

CITY OF MOUNTAIN IRON, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2000**

CITY OF MOUNTAIN IRON, MINNESOTA

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CITY OF MOUNTAIN IRON, MINNESOTA

**ORGANIZATION
December 31, 2000**

CITY COUNCIL

Mayor

Mitchell Brunfelt

Council Members

Joseph Matanich
Carolyn Olsen
Curt Piri
Stephen Skogman

ADMINISTRATION

Administrator

Craig Wainio



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mountain Iron, Minnesota

We have audited the accompanying general purpose financial statements of the City of Mountain Iron, Minnesota, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Mountain Iron, Minnesota's, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit the fixed assets included in the proprietary fund and the general fixed assets account group because the City does not maintain adequate records of its proprietary fund fixed assets and general fixed assets and their related historical cost as required by generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the proprietary fund fixed assets and the general fixed assets account group, the general purpose financial statements referred to in the above paragraph present fairly, in all material respects, the financial position of the City of Mountain Iron, Minnesota, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April, 12, 2001, on our consideration of City of Mountain Iron, Minnesota's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the City of Mountain Iron, Minnesota, taken as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Mountain Iron, Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Walker, Hursey & Helms, LLP.

April 12, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2000
(with comparative totals for December 31, 1999)

	Primary Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS				
Cash and cash equivalents	\$1,142,412	\$ 21,004	\$ 54,827	\$ 1,456,798
Taxes receivable	26,425	-	-	-
Loans receivable	-	-	-	-
Advance to other funds	-	-	-	-
Accounts receivable	37,637	-	-	-
Allowance for uncollectibles	-	-	-	-
Interest receivable	-	-	-	-
Special assessments receivable	-	-	-	54,520
Grant receivable	-	-	-	250,000
Inventory	-	-	-	-
Land (unaudited)	-	-	-	-
Buildings (unaudited)	-	-	-	-
Other improvements (unaudited)	-	-	-	-
Equipment (unaudited)	-	-	-	-
Accumulated depreciation (unaudited)	-	-	-	-
Construction in progress (unaudited)	-	-	-	-
OTHER DEBITS				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$1,206,474</u>	<u>\$ 21,004</u>	<u>\$ 54,827</u>	<u>\$ 1,761,318</u>

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

Proprietary Fund Types	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit Governmental	Totals (Memorandum Only) Reporting Entity	
	General Fixed Assets (Unaudited)	General Long-Term Debt			2000	1999
Enterprise						
\$ 487,211	\$ -	\$ -	\$ 3,162,252	\$ 178,058	\$ 3,340,310	\$ 3,323,245
-	-	-	26,425	-	26,425	28,420
-	-	-	-	260,498	260,498	234,377
-	-	-	-	510,614	510,614	503,502
240,671	-	-	278,308	-	278,308	281,049
(18,500)	-	-	(18,500)	-	(18,500)	(18,500)
-	-	-	-	-	-	7,429
-	-	-	54,520	-	54,520	64,599
-	-	-	250,000	-	250,000	233,329
75,503	-	-	75,503	-	75,503	71,519
-	206,826	-	206,826	371,132	577,958	577,958
1,597,265	3,168,108	-	4,765,373	-	4,765,373	2,860,253
2,862,594	3,732,191	-	6,594,785	2,060,641	8,655,426	8,595,331
1,305,386	1,858,713	-	3,164,099	72,319	3,236,418	3,325,658
(1,644,516)	-	-	(1,644,516)	-	(1,644,516)	(1,633,632)
-	-	-	-	-	-	597,460
-	-	54,827	54,827	13,143	67,970	31,166
-	-	<u>2,280,619</u>	<u>2,280,619</u>	<u>741,857</u>	<u>3,022,476</u>	<u>1,850,073</u>
<u>\$4,905,614</u>	<u>\$8,965,838</u>	<u>\$ 2,335,446</u>	<u>\$19,250,521</u>	<u>\$ 4,208,262</u>	<u>\$23,458,783</u>	<u>\$20,933,236</u>

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
December 31, 2000
(with comparative totals for December 31, 1999)

	Primary Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,500
Accrued salaries	8,868	-	-	-
Accrued taxes	-	-	-	-
Deferred revenue	26,425	14,796	-	44,627
Advance from other funds	-	-	-	-
Compensated absences payable	-	-	-	-
Customer deposits payable	-	-	-	-
General obligation bonds	-	-	-	-
TOTAL LIABILITIES	<u>35,293</u>	<u>14,796</u>	<u>-</u>	<u>47,127</u>
EQUITY AND OTHER CREDITS				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved	1,171,181	-	-	47,534
Unreserved - undesignated	-	6,208	54,827	1,666,657
TOTAL EQUITY AND OTHER CREDITS	<u>1,171,181</u>	<u>6,208</u>	<u>54,827</u>	<u>1,714,191</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$1,206,474</u>	<u>\$ 21,004</u>	<u>\$ 54,827</u>	<u>\$ 1,761,318</u>

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

Proprietary Fund Types	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit Governmental	Totals (Memorandum Only) Reporting Entity	
	General Fixed Assets (Unaudited)	General Long-Term Debt			2000	1999
Enterprise						
\$ 56,067	\$ -	\$ -	\$ 58,567	\$ -	\$ 58,567	\$ 133,975
6,211	-	-	15,079	-	15,079	13,406
6,686	-	-	6,686	-	6,686	5,797
-	-	-	85,848	260,498	346,346	329,630
-	-	-	-	510,614	510,614	503,502
29,138	-	40,446	69,584	-	69,584	53,765
25,710	-	-	25,710	-	25,710	25,035
-	-	2,295,000	2,295,000	755,000	3,050,000	1,850,000
<u>123,812</u>	<u>-</u>	<u>2,335,446</u>	<u>2,556,474</u>	<u>1,526,112</u>	<u>4,082,586</u>	<u>2,915,110</u>
-	8,965,838	-	8,965,838	2,504,092	11,469,930	10,045,884
900,439	-	-	900,439	-	900,439	900,439
3,881,363	-	-	3,881,363	-	3,881,363	4,065,350
-	-	-	1,218,715	13,143	1,231,858	2,014,853
-	-	-	1,727,692	164,915	1,892,607	991,600
<u>4,781,802</u>	<u>8,965,838</u>	<u>-</u>	<u>16,694,047</u>	<u>2,682,150</u>	<u>19,376,197</u>	<u>18,018,126</u>
<u>\$4,905,614</u>	<u>\$8,965,838</u>	<u>\$ 2,335,446</u>	<u>\$19,250,521</u>	<u>\$ 4,208,262</u>	<u>\$23,458,783</u>	<u>\$20,933,236</u>

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	Primary Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes	\$ 744,093	\$ -	\$ -	\$ 2,071
Licenses and permits	24,033	-	-	-
Intergovernmental	1,593,131	28,115	-	564,890
Charge for services	32,337	-	-	-
Fines	8,352	-	-	-
Interest	30,594	137	870	66,458
Miscellaneous	237,294	5,219	-	-
TOTAL REVENUES	<u>2,669,834</u>	<u>33,471</u>	<u>870</u>	<u>633,419</u>
EXPENDITURES				
Current				
General government	565,138	-	-	-
Public Safety	456,993	-	-	-
Streets and alleys	412,376	-	-	-
Culture and recreation	284,492	-	-	-
Miscellaneous	202,658	-	-	-
Capital outlay	-	28,115	-	2,463,576
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	51,197	-
TOTAL EXPENDITURES	<u>1,921,657</u>	<u>28,115</u>	<u>51,197</u>	<u>2,463,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>748,177</u>	<u>5,356</u>	<u>(50,327)</u>	<u>(1,830,157)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	1,280,000
Operating transfers in	-	852	86,536	446,791
Operating transfers out	(534,179)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(534,179)</u>	<u>852</u>	<u>86,536</u>	<u>1,726,791</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	213,998	6,208	36,209	(103,366)
FUND BALANCES, JANUARY 1	<u>957,183</u>	<u>-</u>	<u>18,618</u>	<u>1,817,557</u>
FUND BALANCES, DECEMBER 31	<u>\$1,171,181</u>	<u>\$ 6,208</u>	<u>\$ 54,827</u>	<u>\$1,714,191</u>

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

Totals (Memorandum Only) Primary Government	Component Unit Governmental	Totals (Memorandum Only) Reporting Entity	
		2000	1999
\$ 746,164	\$ 210,747	\$ 956,911	\$ 879,019
24,033	-	24,033	56,032
2,186,136	-	2,186,136	1,711,210
32,337	-	32,337	27,203
8,352	-	8,352	10,888
98,059	11,905	109,964	135,667
<u>242,513</u>	<u>21,234</u>	<u>263,747</u>	<u>194,211</u>
<u>3,337,594</u>	<u>243,886</u>	<u>3,581,480</u>	<u>3,014,230</u>
565,138	-	565,138	648,279
456,993	-	456,993	439,746
412,376	-	412,376	434,795
284,492	-	284,492	268,677
202,658	139,085	341,743	250,365
2,491,691	-	2,491,691	869,607
-	80,000	80,000	75,000
<u>51,197</u>	<u>59,838</u>	<u>111,035</u>	<u>133,423</u>
<u>4,464,565</u>	<u>278,923</u>	<u>4,743,468</u>	<u>3,119,892</u>
<u>(1,126,951)</u>	<u>(35,037)</u>	<u>(1,161,988)</u>	<u>(105,662)</u>
1,280,000	-	1,280,000	-
534,179	102,298	636,477	971,889
<u>(534,179)</u>	<u>(102,298)</u>	<u>(636,477)</u>	<u>(521,889)</u>
<u>1,280,000</u>	<u>-</u>	<u>1,280,000</u>	<u>450,000</u>
153,049	(35,037)	118,012	344,338
<u>2,793,358</u>	<u>213,095</u>	<u>3,006,453</u>	<u>2,662,115</u>
\$ <u>2,946,407</u>	\$ <u>178,058</u>	\$ <u>3,124,465</u>	\$ <u>3,006,453</u>

