



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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2002, 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, Hwang & Nelson, LLP.

April 8, 2002

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2001
(with comparative totals for December 31, 2000)

Primary Governmental Fund Types			
General	Special Revenue	Debt Service	Capital Projects

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			2001	2000
Enterprise						

ASSETS AND OTHER DEBITS

ASSETS	\$ 1,048,523	\$ 7,088	\$ 211,608	\$ 1,630,219
Cash and cash equivalents	23,280	-	-	-
Taxes receivable	-	-	-	-
Loans receivable	8,251	-	-	-
Advance to other funds	56,337	-	-	-
Accounts receivable	-	-	-	-
Allowance for uncollectibles	3,455	-	592	4,442
Interest receivable	-	-	266,750	50,194
Special assessments receivable	-	8,251	-	5,000
Grant receivable	-	-	-	-
Inventory	-	-	-	-
Land (unaudited)	-	-	-	-
Buildings (unaudited)	-	-	-	-
Other improvements (unaudited)	-	-	-	-
Equipment (unaudited)	-	-	-	-
Accumulated depreciation (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>\$ 1,139,846</u>	<u>\$ 15,339</u>	<u>\$ 478,950</u>	<u>\$ 1,689,855</u>

\$ 542,234	\$ -	\$ -	\$ 3,439,672	\$ 272,544	\$ 3,712,216	\$ 3,340,310
-	-	-	23,280	-	23,280	26,425
-	-	-	-	241,471	241,471	260,498
-	-	-	8,251	481,686	489,937	510,614
213,778	-	-	270,115	-	270,115	278,308
(18,500)	-	-	(18,500)	-	(18,500)	(18,500)
1,381	-	-	9,870	-	9,870	-
-	-	-	316,944	-	316,944	54,520
-	-	-	13,251	-	13,251	250,000
67,577	-	-	67,577	-	67,577	75,503
-	-	-	-	378,282	378,282	577,958
1,597,265	206,826	-	1,804,091	-	1,804,091	4,765,373
2,925,405	3,196,930	-	6,122,335	2,068,347	8,190,682	8,655,426
1,312,556	3,883,859	-	5,196,415	72,319	5,268,734	3,236,418
(1,862,516)	2,040,347	-	177,831	-	177,831	(1,644,516)
-	-	242,686	242,686	1,127	243,813	67,970
-	-	2,061,012	2,061,012	668,873	2,729,885	3,022,476
<u>\$ 4,779,180</u>	<u>\$ 9,327,962</u>	<u>\$ 2,303,698</u>	<u>\$ 19,734,830</u>	<u>\$ 4,184,649</u>	<u>\$ 23,919,479</u>	<u>\$ 23,458,783</u>

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

CITY OF MOUNTAIN IRON, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
December 31, 2001
(with comparative totals for December 31, 2000)

	Primary Governmental Fund Types				Proprietary Fund Types	Account Groups		Totals (Memorandum Only) Primary Government	Component Unit Governmental	Totals (Memorandum Only) Reporting Entity	
	General	Special Revenue	Debt Service	Capital Projects		General Fixed Assets (Unaudited)	General Long-Term Debt			2001	2000
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ 2,500	\$ 43,493	\$ -	\$ -	\$ 45,993	\$ -	\$ 45,993	\$ 58,567
Accrued salaries	11,819	-	-	-	6,706	-	-	18,525	-	18,525	15,079
Accrued taxes	-	-	-	-	6,056	-	-	6,056	-	6,056	6,686
Deferred revenue	23,280	-	236,263	35,048	-	-	-	294,591	241,471	536,062	346,346
Advance from other funds	-	8,251	-	-	-	-	-	8,251	481,686	489,937	510,614
Compensated absences payable	-	-	-	-	25,907	-	38,698	64,605	-	64,605	69,584
Customer deposits payable	-	-	-	-	24,425	-	-	24,425	-	24,425	25,710
General obligation bonds	-	-	-	-	-	-	2,265,000	2,265,000	670,000	2,935,000	3,050,000
TOTAL LIABILITIES	<u>35,099</u>	<u>8,251</u>	<u>236,263</u>	<u>37,548</u>	<u>106,587</u>	<u>-</u>	<u>2,303,698</u>	<u>2,727,446</u>	<u>1,393,157</u>	<u>4,120,603</u>	<u>4,082,586</u>
EQUITY AND OTHER CREDITS											
Investment in general fixed assets	-	-	-	-	-	9,327,962	-	9,327,962	2,518,948	11,846,910	11,469,930
Contributed capital	-	-	-	-	900,439	-	-	900,439	-	900,439	900,439
Retained earnings											
Unreserved	-	-	-	-	3,772,154	-	-	3,772,154	-	3,772,154	3,881,363
Fund balances											
Unreserved, designated	1,104,747	-	-	1,904	-	-	-	1,106,651	1,127	1,107,778	1,231,858
Unreserved, undesignated	-	7,088	242,687	1,650,403	-	-	-	1,900,178	271,417	2,171,595	1,892,607
TOTAL EQUITY AND OTHER CREDITS	<u>1,104,747</u>	<u>7,088</u>	<u>242,687</u>	<u>1,652,307</u>	<u>4,672,593</u>	<u>9,327,962</u>	<u>-</u>	<u>17,007,384</u>	<u>2,791,492</u>	<u>19,798,876</u>	<u>19,376,197</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$1,139,846</u>	<u>\$ 15,339</u>	<u>\$ 478,950</u>	<u>\$ 1,689,855</u>	<u>\$ 4,779,180</u>	<u>\$ 9,327,962</u>	<u>\$ 2,303,698</u>	<u>\$19,734,830</u>	<u>\$ 4,184,649</u>	<u>\$23,919,479</u>	<u>\$23,458,783</u>

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

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, 2001
(with comparative totals for year ended December 31, 2000)**

	Primary Governmental Fund Types				Totals (Memorandum Only) Primary Government	Component Unit Governmental	Totals (Memorandum Only) Reporting Entity	
	General	Special Revenue	Debt Service	Capital Projects			2001	2000
REVENUES								
Taxes	\$ 733,408	\$ -	\$ 126,271	\$ 16,252	\$ 875,931	\$ 253,141	\$ 1,129,072	\$ 956,911
Licenses and permits	20,850	-	-	-	20,850	-	20,850	24,033
Intergovernmental	1,606,209	23,047	-	112,401	1,741,657	-	1,741,657	2,186,136
Charge for services	28,502	-	-	-	28,502	-	28,502	32,337
Fines	10,679	-	-	-	10,679	-	10,679	8,352
Interest	76,361	305	5,614	93,947	176,227	12,209	188,436	109,964
Miscellaneous	305,807	2,008	-	-	307,815	33,526	341,341	263,747
TOTAL REVENUES	<u>2,781,816</u>	<u>25,360</u>	<u>131,885</u>	<u>222,600</u>	<u>3,161,661</u>	<u>298,876</u>	<u>3,460,537</u>	<u>3,581,480</u>
EXPENDITURES								
Current								
General government	599,703	-	-	-	599,703	-	599,703	565,138
Public Safety	489,301	-	-	-	489,301	-	489,301	456,993
Streets and alleys	525,464	-	-	-	525,464	-	525,464	412,376
Culture and recreation	335,460	-	-	-	335,460	-	335,460	284,492
Miscellaneous	237,969	29,983	-	-	267,952	66,079	334,031	341,743
Capital outlay	-	-	-	739,334	739,334	-	739,334	2,491,691
Debt Service								
Principal	-	-	30,000	-	30,000	85,000	115,000	80,000
Interest and fiscal charges	-	-	114,025	-	114,025	53,311	167,336	111,035
TOTAL EXPENDITURES	<u>2,187,897</u>	<u>29,983</u>	<u>144,025</u>	<u>739,334</u>	<u>3,101,239</u>	<u>204,390</u>	<u>3,305,629</u>	<u>4,743,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>593,919</u>	<u>(4,623)</u>	<u>(12,140)</u>	<u>(516,734)</u>	<u>60,422</u>	<u>94,486</u>	<u>154,908</u>	<u>(1,161,988)</u>
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	-	-	-	1,280,000
Operating transfers in	-	5,503	200,000	454,850	660,353	95,105	755,458	636,477
Operating transfers out	(660,353)	-	-	-	(660,353)	(95,105)	(755,458)	(636,477)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(660,353)</u>	<u>5,503</u>	<u>200,000</u>	<u>454,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,280,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(66,434)</u>	<u>880</u>	<u>187,860</u>	<u>(61,884)</u>	<u>60,422</u>	<u>94,486</u>	<u>154,908</u>	<u>118,012</u>
FUND BALANCES, JANUARY 1	<u>1,171,181</u>	<u>6,208</u>	<u>54,827</u>	<u>1,714,191</u>	<u>2,946,407</u>	<u>178,058</u>	<u>3,124,465</u>	<u>3,006,453</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,104,747</u>	<u>\$ 7,088</u>	<u>\$ 242,687</u>	<u>\$ 1,652,307</u>	<u>\$ 3,006,829</u>	<u>\$ 272,544</u>	<u>\$ 3,279,373</u>	<u>\$ 3,124,465</u>

