

CITY OF MOUNTAIN IRON, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2024**

CITY OF MOUNTAIN IRON, MINNESOTA

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CITY OF MOUNTAIN IRON, MINNESOTA

**ORGANIZATION
December 31, 2024**

CITY COUNCIL

Mayor

Peggy Anderson

Council Members

Julie Buria
Joe Prebeg, Jr.
Ed Roskoski
Alan Stanaway

ADMINISTRATION

Administrator

Craig J. Wainio

FINANCIAL SECTION



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, 2024, and the related notes to the financial statements, which collectively comprise the City of Mountain Iron, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Mountain Iron, Minnesota, as of December 31, 2024, 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 seven percent, eight percent, and six percent, respectively, of the assets, net position, and revenues of the business-type activities as of December 31, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Mountain Manor Apartments Enterprise Fund, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's net other postemployment benefits (OPEB) liability and related ratios, schedules of City's proportionate share of net pension liability and City's contributions for defined benefit pension plan, schedule of changes in net pension liability/asset, and schedule of City contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mountain Iron, Minnesota's basic financial statements. The individual fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 15, No. 16, No. 17 and No. 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the individual fund financial statement and schedules of sources and uses of public funds for Mountain Iron Tax Increment Districts No. 15, No. 16, No. 17, and No. 18 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2025 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, Miray & Helne, LLC

Virginia, Minnesota

July 18, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

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, 2024. 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 \$4,501,371 of which \$9,214,659 represents net investment in capital assets.
- Business-type activities have total net position of \$3,476,408. Net investment in capital assets represents \$8,448,777 of the total.
- The Mountain Iron Economic Development Authority (EDA) has total net position of \$9,374,578, of which \$8,934,500 represents net investment in capital assets.
- The City of Mountain Iron's primary government's net position increased by \$329,280 for the year ended December 31, 2024. Of the change, \$54,889 was an increase in the governmental activities' net position and \$274,391 represented an increase in business-type activities' net position.
- The EDA's net position increased by \$85,670.
- The net cost of governmental activities was \$4,227,810 for the current fiscal year. The net cost was funded by general revenues totaling \$4,282,699.
- Governmental funds' fund balances decreased by \$550,025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

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.

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

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 \$7,977,779, an increase from the prior year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 6,034,902	\$ 6,698,119	\$ 258,184	\$ 112,629	\$ 6,293,086	\$ 6,810,748
Capital assets	<u>9,409,659</u>	<u>9,211,726</u>	<u>10,742,392</u>	<u>10,659,946</u>	<u>20,152,051</u>	<u>19,871,672</u>
Total assets	<u>15,444,561</u>	<u>15,909,845</u>	<u>11,000,576</u>	<u>10,772,575</u>	<u>26,445,137</u>	<u>26,682,420</u>
Deferred outflows of resources	<u>3,130,318</u>	<u>1,392,244</u>	<u>1,522,497</u>	<u>659,777</u>	<u>4,652,815</u>	<u>2,052,021</u>
Long-term liabilities	10,378,237	8,235,151	7,288,183	6,105,973	17,666,420	14,341,124
Other liabilities	<u>960,459</u>	<u>1,114,237</u>	<u>420,015</u>	<u>407,188</u>	<u>1,380,474</u>	<u>1,521,425</u>
Total liabilities	<u>11,338,696</u>	<u>9,349,388</u>	<u>7,708,198</u>	<u>6,513,161</u>	<u>19,046,894</u>	<u>15,862,549</u>
Deferred inflows of resources	<u>2,734,812</u>	<u>3,495,728</u>	<u>1,338,467</u>	<u>1,709,901</u>	<u>4,073,279</u>	<u>5,205,629</u>
Net position						
Net investment in capital assets	9,214,659	8,900,387	8,448,777	8,452,710	17,663,436	17,353,097
Restricted	1,470,379	1,470,379	365,301	257,854	1,835,680	1,728,233
Unrestricted	<u>(6,183,667)</u>	<u>(5,913,793)</u>	<u>(5,337,670)</u>	<u>(5,501,274)</u>	<u>(11,521,337)</u>	<u>(11,415,067)</u>
Total net position	<u>\$ 4,501,371</u>	<u>\$ 4,456,973</u>	<u>\$ 3,476,408</u>	<u>\$ 3,209,290</u>	<u>\$ 7,977,779</u>	<u>\$ 7,666,263</u>

Net position of the City's governmental activities increased by 1.0 percent (\$4,501,371 compared to \$4,456,973). 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 - decreased from a \$5,913,793 deficit at December 31, 2023 to a \$6,183,667 deficit at the end of this year.

Net position of the City's business-type activities increased by 8.3 percent (\$3,476,408 compared to \$3,209,290).

CITY OF MOUNTAIN IRON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues:						
Fees, fines, charges, and other	\$ 280,919	\$ 242,797	\$ 5,114,999	\$ 4,857,662	\$ 5,395,918	\$ 5,100,459
Operating grants and contributions	153,595	6,482	-	-	153,595	6,482
Capital grants and contributions	92,397	426,016	90,973	48,279	183,370	474,295
General revenues:						
Property and other taxes	1,520,530	1,469,257	-	-	1,520,530	1,469,257
Grants and contributions not restricted to specific programs	2,622,109	2,554,145	-	-	2,622,109	2,554,145
Other general revenues	<u>140,060</u>	<u>73,299</u>	<u>23,555</u>	<u>13,891</u>	<u>163,615</u>	<u>87,190</u>
Total revenues	<u>4,809,610</u>	<u>4,771,996</u>	<u>5,229,527</u>	<u>4,919,832</u>	<u>10,039,137</u>	<u>9,691,828</u>
Program expenses:						
General government	1,492,180	1,290,061	-	-	1,492,180	1,290,061
Public safety	1,127,970	1,057,520	-	-	1,127,970	1,057,520
Streets	1,461,124	1,231,993	-	-	1,461,124	1,231,993
Culture and recreation	667,676	635,252	-	-	667,676	635,252
Interest	5,771	9,932	-	-	5,771	9,932
Electric utility	-	-	3,001,133	3,082,148	3,001,133	3,082,148
Water treatment	-	-	488,205	418,651	488,205	418,651
Wastewater treatment	-	-	640,631	636,787	640,631	636,787
Refuse removal and recycling	-	-	589,542	587,715	589,542	587,715
Mountain Manor Apartments	-	-	334,278	365,648	334,278	365,648
Total program expenses	<u>4,754,721</u>	<u>4,224,758</u>	<u>5,053,789</u>	<u>5,090,949</u>	<u>9,808,510</u>	<u>9,315,707</u>
Extraordinary item- insurance recovery	-	-	98,653	-	98,653	-
Increase (decrease) in net position	<u>54,889</u>	<u>547,238</u>	<u>274,391</u>	<u>(171,117)</u>	<u>329,280</u>	<u>376,121</u>
Net position, January 1, as previously reported	4,456,973	3,909,735	3,209,290	3,380,407	7,666,263	7,290,142
Restatement (see Note 9)	<u>(10,491)</u>	<u>-</u>	<u>(7,273)</u>	<u>-</u>	<u>(17,764)</u>	<u>-</u>
Net position, January 1, as restated	<u>4,446,482</u>	<u>3,909,735</u>	<u>3,202,017</u>	<u>3,380,407</u>	<u>7,648,499</u>	<u>7,290,142</u>
Net position, December 31	<u>\$ 4,501,371</u>	<u>\$ 4,456,973</u>	<u>\$ 3,476,408</u>	<u>\$ 3,209,290</u>	<u>\$ 7,977,779</u>	<u>\$ 7,666,263</u>

CITY OF MOUNTAIN IRON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Governmental Activities

The most significant revenues of the governmental activities are grants and contributions not restricted to specific programs at 55% of revenues. Operating grants and contributions, 3% of revenues, include grants that help fund operating expenses. Capital grants and contributions, 2% of revenues, include grants for major projects or purchases of equipment. Property taxes and other taxes amount to \$1,520,530, 32% of revenues.

General government expense (31%) and streets expense (31%) are the most significant, followed by public safety expense (24%) and culture and recreation expense (14%).

Governmental revenues during 2024 were \$4,809,610 compared to \$4,771,996 in the prior year, which is an increase of \$37,614. Our taxpayers paid \$1,520,530 in property and other taxes during the current year, which is an increase of \$51,273.

The cost of all governmental activities this year was \$4,227,810 compared to \$3,549,463 last year. Governmental expenses increased \$529,963 in the current year. The most significant increase occurred in the City's Streets expenses.

Business-Type Activities

Revenues of the City's business-type activities were \$5,229,527 and expenses were \$5,053,789 (see Table 2). There was an increase in net position of \$274,391 during the year ended December 31, 2024, which compares to a decrease in net position of \$171,117 for the year ended December 31, 2023. Factors driving this result include:

- Operations produced an operating income of \$69,564 for the year ended December 31, 2024. The electric utility enterprise fund recorded the most significant operating income of \$309,429. The refuse removal and recycling enterprise fund recorded operating income of \$11,379. The wastewater treatment enterprise fund, water treatment enterprise fund, and Mountain Manor Apartments enterprise fund each recorded operating losses of \$139,849, \$106,493, and \$4,902 respectively.
- The City received \$98,653 of insurance proceeds due to hail damage. This extraordinary item was recorded in the Mountain Manor Apartments enterprise fund.

Mountain Iron EDA Component Unit Activity

The Mountain Iron EDA had an increase in net position of \$85,670 for the year ended December 31, 2024. Net program expenses over revenues were \$179,633. General tax revenues, interest earnings, miscellaneous revenues, and transfers from primary government were \$265,305.

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, 2024, the City's governmental funds reported total ending fund balances of \$4,712,484, a decrease of \$550,025 in comparison with the prior year. The restricted fund balance of \$1,298,184 is considered unavailable for appropriation for general operations. Assigned fund balance of \$3,887,281 is intended to be used

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

for cash flow, insurance, and buildings. Unassigned fund balance of \$(472,981) is in the City Projects Capital Projects Fund. More detailed information about the City's fund balances is presented in Note 11 to the financial statements.

At the end of the year, the general fund reported a fund balance of \$3,877,446, increasing \$95,528 from the prior year. General fund revenues were \$239,429 more than the prior year's and expenditures increased by \$109,000. During the current year, the general fund transfers to other funds were \$445,455, which were less than the prior year's transfers out of \$472,230.

The debt service fund recorded a decrease in fund balance of \$55,224 compared to a decrease in fund balance of \$56,671 last year. Special assessment revenue was recorded in the amount of \$26,408.

The city projects capital projects fund recorded a decrease in fund balance of \$591,402, resulting in an unassigned fund balance of \$(472,981). Other financing sources included transfers of \$445,455 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 2024, operating revenues increased by \$278,147 compared to the prior year. Operating expenses decreased by \$81,015. The electric operations produced an operating income of \$309,429 in 2024, compared to an operating loss of \$49,733 the prior year. The results of these transactions and nonoperating revenues and expenses was an increase of \$319,360 in net position in the current year.

