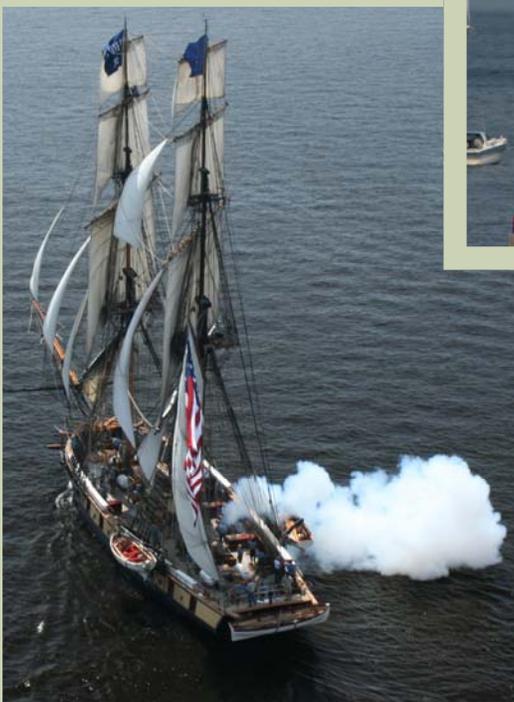


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# City of Duluth, Minnesota



**FISCAL YEAR ENDED  
DECEMBER 31, 2010**

**DULUTH**

**MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ending  
December 31, 2010**



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**Department of Finance**

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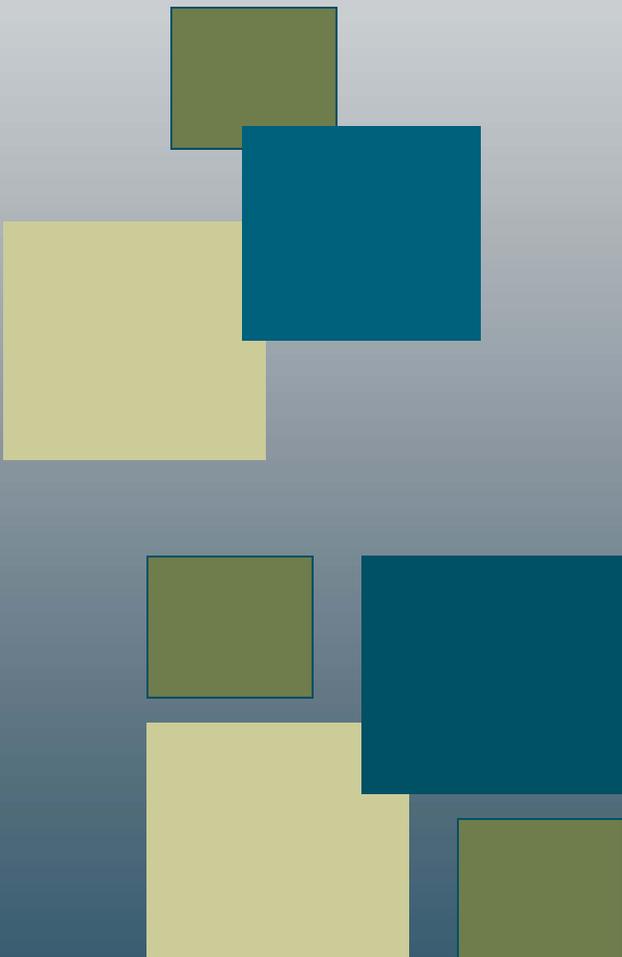
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# INTRODUCTORY

# S E C T I O N





June 30, 2011

To the Honorable Mayor, City Council, Administration,  
and Citizens of the City of Duluth, Minnesota

State law and the City Charter mandate the City of Duluth have an annual audit of its financial statements. State law requires the audit to be conducted within 180 days after fiscal year end. This report was prepared to satisfy these requirements for the fiscal year ended December 31, 2010.

The City's management assumes full responsibility for the completeness and reliability of the information contained in this report and has established a comprehensive framework of internal control for that purpose. The objective of the City's internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement. Absolute assurance is not achievable because the costs of internal controls should not exceed anticipated benefits.

The Minnesota Office of the State Auditor has issued an unqualified opinion on the City of Duluth's financial statements for the year ended December 31, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## GOVERNMENT PROFILE

Duluth is the seat of St. Louis County, and is the largest city in the northern two-thirds of Minnesota. It is located at the western tip of Lake Superior; the city limits encompass 67 square miles of land and nearly 50 square miles of water. Situated on a hillside along Lake Superior's north shore, Duluth is 23 miles long and eight miles wide at its broadest point. Duluth's population exceeds 86,000 and contributes to a market area of more than 500,000 from northern Minnesota, northwest Wisconsin, the Upper Peninsula of Michigan, and lower Ontario. Duluth and its neighbor, Superior, Wisconsin, share the Great Lakes' largest port and one of the largest inland seaports in the world.

As one of only four first class cities in the state, Duluth operates under a Home Rule Charter granted by the constitution and laws of the State of Minnesota. The city has operated under a mayor-council form of government since 1956. The Mayor is the chief executive officer of the city, and is aided by a chief administrative officer who is chosen by, and is responsible to the Mayor. All executive and administrative powers are vested in the mayor, chief administrative officer, and other officers authorized by City Charter. The City Council is comprised of nine councilors, four chosen at large and five from geographical districts. All legislative powers are vested in the council. The mayor and councilors are subject to the control and direction of the people at all times by the initiative, referendum and recall provisions in the City Charter.

The City provides a full range of governmental services including police and fire protection, street construction and maintenance, library and recreational facilities and public utilities for water, gas, sewer, and storm water services. Certain economic development activities are provided through a legally separate entity, Duluth Economic Development Authority, a discretely presented component unit of the City. The City also is financially accountable for several legally separate entities including an airport, convention center, transit services and a ski hill, all of which are reported separately in the City's financial statements. Additional information regarding these legally separate entities is provided in Note 1 to the financial statements.

The City Council is required to adopt a final budget before year end. The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The Mayor, Chief Administrative Officer, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of ten percent of that budget item must be approved by the City Council. The Council may revise the budget at any time by ordinance upon recommendation of the Administration.

## LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Development, Duluth's unemployment averaged 7.3% for 2010 which was a significant improvement from the previous year's average unemployment rate of 7.8%. The total number of jobs reported to the state in 2010 peaked at 58,568 with preliminary estimates having the City with about 400 more jobs in December 2010 than the year before.

Duluth also serves as a major shipping port for the region. The Seaway Port Authority of Duluth reports that 991 ships used the port last year compared to 726 in 2009. Flag vessels included 656 U.S-flag vessels, 231 Canadian-flag vessels and 104 foreign-flag vessels. Tonnage carried by those vessels in 2010 was 39,829,507 tons, an increase of 28% over 2009 shipping season levels. The Seaway Port Authority reported an increased demand for steel resulted in a 79% surge of shipments of iron ore over the previous year. In addition, grain shipments increased by 68% as the Duluth Port helped meet global demand for wheat after crop failures in Russia and its neighboring countries.

Duluth continues to excel in the key industry of tourism bringing approximately 3.5 million visitors to Duluth. Duluth's efforts in attracting conventions to the city resulted in 600 events and 50 conventions hosted by the Duluth Entertainment Convention Center (DECC) during 2010. The DECC remains a leader in convention center business and is uniquely located on one of the largest inland ports in the world. December 30<sup>th</sup> brought the grand opening of the \$80 million DECC expansion. Named the Amsoil Arena, it is home to the University of Minnesota-Duluth's men's and women's hockey teams. With seating for up to 6,800 hockey and 8,000 concert guests, the arena will attract larger concerts and conventions to the city. AMSOIL Arena has been awarded silver sustainable design certification. The design of the Arena is estimated to reduce energy use by approximately 50% over traditional arenas, incorporating a variety of green element designs.

According to survey results from the Minnesota Department of Employment and Economic Development and the Minnesota Office of Tourism, visitors to Duluth contribute over \$750 million to the local and regional economy.

Enrollment at Duluth's three institutions of higher learning, the University of Minnesota-Duluth, the College of St. Scholastica, and Lake Superior College, has never been higher. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools To Consider." UMD and St. Scholastica are regularly ranked in the top tier of midwestern universities by *U.S. News and World Report*. With a student population of 11,729, UMD provides 13 bachelor degrees in 70 majors, 26 graduate programs including a two year School of Medicine and the College of Pharmacy. In addition UMD offers two doctoral programs: the Doctor of Education (Ed.D.) degree and a Phd in Integrated Biological Sciences. Lake Superior College has grown by more than 50% over the past decade and has received \$12.2 million in funding for a new Health and Science Center.

## LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund (7.5 percent of total general fund expenditures and transfers) falls within the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unreserved, undesignated fund balance should fall within the following range of general fund expenditures and transfers; 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum.

## RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2010, the Community Investment Fund reported a fund balance of \$34.0 million.

In 2010, the City Council approved using \$5.7 million to pay off debt issued to finance the City's street improvement program and approved transferring an additional \$6.6 million to fund the City's 2011 street improvement program from the Community Investment Fund.

## MAJOR INITIATIVES

In 2007, the City established an irrevocable trust to pre-fund the City's other post employment benefit liability. Cumulative contributions totaling \$22.6 million have been made to the irrevocable trust as of December 31, 2010. Future contributions will be made from a variety of funding sources including property taxes and public utility revenues.

In 2008, the City approved an additional three-quarter of one percent food and beverage tax for the Duluth Entertainment Convention Center (DECC) project. The DECC project consist of an expansion named AMSOIL Arena and is financed by state grants of \$38 million and City general obligation bonds of \$41 million. The grand opening of AMSOIL Arena was held on December 30, 2010. The City general obligation bonds will be repaid with food and beverage tax collections and operating revenues from the DECC.

In 2009, the City issued bonds totaling \$17.5 million to finance the construction of a new law enforcement center. The new Center will provide for approximately 68,000 square feet of space and will consolidate many police department functions into a single location. The Center will be co-located with the St. Louis County Sheriff's Office which will provide opportunities for coordination and collaboration between the City and the County. It is anticipated that these opportunities will result in enhanced efficiencies which will reduce operating costs. The Center is expected to open in spring 2012.

In 2009, the City announced a major funding change for the street improvement program. Prior to 2009, the street improvement program was financed by the issuance of debt. For 2009 and future years, the street improvement program will now be financed by the city's share of revenues generated from the operation of the Fond-du-Luth Casino rather than the issuance of debt. This change in funding mechanism will not only reduce the city's overall debt, but will also result in additional funds dedicated towards street improvements. As of December 31, 2010, the City has authorized the transfer of \$17.8 million to the street improvement program. By 2014, the street improvement program is anticipated to result in the improvement of over 100 miles of city streets.

In 2011, the City announced an enhancement of its street improvement program known as the Pothole Reduction Program. The plan involves accelerated repair of pothole laden streets, capping an additional eight miles of streets with blacktop, and crack sealing up to 60 miles of streets.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2009. This was the thirty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR whose contents conform to both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

In addition, the City of Duluth also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year 2010. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

When looking at a report such as this CAFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the CAFR. As the requirements and demands of financial reporting in government increase, so too must the knowledge, effort and skills of a government's accounting staff; I wish to acknowledge the financial analysts in the Finance Department who continue to meet this challenge.

Respectfully submitted,



Wayne Parson, CPA (inactive)  
City Auditor

**ELECTED AND APPOINTED OFFICIALS  
CITY OF DULUTH, MINNESOTA  
2010**

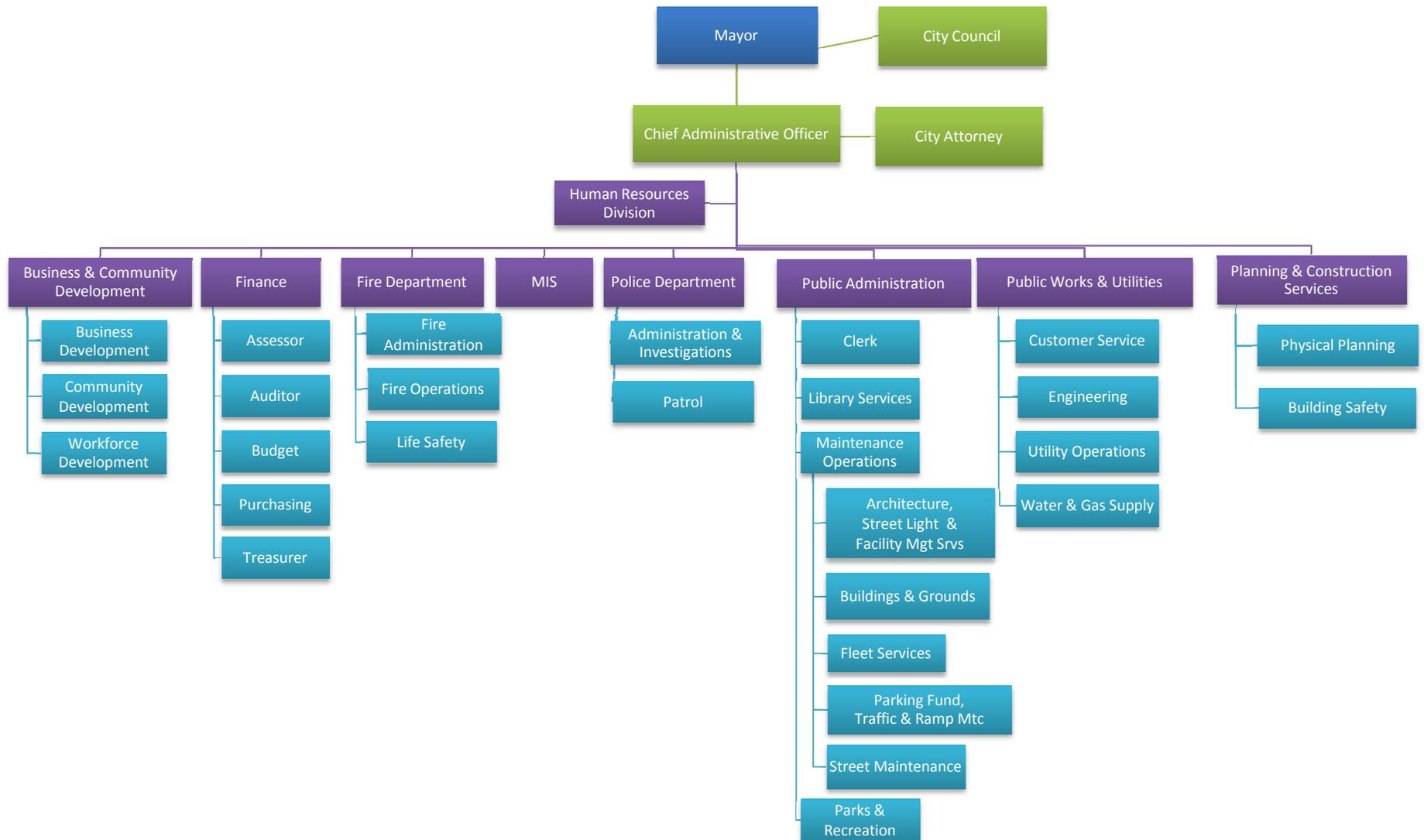
<b>ELECTED POSITIONS</b>	<b>DISTRICT</b>	<b>TERM EXPIRES</b>
Mayor Don Ness		2012
City Council		
Jeff Anderson	At large	2012
Tony Cuneo	At large	2012
Dan Hartman	At large	2014
James Stauber	At large	2014
Todd Fedora	1	2012
Patrick Boyle	2	2014
Sharla Gardner	3	2012
Jacqueline Halberg	4	2012
Jay Fosle	5	2012

\*All terms expire in January

**APPOINTED POSITIONS**

Assessor	John Gellatly
Attorney	Gunnar Johnson
Auditor	Wayne Parson
Chief Administrative Office	David Montgomery
Chief Financial Officer	Adele Hartwick
Chief of Fire	John Strongitharm
Chief of Police	Gordon Ramsay
Clerk	Jeffrey Cox
Director of Business & Community Development	Brian Hanson
Director of Public Administration	Lisa Potswald
Director of Public Works and Utilities	James Benning
Treasurer	Brian Hansen

# City of Duluth Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Duluth  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

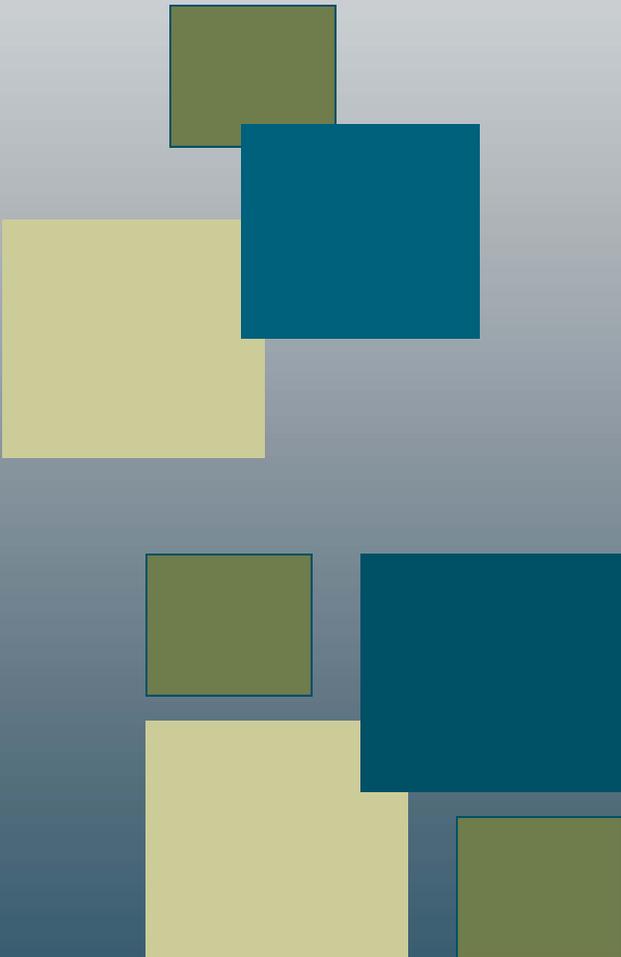


President

Executive Director

**FINANCIAL**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

The Honorable Don Ness, Mayor,  
and Members of the City Council  
City of Duluth, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2010. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Duluth as of December 31, 2010, including the Spirit Mountain Recreation Area Authority as of April 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective July 13, 2009, the composition of the governing body of the Duluth Economic Development Authority (DEDA) changed from a nine-member Board comprising the Duluth City Council to a seven-member Board, three of whom are members of the Duluth City Council. The change in the composition of the Board requires DEDA to be reported as a discretely presented component unit. Previously, DEDA was reported as a blended component unit of the City.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth's basic financial statements taken as a whole. The introductory section, the combining and individual fund statements and schedules, the supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2011, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 24, 2011

# **Management's Discussion and Analysis**

**(M D & A)**

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

The City of Duluth's Finance Department has prepared this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010 to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Due to changes in the composition of the Duluth Economic Development Authority (DEDA) Board of Directors, DEDA is no longer reported as a blended component unit. DEDA is now reported as a discretely presented component unit. This change in presentation required the restatement of previously reported balances as described in Note 1 of the notes to the financial statements.
- The City's assets exceeded its liabilities at December 31, 2010 by \$390.7 million; this amount is identified as net assets. Of this amount, \$32.7 million is unrestricted and may be used to meet the City's ongoing obligations.
- As of December 31, 2010, the City's governmental funds reported combined ending fund balances of \$90.6 million. Although \$45.0 million is reported as unreserved-undesignated fund balance, which is considered available for spending at the City's discretion, 75.5% of that amount is in the Community Investment Fund, which is dedicated towards future capital improvements of the City. Use of those monies requires a "super-majority" vote of the City Council, or seven of nine votes.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other post-employment benefits. As of December 31, 2010, the trust reported net assets totaling \$25.7 million.
- As of December 31, 2010, the General Funds undesignated, unreserved fund balance was \$5.3 million, or 7.5% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City of Duluth's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to give users a broad overview of the City's finances, in a manner similar to that of a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The Statement of Activities shows how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected taxes and vacation days that are earned, but not used.

Both of the government-wide financial statements distinguish between functions that are mainly supported by taxes and intergovernmental revenues and other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The first functions are identified in the statements as governmental activities, while the latter functions are reported as business-type activities.

The City's governmental activities include general government, public safety, public works, culture and recreation, and urban and economic development. The City's business-type activities include water, gas, sewer, steam and storm water utilities, street lighting, parking activities, and municipal golf courses.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

The government-wide financial statements include not only the City of Duluth, referred to as the primary government, but also five legally separate component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information of the City, as the primary government. Financial statements for the Duluth Economic Development Authority are included in the Supplementary Information section of this report. Complete financial statements for the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, the Duluth Transit Authority, and the Spirit Mountain Recreation Area Authority can be obtained from their respective offices, which addresses are provided in Note 1 of the notes to the financial statements.

The two government-wide financial statements are immediately after this discussion and analysis.

**FUND FINANCIAL STATEMENTS**

A fund is a set of related accounts that is used to control resources that have been segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. The City of Duluth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds are divided into one of three categories: governmental funds, proprietary funds or fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. A major difference between the government-wide financial statements and the governmental fund financial statements is that the latter focuses on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in order to gain a better understanding of the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide reconciliation to aid in the comparison of governmental funds with governmental activities.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund, the Community Investment Special Revenue Fund, the Permanent Improvement Capital Project Fund, the DECC Capital Improvement Capital Project Fund and the Capital Improvements Capital Project Fund, all of which are considered to be major funds. Data from the remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included in the combining and individual fund section of this report.

The City of Duluth adopts an annual appropriated budget for its General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, included in the basic financial statement section of this report, demonstrate compliance with this budget. There are also two more detailed General Fund budgetary schedules included in the combining and individual fund section of this report.

**Proprietary Funds**

The City maintains two different types of proprietary funds. The first type is enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Water, Gas, Sewer, and Parking funds, all of which are considered to be major funds. Data from the remaining enterprise funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is included in the combining and individual fund section of this report.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

Internal service funds are the other type of proprietary fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions for fleet services, self-insurance, employee medical benefits and compensated absences. Because these services predominantly benefit governmental functions rather than business-type functions, they have been included with the governmental activities portion of the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is included in the combining and individual fund section of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City, and are not included in the government-wide financial statements because their resources are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The Statement of Fiduciary Net Assets and a Statement of Changes in Plan Net Assets are included in the basic financial statement section of this report, while the Statement of Changes in Assets and Liabilities for agency funds is included in the combining and individual fund section of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also contains the combining and individual fund statements referred to earlier in connection with nonmajor governmental, nonmajor proprietary, and internal service funds, as well as financial statements for the Duluth Economic Development Authority, and schedules related to capital assets, debt, and intergovernmental revenues. These schedules and statements follow the notes to the financial statements.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time net assets may serve as a useful indicator of the City's financial position. The largest portion of the City's net assets (85 percent) is invested in capital assets (land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The remaining balance of net assets (9 percent) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. At the end of the past two fiscal years, all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities, had positive balances. The following table presents a summary of the City's net assets at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Current and other assets	\$ 147,876	\$ 167,163	\$ 39,634	\$ 42,428	\$ 187,510	\$ 209,591
Capital assets	254,717	243,729	203,204	186,865	457,921	430,594
<b>Total assets</b>	<b>\$ 402,593</b>	<b>\$ 410,892</b>	<b>\$ 242,838</b>	<b>\$ 229,293</b>	<b>\$ 645,431</b>	<b>\$ 640,185</b>
Long-term liabilities outstanding	\$ 155,766	\$ 154,570	\$ 69,013	\$ 71,479	\$ 224,779	\$ 226,049
Other liabilities	17,207	14,260	12,765	13,015	29,972	27,275
<b>Total liabilities</b>	<b>\$ 172,973</b>	<b>\$ 168,830</b>	<b>\$ 81,778</b>	<b>\$ 84,494</b>	<b>\$ 254,751</b>	<b>\$ 253,324</b>
Net assets:						
Invested in capital assets net of related debt	\$ 197,355	\$ 183,084	\$ 136,180	\$ 117,944	\$ 333,535	\$ 301,028
Restricted	22,295	23,345	2,108	2,088	24,403	25,433
Unrestricted	9,970	35,633	22,772	24,767	32,742	60,400
<b>Total net assets</b>	<b>\$ 229,620</b>	<b>\$ 242,062</b>	<b>\$ 161,060</b>	<b>\$ 144,799</b>	<b>\$ 390,680</b>	<b>\$ 386,861</b>

Overall, the City's financial position remained relatively unchanged for 2010. The City's total net assets increased slightly, \$3.8 million, an increase of 1.0%. Net assets invested in capital assets continue to increase in both governmental and business activities due to the City's street improvement program and utility infrastructure replacement. Unrestricted net assets decreased \$27.7 million. This was primarily due to spending down bond proceeds related to the AMSOIL Arena construction and using Community Investment funds for the City's street improvement program.

In governmental activities, the increase in total liabilities was largely due to an increase of \$7.6 million in the liability for other post employment benefits. The decrease in assets was due primarily to spending down bond proceeds.

For business-type activities the decrease in unrestricted net assets was due to the Gas Fund calling \$2.2 million in bonds.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

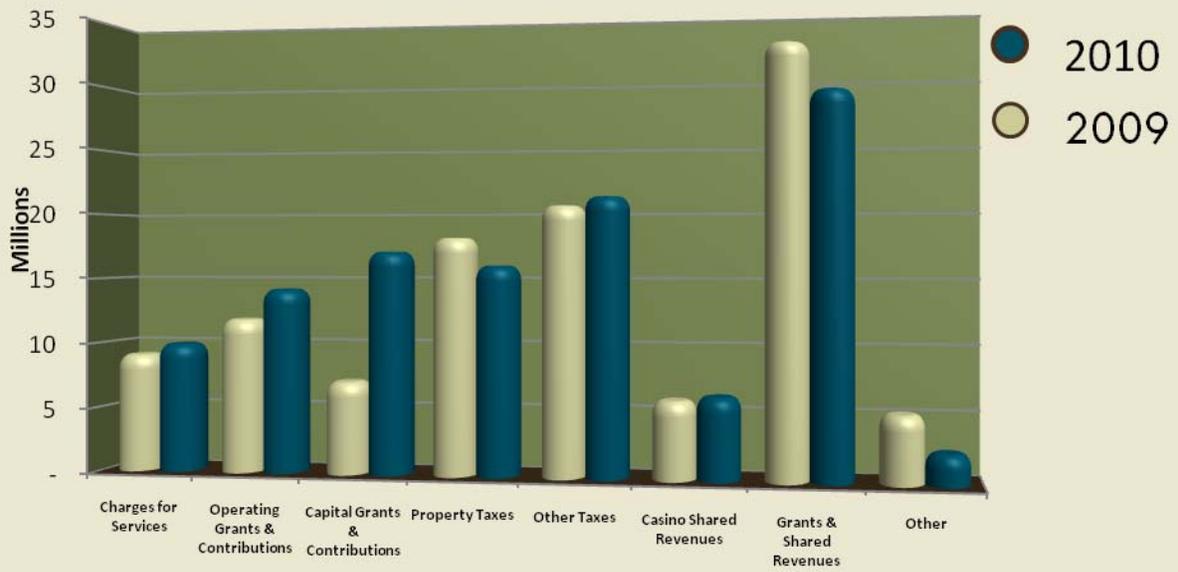
To give users a better understanding of the sources and uses of the City's net assets, the following table presents a summary of revenues, expenses, and changes in net assets for the past two fiscal years ending December 31 (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 9,898	\$ 9,053	\$ 89,403	\$ 104,203	\$ 99,301	\$ 113,256
Operating grants and contributions	14,165	11,846	-	-	14,165	11,846
Capital grants and contributions	17,076	7,095	9,105	3,836	26,181	10,931
General Revenues:						
Property taxes	16,002	18,125	-	-	16,002	18,125
Other taxes	21,267	20,584	-	-	21,267	20,584
Casino shared revenues	6,259	5,963	-	-	6,259	5,963
Grants and shared revenues not restricted to specific programs	29,165	32,645	-	-	29,165	32,645
Other	2,340	5,151	290	433	2,630	5,584
Total revenues	<u>116,172</u>	<u>110,462</u>	<u>98,798</u>	<u>108,472</u>	<u>214,970</u>	<u>218,934</u>
Expenses:						
General government	36,014	35,376	-	-	36,014	35,376
Public safety	38,101	36,398	-	-	38,101	36,398
Public works	13,658	7,616	-	-	13,658	7,616
Culture and recreation	25,434	24,655	-	-	25,434	24,655
Urban and economic development	14,549	15,722	-	-	14,549	15,722
Interest	5,410	5,175	-	-	5,410	5,175
Water	-	-	10,811	10,717	10,811	10,717
Gas	-	-	35,800	38,462	35,800	38,462
Sewer	-	-	16,260	17,569	16,260	17,569
Stormwater	-	-	3,334	3,309	3,334	3,309
Steam District #1	-	-	6,258	5,995	6,258	5,995
Steam District #2	-	-	-	9,031	-	9,031
Golf	-	-	2,007	1,895	2,007	1,895
Parking	-	-	1,957	1,882	1,957	1,882
Street lighting	-	-	1,558	1,392	1,558	1,392
Total expenses	<u>133,166</u>	<u>124,942</u>	<u>77,985</u>	<u>90,252</u>	<u>211,151</u>	<u>215,194</u>
Increase in net assets before transfers and extraordinary item	(16,994)	(14,480)	20,813	18,220	3,819	3,740
Extraordinary Item: Loss on sale of business activity	-	-	-	(5,441)	-	(5,441)
Transfers	4,552	7,840	(4,552)	(7,840)	-	-
Increase in net assets	<u>(12,442)</u>	<u>(6,640)</u>	<u>16,261</u>	<u>4,939</u>	<u>3,819</u>	<u>(1,701)</u>
Net assets, January 1	278,962	285,602	144,799	139,860	423,761	425,462
Restatement - Note 1	(36,900)	-	-	-	(36,900)	-
Net assets, January 1, restated	<u>242,062</u>	<u>285,602</u>	<u>144,799</u>	<u>139,860</u>	<u>386,861</u>	<u>425,462</u>
Net assets, December 31	<u>\$229,620</u>	<u>\$278,962</u>	<u>\$161,060</u>	<u>\$144,799</u>	<u>\$ 390,680</u>	<u>\$423,761</u>

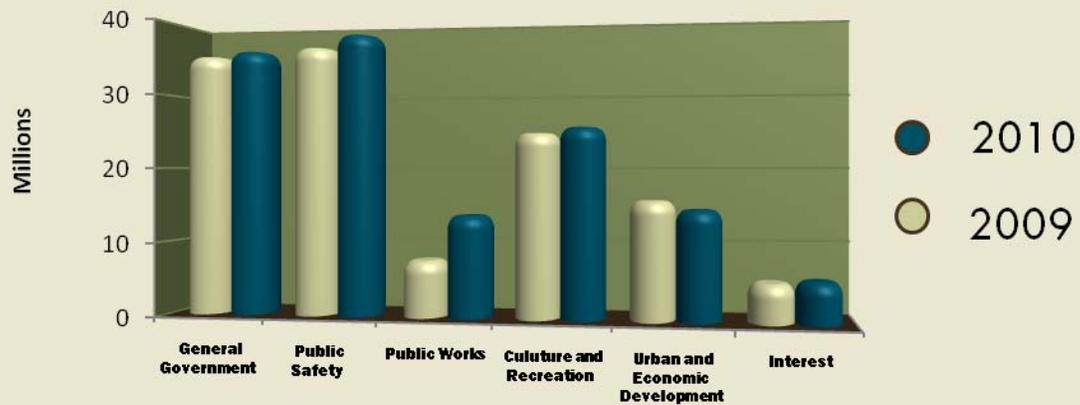
The governmental activities revenue increase of \$5.7 million was due primarily to an increase in capital grants. In 2010, the City received grants of \$5 million to finance improvements to port dock retaining walls managed by the Seaway Port Authority. This project was a joint effort between the City and the Seaway Port Authority. The business-type activities revenue decrease of \$9.7 million was partly due to a decrease in gas utility revenues which fluctuate based upon the cost of natural gas. In addition, 2010 was the first full year in which the City did not report operations for Steam District #2 due to the sale of the District to Minnesota Power in 2009.

Total expenses increased \$8.2 million for governmental activities. The increase was primarily due to public works related expenditures associated with the port dock retaining wall project. The port dock retaining wall is not an asset of the City. Therefore, City funds expended on the project are reported as an expense on the statement of activities. Business-type activities expenses decreased \$12.3 million. The most significant factor related to the decrease was the sale of Steam District #2 to Minnesota Power in 2009. In 2009 the City reported \$9.0 in expenditures associated with Steam District #2. In addition, the decrease was partly due to the reduced cost of natural gas. Natural gas prices fluctuate widely based upon supply and demand factors beyond the control of the City.

## Revenue by Source - Governmental Activities



## Expense by Function - Governmental Activities



**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

**FUND FINANCIAL ANALYSIS**

As noted earlier, the City of Duluth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the City's financing requirements; unreserved fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year.

As of December 31, 2010, the City's governmental funds reported combined ending fund balances of \$90.6 million, a decrease of \$27.4 million from 2009. Of the total fund balance amount, \$68.1 million, or 75%, is reported as unreserved fund balance, which is available for spending at the City's discretion. Of the unreserved amount, \$23.1 million is already designated for specific purposes, with the largest amount, \$13.5 million, set aside for debt service. Of the \$45.0 million reported as unreserved, undesignated fund balance, 75% of it is in the Community Investment Special Revenue Fund, which is to be used to finance future capital improvements of the City. The remaining \$22.5 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate existing contracts and purchase orders totaling \$13.4 million; 2) to pay \$8.1 million for debt service; and 3) \$1.0 million for a variety of other restricted purposes.

The General Fund is the main operating fund of the City of Duluth. At December 31, 2010, fund balance of the General Fund was \$5.9 million, with \$5.6 million, or 94% reported as unreserved. The undesignated portion of unreserved fund balance was \$5.3 million. The unreserved-undesignated fund balance of the General Fund increased \$3.6 million in 2010. This increase was due to favorable expenditure budget variances. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated, unreserved fund balance and total fund balance to total fund expenditures. Undesignated, unreserved fund balance is 7.5% and total fund balance is 8.4% of total General Fund expenditures.

The Community Investment Special Revenue Fund balance decreased \$13.0 million in 2010. This reduction was due to the use of \$5.7 million to pay off debt issued to finance the City's street Improvement program and the use of an additional \$6.6 million to finance current year street improvements.

The Permanent Improvement Capital Project Fund accounts for state aids and other grants received for financing improvements to the City's infrastructure. In 2010, the City received grants to finance \$5 million in improvements to port dock retaining walls managed by the Seaway Port Authority.

The DECC Capital Improvement Capital Project Fund was created in 2008 to account for the bond proceeds issued to finance the construction of an addition, AMSOIL Arena, to the Duluth Entertainment and Convention Center (DECC). AMSOIL Arena opened December 30, 2010.

The Capital Improvements Capital Project Fund accounts for city bonded projects. In 2009, bonds were issued to finance construction of a new law enforcement center. Ground breaking occurred in 2010 and project completion is expected by the end of 2011.

**PROPRIETARY FUNDS**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. The following table shows the unrestricted net assets for each of the City's major proprietary funds, as well as the change in net assets for each fund during the past two fiscal years (dollars in thousands):

	Unrestricted Net Assets December 31		Increase (Decrease) Net Assets December 31	
	2010	2009	2010	2009
	Water	\$ 1,224	\$ 1,668	\$ 713
Gas	8,650	11,364	544	3,813
Sewer	4,364	3,948	12,715	6,038
Parking	4,050	3,376	911	721

Unrestricted net assets increased for the Sewer and Parking funds due to favorable operating results. The Sewer Fund also received \$8.6 million in capital grants to finance sewer infrastructure improvements. Unrestricted net assets decreased for the Gas Fund due in part to the use of cash to call bonds in the amount of \$2.2 million. Unrestricted net assets for the Water Fund decreased due to the use of cash to finance water infrastructure needs.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year there was a \$.8 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$.5 million appropriation increase for prior year carryovers.
- \$.2 million appropriation for grants, gifts and donations.
- \$.1 million appropriation for other budget allowable additions.

The carryover appropriation increase was possible due to prior year fund balance reserves and designations. The other appropriation increases were offset by associated revenues.

Comparison of actual results (budgetary basis) to the final modified budget disclosed the following significant differences:

- Revenues and other financing sources were under budget by \$1.1 million. The unfavorable variance was due primarily to a shortfall in state aid due to conditions beyond the control of the City.
- Expenditures and transfers were under budget by \$5.1 million due primarily to staff vacancies and associated benefits and due to reductions in the cost of retiree health insurance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The City of Duluth's investment in capital assets for its governmental and business-type activities as of December 31, 2010 was \$457.9 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2010, the City's total investment in capital assets, net of accumulated depreciation, increased by \$27.3 million. Major capital assets additions in 2010 included; public safety building construction - \$1.6 million, street improvements - \$10 million, and sanitary sewage overflow infrastructure improvements - \$11.8 million. Additional information related to the City's capital assets can be found in Note 6 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2010</u>	<u>2009 (Restated)</u>	<u>2010</u>	<u>2009</u>
Capital Assets:				
Land and improvements	\$ 19,342	\$ 19,077	\$ 4,628	\$ 4,628
Buildings	22,694	22,103	34,480	35,163
Equipment	7,686	7,157	22,446	23,219
Infrastructure	164,781	163,122	114,289	115,033
Construction in progress	40,214	32,270	27,361	8,822
Total	<u>\$ 254,717</u>	<u>\$ 243,729</u>	<u>\$ 203,204</u>	<u>\$ 186,865</u>

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

**LONG-TERM DEBT**

The City of Duluth had \$169.7 million of bonded debt outstanding as of December 31, 2010. Of this amount, \$84.7 million is debt backed by the full faith and credit of the City. \$36.0 million is special assessment debt for which the City is obligated only to the extent that collections from special assessments are insufficient to retire the outstanding bonds. The City has a contingent liability for the \$47.9 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands).