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

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, 2001**

	General Fund			Debt Service Fund			Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Taxes	\$ 725,536	\$ 733,408	\$ 7,872	\$ 4,500	\$ 126,271	\$ 121,771	\$ 500	\$ 16,252	\$ 15,752
Licenses and permits	20,000	20,850	850	-	-	-	-	-	-
Intergovernmental	1,560,214	1,606,209	45,995	-	-	-	300,000	112,230	(187,770)
Charge for services	25,000	28,502	3,502	-	-	-	-	-	-
Fines and forfeits	8,500	10,679	2,179	-	-	-	-	-	-
Interest	40,000	76,361	36,361	19,900	5,614	(14,286)	40,000	50,503	10,503
Miscellaneous	166,300	305,807	139,507	-	-	-	-	-	-
TOTAL REVENUES	<u>2,545,550</u>	<u>2,781,816</u>	<u>236,266</u>	<u>24,400</u>	<u>131,885</u>	<u>107,485</u>	<u>340,500</u>	<u>178,985</u>	<u>(161,515)</u>
EXPENDITURES									
Current									
General government	490,000	599,703	(109,703)	-	-	-	-	-	-
Public safety	475,700	489,301	(13,601)	-	-	-	-	-	-
Streets and alleys	458,000	525,464	(67,464)	-	-	-	-	-	-
Culture and recreation	301,700	335,460	(33,760)	-	-	-	-	-	-
Miscellaneous	226,300	237,969	(11,669)	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	300,000	561,228	261,228
Debt service									
Principal	-	-	-	30,000	30,000	-	-	-	-
Interest and fiscal agent fees	-	-	-	115,338	114,025	1,313	-	-	-
TOTAL EXPENDITURES	<u>1,951,700</u>	<u>2,187,897</u>	<u>(236,197)</u>	<u>145,338</u>	<u>144,025</u>	<u>1,313</u>	<u>300,000</u>	<u>561,228</u>	<u>261,228</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>593,850</u>	<u>593,919</u>	<u>69</u>	<u>(120,938)</u>	<u>(12,140)</u>	<u>108,798</u>	<u>40,500</u>	<u>(382,243)</u>	<u>422,743</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	149,976	200,000	50,024	454,850	454,850	-
Operating transfers out	(658,850)	(660,353)	(1,503)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(658,850)</u>	<u>(660,353)</u>	<u>(1,503)</u>	<u>149,976</u>	<u>200,000</u>	<u>50,024</u>	<u>454,850</u>	<u>454,850</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER EXPENDITURES AND OTHER FINANCING USES	(65,000)	(66,434)	(1,434)	29,038	187,860	158,822	495,350	72,607	(422,743)
FUND BALANCES, JANUARY 1	<u>1,171,181</u>	<u>1,171,181</u>	<u>-</u>	<u>54,827</u>	<u>54,827</u>	<u>-</u>	<u>777,853</u>	<u>777,853</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,106,181</u>	<u>\$ 1,104,747</u>	<u>\$ (1,434)</u>	<u>\$ 83,865</u>	<u>\$ 242,687</u>	<u>\$ 158,822</u>	<u>\$ 1,273,203</u>	<u>\$ 850,460</u>	<u>\$ (422,743)</u>

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

CITY OF MOUNTAIN IRON, MINNESOTA

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
Year Ended December 31, 2001
(with comparative totals for year ended December 31, 2000)**

	Enterprise Funds	
	Totals	
	(Memorandum Only)	
	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Charges for services	\$ <u>1,674,622</u>	\$ <u>1,689,229</u>
OPERATING EXPENSES		
Cost of sales	657,745	647,709
Administration	941,564	965,711
Depreciation	<u>218,000</u>	<u>193,000</u>
TOTAL OPERATING EXPENSES	<u>1,817,309</u>	<u>1,806,420</u>
OPERATING LOSS	<u>(142,687)</u>	<u>(117,191)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	33,967	33,009
Interest expense	(489)	(1,020)
Loss on disposal of assets	<u>-</u>	<u>(53,990)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>33,478</u>	<u>(22,001)</u>
NET LOSS	(109,209)	(139,192)
RETAINED EARNINGS, JANUARY 1	3,881,363	4,065,350
Prior period adjustment	<u>-</u>	<u>(44,795)</u>
RETAINED EARNINGS, DECEMBER 31	\$ <u>3,772,154</u>	\$ <u>3,881,363</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, 2001

(with comparative totals for year ended December 31, 2000)

	Enterprise Funds	
	Totals	
	(Memorandum Only)	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,696,586	\$ 1,694,400
Cash paid to suppliers	(1,234,669)	(1,384,062)
Cash paid to employees	(370,391)	(345,073)
NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	<u>91,526</u>	<u>(34,735)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of buildings and equipment	(69,981)	(90,575)
Interest paid	(489)	(1,020)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(70,470)</u>	<u>(91,595)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>33,967</u>	<u>33,009</u>
NET INCREASE (DECREASE) IN CASH	55,023	(93,321)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>487,211</u>	<u>580,532</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 542,234</u>	<u>\$ 487,211</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (142,687)	\$ (117,191)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	218,000	193,000
(Increase) decrease in:		
Interest receivable	(1,381)	-
Accounts receivable	26,893	4,496
Inventory	7,926	(3,984)
Increase (decrease) in:		
Accounts payable	(12,574)	(119,730)
Accrued salaries	495	498
Accrued taxes	(630)	889
Compensated absences payable	(3,231)	6,612
Customer deposits payable	(1,285)	675
NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	<u>\$ 91,526</u>	<u>\$ (34,735)</u>

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

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

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 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, 2001.

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, 2001

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, 2001

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, 2001

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, 2001

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, 2001

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, 2001

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The following fund in the HRA had a deficit fund balance as of December 31, 2001:

Special Revenue Fund	\$ <u>481,686</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>236,197</u>
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City Projects Capital Projects Fund	\$ <u>261,228</u>
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This overexpenditure was funded by available fund balance.

NOTE 3 - CASH AND CASH EQUIVALENTS

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	\$ 541
Cash	842,574
Certificates of Deposit	2,646,339
Investments	<u>222,762</u>
Total	\$ <u>3,712,216</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 \$3,216,369; the bank balance was \$3,274,067. Of the bank balance, \$3,274,067 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 \$272,544; the bank balance was \$272,604. Of the bank balance, \$272,604 was covered by Federal depository insurance or by collateral held by the HRA's agent in the HRA's name. At December 31, 2001 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, 2001

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, 2001, the City's investment balances were as follows:

Description	Category			Carrying Amount
	1	2	3	
U.S. Government Bonds	<u>\$205,063</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 205,063
Investments not subject to categorization:				
Salomon Smith Barney Money Market Funds				<u>17,699</u>
Total Investments				<u>\$ 222,762</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 2001 was \$19,026, and total interest received during 2001 was \$5,671. The loan receivable balance at December 31, 2001 was \$241,471 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 2001 were as follows:

