968 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2022. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension asset during the year.

NOTE 17 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/21	$ 245,374	$ 587,343	$ (341,969)
Changes for the Year			
Service Cost	25,002	-	25,002
Interest on Pension Liability	16,222	-	16,222
Actuarial Experience (Gains)/Losses	(27,336)	-	(27,336)
Projected Investment Earnings	-	35,241	(35,241)
Changes in Benefit Level	19,172	-	19,172
Contributions (Employer)	-	-	-
Contributions (State)	-	17,423	(17,423)
Asset (Gain)/Loss	-	(123,519)	123,519
Benefit Payouts	-	-	-
PERA Administrative Fee	-	(1,086)	1,086
Net Changes	33,060	(71,941)	105,001
Balance End of Year 12/31/22	$ 278,434	$ 515,402	$ (236,968)

An increase of $19,172 to benefit provisions occurred during the measurement period.

For the year ended December 31, 2023, the City recognized pension expense of $-.

At December 31, 2023, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial experience gains/losses	$ -	$ 37,889
Difference between projected and actual investment earnings	62,356	-
Total	$ 62,356	$ 37,889

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

Year Ended December 31:	Pension Expense Amount
2023	$ (9,723)
2024	$ 2,632
2025	$ 12,323
2026	$ 19,235
2027	$ -
Thereafter	$ -

NOTE 17 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

Actuarial Assumptions

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

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

No changes in actuarial assumptions in were made during the measurement period.

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund 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.

Pension Asset Sensitivity

The following presents the City's net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Asset	$ 224,092	$ 236,968	$ 249,038

Plan Investments

Investment Policy:

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

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes,* Chapter 11A and Chapter 353G.

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

NOTE 17 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:
To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year:
The SBI made no significant changes to their investment policy during Fiscal Year 2022 for the Volunteer Firefighter Fund.

Pension Plan Fiduciary Net Position
Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2022, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

NOTE 18 - DEFINED CONTRIBUTION PLAN

Four council members of the City of Mountain Iron, Minnesota, are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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. *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 five percent of salary which is matched by the elected official's employer. 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

NOTE 18 - DEFINED CONTRIBUTION PLAN (CONTINUED)

of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City of Mountain Iron, Minnesota during fiscal year 2023 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$667	$667	4.36%	4.36%	5.00%

Contributions were not equal to the statutorily required amounts in 2023. As a result, the City has recorded $97 as payable to PERA for unpaid employer and employee contributions as of December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 1,470,585	$ 1,470,585	$ 1,470,311	$ (274)
Special assessments	-	-	2,947	2,947
Licenses and permits	27,000	27,000	42,938	15,938
Intergovernmental	2,501,859	2,501,859	2,553,804	51,945
Charges for services	142,000	142,000	141,921	(79)
Fines	10,000	10,000	7,633	(2,367)
Investment earnings	15,000	15,000	19,783	4,783
Gain on change in market value of investments	-	-	30,448	30,448
TOTAL REVENUES	4,166,444	4,166,444	4,269,785	103,341
EXPENDITURES				
Current				
General government	1,461,600	1,461,600	1,295,100	166,500
Public safety	749,150	749,150	997,947	(248,797)
Streets	865,000	865,000	924,687	(59,687)
Culture and recreation	532,000	532,000	641,497	(109,497)
TOTAL EXPENDITURES	3,607,750	3,607,750	3,859,231	(251,481)
EXCESS OF REVENUES OVER EXPENDITURES	558,694	558,694	410,554	(148,140)
OTHER FINANCING SOURCES (USES)				
Transfers out	(528,694)	(528,694)	(472,230)	56,464
NET CHANGE IN FUND BALANCE	30,000	30,000	(61,676)	(91,676)
FUND BALANCE - JANUARY 1	3,805,305	3,805,305	3,805,305	-
FUND BALANCE - DECEMBER 31	$ 3,835,305	$ 3,835,305	$ 3,743,629	$ (91,676)

See notes to required supplementary information.