	Balance 12/31/10	Balance 12/31/09 (Restated)
Governmental Activities:		
General Obligation Bonds	\$ 75,449	\$ 76,699
General Obligation Tax Abatement Bonds	310	310
Lease Revenue Bonds	860	995
Special Assessment Debt with Government Commitment	36,011	41,106
General Obligation Certificates	<u>8,920</u>	<u>8,065</u>
Total Governmental Activities Bonded Debt	<u>\$ 121,550</u>	<u>\$ 127,175</u>
Business-type Activities:		
Revenue Bonds	285	420
Revenue and General Obligation Bonds	<u>47,900</u>	<u>54,505</u>
Total Business-type Activities Bonded Debt	<u>\$ 48,185</u>	<u>\$ 54,925</u>

During 2010, the City's total bonded debt decreased by \$12.4 million. The decrease was due in part to bond calls totaling \$2.2 million.

In 2010, the City issued \$2.2 million of general obligation bonds, \$2.3 million of general obligation certificates, and various refunding issues totaling \$8.6 million. The City also issued \$5.5 million utility general obligation notes. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poors.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$113.6 million, which is significantly higher than the City's net debt of \$40.8 million. Additional information about the City's long-term debt can be found in Note 11 of the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The final approved 2011 General Fund budget is \$75.5 million. State local government aid (LGA) payments are anticipated to supply 39% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

In the 2003 state legislative session, the Legislature reduced local government aid to cities across the state as part of the solution to the State's budget deficit and has enacted significant changes to the LGA program for 2005 and beyond. The amount of dollars allocated to the program has been reduced and the Legislature also eliminated the automatic inflationary increase that had been in place since 1993. The greatest change to the program however, was the adoption of a new formula which measures each city's expenditure need based on a number of statistical variables. Once a city's need is calculated, it is compared to a city's ability to pay or revenue raising capacity. Cities that have spending needs that exceed their ability to pay receive a share of the LGA distribution. For Duluth's 2011 allocation, the certified formula aid was \$30.9 million. However, the City anticipates that a projected deficit for the state's 2011-2012 biennium budget will result in a sizeable decrease in its 2011 certified formula aid. Estimates of the reduction range from \$1.5 million to \$10.4 million. In 2002, prior to the LGA legislative changes, the City's allocation was \$30.2 million.

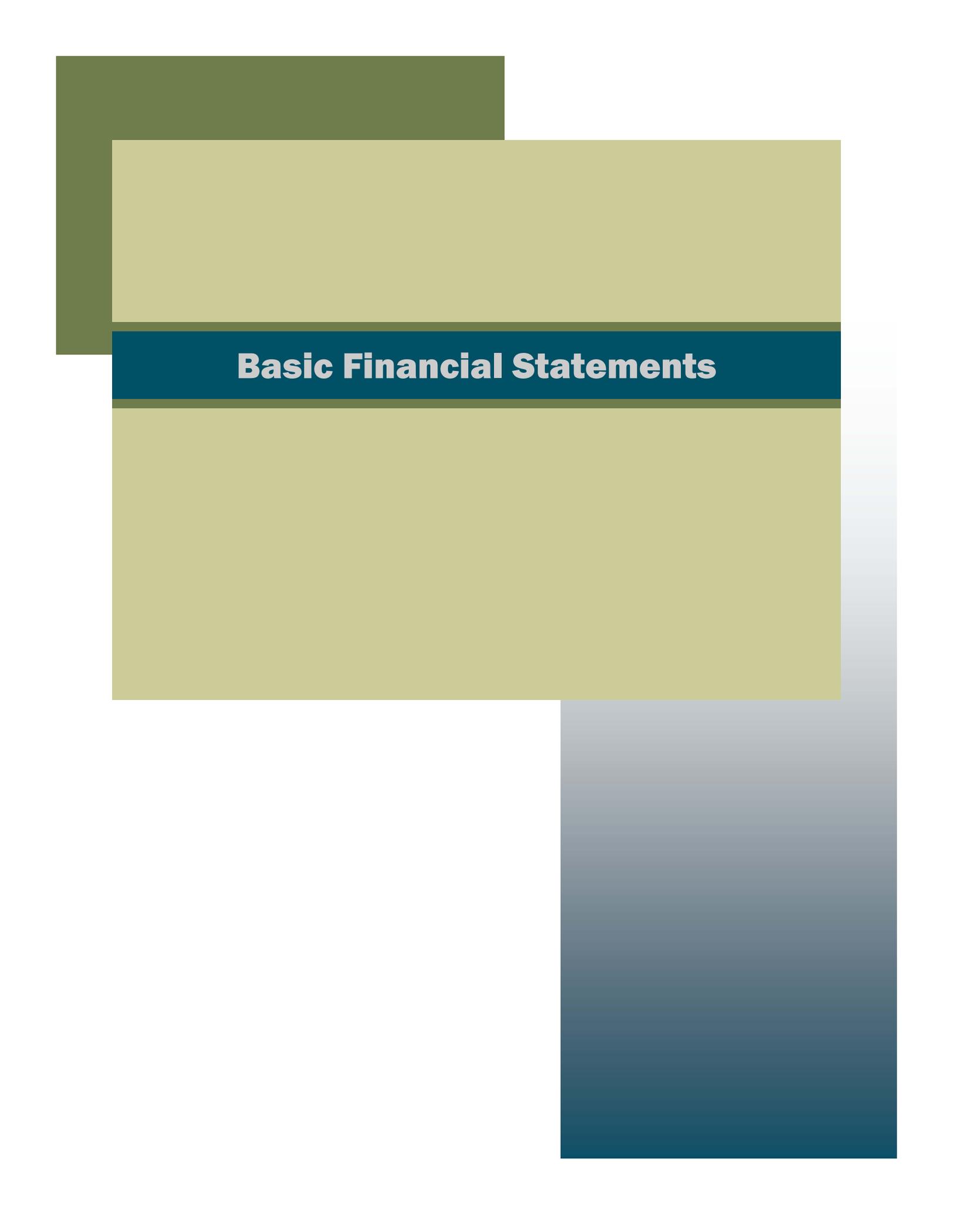
**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2010**

In 2009, the City contracted with an actuary to calculate its annual required contribution for post employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The annual required contribution for 2010 was \$17.4 million. For the year ended December 31, 2010, the City made contributions of \$2.3 million to an irrevocable trust and paid an additional \$7.7 million of retiree claims resulting in an increase of \$7.4 million in the City's net other post employment benefits liability. As of December 31, 2010, the City's net other post employment benefits liability is \$23.6 million. The City has budgeted contributions of \$1.6 million to the irrevocable trust for 2011.

Adapting to significant changes in levels of state aids, combined with inflationary tendencies in employee salaries and benefits, including funding other post employment benefits, will be a major budget challenge in the future for the City.

**REQUESTS FOR INFORMATION**

This financial report is meant to provide a general overview of the City of Duluth's finances for all those with an interest in the City's finances. Questions concerning information provided in the report or requests for additional financial information should be addressed to the City Auditor's Office, 411 West First Street, Room 107, Duluth, MN 55802, or contact the City Auditor via email at [wparson@duluthmn.gov](mailto:wparson@duluthmn.gov).



# **Basic Financial Statements**

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 106,767,515	\$ 15,805,353	\$ 122,572,868	\$ 21,743,074
Assets held by trustee	138,057	-	138,057	-
Receivables, net	29,518,387	11,397,440	40,915,827	5,863,217
Due from primary government	-	-	-	130,887
Internal balances	841,575	(841,575)	-	-
Due from component units	1,148,155	-	1,148,155	-
Due from other governments	7,385,314	1,421,829	8,807,143	338,002
Inventories	226,816	2,095,647	2,322,463	726,268
Prepays	334,280	3,101,445	3,435,725	483,014
Restricted assets:				
Cash and cash equivalents	-	2,971,776	2,971,776	1,146,896
Accounts receivable	-	-	-	108,022
Loans receivable	-	3,011,980	3,011,980	-
Grants receivable	-	-	-	3,372,484
Due from primary government	-	-	-	2,118,408
Due from other governments	-	-	-	2,042,675
Assets held by trustee	-	104,012	104,012	86,681
Deferred charges	1,516,738	566,320	2,083,058	824,463
Capital assets (Note 6):				
Non-depreciable	59,555,153	31,989,840	91,544,993	21,974,337
Depreciable, net	195,161,435	171,214,596	366,376,031	210,632,410
<b>Total assets</b>	<b>402,593,425</b>	<b>242,838,663</b>	<b>645,432,088</b>	<b>271,590,838</b>
<b>LIABILITIES</b>				
Accounts payable and other short-term liabilities	9,861,372	9,321,361	19,182,733	10,401,248
Accrued interest payable	2,125,801	951,899	3,077,700	34,147
Due to component units	2,254,001	-	2,254,001	-
Due to primary government	-	-	-	1,231,398
Due to other government	1,961,128	905,855	2,866,983	41,086
Unearned revenues	1,004,551	1,586,370	2,590,921	551,853
Noncurrent liabilities (Note 11):				
Due within one year	13,928,846	6,576,321	20,505,167	2,207,723
Due in more than one year	141,837,257	62,436,444	204,273,701	4,307,118
<b>Total liabilities</b>	<b>172,972,956</b>	<b>81,778,250</b>	<b>254,751,206</b>	<b>18,774,573</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	197,355,610	136,180,485	333,536,095	230,133,600
Restricted for:				
Debt service	17,832,752	-	17,832,752	199,403
Capital projects	1,762,051	-	1,762,051	6,344,445
Special projects	1,760,726	108,014	1,868,740	-
Loans	869,299	2,000,157	2,869,456	-
Other	69,847	-	69,847	25,000
Unrestricted	9,970,184	22,771,757	32,741,941	16,113,817
<b>Total net assets</b>	<b>\$ 229,620,469</b>	<b>\$ 161,060,413</b>	<b>\$ 390,680,882</b>	<b>\$ 252,816,265</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 36,014,153	\$ 4,619,911	\$ 1,622,286	\$ 1,252,970
Public safety	38,100,958	3,330,905	2,518,633	51,387
Public works	13,657,626	369,068	-	13,792,717
Culture and recreation	25,434,289	1,297,370	387,020	1,391,998
Urban and economic development	14,549,117	280,880	9,636,926	586,556
Interest	5,409,679	-	-	-
Total governmental activities	<u>133,165,822</u>	<u>9,898,134</u>	<u>14,164,865</u>	<u>17,075,628</u>
Business-type activities:				
Water	10,810,875	12,024,675	-	360
Gas	35,800,001	39,882,397	-	24,788
Sewer	16,259,669	20,347,330	-	8,598,383
Stormwater	3,333,875	4,730,608	-	-
Steam district #1	6,258,368	6,617,346	-	-
Golf	2,006,633	1,967,401	-	-
Parking	1,957,414	2,563,215	-	481,112
Street Lighting	1,557,525	1,270,118	-	-
Total business-type activities	<u>77,984,360</u>	<u>89,403,090</u>	<u>-</u>	<u>9,104,643</u>
Total primary government	<u>\$211,150,182</u>	<u>\$ 99,301,224</u>	<u>\$ 14,164,865</u>	<u>\$ 26,180,271</u>
<b>Component units :</b>				
Duluth Economic Development Authority	\$ 4,457,816	\$ 1,004,749	\$ 116,890	\$ -
Duluth Entertainment and Convention Center Authority	10,035,770	7,000,809	-	35,087,624
Duluth Airport Authority	8,929,516	4,189,420	-	9,923,014
Duluth Transit Authority	15,570,656	2,205,569	6,577,088	4,122,721
Spirit Mountain Recreation Area Authority	4,149,741	3,784,913	-	225,000
Total component units	<u>\$ 43,143,499</u>	<u>\$ 18,185,460</u>	<u>\$ 6,693,978</u>	<u>\$ 49,358,359</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<b>Net (Expense) Revenue and Changes in Net Assets</b>			
	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ (28,518,986)	\$ -	\$ (28,518,986)	\$ -
Public safety	(32,200,033)	-	(32,200,033)	-
Public works	504,159	-	504,159	-
Culture and recreation	(22,357,901)	-	(22,357,901)	-
Urban and economic development	(4,044,755)	-	(4,044,755)	-
Interest	(5,409,679)	-	(5,409,679)	-
Total governmental activities	<u>(92,027,195)</u>	<u>-</u>	<u>(92,027,195)</u>	<u>-</u>
Business-type activities:				
Water	-	1,214,160	1,214,160	-
Gas	-	4,107,184	4,107,184	-
Sewer	-	12,686,044	12,686,044	-
Stormwater	-	1,396,733	1,396,733	-
Steam district #1	-	358,978	358,978	-
Golf	-	(39,232)	(39,232)	-
Parking	-	1,086,913	1,086,913	-
Street Lighting	-	(287,407)	(287,407)	-
Total business-type activities	<u>-</u>	<u>20,523,373</u>	<u>20,523,373</u>	<u>-</u>
Total primary government	<u>(92,027,195)</u>	<u>20,523,373</u>	<u>(71,503,822)</u>	<u>-</u>
<b>Component units :</b>				
Duluth Economic Development Authority				(3,336,177)
Duluth Entertainment and Convention Center Aut	-	-	-	32,052,663
Duluth Airport Authority	-	-	-	5,182,918
Duluth Transit Authority	-	-	-	(2,665,278)
Spirit Mountain Recreation Area Authority	-	-	-	(139,828)
Total component units	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,094,298</u>
<b>General Revenues:</b>				
Property taxes	16,001,873	-	16,001,873	4,219,684
Market value credit aid	33,675	-	33,675	-
Sales taxes	19,252,407	-	19,252,407	-
Other taxes	2,014,928	-	2,014,928	-
Casino shared revenues	6,258,727	-	6,258,727	-
Grants and shared revenues not restricted to specific programs	29,130,992	-	29,130,992	3,482,993
Investment income	2,307,506	282,545	2,590,051	230,664
Gain on sale or disposition of capital assets	19,174	7,256	26,430	-
Miscellaneous	13,584	-	13,584	2,296,809
Transfers	4,552,145	(4,552,145)	-	-
Total general revenues and transfers	<u>79,585,011</u>	<u>(4,262,344)</u>	<u>75,322,667</u>	<u>10,230,150</u>
Change in net assets	(12,442,184)	16,261,029	3,818,845	41,324,448
Net assets - beginning, as restated (Note 1)	<u>242,062,653</u>	<u>144,799,384</u>	<u>386,862,037</u>	<u>211,491,817</u>
Net assets - ending	<u>\$ 229,620,469</u>	<u>\$ 161,060,413</u>	<u>\$ 390,680,882</u>	<u>\$ 252,816,265</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Community Investment</u>	<u>Permanent Improvement</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,644,087	\$ 33,856,317	\$ 674,200
Assets held by trustee	138,057	-	-
Receivables, net:			
Taxes	3,090,447	-	29,810
Accounts	318,976	9,742,714	-
Assessments	935,180	-	-
Loans	284,171	-	-
Grants	-	-	-
Accrued interest	280,194	241,755	-
Due from other funds	1,203,297	-	2,543,966
Due from component units	24,610	-	-
Interfund loan receivable	1,165,752	-	-
Due from other governments	827,806	-	3,796,057
Prepays	221,047	-	-
	<u>\$ 12,133,624</u>	<u>\$ 43,840,786</u>	<u>\$ 7,044,033</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,987,342	\$ -	\$ 11,721
Contracts payable	24,951	74,649	1,838,614
Due to other funds	434,661	-	586,891
Due to component units	10,860	-	-
Interfund loan payable	-	-	-
Due to other governments	93,237	-	1,358,831
Accrued salaries payable	1,829,990	-	-
Deferred revenue	1,805,167	9,742,714	1,784,440
	<u>6,186,208</u>	<u>9,817,363</u>	<u>5,580,497</u>
Fund balances:			
Reserved for:			
Encumbrances	99,463	-	-
Debt service	-	-	-
Special accounts	268,671	-	-
Unreserved:			
Designated for, reported in:			
Capital improvements	213,207	-	-
Special accounts	53,199	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital project funds	-	-	-
Undesignated, reported in:			
General fund	5,312,876	-	-
Special revenue funds	-	34,023,423	-
Capital project funds	-	-	1,463,536
	<u>5,947,416</u>	<u>34,023,423</u>	<u>1,463,536</u>
Total liabilities and fund balances	<u>\$ 12,133,624</u>	<u>\$ 43,840,786</u>	<u>\$ 7,044,033</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>DECC Capital Improvement</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,461,739	\$ 19,464,265	\$ 28,289,655	\$ 90,390,263
Assets held by trustee	-	-	-	138,057
Receivables, net:				
Taxes	-	-	893,321	4,013,578
Accounts	-	-	78,922	10,140,612
Assessments	-	-	8,663,191	9,598,371
Loans	-	-	4,684,955	4,969,126
Grants	-	-	550,832	550,832
Accrued interest	15,377	-	-	537,326
Due from other funds	-	20,000	856,961	4,624,224
Due from component units	-	414,855	683,704	1,123,169
Interfund loan receivable	-	-	-	1,165,752
Due from other governments	-	363,336	2,369,799	7,356,998
Prepays	-	-	-	221,047
<b>Total assets</b>	<b>\$ 4,477,116</b>	<b>\$ 20,262,456</b>	<b>\$ 47,071,340</b>	<b>\$ 134,829,355</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 29,155	\$ 640,052	\$ 2,668,270
Contracts payable	-	1,372,536	1,703,062	5,013,812
Due to other funds	-	2,238	1,269,047	2,292,837
Due to component units	2,118,408	-	124,733	2,254,001
Interfund loan payable	-	-	304,221	304,221
Due to other governments	-	-	508,474	1,960,542
Accrued salaries payable	-	-	83,569	1,913,559
Deferred revenue	-	291,659	14,200,100	27,824,080
<b>Total liabilities</b>	<b>2,118,408</b>	<b>1,695,588</b>	<b>18,833,258</b>	<b>44,231,322</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Encumbrances	-	12,043,257	1,262,894	13,405,614
Debt service	-	-	8,158,477	8,158,477
Special accounts	-	-	714,097	982,768
<b>Unreserved:</b>				
<b>Designated for, reported in:</b>				
Capital improvements	-	-	-	213,207
Special accounts	-	-	-	53,199
Special revenue funds	-	-	359,474	359,474
Debt service funds	-	-	13,496,346	13,496,346
Capital project funds	2,358,708	6,523,611	-	8,882,319
<b>Undesignated, reported in:</b>				
General fund	-	-	-	5,312,876
Special revenue funds	-	-	4,329,474	38,352,897
Capital project funds	-	-	(82,680)	1,380,856
<b>Total fund balances</b>	<b>2,358,708</b>	<b>18,566,868</b>	<b>28,238,082</b>	<b>90,598,033</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,477,116</b>	<b>\$ 20,262,456</b>	<b>\$ 47,071,340</b>	<b>\$ 134,829,355</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

Fund Balance--total governmental funds	\$ 90,598,033
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets is \$389,088,916, and the accumulated depreciation is \$134,828,207.	254,260,709
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	26,554,635
Internal service funds are used by management to charge the costs of fleet services, group health insurance, loss control activities, and vacation benefits payable to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets for \$10,920,764 less \$2,710,369 attributed to business-type activities.	8,210,395
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:	
Bonds and Notes payable, net of issuance costs	124,393,594
Other post employment benefits	23,484,491
Interest accrued on long-term debt	<u>2,125,218</u>
	<u>(150,003,303)</u>
Net assets of governmental activities	<u><u>\$ 229,620,469</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Community Investment</u>	<u>Permanent Improvement</u>
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 10,469,994	\$ -	\$ 392,196
Sales taxes	11,465,685	-	-
Other taxes	2,006,399	-	-
Licenses and permits	1,182,044	-	-
Intergovernmental revenues	31,196,095	-	11,701,511
Charges for services	5,999,716	-	-
Fines and forfeits	1,791,604	-	-
Special assessments	409,710	-	-
Investment income	192,277	973,984	27,050
Miscellaneous revenues	764,130	-	-
	<u>65,477,654</u>	<u>973,984</u>	<u>12,120,757</u>
Total revenues			
	<u>65,477,654</u>	<u>973,984</u>	<u>12,120,757</u>
<b>EXPENDITURES</b>			
Current:			
General government	30,577,650	429,483	-
Public safety	32,884,954	-	-
Public works	1,860,838	-	5,302,621
Culture and recreation	4,595,483	-	-
Urban and economic development	1,094,015	-	-
Debt service:			
Principal retirement	135,000	-	-
Interest and fiscal fees	41,950	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	7,014,078
	<u>71,189,890</u>	<u>429,483</u>	<u>12,316,699</u>
Total expenditures			
	<u>71,189,890</u>	<u>429,483</u>	<u>12,316,699</u>
Excess (deficiency) of revenues over expenditures	<u>(5,712,236)</u>	<u>544,501</u>	<u>(195,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of bonds	-	-	-
Proceeds from refundings	-	-	-
Premium on issuance of bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfers in	9,280,205	-	-
Transfers out	(20,000)	(13,551,932)	(113,447)
	<u>9,260,205</u>	<u>(13,551,932)</u>	<u>(113,447)</u>
Total other financing sources (uses)			
	<u>9,260,205</u>	<u>(13,551,932)</u>	<u>(113,447)</u>
Net change in fund balance	3,547,969	(13,007,431)	(309,389)
Fund balance - January 1, 2010, as restated (Note 1)	<u>2,399,447</u>	<u>47,030,854</u>	<u>1,772,925</u>
Fund balance - December 31, 2010	<u>\$ 5,947,416</u>	<u>\$ 34,023,423</u>	<u>\$ 1,463,536</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>DECC Capital Project</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ 5,091,744	\$ 15,953,934
Sales taxes	-	-	7,786,722	19,252,407
Other taxes	-	-	8,529	2,014,928
Licenses and permits	-	-	-	1,182,044
Intergovernmental revenues	-	1,100,339	11,758,974	55,756,919
Charges for services	-	-	902,967	6,902,683
Fines and forfeits	-	-	-	1,791,604
Special assessments	-	-	2,332,044	2,741,754
Investment income	471,116	215,849	171,496	2,051,772
Miscellaneous revenues	-	1,001,944	1,519,202	3,285,276
	<u>471,116</u>	<u>2,318,132</u>	<u>29,571,678</u>	<u>110,933,321</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	1,260,832	360,312	32,628,277
Public safety	-	16,835	1,000,083	33,901,872
Public works	-	757	-	7,164,216
Culture and recreation	-	19,112	1,956,239	6,570,834
Urban and economic development	-	-	13,083,350	14,177,365
Debt service:				
Principal retirement	-	-	10,119,000	10,254,000
Interest and fiscal fees	-	-	5,399,395	5,441,345
Bond issuance costs	-	40,176	99,959	140,135
Capital outlay	17,934,515	3,905,433	8,490,773	37,344,799
	<u>17,934,515</u>	<u>5,243,145</u>	<u>40,509,111</u>	<u>147,622,843</u>
Excess (deficiency) of revenues over expenditures	<u>(17,463,399)</u>	<u>(2,925,013)</u>	<u>(10,937,433)</u>	<u>(36,689,522)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	2,175,000	2,295,000	4,470,000
Proceeds from refundings	-	-	4,190,000	4,190,000
Premium on issuance of bonds	-	65,494	44,357	109,851
Payment to refunded bond escrow agent	-	-	(4,155,250)	(4,155,250)
Transfers in	-	250,600	17,373,180	26,903,985
Transfers out	(650,012)	-	(7,872,246)	(22,207,637)
	<u>(650,012)</u>	<u>2,491,094</u>	<u>11,875,041</u>	<u>9,310,949</u>
Net change in fund balance	(18,113,411)	(433,919)	937,608	(27,378,573)
Fund balance - January 1, 2010, as restated (Note 1)	<u>20,472,119</u>	<u>19,000,787</u>	<u>27,300,474</u>	<u>117,976,606</u>
Fund balance - December 31, 2010	<u>\$ 2,358,708</u>	<u>\$ 18,566,868</u>	<u>\$ 28,238,082</u>	<u>\$ 90,598,033</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES & CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds \$ (27,378,573)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	20,340,420	
Depreciation expense	<u>(9,300,328)</u>	
Excess of capital outlay over depreciation expense		11,040,092

Miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and other disposals) decreased net assets. (22,485)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$6,508 from internal funds less \$595,227 attributed to business-type activities is reported with governmental activities. (588,719)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Bonds issued, including a bond premium of \$529,368 less issuance costs of \$414,074.	4,467,454	
Refunding bonds, including a bond premium of \$48,832 less issuance costs of \$28,284.	<u>4,162,262</u>	
Total bond proceeds		(8,629,716)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	10,254,000	
Payments to the bond refunding agent	<u>4,115,000</u>	
Total long-term debt repayment		14,369,000

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 6,498,147

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	(85,894)	
Increase in net other post employment benefits payable	(7,631,483)	
Amortization of deferred amounts:		
for bond premiums	162,591	
for bond issuance costs	<u>(175,144)</u>	
Total additional expenditures		<u>(7,729,930)</u>

Change in net assets of governmental activities \$ (12,442,184)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE –**  
**BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis) (Note 2)	Modified Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 24,594,300	\$ 24,594,300	\$ 23,942,078	\$ (652,222)
Licenses and permits	1,159,700	1,159,700	1,182,044	22,344
Intergovernmental revenues	31,439,200	31,580,561	31,196,095	(384,466)
Charges for services	6,016,600	6,016,600	5,999,716	(16,884)
Fines and forfeits	2,263,000	2,309,390	1,791,604	(517,786)
Special assessments	445,400	453,779	409,710	(44,069)
Investment income	840,000	840,000	192,277	(647,723)
Miscellaneous revenues	598,300	677,091	764,130	87,039
Total revenues	67,356,500	67,631,421	65,477,654	(2,153,767)
<b>EXPENDITURES</b>				
Current:				
General government	34,338,800	34,309,999	30,645,525	3,664,474
Public safety	32,396,600	33,284,025	32,907,057	376,968
Public works	1,919,100	1,931,100	1,870,323	60,777
Culture and recreation	4,437,800	4,338,996	4,595,483	(256,487)
Urban and economic development	1,106,300	1,160,519	1,094,015	66,504
Debt service:				
Capital lease obligation - principal	135,000	135,000	135,000	-
Capital lease obligation - interest	41,800	41,950	41,950	-
Total expenditures	74,375,400	75,201,589	71,289,353	3,912,236
Excess (deficiency) of revenues over expenditures	(7,018,900)	(7,570,168)	(5,811,699)	1,758,469
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,178,900	8,232,079	9,280,205	1,048,126
Transfers out	(1,160,000)	(1,180,000)	(20,000)	1,160,000
Total other financing sources (uses)	7,018,900	7,052,079	9,260,205	2,208,126
Net change in fund balance - budgetary basis	-	(518,089)	3,448,506	3,966,595
Net adjustments to reflect operations in accordance with generally accepted accounting principles			99,463	99,463
Net change in fund balance - GAAP basis	-	(518,089)	3,547,969	\$ 4,066,058
Fund balance - January 1, 2010	2,399,447	2,399,447	2,399,447	
Fund balance - December 31, 2010	\$ 2,399,447	\$ 1,881,358	\$ 5,947,416	

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

**Business-type Activities - Enterprise Funds**

**ASSETS**

Current assets:

	Water	Gas	Sewer
Cash and cash equivalents	\$ 1,804,178	\$ 2,097,198	\$ 5,124,119
Restricted cash and cash equivalents:			
Customer deposits	89,040	1,855,353	-
Construction	-	-	168,544
Loans	-	858,839	-
Restricted assets held by trustee	-	-	-
Receivables, net:			
Accounts	1,168,357	5,915,392	2,029,910
Restricted loans	-	682,397	-
Assessments	67,630	12,116	21,616
Due from other funds	85,184	71,815	62,935
Due from component units	-	-	-
Interfund loan receivable	-	107,108	-
Due from other governments	775,732	107	607,366
Inventories	833,478	878,280	52,437
Prepays	-	2,778,163	235,069
<b>Total current assets</b>	<b>4,823,599</b>	<b>15,256,768</b>	<b>8,301,996</b>

Noncurrent assets:

Assessments receivable	211,274	32,402	134,903
Due from other governments	-	-	-
Restricted loans receivable	-	2,329,583	-
Issuance costs	59,379	47,246	195,196
Capital assets, net	43,850,699	42,890,820	67,936,068
<b>Total noncurrent assets</b>	<b>44,121,352</b>	<b>45,300,051</b>	<b>68,266,167</b>

**Total assets**

<b>48,944,951</b>	<b>60,556,819</b>	<b>76,568,163</b>
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**LIABILITIES**

Current liabilities:

Accounts payable	215,922	3,166,976	357,362
Contracts payable	922,011	150,433	1,461,675
Claims payable	-	-	-
Notes payable	543,217	-	1,200,145
Leases payable	182,061	166,889	156,775
Due to other funds	1,655,441	157,302	833,139
Interfund loan payable	-	-	-
Due to other governments	146,467	83,029	633,247
Accrued interest payable	105,690	155,326	270,116
Accrued salaries payable	153,670	184,889	88,426
Compensated absences	235,036	291,676	146,757
Unearned revenue	104,949	1,264,099	100,869
Deposits	10,000	1,322,411	-
Revenue bonds payable	186,000	821,000	1,008,000
<b>Total current liabilities</b>	<b>4,460,464</b>	<b>7,764,030</b>	<b>6,256,511</b>

Noncurrent liabilities:

Notes payable	3,882,049	-	5,140,499
Claims payable	-	-	-
Compensated absences	15,574	62,178	12,356
Leases payable	2,958,988	2,712,406	2,548,017
Net other postemployment benefits payable	245,893	129,901	-
Revenue bonds payable	3,315,000	7,115,814	13,429,186
Less unamortized bond premium (discount)	10,792	(14,472)	43,962
<b>Total noncurrent liabilities</b>	<b>10,428,296</b>	<b>10,005,827</b>	<b>21,174,020</b>

**Total liabilities**

<b>14,888,760</b>	<b>17,769,857</b>	<b>27,430,531</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	32,831,971	32,136,429	44,768,337
Restricted for special accounts	-	-	4,887
Restricted for loans	-	2,000,157	-
Unrestricted	1,224,220	8,650,376	4,364,408
<b>Total net assets</b>	<b>\$ 34,056,191</b>	<b>\$ 42,786,962</b>	<b>\$ 49,137,632</b>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Parking</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,359,469	\$ 2,420,389	\$ 15,805,353	\$ 16,377,252
Restricted cash and cash equivalents:				
Customer deposits	-	-	1,944,393	-
Construction	-	-	168,544	-
Loans	-	-	858,839	-
Restricted assets held by trustee	-	104,012	104,012	-
Receivables, net:				
Accounts	37,165	1,758,953	10,909,777	31,171
Restricted loans	-	-	682,397	-
Assessments	-	7,722	109,084	-
Due from other funds	-	58,030	277,964	432,396
Due from component units	-	-	-	24,986
Interfund loan receivable	-	-	107,108	-
Due from other governments	2,064	11,560	1,396,829	28,316
Inventories	-	331,452	2,095,647	226,816
Prepays	-	88,213	3,101,445	113,233
Total current assets	<u>4,398,698</u>	<u>4,780,331</u>	<u>37,561,392</u>	<u>17,234,170</u>
Noncurrent assets:				
Assessments receivable	-	-	378,579	-
Due from other governments	-	25,000	25,000	-
Restricted loans receivable	-	-	2,329,583	-
Issuance costs	155,005	109,494	566,320	-
Capital assets, net	22,270,162	26,256,687	203,204,436	455,879
Total noncurrent assets	<u>22,425,167</u>	<u>26,391,181</u>	<u>206,503,918</u>	<u>455,879</u>
Total assets	<u>26,823,865</u>	<u>31,171,512</u>	<u>244,065,310</u>	<u>17,690,049</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	18,560	735,777	4,494,597	217,350
Contracts payable	6,653	446,032	2,986,804	4,625
Claims payable	-	-	-	1,868,617
Notes payable	-	-	1,743,362	-
Leases payable	-	-	505,725	46,040
Due to other funds	2,023	361,780	3,009,685	32,062
Interfund loan payable	-	927,331	927,331	41,308
Due to other governments	2,130	40,982	905,855	586
Accrued interest payable	281,266	139,501	951,899	583
Accrued salaries payable	4,977	75,587	507,549	43,756
Compensated absences	6,390	92,375	772,234	2,864,189
Unearned revenue	21,835	94,618	1,586,370	57,735
Deposits	-	-	1,332,411	-
Revenue bonds payable	790,000	750,000	3,555,000	-
Total current liabilities	<u>1,133,834</u>	<u>3,663,983</u>	<u>23,278,822</u>	<u>5,176,851</u>
Noncurrent liabilities:				
Notes payable	-	-	9,022,548	-
Claims payable	-	-	-	952,233
Compensated absences	5,005	26,910	122,023	616,314
Leases payable	-	-	8,219,411	23,887
Net other postemployment benefits payable	-	-	375,794	-
Revenue bonds payable	12,375,000	8,395,000	44,630,000	-
Less unamortized bond premium (discount)	20,070	6,316	66,668	-
Total noncurrent liabilities	<u>12,400,075</u>	<u>8,428,226</u>	<u>62,436,444</u>	<u>1,592,434</u>
Total liabilities	<u>13,533,909</u>	<u>12,092,209</u>	<u>85,715,266</u>	<u>6,769,285</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,240,097	17,203,651	136,180,485	385,952
Restricted for special accounts	-	103,127	108,014	-
Restricted for loans	-	-	2,000,157	-
Unrestricted	4,049,859	1,772,525	20,061,388	10,534,812
Total net assets	<u>\$ 13,289,956</u>	<u>\$ 19,079,303</u>	<u>158,350,044</u>	<u>\$ 10,920,764</u>

Amounts reported for business-type activities in the statement of net assets are different because of the consolidation of internal service fund activities related to enterprise funds.