	Balance 01/01/01	Additions	Deletions	Balance 12/31/01
Land	\$ 206,826	\$ -	\$ -	\$ 206,826
Buildings	3,168,108	28,822	-	3,196,930
Other improvements	3,732,191	151,668	-	3,883,859
Equipment	<u>1,858,713</u>	<u>181,634</u>	-	<u>2,040,347</u>
TOTAL	<u>\$8,965,838</u>	<u>\$ 362,124</u>	<u>\$ -</u>	<u>\$9,327,962</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

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

Changes in the HRA's general fixed assets account group during 2001 were as follows:

	Balance 01/01/01	Additions	Deletions	Balance 12/31/01
Land	\$ 371,132	\$ 7,150	\$ -	\$ 378,282
Other improvements	2,060,641	7,706	-	2,068,347
Equipment	72,319	-	-	72,319
TOTAL	<u>\$2,504,092</u>	<u>\$ 14,856</u>	<u>\$ -</u>	<u>\$2,518,948</u>

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

Fixed assets in the proprietary fund as of December 31, 2001 were as follows:

Fund	Buildings	Improvements	Equipment	Accumulated Depreciation
Electric	\$ -	\$ 436,281	\$ 370,418	\$ (346,852)
Water Treatment	512,718	1,105,321	9,851	(370,641)
Waste Water Treatment	1,084,547	1,383,803	434,422	(950,530)
Refuse Removal	-	-	497,865	(194,493)
TOTAL	<u>\$1,597,265</u>	<u>\$2,925,405</u>	<u>\$1,312,556</u>	<u>\$ (1,862,516)</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.

In 1999 the City of Two Harbors, Minnesota (Issuer) issued limited obligation notes (City of Two Harbors, Minnesota \$1,786,433 Health Care Facilities Revenue Note, Series 1999A and \$136,734 Health Care Facilities Revenue Note, Series 1999B, Duluth Regional Care Center Project) for purposes of financing the cost of acquisition of a new facility, refinancing debt, and financing real property improvements for the Duluth Regional Care Center, Inc. The City of Mountain Iron and the cities of Duluth, Aurora, Two Harbors, and Virginia, Minnesota (Parties) entered into a joint powers agreement to cooperatively finance the project since portions of the project are located within the jurisdictional limits of each of the Parties. These notes and interest are limited obligations of the Issuer and shall not be payable from nor charged against any funds of the City other than revenue pledged for the payment thereof and does not constitute a debt of the City and is not reported as a liability in the financial statements of the City. The outstanding balance of these notes at December 31, 2001 is \$1,434,231 and \$115,635, respectively. Duluth Regional Care Center, Inc. is not a component unit of the City.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 7 - LONG-TERM DEBT (CONTINUED)

In 1999 Mountain Iron Housing and Redevelopment Authority in and for the City of Mountain Iron issued \$1,450,000 lease revenue bonds to finance construction of a building by Northeast Service Cooperative and approved the financing plan for the project. The project is located on HRA property. The bonds are special limited obligations of the Authority, payable solely from the amounts payable under the lease. The bonds do not constitute a debt of the Authority or the City within the meaning of any constitutional or statutory limitation.

In 2001 Mountain Iron Housing and Redevelopment Authority in and for the City of Mountain Iron issued \$2,075,000 lease revenue bonds to finance construction of a building by Arrowhead Library System and approved the financing plan for the project. The project is located on HRA property. The bonds are special limited obligations of the Authority payable solely from the amounts payable under the lease. The bonds do not constitute a debt of the Authority or the City within the meaning of any constitutional or statutory limitation.

GENERAL OBLIGATION BONDS – CITY

	Outstanding <u>12/31/01</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>985,000</u>
Total general obligation bonds	\$ <u>2,265,000</u>

Debt Service Requirements to Maturity

General Obligation Improvement Bonds of 2000

Year <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	70,000	55,775	125,775
2007-2016	<u>975,000</u>	<u>297,003</u>	<u>1,272,003</u>
Total	<u>\$1,280,000</u>	<u>\$ 608,319</u>	<u>\$1,888,319</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 7 - LONG-TERM DEBT (CONTINUED)

General Obligation Community Center Bonds of 1999

Year Ended	Principal	Interest	Total
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	40,000	42,385	82,385
2007-2020	<u>805,000</u>	<u>328,138</u>	<u>1,133,138</u>
Total	<u>\$ 985,000</u>	<u>\$ 556,769</u>	<u>\$1,541,769</u>

TOTAL DEBT - CITY

Year Ended	Principal	Interest	Total
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	110,000	98,160	208,160
2007	<u>1,780,000</u>	<u>625,141</u>	<u>2,405,141</u>
Total	<u>\$2,265,000</u>	<u>\$1,165,088</u>	<u>\$ 3,430,088</u>

GENERAL OBLIGATION BONDS – HRA

	Outstanding <u>12/31/01</u>
1996 Tax Increment Refunding, \$365,000, 3.9-4.7%, \$25,000-\$40,000 annually to 2007	\$ 225,000
1994 Tax Increment, \$635,000, 8.875-9.0%, \$45,000-\$90,000, annually to 2007	<u>445,000</u>
Total general obligation bonds	<u>\$ 670,000</u>

Debt Service Requirements to Maturity

General Obligation Tax Increment Refunding Bonds of 1996

Year Ended	Principal	Interest	Total
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	40,000	2,820	42,820
2007	<u>40,000</u>	<u>940</u>	<u>40,940</u>
Total	<u>\$ 225,000</u>	<u>\$ 32,467</u>	<u>\$ 257,467</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 7 - LONG-TERM DEBT (CONTINUED)

General Obligation Tax Increment Bonds of 1994

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	85,000	11,926	96,926
2007	<u>90,000</u>	<u>4,050</u>	<u>94,050</u>
Total	\$ <u>445,000</u>	\$ <u>129,260</u>	\$ <u>574,260</u>

TOTAL DEBT - HRA

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	125,000	14,746	139,746
2007	<u>130,000</u>	<u>4,990</u>	<u>134,990</u>
Total	\$ <u>670,000</u>	\$ <u>161,727</u>	\$ <u>831,727</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.

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>01/01/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>
General Obligation Bonds				
Improvements - 2001	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Community Center - 2000	1,015,000	-	30,000	985,000
Compensated absences	<u>40,446</u>	<u>-</u>	<u>1,748</u>	<u>38,698</u>
Total	\$ <u>2,335,446</u>	\$ <u>-</u>	\$ <u>31,748</u>	\$ <u>2,303,698</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 7 - LONG-TERM DEBT (CONTINUED)

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>01/01/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>
General Obligation Bonds				
Tax Increment - 1996	\$ 255,000	\$ -	\$ 30,000	\$ 225,000
Tax Increment - 1994	<u>500,000</u>	<u>-</u>	<u>55,000</u>	<u>445,000</u>
	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 670,000</u>

NOTE 8 – ADVANCE TO/FROM OTHER FUNDS

The composition of advance to/from other funds as of December 31, 2001, is as follows:

	<u>Advance To</u>	<u>Advance From</u>	<u>Amount</u>
HRA	Special Revenue Fund	General Fund	\$ <u>481,686</u>
City	Special Revenue Fund	General Fund	\$ <u>8,251</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	\$ 250,000
Reserved for cash flow	<u>854,747</u>
Total Reserved - General Fund	<u>\$1,104,747</u>
<u>Capital Projects Fund:</u>	
Reserved for capital outlay	\$ <u>1,904</u>
Mountain Iron Housing and Redevelopment Authority -	
<u>Debt Service Fund:</u>	
Reserved for debt service	\$ <u>1,127</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 10 - 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 11 - 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, 2001, 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	\$ 968,573	\$ 171,209	\$ 190,624	\$ 344,216	\$1,674,622
Depreciation expense	53,000	41,000	73,000	51,000	218,000
Operating income (loss)	(53,856)	1,411	(104,237)	13,995	(142,687)
Net income (loss)	(51,944)	2,680	(86,776)	26,831	(109,209)
Fixed asset additions	-	-	62,812	7,169	69,981
Net working capital	121,938	84,281	193,102	300,562	699,883
Total assets	675,319	1,343,302	2,152,532	608,027	4,779,180
Total equity	581,785	1,341,530	2,145,344	603,934	4,672,593

