CITY OF MOUNTAIN IRON, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Year Ended December 31, 2021

CITY OF MOUNTAIN IRON, MINNESOTA

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CITY OF MOUNTAIN IRON, MINNESOTA

ORGANIZATION
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CITY COUNCIL

Mayor	Peggy Anderson
Council Members	Julie Buria
	Joe Prebeg, Jr.
	Ed Roskoski
	Steve Skogman

ADMINISTRATION

Administrator	Craig J. Wainio

FINANCIAL SECTION

Walker, Giroux & Hahne LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, 2021, 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, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mountain Iron, Minnesota, as of December 31, 2021, 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, seven percent, and six percent, respectively, of the assets, net position, and revenues of the business-type activities as of December 31, 2021, 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 (Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 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’s 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mountain Iron, Minnesota's basic financial statements. The individual nonmajor fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 14, 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 auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 14, No. 15, and No. 16 is 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 June 1, 2022 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.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
June 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021. 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 $4,217,387 of which $9,349,525 represents net investment in capital assets.
- Business-type activities have total net position of $3,418,756. Net investment in capital assets represents $9,025,181 of the total.
- The Mountain Iron Economic Development Authority (EDA) has total net position of $5,179,171, of which $4,697,183 represents net investment in capital assets.
- The City of Mountain Iron's primary government's net position increased by $418,264 for the year ended December 31, 2021. Of the increase, $112,245 was an increase in the governmental activities' net position and $306,019 represented an increase in business-type activities' net position.
- The EDA's net position increased by $2,646,606.
- The net cost of governmental activities was $3,752,318 for the current fiscal year. The net cost was funded by general revenues and other items totaling $3,864,563.
- Governmental funds' fund balances increased by $291,751.

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, deferred outflows of resources, 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 $7,217,879, an increase from the prior year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 5,824,981	$ 5,338,998	$ 169,751	$ 1,502,004	$ 5,994,732	$ 6,841,002
Capital assets	9,879,448	10,278,602	11,030,612	9,502,965	20,910,060	19,781,567
Total assets	15,704,429	15,617,600	11,200,363	11,004,969	26,904,792	26,622,569
Deferred outflows of resources	1,944,192	835,670	1,001,554	430,497	2,945,746	1,266,167
Long-term liabilities	11,184,427	10,441,384	7,451,156	7,130,222	18,635,583	17,571,606
Other liabilities	434,882	260,534	440,491	385,897	875,373	646,431
Total liabilities	11,619,309	10,701,918	7,891,647	7,516,119	19,510,956	18,218,037
Deferred inflows of resources	1,811,925	1,646,210	891,514	806,610	2,703,439	2,452,820
Net position						
Net investment in capital assets	9,349,525	9,641,174	9,025,181	7,378,385	18,374,706	17,019,559
Restricted	1,565,537	1,635,370	250,296	206,904	1,815,833	1,842,274
Unrestricted	(6,697,675)	(7,171,402)	(5,856,721)	(4,472,552)	(12,554,396)	(11,643,954)
Total net position	$ 4,217,387	$ 4,105,142	$ 3,418,756	$ 3,112,737	$ 7,636,143	$ 7,217,879

Net position of the City's governmental activities increased by 2.7 percent ($4,217,387 compared to $4,105,142). 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 $7,171,402 deficit at December 31, 2020 to a $6,697,675 deficit at the end of this year.

Net position of the City's business-type activities increased by 9.8 percent ($3,418,756 compared to $3,112,737).

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Fees, fines, charges, and other	$ 332,406	$ 272,320	$ 4,730,474	$ 4,277,876	$ 5,062,880	$ 4,550,196
Operating grants and contributions	27,107	241,820	-	-	27,107	241,820
Capital grants and contributions	48,567	342,827	554,853	-	603,420	342,827
General revenues:						
Property and other taxes	1,356,311	1,371,013	-	-	1,356,311	1,371,013
Grants and contributions not restricted to specific programs	2,508,449	2,431,094	-	-	2,508,449	2,431,094
Other general revenues	(197)	65,735	878	8,039	681	73,774
Total revenues	4,272,643	4,724,809	5,286,205	4,285,915	9,558,848	9,010,724
Program expenses:						
General government	1,362,178	1,541,027	-	-	1,362,178	1,541,027
Public safety	757,861	734,089	-	-	757,861	734,089
Streets	1,375,028	1,496,075	-	-	1,375,028	1,496,075
Culture and recreation	648,055	605,556	-	-	648,055	605,556
Interest	17,276	22,587	-	-	17,276	22,587
Electric utility	-	-	3,073,651	2,187,046	3,073,651	2,187,046
Water treatment	-	-	412,973	420,857	412,973	420,857
Wastewater treatment	-	-	591,228	561,147	591,228	561,147
Refuse removal and recycling	-	-	625,868	693,130	625,868	693,130
Mountain Manor Apartments	-	-	276,466	251,013	276,466	251,013
Total program expenses	4,160,398	4,399,334	4,980,186	4,113,193	9,140,584	8,512,527
Excess before transfers	112,245	325,475	306,019	172,722	418,264	498,197
Transfers	-	(146,339)	-	146,339	-	-
Increase (decrease) in net position	112,245	179,136	306,019	319,061	418,264	498,197
Net position, January 1	4,105,142	3,926,006	3,112,737	2,793,676	7,217,879	6,719,682
Net position, December 31	$ 4,217,387	$ 4,105,142	$ 3,418,756	$ 3,112,737	$ 7,636,143	$ 7,217,879

Governmental Activities

The most significant revenues of the governmental activities are grants and contributions not restricted to specific programs at 59% of revenues. Capital grants and contributions, 1% 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 $1,356,311, 32% of revenues.

General government expense (33%) and streets expense (33%) are the most significant, followed by public safety expense (18%) and culture and recreation expense (16%).

Governmental revenues during 2021 were $4,272,643 compared to $4,724,809 in the prior year, which is a decrease of $452,166. Our taxpayers paid $1,356,311 in property and other taxes during the current year, which is a decrease of $14,702.

The cost of all governmental activities this year was $3,752,318 compared to $4,399,334 last year. Governmental expenses decreased $238,936 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 $5,286,205 and expenses were $4,980,186 (see Table 2). There was an increase in net position of $306,019 during the year ended December 31, 2021, which compares to an increase in net position of $319,061 for the year ended December 31, 2020. Factors driving this result include:

- Operations produced an operating loss of $226,523 for the year ended December 31, 2021. The electric utility enterprise fund recorded the most significant operating loss of $178,040. The water treatment enterprise fund, wastewater treatment enterprise fund, and refuse removal and recycling enterprise fund each recorded operating losses of $15,505, $72,413, and $11,329 respectively. The Mountain Manor Apartments enterprise fund recorded operating income of $50,764.

- The water treatment enterprise fund recognized Coronavirus State and Local Fiscal Recovery Fund and Iron Range Resources and Rehabilitation grant revenues of $154,853 and $400,000, respectively, in 2021.

Mountain Iron EDA Component Unit Activity

The Mountain Iron EDA had an increase in net position of $2,646,606 for the year ended December 31, 2021. Net program revenues over expenses were $2,509,452, primarily due to capital grants received for the Heliene Warehouse and Production Facility Phase I project. General tax revenues, interest earnings, miscellaneous revenues, and transfers from primary government were $137,154.

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, 2021, the City's governmental funds reported total ending fund balances of $4,929,724, an increase of $291,751 in comparison with the prior year. The restricted fund balance of $1,459,146 is considered unavailable for appropriation for general operations. Assigned fund balance, which is intended to be used for cash flow, insurance, and buildings, made up 72% or $3,561,679 of the total ending fund balance. 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 $3,557,692, increasing $303,842 from the prior year. General fund revenues were $18,561 less than the prior year's and expenditures increased by $118,906. During the current year, the general fund transfers to other funds were $417,014, which were less than the prior year's transfers out of $556,607.

The debt service fund recorded a decrease in fund balance of $45,187 compared to a decrease in fund balance of $95,572 last year. Special assessment revenue was recorded in the amount of $31,963. Other financing sources included a $50,000 transfer from the general fund for debt principal and interest payments.