2,710,369

Net assets of business-type activities

\$ 161,060,413

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>			
Sales	\$ -	\$ 38,455,307	\$ -
Charges for services	11,745,982	592,651	20,178,352
Miscellaneous revenues	260,524	809,824	159,445
	<u>12,006,506</u>	<u>39,857,782</u>	<u>20,337,797</u>
Total operating revenues			
<b>OPERATING EXPENSES</b>			
Cost of sales and services	-	25,014,748	-
Personal services	5,693,376	7,029,293	3,137,758
Supplies	1,170,285	783,003	372,712
Utilities	1,160,177	37,805	107,234
Other services and charges	1,246,737	1,447,762	10,848,598
Amortization	4,524	6,722	16,163
Depreciation	1,414,807	1,219,538	1,229,001
Medical and insurance	-	-	-
	<u>10,689,906</u>	<u>35,538,871</u>	<u>15,711,466</u>
Total operating expenses			
Operating income	<u>1,316,600</u>	<u>4,318,911</u>	<u>4,626,331</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	38,627	113,127	50,372
Intergovernmental revenue	18,169	24,615	9,533
Other revenue	-	-	-
Gain (Loss) on sale or disposition of capital assets	2,828	3,388	720
Interest expense	(304,164)	(503,288)	(701,787)
	<u>(244,540)</u>	<u>(362,158)</u>	<u>(641,162)</u>
Total non-operating revenue (expenses)			
Income before contributions and transfers	1,072,060	3,956,753	3,985,169
Capital contributions	360	24,788	8,598,383
Transfers in	-	-	222,124
Transfers out	(359,647)	(3,437,951)	(90,425)
	<u>712,773</u>	<u>543,590</u>	<u>12,715,251</u>
Change in net assets			
Total net assets - January 1, 2010	<u>33,343,418</u>	<u>42,243,372</u>	<u>36,422,381</u>
Total net assets - December 31, 2010	<u>\$ 34,056,191</u>	<u>\$ 42,786,962</u>	<u>\$ 49,137,632</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Parking</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Fund</u>
<b>OPERATING REVENUES</b>				
Sales	\$ -	\$ 513,998	\$ 38,969,305	\$ 2,063,902
Charges for services	2,562,878	13,681,124	48,760,987	24,400,164
Miscellaneous revenues	337	241,262	1,471,392	1,123,337
Total operating revenues	<u>2,563,215</u>	<u>14,436,384</u>	<u>89,201,684</u>	<u>27,587,403</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	-	307,969	25,322,717	1,830,886
Personal services	148,023	2,320,353	18,328,803	4,909,213
Supplies	47,316	2,652,028	5,025,344	42,458
Utilities	154,554	1,158,272	2,618,042	-
Other services and charges	422,068	4,617,640	18,582,805	2,540,366
Amortization	17,165	15,408	59,982	-
Depreciation	495,144	1,729,815	6,088,305	72,033
Medical and insurance	-	-	-	18,191,678
Total operating expenses	<u>1,284,270</u>	<u>12,801,485</u>	<u>76,025,998</u>	<u>27,586,634</u>
Operating income	<u>1,278,945</u>	<u>1,634,899</u>	<u>13,175,686</u>	<u>769</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	46,896	33,523	282,545	148,888
Intergovernmental revenue	-	29,589	81,906	5,835
Other revenue	-	119,500	119,500	-
Gain (Loss) on sale or disposition of capital assets	-	320	7,256	-
Interest expense	(673,059)	(371,291)	(2,553,589)	(4,781)
Total non-operating revenue (expenses)	<u>(626,163)</u>	<u>(188,359)</u>	<u>(2,062,382)</u>	<u>149,942</u>
Income before contributions and transfers	<u>652,782</u>	<u>1,446,540</u>	<u>11,113,304</u>	<u>150,711</u>
Capital contributions	481,112	-	9,104,643	-
Transfers in	1,205,915	-	1,428,039	-
Transfers out	(1,428,625)	(663,536)	(5,980,184)	(144,203)
Change in net assets	<u>911,184</u>	<u>783,004</u>	<u>15,665,802</u>	<u>6,508</u>
Total net assets - January 1, 2010	<u>12,378,772</u>	<u>18,296,299</u>	<u>142,684,242</u>	<u>10,914,256</u>
Total net assets - December 31, 2010	<u>\$ 13,289,956</u>	<u>\$ 19,079,303</u>	<u>\$ 158,350,044</u>	<u>\$ 10,920,764</u>
Amounts reported in business-type activities in the statement of activities are different because:				
Change in net assets			\$ 15,665,802	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>595,227</u>	
Change in net assets of business-type activities			<u>\$ 16,261,029</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 11,512,367	\$ 41,249,924	\$ 20,304,380
Cash paid to suppliers	(3,720,561)	(28,177,943)	(11,322,741)
Cash paid to employees	(5,782,505)	(7,197,172)	(3,177,819)
Other operating revenues	210,807	443,199	85,140
	<u>2,220,108</u>	<u>6,318,008</u>	<u>5,888,960</u>
Net cash provided (used) by operating activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(359,647)	(3,437,951)	(90,425)
Operating grants	18,169	24,615	9,533
Interfund financing	-	129,099	-
	<u>(341,478)</u>	<u>(3,284,237)</u>	<u>(80,892)</u>
Net cash provided (used) by noncapital financing activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grants and contributions	-	23,818	9,906,004
Transfer from other funds	-	-	222,124
Issuance of revenue bonds and notes	1,504,071	-	5,237,648
Other	-	-	-
Principal paid on bonds, notes and capitalized leases	(912,864)	(2,907,000)	(3,968,540)
Interest paid on bonds, notes and capitalized leases	(334,379)	(498,447)	(721,221)
Transfer to trustee debt service account	-	-	-
Payment of bond issuance costs	(24,250)	-	(32,997)
Special assessments received	128,283	22,031	31,236
Sale of capital assets	2,828	3,388	720
Acquisition or construction of capital assets	(2,567,671)	(1,744,279)	(15,153,181)
	<u>(2,203,982)</u>	<u>(5,100,489)</u>	<u>(4,478,207)</u>
Net cash provided (used) by capital and related financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment interest	22,906	110,703	42,050
	<u>22,906</u>	<u>110,703</u>	<u>42,050</u>
Net increase (decrease) in cash and cash equivalents	(302,446)	(1,956,015)	1,371,911
Cash and cash equivalents - January 1, 2010	2,195,664	6,767,405	3,920,752
Cash and cash equivalents - December 31, 2010	<u>\$ 1,893,218</u>	<u>\$ 4,811,390</u>	<u>\$ 5,292,663</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	\$ 1,316,600	\$ 4,318,911	\$ 4,626,331
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,419,331	1,226,260	1,245,164
Change in assets and liabilities:			
Decrease (increase) in receivables	(43,234)	1,370,993	282,056
Decrease (increase) in inventory	(46,585)	(2,909)	(15,151)
Decrease (increase) in prepaid items	-	(446,753)	(37,705)
Increase (decrease) in payables	(78,546)	76,676	(44,514)
Increase (decrease) in deferred revenues	(347,458)	(225,170)	(167,221)
Total adjustments	<u>903,508</u>	<u>1,999,097</u>	<u>1,262,629</u>
Net cash provided (used) by operating activities	<u>\$ 2,220,108</u>	<u>\$ 6,318,008</u>	<u>\$ 5,888,960</u>

(continued)

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Parking</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,563,708	\$ 13,942,800	\$ 89,573,179	\$ 29,704,418
Cash paid to suppliers	(614,555)	(8,223,940)	(52,059,740)	(23,873,946)
Cash paid to employees	(145,558)	(2,321,247)	(18,624,301)	(4,468,770)
Other operating revenues	337	76,729	816,212	2,585
Net cash provided (used) by operating activities	<u>1,803,932</u>	<u>3,474,342</u>	<u>19,705,350</u>	<u>1,364,287</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(1,428,625)	(663,536)	(5,980,184)	(144,203)
Operating grants	-	52,399	104,716	5,835
Interfund financing	-	3,531	132,630	41,308
Net cash provided (used) by noncapital financing activities	<u>(1,428,625)</u>	<u>(607,606)</u>	<u>(5,742,838)</u>	<u>(97,060)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants and contributions	481,112	-	10,410,934	-
Transfer from other funds	1,205,915	-	1,428,039	-
Issuance of revenue bonds and notes	-	-	6,741,719	-
Other	-	119,500	119,500	-
Principal paid on bonds, notes and capitalized leases	(745,000)	(875,853)	(9,409,257)	(43,822)
Interest paid on bonds, notes and capitalized leases	(692,013)	(388,596)	(2,634,656)	(5,146)
Transfer to trustee debt service account	-	(150,194)	(150,194)	-
Payment of bond issuance costs	-	-	(57,247)	-
Special assessments received	-	11,306	192,856	-
Sale of capital assets	-	320	7,256	-
Acquisition or construction of capital assets	-	(1,734,130)	(21,199,261)	(42,425)
Net cash provided (used) by capital and related financing activities	<u>250,014</u>	<u>(3,017,647)</u>	<u>(14,550,311)</u>	<u>(91,393)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment interest	<u>46,896</u>	<u>33,220</u>	<u>255,775</u>	<u>148,888</u>
Net increase (decrease) in cash and cash equivalents	672,217	(117,691)	(332,024)	1,324,722
Cash and cash equivalents - January 1, 2010	<u>3,687,252</u>	<u>2,538,080</u>	<u>19,109,153</u>	<u>15,052,530</u>
Cash and cash equivalents - December 31, 2010	<u>\$ 4,359,469</u>	<u>\$ 2,420,389</u>	<u>\$ 18,777,129</u>	<u>\$ 16,377,252</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	<u>\$ 1,278,945</u>	<u>\$ 1,634,899</u>	<u>\$ 13,175,686</u>	<u>\$ 769</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	512,309	1,745,223	6,148,287	72,033
Change in assets and liabilities:				
Decrease (increase) in receivables	(390)	(206,222)	1,403,203	2,139,710
Decrease (increase) in inventory	-	(20,511)	(85,156)	(13,184)
Decrease (increase) in prepaid items	-	3,634	(480,824)	(69,063)
Increase (decrease) in payables	12,168	518,736	484,520	(743,111)
Increase (decrease) in deferred revenues	900	(201,417)	(940,366)	(22,867)
Total adjustments	<u>524,987</u>	<u>1,839,443</u>	<u>6,529,664</u>	<u>1,363,518</u>
Net cash provided (used) by operating activities	<u>\$ 1,803,932</u>	<u>\$ 3,474,342</u>	<u>\$ 19,705,350</u>	<u>\$ 1,364,287</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2010**

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,009,202
Receivables:		
Loans	-	1,575,150
Investments, at fair value:		
Fixed income pool	11,271,074	-
Equity pool	14,419,568	-
Other assets	-	349,493
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 25,690,642</u>	<u>\$ 3,933,845</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 540
Due to other governments	-	33,756
Due to agency	-	3,899,549
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>-</u>	<u>\$ 3,933,845</u>
<b>NET ASSETS</b>		
Held in trust for post employment benefits	<u>\$ 25,690,642</u>	

The notes to the financial statements are an integral part of this statement

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
OTHER POST EMPLOYMENT BENEFITS TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**ADDITIONS**

Contributions	<u>\$ 2,300,000</u>
Investment earnings:	
Interest	740,151
Net increase in fair value of investments	<u>1,804,657</u>
Total investment earnings	<u>2,544,808</u>
Total additions	<u>4,844,808</u>

**DEDUCTIONS**

Administrative Fees	<u>2,058</u>
Change in net assets	4,842,750
Net assets - January 1, 2010	<u>20,847,892</u>
Net assets - December 31, 2010	<u>\$ 25,690,642</u>

The notes to the financial statements are an integral part of this statement

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
DECEMBER 31, 2010**

	<b>Duluth Economic Development Authority</b>	<b>Duluth Entertainment &amp; Convention Center Authority</b>	<b>Duluth Airport Authority</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,985,526	\$ 2,546,480	\$ 632,306
Receivables, net			
Taxes	373,633	-	-
Accounts	100,881	105,817	324,447
Assessments	121,520	-	-
Loans	4,343,471	-	-
Deposits	250,000		
Grants	-	-	103,387
Due from primary government	-	126,778	4,109
Due from other governments	-	-	-
Inventories	192,500	158,121	62,225
Prepays	337,379	18,706	29,238
Deferred charges	-	725	599,176
Restricted assets:			
Cash and cash equivalents	-	612,067	309,829
Accounts receivable	-	31,648	76,374
Grants receivable	-	-	3,372,484
Due from primary government	-	2,118,408	-
Due from other governments	-	2,042,675	-
Assets held by trustee	-	86,681	-
Capital assets, net:			
Non-depreciable	2,631,968	928,945	14,910,950
Depreciable	18,436,194	105,196,701	64,897,594
<b>Total assets</b>	<b>37,773,072</b>	<b>113,973,752</b>	<b>85,322,119</b>
<b>LIABILITIES</b>			
Accounts payable and other short-term liabilities	782,540	589,378	195,425
Contracts payable	74,424	4,019,166	3,171,130
Accrued interest payable	5,527	14,906	-
Due to primary government	1,105,372	6,361	25,092
Due to other government	-	-	35,475
Deferred revenue	-	298,491	19,781
Deposits	-	640,687	-
Non-current liabilities:			
Due within one year	100,000	931,267	138,897
Due in more than one year	95,000	1,187,906	1,566,862
<b>Total liabilities</b>	<b>2,162,863</b>	<b>7,688,162</b>	<b>5,152,662</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,068,162	105,807,497	79,539,655
Restricted for:			
Debt service	112,722	86,681	-
Capital projects	-	-	-
Other	-	-	-
Unrestricted	14,429,325	391,412	629,802
<b>Total net assets</b>	<b>\$ 35,610,209</b>	<b>\$ 106,285,590</b>	<b>\$ 80,169,457</b>

(continued)

The notes to the financial statements are an integral part of this statement

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
DECEMBER 31, 2010**

	<b>Duluth Transit Authority</b>	<b>Spirit Mountain Recreation Area Authority</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,539,440	\$ 39,322	\$ 21,743,074
Receivables, net			
Taxes	51,711	-	425,344
Accounts	40,323	48,027	619,495
Assessments	-	-	121,520
Loans	-	-	4,343,471
Deposits	-	-	250,000
Grants	-	-	103,387
Due from primary government	-	-	130,887
Due from other governments	338,002	-	338,002
Inventories	201,777	111,645	726,268
Prepays	92,145	5,546	483,014
Deferred charges	-	224,562	824,463
Restricted assets:			
Cash and cash equivalents	-	225,000	1,146,896
Accounts receivable	-	-	108,022
Grants receivable	-	-	3,372,484
Due from primary government	-	-	2,118,408
Due from other governments	-	-	2,042,675
Assets held by trustee	-	-	86,681
Capital assets, net:			
Non-depreciable	222,367	3,280,107	21,974,337
Depreciable	19,549,095	2,552,826	210,632,410
<b>Total assets</b>	<b>28,034,860</b>	<b>6,487,035</b>	<b>271,590,838</b>
<b>LIABILITIES</b>			
Accounts payable and other short-term liabilities	761,919	166,579	2,495,841
Contracts payable	-	-	7,264,720
Accrued interest payable	-	13,714	34,147
Due to primary government	4,675	89,898	1,231,398
Due to other government	-	5,611	41,086
Deferred revenue	81,208	152,373	551,853
Deposits	-	-	640,687
Non-current liabilities:			
Due within one year	541,977	495,582	2,207,723
Due in more than one year	-	1,457,350	4,307,118
<b>Total liabilities</b>	<b>1,389,779</b>	<b>2,381,107</b>	<b>18,774,573</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,771,462	3,946,824	230,133,600
Restricted for:			
Debt service	-	-	199,403
Capital projects	6,119,445	225,000	6,344,445
Other	-	25,000	25,000
Unrestricted	754,174	(90,896)	16,113,817
<b>Total net assets</b>	<b>\$ 26,645,081</b>	<b>\$ 4,105,928</b>	<b>\$ 252,816,265</b>

The notes to the financial statements are an integral part of this statement

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Duluth Economic Development Authority</b>				
Governmental activities:				
Economic development	\$ 4,457,816	\$ 1,004,749	\$ 116,890	\$ -
<b>Duluth Entertainment &amp; Convention Center Authority</b>				
Business-type activities:				
Entertainment and convention facility	10,035,770	7,000,809	-	35,087,624
<b>Duluth Airport Authority</b>				
Business-type activities:				
Airport facility	8,929,516	4,189,420	-	9,923,014
<b>Duluth Transit Authority</b>				
Business-type activities:				
Public transportation	15,570,656	2,205,569	6,577,088	4,122,721
<b>Spirit Mountain Recreation Area Authority</b>				
Business-type activities:				
Ski hill operations	4,149,741	3,784,913	-	225,000
<b>Total component units</b>	<b>\$ 43,143,499</b>	<b>\$ 18,185,460</b>	<b>\$ 6,693,978</b>	<b>\$ 49,358,359</b>

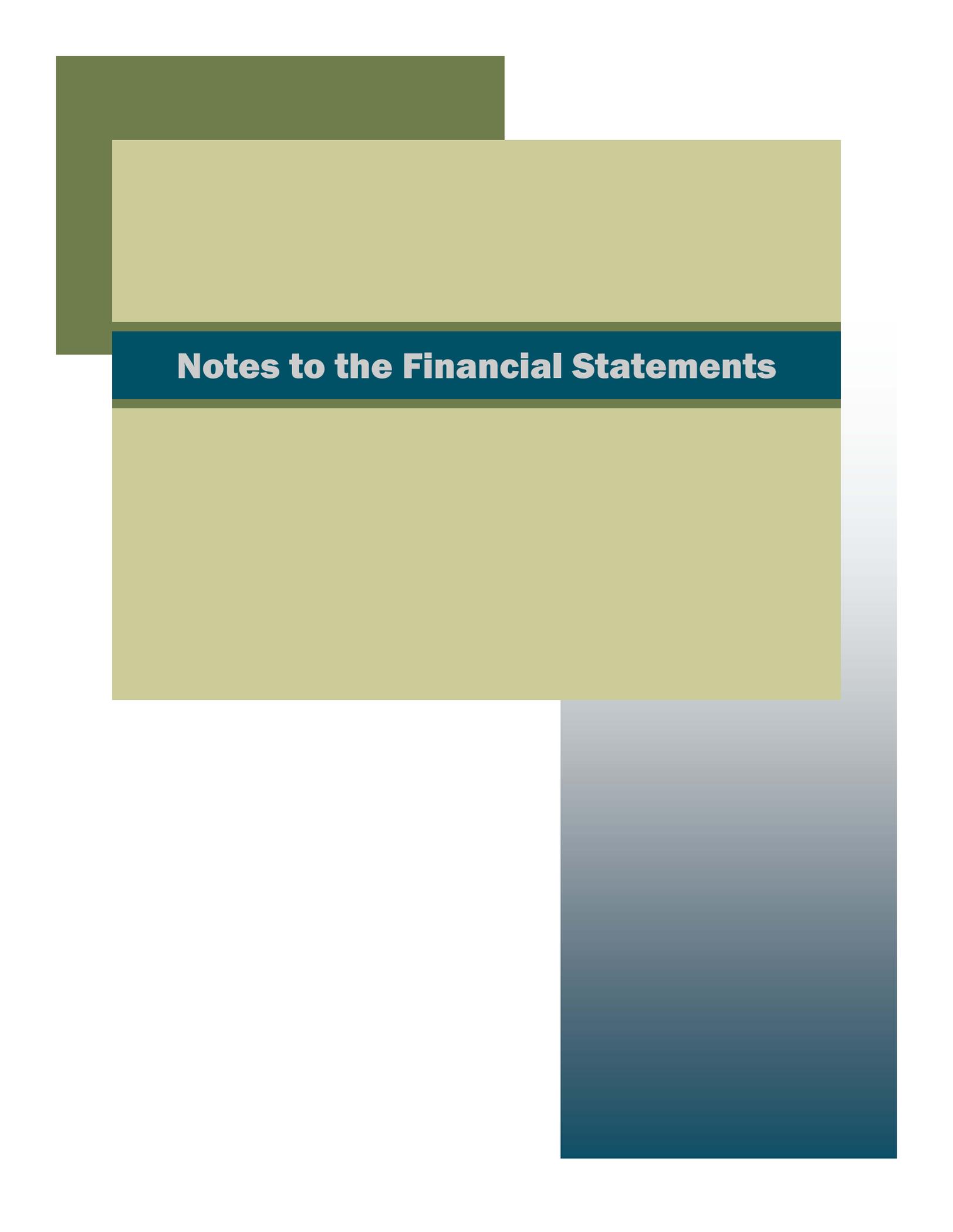
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The notes to the financial statements are an integral part of this statement

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>					<b>Totals</b>
	<b>Duluth Economic Development Authority</b>	<b>Duluth Entertainment &amp; Convention Center Authority</b>	<b>Duluth Airport Authority</b>	<b>Duluth Transit Authority</b>	<b>Spirit Mountain Recreation Area Authority</b>	
<b>Duluth Economic Development Authority</b>						
Governmental activities:						
Economic development	<u>\$ (3,336,177)</u>	\$ -	\$ -	\$ -	\$ -	\$ (3,336,177)
<b>Duluth Entertainment &amp; Convention Center Authority</b>						
Business-type activities:						
Entertainment and convention facility	-	<u>32,052,663</u>	-	-	-	32,052,663
<b>Duluth Airport Authority</b>						
Business-type activities:						
Airport facility	-	-	<u>5,182,918</u>	-	-	5,182,918
<b>Duluth Transit Authority</b>						
Business-type activities:						
Public transportation	-	-	-	<u>(2,665,278)</u>	-	(2,665,278)
<b>Spirit Mountain Recreation Area Authority</b>						
Business-type activities:						
Ski hill operations	-	-	-	-	<u>(139,828)</u>	<u>(139,828)</u>
<b>Total component units</b>						<u>31,094,298</u>
General revenues:						
Taxes	1,852,762	1,050,022	-	1,316,900	-	4,219,684
Grants and shared revenues not restricted to specific programs	63,893	-	-	3,419,100	-	3,482,993
Investment income	130,153	20,063	8,841	70,462	1,145	230,664
Miscellaneous	-	2,240,960	-	-	55,849	2,296,809
Total general revenues and transfers	<u>2,046,808</u>	<u>3,311,045</u>	<u>8,841</u>	<u>4,806,462</u>	<u>56,994</u>	<u>10,230,150</u>
Change in net assets	(1,289,369)	35,363,708	5,191,759	2,141,184	(82,834)	41,324,448
Net assets - beginning, as restated (Note 1)	<u>36,899,578</u>	<u>70,921,882</u>	<u>74,977,698</u>	<u>24,503,897</u>	<u>4,188,762</u>	<u>211,491,817</u>
Net assets - ending	<u>\$ 35,610,209</u>	<u>\$ 106,285,590</u>	<u>\$ 80,169,457</u>	<u>\$ 26,645,081</u>	<u>\$ 4,105,928</u>	<u>\$ 252,816,265</u>

The notes to the financial statements are an integral part of this statement



# **Notes to the Financial Statements**

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**GUIDE TO NOTES**

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**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Duluth was first incorporated in 1870. The City has operated under the Mayor-Council form of government since 1956, with five council members elected from geographical districts and four members elected at-large. The term of office of the Mayor and Council members is four years.

The accounting policies of the City and its component units conform to generally accepted accounting principles. Accounting policies of the component units are disclosed with those of the City. Any differences or additional policies are identified by component unit.

**REPORTING ENTITY**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

**DISCRETELY PRESENTED COMPONENT UNITS**

As required by generally accepted accounting principles, the financial statements in this report present the City of Duluth, the primary government, and its five component units: the Duluth Economic Development Authority, Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, Duluth Transit Authority and the Spirit Mountain Recreation Area Authority. The component units are included as part of the City's reporting entity because of the significance of their operational or financial relationships with the City. Each component unit has a December 31 year end, except for the Spirit Mountain Recreation Area Authority, which has an April 30 year end.

The governing board of each component unit is appointed by the Mayor and approved by the City Council, except for the Duluth Entertainment and Convention Center Authority, which has seven City appointees and four directors appointed by the Governor of Minnesota. Three of the seven board members of the Duluth Economic Development Authority must be City Councilors.

The City Council approves the budget of each component unit. The City Council also approves the issuance and funding of debt for each component unit. The City Council currently provides an annual subsidy to the Duluth Entertainment and Convention Center Authority, and the Spirit Mountain Recreation Area Authority. For the Duluth Transit Authority, the City Council approves rate changes and approves an annual tax levy to finance operating and capital needs. The City Council must approve any expenditure greater than \$100,000 for the Duluth Economic Development Authority.

Combining statements for the City's component units are presented in the Basic Financial Statements section of this report. Financial statements for the Duluth Economic Development Authority are included

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)  
DISCRETELY PRESENTED COMPONENT UNITS(continued)**

as schedules in the Supplementary Information section of this report. Complete financial statements for each of the other component units can be obtained from their respective offices at the following addresses:

Duluth Entertainment and Convention Center Authority  
350 South Fifth Avenue West  
Duluth, MN 55802

Duluth Airport Authority  
Duluth International Airport  
Duluth, MN 55811

Spirit Mountain Recreation  
Area Authority  
9500 Spirit Mountain Place  
Duluth, MN 55810

Duluth Transit Authority  
2402 West Michigan Street  
Duluth, MN 55806

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements; exceptions include payments-in-lieu of taxes and payments for utilities between the General Fund and various enterprise funds. Governmental activities, which are supported mostly by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges. The financial data of the City's component units is discretely presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for the agency fund type which has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
 MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
 (continued)

current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year, except for property taxes, which are considered available if collected within 60 days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales and excise taxes, franchise taxes, special assessments, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

<b>General Fund</b>	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
<b>Community Investment Special Revenue Fund</b>	This fund accounts for the City's share of revenues received from operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Such monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General fund.
<b>Permanent Improvement Fund</b>	Capital improvements which will not sustain assessment are accounted for here.
<b>DECC Capital Improvement Fund</b>	Costs associated with the construction of an expansion to the Duluth Entertainment Convention Center (DECC) are accounted for in this fund.
<b>Capital Improvement Fund</b>	This fund accounts for capital improvements that are financed by issuance of debt.

The City reports the following major proprietary funds:

<b>Water Enterprise Fund</b>	This fund accounts for the collection, treatment, and distribution of water.
<b>Gas Enterprise Fund</b>	This accounts for the distribution of natural gas, as well as inspection, maintenance and servicing of customer gas utilization equipment.
<b>Sewer Enterprise Fund</b>	The operation and maintenance of the sanitary sewer system is accounted for in this fund.
<b>Parking Fund</b>	Operation and maintenance of municipal parking ramps, municipal lots and parking meters is accounted for in this fund.

Additionally, the City reports the following fund types:

**Internal Service Funds** account for fleet services, insurance coverage for property, casualty, liability, workers' compensation, medical and dental claims, and compensated absences, provided to other departments, employees, authorities of the City, or to other governmental units, on a cost reimbursement basis.

**Trust Fund** accounts for an irrevocable trust established for funding other post-employment benefits for eligible retired employees under a single-employer defined benefit plan.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)

**Agency Funds** are used to account for assets held by the City as an agent for the Duluth 1200 Loan, Duluth Public Arts, and the Seaway Port Authority entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers and participants for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**CASH AND CASH EQUIVALENTS**

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "Cash and Cash Equivalents." For reporting purposes, petty cash and change funds are also considered cash and cash equivalents. For Proprietary Fund-type statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, are considered to be cash equivalents. Investments are stated at fair value.

**ASSETS HELD BY TRUSTEE**

The assets represent funds held for debt service reserves.

**RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund loans receivable/payable. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and materials provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts where applicable. Receivables are also recognized for property taxes, sales and excise taxes, loans, assessments, accrued interest, and intergovernmental grants.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years, net of allowance for uncollectible taxes. These receivables are offset by deferred revenue to indicate they are not available to finance expenditures of the current fiscal period.

Loans receivable include both the current and long-term portions of loans issued by the City. Business development loans are reported in both special revenue and agency funds. Most of these loans

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)  
RECEIVABLES AND PAYABLES (continued)**

receivable are reported as an asset in the amount of loan proceeds disbursed; however, some loans, depending on their original funding source, report a deferred revenue equal to the loan amount and recognize a revenue when principal payments are received. Loans made at terms where the stated interest rate is significantly less than prevailing market interest rates are reported as an asset at the present value of the loan. Low interest home energy loans accounted for in the Gas Enterprise Fund, report a loan receivable and a contract payable in the amount of the loan agreement.

Assessments receivable include current, delinquent and deferred assessments for garbage service, as well as for street and utility improvements. Because the City requires all property owners to contract for garbage collection, the City assesses property owners for unpaid garbage bills, as a service to the licensed garbage haulers. These assessments are reported in the General Fund. The amount reported by the garbage haulers as unpaid is set up as a receivable and the revenue is deferred. As payments are received, a payable to the contractor is set up. Any unpaid assessments at year-end are certified to St. Louis County for payment with the following year's property taxes. Revenue is recognized for any penalties and interest the County collects on the City's behalf.

Assessments for street improvements are reported in a governmental fund; revenues are deferred until the collections are received. Assessments for utility improvements are reported in a proprietary fund; deferred revenue is set up in the amount of the assessment due.

**INVENTORIES AND PREPAID ITEMS**

The inventories of the enterprise funds consist of expendable supplies held for consumption. Fuel, chemicals and service department inventories are priced at the lower of cost or market using the first-in, first-out method and are based on an annual physical inventory. Other materials and supplies are on a perpetual inventory system and are priced using the moving average method. The inventory of the internal service funds consists of materials and supplies, which are on a perpetual inventory system and are priced using the moving average method.

The inventories of the Duluth Entertainment and Convention Center Authority and the Spirit Mountain Recreation Area Authority component units consist of merchandise held for resale and are based on a physical inventory and priced at the lower of cost or market using the first-in, first-out method.

The inventory of the Duluth Airport Authority component unit consists of materials and supplies held for consumption. They are priced at the lower of cost or market on a first-in, first-out basis.

The inventory of the Duluth Transit Authority component unit consists of materials, supplies and fuel. The diesel fuel and gasoline inventories are based on perpetual records and priced using the moving average method. The materials and supplies inventory is also based on perpetual records but priced at cost using the first-in, first-out method.

The City Council has authorized the Department of Public Works and Utilities to enter into cooperative agreements for the purpose of purchasing and storing natural gas for future use. The Duluth Economic Development Authority has a prepaid lease agreement for space rental which is being amortized over 15 years.

**RESTRICTED ASSETS**

Restricted assets consist of customers' deposits, employee flexible benefits plan, sewer surcharge, bond monies specified for construction, and monies restricted for the payment of bond principal and interest.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

CAPITAL ASSETS

Capital assets; which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment, \$50,000 for buildings and infrastructure, and all property which has an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend an asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-75
Equipment	5-40
Infrastructure	15-80

COMPENSATED ABSENCES

Employees are granted from 5 to 35 vacation days per year depending on their years of service and union bargaining unit. Depending on bargaining unit, varying amounts of vacation may be accumulated and carried over to the succeeding year.

A liability for unused vacation is reported in an internal service fund and the governmental activities column of the government-wide statement of net assets for employees paid from governmental funds. All other liabilities for employees' unused vacation is recognized in the fund from which they are paid.

Sick leave is recorded as an expenditure or expense when paid. Employees are granted from 18 to 120 days of sick leave each year, depending on their union bargaining unit. Employees are not compensated for unused sick leave. Any contingent liability for unused sick leave has not been determined and is not recognized in the financial statements.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2009, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

RESTATEMENT

Effective July 13, 2009, the composition of the governing body of the Duluth Economic Development Authority (DEDA) changed from a nine member board comprised of the Duluth City Council to a seven member board, three of whom are members of the Duluth City Council. The change in the composition of the board requires DEDA to be reported as a discretely presented component unit. Previously, DEDA was reported as a blended component unit of the City.

The above restatement had the following impact on previously reported balances:

	Governmental Activities	Component Units
Statement of Activities		
Net Assets, January 1, 2010, as previously reported	\$ 278,962,231	\$ 174,592,239
Change in presentation for DEDA	(36,899,578)	36,899,578
Net Assets, January 1, 2010, restated	\$ 242,062,653	\$ 211,491,817
	Capital Assets (net)	Long-Term Debt
Governmental Activities		
Balance January 1, 2010, as previously reported	\$ 263,203,474	\$ 154,865,055
Change in presentation for DEDA	(19,474,885)	(295,000)
Balance January 1, 2010, restated	\$ 243,728,589	\$ 154,570,055
	Amount	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds		
Fund balance, January 1, 2010, as previously reported		\$ 133,725,625
Change in presentation for DEDA		(15,749,019)
Fund balance, January 1, 2010, restated		\$ 117,976,606

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 during the reporting period. Actual results could differ from those estimates.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

BUDGETARY INFORMATION

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as budgeted expenditures in the year in which the commitment to purchase is made, and new capital leases are not budgeted.

By mid-September, the Mayor must submit a proposed budget to the City Council for its consideration and approval. The Council meets with the various operating departments and component units to review their budget requests. In December, a public hearing is held to discuss the proposed tax levy and budget. The Council must then adopt a final budget before year end.

The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The Mayor, Chief Administrative Officer, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of ten percent of that budget item must be approved by the City Council. The budget ordinance allows the budget to be increased for reimbursements received for damages or repairs to city property or work done for others and not anticipated in the original budget; it also allows for grants accepted by City Council resolution to be added to the budget. Finally, the budget ordinance requires that use of the General Fund's fund balance that has been designated in a prior year, must be approved by the Council if used for a purpose other than what had been specified. The Council may revise the budget at any time by ordinance upon recommendation of the Administration.

Encumbrance accounting is used in governmental funds. Encumbered appropriations for purchase orders or contracts are carried over into the following year, while the unencumbered appropriations lapse at the end of the year. Outstanding encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2010; an auditor's report on compliance and internal accounting control will be issued at a later date.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**3. DEPOSITS AND INVESTMENTS**

Reconciliation of City's total cash and investments to the basic financial statements follows:

**Government-wide statement of net assets**

**Governmental Activities**

Cash and cash equivalents	\$106,767,515
Assets held by trustee	138,057

**Business-type activities**

Cash and cash equivalents	15,805,353
Cash and cash equivalents - restricted assets	2,971,776
Assets held by trustee	104,012

**Discrete Component Units**

Cash and cash equivalents	21,743,074
Cash and cash equivalents - restricted assets	1,146,896
Assets held by trustee	86,681

**Statement of fiduciary net assets**

Cash and cash equivalents	2,009,202
Investments, at fair value	<u>25,690,642</u>

**Total Cash and Investments**

\$176,463,208

**DEPOSITS**

Minnesota Statutes Sections 118A.02 and 118A.04 authorizes the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2010; deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

**INVESTMENTS**

Minnesota Statutes Sections 118A.04 and 118A.05 authorizes the following types of securities available to the City for investment:

- 1) governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities defined in Minnesota Statutes Section 118A.04 Subd. 6), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**3. DEPOSITS AND INVESTMENTS (continued)  
INVESTMENTS (continued)**

- 2) any security which is a (1) general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; (2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and (3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- 3) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- 4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.
- 5) in general obligation temporary bonds of the same governmental entity issued under Minnesota Statutes Sections 429.091, Subd. 7, 469.178, Subd. 5, or 475.61, Subd. 6.
- 6) repurchase agreements consisting of collateral allowable in Minnesota Statutes Section 118A.04, and reverse repurchase agreements may be entered into with any of the following entities:
  - (1) a financial institution qualified as a "depository" of public funds of the government entity;
  - (2) any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;
  - (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
  - (4) a securities broker-dealer licensed pursuant to chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.Reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs. In no event may reverse repurchase agreements be entered into for the purpose of generating cash for investments, except as stated in Minnesota Statutes Section 118A.05, Subd. 3.
- 7) securities lending agreements, including custody agreements, may be entered into with a financial institution meeting the qualifications of Minnesota Statutes Section 118A.05, Subd. 2, clause (1) or (2), and having its principal executive office in Minnesota. Securities lending transactions may be entered into with entities meeting the qualifications of Minnesota Statutes Section 118A.05, Subd. 2 and the collateral for such transactions shall be restricted to the securities described in Minnesota Statutes Section 118A.04 and 118A.05.
- 8) agreements or contracts for:
  - (1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes Sections 118A.04 and 118A.05, Subd. 2;
  - (2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in Minnesota Statutes Section 118A.04 and 118A.05;
  - (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or
  - (4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**3. DEPOSITS AND INVESTMENTS (continued)**  
INVESTMENTS (continued)

- 9) agreements or contracts for guaranteed investment contract may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be down-graded below "A", the government entity must have withdrawal rights.

*Interest Rate Risk.* Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by limiting the investment horizon to either seven or ten years depending on the investment objective.

At December 31, 2010 the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>
U.S. Government Agency Securities	\$ 110,695,336	\$ 25,383,700	\$ 43,215,338	\$ 42,096,298
Guaranteed Investment Contract	4,461,739	4,461,739		
Negotiable Certificates of Deposit	1,135,000	1,135,000		
Mutual Funds	55,670,411	55,670,411		
 Total Investments	 \$ 171,962,486	 \$ 86,650,850	 \$ 43,215,338	 \$ 42,096,298
 Deposits	 \$ 4,500,722			
 Total Deposits and Investments	 \$ 176,463,208			

\* Component Units are included in the City's cash and investment pool. The component units do not have separately identifiable deposits or investments in the City's pool and, therefore, are aggregated with the City in the note disclosure.

*Credit Risk.* Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**3. DEPOSITS AND INVESTMENTS (continued)  
INVESTMENTS (continued)**

The City's exposure to credit risk as of December 31, 2010 is as follows:

<u>S &amp; P Rating</u>	<u>Fair Value</u>
AAA	\$ 110,695,336
<u>Moody's Rating</u>	
Aaa	29,979,769
<u>Not Rated</u>	
Mutual Funds	25,690,642
Guaranteed Investment Contract	4,461,739
Negotiable Certificates of Deposit	<u>1,135,000</u>
Total	<u>\$ 171,962,486</u>

*Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2010 none of the City's investments were subject to custodial credit risk.