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENT FUND TYPES
Year Ended December 31, 2000

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Taxes	\$ 677,857	\$ 744,093	\$ 66,236
Licenses and permits	19,000	24,033	5,033
Intergovernmental	1,537,292	1,593,131	55,839
Charge for services	100,000	32,337	(67,663)
Fines and forfeits	8,000	8,352	352
Interest	-	30,594	30,594
Miscellaneous	70,000	237,294	167,294
TOTAL REVENUES	<u>2,412,149</u>	<u>2,669,834</u>	<u>257,685</u>
EXPENDITURES			
Current			
General government	474,500	565,138	(90,638)
Public safety	456,450	456,993	(543)
Streets and alleys	458,000	412,376	45,624
Culture and recreation	294,000	284,492	9,508
Miscellaneous	195,872	202,658	(6,786)
Capital outlay	-	-	-
Debt service			
Interest and fiscal agent fees	-	-	-
TOTAL EXPENDITURES	<u>1,878,822</u>	<u>1,921,657</u>	<u>(42,835)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>533,327</u>	<u>748,177</u>	<u>214,850</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(533,327)	(534,179)	(852)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(533,327)</u>	<u>(534,179)</u>	<u>(852)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND OTHER FINANCING USES	-	213,998	213,998
FUND BALANCES, JANUARY 1	<u>957,183</u>	<u>957,183</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 957,183</u>	<u>\$ 1,171,181</u>	<u>\$ 213,998</u>

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

Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
1,000	870	(130)
-	-	-
<u>1,000</u>	<u>870</u>	<u>(130)</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>51,472</u>	<u>51,197</u>	<u>275</u>
<u>51,472</u>	<u>51,197</u>	<u>275</u>

<u>(50,472)</u>	<u>(50,327)</u>	<u>145</u>
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86,536	86,536	-
-	-	-
<u>86,536</u>	<u>86,536</u>	<u>-</u>

36,064	36,209	145
<u>18,618</u>	<u>18,618</u>	<u>-</u>

\$ <u>54,682</u>	\$ <u>54,827</u>	\$ <u>145</u>
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Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 24,000	\$ 60,993	\$ 36,993
-	-	-
1,010,774	564,890	(445,884)
-	-	-
-	-	-
4,000	2,071	(1,929)
-	-	-
<u>1,038,774</u>	<u>627,954</u>	<u>(410,820)</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,950,800	2,114,449	836,351
-	-	-
<u>2,950,800</u>	<u>2,114,449</u>	<u>836,351</u>

<u>(1,912,026)</u>	<u>(1,486,495)</u>	<u>425,531</u>
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446,791	446,791	-
-	-	-
<u>446,791</u>	<u>446,791</u>	<u>-</u>

(1,465,235)	(1,039,704)	-
<u>1,817,557</u>	<u>1,817,557</u>	<u>-</u>

\$ <u>352,322</u>	\$ <u>777,853</u>	\$ <u>425,531</u>
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CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	Enterprise Funds	
	Totals	
	(Memorandum Only)	
	<u>2000</u>	<u>1999</u>
OPERATING REVENUES		
Charges for services	\$ <u>1,689,229</u>	\$ <u>1,583,352</u>
OPERATING EXPENSES		
Cost of sales	647,709	537,927
Administration	965,711	907,074
Depreciation	<u>193,000</u>	<u>77,282</u>
TOTAL OPERATING EXPENSES	<u>1,806,420</u>	<u>1,522,283</u>
OPERATING INCOME (LOSS)	<u>(117,191)</u>	<u>61,069</u>
NONOPERATING REVENUES (EXPENSES)		
Operating transfers out		
Capital Projects Fund	-	(450,000)
Interest income	33,009	37,398
Interest expense	(1,020)	(643)
Loss on disposal of assets	<u>(53,990)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(22,001)</u>	<u>(413,245)</u>
NET INCOME (LOSS)	(139,192)	(352,176)
RETAINED EARNINGS, JANUARY 1	4,065,350	4,417,526
Prior period adjustment	<u>(44,795)</u>	<u>-</u>
RETAINED EARNINGS, DECEMBER 31	\$ <u>3,881,363</u>	\$ <u>4,065,350</u>

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

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	Enterprise Funds	
	Totals	
	(Memorandum Only)	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,694,400	\$ 1,557,891
Cash paid to suppliers	(1,384,062)	(1,024,975)
Cash paid to employees	(345,073)	(318,070)
NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	<u>(34,735)</u>	<u>214,846</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Capital Project Fund	<u>-</u>	<u>(450,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of buildings and equipment	(90,575)	(174,130)
Interest paid	(1,020)	(643)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(91,595)</u>	<u>(174,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>33,009</u>	<u>37,060</u>
NET DECREASE IN CASH	(93,321)	(372,867)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>580,532</u>	<u>953,399</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 487,211</u>	<u>\$ 580,532</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (117,191)	\$ 61,069
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	193,000	77,282
(Increase) decrease in:		
Accounts receivable	4,496	(27,756)
Inventory	(3,984)	(12,592)
Increase (decrease) in:		
Accounts payable	(119,730)	111,907
Accrued salaries	498	1,705
Accrued taxes	889	(133)
Compensated absences payable	6,612	1,069
Customer deposits payable	<u>675</u>	<u>2,295</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (34,735)</u>	<u>\$ 214,846</u>

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the general fixed assets account group and the proprietary fund fixed assets, the City of Mountain Iron, Minnesota, complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2000.

A. Organization

The City of Mountain Iron, 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.

B. Reporting Entity

The City of Mountain Iron, Minnesota, is the basic level of government which has financial accountability and control over all activities related to the operations of the general government of the City. The City receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board Statement No. 14, since City Council members are elected by eligible voters of the City and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Discretely Presented Component Unit

The Mountain Iron Housing and Redevelopment Authority (HRA) was created by the City to carry out land development within the City limits. The governing board is appointed by the Mayor, with approval of the City Council. The City Council reviews and approves HRA tax levies and the City provides community development financing for HRA activities. Debt issued for HRA activities are the City's general obligations. The complete financial records for the HRA may be obtained from the City of Mountain Iron, City Hall, Mountain Iron, Minnesota.

C. Basis of Presentation

The accounts of the City and its discretely presented component unit are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The following fund categories (further divided by fund type) and account groups are used by the City:

GOVERNMENTAL FUNDS

Governmental funds are used to account for the City's general government activities.

The General Fund is the primary operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.

The Debt Service Fund accounts for the servicing of general long-term debt including principal, interest and related costs not being financed by proprietary funds.

Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

PROPRIETARY FUNDS

Proprietary funds account for activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management.

Enterprise funds are used to account for operations that provide services to the public.

ACCOUNT GROUPS

The General Fixed Assets Account Group (Unaudited) is used to account for fixed assets not accounted for in the proprietary funds.

The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds.

The following fund categories (further divided by fund type) and account groups are used by the HRA.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUNDS

Governmental funds are used to account for the HRA's general government activities.

The General Fund is the primary operating fund of the HRA and is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes.

The Debt Service Fund accounts for the servicing of general long-term debt including principal, interest and related costs.

ACCOUNT GROUPS

The General Fixed Assets Account Group (Unaudited) is used to account for fixed assets.

The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities to be financed from governmental funds.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources.

The governmental fund types use 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 all revenues available if they are collected within 60 days after year end.

Property taxes, interest, special assessments and loan payments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity.

The accrual basis of accounting is used for proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. 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.

F. Budgetary Data

The City Administrator submits a proposed operating budget to the Council for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them on a basis consistent with generally accepted accounting principles. The budget is legally adopted by the City Council.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund and City Projects Capital Projects Fund. The City does not adopt budgets for the Charitable Gambling and FEMA Special Revenue Funds and the Street Construction Capital Projects Fund, therefore data from these funds are not included in the Combined Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.

Budgetary control is maintained at the object of expenditure category level. Inherent in the control function is the management philosophy that the existence of a particular appropriation in the approved budget does not automatically mean that it will be spent. The budget process permits that, where need has been demonstrated, an adjustment can be made within the department budget by the City Administrator or between departments by the City Council. Budgeted amounts reported are as originally adopted, or as amended. Appropriations lapse at year end.

The HRA does not adopt a budget for the component unit's governmental funds, therefore data for these funds are not included on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

G. Assets, Liabilities and Fund Equity

- 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2) The City had no significant inventories in the General Fund and records supplies and materials as expenditures when purchased. Enterprise Fund 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.
- 3) Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of a fiscal year are referred to as "interfund receivables/payables".
- 4) Fixed assets used in governmental fund types for the City and the HRA are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Land, buildings and equipment in the proprietary funds of the City are recorded at cost. Land, buildings and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The City has elected to record a fixed amount of depreciation in the enterprise funds, which is not in accordance with generally accepted accounting principles.