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
Year Ended December 31, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 134,039	$ 138,611	$ 103,706
Interest	260,545	300,919	365,424
Differences between expected and actual experience	55,309	246,591	1,306
Changes of assumptions	(3,901,757)	(1,009,450)	1,770,534
Changes of benefit terms	306,790	-	-
Benefit payments	(586,987)	(528,969)	(507,164)
Net change in OPEB liability	(3,732,061)	(852,298)	1,733,806
Total OPEB Liability - beginning	14,319,526	15,171,824	13,438,018
Total OPEB Liability - ending	$ 10,587,465	$ 14,319,526	$ 15,171,824
Payroll for measurement period	$ 1,457,977	$ 1,608,637	$ 1,578,153
Net OPEB Liability as a % of employee payroll	726.2%	890.2%	961.4%

Schedule is intended to show a ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

2020	2019	2018
$ 134,921	$ 147,303	$ 119,440
556,733	527,098	544,667
(1,716,707)	-	-
(149,052)	(1,095,135)	1,357,219
-	-	-
(518,492)	(451,516)	(389,459)
(1,692,597)	(872,250)	1,631,867
15,130,615	16,002,865	14,370,998
$ 13,438,018	$ 15,130,615	$ 16,002,865
$ 1,517,312	$ 1,510,514	$ 1,529,452
885.6%	1001.7%	1046.3%

SCHEDULES OF CITY PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CITY'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLAN
Year Ended December 31, 2023

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/23	0.0191%	$ 1,068,051	$ 29,403	$ 1,097,454	$ 1,455,051	75.42%	83.10%
6/30/22	0.0212%	$ 1,679,047	$ 49,402	$ 1,728,449	$ 1,510,747	114.41%	76.70%
6/30/21	0.0187%	$ 798,574	$ 24,423	$ 822,997	$ 1,456,417	56.51%	87.00%
6/30/20	0.0207%	$ 1,241,060	$ 38,201	$ 1,279,261	$ 1,473,994	86.79%	79.10%
6/30/19	0.0223%	$ 1,161,043	$ 35,998	$ 1,197,041	$ 1,484,628	80.63%	80.20%
6/30/18	0.0223%	$ 1,237,113	$ 40,524	$ 1,277,637	$ 1,497,320	85.33%	79.53%
6/30/17	0.0207%	$ 1,321,474	$ 16,649	$ 1,338,123	$ 1,337,361	100.06%	75.90%
6/30/16	0.0223%	$ 1,810,649	$ 23,552	$ 1,834,201	$ 1,380,707	132.85%	68.91%
6/30/15	0.0232%	$ 1,202,344	$ -	$ 1,202,344	$ 1,361,289	88.32%	78.19%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages".

See notes to required supplementary information.

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULES OF CITY PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CITY'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLAN
Year Ended December 31, 2023

SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/23	$ 105,304	$ 97,330	$ 7,974	$ 1,404,053	6.93%
12/31/22	$ 111,061	$ 98,353	$ 12,708	$ 1,480,811	6.64%
12/31/21	$ 107,551	$ 95,638	$ 11,913	$ 1,456,417	6.57%
12/31/20	$ 114,958	$ 114,958	$ -	$ 1,532,774	7.50%
12/31/19	$ 109,491	$ 109,491	$ -	$ 1,459,875	7.50%
12/31/18	$ 113,171	$ 113,171	$ -	$ 1,508,947	7.50%
12/31/17	$ 106,757	$ 106,757	$ -	$ 1,423,422	7.50%
12/31/16	$ 100,889	$ 100,889	$ -	$ 1,345,187	7.50%
12/31/15	$ 103,946	$ 103,946	$ -	$ 1,385,947	7.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages".

See notes to required supplementary information.