The city projects capital projects fund recorded an increase in fund balance of $31,136, resulting in an unassigned fund balance of $(91,101). Other financing sources included transfers of $367,014 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 2021, operating revenues increased by $316,761 compared to the prior year. Operating expenses increased by $886,605. The electric operations produced an operating loss of $178,040 in 2021, compared to operating income of $391,804 the prior year. The results of these transactions and nonoperating revenues and expenses was a decrease of $174,714 in net position in the current year.

The water treatment enterprise fund accounts for the water operations of the City. In 2021, operating revenues increased by $14,358 compared to the prior year. Operating expenses decreased by $2,654. In 2021, an operating loss of $15,505 was recorded compared to an operating loss of $32,517 in the prior year. Coronavirus State and Local Fiscal Recovery Fund and Iron Range Resources and Rehabilitation grant revenues of $154,853 and $400,000, respectively, were recognized in 2021. Interest expense charged to the water operations was $25,657. These transactions resulted in an increase of $513,766 in net position in the current year.

The wastewater treatment enterprise fund accounts for the wastewater treatment operations of the City. In 2021, operating revenues increased by $28,354 compared to the prior year. Operating expenses increased by $35,358. In 2021, an operating loss of $72,413 was recorded compared to an operating loss of $65,409 in the prior year. Interest expense charged to the wastewater treatment operations was $6,579. These transactions resulted in a decrease of $79,570 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 2021, operating revenues increased $35,544 compared to the prior year. Operating expenses decreased by $67,261. In 2021, an operating loss of $11,329 was recorded compared to an operating loss of $114,134 in the prior year. The results of these transactions and nonoperating revenues and expenses was a decrease of $11,119 in net position in the current year.

The Mountain Manor Apartments enterprise fund accounts for the operations of the Mountain Manor Apartments. In 2021, operating revenues increased by $9,741 compared to the prior year. Operating expenses decreased by $18,257 compared to the prior year. In 2021, operating income of $50,764 was recorded compared to operating income of $22,766 in the prior year. Interest expense charged to the Mountain Manor Apartments operations was $46,898. These transactions and other nonoperating revenues and expenses resulted in an increase of $57,656 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 $19,798 under the final budget amounts. The largest negative variance in the amount of ($69,889) occurred in the streets department. Resources available for appropriation were above the final budgeted amounts. The City received more intergovernmental revenue, licenses and permits, and charges for services than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City's primary government had $20,910,060 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 increase (including additions and deductions) of $1,128,493 from last year. The Mountain Iron Economic Development Authority component unit had $8,082,031 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	
	2021	2020	2021	2020	2021	2020
Land	$ 409,300	$ 409,300	$ 26,370	$ 26,370	$ 435,670	$ 435,670
Construction in progress	37,927	575,111	2,028,796	1,137,139	2,066,723	1,712,250
Land improvements	671,046	736,572	12,437	13,367	683,483	749,939
Buildings	2,018,123	2,097,809	3,763,085	2,821,977	5,781,208	4,919,786
Infrastructure	5,289,243	5,038,482	4,779,653	4,976,313	10,068,896	10,014,795
Machinery and equipment	533,790	571,695	90,852	111,355	624,642	683,050
Licensed vehicles	920,019	849,633	329,419	416,444	1,249,438	1,266,077
Totals	$ 9,879,448	$ 10,278,602	$ 11,030,612	$ 9,502,965	$ 20,910,060	$ 19,781,567
EDA						
Land	$ 2,461,456	$ 2,471,456	$ -	$ -	$ 2,461,456	$ 2,471,456
Construction in progress	2,530,589	-	-	-	2,530,589	-
Buildings	3,089,986	3,164,093	-	-	3,089,986	3,164,093
Totals	$ 8,082,031	$ 5,635,549	$ -	$ -	$ 8,082,031	$ 5,635,549

This year's major additions included costs on the Mountain Iron Drive South project, a Ford F-450, Municipal Well and Water Filtration System project costs, and water tower 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 $2,535,355 in long-term debt outstanding for the primary government versus $2,762,008 last year—as shown in Table 4. The Mountain Iron EDA component unit had $3,384,848 in long-term debt outstanding, a decrease of $95,400.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
GO refunding bonds	$ 325,000	$ 370,000	$ -	$ -	$ 325,000	$ 370,000
Lease purchase	204,924	267,428	-	-	204,924	267,428
Water revenue refunding bonds	-	-	65,000	125,000	65,000	125,000
Water GO revenue bonds	-	-	1,225,000	1,225,000	1,225,000	1,225,000
Wastewater GO revenue note	-	-	272,000	303,000	272,000	303,000
Notes payable	-	-	443,431	471,580	443,431	471,580
Total	$ 529,924	$ 637,428	$ 2,005,431	$ 2,124,580	$ 2,535,355	$ 2,762,008

	Component Unit EDA	
	2021	2020
State loan	$ 3,384,848	$ 3,480,248

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 2022 budget, tax rates, and fees that will be charged for the business-type activities.

- City General Fund expenditures increased 1.6% over 2021.
- City property taxes will increase $39,549 or 3% in 2022.
- The City's 2022 capital budget calls for it to spend another $1,025,000.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDA
ASSETS				
Cash and cash equivalents	$ 1,413,136	$ 114,535	$ 1,527,671	$ 196,433
Investments	1,989,287	216,910	2,206,197	-
Taxes receivable	1,134	-	1,134	-
Special assessments receivable due within one year	2,947	-	2,947	-
Special assessments receivable due in more than one year	116,965	-	116,965	-
Accounts receivable	8,191	1,141,596	1,149,787	1,344,072
Grants receivable	4,500	-	4,500	-
Internal balances	1,923,292	(1,923,292)	-	-
Due from component unit	23,560	-	23,560	-
Due from primary government	-	-	-	59,798
Land sale receivable	-	-	-	10,000
Loans receivable	-	-	-	62,458
Inventories	-	368,344	368,344	-
Prepaid items	-	1,362	1,362	-
Net pension asset	341,969	-	341,969	-
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	250,296	250,296	-
Capital assets not being depreciated:				
Land	409,300	26,370	435,670	2,461,456
Construction in progress	37,927	2,028,796	2,066,723	2,530,589
Capital assets net of accumulated depreciation:				
Land improvements	671,046	12,437	683,483	-
Buildings	2,018,123	3,763,085	5,781,208	3,089,986
Infrastructure	5,289,243	4,779,653	10,068,896	-
Machinery and equipment	533,790	90,852	624,642	-
Licensed vehicles	920,019	329,419	1,249,438	-
TOTAL ASSETS	15,704,429	11,200,363	26,904,792	9,754,792
DEFERRED OUTFLOWS OF RESOURCES				
Related to other post employment benefits	1,583,146	815,560	2,398,706	-
Related to pensions	361,046	185,994	547,040	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,944,192	1,001,554	2,945,746	-
LIABILITIES				
Accounts payable	296,207	312,343	608,550	1,162,213
Salaries payable	62,976	23,588	86,564	-
Accrued interest payable	9,751	11,483	21,234	-
Due to primary government	-	-	-	23,560
Due to component unit	59,798	-	59,798	-
Customer deposits	6,150	93,077	99,227	-
Unearned revenues	-	-	-	5,000
Noncurrent liabilities:				
Due within one year				
Bonds and notes payable	110,320	169,728	280,048	-
Due in more than one year				
Bonds and notes payable	419,604	1,835,703	2,255,307	3,384,848
Other postemployment benefits	10,013,404	5,158,420	15,171,824	-
Severance payable	114,040	15,790	129,830	-
PERA net pension liability	527,059	271,515	798,574	-
TOTAL LIABILITIES	11,619,309	7,891,647	19,510,956	4,575,621
DEFERRED INFLOWS OF RESOURCES				
Related to other post employment benefits	1,171,364	603,430	1,774,794	-
Related to pensions	640,561	288,084	928,645	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,811,925	891,514	2,703,439	-
NET POSITION				
Net investment in capital assets	9,349,525	9,025,181	18,374,706	4,697,183
Restricted for:				
Debt service	1,565,537	250,296	1,815,833	361,350
Community development	-	-	-	43,591
Unrestricted	(6,697,675)	(5,856,721)	(12,554,396)	77,047
TOTAL NET POSITION	$ 4,217,387	$ 3,418,756	$ 7,636,143	$ 5,179,171