- 5) Deferred revenue reported on the combined balance sheet in the General Fund represents delinquent taxes receivable and in the Capital Projects Fund represents special assessments receivable for the primary government and loans receivable for the component unit.
- 6) The City and HRA record long-term debt of governmental funds at face value in the general long-term debt account group. Other governmental fund obligations not expected to be financed with current available financial resources are also recorded in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.
- 7) Reservations of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through grants and capital contributions from developers, customers or other funds.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures

- 1) The property tax calendar in Minnesota follows the calendar year. Taxes are levied January 1 based on the City's certification and property values as of the previous January 1. Taxes are due May 15 and October 15 to the County as agent for the City. The County remits taxes to the City in January, June and November.
- 2) City employees earn vacation and sick leave based on years of service and union and employment contracts. Vacation time does not accumulate from one year to another and is charged to expense in the year taken. A percentage of accumulated unused sick leave will be paid as severance pay upon retirement and is accrued for the governmental funds and recorded in the General Long-term Debt Account Group. Vested severance pay is also accrued and recorded in the appropriate proprietary funds.

I. Use of Estimates

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

J. Memorandum Only - Total Columns

Total columns on the combined financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or changes in cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Comparative totals have not been included on statements where their inclusion would not provide enhanced understanding of the City's financial position and operations or would cause the statements to be unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified/restated in order to be consistent with the current year's presentation.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The following fund in the HRA had a deficit fund balance as of December 31, 2000:

Special Revenue Fund	\$ <u>(494,781)</u>
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The HRA plans to eliminate this fund deficit through future funding.

B. Excess of Expenditures Over Budget

Expenditures exceeded appropriations in the following individual fund of the City:

General Fund	\$ <u>42,835</u>
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This overexpenditure was funded by available fund balance.

NOTE 3 - CASH AND TEMPORARY INVESTMENTS

The City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota State statutes. This pool of the City 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". Several funds and the component unit hold cash and investments separate from the cash and investment pool.

"Cash and cash equivalents" recorded are comprised of:

Petty Cash	\$ 542
Cash	541,843
Certificates of Deposit	1,967,662
Investments	<u>830,263</u>
Total	\$ <u>3,340,310</u>

Deposits: 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, which includes certificates of deposit, was \$2,331,447; the bank balance was \$2,646,496. Of the bank balance, \$2,646,496 was covered by Federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the HRA's cash deposits was \$178,058; the bank balance was \$178,058. Of the bank balance, \$178,058 was covered by Federal depository insurance or by collateral held by the HRA's agent in the HRA's name. At December 31, 2000 and during the year then ended, the deposits were fully collateralized as required by Minnesota Statute §118.005.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 3 - CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments: 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, bankers acceptance, commercial paper and guaranteed investment contracts. The City's investments are categorized into three categories of credit risk:

- 1) insured or registered, or securities held by the City or its agent in the City's name;
- 2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name;
- 3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

At December 31,2000, the City's investment balances were as follows:

<u>Description</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Bonds	<u>\$458,466</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 458,466
Investments not subject to categorization:				
Salomon Smith Barney Money Market Funds				<u>371,797</u>
Total Investments				<u>\$ 830,263</u>

NOTE 4 - LOANS RECEIVABLE

The Mountain Iron Housing and Redevelopment Authority is involved in economic development projects. Several businesses were issued revolving loans as the result of Enterprise Credits. Total principal received during 2000 was \$12,123, and total interest received during 2000 was \$7,397. The loan receivable balance at December 31, 2000 was \$260,498 and is recorded in the General Fund.

NOTE 5 - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT (UNAUDITED)

Changes in the City's general fixed assets account group during 2000 were as follows:

	<u>Balance 01/01/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/00</u>
Land	\$ 206,826	\$ -	\$ -	\$ 206,826
Buildings	1,262,988	2,005,120	(100,000)	3,168,108
Other improvements	3,674,083	58,108	-	3,732,191
Equipment	1,800,435	63,278	(5,000)	1,858,713
Construction in progress	<u>597,460</u>	<u>1,407,660</u>	<u>(2,005,120)</u>	-
TOTAL	<u>\$7,541,792</u>	<u>\$3,534,166</u>	<u>\$(2,110,120)</u>	<u>\$8,965,838</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 5 - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT (UNAUDITED)
(CONTINUED)

Changes in the HRA's general fixed assets account group during 2000 were as follows:

	<u>Balance</u> <u>01/01/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/00</u>
Land	\$ 371,132	\$ -	\$ -	\$ 371,132
Other improvements	2,060,641	-	-	2,060,641
Equipment	72,319	-	-	72,319
TOTAL	<u>\$2,504,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,504,092</u>

NOTE 6 - SUMMARY OF PROPRIETARY FUND FIXED ASSETS (UNAUDITED)

Fixed assets in the proprietary fund as of December 31, 2000 were as follows:

<u>Fund</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Accumulated</u> <u>Depreciation</u>
Electric	\$ -	\$ 436,281	\$ 370,418	\$ (293,852)
Water Treatment	512,718	1,105,321	9,851	(329,641)
Waste Water Treatment	1,084,547	1,320,992	434,421	(877,530)
Refuse Removal	-	-	490,696	(143,493)
TOTAL	<u>\$1,597,265</u>	<u>\$2,862,594</u>	<u>\$1,305,386</u>	<u>\$ (1,644,516)</u>

NOTE 7 - LONG-TERM DEBT

The City issued general obligation bonds to finance the construction of major capital facilities. The bonds have been issued for the general government and are being repaid from the applicable resources.

The City issued general obligation tax increment financing bonds to finance development in tax increment districts recorded in the HRA financial statements. These bonds are considered obligations of the primary government and are being repaid with tax increment revenues.

GENERAL OBLIGATION BONDS – CITY

	<u>Outstanding</u> <u>12/31/00</u>
2000 Improvements \$1,280,000, 4.75% - 5.75%, \$45,000 - \$120,000 annually to 2016	\$ 1,280,000
1999 Community Center \$1,015,000, 4.5% - 5.3%, \$30,000 - \$80,000 annually to 2020	<u>1,015,000</u>
Total general obligation bonds	<u>\$ 2,295,000</u>

*384,000
1,399,000*

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Debt Service Requirements to Maturity

General Obligation Improvement Bonds of 2000

Year Ended	Principal	Interest	Total
2001	\$ -	\$ 63,440	\$ 63,440
2002	45,000	68,139	113,139
2003	60,000	65,615	125,615
2004	65,000	62,535	127,535
2005	65,000	59,252	124,252
2006-2016	<u>1,045,000</u>	<u>352,778</u>	<u>1,397,778</u>
Total	<u>\$1,280,000</u>	<u>\$ 671,759</u>	<u>\$1,951,759</u>

General Obligation Community Center Bonds of 1999

Year Ended	Principal	Interest	Total
2001	\$ 30,000	\$ 50,398	\$ 80,398
2002	35,000	48,935	83,935
2003	35,000	47,360	82,360
2004	35,000	45,785	80,785
2005	35,000	44,166	79,166
2006-2020	<u>845,000</u>	<u>370,522</u>	<u>1,215,522</u>
Total	<u>\$1,015,000</u>	<u>\$ 607,166</u>	<u>\$1,622,166</u>

TOTAL DEBT - CITY

Year Ended	Principal	Interest	Total
2001	\$ 30,000	\$ 113,838	\$ 143,838
2002	80,000	117,074	197,074
2003	95,000	112,975	207,975
2004	100,000	108,320	208,320
2005	100,000	103,418	203,418
2006-2007	<u>1,890,000</u>	<u>723,300</u>	<u>2,613,300</u>
Total	<u>\$2,295,000</u>	<u>\$1,278,925</u>	<u>\$ 3,573,925</u>

GENERAL OBLIGATION BONDS – HRA

	Outstanding <u>12/31/00</u>
1996 Tax Increment Refunding, \$365,000, 3.9-4.7%, \$25,000-\$40,000 annually to 2007	\$ 255,000
1994 Tax Increment, \$635,000, 8.875-9.0%, \$45,000-\$90,000, annually to 2007	<u>500,000</u>
Total general obligation bonds	<u>\$ 755,000</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Debt Service Requirements to Maturity

General Obligation Tax Increment Refunding Bonds of 1996

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 30,000	\$ 10,897	\$ 40,897
2002	35,000	9,516	44,516
2003	35,000	8,029	43,029
2004	35,000	6,462	41,462
2005	40,000	4,700	44,700
2006-2007	<u>80,000</u>	<u>3,760</u>	<u>83,760</u>
Total	\$ <u>255,000</u>	\$ <u>43,364</u>	\$ <u>298,364</u>

General Obligation Tax Increment Bonds of 1994

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 55,000	\$ 42,227	\$ 97,227
2002	60,000	37,110	97,110
2003	65,000	31,547	96,547
2004	70,000	25,540	95,540
2005	75,000	19,087	94,087
2006-2007	<u>175,000</u>	<u>15,975</u>	<u>190,975</u>
Total	\$ <u>500,000</u>	\$ <u>171,486</u>	\$ <u>671,486</u>

TOTAL DEBT - HRA

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 85,000	\$ 53,124	\$ 138,124
2002	95,000	46,626	141,626
2003	100,000	39,576	139,576
2004	105,000	32,002	137,002
2005	115,000	23,787	138,787
2006-2007	<u>255,000</u>	<u>19,735</u>	<u>274,735</u>
Total	\$ <u>755,000</u>	\$ <u>214,850</u>	\$ <u>969,850</u>

Due to the nature of the obligation for compensated absences payable, annual requirements to amortize such obligations are not determinable and have not been presented.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Changes in the City's General Long-Term Debt Account Group

The following represents those long-term liabilities that are not reported as fund liabilities (i.e., debt of the proprietary funds) but are reported in the general long-term debt account group for the City.