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
Year Ended December 31, 2023

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
MOUNTAIN IRON VOLUNTEER FIRE DEPARTMENT

	2022	2021	2020	2019
Total Pension Liability				
Service cost	$ 25,002	$ 19,272	$ 15,598	$ 13,171
Interest on the pension liability	16,222	14,734	13,328	12,652
Actuarial experience (gains)/losses	(27,336)	(14,929)	(9,155)	(17,002)
Changes in benefit level	19,172	-	-	-
Benefit payments	-	-	-	-
Net Change in Total Pension Liability	33,060	19,077	19,771	8,821
Total Pension Liability - Beginning	245,374	226,297	206,526	197,705
Total Pension Liability - Ending (a)	$ 278,434	$ 245,374	$ 226,297	$ 206,526
Plan Fiduciary Net Position				
Contributions:				
Fire state aid	$ 14,497	$ 14,171	$ 13,447	$ 12,797
Fire supplemental aid	2,926	2,978	2,968	2,963
Supplemental benefit reimbursement	-	-	-	-
Required municipal contribution	-	-	-	-
Adjustment to initial asset transfer	-	-	-	-
Net investment income	(88,278)	50,854	65,640	66,241
PERA administrative fee	(1,050)	(870)	(780)	(780)
Auditor/accounting fee	-	-	-	-
SBI investment fee	(36)	(30)	(25)	(24)
Benefit payments	-	-	-	-
Net Change in Plan Fiduciary Net Position	(71,941)	67,103	81,250	81,197
Plan Fiduciary Net Position - Beginning	587,343	520,240	438,990	357,793
Plan Fiduciary Net Position - Ending (b)	$ 515,402	$ 587,343	$ 520,240	$ 438,990
Net Pension Liability/(Asset) - Ending (a) - (b)	$ (236,968)	$ (341,969)	$ (293,943)	$ (232,464)
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	185.1%	239.4%	229.9%	212.6%

This schedule is built prospectively until it contains ten years of data.

	2018	2017	2016	2015	2014
	$ 14,436	$ 13,717	$ 13,369	$ 13,192	$ 15,601
	13,170	13,344	13,695	13,239	13,591
	(34,974)	(3,174)	(5,760)	(18,997)	(14,167)
	-	-	-	-	-
	-	(55,000)	-	-	(37,000)
	(7,368)	(31,113)	21,304	7,434	(21,975)
	205,073	236,186	214,882	207,448	229,423
	$ 197,705	$ 205,073	$ 236,186	$ 214,882	$ 207,448
	$ 12,555	$ 12,129	$ 12,061	$ 11,740	$ 11,169
	2,987	2,935	2,926	2,872	2,702
	1,000	-	-	1,000	-
	-	-	-	-	5,814
	-	-	-	-	3,098
	(14,112)	42,137	22,288	470	19,550
	(750)	(600)	(630)	(630)	(660)
	-	-	-	-	(1,950)
	(21)	(20)	(24)	(10)	-
	-	(55,000)	-	-	(37,000)
	1,659	1,581	36,621	15,442	2,723
	356,134	354,553	317,932	302,490	299,767
	$ 357,793	$ 356,134	$ 354,553	$ 317,932	$ 302,490
	$ (160,088)	$ (151,061)	$ (118,367)	$ (103,050)	$ (95,042)
	181.0%	173.7%	150.1%	148.0%	145.8%

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF CITY CONTRIBUTIONS
Year Ended December 31, 2023

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF CITY CONTRIBUTIONS
MOUNTAIN IRON VOLUNTEER FIRE DEPARTMENT

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Actual contributions paid	-	-	-	-	-
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -

The annual required contributions of the municipality and State are determined by statute.

Because all active plan members are volunteers, there is no actual payroll.

This schedule is built prospectively until it contains ten years of data.

2017	2016	2015	2014
$ -	$ -	$ -	$ 5,814
-	-	-	5,814
$ -	$ -	$ -	$ -

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2023

NOTE 1 - BUDGETING

The City Administrator prepares a proposed budget for the City's funds on the same basis as the fund financial statements. The City Council adopts an annual budget for the fiscal year for all of the City's funds. Form budgetary integration is not employed for the Charitable Gambling Special Revenue Fund because effective control is alternatively achieved.

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

Budgeted amounts are as originally adopted or as amended by the City Council. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded appropriations in the following fund for the year ended December 31, 2023:

General Fund	$ 251,481

The overexpenditures were funded by existing fund balance.