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental Activities			
General government	$ 1,362,178	$ 158,060	$ 9,259
Public safety	757,861	70,643	17,848
Streets	1,375,028	-	-
Culture and recreation	648,055	103,703	-
Interest on long-term debt	17,276	-	-
Total Governmental Activities	4,160,398	332,406	27,107
Business-type Activities			
Electric utility	3,073,651	2,898,937	-
Water treatment	412,973	371,890	-
Wastewater treatment	591,228	511,504	-
Refuse removal and recycling	625,868	614,697	-
Mountain Manor Apartments	276,466	333,446	-
Total Business-type Activities	4,980,186	4,730,474	-
TOTAL PRIMARY GOVERNMENT	$ 9,140,584	$ 5,062,880	$ 27,107
COMPONENT UNIT			
EDA	$ 281,921	$ 260,784	$ -

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
$ 4,952	$ (1,189,907)	$ -	$ (1,189,907)	
21,115	(648,255)	-	(648,255)	
22,500	(1,352,528)	-	(1,352,528)	
-	(544,352)	-	(544,352)	
-	(17,276)	-	(17,276)	
48,567	(3,752,318)	-	(3,752,318)	
-	-	(174,714)	(174,714)	
554,853	-	513,770	513,770	
-	-	(79,724)	(79,724)	
-	-	(11,171)	(11,171)	
-	-	56,980	56,980	
554,853	-	305,141	305,141	
$ 603,420	(3,752,318)	305,141	(3,447,177)	
$ 2,530,589				$ 2,509,452
	1,299,177	-	1,299,177	43,342
	-	-	-	93,342
	25,708	-	25,708	-
	31,426	-	31,426	-
	2,508,449	-	2,508,449	-
	(197)	878	681	470
	3,864,563	878	3,865,441	137,154
	112,245	306,019	418,264	2,646,606
	4,105,142	3,112,737	7,217,879	2,532,565
	$ 4,217,387	$ 3,418,756	$ 7,636,143	$ 5,179,171

CITY OF MOUNTAIN IRON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 562,863	$ 846,286	$ -	$ 3,987	$ 1,413,136
Investments	1,376,427	612,860	-	-	1,989,287
Taxes receivable	1,134	-	-	-	1,134
Special assessments receivable	13,521	106,391	-	-	119,912
Accounts receivable	8,191	-	-	-	8,191
Grants receivable	-	-	4,500	-	4,500
Due from other funds	1,943,188	-	-	-	1,943,188
Due from component unit	23,560	-	-	-	23,560
TOTAL ASSETS	$ 3,928,884	$ 1,565,537	$ 4,500	$ 3,987	$ 5,502,908
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 220,502	$ -	$ 75,705	$ -	$ 296,207
Salaries payable	62,976	-	-	-	62,976
Due to other funds	-	-	19,896	-	19,896
Due to component unit	59,798	-	-	-	59,798
Customer deposits	6,150	-	-	-	6,150
TOTAL LIABILITIES	349,426	-	95,601	-	445,027
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,245	-	-	-	8,245
Unavailable revenue - special assessments	13,521	106,391	-	-	119,912
TOTAL DEFERRED INFLOWS OF RESOURCES	21,766	106,391	-	-	128,157
FUND BALANCES					
Restricted	-	1,459,146	-	-	1,459,146
Assigned	3,557,692	-	-	3,987	3,561,679
Unassigned	-	-	(91,101)	-	(91,101)
TOTAL FUND BALANCES	3,557,692	1,459,146	(91,101)	3,987	4,929,724
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,928,884	$ 1,565,537	$ 4,500	$ 3,987	$ 5,502,908

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, 2021

Amounts reported for governmental activities in the statement of net position are different because:		
TOTAL FUND BALANCES, GOVERNMENTAL FUNDS		$ 4,929,724
Net pension asset used in governmental activities is not a current financial resource and, therefore, is not reported in the governmental funds.		341,969
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		9,879,448
Deferred inflows of resources in governmental funds are susceptible to full accrual on the government-wide statements.		128,157
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.		(9,751)
Long-term liabilities, including bonds and notes payable, other post employment 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.		(11,184,427)
Deferred outflows and inflows of resources related to other post employment 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.	1,944,192	
Deferred inflows of resources related to OPEB and pensions.	(1,811,925)	
		132,267
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,217,387

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
REVENUES					
Taxes	$ 1,359,858	$ -	$ -	$ -	$ 1,359,858
Special assessments	4,421	31,963	-	-	36,384
Licenses and permits	122,623	-	-	-	122,623
Intergovernmental	2,509,149	-	48,115	-	2,557,264
Charges for services	194,691	-	-	-	194,691
Fines	10,671	-	-	-	10,671
Gifts and contributions	-	-	-	3,459	3,459
Interest earnings	16,931	6,554	11	1	23,497
Loss on change in market value of investments	(17,186)	(6,508)	-	-	(23,694)
TOTAL REVENUES	4,201,158	32,009	48,126	3,460	4,284,753
EXPENDITURES					
Current					
General government	1,261,274	-	62,008	1,500	1,324,782
Public safety	733,034	-	8,500	-	741,534
Streets	914,889	-	770	-	915,659
Culture and recreation	571,105	-	24,087	-	595,192
Debt Service					
Principal	-	107,504	-	-	107,504
Interest and other charges	-	19,692	-	-	19,692
Capital Outlay					
General government	-	-	6,800	-	6,800
Public safety	-	-	87,912	-	87,912
Streets	-	-	156,000	-	156,000
Culture and recreation	-	-	37,927	-	37,927
TOTAL EXPENDITURES	3,480,302	127,196	384,004	1,500	3,993,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	720,856	(95,187)	(335,878)	1,960	291,751
OTHER FINANCING SOURCES (USES)					
Transfers in	-	50,000	367,014	-	417,014
Transfers out	(417,014)	-	-	-	(417,014)
TOTAL OTHER FINANCING SOURCES (USES)	(417,014)	50,000	367,014	-	-
NET CHANGE IN FUND BALANCES	303,842	(45,187)	31,136	1,960	291,751
FUND BALANCES - JANUARY 1	3,253,850	1,504,333	(122,237)	2,027	4,637,973
FUND BALANCES - DECEMBER 31	$ 3,557,692	$ 1,459,146	$ (91,101)	$ 3,987	$ 4,929,724

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, 2021

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 291,751
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	288,639	
Less current year depreciation	(672,246)	
Net capital assets		(383,607)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold.		(15,547)
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	(3,548)	
Change in unavailable revenue - special assessments	(27,011)	
Net change		(30,559)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		107,504
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	2,417	
Change in severance payable	1,724	
Change in other postemployment benefits payable and related deferred inflows and outflows	6,704	
Change in net pension liability, change in net pension asset, and related deferred inflows and outflows	131,858	
Net change		142,703
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 112,245