	<u>Balance</u> <u>01/01/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/00</u>
General Obligation Bonds				
Improvements - 2000	\$ -	\$ 1,280,000	\$ -	\$ 1,280,000
Community Center - 1999	1,015,000	-	-	1,015,000
Compensated absences	31,239	9,207	-	40,446
Total	<u>\$ 1,046,239</u>	<u>\$ 1,289,207</u>	<u>\$ -</u>	<u>\$ 2,335,446</u>

Changes in the HRA's General Long-Term Debt Account Group

The following represents those long-term liabilities that are not reported as fund liabilities but are reported in the general long-term debt account group.

	<u>Balance</u> <u>01/01/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/00</u>
General Obligation Bonds				
Tax Increment - 1996	\$ 285,000	\$ -	\$ 30,000	\$ 255,000
Tax Increment - 1994	550,000	-	50,000	500,000
	<u>\$ 835,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 755,000</u>

NOTE 8 – HRA ADVANCE TO/FROM OTHER FUNDS

The composition of advance to/from other funds as of December 31, 2000, is as follows:

<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
Special Revenue Fund	General Fund	\$ <u>510,614</u>

NOTE 9 - EQUITY AND OTHER CREDITS

The amounts reported on the combined balance sheet identified as reserved fund balance are comprised of the following:

<u>General Fund:</u>	
Reserved for capital outlay	\$ 921,181
Reserved for cash flow	250,000
Total Reserved - General Fund	<u>\$1,171,181</u>
 <u>Capital Projects Fund:</u>	
Reserved for capital outlay	\$ <u>47,534</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 9 - EQUITY AND OTHER CREDITS (CONTINUED)

Mountain Iron Housing and
Redevelopment Fund

Debt Service Fund:

Reserved for debt service

\$ 13,143

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the Electric Enterprise Fund Retained Earnings to correct the beginning balance in accounts payable in the amount of \$44,795.

NOTE 11 - RISK MANAGEMENT

The City and the HRA 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, as allowed under state statutes, joined the League of Minnesota Cities Insurance Trust Fund, a public entity risk pool currently operating as a common risk management and insurance program for its member cities. The City pays annual premiums to the Trust Fund for its insurance coverage. The League of Minnesota Cities Insurance Trust Fund is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of the limits set by the Trustees. The city carries commercial insurance for faithful performance of employee duties. There were no significant increases or reductions in insurance from the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 - SEGMENT INFORMATION ON ENTERPRISE FUNDS

The City maintains four enterprise funds. The segment information for the Electric, Water Treatment, Waste Water Treatment and Refuse Removal and Recycling Enterprise Funds at December 31, 2000, is as follows:

	<u>Electric</u>	<u>Water Treatment</u>	<u>Waste Water Treatment</u>	<u>Refuse Removal & Recycling</u>	<u>Total</u>
Operating revenues	\$ 946,983	\$ 148,666	\$ 260,905	\$ 332,675	\$1,689,229
Depreciation expense	50,000	40,000	73,000	30,000	193,000
Operating income (loss)	(120,351)	(3,889)	(5,563)	12,612	(117,191)
Net income (loss)	(159,267)	(4,840)	9,885	15,030	(139,192)
Fixed asset additions	54,655	17,223	15,117	3,580	90,575
Fixed asset deletions	(210,103)	(2,952)	(2,593)	(20,818)	(236,466)
Net working capital	120,882	40,601	269,690	229,900	661,073
Total assets	743,581	1,340,784	2,240,281	580,968	4,905,614
Total equity	633,729	1,338,850	2,232,120	577,103	4,781,802

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 13 - TAX INCREMENT FINANCING DISTRICTS

The Mountain Iron Housing and Redevelopment Authority is the administering authority for the following tax increment financing districts:

<u>Tax Increment Financing Districts</u>	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>
Redevelopment project district established in:	1983	1985	1987
Economic development district established in:	-	-	-
Soils district established in:	-	-	-
Anticipated last tax increment year:	2009	2011	2012
Original net tax capacity:	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 35</u>
Current net tax capacity:	\$ <u> 59,955 </u>	\$ <u> 7,932 </u>	\$ <u> 3,571 </u>
Captured net tax capacity retained by Authority:	\$ <u> 58,901 </u>	\$ <u> 7,794 </u>	\$ <u> 3,473 </u>
Total bonds issued			
Tax increment bonds	\$ 440,000	\$ 60,000	\$ -
Amounts redeemed	<u> 211,800 </u>	<u> 33,200 </u>	<u> -</u>
Outstanding bonds at 12/31/99	\$ <u> 228,200 </u>	\$ <u> 26,800 </u>	\$ <u> -</u>

<u>No. 6</u>	<u>No. 7</u>	<u>No. 8</u>	<u>No. 9</u>	<u>No.10</u>	<u>No.11</u>	<u>No. 12</u>
-	-	-	-	-	-	-
1990	-	1995	1999	2000	2000	2000
-	1994	-	-	-	-	-
2000	2008	2004	2007	2009	2009	2011
\$ <u>9,104</u>	\$ <u>2,752</u>	\$ <u>271</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>13,498</u>	\$ <u>39,951</u>	\$ <u>24,969</u>	\$ <u>13,119</u>	\$ <u>1,040</u>	\$ <u>1,413</u>	\$ <u>-</u>
\$ <u>4,394</u>	\$ <u>36,496</u>	\$ <u>24,256</u>	\$ <u>12,888</u>	\$ <u>1,022</u>	\$ <u>1,388</u>	\$ <u>-</u>
\$ -	\$ 635,000	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>500,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 14 - 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 collectibility of any related receivable at December 31, 2000, 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 combined financial statements for such contingencies.

Electric Utility Commitment

The City has entered into an agreement with Minnesota Power and Light to supply the City with its total electric requirements. This agreement is in effect until December 31, 2007. Contract prices for this electric supply are adjusted throughout the contract period as set forth in the agreement.

NOTE 15 - JOINT VENTURES

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 2000 was \$18,555. Complete financial information can be obtained from the Tri-Cities Biosolids Disposal Authority, Virginia, Minnesota 55792.

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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 15 - JOINT VENTURES (CONTINUED)

Each member city contributes to the budget of the Authority based on the per capita reported in the 1990 Census. The City of Mountain Iron's contribution to the Authority's budget during 2000 was \$3,362. Complete financial information can be obtained from the Biosolids Disposal Site Authority, Virginia, Minnesota 55792.

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 from each member city and one at-large commissioner.

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

The City of Mountain Iron's contribution to the Authority's budget during 2000 was \$9,237. Complete financial information can be obtained from the Quad Cities Recreation Center, Eveleth, Minnesota 55734.

NOTE 16 – POST EMPLOYMENT BENEFITS

The City of Mountain Iron provides post-retirement health benefits as established by contracts with bargaining units and other employment agreements. The City pays 100 percent of the health premiums for employees who meet the retirement guidelines per the agreements. As of December 31, 2000, there were seven employees who were receiving the premium coverage benefit. The City recognized \$56,555 of expenditures incurred for this benefit during 2000.

Upon retirement, the City provides most retirees a severance amount based on accumulated unused sick leave hours and rate of pay at the date of retirement, as established by contracts with bargaining units and other employment agreements. The agreements establish the terms for this severance amount, which may vary between bargaining units or employee groups. During 2000, the City expended \$1,075 on this benefit for one eligible employee.