*Concentration of Credit Risk.* The concentration of credit risk is the risk of loss that may be caused by the city's investment in a single issuer. It is the City's policy that U.S. Government and agency securities can be held without limit. Other investments in a single security type or with a single financial institution shall not exceed 50% of the City's total investment portfolio. The City limits its commercial paper holdings to a maximum of \$5,000,000 in any issuer. Investments in any one issuer that represent 5% or more of the City's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Federal National Mortgage Association	\$ 44,923,309
Federal Farm Credit Bank	\$ 32,381,718
Federal Home Loan Bank	\$ 26,388,088

**4. PROPERTY TAXES**

Property tax levies are set by the City Council in September each year and certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2010 was 90.6%.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**5. RECEIVABLES**

Receivables, net of uncollectible amounts, are reported in the governmental, proprietary, and fiduciary financial statements for goods and services, taxes, assessments, loans, grants and interest. The amount of delinquent assessments included for the current fiscal year is \$1,357,743. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2010 are as follows:

Water	\$ 188,484
Gas	685,090
Sewer	417,053
Nonmajor	<u>98,327</u>
Total Uncollectibles	<u>\$ 1,388,954</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The following schedule shows the detail of deferred revenue at December 31, 2010:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes	\$ 810,795	\$ -
Grants	2,351,172	878,815
Assessments	9,552,406	-
Loans	3,992,367	56,573
Deposits	-	17,109
Casino shared revenues	<u>9,742,714</u>	<u>-</u>
Total for Governmental Funds	<u>\$ 26,449,454</u>	<u>\$ 952,497</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 19,076,733	\$ 265,000	\$ -	\$ 19,341,733
Construction in progress	32,270,400	17,587,815	9,644,795	40,213,420
Total capital assets, not being depreciated	51,347,133	17,852,815	9,644,795	59,555,153
Capital assets, being depreciated:				
Buildings	49,429,448	1,690,411	-	51,119,859
Equipment	21,713,939	2,664,117	531,123	23,846,933
Infrastructure	247,381,078	7,820,296	-	255,201,374
Total capital assets being depreciated	318,524,465	12,174,824	531,123	330,168,166
Less accumulated depreciation for:				
Buildings	27,326,652	1,099,128	-	28,425,780
Equipment	14,557,728	2,111,476	508,638	16,160,566
Infrastructure	84,258,629	6,161,757	-	90,420,386
Total accumulated depreciation	126,143,009	9,372,361	508,638	135,006,732
Total capital assets, being depreciated, net	192,381,456	2,802,463	22,485	195,161,434
Governmental activities capital assets, net	\$ 243,728,589	\$ 20,655,278	\$ 9,667,280	\$ 254,716,587
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,628,407	\$ -	\$ -	\$ 4,628,407
Construction in progress	8,821,664	20,513,258	1,973,489	27,361,433
Total capital assets, not being depreciated	13,450,071	20,513,258	1,973,489	31,989,840
Capital assets, being depreciated:				
Buildings	57,019,359	526,420	-	57,545,779
Equipment	42,763,783	1,883,359	604,801	44,042,341
Infrastructure	152,727,419	1,497,672	-	154,225,091
Total capital assets, being depreciated	252,510,561	3,907,451	604,801	255,813,211
Less accumulated depreciation for:				
Buildings	21,857,008	1,208,987	-	23,065,995
Equipment	19,544,734	2,636,920	585,392	21,596,262
Infrastructure	37,693,959	2,242,399	-	39,936,358
Total accumulated depreciation	79,095,701	6,088,306	585,392	84,598,615
Total capital assets, being depreciated, net	173,414,860	(2,180,855)	19,409	171,214,596
Business-type activities capital assets, net	\$ 186,864,931	\$ 18,332,403	\$ 1,992,898	\$ 203,204,436

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**6. CAPITAL ASSETS (continued)**

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

**Governmental activities:**

General government	\$	1,634,494
Public safety		918,196
Public works, including depreciation of general infrastructure assets		5,902,383
Culture and recreation		845,255
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.		<u>72,033</u>

**Total depreciation expense - governmental activities** **\$ 9,372,361**

**Business-type activities:**

Water	\$	1,414,807
Gas		1,219,538
Sewer		1,229,001
Stormwater		423,537
Steam #1		953,142
Street Lighting		221,769
Parking		495,145
Golf		<u>131,367</u>

**Total depreciation expense - business-type activities** **\$ 6,088,306**

Component Units	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 9,611,703	\$ 189,970	\$ 214,050	\$ 9,587,623
Construction in progress	<u>42,914,531</u>	<u>46,498,456</u>	<u>77,026,273</u>	<u>12,386,714</u>
<b>Total capital assets, not being depreciated</b>	<b><u>52,526,234</u></b>	<b><u>46,688,426</u></b>	<b><u>77,240,323</u></b>	<b><u>21,974,337</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	147,496,116	72,420,843	50,606	219,866,353
Equipment	54,911,348	5,733,726	2,915,042	57,730,032
Infrastructure	71,008,439	6,539,899	-	77,548,338
Other	<u>452,928</u>	<u>2,208</u>	<u>53,603</u>	<u>401,533</u>
<b>Total capital assets being depreciated</b>	<b><u>273,868,831</u></b>	<b><u>84,696,676</u></b>	<b><u>3,019,251</u></b>	<b><u>355,546,256</u></b>
<b>Less accumulated depreciation for:</b>				
Buildings	63,397,438	4,538,558	(10,120)	67,946,116
Equipment	36,661,245	3,823,511	2,873,721	37,611,035
Infrastructure	35,267,169	3,776,973	-	39,044,142
Other	<u>347,092</u>	<u>19,065</u>	<u>53,604</u>	<u>312,553</u>
<b>Total accumulated depreciation</b>	<b><u>135,672,944</u></b>	<b><u>12,158,107</u></b>	<b><u>2,917,205</u></b>	<b><u>144,913,846</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>138,195,887</u></b>	<b><u>72,538,569</u></b>	<b><u>102,046</u></b>	<b><u>210,632,410</u></b>
<b>Component unit capital assets, net</b>	<b>\$ <u>190,722,121</u></b>	<b>\$ <u>119,226,995</u></b>	<b>\$ <u>77,342,369</u></b>	<b>\$ <u>232,606,747</u></b>

Depreciation expense was charged to component units as follows:

Duluth Airport Authority	\$	5,121,608
Duluth Entertainment and Convention Center Authority		1,943,917
Duluth Transit Authority		3,524,912
Duluth Economic Development Association		1,062,231
Spirit Mountain Recreation Area Authority		<u>505,439</u>

**Total Depreciation expense - component units** **\$ 12,158,107**

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**7. COMMITMENTS**

CONSTRUCTION COMMITMENTS

At December 31, 2010, the City had construction commitments of approximately \$29,917,734 for various projects and street improvements. The Duluth Airport Authority component unit had construction commitments of \$9,564,268 for airport improvements. The Duluth Entertainment and Convention Center Authority component unit had construction commitments of \$2,781,680 for building improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters.

The Self-Insurance Fund, an internal service fund, was established for the reporting of all risk management except for employee health and dental. All risk, except for building property insurance and small losses by various funds, is assumed. No actuarial process is used to establish an estimate of the present cost of the exposure to future liability, and consequently no actuarially established amount is reserved for property replacement and continuance of operations. Contributions to the property insurance pool are determined by an insurance market cost comparison, and in this sense they reflect actuarial experience of insurance carriers. The City also purchases commercial property insurance to insure for fire and related damage for certain buildings limited to the buildings estimated value. There were no significant reductions in insurance coverage from the previous year. There were no settlements that exceeded insurance coverage for each of the past three years.

The self-insurance for workers' compensation covers up to \$900,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Ch. 176, in excess of the \$900,000 retention limit.

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$213,500 for various claims and cases which he considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making his liability estimate. The amount of these estimated liabilities is not reflected in the financial statements. Changes in the balances of the Self-Insurance Fund's liability during 2009 and 2010 were as follows:

	<u>Liability</u> <u>January 1</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Less Claim</u> <u>Payments</u>	<u>Liability</u> <u>December 31</u>
2009	1,546,622	1,290,229	1,327,902	1,508,949
2010	1,508,949	161,436	581,084	1,089,301

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**8. RISK MANAGEMENT (continued)**

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Dental Plan of Minnesota, Blue Cross Blue Shield of Minnesota, and ClearScript an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from Blue Cross Blue Shield of Minnesota. The stop-loss policy has an individual limit of \$400,000 and an aggregate limit of 125% of projected claims for the year. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2009 and 2010 were as follows:

	<u>Liability January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability December 31</u>
2009	1,317,510	18,634,121	17,896,860	2,054,771
2010	2,054,771	17,590,733	17,913,955	1,731,549

**9. LEASE OBLIGATIONS**

OPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities, and equipment. The following is a summary of the approximate operating lease expense for 2010:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Police Garage	\$ 15,356	\$ -
Impound Lot	2,800	-
Parking Spaces	4,920	-
Land & Right-of-way	22,402	38,700
Buildings	392,392	-
Equipment	673,450	4,608
<b>Total Expense</b>	<b><u>\$ 1,111,320</u></b>	<b><u>\$ 43,308</u></b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**9. LEASE OBLIGATIONS (continued)**

NONCANCELABLE OPERATING LEASES

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2010:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2011	\$ 32,513	\$ 51,382
2012	32,513	51,382
2013	32,513	51,382
2014	32,513	51,382
2015	32,513	51,382
2016-2020	162,566	154,147
2021-2025	97,937	-
2026-2030	81,780	-
2031-2035	20,356	-
2036-2040	5,000	-
2041-2045	5,000	-
2046-2050	5,000	-
2051-2055	5,000	-
2056-2060	5,000	-
<b>Total minimum payments required</b>	<b>\$ 550,204</b>	<b>\$ 411,057</b>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$411,057 at December 31, 2010.

CAPITAL LEASES

Capitalized leases for the City of Duluth and its component units at December 31, 2010, consist of the following capital assets shown at original cost as summarized below:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ 750,000	\$ -	\$ 1,534,313
Equipment	-	9,377,739	1,509,984
Total	750,000	9,377,739	3,044,297
Less: Accumulated amortization	(416,667)	(937,774)	(884,944)
Total Expense	<u>\$ 333,333</u>	<u>\$ 8,439,965</u>	<u>\$ 2,159,353</u>

**Minimum future lease payments are:**

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2011	\$ 48,968	\$ 831,661	\$ 466,567
2012	24,484	831,660	536,957
2013	-	831,661	536,957
2014	-	831,660	416,204
2015	-	831,661	368,208
2016-2020	-	4,158,301	1,096,450
2021-2025	-	2,910,811	1,030,505
Total minimum lease payments	73,452	11,227,415	4,451,848
Less: Imputed interest	(3,525)	(2,502,279)	(902,032)
<b>Present value of minimum lease payments</b>	<b>\$ 69,927</b>	<b>\$ 8,725,136</b>	<b>\$ 3,549,816</b>

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**10. SHORT-TERM DEBT**

Short term debt activity for the year ended December 31, 2010 follows:

	<u>Balance 01/01/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/10</u>
Governmental Activities:				
Loans Payable	\$ 391,947	\$ -	\$ 11,845	\$ 380,102

Loans payable represent temporary financing obtained from the Duluth 1200 Fund for public costs associated with the Cirrus Design Corporation expansion project at Duluth International Airport. The loan is to be repaid with various grants pending from the State of Minnesota.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT**

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2010 follows:

	Balance 01/01/10	Additions	Deletions	Balance 12/31/10	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 76,699,118	\$ 4,025,000	\$ 5,275,000	\$ 75,449,118	\$ 2,758,095
General Obligation - Tax Abatement	310,000	-	-	310,000	25,000
Lease Revenue Bonds	995,000	-	135,000	860,000	145,000
Special Assessment Debt with Government Commitment	41,105,882	2,340,000	7,435,000	36,010,882	4,396,905
General Obligation Certificates	8,065,000	2,295,000	1,440,000	8,920,000	1,740,000
<b>Add deferred amounts:</b>					
For Bond Premium	1,042,071	109,851	162,590	989,332	-
Public Facilities Authority Note	229,000	-	24,000	205,000	25,000
Greater Minnesota Housing Fund Note	200,000	-	-	200,000	-
Revenue Notes	3,026,000	-	60,000	2,966,000	60,000
Capital Leases Payable	113,749	-	43,822	69,927	46,040
Compensated Absences	3,367,507	2,949,727	2,836,731	3,480,503	2,864,189
Claims and Judgments	3,563,720	17,752,169	18,495,039	2,820,850	1,868,617
Net Other Post Employment Benefits Payable	15,853,008	7,631,483	-	23,484,491	-
<b>Total Governmental Activity Long-Term Liabilities</b>	<b>\$ 154,570,055</b>	<b>\$ 37,103,230</b>	<b>\$ 35,907,182</b>	<b>\$ 155,766,103</b>	<b>\$ 13,928,846</b>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 420,000	\$ -	\$ 135,000	\$ 285,000	\$ 140,000
Revenue and General Obligation Bonds	54,505,000	4,405,000	11,010,000	47,900,000	3,415,000
<b>Less deferred amounts:</b>					
For Issuance Discounts/Premiums	(16,297)	6,512	(76,453)	66,668	-
General Obligation Notes	5,906,092	5,489,252	629,434	10,765,910	1,743,362
Capital Leases Payable	9,119,757	-	394,621	8,725,136	505,725
Loans	1,325	-	1,325	-	-
Net Other Post Employment Benefits Payable	624,247	-	248,453	375,794	-
Compensated Absences	918,817	748,216	772,776	894,257	772,234
<b>Total Business-Type Activity Long-Term Liabilities</b>	<b>\$ 71,478,941</b>	<b>\$ 10,648,980</b>	<b>\$ 13,115,156</b>	<b>\$ 69,012,765</b>	<b>\$ 6,576,321</b>
<b>Component Unit Activities:</b>					
<b>Duluth Economic Development Authority</b>					
Tax Increment Revenue Bonds	\$ 135,000	\$ -	\$ 45,000	\$ 90,000	\$ 45,000
Tax Increment Revenue Notes	160,000	-	55,000	105,000	55,000
<b>Duluth Entertainment and Convention Center Authority</b>					
<b>Bonds Payable</b>					
General Obligation Bonds	1,515,000	-	740,000	775,000	775,000
<b>Less deferred amounts:</b>					
For Issuance Discounts	(2,302)	-	(1,543)	(759)	(759)
On Refunding	(164,309)	-	(85,752)	(78,557)	(78,557)
Capital Leases	810,709	-	113,914	696,795	119,972
Compensated Absences	184,991	142,486	134,672	192,805	115,611
Net Other Post Employment Benefits Payable	485,112	48,777	-	533,889	-
<b>Duluth Transit Authority</b>					
Compensated Absences	519,195	541,977	519,195	541,977	541,977
<b>Duluth Airport Authority</b>					
Notes Payable	475,209	-	33,673	441,536	36,719
Loans Payable	295,556	-	26,667	268,889	26,667
Compensated Absences	65,597	75,511	65,597	75,511	75,511
Deferred Revenue	21,670	335,642	-	357,312	-
Net Other Post Employment Benefits Payable	438,415	124,096	-	562,511	-
<b>Spirit Mountain Recreation Authority</b>					
Revenue Bond Payable	810,726	-	190,622	620,104	198,912
Capital Leases	655,197	753,134	142,326	1,266,005	229,847
Compensated Absences	64,496	66,823	64,496	66,823	66,823
<b>Total Component Unit Activities Long-Term Liabilities</b>	<b>\$ 6,470,262</b>	<b>\$ 2,088,446</b>	<b>\$ 2,043,867</b>	<b>\$ 6,514,841</b>	<b>\$ 2,207,723</b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

Deferred tax levies are provided for in the general obligation bond and certificate covenants. Minnesota State Laws require these levies to be 5% in excess of bond and certificate principal and interest maturities. They are not repealable in nature and can only be modified as they relate to current levies and then only upon certification to the County Auditor that funds are available to pay current maturities in whole or in part. Revenues derived from these levies are recorded in the Debt Service Fund for the payment of principal and interest on the general obligation bonds and certificates.

The general obligation tax increment bonds are payable from tax increment collections. However, the City is contingently liable for the payment of the principal and interest.

The general obligation tax abatement bonds are payable from tax abatement collections. However, the City is contingently liable for payments of principal and interest.

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2011	\$ 3,296,859	\$ 2,758,095	\$ 218,570	\$ 1,740,000	\$ 11,780	\$ 25,000
2012	3,227,065	3,009,052	163,023	2,250,000	10,880	25,000
2013	3,124,459	3,508,265	101,573	1,925,000	9,980	25,000
2014	3,007,726	3,678,138	51,054	1,530,000	9,068	25,000
2015	2,898,210	2,915,568	18,291	1,005,000	8,130	25,000
2016-2020	13,069,823	12,545,000	3,641	470,000	23,186	150,000
2021-2025	10,628,981	11,925,000	-	-	751	35,000
2026-2030	6,951,584	17,655,000	-	-	-	-
2031-2035	1,733,170	17,455,000	-	-	-	-
Total	<u>\$ 47,937,877</u>	<u>\$ 75,449,118</u>	<u>\$ 556,152</u>	<u>\$ 8,920,000</u>	<u>\$ 73,775</u>	<u>\$ 310,000</u>

Greater Minnesota Housing Notes

In 2006 the City issued a \$200,000 Promissory Note to fund the Duluth Tenant Remedies Action Revolving Maintenance Fund. Repayment of the note shall be from rents and assessments. The note matures in November of 2016 and bears no interest.

Lease Revenue Bond

During 1995, \$2,720,000 lease revenue bonds were issued for the development of a community center facility. Repayment of the bonds is limited to lease revenues and is not a general obligation of the City.

Annual debt service requirements to maturity for the outstanding lease revenue bond follow:

Year Ending December 31	Lease Revenue Bonds	
	Interest	Principal
2011	\$ 34,400	\$ 145,000
2012	28,600	150,000
2013	22,600	150,000
2014	16,600	415,000
Total	<u>\$ 102,200</u>	<u>\$ 860,000</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Governmental Activities Long-Term Debt (continued)

United States Department of Housing and Urban Development Revenue Notes

During 2005, \$6,594,000 revenue notes were issued for the Fifth Street redevelopment project. Repayment of the notes shall be from tax credit equity participation amounts, surplus cash, tax savings, anticipated TIF, interest reserve account and additional funds previously paid by the developer and held by the City.

Annual debt service requirement to maturity for the outstanding notes follows:

Year Ending December 31	Interest	Principal
2011	\$ 167,861	\$ 60,000
2012	164,849	65,000
2013	161,580	75,000
2014	157,792	80,000
2015	153,736	30,000
2016-2020	757,336	50,000
2021-2025	736,849	2,606,000
Total	<u>\$ 2,300,003</u>	<u>\$ 2,966,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$36,010,882 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

The City has pledged the proceeds of the special assessments levied for the project allocable to the debt service payments as well as a tax levy upon all taxable property within the city as necessary for full payment of the principal and interest of the note.

Annual debt service requirements to maturity to fund special assessments are as follows:

Year Ending December 31	Special Assessment Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal
2011	\$ 1,272,479	\$ 4,396,905	\$ 2,050	\$ 25,000
2012	1,121,963	4,855,948	1,800	25,000
2013	961,740	3,951,735	1,550	25,000
2014	814,117	4,111,862	1,300	25,000
2015	670,142	3,614,432	1,050	26,000
2016-2020	1,684,881	12,605,000	1,590	79,000
2021-2025	145,003	2,475,000	-	-
Total	<u>\$ 6,670,325</u>	<u>\$ 36,010,882</u>	<u>\$ 9,340</u>	<u>\$ 205,000</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Governmental Activities Long-Term Debt (continued)

Other Debt

The capital leases are paid from the Fleet Services Internal Service Fund. They are not general obligations and are not backed by the City's full faith and credit.

Governmental activities compensated absences are liquidated primarily through the General Fund.

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

The City has a contingent liability against its full faith and credit to the extent that income from the Water, Gas, Steam District #1, Sewer, and Stormwater operations is insufficient to retire their respective general obligation revenue bonds.

Revenue Bonds

Specific revenues from the Golf Enterprise Fund are pledged for the payment of these bonds, which are not backed by the full faith and credit of the City. The liability of the City is limited to the revenue pledged for the payment of the bonds.

General Obligation Public Facilities Authority Revenue Notes

The City has pledged its full faith and credit taxing powers of the City irrevocably for the payment of principal and interest when due on such notes as well as all net revenues to be derived from time to time from the operation of the municipal sewer or water utilities.

Annual debt service requirements to maturity for business-type activities follow:

Year Ending December 31	Revenue and General Obligation Bonds		Revenue Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal	Interest	Principal
2011	\$ 1,819,188	\$ 3,415,000	\$ 10,620	\$ 140,000	\$ 181,079	\$ 1,743,362
2012	1,719,363	4,090,000	5,510	145,000	195,658	1,185,744
2013	1,576,591	4,220,000	-	-	177,296	1,125,000
2014	1,425,568	4,365,000	-	-	159,570	1,054,505
2015	1,264,772	4,530,000	-	-	112,044	927,000
2016-2020	4,016,642	17,995,000	-	-	298,361	3,627,224
2021-2025	1,133,178	8,255,000	-	-	48,462	1,103,075
2026-2030	28,321	1,030,000	-	-	-	-
Total	<u>\$ 12,983,623</u>	<u>\$ 47,900,000</u>	<u>\$ 16,130</u>	<u>\$ 285,000</u>	<u>\$ 1,172,470</u>	<u>\$ 10,765,910</u>

Component Unit Long-Term Debt

Duluth Economic Development Authority

Tax Increment Revenue Bond and Notes

The DEDA tax increment revenue bonds and notes were issued to finance improvements pursuant to development agreements. The tax increment revenue bonds also include refunding issues. The bonds, notes and related interest are not a general obligation of the City and are payable solely from tax increment collections.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Component Unit Long-Term Debt (continued)

Annual debt service requirements to maturity for the tax increment revenue bonds and notes follow:

Duluth Economic Development Authority

Year Ending December 31	Tax Increment Revenue Bonds		Tax Increment Revenue Notes	
	Interest	Principal	Interest	Principal
2011	\$ 5,400	\$ 45,000	\$ 4,418	\$ 55,000
2012	1,800	45,000	1,425	50,000
Total	<u>\$ 7,200</u>	<u>\$ 90,000</u>	<u>\$ 5,843</u>	<u>\$ 105,000</u>

Spirit Mountain Recreation Area Authority

Revenue Bonds

\$1,646,750 City of Duluth Gross Revenue Recreational Facility Bonds dated March 28, 2003, with interest at 4.50 percent, due in semi-annual installments June 1 and December 1 and mature December 1, 2012. The bonds are not general obligations of the City and are payable from Authority gross revenues. The City has pledged tourism taxes in the amount of \$225,000 per year as part of the gross revenues of the project.

The annual requirements to service the debt follow:

Year Ending April 30	Interest	Principal
2011	\$ 25,705	\$ 198,912
2012	16,636	208,364
2013	7,154	212,828
Total	<u>\$ 49,495</u>	<u>\$ 620,104</u>

Duluth Entertainment and Convention Center Authority

General Obligation Bonds

In 2001, the City of Duluth issued \$6,970,000 General Obligation Refunding Revenue Bonds to advance refund \$6,930,000 outstanding 1994 Gross Revenue Recreation Facility Bonds. The 2001 bonds are backed by the full faith and credit of the City. The City and Duluth Entertainment and Convention Center Authority have entered into an agreement in which the Authority has pledged its net revenues to the City in amounts sufficient to pay the principal and interest on the bonds when due. Therefore, the 2001 General Obligation Refunding Revenue Bonds will be reported as an obligation of the Authority.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Component Unit Long-Term Debt (continued)

Annual debt service requirements to maturity for the Duluth Entertainment and Convention Center Authority bonds follow:

Year Ending December 31	General Obligation Refunding Revenue Bonds	
	Interest	Principal
2011	\$ 32,550	\$ 775,000

Duluth Airport Authority

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority’s fixed base operator. The principal of the note is \$441,536; payable in semi-annual payments on June 1 and December 1 each year; commencing June 1, 2007 and until final maturity on June 1, 2019 with an annual interest rate of 8.85 percent.

The annual requirements to service the debt follow:

Year Ending December 31	Airport Facility Revenue Note	
	Interest	Principal
2011	\$ 38,281	\$ 36,719
2012	34,960	40,040
2013	31,338	43,662
2014	27,388	47,612
2015	23,081	51,919
2016-2020	40,916	221,584
Total	\$ 195,964	\$ 441,536

The Authority obtained a loan from the Minnesota Investment Fund (MIF). Proceeds from the loan have been used to remedy soil conditions on Duluth Airport Authority property. The Duluth Airport Authority has agreed to make payments when due on the loan in the total amount of \$400,000. Payments are due in 180 monthly installments of \$2,222 from February 2006 to January 2021. There is no interest charged on this loan.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS  
December 31, 2010

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities:			
General Obligation Bonds Payable -			
Bayfront Festival Park	04-01-01	460,000	
Duluth Transit Authority	09-01-01	80,000	
Bayfront Festival Park	12-01-03	120,000	
G. O. Improvement	03-01-04	380,000	
Airpark Improvement	09-01-04	695,000	
Capital Improvement	06-01-05	750,000	
Lake Superior Center Refunding	12-19-05	1,215,000	
Zoo Refunding Issue	12-19-05	495,000	
Capital Improvement	09-07-06	635,000	
Capital Improvement	12-13-07	1,000,000	
Duluth Entertainment & Convention Center Authority Refunding	12-13-07	2,625,000	
Duluth Entertainment & Convention Center Authority Improvement	08-07-08	40,585,000	
Aerial Lift Bridge Improvement	08-07-08	1,350,000	
Capital Improvement	12-09-08	1,455,000	
Capital Improvement	12/17/09	7,085,000	
Capital Improvement - Law Enforcement Center	12/17/09	11,905,000	
West Michigan Street Improvements Refunding	12/17/09	589,118	
Capital Improvement	11/23/10	2,175,000	
Airport Improvement Refunding	11/23/10	1,850,000	
Total General Obligation Bonds Payable			\$ 75,449,118
General Obligation Tax Abatement			
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	310,000
Revenue Bonds Payable -			
Lease Revenue Bond	02-07-07	860,000	860,000
Special Assessment Debt with Government Commitment			
	20 issues	36,010,882	36,010,882
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	5 issues	8,920,000	8,920,000
Total Governmental Activities Debt			<u>\$ 121,550,000</u>
Business-type Activities Debt:			
Revenue Bonds Payable:			
Golf Fund	1 issue	285,000	\$ 285,000
Revenue and General Obligation Bonds Payable:			
Parking Fund	3 issues	13,165,000	
Water Fund	4 issues	3,501,000	
Gas Fund	3 issues	7,936,814	
Steam District #1	5 issues	6,660,000	
Sewer Fund	9 issues	14,437,186	
Stormwater Fund	2 issues	2,200,000	
Total Revenue and General Obligation Bonds Payable			<u>47,900,000</u>
Total Business-type Activities Debt			<u>\$ 48,185,000</u>
Total Bonds Payable			<u>\$ 169,735,000</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
DEBT LIMIT (continued)

SCHEDULE OF BONDED INDEBTEDNESS (continued)

	Issue Date	Amount Outstanding	Total
Deductions Allowable:			
Bayfront Festival Park	04-01-01	460,000	
Airport Improvement Refunding	11-23-10	1,850,000	
Airpark Improvement	09-01-04	695,000	
Duluth Entertainment & Convention Center Authority Improvement	08-07-08	40,585,000	
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	
Lease Revenue Bond	05-01-95	860,000	
Special Assessment		36,010,882	
Golf Fund		285,000	
Parking Fund		13,165,000	
Water Fund		3,501,000	
Gas Fund		7,936,814	
Steam District #1		6,660,000	
Sewer Fund		14,437,186	
Stormwater Fund		2,200,000	
Total Deductions Allowable			<u>\$ 128,955,882</u>
Net Debt			<u>\$ 40,779,118</u>
Legal Debt Margin for Duluth			
Taxable Market Value (\$ 5,677,819,333 X 2%)			<u>\$ 113,556,387</u>

Overlapping Debt to Duluth

Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 70,060,000	88.3%	\$ 61,879,018
Independent School District 704	23,005,000	6.6%	1,515,185
St. Louis County	42,385,000	36.2%	15,340,312
			<u>\$ 78,734,515</u>

**REFUNDING BOND ISSUES**

**Current Refunding Bonds**

A current refunding occurs when the refunded bonds are retired within 90 days after the refunding issue is sold.

In 2010 the City issued \$4,405,000 General Obligation Utility Revenue Refunding Bonds with the obligation to be paid by net revenues derived from operation of the City water, sewer, and stormwater utilities. The transaction resulted in a net present value savings of \$625,137 and a reduction in future debt service payments of \$796,199.

In 2010 the City issued \$1,850,000 Taxable General Obligation Airport Improvement Refunding Bonds with the obligation to be paid primarily by rental income. The transaction resulted in a net present value savings of \$244,331 and a reduction in future debt service payments of \$260,894.

The City also issued \$2,340,000 General Obligation Improvement Refunding Bonds with the obligation to be paid primarily by special assessments levied. The transaction resulted in a net present value savings of \$140,238 and a reduction in future debt service payments of \$151,527. The proceeds from this issue were used to current refund the City's Series 2002 H General Obligation Improvement Bonds and advance refund the City's Series 2003 H General Obligation Improvement Bonds.

All current refunded debt is fully defeased.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
 DEBT LIMIT (continued)

REFUNDING BOND ISSUES (continued)

The following refunded bonds are scheduled to be recalled on February 1, 2011:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2002 C	09/01/02	General Obligation Utility Revenue Bonds	\$3,103,000
2002 G	12/01/02	General Obligation Utility Revenue Bonds	\$1,940,000
2002 A	02/01/02	Taxable General Obligation Airport Improvement Bonds	\$2,060,000
2002 H	12/01/02	General Obligation Improvement Bonds	\$1,350,000

All other current refunded bonds have been paid in full.

**Advance Refunding Bonds**

When the City issues an advance refunding bond, an escrow account is established from the proceeds. Amounts in the escrow account are invested in special obligations of the United States Treasury or other obligations of the United States or its agencies, which mature in such amounts and at such times to be available to meet the refunded bonds' principal and interest requirements. Actuarial services necessary to insure the adequacy of the escrow accounts to provide timely payment of the debt service for which the escrow accounts are obligated has been performed by a certified public accounting firm.

The following refunded bonds are scheduled to be recalled on February 1, 2012:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2003 H	12/01/03	General Obligation Improvement Bonds	\$1,220,000

All other advance refunded bonds have been paid in full.

**Crossover Advance Refunding Bonds**

For reporting purposes, under a crossover advance refunding bond issue, the original issues (refunded bonds) are not considered defeased until they are retired. As with advance refunding bond issues, the proceeds of the crossover advance refunding bonds are placed into an escrow account.

However, unlike other types of advance refundings, the escrow account in a crossover advance refunding transaction is not immediately dedicated to debt service principal and interest payments on the refunded debt. Instead, the resources in the escrow account are temporarily used to meet debt service requirements on the refunding bonds. At a later date, known as the crossover date, the resources in the escrow account are dedicated exclusively to the payment of principal and interest on the refunded debt. Crossover refundings do not result in the defeasance of debt prior to the crossover date. All crossover refunded bonds have been defeased.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**  
REFUNDING BOND ISSUES (continued)

Included in the City's bonded debt are the following refunding issues:

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Zoo General Obligation	12-19-05	\$ 1,485,000	\$ 495,000
Street Improvement	12-19-05	2,820,000	1,020,000
Street Improvement	12-19-06	2,395,000	1,025,000
Street Improvement	12-19-06	3,445,000	2,095,000
Art Space Refunding Bond	02-07-07	1,380,000	860,000
Duluth Entertainment and Convention Center Authority Parking	12-13-07	3,760,000	2,625,000
Street Improvement	12-09-08	3,055,000	2,595,000
West Michigan Street	12-17-09	589,118	589,118
General Obligation Improvement	12-17-09	397,780	397,780
General Obligation Improvement	12-17-09	506,415	506,415
General Obligation Improvement	12-17-09	656,687	656,687
Airport Improvement	11-23-10	1,850,000	1,850,000
General Obligation Improvement	11-23-10	1,205,000	1,205,000
Advance Refunding Bonds:			
Lake Superior Center General Obligation	12-19-05	1,765,000	1,215,000
Street Improvement	12-19-06	3,190,000	2,240,000
General Obligation Improvement	11-23-10	1,135,000	1,135,000
<b>Total Governmental Activities</b>		<b><u>\$ 29,635,000</u></b>	<b><u>\$ 20,510,000</u></b>
Business-type Activities:			
Current Refunding Bonds:			
Golf Course	12-04-04	\$ 1,040,000	\$ 285,000
Water Utility Revenue and G.O.	12-13-07	950,000	740,000
Sewer Utility Revenue and G.O.	12-13-07	1,325,000	995,000
Parking Improvements	12-09-08	1,965,000	1,670,000
Gas Utility Revenue and G.O.	12-17-09	2,846,814	2,846,814
Sewer Utility Revenue and G.O.	12-17-09	713,186	713,186
Water Utility Revenue and G.O.	11-23-10	1,625,000	1,625,000
Sewer Utility Revenue and G.O.	11-23-10	2,025,000	2,025,000
Stormwater Utility Revenue and G.O.	11-23-10	755,000	755,000
<b>Total Business-type Activities</b>		<b><u>\$ 13,245,000</u></b>	<b><u>\$ 11,655,000</u></b>
Component Unit Activities:			
Duluth Entertainment and Convention Center Authority			
Advance Refunding:			
General Obligation DECC Refunding	04-01-01	\$ 6,970,000	\$ 775,000
		<b><u>\$ 6,970,000</u></b>	<b><u>\$ 775,000</u></b>
		<b>Total</b>	<b><u>\$ 32,940,000</u></b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)**

**BONDS, CERTIFICATES, AND NOTES PAYABLE - BY ISSUE**

Bonds, certificates, and notes payable at December 31, 2010, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Final</u> <u>Authorized</u> <u>and Issued</u>	<u>Outstanding</u>	
<b>BONDS AND CERTIFICATES BY ISSUE</b>						
<b>Governmental Activities:</b>						
<b>General Obligation Bonds Payable -</b>						
<b>General Obligation</b>						
Bayfront Festival Park	3.50 to 4.25%	02/01; 08/01	04-01-01	02-01-12	3,135,000	460,000
Duluth Transit Authority	2.65 to 4.10%	02/01; 08/01	09-01-01	02-01-11	615,000	80,000
Bayfront Festival Park Improvement	2.00 to 3.60%	02/01; 08/01	12-01-03	02-01-12	425,000	120,000
Capital Improvement	2.00 to 3.40%	02/01; 08/01	03-01-04	02-01-14	800,000	380,000
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04	02-01-20	945,000	695,000
Capital Improvement	2.80 to 3.70%	02/01; 08/01	06-01-05	02-01-15	1,255,000	750,000
Lake Superior Center Refunding	3.25 to 4.00%	02/01; 08/01	12-19-05	02-01-17	1,765,000	1,215,000
Zoo Refunding Issue	3.20 to 4.00%	02/01; 08/01	12-19-05	02-01-12	1,485,000	495,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06	02-01-16	895,000	635,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07	02-01-17	1,240,000	1,000,000
Duluth Entertainment & Convention Center Author. Refunding	4.00%	02/01; 08/01	12-13-07	02-01-14	3,760,000	2,625,000
Duluth Entertainment & Convention Center Author. Improvement	4.00 to 5.00%	02/01; 08/01	08-07-08	02-01-34	40,635,000	40,585,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08	02-01-19	1,475,000	1,350,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08	02-01-18	1,600,000	1,455,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09	02-01-20	7,085,000	7,085,000
Capital Improvement - Law Enforcement Center	5.00 to 6.00%	02/01; 08/01	12-17-09	02-01-32	11,905,000	11,905,000
West Michigan Street Improvements Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-18	589,118	589,118
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-21	2,175,000	2,175,000
Airport Improvement Refunding	0.75 to 2.45%	02/01; 08/01	11-23-10	02-01-17	1,850,000	1,850,000
<b>Total General Obligation</b>					<b>\$ 83,634,118</b>	<b>\$ 75,449,118</b>
<b>General Obligation -Tax Abatement</b>						
Lake Walk Homes Tax Abatement Bonds	3.60 to 4.30 %	02/01; 08/01	10-01-05	02-01-21	\$ 310,000	\$ 310,000
<b>Total General Obligation Bonds Payable</b>					<b>\$ 83,944,118</b>	<b>\$ 75,759,118</b>
<b>Revenue Bonds Payable -</b>						
<b>Lease Revenue Bonds Payable -</b>						
Artspace Community Center Refunding	4.00%	02/01; 08/01	02-07-07	08-01-14	\$ 1,380,000	\$ 860,000
<b>Special Assessment Debt with Government Commitment -</b>						
Street Improvement	2.50 to 4.45%	02/01; 08/01	09-01-02	02-01-18	3,860,000	2,290,000
Street Improvement	2.00 to 4.50%	02/01; 08/01	09-01-03	02-01-19	5,035,000	3,340,000
General Obligation Improvement	2.50 to 4.20%	02/01; 08/01	12-01-03	02-01-19	2,010,000	130,000
Street Improvement	2.25 to 4.63%	02/01; 08/01	09-01-04	02-01-20	4,785,000	3,485,000
General Obligation Improvement	3.50 to 4.00%	02/01; 08/01	06-01-05	02-01-20	2,275,000	1,755,000
Street Improvement	3.50 to 4.25%	02/01; 08/01	10-01-05	02-01-21	4,260,000	3,370,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-05	02-01-12	2,820,000	1,020,000
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	02-01-21	1,985,000	1,655,000
Street Improvement	4.00%	02/01; 08/01	09-07-06	02-01-22	3,355,000	2,855,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	02-01-12	2,395,000	1,025,000
Street Improvement Refunding	3.75 to 4.00%	02/01; 08/01	12-19-06	02-01-14	3,445,000	2,095,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	02-01-16	3,190,000	2,240,000
Street Improvement	3.75 to 4.25%	02/01; 08/01	12-13-07	02-01-23	2,285,000	2,060,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08	02-01-24	2,320,000	2,195,000
Street Improvement Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	3,055,000	2,595,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	397,780	397,780
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	506,415	506,415
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-16	656,687	656,687
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	02-01-19	1,205,000	1,205,000
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	02-01-19	1,135,000	1,135,000
<b>Total Special Assessment Debt with Government Commitment</b>					<b>\$ 50,975,882</b>	<b>\$ 36,010,882</b>
<b>General Obligation Certificates Payable -</b>						
Equipment	3.63%	06/19; 12/19	12-19-06	02-01-12	1,785,000	755,000
Equipment	4.25 to 5.00%	02/01; 08/01	12-13-07	02-01-13	1,985,000	1,240,000
Equipment	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-14	2,515,000	2,060,000
Equipment	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	2,570,000	2,570,000
Equipment	0.60 to 1.55%	02/01; 08/01	11-23-10	02-01-16	2,295,000	2,295,000
<b>Total General Obligation Certificates Payable</b>					<b>\$ 11,150,000</b>	<b>\$ 8,920,000</b>
<b>Total Governmental Activities Bonds and Certificates Payable</b>					<b>\$ 147,450,000</b>	<b>\$ 121,550,000</b>
<b>Business-type Activities:</b>						
<b>Revenue Bonds Payable -</b>						
<b>Golf Fund -</b>						
Revenue Recreation Facility Refunding	2.00 to 3.80%	06/01; 12/01	12-04-04	12-01-12	\$ 1,040,000	\$ 285,000
<b>Revenue and General Obligation Bonds Payable -</b>						
<b>Parking Fund -</b>						
Medical District Tax Increment	5.25 to 5.50%	02/01; 08/01	12-16-05	02-01-26	\$ 12,785,000	\$ 11,495,000
Technology Village Parking Ramp Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	1,814,485	1,542,165
Parking Improvement Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	150,515	127,835
<b>Total Parking Fund</b>					<b>\$ 14,750,000</b>	<b>\$ 13,165,000</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)  
BONDS, CERTIFICATES, AND NOTES PAYABLE - BY ISSUE (continued)**