The water treatment enterprise fund accounts for the water operations of the City. In 2024, operating revenues decreased by \$3,952 compared to the prior year. Operating expenses increased by \$70,061. In 2024, an operating loss of \$106,493 was recorded compared to an operating loss of \$32,480 in the prior year. Coronavirus State and Local Fiscal Recovery Fund grant revenues recognized were \$90,973. Interest expense charged to the water operations was \$24,427. These transactions resulted in a decrease of \$37,324 in net position in the current year.

The wastewater treatment enterprise fund accounts for the wastewater treatment operations of the City. In 2024, operating revenues decreased by \$9,240 compared to the prior year. Operating expenses increased by \$4,571. In 2024, an operating loss of \$139,849 was recorded compared to operating loss of \$126,038 in the prior year. These transactions and nonoperating revenues and expenses resulted in a decrease of \$136,341 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 2024, operating revenues decreased \$8,784 compared to the prior year. Operating expenses increased by \$1,827. In 2024, operating income of \$11,379 was recorded compared to an operating income of \$21,990 in the prior year. The results of these transactions and nonoperating revenues and expenses was an increase of \$23,530 in net position in the current year.

The Mountain Manor Apartments enterprise fund accounts for the operations of the Mountain Manor Apartments. In 2024, operating revenues decreased by \$4,405 compared to the prior year. Operating expenses decreased by \$23,069 compared to the prior year. In 2024, an operating loss of \$4,902 was recorded compared to an operating loss of \$23,566 in the prior year. Interest expense charged to the Mountain Manor Apartments operations was \$33,639. In 2024, \$98,653 was received for insurance proceeds due to hail damage. These

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

transactions and other nonoperating revenues and expenses resulted in a decrease of \$105,166 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 \$175,131 over the final budget amounts. The largest negative variance in the amount of (\$214,563) occurred in the public safety department. Resources available for appropriation were above the final budgeted amounts. The City received more licenses and permits and investment earnings revenues than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the City's primary government had \$20,152,051 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 \$280,379 from last year. The Mountain Iron Economic Development Authority component unit had \$17,040,065 invested in capital assets, which consisted of land and buildings.

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

	Governmental Activities		Business-Type Activities		Totals	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 409,300	\$ 409,300	\$ 26,370	\$ 26,370	\$ 435,670	\$ 435,670
Construction in progress	229,742	34,135	82,998	1,249,857	312,740	1,283,992
Land improvements	515,763	567,336	18,615	20,044	534,378	587,380
Buildings	2,186,292	1,858,751	3,390,565	3,424,777	5,576,857	5,283,528
Infrastructure	4,847,398	5,207,179	6,986,927	5,640,144	11,834,325	10,847,323
Machinery and equipment	297,593	349,171	100,315	110,367	397,908	459,538
Licensed vehicles	923,571	785,854	136,602	188,387	1,060,173	974,241
Totals	<u>\$ 9,409,659</u>	<u>\$ 9,211,726</u>	<u>\$ 10,742,392</u>	<u>\$ 10,659,946</u>	<u>\$ 20,152,051</u>	<u>\$ 19,871,672</u>
Component Unit - EDA						
Land	\$ 2,461,456	\$ 2,461,456	\$ -	\$ -	\$ 2,461,456	\$ 2,461,456
Buildings	14,578,609	14,894,178	-	-	14,578,609	14,894,178
Totals	<u>\$ 17,040,065</u>	<u>\$ 17,355,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,040,065</u>	<u>\$ 17,355,634</u>

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

This year's major additions included costs on Municipal Well costs, Park Place electric conversion, and Nichols Town Hall renovations.

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Debt

At year-end, the City had \$2,488,615 in long-term debt outstanding for the primary government versus \$2,518,574 last year—as shown in Table 4. The Mountain Iron EDA component unit had \$8,105,565 in long-term debt outstanding, a decrease of \$426,056.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities		Business-Type Activities		Totals	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
GO refunding bonds	\$ 195,000	\$ 240,000	\$ -	\$ -	\$ 195,000	\$ 240,000
Lease purchase	-	71,339	-	-	-	71,339
Water GO revenue bonds	-	-	1,065,000	1,120,000	1,065,000	1,120,000
Water and Wastewater GO revenue notes	-	-	652,000	710,000	652,000	710,000
Notes payable	-	-	576,615	377,235	576,615	377,235
Total	<u>\$ 195,000</u>	<u>\$ 311,339</u>	<u>\$ 2,293,615</u>	<u>\$ 2,207,235</u>	<u>\$ 2,488,615</u>	<u>\$ 2,518,574</u>

Component Unit - EDA

State loans \$ 8,105,565 \$ 8,531,621

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 7 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 2025 budget, tax rates, and fees that will be charged for the business-type activities.

- City General Fund expenditures increased 1.5% over 2024.
- City property taxes will increase 2% in 2025.
- The City's 2025 capital budget calls for it to spend another \$2,440,000.

CITY OF MOUNTAIN IRON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2024

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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDA
ASSETS				
Cash and cash equivalents	\$ 1,334,643	\$ 758,210	\$ 2,092,853	\$ 476,863
Investments	2,064,323	225,249	2,289,572	-
Taxes receivable	5,120	-	5,120	-
Special assessments receivable	94,436	-	94,436	-
Accounts receivable	8,191	845,353	853,544	-
Internal balances	2,253,027	(2,253,027)	-	-
Due from component unit	26,514	-	26,514	-
Due from primary government	-	-	-	412
Land sale receivable	-	-	-	10,000
Loans receivable	-	-	-	15,528
Lease receivable	-	-	-	4,608,005
Inventories	-	317,098	317,098	-
Net pension asset	248,648	-	248,648	-
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	365,301	365,301	-
Capital assets not being depreciated:				
Land	409,300	26,370	435,670	2,461,456
Construction in progress	229,742	82,998	312,740	-
Capital assets net of accumulated depreciation:				
Land improvements	515,763	18,615	534,378	-
Buildings	2,186,292	3,390,565	5,576,857	14,578,609
Infrastructure	4,847,398	6,986,927	11,834,325	-
Machinery and equipment	297,593	100,315	397,908	-
Licensed vehicles	923,571	136,602	1,060,173	-
TOTAL ASSETS	15,444,561	11,000,576	26,445,137	22,150,873
DEFERRED OUTFLOWS OF RESOURCES				
Related to other postemployment benefits	2,989,044	1,472,215	4,461,259	-
Related to pensions	141,274	50,282	191,556	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,130,318	1,522,497	4,652,815	-
LIABILITIES				
Accounts payable	419,231	302,877	722,108	31,211
Salaries payable	31,288	10,889	42,177	-
Accrued interest payable	1,828	11,733	13,561	-
Due to primary government	-	-	-	26,514
Due to component unit	412	-	412	-
Customer deposits	7,700	94,516	102,216	-
Unearned revenues	500,000	-	500,000	5,000
Noncurrent liabilities:				
Due within one year				
Compensated absences	70,631	25,003	95,634	-
Bonds, loans, notes payable and financed purchases	45,000	125,933	170,933	-
Due in more than one year				
Bonds, loans, notes payable and financed purchases	150,000	2,167,682	2,317,682	8,105,565
Other postemployment benefits	9,561,178	4,709,237	14,270,415	-
Compensated absences	137,516	47,100	184,616	-
PERA net pension liability	413,912	213,228	627,140	-
TOTAL LIABILITIES	11,338,696	7,708,198	19,046,894	8,168,290
DEFERRED INFLOWS OF RESOURCES				
Related to other postemployment benefits	2,318,044	1,141,722	3,459,766	-
Related to pensions	416,768	196,745	613,513	-
Related to leases	-	-	-	4,608,005
TOTAL DEFERRED INFLOWS OF RESOURCES	2,734,812	1,338,467	4,073,279	4,608,005
NET POSITION				
Net investment in capital assets	9,214,659	8,448,777	17,663,436	8,934,500
Restricted for:				
Debt service	1,470,379	365,301	1,835,680	516,007
Unrestricted	(6,183,667)	(5,337,670)	(11,521,337)	(75,929)
TOTAL NET POSITION	\$ 4,501,371	\$ 3,476,408	\$ 7,977,779	\$ 9,374,578

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

CITY OF MOUNTAIN IRON, MINNESOTA

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General government	\$ 1,492,180	\$ 146,104	\$ 23,080
Public safety	1,127,970	37,295	41,733
Streets	1,461,124	-	88,782
Culture and recreation	667,676	97,520	-
Interest on long-term debt	5,771	-	-
Total Governmental Activities	<u>4,754,721</u>	<u>280,919</u>	<u>153,595</u>
Business-type Activities			
Electric utility	3,001,133	3,320,493	-
Water treatment	488,205	358,456	-
Wastewater treatment	640,631	498,381	-
Refuse removal and recycling	589,542	603,264	-
Mountain Manor Apartments	334,278	334,405	-
Total Business-type Activities	<u>5,053,789</u>	<u>5,114,999</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,808,510</u>	<u>\$ 5,395,918</u>	<u>\$ 153,595</u>
COMPONENT UNIT			
EDA	<u>\$ 682,040</u>	<u>\$ 502,405</u>	<u>\$ -</u>

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

Extraordinary Item -

Insurance recovery - hail damage

Total General Revenues and Extraordinary Item

CHANGE IN NET POSITION

NET POSITION - JANUARY 1, as previously reported

Restatement (see Note 9)

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				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDA
\$ 3,873	\$ (1,319,123)	\$ -	\$ (1,319,123)	
-	(1,048,942)	-	(1,048,942)	
88,524	(1,283,818)	-	(1,283,818)	
-	(570,156)	-	(570,156)	
-	(5,771)	-	(5,771)	
92,397	(4,227,810)	-	(4,227,810)	
-	-	319,360	319,360	
90,973	-	(38,776)	(38,776)	
-	-	(142,250)	(142,250)	
-	-	13,722	13,722	
-	-	127	127	
90,973	-	152,183	152,183	
<u>\$ 183,370</u>	<u>(4,227,810)</u>	<u>152,183</u>	<u>(4,075,627)</u>	
<u>\$ -</u>				<u>\$ (179,635)</u>
	1,461,395	-	1,461,395	52,385
	-	-	-	24,469
	25,349	-	25,349	-
	33,786	-	33,786	-
	2,622,109	-	2,622,109	-
	140,060	23,555	163,615	188,451
	-	98,653	98,653	-
	4,282,699	122,208	4,404,907	265,305
	54,889	274,391	329,280	85,670
	4,456,973	3,209,290	7,666,263	9,288,908
	(10,491)	(7,273)	(17,764)	-
	4,446,482	3,202,017	7,648,499	9,288,908
	\$ 4,501,371	\$ 3,476,408	\$ 7,977,779	\$ 9,374,578