All other employees, who have accumulated sick leave days to their credit at the time of retirement or death, or at such time that they become totally permanently disabled, shall be credited with an amount of sick leave equivalent to the current value of their unused sick leave accumulation based on the contracts with bargaining units and other employment agreements. The monetary amount shall be placed in a separate and special fund for each such affected employee for the sole purpose of providing continuation of the retiree's, disabled employee's, or deceased employee's and their dependents' hospitalization and medical insurance coverage until each such employee's separate fund is exhausted.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 17 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Mountain Iron, Minnesota, are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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 PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 514 St. Peter Street #200, St. Paul, Minnesota, 55102 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2000

NOTE 17 - DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 8.75% and 4.75%, respectively, of their annual covered salary. The City of Mountain Iron, Minnesota, is required to contribute the following percentages of annual covered payroll: 11.43% for Basic Plan PERF members and 5.18% for Coordinated Plan PERF members. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2000, 1999, and 1998 were \$47,061, \$42,166, and \$40,405, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
Cash and cash equivalents	\$ 1,142,412	\$ 944,366
Taxes receivable	26,425	28,420
Accounts receivable	<u>37,637</u>	<u>36,220</u>
TOTAL ASSETS	\$ <u>1,206,474</u>	\$ <u>1,009,006</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 465
Salaries payable	8,868	7,693
Deferred revenue	<u>26,425</u>	<u>43,665</u>
TOTAL LIABILITIES	<u>35,293</u>	<u>51,823</u>
 FUND BALANCES		
Reserved for capital outlay	921,181	707,183
Reserved for cash flow	<u>250,000</u>	<u>250,000</u>
TOTAL FUND BALANCES	<u>1,171,181</u>	<u>957,183</u>
 TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,206,474</u>	\$ <u>1,009,006</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
REVENUES		
Taxes	\$ 744,093	\$ 659,550
Licenses and permits	24,033	56,032
Intergovernmental	1,593,131	1,464,630
Charges for services	32,337	27,203
Fines	8,352	10,888
Interest	30,594	30,183
Miscellaneous	<u>237,294</u>	<u>150,278</u>
TOTAL REVENUES	<u>2,669,834</u>	<u>2,398,764</u>
EXPENDITURES		
Current		
General government	565,138	648,279
Public safety	456,993	439,746
Streets and alleys	412,376	434,795
Culture and recreation	284,492	268,677
Miscellaneous	<u>202,658</u>	<u>177,608</u>
TOTAL EXPENDITURES	<u>1,921,657</u>	<u>1,969,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>748,177</u>	<u>429,659</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers out	<u>(534,179)</u>	<u>(448,536)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	213,998	(18,877)
FUND BALANCE, JANUARY 1	<u>957,183</u>	<u>976,060</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,171,181</u>	<u>\$ 957,183</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
TAXES			
General property	\$ 677,857	\$ 723,579	\$ 45,722
Franchise	<u>-</u>	<u>20,514</u>	<u>20,514</u>
TOTAL TAXES	<u>677,857</u>	<u>744,093</u>	<u>66,236</u>
LICENSES AND PERMITS	<u>19,000</u>	<u>24,033</u>	<u>5,033</u>
INTERGOVERNMENTAL			
Local governmental aid	303,007	298,683	(4,324)
Mining effects tax	107,725	118,940	11,215
Homestead credit	184,580	185,736	1,156
Taconite production tax	544,612	561,415	16,803
Taconite municipal aid	385,368	388,038	2,670
State fire aid	12,000	9,374	(2,626)
State police aid	-	24,176	24,176
State DNR	-	2,240	2,240
State PERA	<u>-</u>	<u>4,529</u>	<u>4,529</u>
TOTAL INTERGOVERNMENTAL	<u>1,537,292</u>	<u>1,593,131</u>	<u>55,839</u>
CHARGE FOR SERVICES	<u>100,000</u>	<u>32,337</u>	<u>(67,663)</u>
FINES	<u>8,000</u>	<u>8,352</u>	<u>352</u>
INTEREST	<u>-</u>	<u>30,594</u>	<u>30,594</u>
MISCELLANEOUS			
Miscellaneous	60,000	135,938	75,938
Refunds and reimbursements	<u>10,000</u>	<u>101,356</u>	<u>91,356</u>
TOTAL MISCELLANEOUS	<u>70,000</u>	<u>237,294</u>	<u>167,294</u>
TOTAL REVENUES	<u>2,412,149</u>	<u>2,669,834</u>	<u>257,685</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
CURRENT:			
GENERAL GOVERNMENT			
City Council			
Council salaries	<u>12,500</u>	<u>12,216</u>	<u>284</u>
Administration			
Salaries	140,000	145,281	(5,281)
Payroll taxes	18,000	19,236	(1,236)
Insurance - group	25,000	26,756	(1,756)
Office supplies	6,000	9,113	(3,113)
Independent audit	8,000	8,800	(800)
Engineering fees	35,000	51,744	(16,744)
Legal fees	30,000	30,854	(854)
Operating expenditures	20,000	23,645	(3,645)
Communications	8,000	6,407	1,593
Insurance - general	<u>50,000</u>	<u>47,572</u>	<u>2,428</u>
Total Administration	<u>340,000</u>	<u>369,408</u>	<u>(29,408)</u>
Elections			
Salaries	3,800	1,978	1,822
Payroll taxes	200	9	191
Other expenditures	<u>6,000</u>	<u>5,273</u>	<u>727</u>
Total Elections	<u>10,000</u>	<u>7,260</u>	<u>2,740</u>
Assessing			
Contract services	16,000	15,687	313
Other expenditures	<u>1,000</u>	<u>46</u>	<u>954</u>
Total Assessing	<u>17,000</u>	<u>15,733</u>	<u>1,267</u>
Planning and Zoning			
Salaries	11,500	12,978	(1,478)
Payroll taxes	1,400	1,666	(266)
Insurance - group	100	-	100
Operating expenditures	<u>2,000</u>	<u>4,082</u>	<u>(2,082)</u>
Total Planning and Zoning	<u>15,000</u>	<u>18,726</u>	<u>(3,726)</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Buildings			
Salaries	\$ 18,000	\$ 47,036	\$ (29,036)
Payroll taxes	1,500	5,602	(4,102)
Insurance - group	1,500	9,526	(8,026)
Supplies	16,000	29,125	(13,125)
Communications	2,000	1,585	415
Utilities	40,000	30,351	9,649
Operations	<u>1,000</u>	<u>18,570</u>	<u>(17,570)</u>
Total Buildings	<u>80,000</u>	<u>141,795</u>	<u>(61,795)</u>
TOTAL GENERAL GOVERNMENT	<u>474,500</u>	<u>565,138</u>	<u>(90,638)</u>
PUBLIC SAFETY			
Police Protection			
Contract services	376,900	376,900	-
Operations	<u>3,100</u>	<u>3,563</u>	<u>(463)</u>
Total Police Protection	<u>380,000</u>	<u>380,463</u>	<u>(463)</u>
Fire Protection			
Salaries and fire runs	16,500	17,208	(708)
Payroll taxes	300	382	(82)
Insurance - group	200	56	144
Repair and maintenance	4,000	4,406	(406)
Employee training	12,000	7,531	4,469
Operations	9,000	12,502	(3,502)
Contribution - Firemen's Relief	9,600	9,600	-
Fire aid	9,000	9,374	(374)
On call	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Fire Protection	<u>65,600</u>	<u>66,059</u>	<u>(459)</u>
Civil Defense			
Operations	<u>600</u>	<u>15</u>	<u>585</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Animal Control			
Contract services	\$ 9,750	\$ 9,960	\$ (210)
Operations	<u>500</u>	<u>496</u>	<u>4</u>
Total Animal Control	<u>10,250</u>	<u>10,456</u>	<u>(206)</u>
TOTAL PUBLIC SAFETY	<u>456,450</u>	<u>456,993</u>	<u>(543)</u>
STREETS AND ALLEYS			
Salaries	220,000	228,508	(8,508)
Payroll taxes	28,000	29,149	(1,149)
Insurance - group	60,000	52,229	7,771
Supplies	10,000	13,604	(3,604)
Utilities	52,000	47,069	4,931
Repairs and maintenance	75,000	27,992	47,008
Operations	<u>13,000</u>	<u>13,825</u>	<u>(825)</u>
TOTAL STREETS AND ALLEYS	<u>458,000</u>	<u>412,376</u>	<u>45,624</u>
CULTURE AND RECREATION			
Parks and Recreation			
Salaries	92,000	84,657	7,343
Payroll taxes	10,000	9,237	763
Insurance - group	13,300	10,748	2,552
Utilities	7,500	9,563	(2,063)
Repairs and maintenance	5,200	6,838	(1,638)
Operations	20,400	17,551	2,849
Special events	<u>5,300</u>	<u>7,050</u>	<u>(1,750)</u>
Total Parks and Recreation	<u>153,700</u>	<u>145,644</u>	<u>8,056</u>
West Two Rivers Campground			
Salaries	14,300	8,128	6,172
Payroll taxes	1,500	1,065	435
Insurance - group	2,500	1,685	815
Advertising	2,000	97	1,903
Utilities	7,000	7,258	(258)
Operations	<u>11,000</u>	<u>15,147</u>	<u>(4,147)</u>
Total West Two Rivers Campground	<u>38,300</u>	<u>33,380</u>	<u>4,920</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Libraries			
Salaries	\$ 57,098	\$ 61,049	\$ (3,951)
Payroll taxes	6,995	7,760	(765)
Insurance	3,754	4,564	(810)
Books and supplies	22,344	19,256	3,088
Telecommunications	3,294	5,082	(1,788)
Utilities	6,187	5,497	690
Operations	<u>2,328</u>	<u>2,260</u>	<u>68</u>
Total Libraries	<u>102,000</u>	<u>105,468</u>	<u>(3,468)</u>
TOTAL CULTURE AND RECREATION	<u>294,000</u>	<u>284,492</u>	<u>9,508</u>
MISCELLANEOUS			
Cash short and over	10	(8)	18
Cemeteries	1,500	3,000	(1,500)
Retirement and pension contributions	45,000	56,555	(11,555)
Hydrants	5,000	1,343	3,657
Public expense	20,000	29,580	(9,580)
Wastewater charges	10,000	10,000	-
Water charges	10,000	10,000	-
Emergency medical technical equipment	2,500	2,635	(135)
Operations	53,862	36,437	17,425
Promotion and tourism	10,000	11,021	(1,021)
TCBDA	<u>38,000</u>	<u>42,095</u>	<u>(4,095)</u>
TOTAL MISCELLANEOUS	<u>195,872</u>	<u>202,658</u>	<u>(6,786)</u>
TOTAL EXPENDITURES	<u>1,878,822</u>	<u>1,921,657</u>	<u>(42,835)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>533,327</u>	<u>748,177</u>	<u>214,850</u>