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 12 - 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>	<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>	<u>No. 13</u>
Redevelopment project district established in:	1983	1986	1987	-	-	-	-	-	-	-	-
Economic development district established in:	-	-	-	1990	-	1995	1997	1999	1999	2001	2001
Soils district established in:	-	-	-	-	1994	-	-	-	-	-	-
Anticipated last tax increment year:	2009	2011	2012	2000	2008	2004	2007	2009	2009	2011	2011
Original net tax capacity:	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 35</u>	\$ <u> 9,104</u>	\$ <u> 2,752</u>	\$ <u> 271</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Current net tax capacity:	\$ <u> 79,963</u>	\$ <u> 9,689</u>	\$ <u> 4,283</u>	\$ <u> 13,498</u>	\$ <u> 43,154</u>	\$ <u> 25,733</u>	\$ <u> 14,635</u>	\$ <u> 1,146</u>	\$ <u> 19,445</u>	\$ <u> -</u>	\$ <u> -</u>
Captured net tax capacity retained by Authority:	\$ <u> 77,475</u>	\$ <u> 9,388</u>	\$ <u> 4,115</u>	\$ <u> 4,394</u>	\$ <u> 39,059</u>	\$ <u> 24,662</u>	\$ <u> 14,180</u>	\$ <u> 1,110</u>	\$ <u> 18,840</u>	\$ <u> -</u>	\$ <u> -</u>
Total bonds issued											
Tax increment bonds	\$ 440,000	\$ 60,000	\$ -	\$ -	\$ 635,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts redeemed	<u> 238,200</u>	<u> 36,800</u>	<u> -</u>	<u> -</u>	<u> 190,000</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Outstanding bonds at 12/31/01	\$ <u> 201,800</u>	\$ <u> 23,200</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 445,000</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 13 - 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, 2001, 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 14 - 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 2001 was \$20,915. 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, 2001

NOTE 14 - 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 2001 was \$5,078. 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 2001 was \$10,734. Complete financial information can be obtained from the Quad Cities Recreation Center, Eveleth, Minnesota 55734.

The City is a member in a joint powers agreement with the Cities of Eveleth, Gilbert and Virginia to jointly and cooperatively facilitate economic development redevelopment within the City limits of the Cities of Eveleth, Gilbert, Mountain Iron and Virginia. The Authority is governed by five commissioners, one commission 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 2001 was \$15,600. Complete financial information can be obtained from the Quad Cities Economic Development Authority, Mountain Iron, Minnesota 55768.

NOTE 15 – 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, 2001, there were seven employees who were receiving the premium coverage benefit. The City recognized \$62,226 of expenditures incurred for this benefit during 2001.

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 2001, the City did not expend any funds on this benefit.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 15 – POST EMPLOYMENT BENEFITS (CONTINUED)

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.

NOTE 16 - 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.

CITY OF MOUNTAIN IRON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 16 - DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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, 60 Empire Drive #200, St. Paul, Minnesota, 55103-1855 or by calling (651) 296-7460 or 1-800-652-9026.