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	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	$ -	$ 1,928	$ 3,654	$ 108,853	$ 114,535
Investments	3,495	21,405	64,605	127,405	-	216,910
Accounts receivable	515,133	62,224	80,206	75,338	8,695	741,596
Grants receivable	-	400,000	-	-	-	400,000
Due from other funds	-	-	575,000	300,115	-	875,115
Inventories	261,234	107,110	-	-	-	368,344
Prepaid items	-	-	-	-	1,362	1,362
TOTAL CURRENT ASSETS	779,962	590,739	721,739	506,512	118,910	2,717,862
NONCURRENT ASSETS						
Restricted cash and cash equivalents						
Reserve account	-	-	-	-	214,947	214,947
Escrow deposits	-	-	-	-	29,000	29,000
Tenant security deposits	-	-	-	-	6,349	6,349
Total restricted cash and cash equivalents	-	-	-	-	250,296	250,296
Capital assets						
Land	18,034	-	-	-	8,336	26,370
Construction in progress	-	2,028,796	-	-	-	2,028,796
Land improvements	18,600	-	-	-	-	18,600
Buildings	741,987	3,286,139	2,718,281	12,761	1,684,239	8,443,407
Infrastructure	944,645	4,798,534	5,621,788	-	-	11,364,967
Machinery and equipment	-	60,271	368,101	-	361,692	790,064
Licensed vehicles	522,859	-	20,546	644,733	-	1,188,138
Less accumulated depreciation	(1,387,351)	(3,944,907)	(5,339,448)	(442,184)	(1,715,840)	(12,829,730)
Total capital assets (net of accumulated depreciation)	858,774	6,228,833	3,389,268	215,310	338,427	11,030,612
TOTAL NONCURRENT ASSETS	858,774	6,228,833	3,389,268	215,310	588,723	11,280,908
TOTAL ASSETS	1,638,736	6,819,572	4,111,007	721,822	707,633	13,998,770
DEFERRED OUTFLOWS OF RESOURCES						
Related to other post employment benefits	311,832	95,948	191,896	215,884	-	815,560
Related to pensions	82,056	21,882	38,293	43,763	-	185,994
TOTAL DEFERRED OUTFLOWS OF RESOURCES	393,888	117,830	230,189	259,647	-	1,001,554
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	258,903	9,343	7,851	13,908	22,338	312,343
Salaries payable	18,301	-	5,287	-	-	23,588
Accrued interest payable	-	8,560	2,038	-	885	11,483
Due to other funds	1,108,115	1,690,292	-	-	-	2,798,407
Customer deposits payable	82,146	1,776	-	-	9,155	93,077
Bonds and notes payable - current	-	115,000	31,000	-	23,728	169,728
TOTAL CURRENT LIABILITIES	1,467,465	1,824,971	46,176	13,908	56,106	3,408,626
NONCURRENT LIABILITIES						
Bonds and notes payable	-	1,175,000	241,000	-	419,703	1,835,703
Other postemployment benefit obligation	1,972,337	606,873	1,213,746	1,365,464	-	5,158,420
Severance payable	15,790	-	-	-	-	15,790
PERA net pension liability	119,786	31,943	55,901	63,885	-	271,515
TOTAL NONCURRENT LIABILITIES	2,107,913	1,813,816	1,510,647	1,429,349	419,703	7,281,428
TOTAL LIABILITIES	3,575,378	3,638,787	1,556,823	1,443,257	475,809	10,690,054
DEFERRED INFLOWS OF RESOURCES						
Related to other post employment benefits	230,723	70,992	141,984	159,731	-	603,430
Related to pensions	127,096	33,892	59,311	67,785	-	288,084
TOTAL DEFERRED INFLOWS OF RESOURCES	357,819	104,884	201,295	227,516	-	891,514
NET POSITION						
Net investment in capital assets	858,774	4,938,833	3,117,268	215,310	(105,004)	9,025,181
Restricted for debt service	-	-	-	-	250,296	250,296
Unrestricted	(2,759,347)	(1,745,102)	(534,190)	(904,614)	86,532	(5,856,721)
TOTAL NET POSITION	$ (1,900,573)	$ 3,193,731	$ 2,583,078	$ (689,304)	$ 231,824	$ 3,418,756

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2021

	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	$ 2,895,611	$ 371,811	$ 511,366	$ 614,540	$ 280,332	$ 4,673,660
OPERATING EXPENSES						
Cost of sales	2,250,408	-	-	-	-	2,250,408
Salaries	273,937	76,314	120,460	94,101	-	564,812
Employee benefits	268,789	69,950	96,177	119,382	-	554,298
Contract services	-	-	37,354	-	73,708	111,062
Insurance	20,717	6,175	7,978	19,604	29,782	84,256
Miscellaneous	92,539	29,794	42,107	36,147	8,312	208,899
Repairs and maintenance	53,691	44,670	12,533	53,084	52,610	216,588
Solid waste management and tipping fees	-	-	-	213,783	-	213,783
Supplies	39,830	7,129	23,981	25,725	-	96,665
Telephone	5,848	74	1,964	1,085	-	8,971
Utilities	-	33,254	63,117	-	21,920	118,291
Depreciation	67,892	119,956	178,108	62,958	43,236	472,150
TOTAL OPERATING EXPENSES	3,073,651	387,316	583,779	625,869	229,568	4,900,183
OPERATING INCOME (LOSS)	(178,040)	(15,505)	(72,413)	(11,329)	50,764	(226,523)
NONOPERATING REVENUES (EXPENSES)						
Coronavirus State and Local Fiscal Recovery Fund	-	154,853	-	-	-	154,853
Iron Range Resources and Rehabilitation	-	400,000	-	-	-	400,000
Investment income	-	273	986	1,460	676	3,395
Interest subsidy	-	-	-	-	46,501	46,501
Miscellaneous income	3,326	79	138	158	6,613	10,314
Loss on change in market value of investments	-	(277)	(832)	(1,408)	-	(2,517)
Interest expense	-	(25,657)	(6,579)	-	(46,898)	(79,134)
Decommission Nichols Pond	-	-	(870)	-	-	(870)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,326	529,271	(7,157)	210	6,892	532,542
CHANGE IN NET POSITION	(174,714)	513,766	(79,570)	(11,119)	57,656	306,019
TOTAL NET POSITION - JANUARY 1	(1,725,859)	2,679,965	2,662,648	(678,185)	174,168	3,112,737
TOTAL NET POSITION - DECEMBER 31	$ (1,900,573)	$ 3,193,731	$ 2,583,078	$ (689,304)	$ 231,824	$ 3,418,756

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2021

	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	$ 2,843,491	$ 366,867	$ 501,607	$ 618,065	$ 277,878	$ 4,607,908
Cash paid to suppliers	(2,655,516)	(185,327)	(282,219)	(471,468)	(186,369)	(3,780,899)
Cash paid to employees	(292,324)	(83,111)	(127,717)	(105,287)	-	(608,439)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(104,349)	98,429	91,671	41,310	- 91,509	218,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interest subsidy	-	-	-	-	46,501	46,501
Miscellaneous income	3,326	79	138	158	6,613	10,314
Decommission Nichols Pond	-	-	(870)	-	-	(870)
Advances to other funds	-	-	(575,000)	(300,115)	-	(875,115)
Advances from other funds	102,163	1,690,292	-	-	-	1,792,455
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	105,489	1,690,371	(575,732)	(299,957)	53,114	973,285
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase or construction of capital assets	(1,140)	(1,998,657)	-	254	-	(1,999,543)
Principal paid on long-term debt	-	(60,000)	(31,000)	-	(28,149)	(119,149)
Interest paid on long-term debt	-	(17,514)	(6,811)	-	(47,057)	(71,382)
Capital grants	-	154,853	-	-	-	154,853
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,140)	(1,921,318)	(37,811)	254	(75,206)	(2,035,221)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	-	273	986	1,460	676	3,395
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(132,245)	(520,886)	(256,933)	70,093	(839,971)
CASH AND CASH EQUIVALENTS, JANUARY 1 (including $206,904 in restricted accounts)	100	132,245	522,814	260,587	289,056	1,204,802
CASH AND CASH EQUIVALENTS, DECEMBER 31 (including $250,296 in restricted accounts)	$ 100	$ -	$ 1,928	$ 3,654	$ 359,149	$ 364,831

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, 2021

	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)	$ (178,040)	$ (15,505)	$ (72,413)	$ (11,329)	$ 50,764	$ (226,523)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	67,892	119,956	178,108	62,958	43,236	472,150
Other postemployment benefit obligation and deferred outflows and deferred inflows related to other postemployment benefit obligation	(1,320)	(406)	(811)	(915)	-	(3,452)
Net pension liability and deferred outflows and deferred inflows related to pensions	(19,258)	(5,136)	(8,987)	(10,271)	-	(43,652)
Changes in assets and liabilities						
(Increase) decrease in:						
Accounts receivable	(52,120)	(4,944)	(9,759)	3,525	(2,454)	(65,752)
Inventories	25,117	9,591	-	-	-	34,708
Prepaid items	-	-	3,406	-	(191)	3,215
Increase (decrease) in:						
Accounts payable	52,883	(3,832)	(414)	(2,658)	(1,552)	44,427
Salaries payable	1,157	(1,255)	2,541	-	-	2,443
Customer deposits payable	(1,694)	(40)	-	-	1,706	(28)
Severance payable	1,034	-	-	-	-	1,034
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (104,349)	$ 98,429	$ 91,671	$ 41,310	$ 91,509	$ 218,570

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 entered into a State loan for the construction 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 $48,750 in the electric enterprise fund, $4,875 in the water treatment enterprise fund, $8,125 in the wastewater treatment enterprise fund, and $16,250 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) 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.

8) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) 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.

10) 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.

11) 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.

12) 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.

13) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14) 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 and liabilities 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 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficits
The following fund had a deficit fund balance at December 31, 2021:

	Deficit
City Projects Capital Projects Fund	$ 122,237

The deficit occurred because expenditures exceeded revenues and transfers. The City plans to eliminate the deficit through transfers and future revenues.

NOTE 3 - 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:

	Primary Government	Component Unit EDA
Petty cash	$ 500	$ -
Cash	1,777,467	196,433
Investments	2,206,197	-
Total	$ 3,984,164	$ 196,433
Statement of Net Position		
Cash and cash equivalents	$ 1,527,671	$ 196,433
Investments	2,206,197	-
Temporarily restricted cash and cash equivalents	250,296	-
Total	$ 3,984,164	$ 196,433

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 $1,777,467; the bank balance was $1,950,302. 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 $196,433; the bank balance was $196,433. At year-end, the Mountain Iron EDA's bank balances were entirely insured.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 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, 2021, had investments of certificates of deposits held with a broker in which all five issuers exceeded five percent of total investments. The City has $764,851 invested in certificates of deposit and $1,441,346 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, 2021 are not subject to measurement.

NOTE 4 - LOANS RECEIVABLE

The Mountain Iron EDA is involved in economic development projects. Several businesses were issued revolving loans. The unpaid principal balance at December 31, 2021 was $62,458 and is recorded as loans receivable in the Mountain Iron EDA general fund.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 409,300	$ -	$ -	$ 409,300
Construction in progress	575,111	37,927	(575,111)	37,927
Total capital assets, not being depreciated	984,411	37,927	(575,111)	447,227
Capital assets, being depreciated:				
Land improvements	1,480,322	-	-	1,480,322
Buildings	3,705,146	-	-	3,705,146
Infrastructure	11,623,240	615,422	-	12,238,662
Machinery and equipment	1,512,800	60,300	-	1,573,100
Licensed vehicles	2,869,268	150,101	(104,116)	2,915,253
Total capital assets, being depreciated	21,190,776	825,823	(104,116)	21,912,483
Less accumulated depreciation for:				
Land improvements	(743,750)	(65,526)	-	(809,276)
Buildings	(1,607,337)	(79,686)	-	(1,687,023)
Infrastructure	(6,584,758)	(364,661)	-	(6,949,419)
Machinery and equipment	(941,105)	(98,205)	-	(1,039,310)
Licensed vehicles	(2,019,635)	(64,168)	88,569	(1,995,234)
Total accumulated depreciation	(11,896,585)	(672,246)	88,569	(12,480,262)
Total capital assets, being depreciated, net	9,294,191	153,577	(15,547)	9,432,221
Governmental activities capital assets, net	$10,278,602	$ 191,504	$ (590,658)	$ 9,879,448
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 26,370	$ -	$ -	$ 26,370
Construction in progress	1,137,139	1,804,045	(912,388)	2,028,796
Total capital assets, not being depreciated	1,163,509	1,804,045	(912,388)	2,055,166
Capital assets, being depreciated:				
Land improvements	18,600	-	-	18,600
Buildings	7,348,032	1,095,375	-	8,443,407
Infrastructure	11,352,202	12,765	-	11,364,967
Machinery and equipment	790,064	-	-	790,064
Licensed vehicles	1,188,138	-	-	1,188,138
Total capital assets, being depreciated	20,697,036	1,108,140	-	21,805,176
Less accumulated depreciation for:				
Land improvements	(5,233)	(930)	-	(6,163)
Buildings	(4,526,055)	(154,267)	-	(4,680,322)
Infrastructure	(6,375,889)	(209,425)	-	(6,585,314)
Machinery and equipment	(678,709)	(20,503)	-	(699,212)
Licensed vehicles	(771,694)	(87,025)	-	(858,719)
Total accumulated depreciation	(12,357,580)	(472,150)	-	(12,829,730)
Total capital assets, being depreciated, net	8,339,456	635,990	-	8,975,446
Business-type activities capital assets, net	$ 9,502,965	$ 2,440,035	$ (912,388)	$11,030,612

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	$ 61,820
Public safety	30,756
Streets	504,385
Culture and recreation	75,285
Total depreciation expense - governmental activities	$ 672,246

Business-type activities	
Electric utility	$ 67,892
Water treatment	119,956
Wastewater treatment	178,109
Refuse removal and recycling	62,957
Mountain Manor Apartments	43,236
Total depreciation expense - business-type activities	$ 472,150

Discretely presented component unit:
Mountain Iron EDA capital asset activity for the year ended December 31, 2021, is as follows:

Governmental activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,471,456	$ -	$ (10,000)	$ 2,461,456
Construction in progress	-	2,530,589	-	2,530,589
Total capital assets, not being depreciated	2,471,456	2,530,589	(10,000)	4,992,045
Capital assets, being depreciated:				
Building	3,705,345	-	-	3,705,345
Less accumulated depreciation for:				
Building	(541,252)	(74,107)	-	(615,359)
Total capital assets, being depreciated, net	3,164,093	(74,107)	-	3,089,986
Governmental activities capital assets, net	$ 5,635,549	$ 2,456,482	$ (10,000)	$ 8,082,031

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

Governmental activities	
Economic development	$ 74,107

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 and water revenue refunding bonds 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 capital lease for a fire pumper. The fire pumper secures the capital lease agreement. For governmental activities, claims and judgments are generally liquidated by the General Fund.

The Mountain Iron EDA previously entered into a state loan for the construction of a manufacturing facility. This loan is considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues.

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	$ 325,000
Lease Purchase					
Fire Pumper Lease	03/19/2019	4.51%	$ 327,237	03/19/2024	204,923
Governmental activities long-term debt					529,923
Business-type activities					
Revenue Bonds					
2009 Water Revenue Refunding Bonds	09/01/2009	1.5-4.0%	$ 650,000	12/01/2022	65,000
2020 Water Revenue Bonds	12/16/2020	0.5-2.0%	$ 1,225,000	02/01/2041	1,225,000
Total revenue bonds					1,290,000
General Obligation Revenue Notes					
2009 PFA Wastewater Revenue Notes	10/20/2009	2.25%	$ 599,250	08/20/2029	272,000
Notes Payable					
1980 Rural Development	09/04/1980	3.61%	$ 819,370	09/01/2030	317,155
1981 Rural Development	01/16/1981	3.61%	$ 320,630	10/01/2030	126,276
Total Notes Payable					443,431
Business-type activities long-term debt					2,005,431
Total primary government long-term debt					2,535,354
Discretely presented component unit					
EDA					
State Loan					
2010 IRRRB	06/18/2010	1.00%	$ 3,600,000	01/15/2037	3,384,848
Total reporting entity					$ 5,920,202