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (CONTINUED)
Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfers out			
Capital Projects Fund	\$ (446,791)	\$ (446,791)	\$ -
Debt Service Fund	(86,536)	(86,536)	-
Gambling Special Revenue Fund	<u>-</u>	<u>(852)</u>	<u>(852)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(533,327)</u>	<u>(534,179)</u>	<u>(852)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	213,998	213,998
FUND BALANCE, JANUARY 1	<u>957,183</u>	<u>957,183</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 957,183</u>	<u>\$ 1,171,181</u>	<u>\$ 213,998</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2000

	Charitable <u>Gambling</u>	<u>FEMA</u>	<u>Total</u>
ASSETS AND OTHER ASSETS			
ASSETS			
Cash	\$ <u>6,208</u>	\$ <u>14,796</u>	\$ <u>21,004</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Deferred revenue	\$ <u>-</u>	\$ <u>14,796</u>	\$ <u>14,796</u>
FUND BALANCE			
Unreserved, undesignated	<u>6,208</u>	<u>-</u>	<u>6,208</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>6,208</u>	\$ <u>14,796</u>	\$ <u>21,004</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SPECIAL REVENUE FUNDS
 COMBINING STATEMENTS OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2000

	<u>Charitable Gambling</u>	<u>FEMA</u>	<u>Total</u>
REVENUES			
Gambling proceeds	\$ 5,219	\$ -	\$ 5,219
Federal grants	-	28,115	28,115
Interest	<u>137</u>	<u>-</u>	<u>137</u>
TOTAL REVENUES	<u>5,356</u>	<u>28,115</u>	<u>33,471</u>
EXPENDITURES			
Streets	<u>-</u>	<u>28,115</u>	<u>28,115</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>5,356</u>	<u>-</u>	<u>5,356</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in General Fund	<u>852</u>	<u>-</u>	<u>852</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,208	-	6,208
FUND BALANCE, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	\$ <u>6,208</u>	\$ <u>-</u>	\$ <u>6,208</u>

CITY OF MOUNTAIN IRON, MINNESOTA

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
Cash	\$ <u>54,827</u>	\$ <u>18,618</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES	\$ _____ -	\$ _____ -
FUND BALANCE		
Unreserved, undesignated	<u>54,827</u>	<u>18,618</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>54,827</u>	\$ <u>18,618</u>

CITY OF MOUNTAIN IRON, MINNESOTA

DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
REVENUES		
Interest	\$ <u>870</u>	\$ <u>304</u>
EXPENDITURES		
Debt Service		
Interest and agent fees	<u>51,197</u>	<u>68,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,327)	(67,918)
OTHER FINANCING SOURCES (USES)		
Operating transfer in General Fund	<u>86,536</u>	<u>86,536</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	36,209	18,618
FUND BALANCE, JANUARY 1	<u>18,618</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	\$ <u>54,827</u>	\$ <u>18,618</u>

CITY OF MOUNTAIN IRON, MINNESOTA

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended December 31, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ <u>1,000</u>	\$ <u>870</u>	\$ <u>(130)</u>
 EXPENDITURES			
Debt Service			
Interest and fiscal agent fees	<u>51,472</u>	<u>51,197</u>	<u>275</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 <u>(50,472)</u>	 <u>(50,327)</u>	 <u>145</u>
 OTHER FINANCING SOURCES (USES)			
Operating transfer in General Fund	<u>86,536</u>	<u>86,536</u>	<u>-</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 36,064	 36,209	 145
 FUND BALANCE, JANUARY 1	 <u>18,618</u>	 <u>18,618</u>	 <u>-</u>
 FUND BALANCE, DECEMBER 31	 <u>\$ 54,682</u>	 <u>\$ 54,827</u>	 <u>\$ 145</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

December 31, 2000

(with comparative totals for December 31, 1999)

	<u>Street Construction</u>	<u>City Projects</u>	<u>TOTALS</u>	
			<u>2000</u>	<u>1999</u>
ASSETS				
Cash and cash equivalents	\$ 936,338	\$ 520,460	\$ 1,456,798	\$ 1,566,634
Grant receivable	-	250,000	250,000	233,329
Special assessments receivable				
Current	-	7,297	7,297	10,441
Delinquent	-	17,731	17,731	17,299
Deferred	-	26,896	26,896	34,289
Interest	-	2,596	2,596	2,570
Interest receivable	-	-	-	7,091
TOTAL ASSETS	<u>\$ 936,338</u>	<u>\$ 824,980</u>	<u>\$ 1,761,318</u>	<u>\$ 1,871,653</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ 2,500	\$ 2,500	\$ 2,508
Deferred revenue	-	44,627	44,627	51,588
TOTAL LIABILITIES	<u>-</u>	<u>47,127</u>	<u>47,127</u>	<u>54,096</u>
FUND BALANCES				
Reserved for capital outlay	-	47,534	47,534	1,045,122
Unreserved, undesignated	<u>936,338</u>	<u>730,319</u>	<u>1,666,657</u>	<u>772,435</u>
TOTAL FUND BALANCES	<u>936,338</u>	<u>777,853</u>	<u>1,714,191</u>	<u>1,817,557</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 936,338</u>	<u>\$ 824,980</u>	<u>\$ 1,761,318</u>	<u>\$ 1,871,653</u>

CITY OF MOUNTAIN IRON, MINNESOTA

CAPITAL PROJECTS FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	<u>Street</u> <u>Construction</u>	<u>City</u> <u>Projects</u>	<u>TOTALS</u>	
			<u>2000</u>	<u>1999</u>
REVENUES				
Special assessments	\$ -	\$ 2,071	\$ 2,071	\$ 15,905
IRRRB grants	-	564,890	564,890	246,580
Interest	<u>5,465</u>	<u>60,993</u>	<u>66,458</u>	<u>94,408</u>
TOTAL REVENUES	<u>5,465</u>	<u>627,954</u>	<u>633,419</u>	<u>356,893</u>
EXPENDITURES				
Capital outlay				
General government	-	1,444,092	1,444,092	597,461
Public safety	-	26,845	26,845	20,660
Streets and alleys	318,389	250,000	568,389	-
Culture and recreation	-	58,109	58,109	10,000
Miscellaneous	<u>30,738</u>	<u>335,403</u>	<u>366,141</u>	<u>241,486</u>
TOTAL EXPENDITURES	<u>349,127</u>	<u>2,114,449</u>	<u>2,463,576</u>	<u>869,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(343,662)</u>	<u>(1,486,495)</u>	<u>(1,830,157)</u>	<u>(512,714)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,280,000	-	1,280,000	-
Operating transfer in				
General Fund	-	446,791	446,791	362,000
Electric Enterprise Fund	-	-	-	225,000
Refuse Removal and Recycling Enterprise Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,280,000</u>	<u>446,791</u>	<u>1,726,791</u>	<u>812,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	936,338	(1,039,704)	(103,366)	299,286
FUND BALANCE, JANUARY 1	<u>-</u>	<u>1,817,557</u>	<u>1,817,557</u>	<u>1,518,271</u>
FUND BALANCE, DECEMBER 31	<u>\$ 936,338</u>	<u>\$ 777,853</u>	<u>\$ 1,714,191</u>	<u>\$ 1,817,557</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**CITY PROJECTS - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2000**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 24,000	\$ 60,993	\$ 36,993
IRRRB grants	792,980	564,890	(228,090)
Other grants	217,794	-	(217,794)
Interest	<u>4,000</u>	<u>2,071</u>	<u>(1,929)</u>
TOTAL REVENUES	<u>1,038,774</u>	<u>627,954</u>	<u>(410,820)</u>
EXPENDITURES			
Capital outlay			
General government	1,355,000	1,444,092	(89,092)
Public safety	30,000	26,845	3,155
Streets and alleys	500,000	250,000	250,000
Culture and recreation	166,000	58,109	107,891
Miscellaneous	<u>899,800</u>	<u>335,403</u>	<u>564,397</u>
TOTAL EXPENDITURES	<u>2,950,800</u>	<u>2,114,449</u>	<u>836,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,912,026)</u>	<u>(1,486,495)</u>	<u>425,531</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in			
General Fund	<u>446,791</u>	<u>446,791</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(1,465,235)</u>	<u>(1,039,704)</u>	<u>425,531</u>
FUND BALANCE, JANUARY 1	<u>1,817,557</u>	<u>1,817,557</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 352,322</u>	<u>\$ 777,853</u>	<u>\$ 425,531</u>

CITY OF MOUNTAIN IRON, MINNESOTA

ENTERPRISE FUNDS
COMBINING BALANCE SHEETDecember 31, 2000
(with comparative totals for December 31, 1999)