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. Member and employer contribution rates for Basic and Coordinated members will increase by 0.35% effective January 2002. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2001, 2000, and 1999 were \$51,923, \$47,061, and \$42,166, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF MOUNTAIN IRON, MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 1,056,774	\$ 1,142,412
Taxes receivable	23,280	26,425
Interest receivable	3,455	-
Accounts receivable	<u>56,337</u>	<u>37,637</u>
TOTAL ASSETS	<u>\$ 1,139,846</u>	<u>\$ 1,206,474</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Salaries payable	\$ 11,819	\$ 8,868
Deferred revenue	<u>23,280</u>	<u>26,425</u>
TOTAL LIABILITIES	<u>35,099</u>	<u>35,293</u>
 FUND BALANCES		
Reserved for capital outlay	854,747	921,181
Reserved for cash flow	<u>250,000</u>	<u>250,000</u>
TOTAL FUND BALANCES	<u>1,104,747</u>	<u>1,171,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,139,846</u>	<u>\$ 1,206,474</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
REVENUES		
Taxes	\$ 733,408	\$ 744,093
Licenses and permits	20,850	24,033
Intergovernmental	1,606,209	1,593,131
Charges for services	28,502	32,337
Fines	10,679	8,352
Interest	76,361	30,594
Miscellaneous	<u>305,807</u>	<u>237,294</u>
TOTAL REVENUES	<u>2,781,816</u>	<u>2,669,834</u>
EXPENDITURES		
Current		
General government	599,703	565,138
Public safety	489,301	456,993
Streets and alleys	525,464	412,376
Culture and recreation	335,460	284,492
Miscellaneous	<u>237,969</u>	<u>202,658</u>
TOTAL EXPENDITURES	<u>2,187,897</u>	<u>1,921,657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>593,919</u>	<u>748,177</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers out	<u>(660,353)</u>	<u>(534,179)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(66,434)	213,998
FUND BALANCE, JANUARY 1	<u>1,171,181</u>	<u>957,183</u>
FUND BALANCE, DECEMBER 31	\$ <u>1,104,747</u>	\$ <u>1,171,181</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
TAXES			
General property	\$ 707,536	\$ 713,278	\$ 5,742
Franchise	<u>18,000</u>	<u>20,130</u>	<u>2,130</u>
TOTAL TAXES	<u>725,536</u>	<u>733,408</u>	<u>7,872</u>
LICENSES AND PERMITS	<u>20,000</u>	<u>20,850</u>	<u>850</u>
INTERGOVERNMENTAL			
Local governmental aid	324,089	328,413	4,324
Mining effects tax	108,000	120,836	12,836
Homestead credit	184,625	185,781	1,156
Taconite production tax	545,000	560,125	15,125
Taconite municipal aid	386,000	356,300	(29,700)
State fire aid	9,000	8,412	(588)
State police aid	3,500	29,539	26,039
State DNR	-	4,072	4,072
State PERA	-	4,529	4,529
Miscellaneous aid	<u>-</u>	<u>8,202</u>	<u>8,202</u>
TOTAL INTERGOVERNMENTAL	<u>1,560,214</u>	<u>1,606,209</u>	<u>45,995</u>
CHARGE FOR SERVICES	<u>25,000</u>	<u>28,502</u>	<u>3,502</u>
FINES	<u>8,500</u>	<u>10,679</u>	<u>2,179</u>
INTEREST	<u>40,000</u>	<u>76,361</u>	<u>36,361</u>
MISCELLANEOUS			
Miscellaneous	25,000	134,129	109,129
Refunds and reimbursements	<u>141,300</u>	<u>171,678</u>	<u>30,378</u>
TOTAL MISCELLANEOUS	<u>166,300</u>	<u>305,807</u>	<u>139,507</u>
TOTAL REVENUES	<u>2,545,550</u>	<u>2,781,816</u>	<u>236,266</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES			
CURRENT:			
GENERAL GOVERNMENT			
City Council			
Council salaries	\$ 12,500	\$ 11,818	\$ 682
Administration			
Salaries	143,000	153,976	(10,976)
Payroll taxes	18,000	20,649	(2,649)
Insurance - group	26,000	29,810	(3,810)
Office supplies	6,000	6,390	(390)
Independent audit	8,500	9,300	(800)
Engineering fees	36,000	48,883	(12,883)
Legal fees	31,000	30,036	964
Operating expenditures	23,500	24,033	(533)
Communications	8,000	8,189	(189)
Insurance - general	<u>50,000</u>	<u>20,452</u>	<u>29,548</u>
Total Administration	<u>350,000</u>	<u>351,718</u>	<u>(1,718)</u>
Elections			
Salaries	950	1,116	(166)
Payroll taxes	50	-	50
Other expenditures	<u>3,000</u>	<u>280</u>	<u>2,720</u>
Total Elections	<u>4,000</u>	<u>1,396</u>	<u>2,604</u>
Assessing			
Contract services	16,500	15,715	785
Other expenditures	<u>1,000</u>	<u>288</u>	<u>712</u>
Total Assessing	<u>17,500</u>	<u>16,003</u>	<u>1,497</u>
Planning and Zoning			
Salaries	11,500	27,343	(15,843)
Payroll taxes	1,400	3,508	(2,108)
Insurance - group	100	-	100
Operating expenditures	<u>3,000</u>	<u>2,729</u>	<u>271</u>
Total Planning and Zoning	<u>16,000</u>	<u>33,580</u>	<u>(17,580)</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Buildings			
Salaries	\$ 20,000	\$ 49,402	\$ (29,402)
Payroll taxes	2,500	6,215	(3,715)
Insurance - group	2,500	12,915	(10,415)
Supplies	16,000	52,447	(36,447)
Communications	3,000	2,062	938
Utilities	45,000	43,449	1,551
Operations	<u>1,000</u>	<u>18,698</u>	<u>(17,698)</u>
Total Buildings	<u>90,000</u>	<u>185,188</u>	<u>(95,188)</u>
TOTAL GENERAL GOVERNMENT	<u>490,000</u>	<u>599,703</u>	<u>(109,703)</u>
PUBLIC SAFETY			
Police Protection			
Contract services	395,700	393,725	1,975
Operations	<u>3,300</u>	<u>5,652</u>	<u>(2,352)</u>
Total Police Protection	<u>399,000</u>	<u>399,377</u>	<u>(377)</u>
Fire Protection			
Salaries and fire runs	16,500	16,701	(201)
Payroll taxes	300	450	(150)
Insurance - group	200	109	91
Repair and maintenance	4,000	4,848	(848)
Employee training	12,000	15,960	(3,960)
Operations	9,000	18,468	(9,468)
Contribution - Firemen's Relief	9,600	9,600	-
Fire aid	9,000	8,412	588
On call	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Fire Protection	<u>65,600</u>	<u>79,548</u>	<u>(13,948)</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Animal Control			
Contract services	\$ 10,000	\$ 10,234	\$ (234)
Operations	<u>500</u>	<u>127</u>	<u>373</u>
Total Animal Control	<u>10,500</u>	<u>10,361</u>	<u>139</u>
TOTAL PUBLIC SAFETY	<u>475,700</u>	<u>489,301</u>	<u>(13,601)</u>
STREETS AND ALLEYS			
Salaries	220,000	284,300	(64,300)
Payroll taxes	28,000	37,046	(9,046)
Insurance - group	60,000	63,217	(3,217)
Supplies	10,000	29,596	(19,596)
Utilities	52,000	47,386	4,614
Repairs and maintenance	75,000	34,989	40,011
Operations	<u>13,000</u>	<u>28,930</u>	<u>(15,930)</u>
TOTAL STREETS AND ALLEYS	<u>458,000</u>	<u>525,464</u>	<u>(67,464)</u>
CULTURE AND RECREATION			
Parks and Recreation			
Salaries	96,000	87,709	8,291
Payroll taxes	11,000	10,191	809
Insurance - group	13,000	15,521	(2,521)
Utilities	7,500	8,807	(1,307)
Repairs and maintenance	5,200	3,948	1,252
Operations	20,400	21,618	(1,218)
Special events	<u>5,300</u>	<u>15,866</u>	<u>(10,566)</u>
Total Parks and Recreation	<u>158,400</u>	<u>163,660</u>	<u>(5,260)</u>
West Two Rivers Campground			
Salaries	14,300	15,006	(706)
Payroll taxes	1,500	1,966	(466)
Insurance - group	2,500	3,922	(1,422)
Advertising	2,000	130	1,870
Utilities	7,000	6,887	113
Operations	<u>11,000</u>	<u>18,427</u>	<u>(7,427)</u>
Total West Two Rivers Campground	<u>38,300</u>	<u>46,338</u>	<u>(8,038)</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED)			
Libraries			
Salaries	\$ 59,000	\$ 65,305	\$ (6,305)
Payroll taxes	7,000	8,404	(1,404)
Insurance	4,000	5,004	(1,004)
Books and supplies	23,000	16,430	6,570
Telecommunications	3,500	3,310	190
Utilities	6,000	7,334	(1,334)
Operations	<u>2,500</u>	<u>19,675</u>	<u>(17,175)</u>
Total Libraries	<u>105,000</u>	<u>125,462</u>	<u>(20,462)</u>
TOTAL CULTURE AND RECREATION	<u>301,700</u>	<u>335,460</u>	<u>(33,760)</u>
MISCELLANEOUS			
Cash short and over	10	(55)	65
Cemeteries	3,000	2,500	500
Retirement and pension contributions	47,490	62,226	(14,736)
Hydrants	5,000	3,845	1,155
Public expense	20,000	10,066	9,934
Wastewater charges	5,000	5,000	-
Water charges	5,000	5,000	-
Emergency medical technical equipment	2,500	1,790	710
Operations	54,000	54,248	(248)
Promotion and tourism	10,000	10,200	(200)
TCBDA	38,000	42,288	(4,288)
QCEDA	<u>36,300</u>	<u>40,861</u>	<u>(4,561)</u>
TOTAL MISCELLANEOUS	<u>226,300</u>	<u>237,969</u>	<u>(11,669)</u>
TOTAL EXPENDITURES	<u>1,951,700</u>	<u>2,187,897</u>	<u>(236,197)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>593,850</u>	<u>593,919</u>	<u>69</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfers out			
Capital Projects Fund	\$ (454,850)	\$ (454,850)	\$ -
Debt Service Fund	(204,000)	(200,000)	4,000
FEMA Special Revenue Fund	<u>-</u>	<u>(5,503)</u>	<u>(5,503)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(658,850)</u>	<u>(660,353)</u>	<u>(1,503)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(65,000)	(66,434)	(1,434)
FUND BALANCE, JANUARY 1	<u>1,171,181</u>	<u>1,171,181</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 1,106,181</u>	<u>\$ 1,104,747</u>	<u>\$ (1,434)</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2001

	Charitable <u>Gambling</u>	<u>FEMA</u>	<u>Total</u>
ASSETS			
ASSETS			
Cash	\$ 7,088	\$ (8,251)	\$ (1,163)
Grant receivable	<u>-</u>	<u>8,251</u>	<u>8,251</u>
TOTAL ASSETS	<u>\$ 7,088</u>	<u>\$ -</u>	<u>\$ 7,088</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCE			
Unreserved, undesignated	<u>7,088</u>	<u>-</u>	<u>7,088</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,088</u>	<u>\$ -</u>	<u>\$ 7,088</u>

CITY OF MOUNTAIN IRON, MINNESOTA

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2001

	Charitable <u>Gambling</u>	<u>FEMA</u>	<u>Total</u>
REVENUES			
Gambling proceeds	\$ 2,008	\$ -	\$ 2,008
Federal grants	-	23,047	23,047
Interest	<u>305</u>	<u>-</u>	<u>305</u>
TOTAL REVENUES	<u>2,313</u>	<u>23,047</u>	<u>25,360</u>
EXPENDITURES			
Advertising	1,433	-	1,433
Streets	<u>-</u>	<u>28,550</u>	<u>28,550</u>
TOTAL EXPENDITURES	<u>1,433</u>	<u>28,550</u>	<u>29,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	880	(5,503)	(4,623)
OTHER FINANCING SOURCES (USES)			
Operating transfer in General Fund	<u>-</u>	<u>5,503</u>	<u>5,503</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	880	-	880
FUND BALANCE, JANUARY 1	<u>6,208</u>	<u>-</u>	<u>6,208</u>
FUND BALANCE, DECEMBER 31	<u>\$ 7,088</u>	<u>\$ -</u>	<u>\$ 7,088</u>