NOTE 3 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

2023 Changes

The liabilities calculated in this report are based on the same census data, plan provisions, assumptions, and methods described in the fiscal 2022 GASB 75 actuarial valuation report dated April 29, 2022, with the exception of the changes listed below.

- The base contribution amount for explicit subsidy eligible Management and AFSCME participants was updated from $527 to $800 for single coverage and from $1,322 to $2,000 for family coverage.
- The discount rate was adjusted from 1.84 percent to 4.05 percent.

2022 Changes

Since the last valuation, the following valuation changes have been made:

- Retiree premiums were updated to current levels.

Since the last valuation, the following assumption changes have been made:

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuations to the rates used in the 7/1/2021 valuation.

NOTE 3 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

2021 Changes

The benefits, assumptions and methods valued in the December 31, 2020 measurement date actuarial report are based on the same plan provisions, assumptions and methods described in the fiscal 2020 GASB 75 valuation report dated April 20, 2020, with the exception of the change listed below.

- The discount rate was adjusted from 2.75 percent to 2.00 percent.

2020 Changes

Since the last valuation, there have been no valuation changes.

Since the last valuation, the following assumption changes have been made:

- The discount rate was changed from 3.71 percent to 2.75 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Plan valuations to the rates used in the 7/1/2019 valuation.
- The percent of retirees eligible for a subsidized premium electing spouse coverage changed from 60% to 70% to reflect recent plan experience.

2019 Changes

The benefits, assumptions and methods valued in the December 31, 2018 measurement date actuarial report are based on the same plan provisions, assumptions and methods described in the fiscal 2018 GASB 75 valuation report dated January 15, 2019, with the exception of the change listed below.

- The discount rate was adjusted from 3.31 percent to 3.71 percent.

2018 Changes

This is the City's first valuation under the new GASB 75 accounting rules. These new financial reporting requirements substantially adjust the measurement and reporting of OPEB liabilities. The new results are not directly comparable to the City's prior GASB 45 Net OPEB Obligation. Since the last GASB 45 valuation, the following change was made:

- The discount rate was changed from 3.81 percent to 3.31 percent based on updated 20-year municipal bond rates.

NOTE 4 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

2023 Changes

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.

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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.

NOTE 4 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

- 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- 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 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- 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 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 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.

NOTE 4 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

- 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 Changes
Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- 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 Changes
Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

NOTE 4 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

Changes in Plan Provisions:

- 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 increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended December 31, 2023

REVENUES	
TAXES	
General property	$ 1,409,888
Mineral rents and royalties	31,593
Franchise	28,830
TOTAL TAXES	1,470,311
SPECIAL ASSESSMENTS	2,947
LICENSES AND PERMITS	42,938
INTERGOVERNMENTAL	
State	
Local government aid	1,436,859
Market value credit	1,058
Taconite production	568,770
Taconite municipal aid	312,996
Mining effects	108,879
Public safety aid	125,242
TOTAL INTERGOVERNMENTAL	2,553,804
CHARGES FOR SERVICES	
General government	
Rent	9,200
Other reimbursements	44,771
Culture and recreation	
Recreation fees	8,325
Campground fees	79,625
TOTAL CHARGES FOR SERVICES	141,921
FINES	
Fines and forfeits	7,633
INTEREST EARNINGS	19,783
GAIN ON CHANGE IN MARKET VALUE OF INVESTMENTS	30,448
TOTAL REVENUES	4,269,785

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
Year Ended December 31, 2023

EXPENDITURES	
CURRENT	
GENERAL GOVERNMENT	
Mayor and council	$ 23,522
Administration	568,405
Elections	615
Assessor	64
Retiree's insurance	375,435
Donations and contributions	6,577
Other	59,436
Buildings	225,889
Planning and zoning	35,157
TOTAL GENERAL GOVERNMENT	1,295,100
PUBLIC SAFETY	
Sheriff	700,142
Fire	270,305
Animal control	24,500
Civil defense	3,000
TOTAL PUBLIC SAFETY	997,947
STREETS	924,687
CULTURE AND RECREATION	
Library	231,879
Recreation	284,970
Campgrounds	124,648
TOTAL CULTURE AND RECREATION	641,497
TOTAL EXPENDITURES	3,859,231
EXCESS OF REVENUES OVER EXPENDITURES	410,554
OTHER FINANCING SOURCES (USES)	
Transfers out	(472,230)
NET CHANGE IN FUND BALANCE	(61,676)
FUND BALANCE - JANUARY 1	3,805,305
FUND BALANCE - DECEMBER 31	$ 3,743,629