	<u>Electric</u>	<u>Water Treatment</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,324	\$ 4,538
Interest receivable	-	-
Accounts receivable	146,310	19,094
Allowance for uncollectibles	(10,000)	(1,500)
Inventory	<u>55,100</u>	<u>20,403</u>
TOTAL CURRENT ASSETS	<u>230,734</u>	<u>42,535</u>
BUILDINGS AND EQUIPMENT (unaudited)		
Buildings	-	512,718
Other improvements	436,281	1,105,321
Equipment	370,418	9,851
Accumulated depreciation	<u>(293,852)</u>	<u>(329,641)</u>
NET BUILDINGS AND EQUIPMENT	<u>512,847</u>	<u>1,298,249</u>
TOTAL ASSETS	<u>\$ 743,581</u>	<u>\$ 1,340,784</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 56,067	\$ -
Accrued salaries	2,577	1,223
Accrued taxes	3,794	147
Customer deposits payable	25,590	120
Compensated absences payable	<u>21,824</u>	<u>444</u>
TOTAL CURRENT LIABILITIES	<u>109,852</u>	<u>1,934</u>
FUND EQUITY		
Contributed capital, government	-	900,439
Retained earnings		
Unreserved	<u>633,729</u>	<u>438,411</u>
TOTAL FUND EQUITY	<u>633,729</u>	<u>1,338,850</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 743,581</u>	<u>\$ 1,340,784</u>

<u>Waste Water Treatment</u>	<u>Refuse Removal and Recycling</u>	<u>Totals</u>	
		<u>2000</u>	<u>1999</u>
\$ 253,790	\$ 189,559	\$ 487,211	\$ 580,532
-	-	-	338
26,061	49,206	240,671	244,829
(2,000)	(5,000)	(18,500)	(18,500)
-	-	<u>75,503</u>	<u>71,519</u>
<u>277,851</u>	<u>233,765</u>	<u>784,885</u>	<u>878,718</u>
1,084,547	-	1,597,265	1,597,265
1,320,991	-	2,862,593	2,860,607
434,422	490,696	1,305,387	1,452,904
(877,530)	(143,493)	(1,644,516)	(1,633,632)
<u>1,962,430</u>	<u>347,203</u>	<u>4,120,729</u>	<u>4,277,144</u>
\$ <u>2,240,281</u>	\$ <u>580,968</u>	\$ <u>4,905,614</u>	\$ <u>5,155,862</u>
\$ -	\$ -	\$ 56,067	\$ 131,002
1,291	1,120	6,211	5,713
-	2,745	6,686	5,797
-	-	25,710	25,035
6,870	-	<u>29,138</u>	<u>22,526</u>
<u>8,161</u>	<u>3,865</u>	<u>123,812</u>	<u>190,073</u>
-	-	900,439	900,439
<u>2,232,120</u>	<u>577,103</u>	<u>3,881,363</u>	<u>4,065,350</u>
<u>2,232,120</u>	<u>577,103</u>	<u>4,781,802</u>	<u>4,965,789</u>
\$ <u>2,240,281</u>	\$ <u>580,968</u>	\$ <u>4,905,614</u>	\$ <u>5,155,862</u>

CITY OF MOUNTAIN IRON, MINNESOTA

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	<u>Electric</u>	<u>Water Treatment</u>
OPERATING REVENUES		
Charges for services	\$ <u>946,983</u>	\$ <u>148,666</u>
OPERATING EXPENSES		
Cost of sales	647,709	-
Salaries	172,436	45,634
Payroll taxes	22,068	5,876
Maintenance	69,919	15,032
Travel and training	2,059	660
Depreciation	50,000	40,000
Insurance	51,308	12,266
Professional services	8,289	323
Office supplies and postage	6,811	1,209
Operating supplies	10,302	3,013
Communications	2,264	172
Other expenses	24,169	4,064
Contract services	-	-
Utilities	<u>-</u>	<u>24,306</u>
TOTAL OPERATING EXPENSES	<u>1,067,334</u>	<u>152,555</u>
OPERATING INCOME (LOSS)	<u>(120,351)</u>	<u>(3,889)</u>
NONOPERATING REVENUES (EXPENSES)		
Operating transfers out		
Capital Projects Fund	-	-
Interest income	4,277	350
Interest expense	(1,020)	-
Loss on disposal of fixed assets	<u>(42,173)</u>	<u>(1,301)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(38,916)</u>	<u>(951)</u>
NET INCOME (LOSS)	(159,267)	(4,840)
RETAINED EARNINGS, JANUARY 1	837,791	443,251
Prior period adjustment	<u>(44,795)</u>	<u>-</u>
RETAINED EARNINGS, DECEMBER 31	\$ <u>633,729</u>	\$ <u>438,411</u>

<u>Waste Water Treatment</u>	<u>Refuse Removal and Recycling</u>	<u>Totals</u>	
		<u>2000</u>	<u>1999</u>
\$ <u>260,905</u>	\$ <u>332,675</u>	\$ <u>1,689,229</u>	\$ <u>1,583,352</u>
-	-	647,709	537,927
47,706	86,407	352,183	320,844
7,563	11,036	46,543	40,361
30,116	11,137	126,204	118,050
1,144	800	4,663	4,714
73,000	30,000	193,000	77,282
14,857	26,025	104,456	117,398
5,575	1,966	16,153	9,787
1,055	4,249	13,324	7,877
9,229	8,680	31,224	24,601
1,451	1,362	5,249	4,152
4,040	8,842	41,115	83,811
21,917	129,559	151,476	146,526
<u>48,815</u>	<u>-</u>	<u>73,121</u>	<u>28,953</u>
<u>266,468</u>	<u>320,063</u>	<u>1,806,420</u>	<u>1,522,283</u>
<u>(5,563)</u>	<u>12,612</u>	<u>(117,191)</u>	<u>61,069</u>
-	-	-	(450,000)
16,751	11,631	33,009	37,398
-	-	(1,020)	(643)
<u>(1,303)</u>	<u>(9,213)</u>	<u>(53,990)</u>	<u>-</u>
<u>15,448</u>	<u>2,418</u>	<u>(22,001)</u>	<u>(413,245)</u>
9,885	15,030	(139,192)	(352,176)
2,222,235	562,073	4,065,350	4,417,526
<u>-</u>	<u>-</u>	<u>(44,795)</u>	<u>-</u>
\$ <u>2,232,120</u>	\$ <u>577,103</u>	\$ <u>3,881,363</u>	\$ <u>4,065,350</u>

CITY OF MOUNTAIN IRON, MINNESOTA

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2000
(with comparative totals for year ended December 31, 1999)

	<u>Electric</u>	<u>Water Treatment</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 946,682	\$ 148,374
Cash paid to suppliers	(831,500)	(72,376)
Cash paid to employees	<u>(168,524)</u>	<u>(45,023)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(53,342)</u>	<u>30,975</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Capital Projects Fund	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of buildings and equipment	(54,655)	(17,223)
Interest paid	<u>(1,020)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(55,675)</u>	<u>(17,223)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest and dividends	<u>4,277</u>	<u>350</u>
NET INCREASE (DECREASE) IN CASH	(104,740)	14,102
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>144,064</u>	<u>(9,564)</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 39,324</u>	<u>\$ 4,538</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (120,351)	\$ (3,889)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	50,000	40,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(976)	(292)
Inventory	1,497	(5,481)
Increase (decrease) in:		
Accounts payable	11,272	-
Accrued salaries	(59)	282
Accrued taxes	629	26
Compensated absences payable	3,971	329
Customer deposits payable	<u>675</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (53,342)</u>	<u>\$ 30,975</u>

Waste Water Treatment	Refuse Removal and Recycling	Totals	
		2000	1999
\$ 261,237	\$ 338,107	\$ 1,694,400	\$ 1,557,891
(145,762)	(334,424)	(1,384,062)	(1,024,975)
<u>(45,130)</u>	<u>(86,396)</u>	<u>(345,073)</u>	<u>(318,070)</u>
<u>70,345</u>	<u>(82,713)</u>	<u>(34,735)</u>	<u>214,846</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
(15,117)	(3,580)	(90,575)	(174,130)
<u>-</u>	<u>-</u>	<u>(1,020)</u>	<u>(643)</u>
<u>(15,117)</u>	<u>(3,580)</u>	<u>(91,595)</u>	<u>(174,773)</u>
<u>16,751</u>	<u>11,631</u>	<u>33,009</u>	<u>37,060</u>
71,979	(74,662)	(93,321)	(372,867)
<u>181,811</u>	<u>264,221</u>	<u>580,532</u>	<u>953,399</u>
\$ <u>253,790</u>	\$ <u>189,559</u>	\$ <u>487,211</u>	\$ <u>580,532</u>
\$ (5,563)	\$ 12,612	\$ (117,191)	\$ 61,069
73,000	30,000	193,000	77,282
332	5,432	4,496	(27,756)
-	-	(3,984)	(12,592)
-	(131,002)	(119,730)	111,907
264	11	498	1,705
-	234	889	(133)
2,312	-	6,612	1,069
<u>-</u>	<u>-</u>	<u>675</u>	<u>2,295</u>
\$ <u>70,345</u>	\$ <u>(82,713)</u>	\$ <u>(34,735)</u>	\$ <u>214,846</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 1
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 1,614,050	\$ 895,380	\$ 80,187
Bond proceeds	1,930,000	440,000	-
Loan proceeds HRA General Fund	-	166,665	8,220
Real estate sales	-	1,726	-
IRRRB Grant	<u>800,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>4,344,050</u>	<u>1,503,771</u>	<u>88,407</u>
USES OF FUNDS			
Land acquisition	100,000	58,616	-
Site improvements and preparation costs	1,129,810	663,627	50,000
Installation of public utilities	134,920	-	-
Streets and sidewalks	370,670	-	-
Bond principal payments	1,930,000	185,700	26,400
Bond interest payments	587,450	326,622	10,665
Loan principal payments	-	166,665	-
Administrative costs	91,200	41,099	1,342
Pooled for debt	<u>-</u>	<u>61,442</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>4,344,050</u>	<u>1,503,771</u>	<u>88,407</u>
DISTRICT BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 2
Year Ended December 31, 2000