CITY OF MOUNTAIN IRON, MINNESOTA

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash	\$ 211,608	\$ 54,827
Special assessments receivable		
Current	26,260	-
Deferred	236,264	-
Interest	4,226	-
Interest receivable	<u>592</u>	<u>-</u>
TOTAL ASSETS	\$ <u>478,950</u>	\$ <u>54,827</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Deferred revenue	\$ <u>236,263</u>	\$ <u>-</u>
FUND BALANCE		
Unreserved, undesignated	<u>242,687</u>	<u>54,827</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>478,950</u>	\$ <u>54,827</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
Years Ended December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
REVENUES		
Special assessments	\$ 126,271	\$ -
Interest	<u>5,614</u>	<u>870</u>
TOTAL REVENUES	<u>131,885</u>	<u>870</u>
EXPENDITURES		
Debt Service		
Principal	30,000	-
Interest and agent fees	<u>114,025</u>	<u>51,197</u>
TOTAL EXPENDITURES	<u>144,025</u>	<u>51,197</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,140)	(50,327)
OTHER FINANCING SOURCES (USES)		
Operating transfer in		
General Fund	<u>200,000</u>	<u>86,536</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	187,860	36,209
FUND BALANCE, JANUARY 1	<u>54,827</u>	<u>18,618</u>
FUND BALANCE, DECEMBER 31	\$ <u><u>242,687</u></u>	\$ <u><u>54,827</u></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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 4,500	\$ 126,271	\$ 121,771
Interest	<u>19,900</u>	<u>5,614</u>	<u>(14,286)</u>
TOTAL REVENUES	<u>24,400</u>	<u>131,885</u>	<u>107,485</u>
EXPENDITURES			
Debt Service			
Principal	30,000	30,000	-
Interest and fiscal agent fees	<u>115,338</u>	<u>114,025</u>	<u>1,313</u>
TOTAL EXPENDITURES	<u>145,338</u>	<u>144,025</u>	<u>1,313</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(120,938)</u>	<u>(12,140)</u>	<u>108,798</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in General Fund	<u>149,976</u>	<u>200,000</u>	<u>50,024</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	29,038	187,860	158,822
FUND BALANCE, JANUARY 1	<u>54,827</u>	<u>54,827</u>	-
FUND BALANCE, DECEMBER 31	<u>\$ 83,865</u>	<u>\$ 242,687</u>	<u>\$ 158,822</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

December 31, 2001

(with comparative totals for December 31, 2000)

	<u>Street Construction</u>	<u>City Projects</u>	<u>TOTALS</u>	
			<u>2001</u>	<u>2000</u>
ASSETS				
Cash and cash equivalents	\$ 797,405	\$ 832,814	\$ 1,630,219	\$ 1,456,798
Grant receivable	-	5,000	5,000	250,000
Special assessments receivable				
Current	-	13,124	13,124	7,297
Delinquent	-	15,344	15,344	17,731
Deferred	-	19,704	19,704	26,896
Interest	-	2,022	2,022	2,596
Interest receivable	<u>4,442</u>	<u>-</u>	<u>4,442</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 801,847</u>	<u>\$ 888,008</u>	<u>\$ 1,689,855</u>	<u>\$ 1,761,318</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ 2,500	\$ 2,500	\$ 2,500
Deferred revenue	<u>-</u>	<u>35,048</u>	<u>35,048</u>	<u>44,627</u>
TOTAL LIABILITIES	<u>-</u>	<u>37,548</u>	<u>37,548</u>	<u>47,127</u>
FUND BALANCES				
Reserved for capital outlay	-	1,904	1,904	47,534
Unreserved, undesignated	<u>801,847</u>	<u>848,556</u>	<u>1,650,403</u>	<u>1,666,657</u>
TOTAL FUND BALANCES	<u>801,847</u>	<u>850,460</u>	<u>1,652,307</u>	<u>1,714,191</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 801,847</u>	<u>\$ 888,008</u>	<u>\$ 1,689,855</u>	<u>\$ 1,761,318</u>

CITY OF MOUNTAIN IRON, MINNESOTA

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2001
(with comparative totals for year ended December 31, 2000)**

	<u>Street Construction</u>	<u>City Projects</u>	<u>TOTALS</u>	
			<u>2001</u>	<u>2000</u>
REVENUES				
Special assessments	\$ -	\$ 16,252	\$ 16,252	\$ 2,071
IRRRB grants	-	52,230	52,230	564,890
Other revenue	171	60,000	60,171	-
Interest	<u>43,444</u>	<u>50,503</u>	<u>93,947</u>	<u>66,458</u>
TOTAL REVENUES	<u>43,615</u>	<u>178,985</u>	<u>222,600</u>	<u>633,419</u>
EXPENDITURES				
Capital outlay				
General government	-	28,823	28,823	1,444,092
Public safety	-	163,634	163,634	26,845
Streets and alleys	178,106	216,938	395,044	568,389
Culture and recreation	-	151,668	151,668	58,109
Miscellaneous	<u>-</u>	<u>165</u>	<u>165</u>	<u>366,141</u>
TOTAL EXPENDITURES	<u>178,106</u>	<u>561,228</u>	<u>739,334</u>	<u>2,463,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(134,491)</u>	<u>(382,243)</u>	<u>(516,734)</u>	<u>(1,830,157)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	1,280,000
Operating transfer in General Fund	<u>-</u>	<u>454,850</u>	<u>454,850</u>	<u>446,791</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>454,850</u>	<u>454,850</u>	<u>1,726,791</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(134,491)	72,607	(61,884)	(103,366)
FUND BALANCE, JANUARY 1	<u>936,338</u>	<u>777,853</u>	<u>1,714,191</u>	<u>1,817,557</u>
FUND BALANCE, DECEMBER 31	\$ <u>801,847</u>	\$ <u>850,460</u>	\$ <u>1,652,307</u>	\$ <u>1,714,191</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, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments	\$ 500	\$ 16,252	\$ 15,752
IRRRB grants	300,000	52,230	(247,770)
Other revenue	-	60,000	60,000
Interest	<u>40,000</u>	<u>50,503</u>	<u>10,503</u>
TOTAL REVENUES	<u>340,500</u>	<u>178,985</u>	<u>(161,515)</u>
EXPENDITURES			
Capital outlay			
General government	50,000	28,823	21,177
Public safety	123,000	163,634	(40,634)
Streets and alleys	90,000	216,938	(126,938)
Culture and recreation	37,000	151,668	(114,668)
Miscellaneous	<u>-</u>	<u>165</u>	<u>(165)</u>
TOTAL EXPENDITURES	<u>300,000</u>	<u>561,228</u>	<u>(261,228)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>40,500</u>	<u>(382,243)</u>	<u>(422,743)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in			
General Fund	<u>454,850</u>	<u>454,850</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	495,350	72,607	(422,743)
FUND BALANCE, JANUARY 1	<u>777,853</u>	<u>777,853</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$1,273,203</u>	<u>\$ 850,460</u>	<u>\$ (422,743)</u>

CITY OF MOUNTAIN IRON, MINNESOTA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
December 31, 2001
(with comparative totals for December 31, 2000)

	<u>Electric</u>	<u>Water Treatment</u>	<u>Waste Water Treatment</u>	<u>Refuse Removal and Recycling</u>	<u>Totals</u>	
					<u>2001</u>	<u>2000</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 58,585	\$ 46,540	\$ 176,521	\$ 260,588	\$ 542,234	\$ 487,211
Interest receivable	122	75	-	1,184	1,381	-
Accounts receivable	121,854	18,272	25,769	47,883	213,778	240,671
Allowance for uncollectibles	(10,000)	(1,500)	(2,000)	(5,000)	(18,500)	(18,500)
Inventory	<u>44,911</u>	<u>22,666</u>	<u>-</u>	<u>-</u>	<u>67,577</u>	<u>75,503</u>
TOTAL CURRENT ASSETS	<u>215,472</u>	<u>86,053</u>	<u>200,290</u>	<u>304,655</u>	<u>806,470</u>	<u>784,885</u>
BUILDINGS AND EQUIPMENT (unaudited)						
Buildings	-	512,718	1,084,547	-	1,597,265	1,597,265
Other improvements	436,281	1,105,321	1,383,803	-	2,925,405	2,862,593
Equipment	370,418	9,851	434,422	497,865	1,312,556	1,305,387
Accumulated depreciation	<u>(346,852)</u>	<u>(370,641)</u>	<u>(950,530)</u>	<u>(194,493)</u>	<u>(1,862,516)</u>	<u>(1,644,516)</u>
NET BUILDINGS AND EQUIPMENT	<u>459,847</u>	<u>1,257,249</u>	<u>1,952,242</u>	<u>303,372</u>	<u>3,972,710</u>	<u>4,120,729</u>
TOTAL ASSETS	<u>\$ 675,319</u>	<u>\$ 1,343,302</u>	<u>\$ 2,152,532</u>	<u>\$ 608,027</u>	<u>\$ 4,779,180</u>	<u>\$ 4,905,614</u>
LIABILITIES AND FUND EQUITY						
CURRENT LIABILITIES						
Accounts payable	\$ 43,493	\$ -	\$ -	\$ -	\$ 43,493	\$ 56,067
Accrued salaries	3,151	844	1,340	1,371	6,706	6,211
Accrued taxes	3,230	104	-	2,722	6,056	6,686
Customer deposits payable	24,320	105	-	-	24,425	25,710
Compensated absences payable	<u>19,340</u>	<u>719</u>	<u>5,848</u>	<u>-</u>	<u>25,907</u>	<u>29,138</u>
TOTAL CURRENT LIABILITIES	<u>93,534</u>	<u>1,772</u>	<u>7,188</u>	<u>4,093</u>	<u>106,587</u>	<u>123,812</u>
FUND EQUITY						
Contributed capital, government	-	900,439	-	-	900,439	900,439
Retained earnings						
Unreserved	<u>581,785</u>	<u>441,091</u>	<u>2,145,344</u>	<u>603,934</u>	<u>3,772,154</u>	<u>3,881,363</u>
TOTAL FUND EQUITY	<u>581,785</u>	<u>1,341,530</u>	<u>2,145,344</u>	<u>603,934</u>	<u>4,672,593</u>	<u>4,781,802</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 675,319</u>	<u>\$ 1,343,302</u>	<u>\$ 2,152,532</u>	<u>\$ 608,027</u>	<u>\$ 4,779,180</u>	<u>\$ 4,905,614</u>