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 15
Year Ended December 31, 2023

	Budget	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS			
Tax increment revenue	$ 110,000	$ 80,296	$ 15,145
Miscellaneous	-	1	-
Interest and investment earnings	5,000	-	-
TOTAL SOURCES OF FUNDS	115,000	80,297	15,145
USES OF FUNDS			
Land/building acquisition	83,000	72,270	13,631
Administrative costs	11,000	18,078	1,489
Interest expense	21,000	-	-
TOTAL USES OF FUNDS	115,000	90,348	15,120
DISTRICT BALANCE	$ -	$ (10,051)	$ 25

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 16
Year Ended December 31, 2023

	Budget	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS			
Tax increment revenue	$ 158,437	$ 30,888	$ 10,762
Interest and investment earnings	5,000	-	-
TOTAL SOURCES OF FUNDS	163,437	30,888	10,762
USES OF FUNDS			
Land/building acquisition	60,000	27,799	9,686
Site improvements/preparation costs	51,371	-	-
Administrative costs	14,000	18,100	1,489
Interest expense	38,066	-	-
TOTAL USES OF FUNDS	163,437	45,899	11,175
DISTRICT BALANCE	$ -	$ (15,011)	$ (413)

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

To the City Council
City of Mountain Iron, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Mountain Iron, Minnesota as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Mountain Iron, Minnesota's basic financial statements, and have issued our report thereon dated August 2, 2024. Our report includes a reference to other auditors who audited the financial statements of Mountain Manor Apartments Enterprise Fund, as described in our report on the City of Mountain Iron, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mountain Iron, Minnesota'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 of Mountain Iron, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mountain Iron, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-002 and 2023-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a significant deficiency.

Report on Compliance

As part of obtaining reasonable assurance about whether the City of Mountain Iron, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-004.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that City of Mountain Iron, Minnesota failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public 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.

Other Matters

We noted certain matters that we reported to the management of City of Mountain Iron, Minnesota in a separate letter dated August 2, 2024, included under this cover.

City of Mountain Iron, Minnesota's Response to Findings

Government Auditing Standards requires the auditor perform limited procedures on the City of Mountain Iron, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Mountain Iron, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Virginia, Minnesota
August 2, 2024

CITY OF MOUNTAIN IRON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2023

Prior Audit Financial Statement Findings

FINDING 2022-001. SEGREGATION OF DUTIES

Summary of Condition
Due to the limited number of personnel within the City's office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported
The City Administrator is monitoring transactions and the structure of duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

Current Status
Ongoing.

FINDING 2022-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Summary of Condition
Management requested that the auditor prepare a draft of the City's financial statements, including related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not possess the technical expertise to comply with governmental accounting standards.

Summary of Corrective Action Previously Reported
Management determined that the cost and training involved to review or prepare the City's financial statements exceeded the benefit that would result.

Current Status
Ongoing.

FINDING 2022-003. BANK RECONCILIATIONS

Summary of Condition
The City's checking account reconciliation for December 31, 2022, contained many reconciling items that had not been corrected in the reconciliation or accounting software.

Summary of Corrective Action Previously Reported
Management agrees with the audit finding. The general checking account will be reconciled by the Accounting Technician on a monthly basis with all differences and reconciling items investigated, identified, and accounted for. Bank reconciliations will also be reviewed by management and presented to Council members at monthly meetings.