CITY OF MOUNTAIN IRON, MINNESOTA

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024**

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 619,732	\$ 661,979	\$ 43,097	\$ 9,835	\$ 1,334,643
Investments	1,428,118	636,205	-	-	2,064,323
Taxes receivable	5,120	-	-	-	5,120
Special assessments receivable	-	94,436	-	-	94,436
Accounts receivable	8,191	-	-	-	8,191
Due from other funds	2,253,027	-	-	-	2,253,027
Due from component unit	26,514	-	-	-	26,514
TOTAL ASSETS	\$ 4,340,702	\$ 1,392,620	\$ 43,097	\$ 9,835	\$ 5,786,254
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 403,153	\$ -	\$ 16,078	\$ -	\$ 419,231
Salaries payable	31,288	-	-	-	31,288
Due to component unit	412	-	-	-	412
Customer deposits	7,700	-	-	-	7,700
Unearned revenue	-	-	500,000	-	500,000
TOTAL LIABILITIES	442,553	-	516,078	-	958,631
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	20,703	-	-	-	20,703
Unavailable revenue - special assessments	-	94,436	-	-	94,436
TOTAL DEFERRED INFLOWS OF RESOURCES	20,703	94,436	-	-	115,139
FUND BALANCES					
Restricted	-	1,298,184	-	-	1,298,184
Assigned	3,877,446	-	-	9,835	3,887,281
Unassigned, reported in Capital Projects Fund	-	-	(472,981)	-	(472,981)
TOTAL FUND BALANCES	3,877,446	1,298,184	(472,981)	9,835	4,712,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,340,702	\$ 1,392,620	\$ 43,097	\$ 9,835	\$ 5,786,254

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, 2024**

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

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ 4,712,484
Net pension asset used in governmental activities is not a current financial resource and, therefore, is not reported in the governmental funds.	248,648
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	9,409,659
Deferred inflows of resources in governmental funds are susceptible to full accrual on the government-wide statements.	115,139
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(1,828)
Long-term liabilities, including bonds, loans, notes payable, financed purchases, other postemployment benefits, compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(10,378,237)
Deferred outflows and inflows of resources related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to OPEB and pensions.	3,130,318
Deferred inflows of resources related to OPEB and pensions.	<u>(2,734,812)</u>
	<u>395,506</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>4,501,371</u>

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, 2024**

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 1,510,210	\$ -	\$ -	\$ -	\$ 1,510,210
Special assessments	-	26,408	-	-	26,408
Licenses and permits	89,047	-	-	-	89,047
Intergovernmental	2,622,109	-	177,306	-	2,799,415
Charges for services	185,465	-	-	-	185,465
Fines	6,407	-	-	-	6,407
Gifts and contributions	-	-	-	3,748	3,748
Interest earnings	62,777	28,317	749	25	91,868
Gain on change in market value of investments	33,199	14,993	-	-	48,192
TOTAL REVENUES	4,509,214	69,718	178,055	3,773	4,760,760
EXPENDITURES					
Current					
General government	1,354,636	-	61,243	2,700	1,418,579
Public safety	1,000,063	-	50,689	-	1,050,752
Streets	967,521	-	216,367	-	1,183,888
Culture and recreation	646,011	-	5,817	-	651,828
Debt Service					
Principal	-	116,339	-	-	116,339
Interest and other charges	-	8,603	-	-	8,603
Capital Outlay					
General government	-	-	398,960	-	398,960
Public safety	-	-	67,747	-	67,747
Streets	-	-	374,479	-	374,479
Culture and recreation	-	-	39,610	-	39,610
TOTAL EXPENDITURES	3,968,231	124,942	1,214,912	2,700	5,310,785
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	540,983	(55,224)	(1,036,857)	1,073	(550,025)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	445,455	-	445,455
Transfers out	(445,455)	-	-	-	(445,455)
TOTAL OTHER FINANCING SOURCES (USES)	(445,455)	-	445,455	-	-
NET CHANGE IN FUND BALANCES	95,528	(55,224)	(591,402)	1,073	(550,025)
FUND BALANCES - JANUARY 1, as previously presented	3,743,629	1,353,408	118,421	8,762	5,224,220
Restatement (see Note 9)	38,289	-	-	-	38,289
FUND BALANCES - JANUARY 1, as restated	3,781,918	1,353,408	118,421	8,762	5,262,509
FUND BALANCES - DECEMBER 31	\$ 3,877,446	\$ 1,298,184	\$ (472,981)	\$ 9,835	\$ 4,712,484

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, 2024

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (550,025)**

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	882,796	
Less current year depreciation	(684,059)	
Net capital assets		198,737

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. (804)

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	10,319	
Change in unavailable revenue - special assessments	(22,535)	
Net change		(12,216)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 116,339

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	2,833	
Change in compensated absences	(34,070)	
Change in other postemployment benefits payable and related deferred inflows and outflows	241,716	
Change in net pension liability, net pension asset, and related deferred inflows and outflows	92,379	
Net change		302,858

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 54,889**

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2024

	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	\$ -	\$ -	\$ 471,742	\$ 274,539	\$ 11,929	\$ 758,210
Investments	3,495	22,240	67,106	132,408	-	225,249
Accounts receivable	599,526	62,017	80,338	102,257	1,215	845,353
Inventories	192,964	124,134	-	-	-	317,098
TOTAL CURRENT ASSETS	795,985	208,391	619,186	509,204	13,144	2,145,910
NONCURRENT ASSETS						
Restricted cash and cash equivalents						
Capital projects	-	-	-	-	154,804	154,804
Reserve account	-	-	-	-	191,478	191,478
Escrow deposits	-	-	-	-	10,500	10,500
Tenant security deposits	-	-	-	-	8,519	8,519
Total restricted cash and cash equivalents	-	-	-	-	365,301	365,301
Capital assets						
Land	18,034	-	-	-	8,336	26,370
Construction in progress	-	-	-	-	82,998	82,998
Land improvements	28,565	-	-	-	-	28,565
Buildings	741,987	3,286,139	2,718,281	12,761	1,776,541	8,535,709
Infrastructure	1,316,721	7,319,631	5,647,286	-	-	14,283,638
Machinery and equipment	-	19,979	418,447	-	361,692	800,118
Licensed vehicles	522,859	-	20,546	644,733	-	1,188,138
Less accumulated depreciation	(1,605,785)	(4,446,812)	(5,865,212)	(565,744)	(1,719,591)	(14,203,144)
Total capital assets (net of accumulated depreciation)	1,022,381	6,178,937	2,939,348	91,750	509,976	10,742,392
TOTAL NONCURRENT ASSETS	1,022,381	6,178,937	2,939,348	91,750	875,277	11,107,693
TOTAL ASSETS	1,818,366	6,387,328	3,558,534	600,954	888,421	13,253,603
DEFERRED OUTFLOWS OF RESOURCES						
Related to other postemployment benefits	624,576	223,063	223,063	401,513	-	1,472,215
Related to pensions	22,183	5,916	10,352	11,831	-	50,282
TOTAL DEFERRED OUTFLOWS OF RESOURCES	646,759	228,979	233,415	413,344	-	1,522,497
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	246,267	9,001	5,503	16,110	25,996	302,877
Salaries payable	6,202	-	4,687	-	-	10,889
Due to other funds	1,033,792	1,219,235	-	-	-	2,253,027
Customer deposits payable	83,213	1,666	-	-	9,637	94,516
Accrued interest payable	-	9,687	1,319	-	727	11,733
Compensated absences - current	19,061	-	5,942	-	-	25,003
Bonds and notes payable - current	-	81,000	34,000	-	10,933	125,933
TOTAL CURRENT LIABILITIES	1,388,535	1,320,589	51,451	16,110	47,293	2,823,978
NONCURRENT LIABILITIES						
Bonds and notes payable	-	1,460,000	142,000	-	565,682	2,167,682
Other postemployment benefit obligation	1,997,858	713,521	713,521	1,284,337	-	4,709,237
Compensated absences	20,611	-	26,489	-	-	47,100
PERA net pension liability	94,071	25,086	43,901	50,170	-	213,228
TOTAL NONCURRENT LIABILITIES	2,112,540	2,198,607	925,911	1,334,507	565,682	7,137,247
TOTAL LIABILITIES	3,501,075	3,519,196	977,362	1,350,617	612,975	9,961,225
DEFERRED INFLOWS OF RESOURCES						
Related to other postemployment benefits	484,367	172,988	172,988	311,379	-	1,141,722
Related to pensions	86,799	23,147	40,506	46,293	-	196,745
TOTAL DEFERRED INFLOWS OF RESOURCES	571,166	196,135	213,494	357,672	-	1,338,467
NET POSITION						
Net investment in capital assets	1,022,381	4,637,937	2,763,348	91,750	(66,639)	8,448,777
Restricted for debt service	-	-	-	-	365,301	365,301
Unrestricted	(2,629,497)	(1,736,961)	(162,255)	(785,741)	(23,216)	(5,337,670)
TOTAL NET POSITION	\$ (1,607,116)	\$ 2,900,976	\$ 2,601,093	\$ (693,991)	\$ 275,446	\$ 3,476,408

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, 2024

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
REVENUES						
Charges for sales and services	\$ 3,310,562	\$ 357,285	\$ 496,331	\$ 600,921	\$ 295,737	\$ 5,060,836
OPERATING EXPENSES						
Cost of sales	2,208,797	-	-	-	-	2,208,797
Salaries	293,258	71,520	149,180	98,743	-	612,701
Employee benefits	213,340	62,045	96,684	113,683	-	485,752
Contract services	-	-	27,441	-	89,362	116,803
Insurance	17,456	7,184	7,184	18,604	29,790	80,218
Miscellaneous	104,619	29,868	82,799	34,035	5,174	256,495
Repairs and maintenance	34,532	36,879	4,554	30,691	114,960	221,616
Solid waste management and tipping fees	-	-	-	236,548	-	236,548
Supplies	46,540	14,896	28,244	25,768	-	115,448
Telephone	2,478	4,189	4,612	806	-	12,085
Utilities	-	44,372	61,345	-	29,738	135,455
Depreciation	80,113	192,825	174,137	30,664	31,615	509,354
TOTAL OPERATING EXPENSES	3,001,133	463,778	636,180	589,542	300,639	4,991,272
OPERATING INCOME (LOSS)	309,429	(106,493)	(139,849)	11,379	(4,902)	69,564
NONOPERATING REVENUES (EXPENSES)						
Coronavirus State and Local Fiscal Recovery Fund	-	90,973	-	-	-	90,973
Investment income	-	917	4,303	6,595	6,386	18,201
Interest subsidy	-	-	-	-	38,668	38,668
Miscellaneous income	9,931	1,171	2,050	2,343	-	15,495
Gain on change in market value of investments	-	535	1,606	3,213	-	5,354
Interest expense	-	(24,427)	(4,451)	-	(33,639)	(62,517)
TOTAL NONOPERATING REVENUES (EXPENSES)	9,931	69,169	3,508	12,151	11,415	106,174
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	319,360	(37,324)	(136,341)	23,530	6,513	175,738
Insurance recovery - hail damage	-	-	-	-	98,653	98,653
CHANGE IN NET POSITION	319,360	(37,324)	(136,341)	23,530	105,166	274,391
FUND BALANCES - JANUARY 1, as previously presented	(1,919,188)	2,938,300	2,737,419	(717,521)	170,280	3,209,290
Restatement (see Note 9)	(7,288)	-	15	-	-	(7,273)
TOTAL NET POSITION - JANUARY 1, as restated	(1,926,476)	2,938,300	2,737,434	(717,521)	170,280	3,202,017
TOTAL NET POSITION - DECEMBER 31	\$ (1,607,116)	\$ 2,900,976	\$ 2,601,093	\$ (693,991)	\$ 275,446	\$ 3,476,408