CITY OF MOUNTAIN IRON, MINNESOTA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Year Ended December 31, 2001
(with comparative totals for year ended December 31, 2000)

	<u>Electric</u>	<u>Water Treatment</u>	<u>Waste Water Treatment</u>	<u>Refuse Removal and Recycling</u>	<u>Totals</u>	
					<u>2001</u>	<u>2000</u>
OPERATING REVENUES						
Charges for services	\$ <u>968,573</u>	\$ <u>171,209</u>	\$ <u>190,624</u>	\$ <u>344,216</u>	\$ <u>1,674,622</u>	\$ <u>1,689,229</u>
OPERATING EXPENSES						
Cost of sales	657,745	-	-	-	657,745	647,709
Salaries	160,145	54,968	63,590	88,952	367,655	352,183
Payroll taxes	21,453	7,258	8,519	11,485	48,715	46,543
Maintenance	41,381	18,066	35,329	4,275	99,051	126,204
Travel and training	40	-	903	-	943	4,663
Depreciation	53,000	41,000	73,000	51,000	218,000	193,000
Insurance	44,573	11,434	10,156	23,057	89,220	104,456
Professional services	7,710	1,904	4,714	1,616	15,944	16,153
Office supplies and postage	4,493	1,220	1,050	2,628	9,391	13,324
Operating supplies	11,696	3,442	11,699	9,111	35,948	31,224
Communications	1,327	197	1,452	1,252	4,228	5,249
Other expenses	18,866	5,087	4,523	8,198	36,674	41,115
Contract services	-	-	25,993	128,647	154,640	151,476
Utilities	-	<u>25,222</u>	<u>53,933</u>	-	<u>79,155</u>	<u>73,121</u>
TOTAL OPERATING EXPENSES	<u>1,022,429</u>	<u>169,798</u>	<u>294,861</u>	<u>330,221</u>	<u>1,817,309</u>	<u>1,806,420</u>
OPERATING INCOME (LOSS)	<u>(53,856)</u>	<u>1,411</u>	<u>(104,237)</u>	<u>13,995</u>	<u>(142,687)</u>	<u>(117,191)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest income	2,401	1,269	17,461	12,836	33,967	33,009
Interest expense	(489)	-	-	-	(489)	(1,020)
Loss on disposal of fixed assets	-	-	-	-	-	(53,990)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,912</u>	<u>1,269</u>	<u>17,461</u>	<u>12,836</u>	<u>33,478</u>	<u>(22,001)</u>
NET INCOME (LOSS)	(51,944)	2,680	(86,776)	26,831	(109,209)	(139,192)
RETAINED EARNINGS, JANUARY 1	633,729	438,411	2,232,120	577,103	3,881,363	4,065,350
Prior period adjustment	-	-	-	-	-	(44,795)
RETAINED EARNINGS, DECEMBER 31	\$ <u>581,785</u>	\$ <u>441,091</u>	\$ <u>2,145,344</u>	\$ <u>603,934</u>	\$ <u>3,772,154</u>	\$ <u>3,881,363</u>

CITY OF MOUNTAIN IRON, MINNESOTA

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2001
(with comparative totals for year ended December 31, 2000)