Current Status
Resolved 2022; ongoing 2023.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2023

FINDING 2022-004. DELINQUENT MINNESOTA PERA CONTRIBUTIONS

Summary of Condition
PERA contributions were not remitted within 14 calendar days after three separate pay dates in 2022 resulting in the City is not complying with *Minnesota Statutes* §353.27 relating to timely remittance of employee and employer PERA contributions.

Summary of Corrective Action Previously Reported
Management agrees with the audit finding. Delinquent 2022 contributions and related interest were paid to PERA. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

Current Status
Resolved 2022; ongoing 2023.

FINDING 2022-005. DELINQUENT PAYROLL TAXES AND OTHER PAYROLL WITHHOLDINGS

Summary of Condition
Several federal and state payroll tax deposits, and several other payroll withholdings, were not paid timely during 2022. Quarterly federal payroll tax returns Form 941 did not agree with IRS records as to what was reported as paid by the City and what was actually paid by the City and received by the IRS.

Summary of Corrective Action Previously Reported
Management agrees with the audit finding. Delinquent contributions and related penalties and interest will be paid to the IRS, MNDOR, and other payroll vendors as soon as possible. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

Current Status
Resolved 2023.

2023-001. SEGREGATION OF DUTIES

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

Condition
Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

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

Cause
This occurred because of staffing limitations caused by fiscal constraints.

Recommendations
The City should constantly be aware of this condition, attempt to segregate duties as much as possible, and provide oversight to partially compensate for this deficiency.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. The City Administrator will continue to monitor all transactions and the City's administration will structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

2023-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Criteria and Condition
As part of the audit, management requested that the auditor prepare a draft of the City's financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management does not possess the technical expertise to comply with governmental accounting standards.

Effect
The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Cause
This occurred because of staffing limitations caused by fiscal constraints.

Recommendations
In order to provide controls over the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures.

2023-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS (CONTINUED)

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. Management has determined that the cost and training involved to review or prepare the City's financial statements exceeds the benefit that would result.

2023-003. BANK RECONCILIATIONS

Criteria
The City's checking account should be reconciled monthly and reported to management and the Council for review and approval. Outstanding and reconciling items should be investigated, identified, and corrections should be made to the reconciliation or general ledger if necessary.

Condition
The City's checking account reconciliation for December 31, 2023 contained many reconciling items that had not been corrected in the reconciliation or accounting software. Items were recorded in the general ledger as paid or receipted but were not actually paid or receipted by the City, items were paid or received by the City but not recorded in the general ledger, or items were recorded twice. Audit adjustments were made to correct checking account cash in the general ledger at December 31, 2023 in the amount of $717,438.

Effect
Because cash is not properly reconciled to the bank statements, the City has not provided adequate control over its cash.

Cause
This occurred because City staff did not make necessary adjustments to the general ledger and bank reconciliation regarding outstanding items needed to accurately reconcile checking account cash.

Recommendations
Bank accounts must be reconciled monthly with all differences accounted for. Reconciliation documentation should be reviewed and approved by management and presented to Council members at monthly meetings. Outstanding items should all be investigated, identified, and adjustments or corrections made if necessary to reconcile the checking account. The "Bank Adjustments" function (currently used frequently) in the accounting software's bank reconciliation module should not be used for reconciling items unless absolutely necessary, as reconciling items entered here act as a "plug" to get the reconciliation to agree to the general ledger.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. Bank accounts will be reconciled on a monthly basis with all differences and reconciling items investigated, identified, and accounted for. Bank reconciliations will also be reviewed and approved by management and presented to Council members at monthly meetings.

2023-004. DELINQUENT MINNESOTA PERA CONTRIBUTIONS

Criteria
Minnesota Statutes require that payment to PERA for the aggregate amount of the employee contributions and the required employer contributions be received by PERA within 14 calendar days after each pay date pursuant to *Minnesota Statutes* §353.27.

Condition
PERA contributions were not remitted within 14 calendar days after the following pay dates in the year of audit: October 12, 2023, and December 22, 2023.

Effect
The City is not in compliance with *Minnesota Statutes* relating to timely remittance of employee and employer PERA contributions.

Cause
This occurred because City staff did not review payroll withholdings to ensure proper and timely payment to appropriate vendors, including PERA.