Bonds, certificates, and notes payable at December 31, 2010, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Business-type Activities: (continued)					
Water Fund -					
Water Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22 \$ 1,120,000	\$ 950,000
Water Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16 950,000	740,000
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24 196,000	186,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18 1,625,000	1,625,000
Total Water Fund				\$ 3,891,000	\$ 3,501,000
Gas Fund -					
Gas Utility Revenue and General Obligation	2.50 to 4.20%	02/01; 08/01	12-01-03	02-01-19 \$ 6,090,000	\$ 4,080,000
Gas Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22 1,190,000	1,010,000
Gas Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17 2,846,814	2,846,814
Total Gas Fund				\$ 10,126,814	\$ 7,936,814
Steam District # 1 Fund -					
Steam Utility Revenue and General Obligation	5.25 to 5.50%	02/01; 08/01	12-01-00	02-01-11 \$ 325,000	\$ 40,000
Steam Utility Revenue and General Obligation	4.30 to 4.50%	02/01; 08/01	02-01-02	02-01-12 345,000	85,000
Steam Utility Revenue and General Obligation	2.25 to 4.75%	02/01; 08/01	09-01-03	02-01-23 2,250,000	1,740,000
Steam Utility Revenue and General Obligation	2.80 to 4.15%	02/01; 08/01	06-01-05	02-01-20 1,250,000	960,000
Steam Utility Revenue and General Obligation	4.00 to 4.13%	02/01; 08/01	12-19-06	02-01-22 4,525,000	3,835,000
Total Steam District # 1 Fund				\$ 8,695,000	\$ 6,660,000
Sewer Fund -					
Sewer Utility Revenue and General Obligation	3.00 to 4.20%	02/01; 08/01	12-01-04	02-01-20 \$ 4,045,000	\$ 2,935,000
Sewer Utility Revenue and General Obligation	3.50 to 4.30%	02/01; 08/01	12-19-05	02-01-21 3,515,000	2,785,000
Sewer Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22 945,000	800,000
Sewer Utility Revenue and General Obligation	3.75 to 4.25%	02/01; 08/01	12-13-07	02-01-23 2,120,000	1,910,000
Sewer Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16 1,325,000	995,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24 1,444,000	1,369,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17 713,186	713,186
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09	02-01-25 905,000	905,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18 2,025,000	2,025,000
Total Sewer Fund				\$ 17,037,186	\$ 14,437,186
Stormwater Fund -					
Stormwater Utility Revenue and General Obligation	4.00%	02/01; 08/01	09-07-06	02-01-22 \$ 1,705,000	\$ 1,445,000
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18 755,000	755,000
Total Stormwater Fund				\$ 2,460,000	\$ 2,200,000
Total Revenue and General Obligation Bonds Payable				\$ 56,960,000	\$ 47,900,000
Total Business-type Activities Bonds Payable				\$ 58,000,000	\$ 48,185,000
Component Units:					
Duluth Economic Development Authority					
Revenue Bonds Payable -					
Tax Increment Revenue Bonds Payable -					
Cirrus Tax Increment Revenue	7.00 to 8.00%	02/01; 08/01	03-01-94	02-01-12 \$ 645,000	\$ 90,000
Spirit Mountain Recreation Area					
Revenue Bonds Payable -					
Spirit Mountain Recreation Area	4.50 to 4.50%	06/01; 12/01	03-31-03	12-01-12 \$ 1,646,750	\$ 620,104
Duluth Entertainment and Convention Center Authority					
General Obligation Bonds Payable -					
Duluth Entertainment and Convention Center Refunding	3.50 to 4.20%	06/01; 12/01	04-01-01	12-01-11 6,970,000	775,000
Total Component Units Bonds Payable				\$ 9,261,750	\$ 1,485,104

(continued)

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LONG-TERM DEBT (continued)  
BONDS, CERTIFICATES, AND NOTES PAYABLE - BY ISSUE (continued)**

Bonds, certificates, and notes payable at December 31, 2010, are comprised of the following individual issues:

NOTES PAYABLE BY ISSUE	<u>Interest Rate and Dates</u>		<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
<b>Governmental Activities:</b>						
General Obligation						
Public Facilities Authority Note	1.00%	02/20; 08/20	07-24-02	08-20-18	\$ 364,195	\$ 205,000
Greater Minnesota Housing Fund Note	None	Note 1	11-06-06	11-06-16	200,000	200,000
Total General Obligation					\$ 564,195	\$ 405,000
Revenue Note						
U.S. Dept. of Housing and Urban Development	5.23 to 5.77%	01/22; 07/22	08-01-05	08-01-25	\$ 7,876,000	\$ 2,966,000
Total Governmental Activities					\$ 8,440,195	\$ 3,371,000
<b>Business-type Activities:</b>						
General Obligation:						
Water Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 870,000	\$ 516,619
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04	08-20-18	1,971,532	1,160,000
Public Facilities Authority Note (Note 2)	1.077%	02/20; 08/20	10-28-09	08-20-19	1,698,450	1,508,363
Public Facilities Authority Note (Note 3)	1.258%	02/20; 08/20	07-28-10	08-20-25	1,371,653	532,514
Public Facilities Authority Note (Note 4)	1.076%	02/20; 08/20	12-07-10	08-20-25	3,534,265	707,770
Total Water Fund					\$ 9,445,900	\$ 4,425,266
Sewer Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 100,000	\$ 59,382
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03	08-20-18	1,179,115	711,000
Public Facilities Authority Note	1.15%	02/20; 08/20	07-12-07	08-20-22	1,973,033	1,767,000
Public Facilities Authority Note (Note 5)	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	564,073
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	2,388,000
Public Facilities Authority Note (Note 6)	1.258%	02/20; 08/20	07-28-10	08-20-25	3,753,059	274,132
Public Facilities Authority Note (Note 7)	1.258%	02/20; 08/20	07-28-10	08-20-25	9,087,385	577,057
Total Sewer Fund					\$ 19,303,577	\$ 6,340,644
Total Business-type Activities					\$ 28,749,477	\$ 10,765,910
<b>Component Units:</b>						
Duluth Economic Development Authority						
Tax Increment Revenue						
Fremont Tax Increment Limited Revenue	5.70%	02/01; 08/01	07-01-97	02-01-12	\$ 650,000	\$ 105,000
Duluth Airport Authority						
Revenue Note	8.85%	06/01; 12/01	11-01-05	06-01-19	497,379	441,536
Total Component Unit Notes					\$ 1,147,379	\$ 546,536

Note 1: To be paid in one payment Nov. 6, 2016.

Note 2: Only \$ 1,668,813 has been drawn on the Public Facilities Authority Note dated 10/28/09.

Note 3: Only \$ 532,514 has been drawn on the Public Facilities Authority Note dated 7/28/10.

Note 4: Only \$ 707,770 has been drawn on the Public Facilities Authority Note dated 12/7/10.

Note 5: Only \$ 594,908 has been drawn on the Public Facilities Authority Note dated 8/20/09.

Note 6: Only \$ 274,132 has been drawn on the Public Facilities Authority Note dated 7/28/10.

Note 7: Only \$ 577,057 has been drawn on the Public Facilities Authority Note dated 7/28/10.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**12. INTERFUND ASSETS/LIABILITIES/TRANSFERS**

DUE TO/FROM OTHER FUNDS

Due To/From Other Funds results from the time lag between the dates interfund goods or services are provided or reimbursable expenditures occur and when the payment between funds is made. Balances at December 31, 2010 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Capital Improvements	\$ 20,000
	Nonmajor Governmental Funds	50,123
	Nonmajor Enterprise Funds	19,478
	Internal Service Funds	345,060
Permanent Improvement	General	487,081
	Water Enterprise	34,868
	Gas Enterprise	27,921
	Sewer Enterprise	24,074
	Nonmajor Enterprise Funds	12,947
Capital Improvements	General	313
	Nonmajor Governmental Funds	1,925
Parking Enterprise	General	320
	Nonmajor Enterprise Funds	1,703
Water Enterprise	Permanent Improvement	1,520,140
	Nonmajor Governmental Funds	115,210
	Internal Service Funds	20,091
Gas Enterprise	Permanent Improvement	125,000
	Nonmajor Governmental Funds	8,200
	Internal Service Funds	24,102
Sewer Enterprise	Permanent Improvement	621,673
	Nonmajor Governmental Funds	202,804
	Internal Service Funds	8,662
Nonmajor Governmental Funds	General	692,425
	Water Enterprise	50,316
	Gas Enterprise	43,894
	Sewer Enterprise	38,861
	Nonmajor Governmental Funds	412,969
	Nonmajor Enterprise Funds	23,902
	Internal Service Funds	6,680
Nonmajor Enterprise Funds	Permanent Improvement	277,153
	Nonmajor Governmental Funds	65,730
	Internal Service Funds	18,897
Internal Service Funds	General	23,158
	Internal Service Funds	8,904
	Total	<u>\$ 5,334,584</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 4,624,224
	Statement of Net Assets- Proprietary Funds:	
	Business-type Activities - Enterprise Funds	277,964
	Governmental Activities- Internal Service Funds	432,396
	Total	<u>\$ 5,334,584</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)**

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due To/From primary government and component unit results from the time lag between the date goods or services are provided and when payment is made. Balances as shown below are reported on the Government-wide Statement of Net Assets. Balances are at December 31, 2010, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2010.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Transit Authority	\$ 4,675
	Duluth Entertainment and Convention Center Authority	6,361
	Spirit Mountain Recreation Area Authority	6,655
	Duluth Airport Authority	106
	Duluth Economic Development Authority	6,813
Capital Improvements	Duluth Economic Development Authority	414,855
Nonmajor Governmental Funds	Duluth Economic Development Authority	683,704
Internal Service Funds	Duluth Airport Authority	24,986
Total Due from Component Units		<u>\$ 1,148,155</u>
Due to Primary Government:		
Total Due to Primary Government		\$ 1,231,398
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2010		(89,898)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2010		6,655
Total Due to Primary Government		<u>\$ 1,148,155</u>
Component Unit:	Primary Government:	
Duluth Entertainment and Convention Center Authority	General Fund	\$ 6,154
	DECC Capital Improvement	2,118,408
	Nonmajor Governmental Funds	120,624
Duluth Airport Authority	Nonmajor Governmental Funds	4,109
Total Due from Primary Government		<u>\$ 2,249,295</u>
Total Due to Component Units		\$ 2,254,001
Add Spirit Mountain Recreation Area Authority balance at April 30, 2010		-
Deduct Spirit Mountain Recreation Area Authority balance at December 31, 2010		(4,706)
Total Due to Component Units		<u>\$ 2,249,295</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)**

INTERFUND LOAN RECEIVABLES/PAYABLES

These balances are a result of temporary interfund financing at year-end. Balances at December 31, 2010 are:

<u>Receivable Fund</u>	<u>Amount</u>
General	\$ 1,165,752
Gas Enterprise	107,108
Total	<u>\$ 1,272,860</u>
 <u>Payable Fund</u>	
Nonmajor Governmental Funds	\$ 304,221
Nonmajor Enterprise Funds	927,331
Internal Service Funds	41,308
Total	<u>\$ 1,272,860</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: payments in lieu of taxes, debt service payments, participation in projects, reimbursement of expenditures, and revenue recognition for investment earnings in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interfund transfers for the year ended December 31, 2010 are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General	Community Investment Trust	\$ 1,286,262
	Permanent Improvement	113,447
	Parking Enterprise	1,428,625
	Water Enterprise	359,647
	Gas Enterprise	3,362,951
	Sewer Enterprise	90,425
	Nonmajor Governmental Funds	1,831,109
	Nonmajor Enterprise Funds	663,536
	Internal Service Funds	144,203
Capital Improvements	General	20,000
	Nonmajor Governmental Funds	230,600
Parking Enterprise	Nonmajor Governmental Funds	1,205,915
Sewer Enterprise	Nonmajor Governmental Funds	222,124
Nonmajor Governmental Funds	Community Investment Trust	12,265,670
	DECC Capital Improvement	650,012
	Gas Enterprise	75,000
	Nonmajor Governmental Funds	4,382,498
	Total	<u>\$ 28,332,024</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and Changes in Fund Balance:	
	Governmental Funds	\$ 22,207,637
	Statement of Revenues, Expenses, and Changes in Fund Net Assets:	
	Business-type Activities - Enterprise Funds	5,980,184
	Governmental Activities - Internal Service Funds	144,203
	Total	<u>\$ 28,332,024</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**13. PENSION PLANS**

**PLAN DESCRIPTION**

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes Chapters 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated or 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 and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

The 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. Defined retirement benefits are based on a member's highest average salary for any five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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% of average salary for each of the first ten years of service and 2.7% for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2% of average salary for each of the first ten years and 1.7% for each successive year. Using Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0% of average salary for each year of service.

For General Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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 yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the web at [mnpera.org](http://mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling 651-296-7460 or 1-800-652-9026.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**13. PENSION PLANS (continued)**

FUNDING POLICY

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. 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. Statutory contribution rates of annual covered payroll for the plans are:

	<u>2010 Statutory Rates</u>	
	<u>Employees</u>	<u>Employer</u>
General Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated members	6.00%	7.00%
Public Employees Police and Fire Fund	9.40%	14.10%

The City's contributions for the years ending December 31, 2010, 2009 and 2008 for the General Employees Retirement Fund and Public Employees Police and Fire Fund were: (Dollar amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 2,149	\$ 2,008	\$ 1,867
Public Employees Police and Fire Fund	\$ 2,764	\$ 6,539	\$ 6,188
Totals	<u>\$ 4,913</u>	<u>\$ 8,547</u>	<u>\$ 8,055</u>

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**DEFINED CONTRIBUTION PLAN**

Certain elected officials of the City are covered by the Public Employees Defined Contribution Plan, a multiple-employer, defined compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until the time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of the employer contributions and 0.25 percent of the assets in each member account annually.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**13. PENSION PLANS (continued)**  
 DEFINED CONTRIBUTION PLAN (continued)

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,831	\$ 5,831
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0 percent.

**COMPONENT UNITS' PENSION INFORMATION**

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to the Public Employees Retirement Association of Minnesota (PERA). Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly-available 2010 annual report.

The Duluth Transit Authority has no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2010 annual report.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

PLAN DESCRIPTION

The City of Duluth provides post-employment health insurance and life insurance benefits for certain eligible retired employees and their spouses under a single-employer defined benefit plan. Eligible employees are employees with a hire date prior to January 1, 2007. Employees must retire on or after January 1, 1983 and be eligible for retirement or disability benefits from the Public Employees Retirement Association. The extent of the benefit provided depends on the union contract and the date of hire. Effective January 1, 2010, retirees are provided the same benefits as are provided to active employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

The health benefits are provided through the City of Duluth's self-insurance plan and are accounted for in the Group Health Internal Service Fund. The life insurance benefits are paid directly by the fund from which the employee retires. A separate report is not issued for the plan. The authority to provide these benefits is established in Minnesota Statute § 471.61, subdivision 2a.

As of December 31, 2010, there were 894 retirees receiving health benefits from the City's health plan and 827 active employees covered under the plan.

FUNDING POLICY

The City of Duluth has historically funded these liabilities on a pay-as-you go basis. Union contracts govern the premiums contributed by the City and the retirees. For eligible retirees, the City pays a portion of the premium ranging from 25%-100% depending on the years of service. Retirees pay the remaining portion of the premium. Premiums are paid to the Group Health Internal Service Fund which accounts for the activity of the plan. Premiums are intended to cover the cost of providing benefits to retirees on a pay-as-you-go basis. For the year ended December 31, 2010, the City contributed \$7,898,466 and retirees contributed \$54,903.

In July 2007, the City established an OPEB irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$2,300,000 were made to the irrevocable trust in 2010.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$17,615,054
Interest on net OPEB obligation	923,196
Adjustment to ARC	(1,139,132)
Annual OPEB Cost	<u>17,399,118</u>
Claims paid on behalf of retirees	(7,743,975)
Contributions to irrevocable trust	<u>(2,300,000)</u>
Increase in net OPEB obligation	7,355,143
Net OPEB, January 1	<u>16,196,425</u>
Net OPEB, December 31	<u><u>23,551,568</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2008, 2009 and 2010 were as follows:

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)  
ANNUAL OPEB COST AND NET OPEB OBLIGATION (continued)**

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	23,720,514	13,171,329	55.53%	12,210,421
December 31, 2009	17,474,172	13,488,168	77.19%	16,196,425
December 31, 2010	17,399,118	10,043,975	57.73%	23,551,568

**FUNDING STATUS AND FUNDING PROGRESS**

As of June 1, 2009, the most recent actuarial valuation date, the plan was 7.46% funded. The actuarial accrued liability for benefits was \$224,338,111, and the actuarial value of assets was \$16,740,064, resulting in an unfunded actuarial accrued liability (UAAL) of \$207,598,047. The covered payroll (annual payroll of active employees covered by the plan) was \$51,536,853. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 402.81%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. Market value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.70% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The annual healthcare cost trend rate is 10% initially, reduced incrementally to an ultimate rate of 5% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years.

**TRUST FUND**

The City of Duluth has established an OPEB irrevocable trust to prefund a portion of the OPEB liability.

The financial statements are prepared using the accrual basis of accounting. Contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. The fair value of investments are determined by the Minnesota State Board of Investment.

**DEFINED CONTRIBUTION OPEB PLAN**

In accordance with union bargaining agreements and effective January 1, 2008 the City of Duluth provided a defined contribution post employment benefit in the form of a minimum 1% contribution of each full-time, permanent, active employee's salary into a post employment health care savings account known as the Minnesota Health Care Savings Plan administered by the Minnesota State Retirement System. An additional lump sum deposit of up to \$12,000 per employee will be made depending on the union contract and the date of hire.

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**15. SEGMENT INFORMATION**

The City has issued revenue bonds for each of the following non-major enterprise funds; Steam District #1, the plant which generates and distributes steam to users in the downtown area; Stormwater Utility, which operates the stormwater sewer collection system; and the Golf Fund, which operates the city's two municipal 27-hole golf courses. Summary financial information for each of these funds for fiscal year ending December 31, 2010 is presented below.

	Stormwater	Steam District #1	Golf
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Current assets	\$ 3,124,661	\$ 1,299,331	\$ 160,685
Due from other funds	36,849	21,181	-
Capital assets	12,479,341	9,677,160	1,994,151
Noncurrent assets	30,639	92,641	11,214
<b>Total assets</b>	<b>15,671,490</b>	<b>11,090,313</b>	<b>2,166,050</b>
<b>Liabilities</b>			
Current liabilities	664,212	1,511,721	1,006,354
Due to other funds	354,257	176	977
Noncurrent liabilities	2,138,998	6,144,228	145,000
<b>Total liabilities</b>	<b>3,157,467</b>	<b>7,656,125</b>	<b>1,152,331</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	10,302,892	3,085,573	1,709,151
Restricted for special accounts	-	-	103,127
Unrestricted	2,211,131	348,615	(798,559)
<b>Total net assets</b>	<b>\$ 12,514,023</b>	<b>\$ 3,434,188</b>	<b>\$ 1,013,719</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
<b>Operating revenues (expenses)</b>			
Charges (pledged against bonds)	\$ 4,701,019	\$ 6,497,846	\$ 1,967,401
Depreciation expense	(423,537)	(953,142)	(131,367)
Other operating expenses	(2,845,983)	(5,032,398)	(1,858,207)
<b>Operating income</b>	<b>1,431,499</b>	<b>512,306</b>	<b>(22,173)</b>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	33,506	-	17
Intergovernmental	29,589	-	-
Gain (Loss) on sale or disposition of capital assets	320	-	-
Other	-	119,500	-
Interest expense	(81,594)	(272,638)	(17,059)
Transfers out	(542,536)	(121,000)	-
<b>Change in net assets</b>	<b>870,784</b>	<b>238,168</b>	<b>(39,215)</b>
Beginning net assets	11,643,239	3,196,020	1,052,934
<b>Ending net assets</b>	<b>\$ 12,514,023</b>	<b>\$ 3,434,188</b>	<b>\$ 1,013,719</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
<b>Net Cash provided (used) by</b>			
Operating activities	\$ 1,782,828	\$ 1,597,824	\$ 118,412
Noncapital financing activities	(490,137)	(265,574)	132,630
Capital and related financing activities	(1,434,355)	(1,332,250)	(251,042)
Investing activities	33,220	-	-
<b>Net increase (decrease)</b>	<b>(108,444)</b>	<b>-</b>	<b>-</b>
Beginning cash and cash equivalents	2,528,833	-	-
<b>Ending cash and cash equivalents</b>	<b>\$ 2,420,389</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

LAKE SUPERIOR CENTER

The City and Duluth Economic Development Authority (DEDA) entered into agreements with Lake Superior Center Authority (LSCA) to provide a portion of the funding for the design and construction of the Great Lakes Aquarium at the Lake Superior Center Project. The funding provided by the City and DEDA includes grants and loans which were financed internally and by the issuance of debt to be repaid from tourism taxes. LSCA is a public corporation created by the Minnesota Legislature. The project was financed by State, City, DEDA, and private contributions. The project is owned by LSCA and is operated by Lake Superior Center Inc.(LSCI), a private nonprofit corporation. The Great Lakes Aquarium opened July 29, 2000.

In order to obtain State funding, the City guaranteed that any operating deficits will be funded from non-state sources, and DEDA guaranteed that it would provide sufficient funds necessary to complete construction of the project. In 2004, the City approved the creation of a revolving \$250,000 cash management fund. Amounts drawn from the fund are to be repaid annually by October 1<sup>st</sup>.

LITIGATION

The City of Duluth has completed negotiations with the Environmental Protection Agency (EPA) and has signed a consent decree to settle an administrative enforcement action brought by the EPA for sewage overflows over the past many years that have violated the Clean Water Act. The agreement effectively ends the litigation brought against the City by the EPA.

The consent decree requires the City to make certain improvements to prevent future sewage overflows. The City has consented to these improvements which will be made over a number of years and must be completed by the end of 2016. The improvements are estimated to cost \$52 million and are expected to be financed by federal grants, state grants, and local sources.

TAX INCREMENT DISTRICTS

Tax increment districts are subject to review by the Minnesota Office of the State Auditor. Unallowable use of tax increments could result in a liability of the City. Management is not aware of any instances of noncompliance with tax increment regulations which would have a material effect on the financial statements.

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2010.

JOINT VENTURE

The Duluth Area Family Services Collaborative was established in 1995 pursuant to Minnesota Statutes Section 124D.23. The Collaborative includes St. Louis County, Independent School District No. 709, Arrowhead Regional Corrections, and the City. The purpose of the Collaborative is to improve the lives of families and children through efforts focused on prevention and early intervention. The Collaborative seeks to empower parents and families to solve their own problems through support, information, skill building, and advocacy.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)**  
 JOINT VENTURE (continued)

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2010, is:

Total Assets	\$	58,834
Total Liabilities	\$	-
Total Net Assets	\$	58,834
Total Revenues	\$	-
Total Expenditures	\$	-
Change in Net Assets	\$	-

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City of Duluth with its own rights and powers. Although the Mayor of the City of Duluth appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City of Duluth. Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,703,406 to the Duluth Housing and Redevelopment Authority in 2010.

PASSENGER RAIL SERVICE FEASIBILITY STUDY

The City of Duluth entered into an agreement with several organizations to perform a feasibility of passenger rail service between the City of Duluth and the City of Minneapolis. Upon completion of the study, the City of Duluth, together with other participating counties and cities, elected to continue working to restore passenger rail service and entered into a joint powers agreement forming Minneapolis-Duluth/Superior Passenger Rail Alliance. Funding for the Alliance is derived by a cost sharing funding formula adopted by the board and approved annually by each party's governing body.

The St Louis and Lake County Regional Railroad Authority serves as the fiscal agent. Separate financial information can be obtained from the Authority's office located in Chisholm, Minnesota. A summary of the financial information of the Alliance for December 31, 2009 (the most recent available) was:

Total Assets	\$	621,121
Total Liabilities	\$	331,690
Total Net Assets	\$	289,431
Total Revenues	\$	777,209
Total Expenditures	\$	774,282
Change in Net Assets	\$	2,927

FOND DU LUTH CASINO

In 2009 the Band unilaterally stopped all contractually required payments to the City. Pursuant to the 1994 City of Duluth/Fond du Lac Band agreement, the City is to receive nineteen percent of all slot machine revenue through March 31, 2011. The City has sued to recover the outstanding payments and the US District Court has granted the City summary judgment on that issue. All contractually required payments will be paid to the City. There will be a trial on a contra revenue issue before the City receives its back payments. As of December 31, 2010, the Band owes \$9,742,714 to the City.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010**

**16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)**

TAX INCREMENT ASSISTANCE

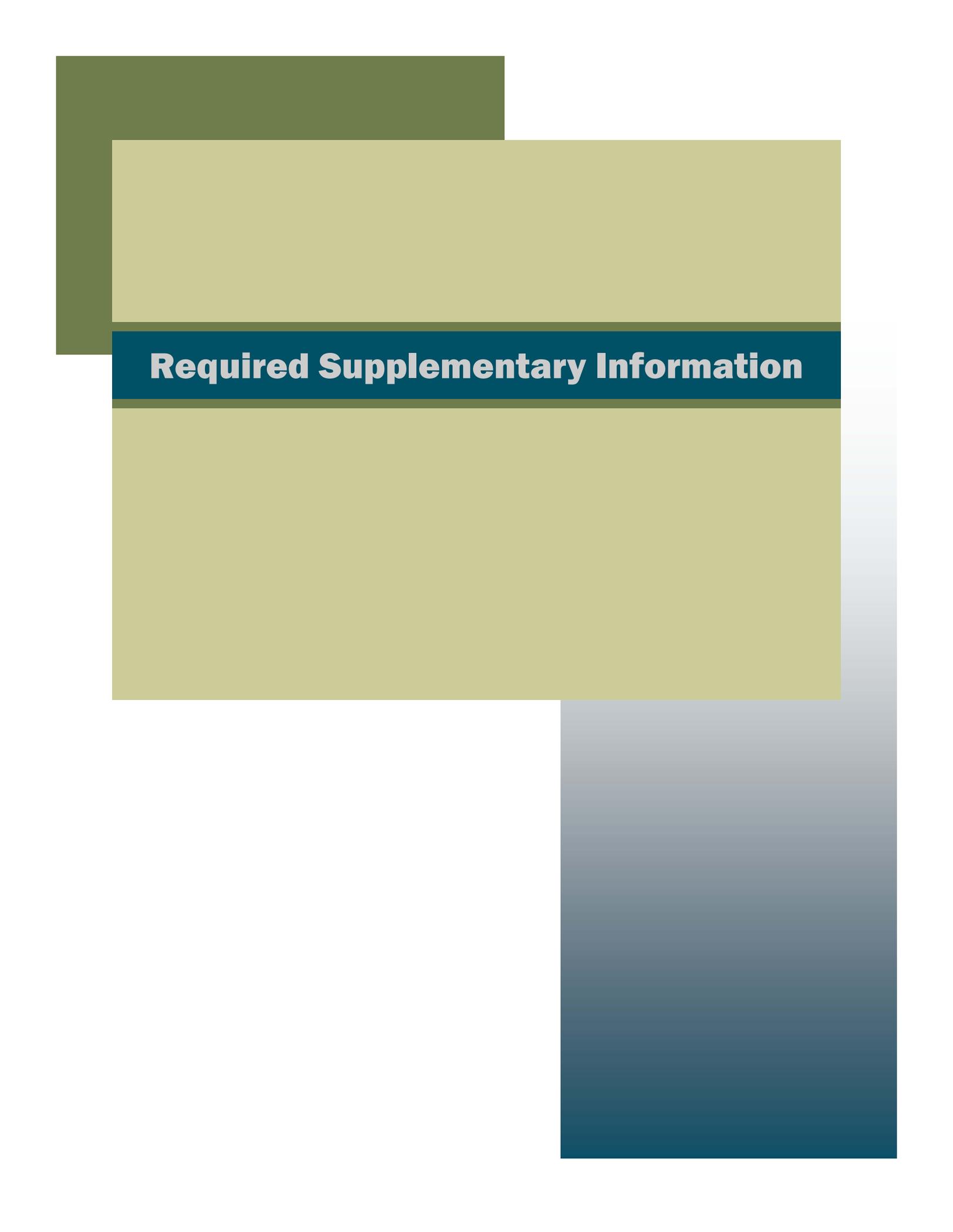
The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2010, follows:

- A & L Renaissance - \$796,000
- Augusta Building - \$268,321
- Fifth Street Redevelopment - \$354,180
- Garfield Business Park LLC - \$611,069
- Ramsey Townhouses - \$232,735
- Sherman Associates Hotel/Condominium - \$5,000,000
- Spirit Bay - \$114,387
- Accessible Space, Inc. - \$50,585
- Central hillside Development, LLP - \$359,648

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2010, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal</u>
ECUMEN	1998	\$ 11,750,000	\$ 3,930,000
Afterno Home	2006	2,620,000	2,457,418
Residential Services	2000B	576,421	232,492
Residential Services	2000C	330,919	133,282
Center for Alcohol & Drug Treatment	2000A	2,600,000	1,732,316
St. Luke's Hospital	2002	55,000,000	48,820,000
Merritt School LLC	2004	660,000	544,772
St. Francis Health Services	1996	501,840	194,401



**Required Supplementary Information**

**CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) TRUST  
 DECEMBER 31, 2010**

YEARS ENDED DECEMBER 31, 2010, 2009 and 2008

Year Ended December 31	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$4,100,000	\$23,742,663	17.3%
2009	\$3,000,000	\$17,615,054	17.0%
2010	\$2,300,000	\$17,615,054	13.1%

Employer contributions to the trust do not include retiree medical claims of \$9,071,329, \$10,488,168, and \$7,743,975 for the years ended December 31, 2008, 2009 and 2010, respectively, paid directly by the City.

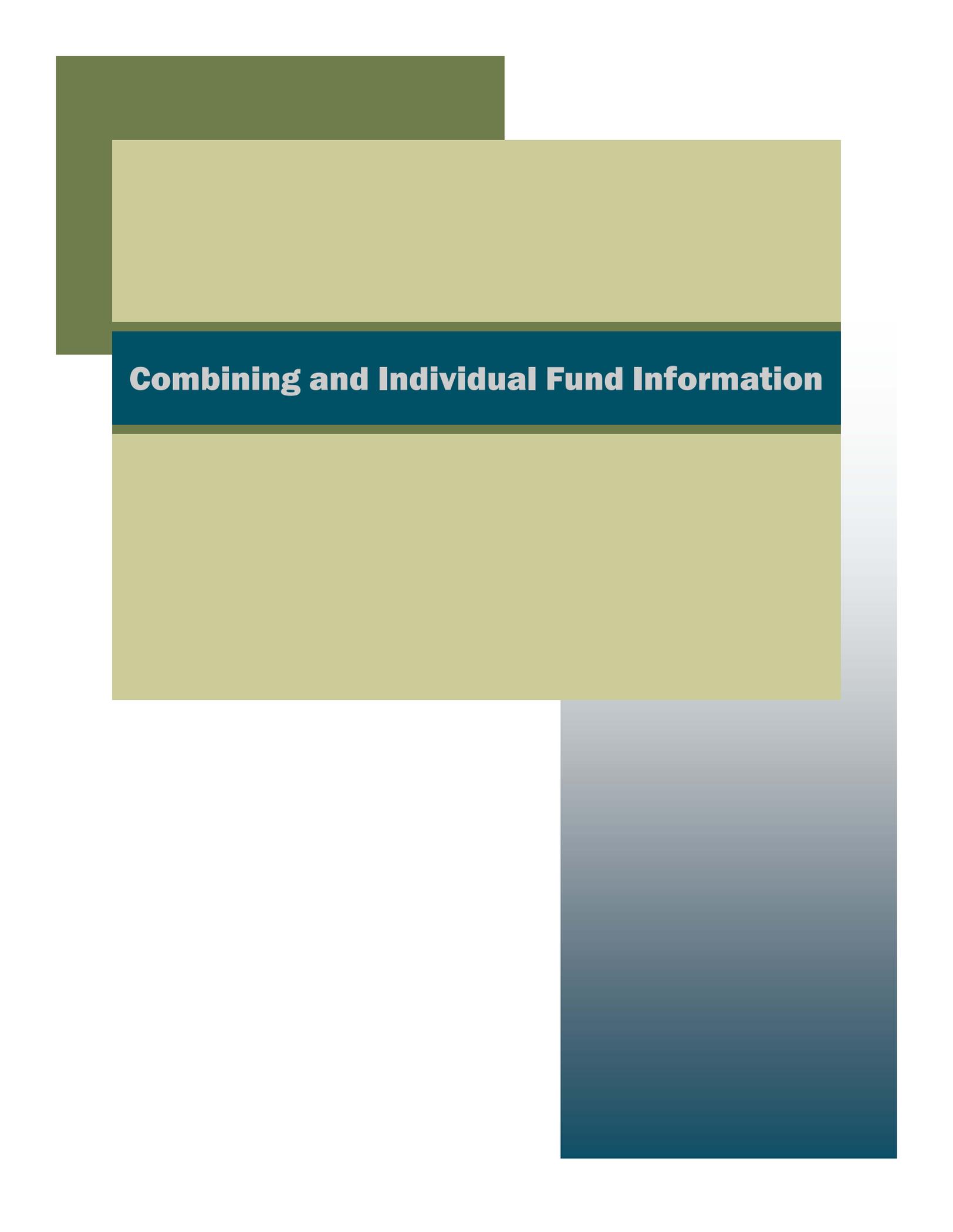
The City implemented GASB Statement No. 43 for the fiscal year ended December 31, 2007. Information for prior years is not available.

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)  
DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 1, 2007	\$13,700,000	\$267,381,748	\$253,681,748	5.12%	\$44,748,212	566.91%
June 1, 2009	\$16,740,064	\$224,338,111	\$207,598,047	7.46%	\$51,536,853	402.81%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2007. Information for prior years is not available.

The most recent actuarial valuation as of June 1, 2009 reflected changes in benefit provisions which resulted in a lower Actuarial Accrued Liability. The primary change in benefit provisions was the transition of all retirees to Medical Plan 3 and Rx Plan 1, effective January 1, 2010. These are the same plans provided to active employees.



## **Combining and Individual Fund Information**



# Governmental Funds



**CITY OF DULUTH, MINNESOTA  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds account for the specific financial resources (other than special assessments, expendable trusts, or other major capital projects) that are restricted to expenditures for specified purposes.

**Lake Superior Zoo** – to account for revenues earned from the operations of the Lake Superior Zoo which are to be used to offset operating costs incurred by the arrowhead Zoological Society in managing Zoo operations.

**HOME Investment Partnership Program** - to account for grant monies received from the U.S. Department of Housing and Urban Development for the furtherance of a single-family housing rehabilitation program and various other housing-related projects.

**Community Development** – to account for grant monies and Section 108 loan funds received from the U.S. Department of Housing and Urban Development. These monies are to be expended on projects considered necessary for the renewal and revitalization of the City.

**Workforce Development** - to account for monies received through the Minnesota Department of Economic Security and Saint Louis County to provide job training and employment opportunities for economically disadvantaged, unemployed and underemployed persons.

**Senior Employment** - to account for monies received from the Minnesota Department of Economic Security and the National Council of Senior Citizens under Title V of the Older Americans Act to provide useful part-time employment for low-income elderly and to improve community services.

**Special Projects** - to account for monies received as fees, donations, or small grants, which are to be expended for a specific purpose or project.

**Police Grant Programs** – to account for grant monies received from the U.S. Department of Justice and Minnesota Department of Public Safety for various police programs.

**Housing Investment** – to account for monies transferred from the community investment fund to be used for city-wide housing improvements.

**GMHF Revolving** – to account for a revolving maintenance fund, financed by a Greater Minnesota Housing Fund loan, established for attaining compliance with housing and safety codes.

**Recovery Loan Program** - to account for grant monies received from the Minnesota Department of Trade and Economic Development (DTED) for the establishment of an economic development loan program.

**Bayfront Festival Park** - to account for fees earned from the operations of the Festival Park, which are to be used for capital maintenance and improvements to the Park.

**Library Special Accounts** - to account for all special gifts, donations, and trusts designated for the purchase of books, equipment, or projects for the library.

**Capital Equipment** - to account for bond proceeds and other revenues used for purchase of equipment.

**Economic Development** - to account for various grants and loans to be used for the development and revitalization of the City's economy.

**Energy Management** - to account for excess home energy funds, utility rebates, grants, and a portion of energy savings used for managing energy in city facilities and the Cities for Climate Protection Program.

**CITY OF DULUTH, MINNESOTA  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

**SPECIAL REVENUE FUNDS** (continued)

**Tourism Tax** - to account for the collection of food and beverage and hotel-motel excise taxes, and disbursement of funds for tourism-related activities as dictated by state statutes and City ordinances.

**Public Facility and Programs** - to account for the collection, administration, and disbursement of 5% of the net profits derived from lawful gambling, with such funds to be administered by a Lawful Gambling Commission.

**DECC Revenue** – to account for food and beverage tax revenues and DECC pledged revenues dedicated towards repayment of bonds issued to finance the expansion of the DECC.

**DEBT SERVICE FUNDS**

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term principal, interest and related costs.

**General Obligation** - to account for accumulation of resources for, and payment of, general obligation bonds, notes and certificates.

**Street Improvement Debt Service** – to account for accumulation of resources for, and the payment of, general obligation bonds issued for financing the City's Street Improvement Program.