	Electric	Water Treatment	Waste Water Treatment	Refuse Removal and Recycling	Totals	
					2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 991,637	\$ 169,678	\$ 190,916	\$ 344,355	\$ 1,696,586	\$ 1,694,400
Cash paid to suppliers	(812,233)	(73,873)	(158,271)	(190,292)	(1,234,669)	(1,384,062)
Cash paid to employees	(162,055)	(55,072)	(64,563)	(88,701)	(370,391)	(345,073)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>17,349</u>	<u>40,733</u>	<u>(31,918)</u>	<u>65,362</u>	<u>91,526</u>	<u>(34,735)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of buildings and equipment	-	-	(62,812)	(7,169)	(69,981)	(90,575)
Interest paid	(489)	-	-	-	(489)	(1,020)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(489)</u>	<u>-</u>	<u>(62,812)</u>	<u>(7,169)</u>	<u>(70,470)</u>	<u>(91,595)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Interest and dividends	<u>2,401</u>	<u>1,269</u>	<u>17,461</u>	<u>12,836</u>	<u>33,967</u>	<u>33,009</u>
NET INCREASE (DECREASE) IN CASH	19,261	42,002	(77,269)	71,029	55,023	(93,321)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>39,324</u>	<u>4,538</u>	<u>253,790</u>	<u>189,559</u>	<u>487,211</u>	<u>580,532</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 58,585</u>	<u>\$ 46,540</u>	<u>\$ 176,521</u>	<u>\$ 260,588</u>	<u>\$ 542,234</u>	<u>\$ 487,211</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (53,856)	\$ 1,411	\$ (104,237)	13,995	(142,687)	\$ (117,191)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	53,000	41,000	73,000	51,000	218,000	193,000
Changes in assets and liabilities:						
(Increase) decrease in:						
Interest receivable	(122)	(75)	-	(1,184)	(1,381)	-
Accounts receivable	24,456	822	292	1,323	26,893	4,496
Inventory	10,189	(2,263)	-	-	7,926	(3,984)
Increase (decrease) in:						
Accounts payable	(12,574)	-	-	-	(12,574)	(119,730)
Accrued salaries	574	(379)	49	251	495	498
Accrued taxes	(564)	(43)	-	(23)	(630)	889
Compensated absences payable	(2,484)	275	(1,022)	-	(3,231)	6,612
Customer deposits payable	(1,270)	(15)	-	-	(1,285)	675
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 17,349</u>	<u>\$ 40,733</u>	<u>\$ (31,918)</u>	<u>\$ 65,362</u>	<u>\$ 91,526</u>	<u>\$ (34,735)</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 1,614,050	\$ 975,567	\$ 65,390
Bond proceeds	1,930,000	440,000	-
Loan proceeds HRA General Fund	-	174,885	-
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>1,592,178</u>	<u>65,390</u>
USES OF FUNDS			
Land acquisition	100,000	58,616	-
Site improvements and preparation costs	1,129,810	713,627	-
Installation of public utilities	134,920	-	-
Streets and sidewalks	370,670	-	-
Bond principal payments	1,930,000	212,100	26,400
Bond interest payments	587,450	337,287	9,029
Loan principal payments	-	166,665	8,220
Administrative costs	91,200	42,441	760
Pooled for debt	<u>-</u>	<u>61,442</u>	<u>20,981</u>
TOTAL USES OF FUNDS	<u>4,344,050</u>	<u>1,592,178</u>	<u>65,390</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 5,566,225	\$ 153,228	\$ 5,543
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>386,215</u>	<u>5,543</u>
USES OF FUNDS			
Land acquisition	324,500	264,070	-
Site improvement	466,500	-	-
Bond principal payments	1,905,000	32,900	3,600
Bond interest payments	2,721,725	48,045	1,231
Loan principal payments	-	35,400	263
Administrative costs	134,020	5,800	449
Debt service reserve	<u>500,000</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>6,051,745</u>	<u>386,215</u>	<u>5,543</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 57,989	\$ 51,744	\$ 1,109
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>61,979</u>	<u>1,109</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	5,130	385
Pooled for debt	<u>-</u>	<u>11,991</u>	<u>724</u>
TOTAL USES OF FUNDS	<u>157,500</u>	<u>61,979</u>	<u>1,109</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 281,662	\$ 29,167	\$ 4,048
Bond proceeds	250,000	-	-
Loan proceeds HRA General Fund	-	5,412	-
IRRRB Grant	<u>96,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>627,662</u>	<u>34,579</u>	<u>4,048</u>
USES OF FUNDS			
Land acquisition	191,000	-	-
Site improvements and preparation costs	82,500	12,202	-
Bond principal payments	250,000	-	-
Bond interest payments	59,162	-	-
Loan principal payments	-	1,364	3,996
Administrative costs	45,000	18,427	52
Pooled for debt	<u>-</u>	<u>2,586</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>627,662</u>	<u>34,579</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 764,348	\$ 199,858	\$ 106,840
Interest on invested funds	-	5,823	-
Bond proceeds	635,000	635,000	-
Real estate sales	-	24,000	-
Loan proceeds HRA General Fund	-	104,430	-
Pooled for debt	<u>-</u>	<u>81,276</u>	<u>21,355</u>
TOTAL SOURCES OF FUNDS	<u>1,399,348</u>	<u>1,050,387</u>	<u>128,195</u>
USES OF FUNDS			
Site improvements and preparation costs	604,360	550,986	-
Bond principal payments	635,000	135,000	55,000
Bond interest payments	129,348	308,688	42,227
Administrative costs	30,640	43,329	1,400
Underwriters discount/bond	-	12,384	-
Loan principal payments	<u>-</u>	<u>-</u>	<u>29,568</u>
TOTAL USES OF FUNDS	<u>1,399,348</u>	<u>1,050,387</u>	<u>128,195</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 259,470	\$ 111,124	\$ 29,760
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>582,200</u>	<u>29,760</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	60,324	469
Loan principal payments	<u>-</u>	<u>101,075</u>	<u>29,291</u>
TOTAL USES OF FUNDS	<u>1,118,300</u>	<u>582,200</u>	<u>29,760</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 205,000	\$ 26,534	\$ 1,533
Local contribution	20,000	3,111	-
Loan proceeds HRA General Fund	<u>-</u>	<u>18,935</u>	<u>8,664</u>
TOTAL SOURCES OF FUNDS	<u>225,000</u>	<u>48,580</u>	<u>10,197</u>
USES OF FUNDS			
Land acquisition	35,000	-	-
Site improvements and preparation costs	65,000	12,952	7,931
Installation of public utilities	18,000	-	-
Parking facilities	30,000	-	-
Administrative costs	17,000	22,633	2,266
Public improvements	40,000	-	-
Costs of local contribution	20,000	923	-
Loan principal payments	<u>-</u>	<u>12,072</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>225,000</u>	<u>48,580</u>	<u>10,197</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 331,056	\$ 1,274	\$ 1,383
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>94,669</u>	<u>1,383</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	14,938	635
Cost of local contribution	25,830	-	-
Loan principal payments	<u>165,662</u>	<u>1,030</u>	<u>748</u>
TOTAL USES OF FUNDS	<u>523,886</u>	<u>94,669</u>	<u>1,383</u>
DISTRICT BALANCE	\$ <u><u>-</u></u>	\$ <u><u>-</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, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 196,474	\$ 1,860	\$ 22,939
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>8,627</u>	<u>22,939</u>
USES OF FUNDS			
Site improvements and preparation costs	95,500	1,679	11,159
Installation of public utilities	20,000	-	-
Interest	63,868	-	-
Administrative costs	19,106	6,277	1,777
Loan principal payments	15,000	671	5,096
Pooled for debt	<u>-</u>	<u>-</u>	<u>4,907</u>
TOTAL USES OF FUNDS	<u>213,474</u>	<u>8,627</u>	<u>22,939</u>
DISTRICT BALANCE	\$ <u><u>-</u></u>	\$ <u><u>-</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, 2001**

	<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	52
Bond proceeds	<u>130,000</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>388,468</u>	<u>5,076</u>	<u>52</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	52
Loan principal payments	<u>117,468</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>388,468</u>	<u>5,076</u>	<u>52</u>
DISTRICT BALANCE	\$ <u><u>-</u></u>	\$ <u><u>-</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. 13
Year Ended December 31, 2001**

	<u>Budget</u>	<u>Accounted for in Prior Years</u>	<u>Current Year</u>
SOURCES OF FUNDS			
Tax increment revenue	\$ 120,900	\$ -	\$ -
Interest	2,000	-	-
Loan proceeds HRA General Fund	<u>-</u>	<u>-</u>	<u>3,950</u>
TOTAL SOURCES OF FUNDS	<u>122,900</u>	<u>-</u>	<u>3,950</u>
USES OF FUNDS			
Site improvements and preparation costs	83,000	-	-
Installation of public utilities	27,800	-	-
Administrative costs	<u>12,100</u>	<u>-</u>	<u>3,950</u>
TOTAL USES OF FUNDS	<u>122,900</u>	<u>-</u>	<u>3,950</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, 2001, and have issued our report thereon dated April 8, 2002. 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 accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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*.

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 as items 1 and 2.

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 8, 2002.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Governments* contains 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 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 of Mountain Iron had not complied with such legal provisions.

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.

A handwritten signature in dark ink, appearing to read "Walker, Strong & Nelson, LLP". The signature is written in a cursive, flowing style.

April 8, 2002

CITY OF MOUNTAIN IRON, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Year Ended December 31, 2001

1. FIXED ASSET RECORDS

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. SEGREGATION OF DUTIES

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.



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To the City Council
City of Mountain Iron, Minnesota

In planning and performing our audit of the general purpose financial statements of the City of Mountain Iron, Minnesota, for the year ended December 31, 2001, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated April 8, 2002, contains our report on reportable conditions in the City's internal control. This letter does not affect our report dated April 8, 2002, on the general purpose financial statements of the City of Mountain Iron, Minnesota.

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

Internal Control and Operating Efficiency

1. The Electric and Wastewater Enterprise Funds reported a net operating loss for the year ended December 31, 2001. The City should review these funds and implement a plan to make them profitable and self-sufficient.
2. All expenditures, including credit card purchases, should have the proper invoice documentation attached to the voucher to support payment of the bill.
3. We recommend that the capital projects fund 301 be used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The Governmental Accounting Standards Board does not recommend that routine purchases of equipment be accounted for in a capital projects fund unless the government is legally required to do so.
4. Minnesota State Statute §471.425 requires municipalities to pay all bills within the time period set by the terms of the contract or within the standard payment period (35 days). The City should be aware of this state requirement and attempt to pay all bills within this time period.

5. Minnesota statutes require that each contract between the City and a prime contractor require the prime contractor to pay subcontractors within ten days of receipt of payment from the City or pay interest at the rate of 1.5 percent per month for any part of a month. The City should require their engineering or architectural firms to include this requirement in all future contracts.

New Accounting Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments*, which changes the financial reporting requirements of state and local governments. The new financial reporting model requires that at a minimum the basic financial statements of government include: (1) both government-wide financial statements and fund financial statements, (2) notes to the financial statements, (3) management's discussion and analysis (MD&A) as a component of required supplementary information, and (4) required supplementary information other than MD&A (including budgetary comparison schedules).

Implementation of GASB Statement No. 34 is mandated in phases based on the government's total annual revenues. Based on City of Mountain Iron, Minnesota's revenues for the year ended December 31, 1999, of approximately \$5,000,000, the new financial reporting requirements will be effective for the fiscal year beginning January 1, 2004. We suggest the City start to develop a plan for implementing these new standards.

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



April 8, 2002