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

CITY OF MOUNTAIN IRON, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds					
	Electric Utility Enterprise Fund	Water Treatment Enterprise Fund	Wastewater Treatment Enterprise Fund	Refuse Removal and Recycling Enterprise Fund	Mountain Manor Apartments Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 3,269,979	\$ 349,505	\$ 488,443	\$ 594,347	\$ 301,059	\$ 5,003,333
Cash paid to suppliers	(2,651,709)	(216,053)	(344,716)	(505,824)	(264,122)	(3,982,424)
Cash paid to employees	(287,714)	(71,520)	(144,149)	(98,743)	-	(602,126)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>330,556</u>	<u>61,932</u>	<u>(422)</u>	<u>(10,220)</u>	<u>36,937</u>	<u>418,783</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund financing of cash deficit	(102,957)	40,597	-	-	-	(62,360)
Interest subsidy	-	-	-	-	38,668	38,668
Insurance reimbursement	-	-	-	-	178,978	178,978
Miscellaneous income	<u>9,931</u>	<u>1,171</u>	<u>2,050</u>	<u>2,343</u>	<u>-</u>	<u>15,495</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(93,026)</u>	<u>41,768</u>	<u>2,050</u>	<u>2,343</u>	<u>217,646</u>	<u>170,781</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase or construction of capital assets	(237,630)	(90,973)	(25,497)	-	(318,024)	(672,124)
Loan proceeds	-	-	-	-	227,467	227,467
Principal paid on long-term debt	-	(80,000)	(33,000)	-	(28,087)	(141,087)
Interest paid on long-term debt	-	(24,617)	(4,698)	-	(33,797)	(63,112)
Capital grants	<u>-</u>	<u>90,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,973</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(237,630)</u>	<u>(104,617)</u>	<u>(63,195)</u>	<u>-</u>	<u>(152,441)</u>	<u>(557,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	<u>-</u>	<u>917</u>	<u>4,303</u>	<u>6,595</u>	<u>6,386</u>	<u>18,201</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(100)</u>	<u>-</u>	<u>(57,264)</u>	<u>(1,282)</u>	<u>108,528</u>	<u>49,882</u>
CASH AND CASH EQUIVALENTS, JANUARY 1 (including \$257,854 in restricted accounts)	<u>100</u>	<u>-</u>	<u>529,006</u>	<u>275,821</u>	<u>268,702</u>	<u>1,073,629</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31 (including \$365,301 in restricted accounts)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,742</u>	<u>\$ 274,539</u>	<u>\$ 377,230</u>	<u>\$ 1,123,511</u>

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, 2024

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)	\$ 309,429	\$ (106,493)	\$ (139,849)	\$ 11,379	\$ (4,902)	\$ 69,564
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	80,113	192,825	174,137	30,664	31,615	509,354
Other postemployment benefit obligation and deferred outflows and deferred inflows related to other postemployment benefit obligation	(50,508)	(18,039)	(18,039)	(32,471)	-	(119,057)
Net pension liability and deferred outflows and deferred inflows related to pensions	(21,897)	(5,839)	(10,219)	(11,678)	-	(49,633)
Changes in assets and liabilities						
(Increase) decrease in:						
Accounts receivable	(41,889)	(7,721)	(7,888)	(6,574)	4,853	(59,219)
Inventories	27,155	2,835	-	-	-	29,990
Prepaid items	-	-	-	-	1,272	1,272
Increase (decrease) in:						
Accounts payable	21,303	4,423	(3,595)	(1,540)	3,630	24,221
Salaries payable	(9,353)	-	(3,165)	-	-	(12,518)
Customer deposits payable	1,306	(59)	-	-	469	1,716
Compensated absences	14,897	-	8,196	-	-	23,093
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 330,556	\$ 61,932	\$ (422)	\$ (10,220)	\$ 36,937	\$ 418,783

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

NOTES TO FINANCIAL STATEMENTS

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Unit

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

B. Basic Financial Statements

Government-wide Financial Statements

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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 compensated absences 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 3) The enterprise funds report accounts receivable net of uncollectible accounts. The allowance amounts of \$35,625 in the electric utility enterprise fund, \$3,563 in the water treatment enterprise fund, \$5,939 in the wastewater treatment enterprise fund, and \$11,873 in the refuse removal and recycling enterprise fund were estimated using an average of prior years' accounts written off.
- 4) The City has no significant inventories in the general fund and records supplies and materials as expenditures when purchased. Enterprise funds' inventories are valued at cost, on a first-in, first-out (FIFO) basis, and the cost of these inventories are recorded as expenditures when consumed rather than when purchased.
- 5) Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted assets are reported only in the government-wide and proprietary fund financial statements.
- 6) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Outstanding balances between funds are reported as "due to/from other funds".

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

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

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

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

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

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 11) Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items in this category, related to other postemployment benefits and related to pensions. See Notes 18, 19, and 20 for details.
- 12) Government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received, but not yet earned.

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

- 13) In the government-wide financial statements and proprietary fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt. The governmental fund financial statements report debt premiums and discounts as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures. The long-term liabilities consist primarily of general obligation bonds payable, revenue bonds, a general obligation revenue note, a State loan, notes payable, compensated absences, other postemployment benefit obligation, and net pension liability.
- 14) For purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources, and pension expenses, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- 15) Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources; property taxes, which are reported in the general fund and special assessments, which are reported in the debt service fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of deferred inflows of resources is related to other postemployment benefits and pensions. See Notes 18, 19, and 20 for details. Mountain Iron EDA has deferred inflows of resources related to leases.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues and Expenditures

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.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Change in Accounting Principles

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 100, Accounting Changes and Errors Corrections. This Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decision or assessing accountability. The City adopted the requirements of the guidance effective January 1, 2024. The implementation of this standard did not result in any changes to beginning net position or fund balance.

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement 101, Compensated Absences. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That object is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City adopted the requirements of the guidance effective January 1, 2024, and has restated the beginning net position and fund balance. See note 9 for details.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficit

The following fund had a deficit balance at December 31, 2024:

City Projects Capital Projects Fund \$472,981

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

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	2,457,654	476,863
Investments	2,289,572	-
Total	<u>\$ 4,747,726</u>	<u>\$ 476,863</u>
Statement of Net Position		
Cash and cash equivalents	\$ 2,092,853	\$ 476,863
Investments	2,289,572	-
Temporarily restricted cash and cash equivalents	365,301	-
Total	<u>\$ 4,747,726</u>	<u>\$ 476,863</u>

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

The City maintains deposits at financial institutions authorized by the City Council. Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the City's deposits was \$2,457,654; the bank balance was \$2,437,955. 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 \$476,863; the bank balance was \$476,863. At year-end, the Mountain Iron EDA's bank balances were entirely insured or collateralized with securities held by the pledging financial institution's agent in the Mountain Iron EDA's name.

Investments

Custodial Credit Risk – Investments

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

Credit Risk and Concentration of Credit Risk

The City has a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain 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. The City has \$2,289,572 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:

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

- 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 at December 31, 2024 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 with one outstanding balance as of December 31, 2024. The unpaid principal balance at December 31, 2024 was \$15,528 and is recorded as loans receivable in the Mountain Iron EDA general fund.

NOTE 5 - LEASES RECEIVABLE

The Mountain Iron EDA, acting as lessor, leases a manufacturing facility and premises to Heliene USA to manufacture solar panels under a long-term lease agreement. The lease carries a discount rate of 3.84% expiring January 1, 2032. During 2024, the Mountain Iron EDA recognized \$261,491 and \$186,989 in lease revenue and interest revenue, respectively, pursuant this contract.

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

<u>Year-Ending December 31,</u>	<u>Long-Term Leases Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 321,173	\$ 176,947
2026	433,466	164,614
2027	526,271	147,969
2028	616,240	127,760
2029	639,903	104,097
2030-2034	2,070,952	161,049
Total	<u>\$ 4,608,005</u>	<u>\$ 882,436</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS December 31, 2024

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 409,300	\$ -	\$ -	\$ 409,300
Construction in progress	34,135	203,875	(8,268)	229,742
Total capital assets, not being depreciated	<u>443,435</u>	<u>203,875</u>	<u>(8,268)</u>	<u>639,042</u>
Capital assets, being depreciated:				
Land improvements	1,507,663	14,311	-	1,521,974
Buildings	3,705,146	398,960	8,268	4,112,374
Infrastructure	12,901,737	44,499	-	12,946,236
Machinery and equipment	1,581,217	27,299	(12,370)	1,596,146
Licensed vehicles	2,915,253	193,852	-	3,109,105
Total capital assets, being depreciated	<u>22,611,016</u>	<u>678,921</u>	<u>(4,102)</u>	<u>23,285,835</u>
Less accumulated depreciation for:				
Land improvements	(940,327)	(65,884)	-	(1,006,211)
Buildings	(1,846,396)	(79,686)	-	(1,926,082)
Infrastructure	(7,694,557)	(404,281)	-	(8,098,838)
Machinery and equipment	(1,232,046)	(78,073)	11,566	(1,298,553)
Licensed vehicles	(2,129,399)	(56,135)	-	(2,185,534)
Total accumulated depreciation	<u>(13,842,725)</u>	<u>(684,059)</u>	<u>11,566</u>	<u>(14,515,218)</u>
Total capital assets, being depreciated, net	<u>8,768,291</u>	<u>(5,138)</u>	<u>7,464</u>	<u>8,770,617</u>
Governmental activities capital assets, net	<u>\$ 9,211,726</u>	<u>\$ 198,737</u>	<u>\$ (804)</u>	<u>\$ 9,409,659</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 26,370	\$ -	\$ -	\$ 26,370
Construction in progress	1,249,857	173,971	(1,340,830)	82,998
Total capital assets, not being depreciated	<u>1,276,227</u>	<u>173,971</u>	<u>(1,340,830)</u>	<u>109,368</u>
Capital assets, being depreciated:				
Land improvements	28,565	-	-	28,565
Buildings	8,480,433	235,027	(179,751)	8,535,709
Infrastructure	12,679,681	263,127	1,340,830	14,283,638
Machinery and equipment	800,118	-	-	800,118
Licensed vehicles	1,188,138	-	-	1,188,138
Total capital assets, being depreciated	<u>23,176,935</u>	<u>498,154</u>	<u>1,161,079</u>	<u>24,836,168</u>
Less accumulated depreciation for:				
Land improvements	(8,521)	(1,429)	-	(9,950)
Buildings	(5,055,656)	(188,914)	99,426	(5,145,144)
Infrastructure	(7,039,537)	(257,174)	-	(7,296,711)
Machinery and equipment	(689,751)	(10,052)	-	(699,803)
Licensed vehicles	(999,751)	(51,785)	-	(1,051,536)
Total accumulated depreciation	<u>(13,793,216)</u>	<u>(509,354)</u>	<u>99,426</u>	<u>(14,203,144)</u>
Total capital assets, being depreciated, net	<u>9,383,719</u>	<u>(11,200)</u>	<u>1,260,505</u>	<u>10,633,024</u>
Business-type activities capital assets, net	<u>\$10,659,946</u>	<u>\$ 162,771</u>	<u>\$ (80,325)</u>	<u>\$10,742,392</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities

General government	\$ 62,886
Public safety	31,516
Streets	515,087
Culture and recreation	<u>74,570</u>
Total depreciation expense - governmental activities	<u><u>\$ 684,059</u></u>

Business-type activities

Electric utility	\$ 80,113
Water treatment	192,825
Wastewater treatment	174,137
Refuse removal and recycling	30,664
Mountain Manor Apartments	<u>31,615</u>
Total depreciation expense - business-type activities	<u><u>\$ 509,354</u></u>

Discretely presented component unit:

Mountain Iron EDA capital asset activity for the year ended December 31, 2024, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,461,456	\$ -	\$ -	\$ 2,461,456
Capital assets, being depreciated:				
Building	<u>15,778,482</u>	<u>-</u>	<u>-</u>	<u>15,778,482</u>
Less accumulated depreciation for:				
Building	<u>(884,304)</u>	<u>(315,569)</u>	<u>-</u>	<u>(1,199,873)</u>
Total capital assets, being depreciated, net	<u>14,894,178</u>	<u>(315,569)</u>	<u>-</u>	<u>14,578,609</u>
Governmental activities capital assets, net	<u><u>\$ 17,355,634</u></u>	<u><u>\$ (315,569)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,040,065</u></u>

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

Governmental activities

Economic development	<u><u>\$ 315,569</u></u>
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CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 7 - 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 general obligation water revenue note are payable solely from the net revenues of the Water Treatment Enterprise Fund. The Mountain Iron Housing and Redevelopment Authority entered into mortgage notes for the construction of housing facilities. This note is guaranteed by the City. For governmental activities, claims and judgments are generally liquidated by the General Fund.

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Components of long-term debt are as follows:

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Governmental activities					
General Obligation Bonds					
2016 Refunding	11/01/2016	1.625-2.25%	\$ 575,000	02/01/2028	<u>\$ 195,000</u>
Governmental activities long-term debt					<u>195,000</u>
Business-type activities					
Revenue Bonds					
2020 Water Revenue Bonds	12/16/2020	0.5-2.0%	\$ 1,225,000	02/01/2041	<u>1,065,000</u>
General Obligation Revenue Notes					
2009 PFA Wastewater					
Revenue Notes	10/20/2009	2.25%	\$ 599,250	08/20/2029	176,000
2022 PFA Drinking Water					
Revenue Note	12/28/2021	1.04%	\$ 535,973	08/20/2041	<u>476,000</u>
Total Revenue Notes Payable					<u>652,000</u>
Notes Payable					
1980 Rural Development	09/04/1980	10.75%	\$ 819,370	09/01/2044	248,623
1981 Rural Development	01/16/1981	10.75%	\$ 320,630	09/01/2044	100,525
2024 Rental Rehabilitation	09/30/2024	0.00%	\$ 682,400	09/01/2044	<u>227,467</u>
Total Notes Payable					<u>576,615</u>
Business-type activities long-term debt					<u>2,293,615</u>
Total primary government long-term debt					<u>2,488,615</u>
Discretely presented component unit					
EDA					
State Loans					
2010 IRRR	06/18/2010	1.00%	\$ 3,600,000	01/15/2037	2,605,565
2022 IRRR	06/17/2022	0.0%	\$ 5,500,000	07/13/2043	<u>5,500,000</u>
Total State Loans					<u>8,105,565</u>
Total reporting entity					<u>\$ 10,594,180</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds Payable					
2016 GO Refunding	\$ 240,000	\$ -	\$ 45,000	\$ 195,000	\$ 45,000
Financed Purchase					
Fire Pumper Lease	71,339	-	71,339	-	-
Governmental activities - long-term debt	<u>311,339</u>	<u>-</u>	<u>116,339</u>	<u>195,000</u>	<u>45,000</u>
Business-type activities					
Bonds Payable					
2020 Water Revenue Bonds	1,120,000	-	55,000	1,065,000	26,000
Revenue Notes					
2009 GO PFA Wastewater	209,000	-	33,000	176,000	34,000
2022 GO PFA Drinking Water	501,000	-	25,000	476,000	55,000
Total Revenue Notes	<u>710,000</u>	<u>-</u>	<u>58,000</u>	<u>652,000</u>	<u>89,000</u>
Notes Payable					
1980 Rural Development	269,048	-	20,425	248,623	7,785
1981 Rural Development	108,187	-	7,662	100,525	3,148
2024 Rental Rehabilitation	-	227,467	-	227,467	-
Total Notes Payable	<u>377,235</u>	<u>227,467</u>	<u>28,087</u>	<u>576,615</u>	<u>10,933</u>
Business-type activities - long-term debt	<u>2,207,235</u>	<u>227,467</u>	<u>141,087</u>	<u>2,293,615</u>	<u>125,933</u>
Total primary government	<u>2,518,574</u>	<u>227,467</u>	<u>257,426</u>	<u>2,488,615</u>	<u>170,933</u>
Discretely presented component unit					
EDA					
State loan					
2010 IRRR	3,031,621	-	426,056	2,605,565	-
2022 IRRR	5,500,000	-	-	5,500,000	-
Total State Loans	<u>8,531,621</u>	<u>-</u>	<u>426,056</u>	<u>8,105,565</u>	<u>-</u>
Total reporting entity	<u>\$ 11,050,195</u>	<u>\$ 227,467</u>	<u>\$ 683,482</u>	<u>\$ 10,594,180</u>	<u>\$ 170,933</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Government-wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 45,000	\$ 3,881	\$ 125,933	\$ 44,416	\$ 170,933	\$ 48,297
2026	50,000	2,813	126,463	42,507	176,463	45,320
2027	50,000	1,688	128,020	40,476	178,020	42,164
2028	50,000	563	130,604	38,067	180,604	38,630
2029	-	-	137,215	35,216	137,215	35,216
2030-2034	-	-	524,345	139,375	524,345	139,375
2035-2039	-	-	577,766	79,579	577,766	79,579
2040-2044	-	-	543,269	17,739	543,269	17,739
Total	<u>\$ 195,000</u>	<u>\$ 8,945</u>	<u>\$ 2,293,615</u>	<u>\$ 437,375</u>	<u>\$ 2,488,615</u>	<u>\$ 446,320</u>

No interest was capitalized during 2024 for the City or Mountain Iron EDA. Interest incurred and charged to expense totaled \$67,356 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 \$49,894. 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 \$203,945.

Enterprise Funds

The City has pledged net revenues of the Water Treatment Enterprise Fund to pay principal and interest on the \$1,225,000 general obligation water revenue bonds issued in 2020. Proceeds from these bonds were used to finance the water treatment plant filter project and water tower rehabilitation. Principal and interest paid for the current year was \$74,426. At December 31, 2024, principal and interest to maturity in 2041 to be paid from pledged future revenues totaled \$1,255,131.

The City has pledged net revenues of the Water Treatment Enterprise Fund to pay principal and interest on the \$535,973 general obligation water revenue note issued in 2022. Proceeds from this note were used to finance the municipal well project. Principal and interest paid for the current year was \$30,190. At December 31, 2024, principal and interest to maturity in 2041 to be paid from pledged future revenues totaled \$521,543.

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 \$37,698. At December 31, 2024, principal and interest to maturity in 2029 to be paid from pledged future revenues totaled \$188,049.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 7 - LONG-TERM DEBT (CONTINUED)

EDA

Component Unit

Mountain Iron EDA entered into a state loan agreement for the construction and partial equipping of a 25,000 square foot manufacturing facility on June 18, 2010. The loan settlement occurred on February 15, 2011 and the final loan funds were drawn in 2013. The Mountain Iron EDA leased this facility to Silicon Energy MN, LLC. Silicon Energy terminated its lease agreement with the EDA effective April 30, 2017. The Mountain Iron EDA currently leases this facility to Heliene, USA. This lease became effective January 1, 2023. The loan is considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues (gross revenues less building expenses) due to the State by January 15th of each calendar year, as defined in the loan agreement. At December 31, 2024, the principal balance outstanding totals \$2,605,565.

Mountain Iron EDA entered into a state loan agreement for additional construction and expansion totaling 65,000 square feet to the 25,000 square foot manufacturing facility on June 17, 2022. The loan settlement occurred on July 13, 2022 and the final loan funds were drawn in 2023. The Mountain Iron EDA currently leases this facility to Heliene, USA. This lease became effective January 1, 2023. The loan is considered an obligation of the Mountain Iron EDA and will be repaid with net rent revenues (gross revenues less building expenses) due to the State by the first day of the month following the first anniversary date of the closing date and on the first day of each month thereafter until the due date, as defined in the promissory note. At December 31, 2024, the principal balance outstanding totals \$5,500,000.

NOTE 8 - COMPENSATED ABSENCES

The City provides compensated absences benefits to eligible employees as established by contracts with bargaining units or other employment contracts. These benefits are based on accumulated vacation, comp time, and sick leave. Both non-union and union employees may accrue vacation, comp time, and sick time as established by their employment agreements. The City's liability for compensated absences was \$280,250 at December 31, 2024.

Compensated absences activity for the year ended December 31, 2024 was as follows:

Beginning balance (as restated)	\$ 238,686
Net change	<u>41,564</u>
Ending balance	<u>\$ 280,250</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS December 31, 2024

NOTE 9 - RESTATEMENT

As the result of implementing GASB Statement No. 101, Compensated Absences, the City has restated beginning net position of the governmental activities, business type activities, and proprietary funds and fund balance of the General Fund as shown in the following table.