Recommendations
We recommend the City remit overdue amounts to PERA and consistently review payroll withholding accounts and liabilities to ensure timely payments to appropriate vendors.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. Delinquent contributions and related interest will be paid to PERA as soon as possible. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

REPRESENTATION OF THE CITY OF MOUNTAIN IRON, MINNESOTA

CORRECTIVE ACTION PLAN
Year Ended December 31, 2023

Finding Number: 2023-001
Finding Title: SEGREGATION OF DUTIES

Name of Contact Person Responsible for Corrective Action
Craig J. Wainio, City Administrator

Corrective Action Planned
Management will attempt to monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.

Anticipated Completion Date
Ongoing.

Finding Number: 2023-002
Finding Title: LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Name of Contact Person Responsible for Corrective Action
Craig J. Wainio, City Administrator

Corrective Action Planned
Management has determined that the cost and training involved to review or prepare the City's financial statements exceeds the benefit that would result.

Anticipated Completion Date
Ongoing.

Finding Number: 2023-003
Finding Title: BANK RECONCILIATIONS

Name of Contact Person Responsible for Corrective Action
Craig J. Wainio, City Administrator

Corrective Action Planned
Management agrees with the audit finding. The general checking account will be reconciled by the Accounting Technician on a monthly basis with all differences and reconciling items investigated, identified, and accounted for. Bank reconciliations will also be reviewed by management and presented to Council members at monthly meetings.

Anticipated Completion Date
December 31, 2024.

REPRESENTATION OF THE CITY OF MOUNTAIN IRON, MINNESOTA

CORRECTIVE ACTION PLAN
Year Ended December 31, 2023

Finding Number: 2023-004
Finding Title: DELINQUENT MINNESOTA PERA CONTRIBUTIONS

Name of Contact Person Responsible for Corrective Action
Craig J. Wainio, City Administrator

Corrective Action Planned
Management agrees with the audit finding. Delinquent contributions and related interest will be paid to PERA as soon as possible. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

Anticipated Completion Date
August 30, 2024.

CLIENT SIGNATURE

MANAGEMENT LETTER

To the City Council
City of Mountain Iron, Minnesota

In planning and performing our audit of the financial statements of the City of Mountain Iron, Minnesota, as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Mountain Iron, Minnesota's system of internal control over financial reporting (internal control) as a basis for designing auditing 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated August 2, 2024, included under this cover, contains our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated August 2, 2024, on the financial statements of the City of Mountain Iron, Minnesota.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. The electric utility enterprise fund, water treatment enterprise fund, wastewater treatment enterprise fund, and Mountain Manor Apartments enterprise fund each reported an operating loss for the year ended December 31, 2023. The electric utility enterprise fund and water treatment enterprise fund have also recorded liabilities for amounts due to other funds of $1,136,749 and $1,178,638, respectively, for negative cash for financial reporting purposes. We suggest that the City Council review these losses and implement a plan to make the funds profitable and self-sufficient.

2. Several payroll withholdings were not paid to vendors in a timely manner in 2023, including one instance in which federal payroll taxes withheld in September 2023 were not paid until May 2024. The result is a significant amount of outstanding payroll liabilities recorded on the City's financial statements. We recommend all payroll withholdings be paid timely to appropriate vendors to avoid penalties, interest, and other potential issues resulting from untimely or unpaid amounts due.

3. The following revenues required significant audit adjustments to correct 2023 amounts; campground revenues ($29,650 decrease), property taxes (second half 2023 property taxes and the 2023 year-end advance received in early December 2023 were not recorded in City records until 2024 resulting in a $647,232 increase), as well as several grant receipts were reclassified among grants receivable and revenue accounts. We recommend care be taken when coding receipts to ensure proper coding and accurate reporting. Timely and accurate bank reconciliations also aids in ensuring all revenues and receipts are recorded.

This communication is intended solely for the information and use of the City Council, management, and the State of Minnesota, and is not intended to be, and should not be, used by anyone other than these specified parties.

Virginia, Minnesota
August 2, 2024