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds Payable					
2016 GO Refunding	$ 370,000	$ -	$ 45,000	$ 325,000	$ 45,000
2012 GO Refunding	-	-	-	-	-
Fire Pumper Lease	267,428	-	62,504	204,924	65,320
Governmental activities - long-term debt	637,428	-	107,504	529,924	110,320
Business-type activities					
Bonds Payable					
2009 Water Revenue Refunding Bonds	125,000	-	60,000	65,000	65,000
2020 Water Revenue Bonds	1,225,000	-	-	1,225,000	50,000
Total Revenue Bonds	1,350,000	-	60,000	1,290,000	115,000
Revenue Notes					
2009 GO PFA Wastewater	303,000	-	31,000	272,000	31,000
Notes Payable					
1980 Rural Development	337,612	-	20,457	317,155	17,084
1981 Rural Development	133,968	-	7,692	126,276	6,644
Total Notes Payable	471,580	-	28,149	443,431	23,728
Business-type activities - long-term debt	2,124,580	-	119,149	2,005,431	169,728
Total primary government	2,762,008	-	226,653	2,535,355	280,048
Discretely presented component unit					
EDA					
State loan					
2010 IRRRB	3,480,248	-	95,400	3,384,848	-
Total reporting entity	$6,242,256	$ -	$ 322,053	$5,920,203	$ 280,048

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
2022	$ 110,320	$ 15,649	$ 169,728	$ 45,037	$ 280,048	$ 60,686
2023	108,264	12,015	111,002	41,103	219,266	53,118
2024	116,340	8,108	112,280	39,723	228,620	47,831
2025	45,000	3,881	113,560	38,306	158,560	42,187
2026	50,000	2,813	113,844	36,302	163,844	39,115
2027-2031	100,000	2,250	428,288	113,869	528,288	116,119
2032-2036	-	-	611,729	58,398	611,729	58,398
2037-2041	-	-	345,000	18,348	345,000	18,348
Total	$ 529,924	$ 44,716	$ 2,005,431	$ 391,086	$ 2,535,355	$ 435,802

No interest was capitalized during 2021 for the City or Mountain Iron EDA. Interest incurred and charged to expense totaled $95,915 for the City. No interest was incurred or charged to expense for Mountain Iron EDA.

Pledged Revenue

Governmental Funds

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 $52,147. 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 $350,978.

Enterprise Funds

The City has pledged net revenues of the Water Treatment Enterprise Fund to pay principal and interest on the $650,000 general obligation water revenue refunding bonds issued in 2009. Proceeds from these bonds were used to refund the $650,000 general obligation water revenue bonds issued in 2002, which were used to update the water treatment plant. Principal and interest paid for the current year was $65,000. At December 31, 2021, principal and interest to maturity in 2022 to be paid from pledged future revenues totaled $67,600.

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. Interest paid for the current year was $12,514. At December 31, 2021, principal and interest to maturity in 2041 to be paid from pledged future revenues totaled $1,474,141.

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 $37,811. At December 31, 2021, principal and interest to maturity in 2029 to be paid from pledged future revenues totaled $300,280.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

EDA

Component Unit

Mountain Iron EDA entered into a State loan agreement for the construction of a manufacturing facility on June 18, 2010. The loan settlement occurred on February 15, 2011. The maturity date of the $3,600,000 loan is January 15, 2037. Mountain Iron EDA shall pay to the State by January 15th of each calendar year until the maturity date, payments in the full amount of net lease revenue of the preceding calendar year. In 2013, Mountain Iron EDA received the final loan proceeds to be drawn from the loan for a total amount of $3,546,664. At December 31, 2021, the principal balance outstanding totals $3,384.848.

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2021 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	City Projects Capital Projects Fund	$ 19,896
General Fund	Water Enterprise Fund	1,690,292
General Fund	Electric Utility Enterprise Fund	233,000
Wastewater Enterprise Fund	Electric Utility Enterprise Fund	575,000
Refuse Removal and Recycling Fund	Electric Utility Enterprise Fund	300,115
		$ 2,818,303

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.

Interfund transfers for the year ended December 31, 2021 consisted of the following:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	$ -	$ 417,014
Debt Service Fund	50,000	-
City Projects Capital Projects Fund	367,014	-
Total	$ 417,014	$ 417,014

NOTE 7 - INTERFUND BALANCES AND ACTIVITY (CONTINUED)

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, 2021, fund balances are comprised of the following:

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Other Governmental Fund - Charitable Gambling Special Revenue Fund	Total
Restricted:					
Debt service	$ -	$ 1,459,146	$ -	$ -	$ 1,459,146
Assigned:					
Cash flow	250,000	-	-	-	250,000
Insurance	1,102,564	-	-	-	1,102,564
Buildings	1,102,564	-	-	-	1,102,564
Rate stabilization	1,102,564	-	-	-	1,102,564
Community contributions	-	-	-	3,987	3,987
Total assigned	3,557,692	-	-	3,987	3,561,679
Unassigned, reported in:					
Capital projects funds	-	-	(91,101)	-	(91,101)
Total fund balances	$ 3,557,692	$ 1,459,146	$ (91,101)	$ 3,987	$ 4,929,724

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 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. 14	No. 15	No. 16
Economic development district established in:	2008	2016	2018
Anticipated last tax increment year:	2021	2026	2028
Original net tax capacity:	$ 4,394	$ 2,684	$ 927
Current net tax capacity:	$ 85,864	$ 16,248	$ 10,566
Fiscal disparity deduction	$ (24,126)	$ -	$ -
Captured net tax capacity retained by Authority:	$ 57,344	$ 13,564	$ 9,639
Total bonds issued			
Tax increment bonds	$ -	$ -	$ -
Amounts redeemed	-	-	-
Outstanding bonds at 12/31/21	$ -	$ -	$ -

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:

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.

NOTE 11 - TAX ABATEMENTS (CONTINUED)

For the year ended December 31, 2021, the City abated $7,500 of property taxes for Iron Range Investment LLC and $1,000 of property taxes for Virginia Plastics for a total of $8,500.

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, 2021, 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 until December 31, 2021. A new agreement will be 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.

The City of Mountain Iron, Minnesota exercised its right under a 1987 order by the Minnesota Public Utilities Commission, to service and maintain their territory, which the City of Virginia Department of Public Utilities had been servicing and maintaining. In exchange for the service territory, the City of Mountain Iron paid the City of Virginia Department of Public Utilities $100,000 at December 31, 2002, and entered into a long-term contract for electric service from the City of Virginia Department of Public Utilities effective January 2, 2003. This agreement is in effect until May 1, 2022.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, vendors, and grantors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City’s financial condition or results of operations is uncertain.

NOTE 12 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Projects
The City had the following outstanding construction projects as of December 31, 2021. The projects are evidenced by contractual commitments with contractors:

Project	Spent to Date	Commitments Remaining
Municipal Well	$ 746,866	$ 252,620
Water Filtration System	896,250	9,053
	$ 1,643,116	$ 261,673

The Mountain Iron EDA had the following outstanding construction project as of December 31, 2021. The projects are evidenced by contractual commitments with contractors:

Project	Spent to Date	Commitments Remaining
Heliene Warehouse and Production Facility Phase I	$ 2,530,589	$ 7,237,098

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 2021 was $31,238. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, Eveleth, Minnesota 55734.

Biosolids Disposal 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

NOTE 13 - JOINT VENTURES (CONTINUED)

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 2021 was $6,116. Complete financial information can be obtained from the Biosolids Disposal Site Authority, Eveleth, Minnesota 55734.

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 2021 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 2021.

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, 2021 was as follows:

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

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
Governmental activities	$ 115,764	$ 1,959	$ (3,683)	$ 114,040
Business-type activities	14,756	1,034	-	15,790
Total Primary Government	$ 130,520	$ 2,993	$ (3,683)	$ 129,830

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 not covered by a bargaining unit. Employer contributions into eligible employee's accounts were $14,304 for the year ended December 31, 2021.

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, 2019, plan membership consisted of the following:

Active employees electing coverage	20
Active employees waiving coverage	0
Retirees electing coverage	18
	38

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The City and retirees make contributions toward health insurance premiums based on their employment contracts. During the year ended December 31, 2021, 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.