			Governmental Fund	Proprietary Funds	
	Governmental Activities	Business-type Activities	General Fund	Electric Utility Enterprise Fund	Wastewater Treatment Enterprise Fund
Net position or fund balance January 1, 2024 prior to restatement	\$ 4,456,973	\$ 3,209,290	\$ 3,743,629	\$(1,919,188)	\$ 2,737,419
Change in accounting principle (GASB 101)	<u>(10,491)</u>	<u>(7,273)</u>	<u>38,289</u>	<u>(7,288)</u>	<u>15</u>
Net position or fund balance January 1, 2024, as restated	<u>\$ 4,446,482</u>	<u>\$ 3,202,017</u>	<u>\$ 3,781,918</u>	<u>\$(1,926,476)</u>	<u>\$ 2,737,434</u>

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2024 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Treatment Enterprise Fund	\$ 1,219,235
General Fund	Electric Utility Enterprise Fund	<u>1,033,792</u>
	Total	<u>\$2,253,027</u>

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, 2024 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ 445,455
City Projects Capital Projects Fund	<u>445,455</u>	<u>-</u>
Total	<u>\$ 445,455</u>	<u>\$ 445,455</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 10 - INTERFUND BALANCES AND ACTIVITY (CONTINUED)

Transfers are used to: move revenues from the General Fund to the City Projects Capital Projects Fund for authorized projects.

NOTE 11 - FUND EQUITY

As of December 31, 2024, fund balances are comprised of the following:

	General Fund	Debt Service Fund	City Projects Capital Projects Fund	Charitable Gambling Special Revenue Fund	Total
Restricted:					
Debt service	\$ -	\$ 1,298,184	\$ -	\$ -	\$ 1,298,184
Assigned:					
Cash flow	250,000	-	-	-	250,000
Insurance	1,209,149	-	-	-	1,209,149
Buildings	1,209,149	-	-	-	1,209,149
Rate stabilization	1,209,148	-	-	-	1,209,148
Community contributions	-	-	-	9,835	9,835
Total assigned	<u>3,877,446</u>	<u>-</u>	<u>-</u>	<u>9,835</u>	<u>3,887,281</u>
Unassigned, reported in:					
Capital projects funds	-	-	(472,981)	-	(472,981)
Total fund balances	<u>\$ 3,877,446</u>	<u>\$ 1,298,184</u>	<u>\$ (472,981)</u>	<u>\$ 9,835</u>	<u>\$ 4,712,484</u>

NOTE 12 - 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS December 31, 2024

NOTE 13 - TAX INCREMENT FINANCING DISTRICTS

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

<u>Tax Increment Financing District</u>	<u>No. 15</u>	<u>No. 16</u>	<u>No. 17</u>	<u>No. 18</u>
Economic development district established in:	2016	2018	2024	2024
Anticipated last tax increment year:	2026	2028	2034	2052
Original net tax capacity:	<u>\$ 2,684</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ -</u>
Current net tax capacity:	<u>\$ 16,248</u>	<u>\$ 10,566</u>	<u>\$ -</u>	<u>\$ -</u>
Fiscal disparity deduction	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Captured net tax capacity retained by Authority:	<u>\$ 13,564</u>	<u>\$ 9,639</u>	<u>\$ -</u>	<u>\$ -</u>
Total bonds issued				
Tax increment bonds	\$ -	\$ -	\$ -	\$ -
Amounts redeemed	-	-	-	-
Outstanding bonds at 12/31/24	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 14 - 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;

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 14 - TAX ABATEMENTS (CONTINUED)

- g. phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or
- h. stabilize the tax base through equalization of property tax revenues for a specified period of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

For the year ended December 31, 2024, 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 15 - 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, 2024, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Electric Utility Commitments

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

Construction Projects

The City had the following outstanding construction projects as of December 31, 2024. The projects are evidenced by contractual commitments with contractors:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
Mineral Avenue Watermain	\$ 86,683	\$ 231,150
2023 Drainage Improvements	81,088	5,967
	<u>\$ 167,771</u>	<u>\$ 237,117</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 16 - 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 2024 was \$24,041. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, Eveleth, Minnesota 55734.

Biosolids Disposal Site Authority

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

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

Each member city contributes to the budget of the Authority based on the per capita reported in the 2010 Census. The City of Mountain Iron's contribution to the Authority's budget during 2024 was \$6,401. 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 16 - JOINT VENTURES (CONTINUED)

The City of Mountain Iron's contribution to the Authority's budget during 2024 was \$6,577. Complete financial information can be obtained from the Quad Cities Recreation Center, Eveleth, Minnesota 55734.

NOTE 17 - OTHER EMPLOYEE BENEFITS

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 \$15,158 for the year ended December 31, 2024.

NOTE 18 - 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, 2023, plan membership consisted of the following:

Active employees electing coverage	17
Active employees waiving coverage	0
Retirees electing coverage	19
Retirees with only non-medical OPEB coverage	<u>1</u>
	<u>37</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 18 - 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, 2024, 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 \$14,270,415 was measured as of December 31, 2023, 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, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.77%
Long-term expected investment return	N/A
Inflation rate	2.50%
Mortality	From the July 1, 2023 PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Health care cost trend rate	6.9% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% 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, 2023.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 10,587,465
Changes for the year:	
Service cost	71,578
Interest	421,224
Differences between expected and actual experience	2,485,350
Changes of assumptions	1,221,721
Changes in benefit terms	-
Benefit payments paid directly	(516,923)
Net changes	<u>3,682,950</u>
Balance at 12/31/2024	\$ <u>14,270,415</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 3.77%, a decrease from the 4.05% discount rate measured as of December 31, 2023.

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 (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate.

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
Net OPEB liability	\$ 16,430,930	\$ 14,270,415	\$ 12,503,971

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

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 12,582,218	\$ 14,270,415	\$ 16,326,451

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended December 31, 2024, the City recognized OPEB expense of \$(360,772). At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ 2,236,337	\$ 311,872
Change of assumptions	1,631,214	3,147,894
Contributions between measurement date and reporting date	593,708	-
Total	\$ 4,461,259	\$ 3,459,766

\$593,708 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, 2025. 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
2025	\$ (164,502)
2026	\$ 107,273
2027	\$ (117,230)
2028	\$ (29,345)
2029	\$ 580,952
Thereafter	\$ 30,637

NOTE 19 - 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). These plan provisions are established and administered in accordance with Minnesota Statutes, Chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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 prorated increase.

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$118,770. The City's contributions were equal to the required contributions as set by state statute.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$627,140 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 \$16,217.

City's proportionate share of the net pension liability	\$ 627,140
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>16,217</u>
Total	<u>\$ 643,357</u>

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0170 percent at the end of the measurement period and 0.0191 percent for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2024, the City recognized pension expense of \$32,063 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$435 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$28,854 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2024, the City reported 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	\$ 61,889	\$ -
Changes in actuarial assumptions	3,826	259,190
Net difference between projected and actual earnings on pension plan investments	-	146,722
Changes in proportion	26,691	172,751
Employer contributions subsequent to the measurement date	63,456	-
Total	\$ 155,862	\$ 578,663

The \$63,456 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2025	\$ (241,169)
2026	\$ (87,728)
2027	\$ (109,295)
2028	\$ (48,065)

Aggregate Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$(10,075).

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0 percent. The 7.0 assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0 percent is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirement, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increases in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

Sensitivity Analysis		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.00%	\$ 1,369,775
Current Discount Rate	7.00%	\$ 627,140
1% Higher	8.00%	\$ 16,255

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 20 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT

Plan Description

The Mountain Iron Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered twenty-five active firefighters and eleven vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

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 either five or ten years of service, depending on the vesting schedule selected. 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 \$19,770 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. No City contributions were required in 2023.

Pension Costs

At December 31, 2024, the City reported a net pension asset of \$248,648 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 20 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance 12/31/22	\$ 278,434	\$ 515,402	\$ (236,968)
Changes for the Year			
Service Cost	25,002	-	25,002
Interest on Pension Liability	18,206	-	18,206
Actuarial Experience (Gains)/Losses	(11,614)	-	(11,614)
Projected Investment Earnings	-	31,517	(31,517)
Changes in Benefit Level	53,876	-	53,876
Contributions (Employer)	-	-	-
Contributions (State)	-	19,770	(19,770)
Asset (Gain)/Loss	-	45,863	(45,863)
Benefit Payouts	-	-	-
PERA Administrative Fee	-	-	-
Net Changes	85,470	97,150	(11,680)
Balance End of Year 12/31/23	\$ 363,904	\$ 612,552	\$ (248,648)

An increase of \$53,876 to benefit provisions occurred during the measurement period.

For the year ended December 31, 2024, the City recognized pension expense of \$45,703.

At December 31, 2024, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial experience gains/losses	\$ -	\$ 34,850
Difference between projected and actual investment earnings	21,704	-
Contributions paid to PERA subsequent to the measurement date	21,963	-
Total	\$ 43,667	\$ 34,850

\$21,963 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 for the year ended December 31, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 20 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

Year Ended December 31:	Pension Expense Amount
2024	\$ (7,510)
2025	\$ 2,183
2026	\$ 9,094
2027	\$ (10,139)
Thereafter	\$ (6,774)

Actuarial Assumptions

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

- Retirement eligibility at the later of age 50 or when fully vested
- Investment rate of return of 6.0 percent

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

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made at a rate equal to the actuarially determined contribution rate. Based on these assumptions, the pension plan's fiduciary net position 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.

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	\$ 232,007	\$ 248,648	\$ 264,392

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE 20 - DEFINED BENEFIT PENSION PLAN – FIRE DEPARTMENT (CONTINUED)

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.

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 calendar year 2023 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, 2023, 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 21 - DEFINED CONTRIBUTION PLAN

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 and 356, 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.