**Transit Bond** – to account for accumulation of resources for, and payment of, general obligation bonds issued for the benefit of the Duluth Transit Authority.

**Special Assessment Debt Service**– to account for the resources accumulated and payments made for the principal and interest on long-term special assessment debt.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds account for financial resources to be used for the acquisition, construction or improvement of capital facilities other than those financed by enterprise funds.

**Special Assessment** - to account for improvements which are financed by special assessments.

**Street Improvement Program** – to account for improvements to be made as part of the City's 25-year Street Improvement Program.

**Medical District Expansion** - to account for the public development costs associated with the St. Mary's/Duluth Clinic Health Systems Digestive Disease/Cancer Center Project.

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

	<b>Special Revenue Funds</b>				
	<b>Lake Superior Zoo</b>	<b>Home Investment Partnership Program</b>	<b>Community Development</b>	<b>Workforce Development</b>	<b>Senior Employment</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 163,777	\$ 6,022	\$ 689,793	\$ 310,367	\$ -
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	5,402	9,175	-
Assessments	-	-	-	-	-
Loans	-	226,631	2,592,394	-	-
Grants	-	-	-	-	146,197
Due from other funds	-	-	18,195	-	76,412
Due from component units	-	-	48,125	-	-
Due from other governments	40,024	288,791	1,244,694	420,896	-
<b>Total assets</b>	<b>\$ 203,801</b>	<b>\$ 521,444</b>	<b>\$ 4,598,603</b>	<b>\$ 740,438</b>	<b>\$ 222,609</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 203	\$ -	\$ 2,489	\$ 24,689	\$ 6,305
Contracts payable	60,986	164,935	735,583	-	-
Due to other funds	82	18,195	27,284	87,258	4,039
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	194,640
Due to other governments	42	672	624	10,606	-
Accrued salaries payable	-	-	15,931	47,331	17,625
Deferred revenue	-	337,642	2,911,908	185,434	-
<b>Total liabilities</b>	<b>61,313</b>	<b>521,444</b>	<b>3,693,819</b>	<b>355,318</b>	<b>222,609</b>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	-	470,904	-	-
Special accounts	-	-	-	385,120	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	142,488	-	433,880	-	-
Capital project funds	-	-	-	-	-
<b>Total fund balances</b>	<b>142,488</b>	<b>-</b>	<b>904,784</b>	<b>385,120</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 203,801</b>	<b>\$ 521,444</b>	<b>\$ 4,598,603</b>	<b>\$ 740,438</b>	<b>\$ 222,609</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

**Special Revenue Funds**

	<b>Special Projects</b>	<b>Police Grant Programs</b>	<b>Housing Investment</b>	<b>GMHF Revolving Fund</b>	<b>Recovery Loan Program</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 676,395	\$ -	\$ 17,015	\$ 200,000	\$ 247,299
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	30,709	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	1,423,242	-	442,688
Grants	-	334,635	-	-	-
Due from other funds	-	50,123	-	-	-
Due from component units	-	-	-	-	622,000
Due from other governments	238,799	-	-	-	-
<b>Total assets</b>	<b>\$ 945,903</b>	<b>\$ 384,758</b>	<b>\$ 1,440,257</b>	<b>\$ 200,000</b>	<b>\$ 1,311,987</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 72,346	\$ 101,702	\$ -	\$ -	\$ -
Contracts payable	145,158	4,797	17,015	-	-
Due to other funds	38,715	19,342	-	-	-
Due to component units	1,132	-	-	-	-
Interfund loan payable	-	109,581	-	-	-
Due to other governments	69	52,073	-	-	442,688
Accrued salaries payable	-	-	-	-	-
Deferred revenue	329,009	50,123	1,423,242	-	-
<b>Total liabilities</b>	<b>586,429</b>	<b>337,618</b>	<b>1,440,257</b>	<b>-</b>	<b>442,688</b>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	-	-	-	-
Special accounts	-	47,140	-	200,000	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	359,474	-	-	-	-
Debt service funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	869,299
Capital project funds	-	-	-	-	-
<b>Total fund balances</b>	<b>359,474</b>	<b>47,140</b>	<b>-</b>	<b>200,000</b>	<b>869,299</b>
<b>Total liabilities and fund balances</b>	<b>\$ 945,903</b>	<b>\$ 384,758</b>	<b>\$ 1,440,257</b>	<b>\$ 200,000</b>	<b>\$ 1,311,987</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

**Special Revenue Funds**

	<b>Bayfront Festival Park</b>	<b>Library Special Accounts</b>	<b>Capital Equipment</b>	<b>Economic Development</b>	<b>Energy Management</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 160,428	\$ 694,889	\$ 1,946,315	\$ 53,837	\$ 308,766
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	-	1,381	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	13,579	-
Due from other governments	-	-	-	-	72,092
<b>Total assets</b>	<b>\$ 160,428</b>	<b>\$ 694,889</b>	<b>\$ 1,946,315</b>	<b>\$ 68,797</b>	<b>\$ 380,858</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,878	\$ 7,671	\$ 303,923	\$ 8,744	\$ 91,337
Contracts payable	-	-	48,386	-	-
Due to other funds	-	-	1,925	-	-
Due to component units	-	-	-	4,109	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	1,700	-	-	-
Accrued salaries payable	-	-	-	-	2,682
Deferred revenue	2,000	-	-	-	-
<b>Total liabilities</b>	<b>5,878</b>	<b>9,371</b>	<b>354,234</b>	<b>12,853</b>	<b>94,019</b>
Fund balances:					
Reserved for:					
Encumbrances	-	-	268,687	-	-
Debt service	-	-	-	-	-
Special accounts	-	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	154,550	685,518	1,323,394	55,944	286,839
Capital project funds	-	-	-	-	-
<b>Total fund balances</b>	<b>154,550</b>	<b>685,518</b>	<b>1,592,081</b>	<b>55,944</b>	<b>286,839</b>
<b>Total liabilities and fund balances</b>	<b>\$ 160,428</b>	<b>\$ 694,889</b>	<b>\$ 1,946,315</b>	<b>\$ 68,797</b>	<b>\$ 380,858</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

	Special Revenue Funds			Debt Service Funds	
	Tourism Tax	Public Facility and Programs	DECC Revenue	General Obligation	Street Improvement Debt Service
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,430,101	\$ 22,625	\$ 634,873	\$ 5,770,714	\$ 11,236,722
Receivables, net:					
Taxes	524,658	82	-	361,966	-
Accounts	-	-	-	32,255	-
Assessments	-	-	-	-	2,944,365
Loans	-	-	-	-	-
Grants	-	-	-	70,000	-
Due from other funds	-	-	229,309	5,775	14,763
Due from component units	-	-	-	-	-
Due from other governments	64,503	-	-	-	-
Total assets	<u>\$ 2,019,262</u>	<u>\$ 22,707</u>	<u>\$ 864,182</u>	<u>\$ 6,240,710</u>	<u>\$ 14,195,850</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 8,023	\$ -
Contracts payable	50,000	-	-	-	-
Due to other funds	237,531	-	-	59,368	415
Due to component units	119,492	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	-	-	338,473	2,944,365
Total liabilities	<u>407,023</u>	<u>-</u>	<u>-</u>	<u>405,864</u>	<u>2,944,780</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	1,175,547	-	864,182	5,566,204	-
Special accounts	81,837	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	268,642	11,251,070
Undesignated, reported in:					
Special revenue funds	354,855	22,707	-	-	-
Capital project funds	-	-	-	-	-
Total fund balances	<u>1,612,239</u>	<u>22,707</u>	<u>864,182</u>	<u>5,834,846</u>	<u>11,251,070</u>
Total liabilities and fund balances	<u>\$ 2,019,262</u>	<u>\$ 22,707</u>	<u>\$ 864,182</u>	<u>\$ 6,240,710</u>	<u>\$ 14,195,850</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

	Debt Service Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Transit Bond	Special Assessment Debt Service	Special Assessment	Street Improvement Program	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 228,756	\$ 1,783,918	\$ 24,152	\$ 1,682,891	\$ 28,289,655
Receivables, net:					
Taxes	6,615	-	-	-	893,321
Accounts	-	-	-	-	78,922
Assessments	-	5,498,089	62,469	158,268	8,663,191
Loans	-	-	-	-	4,684,955
Grants	-	-	-	-	550,832
Due from other funds	-	59,585	10,843	391,956	856,961
Due from component units	-	-	-	-	683,704
Due from other governments	-	-	-	-	2,369,799
<b>Total assets</b>	<b>\$ 235,371</b>	<b>\$ 7,341,592</b>	<b>\$ 97,464</b>	<b>\$ 2,233,115</b>	<b>\$ 47,071,340</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 8,658	\$ -	\$ 84	\$ 640,052
Contracts payable	-	-	7,508	468,694	1,703,062
Due to other funds	-	52,864	-	722,029	1,269,047
Due to component units	-	-	-	-	124,733
Interfund loan payable	-	-	-	-	304,221
Due to other governments	-	-	-	-	508,474
Accrued salaries payable	-	-	-	-	83,569
Deferred revenue	5,043	5,452,124	62,470	158,267	14,200,100
<b>Total liabilities</b>	<b>5,043</b>	<b>5,513,646</b>	<b>69,978</b>	<b>1,349,074</b>	<b>18,833,258</b>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	994,207	1,262,894
Debt service	81,640	-	-	-	8,158,477
Special accounts	-	-	-	-	714,097
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	359,474
Debt service funds	148,688	1,827,946	-	-	13,496,346
Undesignated, reported in:					
Special revenue funds	-	-	-	-	4,329,474
Capital project funds	-	-	27,486	(110,166)	(82,680)
<b>Total fund balances</b>	<b>230,328</b>	<b>1,827,946</b>	<b>27,486</b>	<b>884,041</b>	<b>28,238,082</b>
<b>Total liabilities and fund balances</b>	<b>\$ 235,371</b>	<b>\$ 7,341,592</b>	<b>\$ 97,464</b>	<b>\$ 2,233,115</b>	<b>\$ 47,071,340</b>

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Special Revenue Funds</b>				
	<b>Lake Superior Zoo</b>	<b>Home Investment Partnership Program</b>	<b>Community Development</b>	<b>Workforce Development</b>	<b>Senior Employment</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	200,000	747,359	5,006,771	2,917,243	537,957
Charges for services	902,967	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	388	-	-
Miscellaneous revenues	74,427	-	272,359	7,783	-
Total revenues	<u>1,177,394</u>	<u>747,359</u>	<u>5,279,518</u>	<u>2,925,026</u>	<u>537,957</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	1,697,583	-	-	-	-
Urban and economic development	-	747,359	4,905,243	2,897,698	537,957
Debt service:					
Principal retirement	-	-	60,000	-	-
Interest and fiscal fees	-	-	170,854	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,697,583</u>	<u>747,359</u>	<u>5,136,097</u>	<u>2,897,698</u>	<u>537,957</u>
Excess (deficiency) of revenues over expenditures	<u>(520,189)</u>	<u>-</u>	<u>143,421</u>	<u>27,328</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	520,000	-	-	-	-
Transfers out	-	-	(254,564)	-	-
Total other financing sources (uses)	<u>520,000</u>	<u>-</u>	<u>(254,564)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(189)	-	(111,143)	27,328	-
Fund balance - January 1, 2010, as restated (Note 1)	142,677	-	1,015,927	357,792	-
Fund balance - December 31, 2010	<u>\$ 142,488</u>	<u>\$ -</u>	<u>\$ 904,784</u>	<u>\$ 385,120</u>	<u>\$ -</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Special Revenue Funds</b>				
	<b>Special Projects</b>	<b>Police Grant Programs</b>	<b>Housing Investment</b>	<b>GMHF Revolving Fund</b>	<b>Recovery Loan Program</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	159,966	1,389,438	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	2	-	-	-
Miscellaneous revenues	319,977	116,633	-	-	10,063
Total revenues	<u>479,943</u>	<u>1,506,073</u>	<u>-</u>	<u>-</u>	<u>10,063</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	373,913	626,170	-	-	-
Culture and recreation	150,860	-	-	-	-
Urban and economic development	12,400	-	118,375	-	5,407
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	34,329	-	-	-
Total expenditures	<u>537,173</u>	<u>660,499</u>	<u>118,375</u>	<u>-</u>	<u>5,407</u>
Excess (deficiency) of revenues over expenditures	<u>(57,230)</u>	<u>845,574</u>	<u>(118,375)</u>	<u>-</u>	<u>4,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(77,854)	(825,029)	-	-	-
Total other financing sources (uses)	<u>(77,854)</u>	<u>(825,029)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(135,084)	20,545	(118,375)	-	4,656
Fund balance - January 1, 2010, as restated (Note 1)	494,558	26,595	118,375	200,000	864,643
Fund balance - December 31, 2010	<u>\$ 359,474</u>	<u>\$ 47,140</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 869,299</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Special Revenue Funds</b>				
	<b>Bayfront Festival Park</b>	<b>Library Special Accounts</b>	<b>Capital Equipment</b>	<b>Economic Development</b>	<b>Energy Management</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	-	-	367,325	273,568
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	66	167	14,074	-	-
Miscellaneous revenues	49,610	132,156	164	24,728	16,064
Total revenues	<u>49,676</u>	<u>132,323</u>	<u>14,238</u>	<u>392,053</u>	<u>289,632</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	360,312
Public safety	-	-	-	-	-
Culture and recreation	31,220	76,576	-	-	-
Urban and economic development	-	-	-	386,680	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	27,864	-	-
Capital outlay	-	37,335	2,861,777	13,579	-
Total expenditures	<u>31,220</u>	<u>113,911</u>	<u>2,889,641</u>	<u>400,259</u>	<u>360,312</u>
Excess (deficiency) of revenues over expenditures	<u>18,456</u>	<u>18,412</u>	<u>(2,875,403)</u>	<u>(8,206)</u>	<u>(70,680)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	2,295,000	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	75,000
Transfers out	-	-	-	-	(70,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,295,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	18,456	18,412	(580,403)	(8,206)	(65,680)
Fund balance - January 1, 2010, as restated (Note 1)	136,094	667,106	2,172,484	64,150	352,519
Fund balance - December 31, 2010	<u>\$ 154,550</u>	<u>\$ 685,518</u>	<u>\$ 1,592,081</u>	<u>\$ 55,944</u>	<u>\$ 286,839</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	Special Revenue Funds			Debt Service Funds	
	Tourism Tax	Public Facility and Programs	DECC Revenue	General Obligation	Street Improvement Debt Service
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ 5,010,425	\$ -
Sales taxes	7,786,722	-	-	-	-
Other taxes	-	8,529	-	-	-
Intergovernmental revenues	-	-	-	159,176	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	753,494
Investment income	-	12	136	-	88,118
Miscellaneous revenues	-	-	-	495,238	-
Total revenues	<u>7,786,722</u>	<u>8,541</u>	<u>136</u>	<u>5,664,839</u>	<u>841,612</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	3,472,231	-	-	-	-
Debt service:					
Principal retirement	-	-	-	4,820,000	4,272,900
Interest and fiscal fees	-	-	-	3,661,302	1,226,406
Bond issuance costs	-	-	-	27,263	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>3,472,231</u>	<u>-</u>	<u>-</u>	<u>8,508,565</u>	<u>5,499,306</u>
Excess (deficiency) of revenues over expenditures	<u>4,314,491</u>	<u>8,541</u>	<u>136</u>	<u>(2,843,726)</u>	<u>(4,657,694)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	1,850,000	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(1,820,000)	-
Transfers in	-	-	1,396,409	3,045,890	5,665,670
Transfers out	(3,883,583)	-	(1,334,726)	(815,468)	(84,562)
Total other financing sources (uses)	<u>(3,883,583)</u>	<u>-</u>	<u>61,683</u>	<u>2,260,422</u>	<u>5,581,108</u>
Net change in fund balance	430,908	8,541	61,819	(583,304)	923,414
Fund balance - January 1, 2010, as restated (Note 1)	1,181,331	14,166	802,363	6,418,150	10,327,656
Fund balance - December 31, 2010	<u>\$ 1,612,239</u>	<u>\$ 22,707</u>	<u>\$ 864,182</u>	<u>\$ 5,834,846</u>	<u>\$ 11,251,070</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Debt Service Funds		Capital Project Funds		
	Transit Bond	Special Assessment Debt Service	Special Assessment	Street Improvement Program	Medical District Expansion
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 81,319	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	171	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	1,363,639	17,058	197,853	-
Investment income	-	21,692	27	46,814	-
Miscellaneous revenues	-	-	-	-	-
Total revenues	<u>81,490</u>	<u>1,385,331</u>	<u>17,085</u>	<u>244,667</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	-	-	-
Debt service:					
Principal retirement	75,000	891,100	-	-	-
Interest and fiscal fees	5,130	335,703	-	-	-
Bond issuance costs	-	44,832	-	-	-
Capital outlay	-	-	-	5,543,753	-
Total expenditures	<u>80,130</u>	<u>1,271,635</u>	<u>-</u>	<u>5,543,753</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,360</u>	<u>113,696</u>	<u>17,085</u>	<u>(5,299,086)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	2,340,000	-	-	-
Premium on issuance of bonds	-	44,357	-	-	-
Payment to refunded bond escrow agent	-	(2,335,250)	-	-	-
Transfers in	-	59,368	10,843	6,600,000	-
Transfers out	-	(31,701)	-	(44,944)	(449,815)
Total other financing sources (uses)	<u>-</u>	<u>76,774</u>	<u>10,843</u>	<u>6,555,056</u>	<u>(449,815)</u>
Net change in fund balance	1,360	190,470	27,928	1,255,970	(449,815)
Fund balance - January 1, 2010, as restated (Note 1)	<u>228,968</u>	<u>1,637,476</u>	<u>(442)</u>	<u>(371,929)</u>	<u>449,815</u>
Fund balance - December 31, 2010	<u>\$ 230,328</u>	<u>\$ 1,827,946</u>	<u>\$ 27,486</u>	<u>\$ 884,041</u>	<u>\$ -</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Total Nonmajor Governmental Funds</b>
	<u>                    </u>
<b>REVENUES</b>	
Taxes:	
Property taxes	\$ 5,091,744
Sales taxes	7,786,722
Other taxes	8,529
Intergovernmental revenues	11,758,974
Charges for services	902,967
Special assessments	2,332,044
Investment income	171,496
Miscellaneous revenues	<u>1,519,202</u>
Total revenues	<u>29,571,678</u>
<b>EXPENDITURES</b>	
Current:	
General government	360,312
Public safety	1,000,083
Culture and recreation	1,956,239
Urban and economic development	13,083,350
Debt service:	
Principal retirement	10,119,000
Interest and fiscal fees	5,399,395
Bond issuance costs	99,959
Capital outlay	<u>8,490,773</u>
Total expenditures	<u>40,509,111</u>
Excess (deficiency) of revenues over expenditures	<u>(10,937,433)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of bonds	2,295,000
Proceeds from refundings	4,190,000
Premium on issuance of bonds	44,357
Payment to refunded bond escrow agent	(4,155,250)
Transfers in	17,373,180
Transfers out	<u>(7,872,246)</u>
Total other financing sources (uses)	<u>11,875,041</u>
Net change in fund balance	937,608
Fund balance - January 1, 2010, as restated (Note 1)	<u>27,300,474</u>
Fund balance - December 31, 2010	<u>\$ 28,238,082</u>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
<b>Taxes:</b>				
General property -				
Current	\$ 11,115,100	\$ 11,115,100	\$ 10,186,693	\$ (928,407)
Delinquent	150,000	150,000	242,411	92,411
Mobile home	33,600	33,600	40,890	7,290
Forfeited tax sale apportionment	46,000	46,000	15,102	(30,898)
Franchise	1,884,600	1,884,600	1,917,379	32,779
Sales taxes	11,315,000	11,315,000	11,465,685	150,685
Charitable gambling	50,000	50,000	48,137	(1,863)
Other	-	-	25,781	25,781
<b>Total Taxes</b>	<u>24,594,300</u>	<u>24,594,300</u>	<u>23,942,078</u>	<u>(652,222)</u>
<b>Licenses and Permits:</b>				
Liquor and non-intoxicating liquor	399,000	399,000	418,845	19,845
Health	20,500	20,500	19,383	(1,117)
Police protective	23,400	23,400	31,931	8,531
Amusement	20,000	20,000	28,480	8,480
Manufacturing and merchandising	35,300	35,300	44,389	9,089
Other	661,500	661,500	639,016	(22,484)
<b>Total Licenses and Permits</b>	<u>1,159,700</u>	<u>1,159,700</u>	<u>1,182,044</u>	<u>22,344</u>
<b>Intergovernmental revenues:</b>				
<b>Shared revenues -</b>				
Local government aid	27,981,000	27,981,000	27,437,478	(543,522)
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,450,000	1,450,000	1,569,086	119,086
<b>State grants -</b>				
Snowmobile trail	20,000	20,000	13,925	(6,075)
Increase public awareness of Emerald Ash Borer	-	5,000	-	(5,000)
Police training reimbursement	54,000	54,000	51,827	(2,173)
HAZMAT regional response team	-	51,151	47,649	(3,502)
EMS medical supplies reimbursement	-	50,000	50,000	-
Market value credit aid	-	-	22,086	22,086
MSA maintenance allotment	1,212,800	1,212,800	1,164,496	(48,304)
<b>Federal grants -</b>				
Coastal Zone Management Grant	-	-	40,000	40,000
Fair housing enforcement	14,000	14,000	19,380	5,380
ATF Northern Minnesota Task Force	-	-	19,788	19,788
Bulletproof vest partnership program	-	19,210	19,206	(4)
Organized Crime Drug Enforcement Task Force	-	15,000	17,847	2,847
<b>Other grants -</b>				
St. Louis County	156,000	156,000	161,017	5,017
Payments in lieu of taxes -				
Housing and Redevelopment Authority	61,500	61,500	72,448	10,948
Independent School District #709	365,500	366,500	365,434	(1,066)
<b>Total Intergovernmental Revenues</b>	<u>31,439,200</u>	<u>31,580,561</u>	<u>31,196,095</u>	<u>(384,466)</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
<b>Charges for Services:</b>				
<b>Departmental fees and services -</b>				
Fire	4,200	4,200	4,200	-
Police	84,500	84,500	96,395	11,895
Parks and recreation	35,000	35,000	36,447	1,447
Engineering	300,000	300,000	447,279	147,279
Building inspection services	2,495,700	2,495,700	2,435,311	(60,389)
MIS services	2,500	2,500	1,159	(1,341)
Grant administration services	46,300	46,300	86,529	40,229
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	84,800	84,800	47,743	(37,057)
Other services	1,100	1,100	5,099	3,999
<b>Departmental sales -</b>				
Copier and microfilm prints	23,200	23,200	17,127	(6,073)
Print and plan sales	10,000	10,000	12,016	2,016
Book sales	300	300	877	577
Miscellaneous sales and services	64,200	64,200	99,734	35,534
<b>Share of general expenses -</b>				
Duluth Airport Authority	32,400	32,400	32,400	-
Water and Gas	927,700	927,700	927,700	-
Sewer	330,700	330,700	330,700	-
Stormwater	170,000	170,000	170,000	-
Steam District #1	49,500	49,500	49,500	-
Duluth Entertainment & Convention Center	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	66,800	-
Duluth Economic Development Authority	365,000	365,000	365,000	-
Fleet Services	108,200	108,200	108,200	-
Group Health	405,000	405,000	250,000	(155,000)
Self Insurance	283,200	283,200	283,200	-
Spirit Mountain Recreation Area Authority	37,700	37,700	37,700	-
Parking	23,300	23,300	23,300	-
<b>Total Charges for Services</b>	<u>6,016,600</u>	<u>6,016,600</u>	<u>5,999,716</u>	<u>(16,884)</u>
<b>Fines and Forfeits:</b>				
Library fines	115,000	115,000	90,285	(24,715)
Parking fines	1,300,000	1,740,000	1,056,817	(683,183)
Court fees	840,000	400,000	550,546	150,546
License penalties	8,000	8,000	15,276	7,276
Felony forfeitures	-	46,390	78,680	32,290
<b>Total Fines and Forfeits</b>	<u>2,263,000</u>	<u>2,309,390</u>	<u>1,791,604</u>	<u>(517,786)</u>
<b>Special Assessments</b>	<u>445,400</u>	<u>453,779</u>	<u>409,710</u>	<u>(44,069)</u>
<b>Investment Income</b>	<u>840,000</u>	<u>840,000</u>	<u>192,277</u>	<u>(647,723)</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
<b>Miscellaneous Revenues:</b>				
Commission and concessions	10,800	10,800	8,906	(1,894)
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	10,233	32,940	22,707
Rent and lease	81,300	81,300	122,189	40,889
Damage claims	1,000	13,183	26,060	12,877
Sale of equipment	120,000	120,000	38,051	(81,949)
Sale of land	280,000	280,000	48,250	(231,750)
Sale of scrap	1,500	1,500	6,452	4,952
Surcharge retainage	1,500	1,500	1,645	145
Refunds and reimbursements	83,700	131,228	447,214	315,986
Gifts and donations	2,500	11,347	16,337	4,990
<b>Total Miscellaneous Revenues</b>	<u>598,300</u>	<u>677,091</u>	<u>764,130</u>	<u>87,039</u>
<b>Total Revenues</b>	<u>67,356,500</u>	<u>67,631,421</u>	<u>65,477,654</u>	<u>(2,153,767)</u>
<b>Other Financing Sources:</b>				
Operating transfers in:				
Special Projects	-	5,302	77,854	72,552
Duluth Police Grant Programs	471,300	492,017	825,029	333,012
Community Investment Trust	820,000	805,150	1,286,262	481,112
Tourism Taxes	722,900	764,910	745,422	(19,488)
Community Development	-	-	32,440	32,440
Special Assessment Debt Service	-	-	20,858	20,858
Street Improvement Debt Service	-	-	84,562	84,562
Permanent Improvement	160,000	160,000	113,447	(46,553)
Street Improvement Program	-	-	44,944	44,944
Capital Improvements	20,000	20,000	-	(20,000)
Parking	1,382,500	1,382,500	1,428,625	46,125
Water	-	-	359,647	359,647
Gas	3,490,600	3,490,600	3,362,951	(127,649)
Sewer	-	-	90,425	90,425
Stormwater	990,600	990,600	542,536	(448,064)
Steam	121,000	121,000	121,000	-
Group Health	-	-	106,846	106,846
Employee Vacation Compensation	-	-	37,357	37,357
<b>Total Other Financing Sources</b>	<u>8,178,900</u>	<u>8,232,079</u>	<u>9,280,205</u>	<u>1,048,126</u>
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 75,535,400</u>	<u>\$ 75,863,500</u>	<u>\$ 74,757,859</u>	<u>\$ (1,105,641)</u>

**Reconciliation:**

Original budget as approved by Duluth City Council	\$ 75,535,400
Adjustments made in accordance with budget ordinance provisions:	
Grants, gifts, and donations	223,755
Ordinance allowable	<u>104,345</u>
Total adjustments	<u>328,100</u>
Modified budget as reported above	<u>\$ 75,863,500</u>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES & ENCUMBRANCES –  
BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>GENERAL GOVERNMENT:</b>							
<b>Legislative and Executive</b>							
<b>City Council</b>							
Personal services - salaries	\$ 90,000	\$ 90,500		\$ 90,414	\$ -	\$ 90,414	\$ 86
Personal services - benefits	13,200	12,700		6,422	-	6,422	6,278
Other expenditures	46,800	46,800		44,917	-	44,917	1,883
<b>Total City Council</b>	<b>150,000</b>	<b>150,000</b>		<b>141,753</b>	<b>-</b>	<b>141,753</b>	<b>8,247</b>
<b>Mayor's Office</b>							
Personal services - salaries	213,400	158,028		157,881	-	157,881	147
Personal services - benefits	57,100	42,972		42,218	-	42,218	754
Other expenditures	12,000	20,500		20,311	-	20,311	189
<b>Total Mayor's Office</b>	<b>282,500</b>	<b>221,500</b>	1	<b>220,410</b>	<b>-</b>	<b>220,410</b>	<b>1,090</b>
<b>Chief Administrative Officer</b>							
Personal services - salaries	171,200	217,600		190,080	-	190,080	27,520
Personal services - benefits	44,500	58,600		48,615	-	48,615	9,985
Other expenditures	7,100	12,600		12,135	-	12,135	465
<b>Total Chief Administrative Officer</b>	<b>222,800</b>	<b>288,800</b>	1	<b>250,830</b>	<b>-</b>	<b>250,830</b>	<b>37,970</b>
<b>Attorney and Human Rights</b>							
Personal services - salaries	1,398,000	1,449,600		1,449,444	-	1,449,444	156
Personal services - benefits	356,800	365,800		365,659	-	365,659	141
Other expenditures	48,700	45,700		42,919	-	42,919	2,781
Capital outlay	5,000	9,000		7,040	-	7,040	1,960
<b>Total Attorney and Human Rights</b>	<b>1,808,500</b>	<b>1,870,100</b>	1	<b>1,865,062</b>	<b>-</b>	<b>1,865,062</b>	<b>5,038</b>
<b>Human Resources</b>							
Personal services - salaries	704,300	574,429		569,698	-	569,698	4,731
Personal services - benefits	179,700	169,571		156,833	-	156,833	12,738
Other expenditures	45,900	45,900		36,496	-	36,496	9,404
<b>Total Human Resources</b>	<b>929,900</b>	<b>789,900</b>	1	<b>763,027</b>	<b>-</b>	<b>763,027</b>	<b>26,873</b>
<b>Total Legislative and Executive</b>	<b>3,393,700</b>	<b>3,320,300</b>		<b>3,241,082</b>	<b>-</b>	<b>3,241,082</b>	<b>79,218</b>
<b>Management Information Services</b>							
<b>Management Information Services</b>							
Personal services - salaries	1,463,300	1,342,870		1,100,224	-	1,100,224	242,646
Personal services - benefits	390,700	354,130		313,077	-	313,077	41,053
Other expenditures	343,200	343,200		247,189	-	247,189	96,011
<b>Total Management Information Services</b>	<b>2,197,200</b>	<b>2,040,200</b>	1	<b>1,660,490</b>	<b>-</b>	<b>1,660,490</b>	<b>379,710</b>
<b>Total Management Information Services</b>	<b>2,197,200</b>	<b>2,040,200</b>		<b>1,660,490</b>	<b>-</b>	<b>1,660,490</b>	<b>379,710</b>
<b>Public Administration</b>							
<b>Clerk</b>							
Personal services - salaries	537,800	537,800		534,627	-	534,627	3,173
Personal services - benefits	138,100	138,100		135,260	-	135,260	2,840
Other expenditures	30,500	30,500		29,923	-	29,923	577
<b>Total Clerk</b>	<b>706,400</b>	<b>706,400</b>		<b>699,810</b>	<b>-</b>	<b>699,810</b>	<b>6,590</b>
<b>Maintenance Operations</b>							
Personal services - salaries	5,562,900	5,077,793		4,979,840	-	4,979,840	97,953
Personal services - benefits	1,632,900	1,485,988		1,480,865	-	1,480,865	5,123
Other expenditures	6,230,900	6,294,379		6,271,729	-	6,271,729	22,650
<b>Total Maintenance Operations</b>	<b>13,426,700</b>	<b>12,858,160</b>	1,2,4	<b>12,732,434</b>	<b>-</b>	<b>12,732,434</b>	<b>125,726</b>
<b>Total Public Administration</b>	<b>14,133,100</b>	<b>13,564,560</b>		<b>13,432,244</b>	<b>-</b>	<b>13,432,244</b>	<b>132,316</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF EXPENDITURES & ENCUMBRANCES –  
 BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>GENERAL GOVERNMENT: (continued)</b>							
<b>Finance</b>							
<b>Budget</b>							
Personal services - salaries	264,800	278,800		278,677	-	278,677	123
Personal services - benefits	65,100	72,900		72,787	-	72,787	113
Other expenditures	4,100	4,100		2,928	-	2,928	1,172
<b>Total Budget</b>	<b>334,000</b>	<b>355,800</b>	1	<b>354,392</b>	<b>-</b>	<b>354,392</b>	<b>1,408</b>
<b>Assessor</b>							
Personal services - salaries	611,800	571,188		569,499	-	569,499	1,689
Personal services - benefits	171,000	167,012		165,160	-	165,160	1,852
Other expenditures	75,400	37,300		34,358	-	34,358	2,942
<b>Total Assessor</b>	<b>858,200</b>	<b>775,500</b>	1	<b>769,017</b>	<b>-</b>	<b>769,017</b>	<b>6,483</b>
<b>Auditor</b>							
Personal services - salaries	776,300	848,300		847,686	-	847,686	614
Personal services - benefits	220,900	245,900		241,735	-	241,735	4,165
Other expenditures	244,400	242,400		241,788	-	241,788	612
<b>Total Auditor</b>	<b>1,241,600</b>	<b>1,336,600</b>	1	<b>1,331,209</b>	<b>-</b>	<b>1,331,209</b>	<b>5,391</b>
<b>Purchasing</b>							
Personal services - salaries	128,800	132,100		131,820	-	131,820	280
Personal services - benefits	43,400	43,400		43,245	-	43,245	155
Other expenditures	11,000	9,150		6,446	-	6,446	2,704
<b>Total Purchasing</b>	<b>183,200</b>	<b>184,650</b>	1	<b>181,511</b>	<b>-</b>	<b>181,511</b>	<b>3,139</b>
<b>Treasurer</b>							
Personal services - salaries	264,400	200,400		197,451	-	197,451	2,949
Personal services - benefits	70,600	52,800		52,758	-	52,758	42
Other expenditures	64,000	38,600		36,971	-	36,971	1,629
<b>Total Treasurer</b>	<b>399,000</b>	<b>291,800</b>	1	<b>287,180</b>	<b>-</b>	<b>287,180</b>	<b>4,620</b>
<b>Total Finance</b>	<b>3,016,000</b>	<b>2,944,350</b>		<b>2,923,309</b>	<b>-</b>	<b>2,923,309</b>	<b>21,041</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>22,740,000</b>	<b>21,869,410</b>		<b>21,257,125</b>	<b>-</b>	<b>21,257,125</b>	<b>612,285</b>
<b>PUBLIC SAFETY:</b>							
<b>Fire</b>							
<b>Administration</b>							
Personal services - salaries	312,900	318,100		318,049	-	318,049	51
Personal services - benefits	76,500	84,700		84,661	-	84,661	39
Other expenditures	78,400	67,800		48,202	15,751	63,953	3,847
<b>Total Administration</b>	<b>467,800</b>	<b>470,600</b>	1	<b>450,912</b>	<b>15,751</b>	<b>466,663</b>	<b>3,937</b>
<b>Operations</b>							
Personal services - salaries	8,785,400	8,998,519		8,998,466	-	8,998,466	53
Personal services - benefits	2,510,000	2,694,000		2,693,901	-	2,693,901	99
Other expenditures	546,500	501,500		500,683	-	500,683	817
<b>Total Operations</b>	<b>11,841,900</b>	<b>12,194,019</b>	1,3	<b>12,193,050</b>	<b>-</b>	<b>12,193,050</b>	<b>969</b>
<b>Life Safety</b>							
Personal services - salaries	569,300	494,300		488,449	-	488,449	5,851
Personal services - benefits	165,600	148,400		148,257	-	148,257	143
Other expenditures	75,300	30,190		28,342	-	28,342	1,848
<b>Total Life Safety</b>	<b>810,200</b>	<b>672,890</b>	1,2	<b>665,048</b>	<b>-</b>	<b>665,048</b>	<b>7,842</b>
<b>Building Safety</b>							
Personal services - salaries	1,031,900	1,106,900		1,088,170	-	1,088,170	18,730
Personal services - benefits	318,900	338,900		327,758	-	327,758	11,142
Other expenditures	144,800	217,700		207,222	6,352	213,574	4,126
<b>Total Building Safety</b>	<b>1,495,600</b>	<b>1,663,500</b>	1,2	<b>1,623,150</b>	<b>6,352</b>	<b>1,629,502</b>	<b>33,998</b>
<b>Hazardous Materials (HAZMAT)</b>							
Other expenditures	-	11,123		5,686	-	5,686	5,437
<b>Total Hazardous Materials (HAZMAT)</b>	<b>-</b>	<b>11,123</b>	1,2,3	<b>5,686</b>	<b>-</b>	<b>5,686</b>	<b>5,437</b>
<b>Total Fire</b>	<b>14,615,500</b>	<b>15,012,132</b>		<b>14,937,846</b>	<b>22,103</b>	<b>14,959,949</b>	<b>52,183</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF EXPENDITURES & ENCUMBRANCES –  
 BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>PUBLIC SAFETY: (continued)</b>							
<b>Police</b>							
<b>Administration and Investigation</b>							
Personal services - salaries	4,356,900	4,848,700		4,813,798	-	4,813,798	34,902
Personal services - benefits	1,278,500	1,444,900		1,444,756	-	1,444,756	144
Other expenditures	1,218,500	1,083,500		1,043,239	-	1,043,239	40,261
<b>Total Administration and Investigation</b>	<b>6,853,900</b>	<b>7,377,100</b>	<b>1</b>	<b>7,301,793</b>	<b>-</b>	<b>7,301,793</b>	<b>75,307</b>
<b>Patrol</b>							
Personal services - salaries	8,334,700	8,160,922		8,032,762	-	8,032,762	128,160
Personal services - benefits	2,452,300	2,398,595		2,383,727	-	2,383,727	14,868
Other expenditures	140,200	163,101		116,837	-	116,837	46,264
<b>Total Patrol</b>	<b>10,927,200</b>	<b>10,722,618</b>	<b>1,3</b>	<b>10,533,326</b>	<b>-</b>	<b>10,533,326</b>	<b>189,292</b>
<b>Police Special Accounts</b>							
Other expenditures	-	172,175		98,189	-	98,189	73,986
<b>Total Police Special Accounts</b>	<b>-</b>	<b>172,175</b>	<b>2,3,4</b>	<b>98,189</b>	<b>-</b>	<b>98,189</b>	<b>73,986</b>
<b>Total Police</b>	<b>17,781,100</b>	<b>18,271,893</b>		<b>17,933,308</b>	<b>-</b>	<b>17,933,308</b>	<b>338,585</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>32,396,600</b>	<b>33,284,025</b>		<b>32,871,154</b>	<b>22,103</b>	<b>32,893,257</b>	<b>390,768</b>
<b>PUBLIC WORKS:</b>							
<b>Public Works and Utilities</b>							
<b>Public Works Director's Office</b>							
Personal services - salaries	35,100	37,600		37,026	-	37,026	574
Personal services - benefits	7,900	8,900		8,640	-	8,640	260
Other expenditures	900	900		580	-	580	320
<b>Total Public Works Director's Office</b>	<b>43,900</b>	<b>47,400</b>	<b>1</b>	<b>46,246</b>	<b>-</b>	<b>46,246</b>	<b>1,154</b>
<b>Engineering</b>							
Personal services - salaries	1,322,900	1,311,400		1,281,100	-	1,281,100	30,300
Personal services - benefits	392,800	392,800		378,484	-	378,484	14,316
Other expenditures	159,500	179,500		155,008	9,485	164,493	15,007
<b>Total Engineering</b>	<b>1,875,200</b>	<b>1,883,700</b>	<b>1</b>	<b>1,814,592</b>	<b>9,485</b>	<b>1,824,077</b>	<b>59,623</b>
<b>Total Public Works and Utilities</b>	<b>1,919,100</b>	<b>1,931,100</b>		<b>1,860,838</b>	<b>9,485</b>	<b>1,870,323</b>	<b>60,777</b>
<b>TOTAL PUBLIC WORKS</b>	<b>1,919,100</b>	<b>1,931,100</b>		<b>1,860,838</b>	<b>9,485</b>	<b>1,870,323</b>	<b>60,777</b>
<b>CULTURE AND RECREATION:</b>							
<b>Library Services</b>							
Personal services - salaries	2,371,200	2,324,200		2,308,871	-	2,308,871	15,329
Personal services - benefits	667,600	655,600		655,364	-	655,364	236
Other expenditures	323,000	329,581		324,915	-	324,915	4,666
Capital outlay	264,500	312,997		312,534	-	312,534	463
<b>Total Library Services</b>	<b>3,626,300</b>	<b>3,622,378</b>	<b>1,2,3</b>	<b>3,601,684</b>	<b>-</b>	<b>3,601,684</b>	<b>20,694</b>
<b>Parks and Recreation</b>							
Personal services - salaries	467,900	472,900		462,828	-	462,828	10,072
Personal services - benefits	132,000	135,600		134,994	-	134,994	606
Other expenditures	211,600	108,118		91,413	-	91,413	16,705
<b>Total Parks and Recreation</b>	<b>811,500</b>	<b>716,618</b>	<b>1,3</b>	<b>689,235</b>	<b>-</b>	<b>689,235</b>	<b>27,383</b>
<b>TOTAL CULTURE AND RECREATION</b>	<b>4,437,800</b>	<b>4,338,996</b>		<b>4,290,919</b>	<b>-</b>	<b>4,290,919</b>	<b>48,077</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF EXPENDITURES & ENCUMBRANCES –  
 BUDGET & ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>URBAN AND ECONOMIC DEVELOPMENT:</b>							
<b>Planning</b>							
Personal services - salaries	575,900	349,300		348,409	-	348,409	891
Personal services - benefits	117,600	101,499		100,931	-	100,931	568
Other expenditures	112,600	120,200		105,296	-	105,296	14,904
<b>Total Planning</b>	<b>806,100</b>	<b>570,999</b>	1,2	<b>554,636</b>	<b>-</b>	<b>554,636</b>	<b>16,363</b>
<b>Total Business and Community Development</b>							
Personal services - salaries	237,300	466,920		419,593	-	419,593	47,327
Personal services - benefits	54,900	96,600		96,467	-	96,467	133
Other expenditures	8,000	26,000		23,319	-	23,319	2,681
<b>Total Business and Community Development</b>	<b>300,200</b>	<b>589,520</b>	1	<b>539,379</b>	<b>-</b>	<b>539,379</b>	<b>50,141</b>
<b>TOTAL URBAN AND ECONOMIC DEVELOPMENT</b>	<b>1,106,300</b>	<b>1,160,519</b>		<b>1,094,015</b>	<b>-</b>	<b>1,094,015</b>	<b>66,504</b>
<b>TRANSFERS AND OTHER FUNCTIONS:</b>							
Business improvement district	300,000	308,379	4	308,379	-	308,379	-
Capital improvements/lease purchase	176,800	176,950	4	176,950	-	176,950	-
Capital maintenance/lease purchase	615,000	775,858	1,2,4	492,429	56,398	548,827	227,031
Facilities Maintenance Program	230,000	210,230	1,2	177,908	-	177,908	32,322
Flexible benefits	13,000	63,000	1	48,882	-	48,882	14,118
Parking fine administration	150,000	171,000	1	170,308	-	170,308	692
Public access television	169,000	169,000		162,000	-	162,000	7,000
Retiree insurance	9,091,300	9,086,250	1,2	6,517,344	-	6,517,344	2,568,906
Self insurance	1,100,000	1,100,000		1,100,000	-	1,100,000	-
State sales tax administration	225,000	124,000	1	121,607	-	121,607	2,393
Transfers and accruals	250,000	988,400	1	-	-	-	988,400
Other functions	615,500	624,472	1,2	560,032	11,477	571,509	52,963
<b>TOTAL TRANSFERS AND OTHER FUNCTIONS</b>	<b>12,935,600</b>	<b>13,797,539</b>		<b>9,835,839</b>	<b>67,875</b>	<b>9,903,714</b>	<b>3,893,825</b>
<b>TOTAL EXPENDITURES AND ENCUMBRANCES</b>	<b>\$ 75,535,400</b>	<b>\$ 76,381,589</b>		<b>\$ 71,209,890</b>	<b>\$ 99,463</b>	<b>\$ 71,309,353</b>	<b>\$ 5,072,236</b>