Total OPEB Liability

The City's total OPEB liability of $15,171,824 was measured as of December 31, 2020, 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
Long-term expected investment return	N/A
Inflation rate	2.50%
Mortality	From the July 1, 2019 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.
Health care cost trend rate	6.20% for FY2020, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2075 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, 2020.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	$ 13,438,018
Changes for the year:	
Service cost	103,706
Interest	365,424
Differences between expected and actual experience	1,306
Changes of assumptions	1,770,534
Benefit payments paid directly	(507,164)
Net changes	1,733,806
Balance at 12/31/2021	$ 15,171,824

Discount Rate

The discount rate used to measure the total OPEB liability was 2.00%, a decrease from the 2.75% discount rate measured as of December 31, 2020.

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 (1.00 %) or 1-percentage-point higher (3.00%) than the current discount rate.

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Net OPEB liability	$ 18,095,543	$ 15,171,824	$ 12,877,421

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 Discount Rate	1% Increase
Net OPEB liability	$ 12,854,144	$ 15,171,824	$ 18,125,385

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

For the year ended December 31, 2021, the City recognized OPEB expense of $(10,157). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ 1,092	$ 1,154,773
Change of assumptions	1,887,209	620,021
Contributions between measurement date and reporting date	510,405	-
Total	$ 2,398,706	$ 1,774,794

$510,405 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	OPEB Expense Amount
2022	$ 30,528
2023	$ (38,405)
2024	$ (151,547)
2025	$ (48,959)
2026	$ 321,890
Thereafter	$ -

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.

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Retirement Fund for the year ended December 31, 2021, were $95,638. The City's contributions were not equal to the required contributions as set by state statute. As a result, the City has recorded $22,237 as payable to PERA for unpaid employer and employee contributions as of December 31, 2021.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of $798,574 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 $24,423.

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0187 percent at the end of the measurement period and 0.0207 percent for the beginning of the period.

City's proportionate share of the net pension liability	$ 798,574
State of Minnesota's proportionate share of the net pension liability associated with the City	24,423
Total	$ 822,997

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of $67,090 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $1,971 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, 2021, 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	$ 5,509	$ 24,742
Changes in actuarial assumptions	487,593	19,645
Net collective difference between projected and actual investment earnings	-	686,666
Changes in proportion	-	116,254
Contributions paid to PERA subsequent to the measurement date	53,938	-
Total	$ 547,040	$ 847,307

The $53,938 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year Ended December 31:	Pension Expense Amount
2022	$ (88,458)
2023	$ (43,809)
2024	$ (33,302)
2025	$ (188,636)

Total Pension Expense
The total pension expense for all plans recognized by the City for the year ended December 31, 2021 was $245,168.

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. 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 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA’s experience.

NOTE 16 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund
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.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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	5.50%	$	1,628,683
Current Discount Rate	6.50%	$	798,574
1% Higher	7.50%	$	117,419

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, 2021, the plan covered twenty-four 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.

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 $17,149 in fire state aid to the fund for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. No City contributions were required in 2021.

Pension Costs

At December 31, 2021, the City reported a net pension asset of $341,969 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2021. 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 12/31/20	$ 226,297	$ 520,240	$ (293,943)
Changes for the Year			
Service Cost	19,272	-	19,272
Interest on Pension Liability	14,734	-	14,734
Actuarial Experience (Gains)/Losses	(14,929)	-	(14,929)
Projected Investment Earnings	-	31,214	(31,214)
Contributions (Employer)	-	-	-
Contributions (State)	-	17,149	(17,149)
Asset (Gain)/Loss	-	19,640	(19,640)
Benefit Payouts	-	-	-
PERA Administrative Fee	-	(900)	900
Net Changes	19,077	67,103	(48,026)
Balance End of Year 12/31/21	$ 245,374	$ 587,343	$ (341,969)

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2021, the City recognized pension expense of $(29,976).

At December 31, 2021, 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	$ -	$ 31,232
Difference between projected and actual investment earnings	-	50,106
Total	$ -	$ 81,338

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
2022	$ 28,859
2023	$ 28,960
2024	$ 16,605
2025	$ 6,914
2026	$ -
Thereafter	$ -

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

Actuarial Assumptions
The total pension liability at December 31, 2021, 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

There were no changes in actuarial assumptions in 2021.

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	$ 329,934	$ 341,969	$ 353,208

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

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

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 2021 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, 2021, 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 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.

NOTE 18 - DEFINED CONTRIBUTION PLAN (CONTINUED)

Total contributions made by the City of Mountain Iron, Minnesota during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$618	$618	4.38%	4.38%	5.00%

Contributions were not equal to the statutorily required amounts in 2021. As a result, the City has recorded $195 as payable to PERA for unpaid employer and employee contributions as of December 31, 2021.

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, 2021

	Budgeted Amounts		Actual Amounts, Budgetary	Variance with Final Budget - Positive
	Original	Final	Basis	(Negative)
REVENUES				
Taxes	$ 1,360,300	$ 1,360,300	$ 1,359,858	$ (442)
Special assessments	-	-	4,421	4,421
Licenses and permits	27,000	27,000	122,623	95,623
Intergovernmental	2,407,814	2,407,814	2,509,149	101,335
Charges for services	147,000	147,000	194,691	47,691
Fines	12,000	12,000	10,671	(1,329)
Investment income	13,000	13,000	(255)	(13,255)
TOTAL REVENUES	3,967,114	3,967,114	4,201,158	234,044
EXPENDITURES				
Current				
General government	1,426,600	1,426,600	1,261,274	165,326
Public safety	715,500	715,500	733,034	(17,534)
Streets	845,000	845,000	914,889	(69,889)
Culture and recreation	513,000	513,000	571,105	(58,105)
TOTAL EXPENDITURES	3,500,100	3,500,100	3,480,302	19,798
EXCESS OF REVENUES OVER EXPENDITURES	467,014	467,014	720,856	253,842
OTHER FINANCING SOURCES (USES)				
Transfers out	(467,014)	(467,014)	(417,014)	50,000
NET CHANGE IN FUND BALANCE	-	-	303,842	303,842
FUND BALANCE - JANUARY 1	3,253,850	3,253,850	3,253,850	-
FUND BALANCE - DECEMBER 31	$ 3,253,850	$ 3,253,850	$ 3,557,692	$ 303,842

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, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 103,706	$ 134,921	$ 147,303	$ 119,440
Interest	365,424	556,733	527,098	544,667
Differences between expected and actual experience	1,306	(1,716,707)	-	-
Changes of assumptions	1,770,534	(149,052)	(1,095,135)	1,357,219
Benefit payments	(507,164)	(518,492)	(451,516)	(389,459)
Net change in OPEB liability	1,733,806	(1,692,597)	(872,250)	1,631,867
Total OPEB Liability - beginning	13,438,018	15,130,615	16,002,865	14,370,998
Total OPEB Liability - ending	$ 15,171,824	$ 13,438,018	$ 15,130,615	$ 16,002,865
Payroll for measurement period	$ 1,578,153	$ 1,517,312	$ 1,510,514	$ 1,529,452
Net OPEB Liability as a % of employee payroll	961.4%	885.6%	1001.7%	1046.3%

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

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, 2021

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	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
6/30/21	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, 2021

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)
12/31/21	$ 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, 2021

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

	2021	2020	2019	2018
Total Pension Liability				
Service cost	$ 19,272	$ 15,598	$ 13,171	$ 14,436
Interest on the pension liability	14,734	13,328	12,652	13,170
Actuarial experience (gains)/losses	(14,929)	(9,155)	(17,002)	(34,974)
Benefit payments	-	-	-	-
Net Change in Total Pension Liability	19,077	19,771	8,821	(7,368)
Total Pension Liability - Beginning	226,297	206,526	197,705	205,073
Total Pension Liability - Ending (a)	$ 245,374	$ 226,297	$ 206,526	$ 197,705
Plan Fiduciary Net Position				
Contributions:				
Fire state aid	$ 14,171	$ 13,447	$ 12,797	$ 12,555
Fire supplemental aid	2,978	2,968	2,963	2,987
Supplemental benefit reimbursement	-	-	-	1,000
Required municipal contribution	-	-	-	-
Adjustment to initial asset transfer	-	-	-	-
Net investment income	50,854	65,640	66,241	(14,112)
PERA administrative fee	(870)	(780)	(780)	(750)
Auditor/accounting fee	-	-	-	-
SBI investment fee	(30)	(25)	(24)	(21)
Benefit payments	-	-	-	-
Net Change in Plan Fiduciary Net Position	67,103	81,250	81,197	1,659
Plan Fiduciary Net Position - Beginning	520,240	438,990	357,793	356,134
Plan Fiduciary Net Position - Ending (b)	$ 587,343	$ 520,240	$ 438,990	$ 357,793
Net Pension Liability/(Asset) - Ending (a) - (b)	$ (341,969)	$ (293,943)	$ (232,464)	$ (160,088)
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	239.4%	229.9%	212.6%	181.0%

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

See notes to required supplementary information.