Total contributions made by the City of Mountain Iron, Minnesota during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$780	\$780	5.00%	5.00%	5.00%

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, 2024

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,483,543	\$ 1,483,543	\$ 1,510,210	\$ 26,667
Licenses and permits	27,000	27,000	89,047	62,047
Intergovernmental	2,660,717	2,660,717	2,622,109	(38,608)
Charges for services	150,000	150,000	185,465	35,465
Fines	10,000	10,000	6,407	(3,593)
Investment earnings	15,000	15,000	62,777	47,777
Gain on change in market value of investments	<u>-</u>	<u>-</u>	<u>33,199</u>	<u>33,199</u>
TOTAL REVENUES	<u>4,346,260</u>	<u>4,346,260</u>	<u>4,509,214</u>	<u>162,954</u>
EXPENDITURES				
Current				
General government	1,547,600	1,547,600	1,354,636	192,964
Public safety	785,500	785,500	1,000,063	(214,563)
Streets	900,000	900,000	967,521	(67,521)
Culture and recreation	<u>560,000</u>	<u>560,000</u>	<u>646,011</u>	<u>(86,011)</u>
TOTAL EXPENDITURES	<u>3,793,100</u>	<u>3,793,100</u>	<u>3,968,231</u>	<u>(175,131)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>553,160</u>	<u>553,160</u>	<u>540,983</u>	<u>(12,177)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(553,160)</u>	<u>(553,160)</u>	<u>(445,455)</u>	<u>107,705</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>95,528</u>	<u>95,528</u>
FUND BALANCE - JANUARY 1, as previously presented	<u>3,743,629</u>	<u>3,743,629</u>	<u>3,743,629</u>	<u>-</u>
Restatement (see Note 9)	<u>-</u>	<u>-</u>	<u>38,289</u>	<u>38,289</u>
FUND BALANCE - JANUARY 1, as restated	<u>3,743,629</u>	<u>3,743,629</u>	<u>3,781,918</u>	<u>38,289</u>
FUND BALANCE - DECEMBER 31	<u>\$ 3,743,629</u>	<u>\$ 3,743,629</u>	<u>\$ 3,877,446</u>	<u>\$ 133,817</u>

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, 2024

	2024	2023	2022
Total OPEB Liability			
Service cost	\$ 71,578	\$ 134,039	\$ 138,611
Interest	421,224	260,545	300,919
Differences between expected and actual experience	2,485,350	55,309	246,591
Changes of assumptions	1,221,721	(3,901,757)	(1,009,450)
Changes of benefit terms	-	306,790	-
Benefit payments	<u>(516,923)</u>	<u>(586,987)</u>	<u>(528,969)</u>
 Net change in OPEB liability	 3,682,950	 (3,732,061)	 (852,298)
 Total OPEB Liability - beginning	 <u>10,587,465</u>	 <u>14,319,526</u>	 <u>15,171,824</u>
Total OPEB Liability - ending	<u><u>\$ 14,270,415</u></u>	<u><u>\$ 10,587,465</u></u>	<u><u>\$ 14,319,526</u></u>
 Payroll for measurement period	 \$ 1,352,332	 \$ 1,457,977	 \$ 1,608,637
 Net OPEB Liability as a % of employee payroll	 1055.2%	 726.2%	 890.2%

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

See notes to required supplementary information.

2021	2020	2019	2018
\$ 103,706	\$ 134,921	\$ 147,303	\$ 119,440
365,424	556,733	527,098	544,667
1,306	(1,716,707)	-	-
1,770,534	(149,052)	(1,095,135)	1,357,219
-	-	-	-
<u>(507,164)</u>	<u>(518,492)</u>	<u>(451,516)</u>	<u>(389,459)</u>
1,733,806	(1,692,597)	(872,250)	1,631,867
<u>13,438,018</u>	<u>15,130,615</u>	<u>16,002,865</u>	<u>14,370,998</u>
<u>\$ 15,171,824</u>	<u>\$ 13,438,018</u>	<u>\$ 15,130,615</u>	<u>\$ 16,002,865</u>
\$ 1,578,153	\$ 1,517,312	\$ 1,510,514	\$ 1,529,452
961.4%	885.6%	1001.7%	1046.3%

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, 2024**

**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
6/30/24	0.0170%	\$ 627,140	\$ 16,217	\$ 643,357	\$ 1,426,322	45.11%	89.10%
6/30/23	0.0191%	\$ 1,068,051	\$ 29,403	\$ 1,097,454	\$ 1,455,051	75.42%	83.10%
6/30/22	0.0212%	\$ 1,679,047	\$ 49,402	\$ 1,728,449	\$ 1,510,747	114.41%	76.70%
6/30/21	0.0187%	\$ 798,574	\$ 24,423	\$ 822,997	\$ 1,456,417	56.51%	87.00%
6/30/20	0.0207%	\$ 1,241,060	\$ 38,201	\$ 1,279,261	\$ 1,473,994	86.79%	79.10%
6/30/19	0.0223%	\$ 1,161,043	\$ 35,998	\$ 1,197,041	\$ 1,484,628	80.63%	80.20%
6/30/18	0.0223%	\$ 1,237,113	\$ 40,524	\$ 1,277,637	\$ 1,497,320	85.33%	79.53%
6/30/17	0.0207%	\$ 1,321,474	\$ 16,649	\$ 1,338,123	\$ 1,337,361	100.06%	75.90%
6/30/16	0.0223%	\$ 1,810,649	\$ 23,552	\$ 1,834,201	\$ 1,380,707	132.85%	68.91%
6/30/15	0.0232%	\$ 1,202,344	\$ -	\$ 1,202,344	\$ 1,361,289	88.32%	78.19%

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

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

See notes to required supplementary information.

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULES OF CITY PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CITY'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLAN
Year Ended December 31, 2024**

**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)
12/31/24	\$ 118,770	\$ 118,770	\$ -	\$ 1,583,594	7.50%
12/31/23	\$ 105,304	\$ 97,330	\$ 7,974	\$ 1,404,053	6.93%
12/31/22	\$ 111,061	\$ 98,353	\$ 12,708	\$ 1,480,811	6.64%
12/31/21	\$ 107,551	\$ 95,638	\$ 11,913	\$ 1,456,417	6.57%
12/31/20	\$ 114,958	\$ 114,958	\$ -	\$ 1,532,774	7.50%
12/31/19	\$ 109,491	\$ 109,491	\$ -	\$ 1,459,875	7.50%
12/31/18	\$ 113,171	\$ 113,171	\$ -	\$ 1,508,947	7.50%
12/31/17	\$ 106,757	\$ 106,757	\$ -	\$ 1,423,422	7.50%
12/31/16	\$ 100,889	\$ 100,889	\$ -	\$ 1,345,187	7.50%
12/31/15	\$ 103,946	\$ 103,946	\$ -	\$ 1,385,947	7.50%

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

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

See notes to required supplementary information.

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
Year Ended December 31, 2024**

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

	2023	2022	2021	2020
Total Pension Liability				
Service cost	\$ 25,002	\$ 25,002	\$ 19,272	\$ 15,598
Interest on the pension liability	18,206	16,222	14,734	13,328
Actuarial experience (gains)/losses	(11,614)	(27,336)	(14,929)	(9,155)
Changes in benefit level	53,876	19,172	-	-
Benefit payments	-	-	-	-
Net Change in Total Pension Liability	85,470	33,060	19,077	19,771
Total Pension Liability - Beginning	278,434	245,374	226,297	206,526
Total Pension Liability - Ending (a)	\$ 363,904	\$ 278,434	\$ 245,374	\$ 226,297
Plan Fiduciary Net Position				
Contributions:				
Fire state aid	\$ 16,728	\$ 14,497	\$ 14,171	\$ 13,447
Fire supplemental aid	3,042	2,926	2,978	2,968
Supplemental benefit reimbursement	-	-	-	-
Required municipal contribution	-	-	-	-
Adjustment to initial asset transfer	-	-	-	-
Net investment income	77,380	(88,278)	50,854	65,640
PERA administrative fee	-	(1,050)	(870)	(780)
Auditor/accounting fee	-	-	-	-
SBI investment fee	-	(36)	(30)	(25)
Benefit payments	-	-	-	-
Net Change in Plan Fiduciary Net Position	97,150	(71,941)	67,103	81,250
Plan Fiduciary Net Position - Beginning	515,402	587,343	520,240	438,990
Plan Fiduciary Net Position - Ending (b)	\$ 612,552	\$ 515,402	\$ 587,343	\$ 520,240
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (248,648)	\$ (236,968)	\$ (341,969)	\$ (293,943)
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	168.3%	185.1%	239.4%	229.9%

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

See notes to required supplementary information.

2019	2018	2017	2016	2015	2014
\$ 13,171	\$ 14,436	\$ 13,717	\$ 13,369	\$ 13,192	\$ 15,601
12,652	13,170	13,344	13,695	13,239	13,591
(17,002)	(34,974)	(3,174)	(5,760)	(18,997)	(14,167)
-	-	-	-	-	-
-	-	(55,000)	-	-	(37,000)
8,821	(7,368)	(31,113)	21,304	7,434	(21,975)
197,705	205,073	236,186	214,882	207,448	229,423
<u>\$ 206,526</u>	<u>\$ 197,705</u>	<u>\$ 205,073</u>	<u>\$ 236,186</u>	<u>\$ 214,882</u>	<u>\$ 207,448</u>
\$ 12,797	\$ 12,555	\$ 12,129	\$ 12,061	\$ 11,740	\$ 11,169
2,963	2,987	2,935	2,926	2,872	2,702
-	1,000	-	-	1,000	-
-	-	-	-	-	5,814
-	-	-	-	-	3,098
66,241	(14,112)	42,137	22,288	470	19,550
(780)	(750)	(600)	(630)	(630)	(660)
-	-	-	-	-	(1,950)
(24)	(21)	(20)	(24)	(10)	-
-	-	(55,000)	-	-	(37,000)
81,197	1,659	1,581	36,621	15,442	2,723
357,793	356,134	354,553	317,932	302,490	299,767
<u>\$ 438,990</u>	<u>\$ 357,793</u>	<u>\$ 356,134</u>	<u>\$ 354,553</u>	<u>\$ 317,932</u>	<u>\$ 302,490</u>
<u>\$ (232,464)</u>	<u>\$ (160,088)</u>	<u>\$ (151,061)</u>	<u>\$ (118,367)</u>	<u>\$ (103,050)</u>	<u>\$ (95,042)</u>
212.6%	181.0%	173.7%	150.1%	148.0%	145.8%

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF CITY CONTRIBUTIONS
Year Ended December 31, 2024**

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

	2023	2022	2021	2020
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Actual contributions paid	-	-	-	-
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

2019	2018	2017	2016	2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,814
-	-	-	-	-	5,814
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2024

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. Formal budgetary integration is not employed for the Charitable Gambling Special Revenue Fund because effective control is alternatively achieved.

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

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

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded appropriations in the following fund for the year ended December 31, 2024:

General Fund	<u>\$ 175,131</u>
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The overexpenditures were funded by existing fund balance.

NOTE 3 - POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

2024 Changes

The following valuation changes have been made:

- Retiree premiums were updated to current levels.

The following assumption changes have been made:

- The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 PERA police & Fire Plan valuations to the rates used in the 7/1/2023 valuations.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 70% to 75% to reflect recent plan experience.
- The general inflation assumptions was changed from 2.25% to 2.5% based on an updated analysis of historical inflation rates and forward-looking market expectations.

2023 Changes

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

CITY OF MOUNTAIN IRON, MINNESOTA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2024**

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

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

2022 Changes

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

- Retiree premiums were updated to current levels.

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

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuations to the rates used in the 7/1/2021 valuation.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

2021 Changes

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

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

2020 Changes

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

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

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2024

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

2019 Changes

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

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

2018 Changes

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

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

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

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2024

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

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended December 31, 2024

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

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- 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.