	<u>Budget</u>	Accounted for in <u>Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 5,566,225	\$ 144,419	\$ 8,809
Bond proceeds	1,905,000	60,000	-
Loan proceeds HRA General Fund	<u>-</u>	<u>172,987</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>7,471,225</u>	<u>377,406</u>	<u>8,809</u>
USES OF FUNDS			
Land acquisition	324,500	264,070	-
Site improvement	466,500	-	-
Bond principal payments	1,905,000	29,300	3,600
Bond interest payments	2,721,725	46,590	1,455
Loan principal payments	-	33,422	1,978
Administrative costs	134,020	4,024	1,776
Debt service reserve	<u>500,000</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>6,051,745</u>	<u>377,406</u>	<u>8,809</u>
DISTRICT BALANCE	<u>\$ 1,419,480</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 3
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 57,989	\$ 46,985	\$ 4,759
Bond proceeds	75,000	-	-
Loan proceeds HRA General Fund	<u>-</u>	<u>10,235</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>132,989</u>	<u>57,220</u>	<u>4,759</u>
USES OF FUNDS			
Site improvements and preparation costs	65,500	34,623	-
Bond principal payments	75,000	-	-
Bond interest payments	9,500	-	-
Loan principal payments	-	10,235	-
Administrative costs	7,500	4,591	539
Pooled for debt	<u>-</u>	<u>7,771</u>	<u>4,220</u>
TOTAL USES OF FUNDS	<u>157,500</u>	<u>57,220</u>	<u>4,759</u>
DISTRICT BALANCE (DEFICIENCY)	<u>\$ (24,511)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 6
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 281,662	\$ 29,167	\$ -
Bond proceeds	250,000	-	-
Loan proceeds HRA General Fund	-	1,364	4,048
IRRRB Grant	<u>96,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>627,662</u>	<u>30,531</u>	<u>4,048</u>
USES OF FUNDS			
Land acquisition	191,000	-	-
Site improvements and preparation costs	82,500	8,359	3,843
Bond principal payments	250,000	-	-
Bond interest payments	59,162	-	-
Loan principal payments	-	1,364	-
Administrative costs	45,000	18,222	205
Pooled for debt	<u>-</u>	<u>2,586</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>627,662</u>	<u>30,531</u>	<u>4,048</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 7
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 764,348	\$ 142,812	\$ 57,046
Interest on invested funds	-	5,823	-
Bond proceeds	635,000	635,000	-
Real estate sales	-	24,000	-
Loan proceeds HRA General Fund	-	67,069	37,361
Pooled for debt	<u>-</u>	<u>77,056</u>	<u>4,220</u>
TOTAL SOURCES OF FUNDS	<u>1,399,348</u>	<u>951,760</u>	<u>98,627</u>
USES OF FUNDS			
Site improvements and preparation costs	604,360	550,986	-
Bond principal payments	635,000	85,000	50,000
Bond interest payments	129,348	261,794	46,894
Administrative costs	30,640	41,596	1,733
Underwriters discount/bond	<u>-</u>	<u>12,384</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>1,399,348</u>	<u>951,760</u>	<u>98,627</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 8
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 259,470	\$ 81,111	\$ 30,013
Bond proceeds	561,000	-	-
Loan proceeds HRA General Fund	-	231,076	-
IRRRB Grant	<u>-</u>	<u>240,000</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>820,470</u>	<u>552,187</u>	<u>30,013</u>
USES OF FUNDS			
Site improvements and preparation costs	242,300	420,801	-
Streets and sidewalks	128,700	-	-
Bond principal payments	561,000	-	-
Bond interest payments	161,300	-	-
Administrative costs	25,000	59,568	756
Loan principal payments	<u>-</u>	<u>71,818</u>	<u>29,257</u>
TOTAL USES OF FUNDS	<u>1,118,300</u>	<u>552,187</u>	<u>30,013</u>
DISTRICT BALANCE (DEFICIENCY)	<u>\$ (297,830)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 9
Year Ended December 31, 2000**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 205,000	\$ 11,974	\$ 14,560
Local contribution	20,000	-	3,111
Loan proceeds HRA General Fund	<u>-</u>	<u>18,935</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>225,000</u>	<u>30,909</u>	<u>17,671</u>
USES OF FUNDS			
Land acquisition	35,000	1,012	11,940
Site improvements and preparation costs	65,000	-	-
Installation of public utilities	18,000	-	-
Parking facilities	30,000	-	-
Administrative costs	17,000	21,234	1,399
Public improvements	40,000	-	-
Costs of local contribution	20,000	923	-
Loan principal payments	<u>-</u>	<u>7,740</u>	<u>4,332</u>
TOTAL USES OF FUNDS	<u>225,000</u>	<u>30,909</u>	<u>17,671</u>
DISTRICT BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 10
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 331,056	\$ -	\$ 1,274
Local contribution	25,830	-	-
Interest	2,000	-	-
Loan proceeds HRA General Fund	<u>165,000</u>	<u>93,395</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>523,886</u>	<u>93,395</u>	<u>1,274</u>
USES OF FUNDS			
Land acquisition	50,000	-	-
Site improvements and preparation costs	129,360	68,701	-
Installation of public utilities	10,000	10,000	-
Interest	117,204	-	-
Administrative costs	25,830	14,694	244
Cost of local contribution	25,830	-	-
Loan principal payments	<u>165,662</u>	<u>-</u>	<u>1,030</u>
TOTAL USES OF FUNDS	<u>523,886</u>	<u>93,395</u>	<u>1,274</u>
DISTRICT BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 11
Year Ended December 31, 2000

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 196,474	\$ -	\$ 1,860
Interest	2,000	-	-
Loan proceeds HRA General Fund	15,000	5,767	-
Land sale	<u>-</u>	<u>1,000</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>213,474</u>	<u>6,767</u>	<u>1,860</u>
USES OF FUNDS			
Site improvements and preparation costs	95,500	842	837
Installation of public utilities	20,000	-	-
Interest	63,868	-	-
Administrative costs	19,106	5,925	352
Loan principal payments	<u>15,000</u>	<u>-</u>	<u>671</u>
TOTAL USES OF FUNDS	<u>213,474</u>	<u>6,767</u>	<u>1,860</u>
DISTRICT BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MOUNTAIN IRON TAX INCREMENT DISTRICT NO. 12
Year Ended December 31, 2000**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 117,500	\$ -	\$ -
Other developer funds	23,500	-	-
Loan proceeds HRA General Fund	117,468	-	5,076
Bond proceeds	<u>130,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>388,468</u>	<u>-</u>	<u>5,076</u>
USES OF FUNDS			
Site improvements and preparation costs	105,000	-	-
Installation of public utilities	25,000	-	-
Bond payments	130,000	-	-
Administrative costs	11,000	-	5,076
Loan principal payments	<u>117,468</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>388,468</u>	<u>-</u>	<u>5,076</u>
DISTRICT BALANCE	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>



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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING 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 the general purpose financial statements of the City of Mountain Iron, Minnesota, as of and for the year ended December 31, 2000, and have issued our report thereon dated April 12, 2001. In our report, our opinion was qualified because the City does not maintain adequate fixed asset records; therefore, we were unable to audit the proprietary fund fixed assets and the general fixed asset account group as required by generally accepted accounting principles. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute para. 6.65.

Compliance

As part of obtaining reasonable assurance about whether the City of Mountain Iron, Minnesota's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Local Governments* covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories. The results of our tests indicate that for the items tested the City of Mountain Iron, Minnesota, complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the City had not complied with such legal provisions. However, we noted certain immaterial instances of noncompliance that we reported to the management of the City of Mountain Iron in a separate letter dated April 12, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mountain Iron, Minnesota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Mountain Iron, Minnesota's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Mountain Iron, Minnesota, in a separate letter dated April 12, 2001.

This report is intended 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.



April 12, 2001

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Year Ended December 31, 2000

1. CONDITION

The City does not maintain fixed asset records that include the historical cost or location of the fixed assets.

CRITERIA

Fixed assets should be recorded at historical cost, estimated cost or, in the case of gifts and donations, at their estimated fair value at the time received. Also, fixed assets should be identified and records maintained of their location.

EFFECT OF CONDITION

When adequate records of fixed assets are not maintained, controls are not in place to safeguard the City's assets.

CAUSE

This occurred because no procedure is in place to record all fixed assets purchased by the City.

RECOMMENDATION

The City should identify all fixed assets and determine their value. Also, the City should maintain adequate fixed asset records, which include the cost and location of all fixed assets.

2. 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.

CRITERIA

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

EFFECT OF CONDITION

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

CAUSE

This occurred because of staffing limitations caused by fiscal constraints.

RECOMMENDATIONS

Officials and management of 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.