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

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF CITY CONTRIBUTIONS
Year Ended December 31, 2021

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

	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.

See notes to required supplementary information.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2021

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.

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 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

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% to 2.75% 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.

NOTE 2 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

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

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

NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

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

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.
- 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.

NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

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.

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

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended December 31, 2021

REVENUES	
TAXES	
General property	$ 1,302,724
Mineral rents and royalties	31,426
Franchise	25,708
TOTAL TAXES	1,359,858
SPECIAL ASSESSMENTS	4,421
LICENSES AND PERMITS	122,623
INTERGOVERNMENTAL	
Federal	
FEMA grant	700
State	
Local government aid	1,400,097
Market value credit	1,062
Taconite production	529,788
Taconite municipal aid	341,753
Mining effects	107,843
Other state aids	127,906
TOTAL INTERGOVERNMENTAL	2,509,149
CHARGES FOR SERVICES	
General government	
Rent	6,950
Other reimbursements	93,638
Culture and recreation	
Recreation fees	4,030
Campground fees	90,073
TOTAL CHARGES FOR SERVICES	194,691
FINES	
Fines and forfeits	10,671
INVESTMENT EARNINGS	(255)
TOTAL REVENUES	4,201,158

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
Year Ended December 31, 2021

EXPENDITURES	
CURRENT	
GENERAL GOVERNMENT	
Mayor and council	$ 33,327
Administration	557,174
Elections	6,873
Assessor	113
Retiree's insurance	280,548
Donations and contributions	60,137
Other	49,679
Buildings	217,859
Planning and zoning	55,564
TOTAL GENERAL GOVERNMENT	1,261,274
PUBLIC SAFETY	
Sheriff	540,879
Fire	167,615
Animal control	21,500
Civil defense	3,040
TOTAL PUBLIC SAFETY	733,034
STREETS	914,889
CULTURE AND RECREATION	
Library	233,215
Recreation	240,500
Campgrounds	97,390
TOTAL CULTURE AND RECREATION	571,105
TOTAL EXPENDITURES	3,480,302
EXCESS OF REVENUES OVER EXPENDITURES	720,856
OTHER FINANCING SOURCES (USES)	
Transfers out	(417,014)
NET CHANGE IN FUND BALANCE	303,842
FUND BALANCE - JANUARY 1	3,253,850
FUND BALANCE - DECEMBER 31	$ 3,557,692

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 14
Year Ended December 31, 2021

	Budget	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS			
Tax increment revenue	$ 1,025,590	$ 612,189	$ 67,228
Transfers from EDA General Fund	-	6,022	-
TOTAL SOURCES OF FUNDS	1,025,590	618,211	67,228
USES OF FUNDS			
Site improvements and preparation costs	1,025,590	550,971	60,505
Administrative costs	-	22,996	1,354
Transfers to EDA General Fund	-	6,022	-
TOTAL USES OF FUNDS	1,025,590	579,989	61,859
DISTRICT BALANCE	$ -	$ 38,222	$ 5,369

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, 2021

	Budget	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS			
Tax increment revenue	$ 110,000	$ 47,847	$ 16,190
Interest and investment earnings	5,000	-	-
TOTAL SOURCES OF FUNDS	115,000	47,847	16,190
USES OF FUNDS			
Land/building acquisition	83,000	43,063	14,574
Administrative costs	11,000	15,235	1,354
Interest expense	21,000	-	-
TOTAL USES OF FUNDS	115,000	58,298	15,928
DISTRICT BALANCE	$ -	$ (10,451)	$ 262

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, 2021

	Budget	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS			
Tax increment revenue	$ 158,437	$ 11,294	$ 9,924
Interest and investment earnings	5,000	-	-
TOTAL SOURCES OF FUNDS	163,437	11,294	9,924
USES OF FUNDS			
Land/building acquisition	60,000	10,164	8,932
Site improvements/preparation costs	51,371	-	-
Administrative costs	14,000	15,257	1,354
Interest expense	38,066	-	-
TOTAL USES OF FUNDS	163,437	25,421	10,286
DISTRICT BALANCE	$ -	$ (14,127)	$ (362)

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the City of Mountain Iron, Minnesota as of and for the year ended December 31, 2021, 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 June 1, 2022. 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 deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a material weakness.

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 2021-001 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 2021-003.

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

We noted certain matters that we reported to management of City of Mountain Iron, Minnesota in a separate letter dated June 1, 2022, 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.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
June 1, 2022

CITY OF MOUNTAIN IRON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2021

Prior Audit Financial Statement Findings

FINDING 2020-001. 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 2020-002. 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.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2021

2021-001. 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.

2021-002. 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.

2021-002. 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.

2021-003. 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 three pay dates in the year of audit; February 19, 2021; June 11, 2021; and November 12, 2021.

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 were paid to PERA on April 20, 2022, and related interest was paid to PERA on May 20, 2022. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

CITY OF MOUNTAIN IRON
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REPRESENTATION OF THE CITY OF MOUNTAIN IRON, MINNESOTA

CORRECTIVE ACTION PLAN
Year Ended December 31, 2021

Finding Number: 2021-001
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: 2021-002
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: 2021-003
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 were paid to PERA on April 20, 2022, and related interest was paid to PERA on May 20, 2022. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

Anticipated Completion Date
Completed. The City paid PERA the delinquent contributions on April 20, 2022 and related interest on May 20, 2022.

Craig J. Wainio, City Administrator

Walker, Giroux & Hahne LLC

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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, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Mountain Iron, Minnesota's 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 June 1, 2022, 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 June 1, 2022, 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 refuse removal and recycling enterprise fund each reported an operating loss for the year ended December 31, 2021. The electric utility enterprise fund and water treatment enterprise fund have also recorded liabilities for amounts due to other funds of $1,108,115 and $1,690,292, 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. The past-due accounts receivable balance has increased in each of the past few years. We recommend that additional attention be given to these past-due accounts to ensure timely collection of utility receipts.

3. While reviewing voided check copies, we noted that not all voided checks have signature lines cut out or removed, and not all voided checks were filed together.

We recommend that all signature lines be cut out or removed from voided checks to ensure proper defacing to avoid the possibility of them being cashed, and that all voided checks be filed together.

4. Payroll withholdings and related liabilities were not reconciled in the general ledger and many withholdings were not remitted timely to appropriate vendors. This resulted in improperly stated unadjusted liabilities and expenditures and some late filings and payments. We recommend that all payroll responsibilities be consistently reviewed after each payroll is processed to ensure appropriate account balances in the general ledger and timely payments are made.

5. The December 31, 2021 general checking bank reconciliation contained many reconciling items that had not been investigated or corrected in the accounting software by City staff. These were items that were:

    a. recorded in the general ledger as paid or receipted, but were not paid or received by the City;
    b. paid or received by the City, but not recorded in the general ledger;
    c. duplicate transactions.

    The result was a significant amount of audit entries to general checking in the general ledger to correct cash balances at year-end. Proper and timely bank reconciliations are extremely important to the City's internal control over cash. We recommend general checking, and all bank accounts, be reconciled monthly with all outstanding items accounted for in the accounting software. Reconciliations and appropriate documentation should be presented to Council members at monthly meetings.

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.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
June 1, 2022