CITY OF MOUNTAIN IRON, MINNESOTA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2024**

**NOTE 4 - 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

CITY OF MOUNTAIN IRON, MINNESOTA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended December 31, 2024**

REVENUES

TAXES

General property	\$ 1,451,075
Mineral rents and royalties	33,786
Franchise	<u>25,349</u>
TOTAL TAXES	<u>1,510,210</u>

LICENSES AND PERMITS

89,047

INTERGOVERNMENTAL

State

Local government aid	1,595,717
Market value credit	1,076
Taconite production	601,513
Taconite municipal aid	265,560
Mining effects	112,341
Other state aids	<u>45,902</u>

TOTAL INTERGOVERNMENTAL

2,622,109

CHARGES FOR SERVICES

General government

Rent	11,275
Other reimbursements	87,995

Culture and recreation

Recreation fees	5,530
Campground fees	<u>80,665</u>

TOTAL CHARGES FOR SERVICES

185,465

FINES

Fines and forfeits

6,407

INTEREST EARNINGS

62,777

**GAIN ON CHANGE IN MARKET VALUE OF
INVESTMENTS**

33,199

TOTAL REVENUES

4,509,214

CITY OF MOUNTAIN IRON, MINNESOTA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
Year Ended December 31, 2024**

EXPENDITURES

CURRENT

GENERAL GOVERNMENT

Mayor and council	\$ 23,514
Administration	632,299
Elections	17,165
Assessor	64
Retiree's insurance	315,947
Other	58,856
Buildings	216,731
Planning and zoning	90,060
TOTAL GENERAL GOVERNMENT	<u>1,354,636</u>

PUBLIC SAFETY

Sheriff	778,753
Fire	193,239
Animal control	25,071
Civil defense	3,000
TOTAL PUBLIC SAFETY	<u>1,000,063</u>

STREETS

967,521

CULTURE AND RECREATION

Library	248,014
Recreation	267,459
Campgrounds	130,538
TOTAL CULTURE AND RECREATION	<u>646,011</u>

TOTAL EXPENDITURES

3,968,231

**EXCESS OF REVENUES OVER
EXPENDITURES**

540,983

OTHER FINANCING SOURCES (USES)

Transfers out	<u>(445,455)</u>
---------------	------------------

NET CHANGE IN FUND BALANCE

95,528

**FUND BALANCE - JANUARY 1, as previously
presented**

3,743,629

Restatement (see Note 9)

38,289

FUND BALANCE - JANUARY 1, as restated

3,781,918

FUND BALANCE - DECEMBER 31

\$ 3,877,446

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, 2024**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 110,000	\$ 80,296	\$ 14,304
Miscellaneous	-	1	-
Interest and investment earnings	<u>5,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>115,000</u>	<u>80,297</u>	<u>14,304</u>
USES OF FUNDS			
Land/building acquisition	83,000	72,270	12,874
Administrative costs	11,000	18,078	1,689
Interest expense	<u>21,000</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>115,000</u>	<u>90,348</u>	<u>14,563</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ (10,051)</u>	<u>\$ (259)</u>

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, 2024**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 158,437	\$ 41,650	\$ 10,165
Interest and investment earnings	<u>5,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>163,437</u>	<u>41,650</u>	<u>10,165</u>
USES OF FUNDS			
Land/building acquisition	60,000	37,485	9,148
Site improvements/preparation costs	51,371	-	-
Administrative costs	14,000	19,589	1,689
Interest expense	<u>38,066</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>163,437</u>	<u>57,074</u>	<u>10,837</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ (15,424)</u>	<u>\$ (672)</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 17
Year Ended December 31, 2024**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 591,890	\$ -	\$ -
USES OF FUNDS			
Site improvements/preparation costs	402,000	-	-
Administrative costs	59,189	-	17,519
Interest expense	<u>130,701</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>591,890</u>	<u>-</u>	<u>17,519</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,519)</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 18
Year Ended December 31, 2024**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	<u>\$ 311,853</u>	<u>\$ -</u>	<u>\$ -</u>
USES OF FUNDS			
Construction of affordable housing	140,035	-	-
Administrative costs	31,185	-	13,750
Interest expense	<u>140,633</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>311,853</u>	<u>-</u>	<u>13,750</u>
DISTRICT BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,750)</u></u>



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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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Mountain Iron, Minnesota as of and for the year ended December 31, 2024, 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 July 18, 2025. Our report includes a reference to other auditors who audited the financial statements of Mountain Manor Apartments Enterprise Fund, as described in our report on the City of Mountain Iron, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-002 and 2024-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that City of Mountain Iron, Minnesota failed to comply with the provisions of the miscellaneous provisions 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, as described in the schedule of findings and responses as item 2024-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that City of Mountain Iron, Minnesota, failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and tax increment financing sections of *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

We noted certain matters that we reported to the management of City of Mountain Iron, Minnesota in a separate letter dated July 18, 2025, 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 & Helne, LLC

Virginia, Minnesota
July 18, 2025

CITY OF MOUNTAIN IRON, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2024

Prior Audit Financial Statement Findings

FINDING 2023-001. 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 2023-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Summary of Condition

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

Summary of Corrective Action Previously Reported

Management determined that the cost and training involved to review or prepare the City's financial statements exceeded the benefit that would result.

Current Status

Ongoing.

FINDING 2023-003. BANK RECONCILIATIONS

Summary of Condition

The City's checking account reconciliation for December 31, 2023, contained many reconciling items that had not been corrected in the reconciliation or accounting software.

Summary of Corrective Action Previously Reported

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

Current Status

Resolved 2023; ongoing 2024.

CITY OF MOUNTAIN IRON, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2024

FINDING 2023-004. DELINQUENT MINNESOTA PERA CONTRIBUTIONS

Summary of Condition

PERA contributions were not remitted within 14 calendar days after two separate pay dates in 2023 resulting in the City is not complying with *Minnesota Statutes* §353.27 relating to timely remittance of employee and employer PERA contributions.

Summary of Corrective Action Previously Reported

Management agrees with the audit finding. Delinquent 2023 contributions and related interest were paid to PERA. Management and staff will review payroll withholdings to ensure timely payments to appropriate vendors.

Current Status

Resolved 2023.

CITY OF MOUNTAIN IRON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2024

2024-001. 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.

2024-002. 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.

CITY OF MOUNTAIN IRON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2024

2024-002. 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.

2024-003. BANK RECONCILIATIONS

Criteria

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

Condition

The City's checking account reconciliation for December 31, 2024 contained many reconciling items that had not been corrected in the reconciliation or accounting software. Items were recorded in the general ledger as paid or receipted but were not actually paid or receipted by the City, items were paid or received by the City but not recorded in the general ledger, or items were recorded twice. Audit adjustments were made to correct checking account cash in the general ledger at December 31, 2024 in the amount of \$58,723.

Effect

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

Cause

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

Recommendations

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

Views of Responsible Officials and Planned Corrective Action

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

CITY OF MOUNTAIN IRON, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2024

MINNESOTA LEGAL COMPLIANCE

2024-004. UNCLAIMED PROPERTY

Criteria

Minnesota Statutes require that unclaimed or uncashed checks held for more than three years (or one year for unpaid compensation) be paid or delivered to the state Commissioner of Commerce pursuant to *Minnesota Statutes* §345.41, .43.

Condition

They City has outstanding checks on their bank reconciliation that are more than three years old.

Effect

The City is not in compliance with *Minnesota Statutes* relating to unclaimed property.

Cause

This occurred because the City did not review their unclaimed property (old outstanding checks) and pay or deliver it to the state Commissioner of Commerce.

Recommendations

We recommend the City pay or deliver unclaimed property to the state Commissioner of Commerce pursuant to *Minnesota Statutes* §345.41, .43.

Views of Responsible Officials and Planned Corrective Action

Management agrees with the finding and will pay or deliver unclaimed property to the state Commissioner of Commerce pursuant to *Minnesota Statutes* §345.41, .43.



CITY OF MOUNTAIN IRON

"TACONITE CAPITAL OF THE WORLD"

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REPRESENTATION OF THE CITY OF MOUNTAIN IRON, MINNESOTA

CORRECTIVE ACTION PLAN Year Ended December 31, 2024

Finding Number: 2024-001
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: 2024-002
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: 2024-003
Finding Title: BANK RECONCILIATIONS

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

Corrective Action Planned

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

Anticipated Completion Date

December 31, 2025.

Finding Number: 2024-004

Finding Title: UNCLAIMED PROPERTY

Name of Contact Person Responsible for Corrective Action

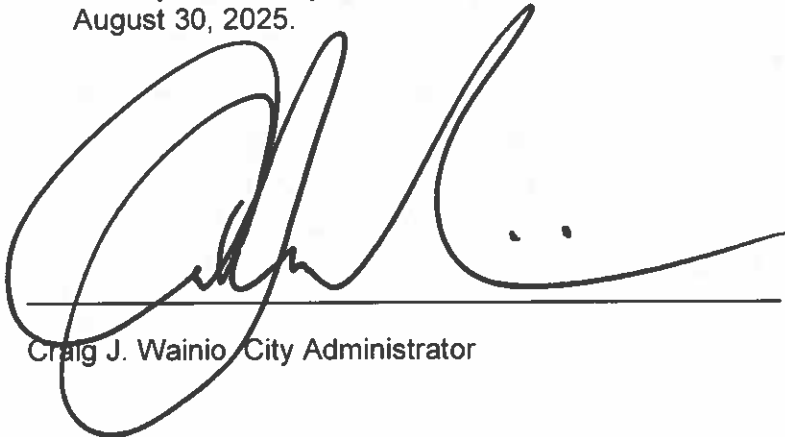
Craig J. Wainio, City Administrator

Corrective Action Planned

Management agrees with the finding and will pay or deliver unclaimed property to the state Commissioner of Commerce pursuant to Minn. Stat. §345.41, .43.

Anticipated Completion Date

August 30, 2025.

A large, stylized handwritten signature in black ink, appearing to be 'CW', is written over a horizontal line.

Craig J. Wainio, City Administrator



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Mountain Iron, Minnesota's system of internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated July 18, 2025, 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 July 18, 2025, 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 water treatment enterprise fund, wastewater treatment enterprise fund, and Mountain Manor Apartments enterprise fund each reported an operating loss for the year ended December 31, 2024. The electric utility enterprise fund and water treatment enterprise fund have also recorded liabilities for amounts due to other funds of \$1,033,792 and \$1,219,235, 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. Campground revenues required significant audit adjustments to correct 2024 amounts. We recommend care be taken when coding receipts to ensure proper coding and accurate reporting. Timely and accurate bank reconciliations also aid in ensuring all revenues and receipts are recorded.

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

Walker, Gray & Helne, LLC

Virginia, Minnesota

July 18, 2025