**RECONCILIATION:**

Original budget as approved by Duluth City Council \$ 75,535,400

**Adjustments made in accordance with Budget Ordinance**

Note 1	-	Departmental transfers made in accordance with budget ordinance
Note 2	518,089	Encumbrance, contract, reserve, or designation carryovers from prior year
Note 3	223,755	Grants, gifts, and donations in accordance with budget ordinance
Note 4	104,345	Other allowable additions made in accordance with budget ordinance

**Total adjustments** 846,189

**Modified budget as reported above** \$ 76,381,589

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES/TRANSFERS OUT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Personal Services Salaries</b>	<b>Personal Services Benefits</b>	<b>Other Expenditures</b>	<b>Capital Outlay</b>	<b>Transfers</b>	<b>Total Actual</b>
<b>GENERAL GOVERNMENT:</b>						
<b>Legislative and Executive</b>						
City Council	\$ 90,414	\$ 6,422	\$ 44,917	\$ -	\$ -	\$ 141,753
Mayor's Office	157,881	42,218	20,311	-	-	220,410
Chief Administrative Officer	190,080	48,615	12,135	-	-	250,830
City Attorney and Human Rights	1,449,444	365,659	42,919	7,040	-	1,865,062
Human Resources	569,698	156,833	36,496	-	-	763,027
<b>Total Legislative and Executive</b>	<b>2,457,517</b>	<b>619,747</b>	<b>156,778</b>	<b>7,040</b>	<b>-</b>	<b>3,241,082</b>
<b>Management Information Services</b>						
Management Information Services	1,100,224	313,077	247,189	-	-	1,660,490
<b>Total Management Information Services</b>	<b>1,100,224</b>	<b>313,077</b>	<b>247,189</b>	<b>-</b>	<b>-</b>	<b>1,660,490</b>
<b>Public Administration</b>						
Clerk	534,627	135,260	29,923	-	-	699,810
Maintenance Operations	4,979,840	1,480,865	6,276,352	-	-	12,737,057
Other functions	-	934,300	1,675,443	139,933	-	2,749,676
<b>Total Public Administration</b>	<b>5,514,467</b>	<b>2,550,425</b>	<b>7,981,718</b>	<b>139,933</b>	<b>-</b>	<b>16,186,543</b>
<b>Finance</b>						
Budget	278,677	72,787	2,928	-	-	354,392
Assessor	569,499	165,160	34,358	-	-	769,017
Auditor	847,686	241,735	241,788	-	-	1,331,209
Purchasing	131,820	43,245	6,446	-	-	181,511
Treasurer	197,451	52,758	36,971	-	-	287,180
<b>Total Finance</b>	<b>2,025,133</b>	<b>575,685</b>	<b>322,491</b>	<b>-</b>	<b>-</b>	<b>2,923,309</b>
<b>Benefits</b>						
Flexible Benefits	-	48,882	-	-	-	48,882
Retiree Insurance	-	6,517,344	-	-	-	6,517,344
<b>Total Benefits</b>	<b>-</b>	<b>6,566,226</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,566,226</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>11,097,341</b>	<b>10,625,160</b>	<b>8,708,176</b>	<b>146,973</b>	<b>-</b>	<b>30,577,650</b>
<b>PUBLIC SAFETY:</b>						
<b>Fire</b>						
Administration	318,049	84,661	62,002	-	-	464,712
Operations	8,998,466	2,693,901	500,683	-	-	12,193,050
Life Safety	488,449	148,257	28,342	-	-	665,048
Building Safety	1,088,170	327,758	207,222	-	-	1,623,150
Hazardous Materials (HAZMAT)	-	-	5,686	-	-	5,686
<b>Total Fire</b>	<b>10,893,134</b>	<b>3,254,577</b>	<b>803,935</b>	<b>-</b>	<b>-</b>	<b>14,951,646</b>
<b>Police</b>						
Administration and Investigation	4,813,798	1,444,756	1,043,239	-	-	7,301,793
Patrol	8,032,762	2,383,727	116,837	-	-	10,533,326
Police Special Accounts	-	-	98,189	-	-	98,189
<b>Total Police</b>	<b>12,846,560</b>	<b>3,828,483</b>	<b>1,258,265</b>	<b>-</b>	<b>-</b>	<b>17,933,308</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>23,739,694</b>	<b>7,083,060</b>	<b>2,062,200</b>	<b>-</b>	<b>-</b>	<b>32,884,954</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES/TRANSFERS OUT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Personal Services Salaries</u>	<u>Personal Services Benefits</u>	<u>Other Expenditures</u>	<u>Capital Outlay</u>	<u>Transfers</u>	<u>Total Actual</u>
<b>PUBLIC WORKS:</b>						
<b>Public Works</b>						
Public Works Director's Office	37,026	8,640	580	-	-	46,246
Engineering	1,281,100	378,484	155,008	-	-	1,814,592
<b>Total Public Works</b>	<u>1,318,126</u>	<u>387,124</u>	<u>155,588</u>	<u>-</u>	<u>-</u>	<u>1,860,838</u>
<b>TOTAL PUBLIC WORKS</b>	<u>1,318,126</u>	<u>387,124</u>	<u>155,588</u>	<u>-</u>	<u>-</u>	<u>1,860,838</u>
<b>CULTURE AND RECREATION:</b>						
<b>Culture and Recreation</b>						
Library Services	2,308,871	655,364	334,621	312,534	-	3,611,390
Parks and Recreation	462,828	134,994	93,664	292,607	-	984,093
<b>Total Culture and Recreation</b>	<u>2,771,699</u>	<u>790,358</u>	<u>428,285</u>	<u>605,141</u>	<u>-</u>	<u>4,595,483</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>2,771,699</u>	<u>790,358</u>	<u>428,285</u>	<u>605,141</u>	<u>-</u>	<u>4,595,483</u>
<b>URBAN AND ECONOMIC DEVELOPMENT:</b>						
<b>Planning and Development</b>						
Planning	348,409	100,931	105,296	-	-	554,636
Business and Development Resources	419,593	96,467	23,319	-	-	539,379
<b>Total Planning and Development</b>	<u>768,002</u>	<u>197,398</u>	<u>128,615</u>	<u>-</u>	<u>-</u>	<u>1,094,015</u>
<b>TOTAL URBAN AND ECONOMIC DEVELOPMENT</b>	<u>768,002</u>	<u>197,398</u>	<u>128,615</u>	<u>-</u>	<u>-</u>	<u>1,094,015</u>
<b>TRANSFERS:</b>						
Capital Improvements	-	-	-	-	20,000	20,000
<b>TOTAL TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
<b>DEBT SERVICE:</b>						
Capital Lease Obligation - Principal	-	-	-	135,000	-	135,000
Capital Lease Obligation - Interest	-	-	-	41,950	-	41,950
<b>TOTAL DEBT SERVICE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,950</u>	<u>-</u>	<u>176,950</u>
<b>TOTAL EXPENDITURES/TRANSFERS OUT</b>	<u>\$ 39,694,862</u>	<u>\$ 19,083,100</u>	<u>\$ 11,482,864</u>	<u>\$ 929,064</u>	<u>\$ 20,000</u>	<u>\$ 71,209,890</u>



# Proprietary Funds



**CITY OF DULUTH, MINNEOSTA  
NON-MAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2010**

**ENTERPRISE FUNDS**

Enterprise funds account for operations that are financed and managed in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation expense) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

**Street Lighting** – to account for the operation, maintenance and improvement of the City’s street lighting and traffic signal systems.

**Steam District #1** – to account for the generation and distribution of steam in the downtown area.

**Stormwater Utility** – to account for the operation and maintenance of the storm water sewer collection system.

**Golf** – to account for the operations of Enger Park and Lester Park, the City’s two municipal 27-hole golf courses.

**INTERNAL SERVICE FUNDS**

Internal Service Funds account for the financing of goods or services provided by one department to other departments or authorities of the City, or to other governmental units, on a cost reimbursement basis.

**Self-Insurance** – to account for the payment of sundry insurance premiums and loss control activities, as well as the settlement of various claims, judgments and lawsuits against the City.

**Group Health** – to account for the collection of premiums and the payment of dental and health care costs for employees of the City and various outside agencies.

**Fleet Services** – to account for the costs associated with the maintenance and operation of the City’s fleet of vehicles and equipment, including fuel usage, and to charge such costs back to the various City departments which own and use these assets.

**Employee Vacation Compensation** – to account for the funding and liability for governmental funds compensated absences and associated benefits.

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2010**

	Street Lighting	Steam District #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 2,420,389	\$ -	\$ 2,420,389
Restricted assets held by trustee	-	-	-	104,012	104,012
Receivables, net:					
Accounts receivable	126,064	1,057,443	570,466	4,980	1,758,953
Assessments	-	-	7,722	-	7,722
Due from other funds	-	21,181	36,849	-	58,030
Due from other governments	11,560	-	-	-	11,560
Inventories	-	227,631	52,436	51,385	331,452
Prepays	-	14,257	73,648	308	88,213
<b>Total current assets</b>	<b>137,624</b>	<b>1,320,512</b>	<b>3,161,510</b>	<b>160,685</b>	<b>4,780,331</b>
Noncurrent assets:					
Due from other governments	-	25,000	-	-	25,000
Issuance costs	-	67,641	30,639	11,214	109,494
Capital assets, net	2,106,035	9,677,160	12,479,341	1,994,151	26,256,687
<b>Total noncurrent assets</b>	<b>2,106,035</b>	<b>9,769,801</b>	<b>12,509,980</b>	<b>2,005,365</b>	<b>26,391,181</b>
<b>Total assets</b>	<b>2,243,659</b>	<b>11,090,313</b>	<b>15,671,490</b>	<b>2,166,050</b>	<b>31,171,512</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	76,958	395,851	256,801	6,167	735,777
Contracts payable	699	366,775	78,558	-	446,032
Due to other funds	6,370	176	354,257	977	361,780
Interfund loan payable	15,475	91,633	-	820,223	927,331
Due to other governments	69	29,535	11,378	-	40,982
Accrued interest payable	-	112,927	25,689	885	139,501
Accrued salaries payable	14,358	-	61,229	-	75,587
Compensated absences	7,444	-	84,931	-	92,375
Unearned revenue	4,913	-	50,626	39,079	94,618
Revenue bonds payable	-	515,000	95,000	140,000	750,000
<b>Total current liabilities</b>	<b>126,286</b>	<b>1,511,897</b>	<b>1,018,469</b>	<b>1,007,331</b>	<b>3,663,983</b>
Noncurrent liabilities:					
Compensated absences	-	-	26,910	-	26,910
Revenue bonds payable	-	6,145,000	2,105,000	145,000	8,395,000
Less unamortized bond premium (discount)	-	(772)	7,088	-	6,316
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>6,144,228</b>	<b>2,138,998</b>	<b>145,000</b>	<b>8,428,226</b>
<b>Total liabilities</b>	<b>126,286</b>	<b>7,656,125</b>	<b>3,157,467</b>	<b>1,152,331</b>	<b>12,092,209</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,106,035	3,085,573	10,302,892	1,709,151	17,203,651
Restricted for special accounts	-	-	-	103,127	103,127
Unrestricted	11,338	348,615	2,211,131	(798,559)	1,772,525
<b>Total net assets</b>	<b>\$ 2,117,373</b>	<b>\$ 3,434,188</b>	<b>\$ 12,514,023</b>	<b>\$ 1,013,719</b>	<b>\$ 19,079,303</b>

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Street Lighting</u>	<u>Steam Dist #1</u>	<u>Stormwater</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ -	\$ 513,998	\$ 513,998
Charges for services	1,190,746	6,364,346	4,685,309	1,440,723	13,681,124
Miscellaneous revenues	79,372	133,500	15,710	12,680	241,262
Total operating revenues	<u>1,270,118</u>	<u>6,497,846</u>	<u>4,701,019</u>	<u>1,967,401</u>	<u>14,436,384</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	-	-	307,969	307,969
Personal services	400,554	-	1,919,689	110	2,320,353
Supplies	184,192	2,157,343	257,860	52,633	2,652,028
Utilities	678,128	413,554	19,599	46,991	1,158,272
Other services and charges	72,208	2,454,083	646,696	1,444,653	4,617,640
Amortization	-	7,418	2,139	5,851	15,408
Depreciation	221,769	953,142	423,537	131,367	1,729,815
Total operating expenses	<u>1,556,851</u>	<u>5,985,540</u>	<u>3,269,520</u>	<u>1,989,574</u>	<u>12,801,485</u>
Operating income	<u>(286,733)</u>	<u>512,306</u>	<u>1,431,499</u>	<u>(22,173)</u>	<u>1,634,899</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	-	-	33,506	17	33,523
Intergovernmental revenue	-	-	29,589	-	29,589
Other revenue	-	119,500	-	-	119,500
Gain (Loss) on sale or disposition of capital assets	-	-	320	-	320
Interest expense	-	(272,638)	(81,594)	(17,059)	(371,291)
Total non-operating revenue (expenses)	<u>-</u>	<u>(153,138)</u>	<u>(18,179)</u>	<u>(17,042)</u>	<u>(188,359)</u>
Income before transfers	(286,733)	359,168	1,413,320	(39,215)	1,446,540
Transfers out	-	(121,000)	(542,536)	-	(663,536)
Change in net assets	(286,733)	238,168	870,784	(39,215)	783,004
Total net assets - January 1, 2010	<u>2,404,106</u>	<u>3,196,020</u>	<u>11,643,239</u>	<u>1,052,934</u>	<u>18,296,299</u>
Total net assets - December 31, 2010	<u>\$ 2,117,373</u>	<u>\$ 3,434,188</u>	<u>\$ 12,514,023</u>	<u>\$ 1,013,719</u>	<u>\$ 19,079,303</u>

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Street Lighting</u>	<u>Steam District #1</u>	<u>Stormwater</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,195,971	\$ 6,344,944	\$ 4,428,867	\$ 1,973,018	\$ 13,942,800
Cash paid to suppliers	(883,167)	(4,758,019)	(728,258)	(1,854,496)	(8,223,940)
Cash paid to employees	(399,006)	-	(1,922,131)	(110)	(2,321,247)
Other operating revenues	61,480	10,899	4,350	-	76,729
Net cash provided (used) by operating activities	<u>(24,722)</u>	<u>1,597,824</u>	<u>1,782,828</u>	<u>118,412</u>	<u>3,474,342</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(121,000)	(542,536)	-	(663,536)
Operating grants	-	-	52,399	-	52,399
Interfund financing	15,475	(144,574)	-	132,630	3,531
Net cash provided (used) by noncapital financing activities	<u>15,475</u>	<u>(265,574)</u>	<u>(490,137)</u>	<u>132,630</u>	<u>(607,606)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Other	-	119,500	-	-	119,500
Principal paid on bonds, notes and capitalized leases	-	(501,325)	(276,877)	(97,651)	(875,853)
Interest paid on bonds, notes and capitalized leases	-	(280,655)	(104,744)	(3,197)	(388,596)
Transfer to trustee debt service account	-	-	-	(150,194)	(150,194)
Special assessments received	-	-	11,306	-	11,306
Sale of capital assets	-	-	320	-	320
Acquisition or construction of capital assets	-	(669,770)	(1,064,360)	-	(1,734,130)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,332,250)</u>	<u>(1,434,355)</u>	<u>(251,042)</u>	<u>(3,017,647)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment interest	-	-	33,220	-	33,220
Net increase (decrease) in cash and cash equivalents	(9,247)	-	(108,444)	-	(117,691)
Cash and cash equivalents - January 1, 2010	9,247	-	2,528,833	-	2,538,080
Cash and cash equivalents - December 31, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,420,389</u>	<u>\$ -</u>	<u>\$ 2,420,389</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	<u>\$ (286,733)</u>	<u>\$ 512,306</u>	<u>\$ 1,431,499</u>	<u>\$ (22,173)</u>	<u>\$ 1,634,899</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	221,769	960,560	425,676	137,218	1,745,223
Change in assets and liabilities:					
Decrease (increase) in receivables	1,902	(139,603)	(65,223)	(3,298)	(206,222)
Decrease (increase) in inventory	-	8,410	(15,150)	(13,771)	(20,511)
Decrease (increase) in prepaid items	-	(2,476)	-	6,110	3,634
Increase (decrease) in payables	40,677	258,627	214,021	5,411	518,736
Increase (decrease) in deferred revenues	(2,337)	-	(207,995)	8,915	(201,417)
Total adjustments	<u>262,011</u>	<u>1,085,518</u>	<u>351,329</u>	<u>140,585</u>	<u>1,839,443</u>
Net cash provided (used) by operating activities	<u>\$ (24,722)</u>	<u>\$ 1,597,824</u>	<u>\$ 1,782,828</u>	<u>\$ 118,412</u>	<u>\$ 3,474,342</u>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

Golf

The trustee debt service account paid \$135,000 and \$15,210 for principal and interest payments, respectively, and earned \$17 in interest.

**CITY OF DULUTUH, MINNESOTA  
COMBINING STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS  
DECEMBER 31, 2010**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,506,409	\$ 9,599,481	\$ -	\$ 3,271,362	\$ 16,377,252
Accounts receivable, net	-	30,075	1,096	-	31,171
Due from other funds	-	2,768	313,264	116,364	432,396
Due from component units	-	24,986	-	-	24,986
Due from other governments	28,316	-	-	-	28,316
Inventories	-	-	226,816	-	226,816
Prepays	-	113,233	-	-	113,233
Total current assets	<u>3,534,725</u>	<u>9,770,543</u>	<u>541,176</u>	<u>3,387,726</u>	<u>17,234,170</u>
Capital assets, net	<u>-</u>	<u>-</u>	<u>455,879</u>	<u>-</u>	<u>455,879</u>
Total assets	<u>3,534,725</u>	<u>9,770,543</u>	<u>997,055</u>	<u>3,387,726</u>	<u>17,690,049</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	-	-	217,350	-	217,350
Contracts payable	-	4,625	-	-	4,625
Claims payable	137,068	1,731,549	-	-	1,868,617
Leases payable	-	-	46,040	-	46,040
Due to other funds	32,062	-	-	-	32,062
Interfund loan payable	-	-	41,308	-	41,308
Due to other governments	-	-	586	-	586
Accrued interest payable	-	-	583	-	583
Accrued salaries payable	3,246	-	40,510	-	43,756
Compensated absences	-	-	64,189	2,800,000	2,864,189
Unearned revenue	-	57,735	-	-	57,735
Total current liabilities	<u>172,376</u>	<u>1,793,909</u>	<u>410,566</u>	<u>2,800,000</u>	<u>5,176,851</u>
Noncurrent liabilities:					
Claims payable	952,233	-	-	-	952,233
Compensated absences	-	-	28,588	587,726	616,314
Leases payable	-	-	23,887	-	23,887
Total noncurrent liabilities	<u>952,233</u>	<u>-</u>	<u>52,475</u>	<u>587,726</u>	<u>1,592,434</u>
Total liabilities	<u>1,124,609</u>	<u>1,793,909</u>	<u>463,041</u>	<u>3,387,726</u>	<u>6,769,285</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	-	385,952	-	385,952
Unrestricted	2,410,116	7,976,634	148,062	-	10,534,812
Total net assets	<u>\$ 2,410,116</u>	<u>\$ 7,976,634</u>	<u>\$ 534,014</u>	<u>\$ -</u>	<u>\$ 10,920,764</u>

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ 2,063,902	\$ -	\$ 2,063,902
Charges for services	2,227,145	17,524,316	1,260,977	3,387,726	24,400,164
Miscellaneous revenues	169,734	951,018	2,585	-	1,123,337
Total operating revenues	<u>2,396,879</u>	<u>18,475,334</u>	<u>3,327,464</u>	<u>3,387,726</u>	<u>27,587,403</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	-	1,830,886	-	1,830,886
Personal services	326,158	-	1,195,329	3,387,726	4,909,213
Supplies	-	-	42,458	-	42,458
Other services and charges	749,269	1,515,217	275,880	-	2,540,366
Depreciation	-	-	72,033	-	72,033
Medical and insurance	122,732	18,068,946	-	-	18,191,678
Total operating expenses	<u>1,198,159</u>	<u>19,584,163</u>	<u>3,416,586</u>	<u>3,387,726</u>	<u>27,586,634</u>
Operating income	<u>1,198,720</u>	<u>(1,108,829)</u>	<u>(89,122)</u>	<u>-</u>	<u>769</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	-	111,531	-	37,357	148,888
Intergovernmental revenue	-	-	5,835	-	5,835
Interest expense	-	-	(4,781)	-	(4,781)
Total non-operating revenue (expenses)	<u>-</u>	<u>111,531</u>	<u>1,054</u>	<u>37,357</u>	<u>149,942</u>
Income before transfers	1,198,720	(997,298)	(88,068)	37,357	150,711
Transfers out	-	(106,846)	-	(37,357)	(144,203)
Change in net assets	1,198,720	(1,104,144)	(88,068)	-	6,508
Total net assets - January 1, 2010	<u>1,211,396</u>	<u>9,080,778</u>	<u>622,082</u>	<u>-</u>	<u>10,914,256</u>
Total net assets - December 31, 2010	<u>\$ 2,410,116</u>	<u>\$ 7,976,634</u>	<u>\$ 534,014</u>	<u>\$ -</u>	<u>\$ 10,920,764</u>

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF CASH FLOWS  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Self Insurance</b>	<b>Group Health</b>	<b>Fleet Services</b>	<b>Employee Vacation Compensation</b>	<b>Total Governmental Activities- Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 4,005,081	\$ 18,842,226	\$ 3,355,892	\$ 3,501,219	\$ 29,704,418
Cash paid to suppliers	(1,745,253)	(19,984,873)	(2,143,820)	-	(23,873,946)
Cash paid to employees	-	-	(1,197,408)	(3,271,362)	(4,468,770)
Other operating revenues	-	-	2,585	-	2,585
Net cash provided (used) by operating activities	<u>2,259,828</u>	<u>(1,142,647)</u>	<u>17,249</u>	<u>229,857</u>	<u>1,364,287</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(106,846)	-	(37,357)	(144,203)
Operating grants	-	-	5,835	-	5,835
Interfund financing	-	-	41,308	-	41,308
Net cash provided (used) by noncapital	<u>-</u>	<u>(106,846)</u>	<u>47,143</u>	<u>(37,357)</u>	<u>(97,060)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on bonds, notes and capitalized leases	-	-	(43,822)	-	(43,822)
Interest paid on bonds, notes and capitalized leases	-	-	(5,146)	-	(5,146)
Acquisition or construction of capital assets	-	-	(42,425)	-	(42,425)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(91,393)</u>	<u>-</u>	<u>(91,393)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment interest	-	111,531	-	37,357	148,888
Net increase (decrease) in cash and cash equivalents	2,259,828	(1,137,962)	(27,001)	229,857	1,324,722
Cash and cash equivalents - January 1, 2010	1,246,581	10,737,443	27,001	3,041,505	15,052,530
Cash and cash equivalents - December 31, 2010	<u>\$ 3,506,409</u>	<u>\$ 9,599,481</u>	<u>\$ -</u>	<u>\$ 3,271,362</u>	<u>\$ 16,377,252</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	\$ 1,198,720	\$ (1,108,829)	\$ (89,122)	\$ -	\$ 769
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	-	72,033	-	72,033
Change in assets and liabilities:					
Decrease (increase) in receivables	1,608,202	389,759	28,256	113,493	2,139,710
Decrease (increase) in inventory	-	-	(13,184)	-	(13,184)
Decrease (increase) in prepaid items	-	(69,063)	-	-	(69,063)
Increase (decrease) in payables	(547,094)	(331,647)	19,266	116,364	(743,111)
Increase (decrease) in deferred revenues	-	(22,867)	-	-	(22,867)
Total adjustments	<u>1,061,108</u>	<u>(33,818)</u>	<u>106,371</u>	<u>229,857</u>	<u>1,363,518</u>
Net cash provided (used) by operating activities	<u>\$ 2,259,828</u>	<u>\$ (1,142,647)</u>	<u>\$ 17,249</u>	<u>\$ 229,857</u>	<u>\$ 1,364,287</u>



# Fiduciary Funds



**CITY OF DULUTH, MINNESOTA  
FIDUCIARY FUNDS  
AGENCY FUNDS  
DECEMBER 31, 2010**

**AGENCY FUNDS**

Agency Funds account for assets held by the City as an agent for private organizations and another governmental unit.

**Duluth 1200 Loan** – to account for monies received from various sources for the establishment of a venture capital fund managed by an independent non-profit corporation.

**Duluth Public Arts** – to account for the proceeds of various fund-raising activities sponsored by the Duluth Public Arts Commission, to be used for art in public places and art projects.

**Seaway Port Authority** – to account for property tax revenues used for the operation of the Duluth Port Terminal.

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Balance 01/01/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/10</u>
<b><u>DULUTH 1200 FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,901,181	\$ 265,325	\$ 237,258	\$ 1,929,248
Loans receivable	1,625,669	88,689	139,208	1,575,150
Other assets	<u>349,493</u>	<u>2,007</u>	<u>2,007</u>	<u>349,493</u>
Total assets	<u>\$ 3,876,343</u>	<u>\$ 356,021</u>	<u>\$ 378,473</u>	<u>\$ 3,853,891</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 345	\$ 133,703	\$ 133,508	\$ 540
Due to agency	<u>3,875,998</u>	<u>27,344</u>	<u>49,991</u>	<u>3,853,351</u>
Total liabilities	<u>\$ 3,876,343</u>	<u>\$ 161,047</u>	<u>\$ 183,499</u>	<u>\$ 3,853,891</u>
<b><u>DULUTH PUBLIC ARTS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 38,903</u>	<u>\$ 113,435</u>	<u>\$ 106,140</u>	<u>\$ 46,198</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 21	\$ 106,120	\$ 106,141	\$ -
Due to agency	<u>38,882</u>	<u>113,435</u>	<u>106,119</u>	<u>46,198</u>
Total liabilities	<u>\$ 38,903</u>	<u>\$ 219,555</u>	<u>\$ 212,260</u>	<u>\$ 46,198</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Balance 01/01/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/10</u>
<b><u>SEAWAY PORT AUTHORITY</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 38,045	\$ 67,513	\$ 71,802	\$ 33,756
<b>LIABILITIES</b>				
Due to other governments	\$ 38,045	\$ 135,025	\$ 139,314	\$ 33,756
 <b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,978,129	\$ 446,273	\$ 415,200	\$ 2,009,202
Loans receivable	1,625,669	88,689	139,208	1,575,150
Other assets	349,493	2,007	2,007	349,493
Total assets	<u>\$ 3,953,291</u>	<u>\$ 536,969</u>	<u>\$ 556,415</u>	<u>\$ 3,933,845</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 366	\$ 239,823	\$ 239,649	\$ 540
Due to other governments	38,045	135,025	139,314	33,756
Due to agency	3,914,880	140,779	156,110	3,899,549
Total liabilities	<u>\$ 3,953,291</u>	<u>\$ 515,627</u>	<u>\$ 535,073</u>	<u>\$ 3,933,845</u>



# **Supplementary Information**

**CITY OF DULUTH, MINNESOTA  
 CAPITAL ASSETS USED IN THE OPERATION OF  
 GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE\*  
 DECEMBER 31, 2010**

**Governmental funds capital assets:**

Land	\$	19,341,732
Buildings and structures		50,356,705
Equipment		23,467,047
Infrastructure		255,201,374
Construction in Progress		<u>40,213,420</u>

<b>Total governmental funds capital assets</b>	<b>\$</b>	<b><u><u>388,580,278</u></u></b>
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**Investments in governmental funds capital assets by source:**

General fund	\$	13,675,278
Special revenue fund		22,312,814
Capital projects fund		350,453,350
Donations		<u>2,138,836</u>

<b>Total governmental funds capital assets</b>	<b>\$</b>	<b><u><u>388,580,278</u></u></b>
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*\* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.*

**CITY OF DULUTH, MINNESOTA  
CAPITAL ASSETS USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY\*  
DECEMBER 31, 2010**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>General Government</b>						
Legislative and Executive	\$ -	\$ -	15,239	\$ -	\$ -	15,239
Planning and Development	-	-	159,490	-	1,097,030	1,256,520
Finance	-	-	392,011	-	-	392,011
Administrative Services	-	-	271,385	-	87,399	358,784
Management Information Systems	-	-	1,509,630	-	-	1,509,630
Maintenance Operations	6,836,374	15,375,278	9,505,761	12,744,119	1,270,790	45,732,322
<b>Total General Government</b>	<u>6,836,374</u>	<u>15,375,278</u>	<u>11,853,516</u>	<u>12,744,119</u>	<u>2,455,219</u>	<u>49,264,506</u>
<b>Public Safety</b>						
Police	2,000	2,045,142	3,973,353	-	2,279,869	8,300,364
Fire	83,006	2,559,291	6,070,711	-	337,204	9,050,212
<b>Total Public Safety</b>	<u>85,006</u>	<u>4,604,433</u>	<u>10,044,064</u>	<u>-</u>	<u>2,617,073</u>	<u>17,350,576</u>
<b>Public Works</b>						
Street Construction	-	-	-	240,619,813	32,305,836	272,925,649
Engineering	-	-	698,614	-	-	698,614
<b>Total Public Works</b>	<u>-</u>	<u>-</u>	<u>698,614</u>	<u>240,619,813</u>	<u>32,305,836</u>	<u>273,624,263</u>
<b>Culture and Recreation</b>						
Libraries	51,585	7,545,987	378,347	-	-	7,975,919
Parks and Recreation	12,368,767	22,831,007	492,506	1,837,442	2,835,292	40,365,014
<b>Total Culture and Recreation</b>	<u>12,420,352</u>	<u>30,376,994</u>	<u>870,853</u>	<u>1,837,442</u>	<u>2,835,292</u>	<u>48,340,933</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 19,341,732</u>	<u>\$ 50,356,705</u>	<u>\$ 23,467,047</u>	<u>\$ 255,201,374</u>	<u>\$ 40,213,420</u>	<u>\$ 388,580,278</u>

\* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF DULUTH, MINNESOTA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY\*  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Funds Capital Assets					Governmental Funds Capital Assets
Function and Activity	01/01/10	Reclassification	Transfers	Additions	Deductions	12/31/10
<b>General Government</b>						
Legislative and Executive	\$ 15,239	\$ -	\$ -	\$ -	\$ -	15,239
Planning and Development	1,130,943	-	-	125,577	-	1,256,520
Finance	344,979	-	62,936	-	15,904	392,011
Administrative Services	2,049,992	(1,336,872)	-	148,111	502,447	358,784
Management Information Systems	-	1,336,869	-	172,761	-	1,509,630
Street and Park Maintenance	276,083,635	(276,083,635)	-	-	-	-
Facilities Management	26,718,896	(26,718,896)	-	-	-	-
Maintenance Operations	-	42,792,391	-	7,123,220	4,183,289	45,732,322
<b>Total General Government</b>	<b>306,343,684</b>	<b>(260,010,143)</b>	<b>62,936</b>	<b>7,569,669</b>	<b>4,701,640</b>	<b>49,264,506</b>
<b>Public Safety</b>						
Police	6,437,174	-	(83,909)	1,990,935	43,836	8,300,364
Fire	7,939,164	-	-	1,111,048	-	9,050,212
<b>Total Public Safety</b>	<b>14,376,338</b>	<b>-</b>	<b>(83,909)</b>	<b>3,101,983</b>	<b>43,836</b>	<b>17,350,576</b>
<b>Public Works</b>						
Street Construction	-	260,360,562	-	16,969,393	4,404,306	272,925,649
Engineering	1,069,772	(350,419)	20,973	-	41,712	698,614
<b>Total Public Works</b>	<b>1,069,772</b>	<b>260,010,143</b>	<b>20,973</b>	<b>16,969,393</b>	<b>4,446,018</b>	<b>273,624,263</b>
<b>Culture and Recreation</b>						
Libraries	7,975,919	-	-	-	-	7,975,919
Parks and Recreation	39,005,268	-	-	2,344,170	984,424	40,365,014
<b>Total Culture and Recreation</b>	<b>46,981,187</b>	<b>-</b>	<b>-</b>	<b>2,344,170</b>	<b>984,424</b>	<b>48,340,933</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 368,770,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,985,215</b>	<b>\$ 10,175,918</b>	<b>\$ 388,580,278</b>
Restatement of beginning balance:						
12/31/2009 Balance			\$ 400,960,981			
DEDA reclassified as Discretely Presented Component Unit			(32,190,000)			
Restated 01/01/2010 Balance			<u>\$ 368,770,981</u>			

\* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the Capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2010**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
<b>Governmental Activities:</b>				
<b>General Obligation Bonds Payable</b>				
<b>General Obligation</b>				
Great Lakes Aquarium	\$ 2,475,000	12/1/1999	2/1/2010	\$ 325,000
Bayfront Festival Park	3,135,000	4/1/2001	2/1/2011	825,000
Duluth Transit Authority	615,000	9/1/2001	2/1/2011	155,000
Airport Improvement	3,400,000	2/1/2002	2/1/2017	2,285,000
Duluth Entertainment and Convention Center Authority Refunding	2,405,000	3/1/2003	2/1/2010	370,000
Bayfront Festival Park Improvement	425,000	12/1/2003	2/1/2012	175,000
Capital Improvement	800,000	3/1/2004	2/1/2014	470,000
Airpark Improvement	945,000	9/1/2004	2/1/2020	750,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	880,000
Lake Superior Center Refunding	1,765,000	12/19/2005	2/1/2017	1,360,000
Zoo Refunding Issue	1,485,000	12/19/2005	2/1/2012	750,000
Capital Improvement	895,000	9/7/2006	2/1/2016	725,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	1,125,000
Duluth Entertainment and Convention Center Authority Refunding	3,760,000	12/13/2007	2/1/2014	3,215,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	1,475,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	40,635,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	1,600,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	7,085,000
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	2/1/2032	11,905,000
West Michigan Street Improvements Refunding	589,118	12/17/2009	2/1/2018	589,118
Capital Improvement	2,175,000	11/23/2010	2/1/2021	-
Airport Improvement Refunding	1,850,000	11/23/2010	2/1/2017	-
<b>Total General Obligation</b>				<u>\$ 76,699,118</u>
<b>General Obligation - Tax Abatement</b>				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/1/2005	2/1/2021	\$ 310,000
<b>Total General Obligation Bonds Payable</b>				<u>\$ 77,009,118</u>
<b>Revenue Bonds Payable</b>				
<b>Lease Revenue Bonds Payable</b>				
Artspace Community Center Refunding	\$ 1,380,000	2/7/2007	8/1/2014	995,000
<b>Total Revenue Bonds Payable</b>				<u>\$ 995,000</u>
<b>Special Assessment Debt with Government Commitment</b>				
Street Improvement	3,860,000	9/1/2002	2/1/2018	2,525,000
General Obligation Improvement	2,220,000	12/1/2002	2/1/2018	1,490,000
Street Improvement Refunding	3,118,400	3/1/2003	2/1/2010	465,700
Street Improvement Refunding	818,000	3/1/2003	2/1/2010	122,200
General Obligation Improvement Refunding	583,600	3/1/2003	2/1/2010	87,100
Street Improvement	5,035,000	9/1/2003	2/1/2019	3,635,000
General Obligation Improvement	2,010,000	12/1/2003	2/1/2019	1,465,000
Street Improvement	4,785,000	9/1/2004	2/1/2020	3,755,000
General Obligation Improvement	2,275,000	6/1/2005	2/1/2020	1,890,000
Street Improvement	4,260,000	10/1/2005	2/1/2021	3,605,000
Street Improvement Refunding	2,820,000	12/19/2005	2/1/2012	1,500,000
General Obligation Improvement	1,985,000	9/7/2006	2/1/2021	1,770,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	3,035,000
Street Improvement Refunding	2,395,000	12/19/2006	2/1/2012	1,505,000
Street Improvement Refunding	3,445,000	12/19/2006	2/1/2014	2,570,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	2,570,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	2,180,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	2,320,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	3,055,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	397,780
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	506,415
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	656,687
General Obligation Improvement Refunding	1,205,000	11/23/2010	2/1/2019	-
General Obligation Improvement Refunding	1,135,000	11/23/2010	2/1/2019	-
<b>Total Special Assessment Debt with Government Commitment</b>				<u>\$ 41,105,882</u>
<b>General Obligation Certificates Payable</b>				
Equipment	\$ 1,110,000	12/19/2005	12/19/2010	\$ 240,000
Equipment	1,785,000	12/19/2006	2/1/2012	1,115,000
Equipment	1,985,000	12/13/2007	2/1/2013	1,625,000
Equipment	2,515,000	12/9/2008	2/1/2014	2,515,000
Equipment	2,570,000	12/17/2009	2/1/2015	2,570,000
Equipment	2,295,000	11/23/2010	2/1/2016	-
<b>Total General Obligation Certificates Payable</b>				<u>\$ 8,065,000</u>
<b>Total Governmental Activities Bonds and Certificates Payable</b>				<u>\$ 127,175,000</u>

(Continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2010**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2011</u>	<u>Interest Due in 2011</u>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds Payable</b>					
<b>General Obligation</b>					
Great Lakes Aquarium	\$ -	\$ 325,000	\$ -	\$ -	\$ -
Bayfront Festival Park	-	365,000	460,000	460,000	9,775
Duluth Transit Authority	-	75,000	80,000	80,000	1,640
Airport Improvement	-	2,285,000	-	-	-
Duluth Entertainment and Convention Center Authority Refunding	-	370,000	-	-	-
Bayfront Festival Park Improvement	-	55,000	120,000	60,000	3,180
Capital Improvement	-	90,000	380,000	90,000	10,598
Airpark Improvement	-	55,000	695,000	55,000	25,868
Capital Improvement	-	130,000	750,000	135,000	23,953
Lake Superior Center Refunding	-	145,000	1,215,000	155,000	44,493
Zoo Refunding Issue	-	255,000	495,000	250,000	14,175
Capital Improvement	-	90,000	635,000	95,000	23,500
Capital Improvement	-	125,000	1,000,000	130,000	37,400
Duluth Entertainment and Convention Center Authority Refunding	-	590,000	2,625,000	615,000	92,700
Aerial Lift Bridge Improvement	-	125,000	1,350,000	130,000	50,440
Duluth Entertainment and Convention Center Improvement	-	50,000	40,585,000	70,000	1,932,338
Capital Improvement	-	145,000	1,455,000	160,000	50,875
Capital Improvement	-	-	7,085,000	140,000	222,963
Capital Improvement - Law Enforcement Center	-	-	11,905,000	-	682,283
West Michigan Street Improvements Refunding	-	-	589,118	133,095	11,320
Capital Improvement	2,175,000	-	2,175,000	-	39,422
Airport Improvement Refunding	1,850,000	-	1,850,000	-	19,936
<b>Total General Obligation</b>	<u>\$ 4,025,000</u>	<u>\$ 5,275,000</u>	<u>\$ 75,449,118</u>	<u>\$ 2,758,095</u>	<u>\$ 3,296,859</u>
<b>General Obligation - Tax Abatement</b>					
Lake Walk Homes Tax Abatement Bonds	\$ -	\$ -	\$ 310,000	\$ 25,000	\$ 11,780
<b>Total General Obligation Bonds Payable</b>	<u>\$ 4,025,000</u>	<u>\$ 5,275,000</u>	<u>\$ 75,759,118</u>	<u>\$ 2,783,095</u>	<u>\$ 3,308,639</u>
<b>Revenue Bonds Payable</b>					
<b>Lease Revenue Bonds Payable</b>					
Artspace Community Center Refunding	-	135,000	860,000	145,000	34,400
	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 860,000</u>	<u>\$ 145,000</u>	<u>\$ 34,400</u>
<b>Special Assessment Debt with Government Commitment</b>					
Street Improvement	\$ -	\$ 235,000	\$ 2,290,000	\$ 245,000	\$ 89,454
General Obligation Improvement	-	1,490,000	-	-	-
Street Improvement Refunding	-	465,700	-	-	-
Street Improvement Refunding	-	122,200	-	-	-
General Obligation Improvement Refunding	-	87,100	-	-	-
Street Improvement	-	295,000	3,340,000	310,000	131,919
General Obligation Improvement	-	1,335,000	130,000	-	2,275
Street Improvement	-	270,000	3,485,000	285,000	134,918
General Obligation Improvement	-	135,000	1,755,000	145,000	65,400
Street Improvement	-	235,000	3,370,000	250,000	130,576
Street Improvement Refunding	-	480,000	1,020,000	500,000	30,800
General Obligation Improvement	-	115,000	1,655,000	120,000	63,800
Street Improvement	-	180,000	2,855,000	185,000	110,500
Street Improvement Refunding	-	480,000	1,025,000	500,000	31,000
Street Improvement Refunding	-	475,000	2,095,000	490,000	74,000
Street Improvement Refunding	-	330,000	2,240,000	340,000	82,800
Street Improvement	-	120,000	2,060,000	125,000	78,856
Street Improvement	-	125,000	2,195,000	125,000	91,083
Street Improvement Refunding	-	460,000	2,595,000	490,000	86,362
General Obligation Improvement Refunding	-	-	397,780	89,868	7,643
General Obligation Improvement Refunding	-	-	506,415	93,333	11,904
General Obligation Improvement Refunding	-	-	656,687	103,704	12,733
General Obligation Improvement Refunding	1,205,000	-	1,205,000	-	18,775
General Obligation Improvement Refunding	1,135,000	-	1,135,000	-	17,681
<b>Total Special Assessment Debt with Government Commitment</b>	<u>\$ 2,340,000</u>	<u>\$ 7,435,000</u>	<u>\$ 36,010,882</u>	<u>\$ 4,396,905</u>	<u>\$ 1,272,479</u>
<b>General Obligation Certificates Payable</b>					
Equipment	\$ -	\$ 240,000	\$ -	\$ -	\$ -
Equipment	-	360,000	755,000	370,000	20,663
Equipment	-	385,000	1,240,000	400,000	48,950
Equipment	-	455,000	2,060,000	485,000	75,375
Equipment	-	-	2,570,000	485,000	57,200
Equipment	2,295,000	-	2,295,000	-	16,382
<b>Total General Obligation Certificates Payable</b>	<u>\$ 2,295,000</u>	<u>\$ 1,440,000</u>	<u>\$ 8,920,000</u>	<u>\$ 1,740,000</u>	<u>\$ 218,570</u>
<b>Total Governmental Activities Bonds and Certificates Payable</b>	<u>\$ 8,660,000</u>	<u>\$ 14,285,000</u>	<u>\$ 121,550,000</u>	<u>\$ 9,065,000</u>	<u>\$ 4,834,088</u>

(Continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2010**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
<b>Business-type Activities:</b>				
<b>Revenue Bonds Payable</b>				
<b>Golf Fund</b>				
Revenue Recreation Facility Refunding	\$ 1,040,000	12/14/2004	12/1/2012	\$ 420,000
<b>Revenue and General Obligation Bonds Payable</b>				
<b>Parking Fund</b>				
Parking Improvement Tax Increment	\$ 12,785,000	12/16/2005	2/1/2026	\$ 11,945,000
Technology Village & Parking Improvement	1,965,000	12/9/2008	2/1/2015	1,965,000
<b>Total Parking Fund</b>				<u>\$ 13,910,000</u>
<b>Water Fund</b>				
Water Utility Revenue and General Obligation	\$ 1,690,000	9/1/2002	2/1/2018	\$ 1,131,000
Water Utility Revenue and General Obligation	1,385,000	12/1/2002	2/1/2018	920,000
Water Utility Revenue and General Obligation Refunding	625,000	3/1/2003	2/1/2010	95,000
Water Utility Revenue and General Obligation	1,120,000	12/19/2006	2/1/2022	1,010,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	845,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	196,000
Water Utility Revenue and General Obligation Refunding	1,625,000	11/23/2010	2/1/2018	-
<b>Total Water Fund</b>				<u>\$ 4,197,000</u>
<b>Gas Fund</b>				
Gas Utility Revenue and General Obligation	\$ 2,132,000	9/1/2002	2/1/2018	\$ 1,424,000
Gas Utility Revenue and General Obligation	1,425,000	12/1/2002	2/1/2018	955,000
Gas Utility Revenue and General Obligation	6,090,000	12/1/2003	2/1/2019	4,445,000
Gas Utility Revenue and General Obligation	1,190,000	12/19/2006	2/1/2022	1,075,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	2,846,814
<b>Total Gas Fund</b>				<u>\$ 10,745,814</u>
<b>Steam District #1 Fund</b>				
Steam Utility Revenue and General Obligation	\$ 325,000	12/1/2000	2/1/2011	\$ 80,000
Steam Utility Revenue and General Obligation	345,000	12/1/2002	2/1/2012	125,000
Steam Utility Revenue and General Obligation	2,250,000	9/1/2003	2/1/2023	1,840,000
Steam Utility Revenue and General Obligation	1,250,000	6/1/2005	2/1/2020	1,035,000
Steam Utility Revenue and General Obligation	4,525,000	12/19/2006	2/1/2022	4,080,000
<b>Total Steam District # 1 Fund</b>				<u>\$ 7,160,000</u>
<b>Sewer Fund</b>				
Sewer Utility Revenue and General Obligation	\$ 2,003,000	9/1/2002	2/1/2018	\$ 1,338,000
Sewer Utility Revenue and General Obligation	1,825,000	12/1/2002	2/1/2018	1,220,000
Sewer Utility Revenue and General Obligation Refunding	1,240,000	3/1/2003	2/1/2010	195,000
Sewer Utility Revenue and General Obligation	4,045,000	12/1/2004	2/1/2020	3,175,000
Sewer Utility Revenue and General Obligation	3,515,000	12/19/2005	2/1/2021	2,980,000
Sewer Utility Revenue and General Obligation	945,000	12/19/2006	2/1/2022	850,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	2,020,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	1,165,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	1,444,000
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	713,186
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	905,000
Sewer Utility Revenue and General Obligation Refunding	2,025,000	11/23/2010	2/1/2018	-
<b>Total Sewer Fund</b>				<u>\$ 16,005,186</u>
<b>Stormwater Fund</b>				
Stormwater Utility Revenue and General Obligation	\$ 1,425,000	9/1/2002	2/1/2018	\$ 952,000
Stormwater Utility Revenue and General Obligation	1,705,000	9/7/2006	2/1/2022	1,535,000
Stormwater Utility Revenue and General Obligation Refunding	755,000	11/23/2010	2/1/2018	-
<b>Total Stormwater Fund</b>				<u>\$ 2,487,000</u>
<b>Total Revenue and General Obligation Bonds Payable</b>				<u>\$ 54,505,000</u>
<b>Total Business-type Activities Bonds Payable</b>				<u>\$ 54,925,000</u>
<b>Component Units:</b>				
<b>Duluth Economic Development Authority</b>				
<b>Tax Increment Revenue Bonds Payable -</b>				
Cirrus Tax Increment Revenue	\$ 645,000	3/1/1994	2/1/2012	\$ 135,000
<b>Spirit Mountain Recreation Area</b>				
<b>Revenue Bonds Payable</b>				
Spirit Mountain Recreation Area	\$ 1,646,750	3/31/2003	12/1/2012	\$ 811,108
<b>Duluth Entertainment and Convention Center Authority</b>				
<b>General Obligation Bonds Payable</b>				
Duluth Entertainment and Convention Center Refunding	\$ 6,970,000	4/1/2001	12/1/2011	\$ 1,515,000
<b>Total Component Units Bonds Payable</b>				<u>\$ 2,461,108</u>

(Continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2010**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2011</u>	<u>Interest Due in 2011</u>
<b>Business-type Activities:</b>					
<b>Revenue Bonds Payable</b>					
<b>Golf Fund</b>					
Revenue Recreation Facility Refunding	\$ -	\$ 135,000	\$ 285,000	\$ 140,000	\$ 10,620
<b>Revenue and General Obligation Bonds Payable</b>					
<b>Parking Fund</b>					
Parking Improvement Tax Increment	\$ -	\$ 450,000	\$ 11,495,000	\$ 475,000	\$ 601,494
Technology Village & Parking Improvement	-	295,000	1,670,000	315,000	55,563
<b>Total Parking Fund</b>	<u>\$ -</u>	<u>\$ 745,000</u>	<u>\$ 13,165,000</u>	<u>\$ 790,000</u>	<u>\$ 657,057</u>
<b>Water Fund</b>					
Water Utility Revenue and General Obligation	\$ -	\$ 1,131,000	\$ -	\$ -	\$ -
Water Utility Revenue and General Obligation	-	920,000	-	-	-
Water Utility Revenue and General Obligation Refunding	-	95,000	-	-	-
Water Utility Revenue and General Obligation	-	60,000	950,000	65,000	35,481
Water Utility Revenue and General Obligation Refunding	-	105,000	740,000	110,000	27,400
Water Utility Revenue and General Obligation	-	10,000	186,000	11,000	5,925
Water Utility Revenue and General Obligation Refunding	1,625,000	-	1,625,000	-	25,871
<b>Total Water Fund</b>	<u>\$ 1,625,000</u>	<u>\$ 2,321,000</u>	<u>\$ 3,501,000</u>	<u>\$ 186,000</u>	<u>\$ 94,677</u>
<b>Gas Fund</b>					
Gas Utility Revenue and General Obligation	\$ -	\$ 1,424,000	\$ -	\$ -	\$ -
Gas Utility Revenue and General Obligation	-	955,000	-	-	-
Gas Utility Revenue and General Obligation	-	365,000	4,080,000	380,000	152,155
Gas Utility Revenue and General Obligation	-	65,000	1,010,000	65,000	37,808
Gas Utility Revenue and General Obligation Refunding	-	-	2,846,814	376,000	65,850
<b>Total Gas Fund</b>	<u>\$ -</u>	<u>\$ 2,809,000</u>	<u>\$ 7,936,814</u>	<u>\$ 821,000</u>	<u>\$ 255,813</u>
<b>Steam District #1 Fund</b>					
Steam Utility Revenue and General Obligation	\$ -	\$ 40,000	\$ 40,000	\$ 40,000	\$ 1,100
Steam Utility Revenue and General Obligation	-	40,000	85,000	40,000	2,905
Steam Utility Revenue and General Obligation	-	100,000	1,740,000	100,000	73,138
Steam Utility Revenue and General Obligation	-	75,000	960,000	80,000	34,975
Steam Utility Revenue and General Obligation	-	245,000	3,835,000	255,000	148,794
<b>Total Steam District # 1 Fund</b>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 6,660,000</u>	<u>\$ 515,000</u>	<u>\$ 260,912</u>
<b>Sewer Fund</b>					
Sewer Utility Revenue and General Obligation	\$ -	\$ 1,338,000	\$ -	\$ -	\$ -
Sewer Utility Revenue and General Obligation	-	1,220,000	-	-	-
Sewer Utility Revenue and General Obligation Refunding	-	195,000	-	-	-
Sewer Utility Revenue and General Obligation	-	240,000	2,935,000	245,000	113,104
Sewer Utility Revenue and General Obligation	-	195,000	2,785,000	205,000	108,062
Sewer Utility Revenue and General Obligation	-	50,000	800,000	55,000	29,875
Sewer Utility Revenue and General Obligation	-	110,000	1,910,000	115,000	73,124
Sewer Utility Revenue and General Obligation Refunding	-	170,000	995,000	170,000	36,400
Sewer Utility Revenue and General Obligation	-	75,000	1,369,000	79,000	43,638
Sewer Utility Revenue and General Obligation Refunding	-	-	713,186	94,000	30,809
Sewer Utility Revenue and General Obligation	-	-	905,000	45,000	15,766
Sewer Utility Revenue and General Obligation Refunding	2,025,000	-	2,025,000	-	32,164
<b>Total Sewer Fund</b>	<u>\$ 2,025,000</u>	<u>\$ 3,593,000</u>	<u>\$ 14,437,186</u>	<u>\$ 1,008,000</u>	<u>\$ 482,942</u>
<b>Stormwater Fund</b>					
Stormwater Utility Revenue and General Obligation	\$ -	\$ 952,000	\$ -	\$ -	\$ -
Stormwater Utility Revenue and General Obligation	-	90,000	1,445,000	95,000	55,900
Stormwater Utility Revenue and General Obligation Refunding	755,000	-	755,000	-	11,887
<b>Total Stormwater Fund</b>	<u>\$ 755,000</u>	<u>\$ 1,042,000</u>	<u>\$ 2,200,000</u>	<u>\$ 95,000</u>	<u>\$ 67,787</u>
<b>Total Revenue and General Obligation Bonds Payable</b>	<u>\$ 4,405,000</u>	<u>\$ 11,010,000</u>	<u>\$ 47,900,000</u>	<u>\$ 3,415,000</u>	<u>\$ 1,819,188</u>
<b>Total Business-type Activities Bonds Payable</b>	<u>\$ 4,405,000</u>	<u>\$ 11,145,000</u>	<u>\$ 48,185,000</u>	<u>\$ 3,555,000</u>	<u>\$ 1,829,808</u>
<b>Component Units:</b>					
<b>Duluth Economic Development Authority</b>					
<b>Tax Increment Revenue Bonds Payable -</b>					
Cirrus Tax Increment Revenue	\$ -	\$ 45,000	\$ 90,000	\$ 45,000	\$ 5,400
<b>Spirit Mountain Recreation Area</b>					
<b>Revenue Bonds Payable</b>					
Spirit Mountain Recreation Area	\$ -	\$ 191,004	\$ 620,104	\$ 198,912	\$ 25,705
<b>Duluth Entertainment and Convention Center Authority</b>					
<b>General Obligation Bonds Payable</b>					
Duluth Entertainment and Convention Center Refunding	\$ -	\$ 740,000	\$ 775,000	\$ 775,000	\$ 32,550
<b>Total Component Units Bonds Payable</b>	<u>\$ -</u>	<u>\$ 976,004</u>	<u>\$ 1,485,104</u>	<u>\$ 1,018,912</u>	<u>\$ 63,655</u>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF NOTES PAYABLE  
DECEMBER 31, 2010**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
<b>Governmental Activities:</b>				
<b>General Obligation</b>				
Public Facilities Authority Note	\$ 364,195	8/8/2002	8/20/2018	\$ 229,000
Greater Minnesota Housing Fund Note	200,000	11/6/2006	11/6/2016	200,000
<b>Total General Obligation</b>				<u>\$ 429,000</u>
<b>Revenue Note</b>				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	<u>\$ 3,026,000</u>
<b>Total Governmental Activities</b>				<u>\$ 3,455,000</u>
<b>Business-type Activities:</b>				
<b>General Obligation</b>				
<b>Water Fund -</b>				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 573,124
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	1,289,000
Public Facilities Authority Note (Note 1)	1,698,450	10/28/2009	8/20/2019	480,239
Public Facilities Authority Note (Note 2)	1,371,653	7/28/2010	8/20/2025	-
Public Facilities Authority Note (Note 3)	3,534,265	12/7/2010	8/20/2025	-
<b>Total Water Fund</b>				<u>\$ 2,342,363</u>
<b>Sewer Fund -</b>				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 65,876
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	795,000
Public Facilities Authority Note	1,973,033	7/12/2007	8/20/2022	1,903,000
Public Facilities Authority Note (Note 4)	796,835	8/20/2009	8/20/2024	97,614
Public Facilities Authority Note	2,414,150	11/25/2009	8/20/2024	702,238
Public Facilities Authority Note (Note 5)	3,753,059	7/28/2010	8/20/2025	-
Public Facilities Authority Note (Note 6)	9,087,385	7/28/2010	8/20/2025	-
<b>Total Sewer Fund</b>				<u>\$ 3,563,728</u>
<b>Total Business-type Activities</b>				<u>\$ 5,906,091</u>
<b>Component Units:</b>				
<b>Duluth Economic Development Authority</b>				
Fremont Tax Increment Limited Revenue	\$ 650,000	7/1/1997	2/1/2012	<u>\$ 160,000</u>
<b>Duluth Airport Authority</b>				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	<u>\$ 475,209</u>
<b>Total Component Units</b>				<u>\$ 635,209</u>

Note 1: Only \$ 1,668,813 has been drawn on the Public Facilities Authority Note dated 10/28/2009.  
 Note 2: Only \$ 532,514 has been drawn on the Public Facilities Authority Note dated 7/28/2010.  
 Note 3: Only \$ 707,770 has been drawn on the Public Facilities Authority Note dated 12/7/2010.  
 Note 4: Only \$ 594,908 has been drawn on the Public Facilities Authority Note dated 8/20/2009.  
 Note 5: Only \$ 274,132 has been drawn on the Public Facilities Authority Note dated 7/28/2010.  
 Note 6: Only \$ 577,057 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF NOTES PAYABLE  
DECEMBER 31, 2010**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2011</u>	<u>Interest Due in 2011</u>
<b>Governmental Activities:</b>					
<b>General Obligation</b>					
Public Facilities Authority Note	\$ -	\$ 24,000	\$ 205,000	\$ 25,000	\$ 2,050
Greater Minnesota Housing Fund Note	\$ -	\$ -	\$ 200,000	\$ -	\$ -
<b>Total General Obligation</b>	<b>\$ -</b>	<b>\$ 24,000</b>	<b>\$ 405,000</b>	<b>\$ 25,000</b>	<b>\$ 2,050</b>
<b>Revenue Note</b>					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 60,000	\$ 2,966,000	\$ 60,000	\$ 167,861
<b>Total Governmental Activities</b>	<b>\$ -</b>	<b>\$ 84,000</b>	<b>\$ 3,371,000</b>	<b>\$ 85,000</b>	<b>\$ 169,911</b>
<b>Business-type Activities:</b>					
<b>General Obligation</b>					
<b>Water Fund -</b>					
Public Facilities Authority Note	\$ -	\$ 56,505	\$ 516,619	\$ 58,299	\$ 14,563
Public Facilities Authority Note	-	129,000	1,160,000	133,000	29,348
Public Facilities Authority Note	1,188,574	160,450	1,508,363	164,000	15,338
Public Facilities Authority Note	532,514	-	532,514	82,653	6,767
Public Facilities Authority Note	707,770	-	707,770	105,265	11,830
<b>Total Water Fund</b>	<b>\$ 2,428,858</b>	<b>\$ 345,955</b>	<b>\$ 4,425,266</b>	<b>\$ 543,217</b>	<b>\$ 77,846</b>
<b>Sewer Fund -</b>					
Public Facilities Authority Note	\$ -	\$ 6,494	\$ 59,382	\$ 6,701	\$ 1,674
Public Facilities Authority Note	-	84,000	711,000	85,000	9,527
Public Facilities Authority Note	-	136,000	1,767,000	138,000	20,321
Public Facilities Authority Note	497,294	30,835	564,073	48,000	10,227
Public Facilities Authority Note	1,711,912	26,150	2,388,000	149,000	43,562
Public Facilities Authority Note	274,132	-	274,132	226,059	5,173
Public Facilities Authority Note	577,057	-	577,057	547,385	12,749
<b>Total Sewer Fund</b>	<b>\$ 3,060,395</b>	<b>\$ 283,479</b>	<b>\$ 6,340,644</b>	<b>\$ 1,200,145</b>	<b>\$ 103,233</b>
<b>Total Business-type Activities</b>	<b>\$ 5,489,253</b>	<b>\$ 629,434</b>	<b>\$ 10,765,910</b>	<b>\$ 1,743,362</b>	<b>\$ 181,079</b>
<b>Component Units:</b>					
<b>Duluth Economic Development Authority</b>					
Fremont Tax Increment Limited Revenue	\$ -	\$ 55,000	\$ 105,000	\$ 55,000	\$ 4,418
<b>Duluth Airport Authority</b>					
Revenue Note	\$ -	\$ 33,673	\$ 441,536	\$ 36,719	\$ 38,281
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ 88,673</b>	<b>\$ 546,536</b>	<b>\$ 91,719</b>	<b>\$ 42,699</b>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Proprietary &amp; Internal Service Funds</u>	<u>Totals</u>
<b>SHARED REVENUE:</b>						
<b>State of Minnesota</b>						
Local Government Aid	\$ 27,437,478	\$ -	\$ -	\$ -	\$ -	\$ 27,437,478
Property Tax Aid	-	-	10,761	828	-	11,589
PERA Aid	124,428	-	-	-	54,402	178,830
Insurance Premium	1,569,086	-	-	-	-	1,569,086
<b>TOTAL SHARED REVENUE</b>	<b>29,130,992</b>	<b>-</b>	<b>10,761</b>	<b>828</b>	<b>54,402</b>	<b>29,196,983</b>
<b>STATE GRANTS:</b>						
<b>State of Minnesota, Department of Commerce</b>						
Auto Theft Prevention Program	-	91,019	-	-	-	91,019
Employment and Economic Development						
Redevelopment Grant	-	-	-	64,103	-	64,103
Youth Program	-	37,489	-	-	-	37,489
Teen Parent	-	8,000	-	-	-	8,000
Dislocated Workers	-	296,194	-	-	-	296,194
Ikronics Cleanup and Expansion	-	41,330	-	-	-	41,330
Redevelopment of Clyde Iron Work Site	-	75,995	-	-	-	75,995
Business North Development Readiness	-	250,000	-	-	-	250,000
Employment and Economic Development Total	-	709,008	-	64,103	-	773,111
Natural Resources						
Snowmobile Trail	13,925	-	-	-	-	13,925
Zoo-Polar Shores	-	-	-	438,823	-	438,823
Lake Superior Zoo	-	200,000	-	-	-	200,000
Lakewalk East Extension	-	-	-	100,000	-	100,000
Natural Resources Total	13,925	200,000	-	538,823	-	752,748
Peace Officers Board						
Post Training Reimbursement	51,827	-	-	-	-	51,827
Public Safety						
Crime Victims Emergency Fund	-	348	-	-	-	348
Pilot Enforcement Project	-	39,543	-	-	-	39,543
Narcotic/Gang Strike Force	-	335,000	-	-	-	335,000
EMS Medical Supplies	50,000	-	-	-	-	50,000
HAZMAT Regional Response Team	47,649	-	-	-	-	47,649
Financial Crimes Task Force	-	50,000	-	-	-	50,000
Public Safety Total	97,649	424,891	-	-	-	522,540
Pollution Control Agency						
Miller Creek Implementation Plan	-	12,400	-	-	-	12,400
Revenue						
Market Value Credit	22,086	-	-	-	-	22,086
Transportation						
MSA Street Maintenance Allotment	1,164,496	-	-	-	-	1,164,496
MSA Street Construction Allotment	-	-	-	2,547,357	-	2,547,357
Municipal Turnback	-	-	-	834,247	-	834,247
Bridge Bonding	-	-	-	613,063	-	613,063
Transportation Total	1,164,496	-	-	3,994,667	-	5,159,163
<b>TOTAL STATE GRANTS</b>	<b>1,349,983</b>	<b>1,437,318</b>	<b>-</b>	<b>4,597,593</b>	<b>-</b>	<b>7,384,894</b>
<b>OTHER GRANTS:</b>						
<b>St. Louis County</b>						
Job Training Services	-	1,060,897	-	-	-	1,060,897
Other	161,017	-	-	-	-	161,017
St. Louis County Total	161,017	1,060,897	-	-	-	1,221,914
Duluth Seaway Port Authority	-	-	-	2,034,005	-	2,034,005
Housing and Redevelopment Authority	72,448	22,917	-	-	-	95,365
Independent School District #709	365,434	-	-	-	-	365,434
Other	-	-	-	-	1,300	1,300
<b>TOTAL OTHER GRANTS</b>	<b>\$ 598,899</b>	<b>\$ 1,083,814</b>	<b>\$ -</b>	<b>\$ 2,034,005</b>	<b>\$ 1,300</b>	<b>\$ 3,718,018</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Proprietary &amp; Internal Service Funds</u>	<u>Totals</u>
<b>FEDERAL GRANTS:</b>						
<b>Federal, Department of</b>						
Agriculture						
USDA Forest Service	\$ -	\$ 8,607	\$ -	\$ -	\$ -	\$ 8,607
Commerce						
Coastal Zone Management Grant	40,000	-	-	-	5,000	45,000
Energy						
Duluth Energy Efficiency Program	-	73,958	-	-	-	73,958
Energy Efficiency and Conservation Block Grant	-	267,568	-	-	-	267,568
Energy Total	-	341,526	-	-	-	341,526
Environmental Protection Agency						
Great Lakes Program	-	6,000	-	-	-	6,000
Stormwater Reduction Program	-	-	-	-	27,039	27,039
Environmental Protection Agency Total	-	6,000	-	-	27,039	33,039
Health and Human Services						
Temporary Assistance to Needy Families	-	122,507	-	-	-	122,507
Homeland Security						
Homeland Security Grant Program	-	218,300	-	-	-	218,300
Assistance to Firefighters	-	33,218	-	-	-	33,218
Homeland Security Total	-	251,518	-	-	-	251,518
Housing and Urban Development						
Community Development Block Grant	-	3,371,939	-	-	-	3,371,939
HOME Investment Partnership	-	747,359	-	-	-	747,359
Emergency Shelter	-	131,070	-	-	-	131,070
Fair Housing Enforcement	19,380	-	-	-	-	19,380
Homelessness Prevention and Rapid Rehousing	-	527,512	-	-	-	527,512
Neighborhood Stabilization Program	-	902,292	-	-	-	902,292
Housing and Urban Development Total	19,380	5,680,172	-	-	-	5,699,552
Justice						
Grants to Encourage Arrest Policies	-	218,794	-	-	-	218,794
ATF (Alcohol Tobacco Firearms) Task Force	19,788	-	-	-	-	19,788
Bulletproof Vest Partnership Program	19,206	-	-	-	-	19,206
Organized Crime Drug Enforcement Task Force	17,847	-	-	-	-	17,847
Edward Byrne Memorial Formula Grant	-	366,410	-	-	-	366,410
Forensic Crime	-	76,507	-	-	-	76,507
Community Policing Development	-	76,341	-	-	-	76,341
Justice Total	56,841	738,052	-	-	-	794,893
Labor						
Senior Community Service Employment	-	537,957	-	-	-	537,957
Dislocated Workers	-	391,029	-	-	-	391,029
Unemployment Insurance	-	3,075	-	-	-	3,075
Workforce Investment Act	-	998,052	-	-	-	998,052
Labor Total	-	1,930,113	-	-	-	1,930,113
Transportation						
Safe Routes to School	-	-	-	44,558	-	44,558
Highway Planning and Construction	-	-	-	6,124,866	-	6,124,866
Transportation Total	-	-	-	6,169,424	-	6,169,424
<b>TOTAL FEDERAL GRANTS</b>	<b>116,221</b>	<b>9,078,495</b>	<b>-</b>	<b>6,169,424</b>	<b>32,039</b>	<b>15,396,179</b>
<b>OTHER FEDERAL</b>						
Treasury						
Build America Interest Rebate	-	-	148,586	-	-	148,586
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<b>\$ 31,196,095</b>	<b>\$ 11,599,627</b>	<b>\$ 159,347</b>	<b>\$ 12,801,850</b>	<b>\$ 87,741</b>	<b>\$ 55,844,660</b>

**CITY OF DULUTH, MINNESOTA  
BALANCE SHEET - DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>Special Revenue Funds</u>		
	<u>General Operating</u>	<u>Loan Programs</u>	<u>Northwest Maintenance Facility</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 871,896	\$ 1,104,525	\$ 303,615
Taxes receivable, net	-	-	-
Accounts receivable, net	76,606	-	3,000
Assessments receivable, net	121,520	-	-
Loans receivable, net	-	2,773,217	243,311
Deposits receivable	-	250,000	-
Due from other funds	402,944	105,196	-
Prepays	-	-	-
Capital assets held for resale	192,500	-	-
<b>Total Assets</b>	<b>\$ 1,665,466</b>	<b>\$ 4,232,938</b>	<b>\$ 549,926</b>
<b>LIABILITIES AND FUND BALANCES</b>			
LIABILITIES:			
Accounts payable	\$ 35,124	\$ -	\$ 12,229
Contracts payable	37,024	-	2,400
Loans payable	380,102	-	-
Due to other funds	-	-	90,000
Due to primary government	676,938	-	-
Due to other governments	-	-	-
Deferred revenues	152,729	-	243,311
<b>Total Liabilities</b>	<b>1,281,917</b>	<b>-</b>	<b>347,940</b>
FUND BALANCES:			
Reserved for:			
Encumbrances	133,587	4,248	6,306
Debt service	-	-	-
Noncurrent loans receivable	-	2,069,865	-
Prepaid items	-	-	-
Deposits	-	250,000	-
Unreserved - designated for capital projects	-	-	-
Unreserved - designated for loans	-	41,777	-
Unreserved - designated for new loan fund	-	750,000	-
Unreserved - undesignated, reported in:			
General fund	249,962	-	-
Special revenue funds	-	1,117,048	195,680
Debt service funds	-	-	-
Capital project funds	-	-	-
<b>Total Fund Balances</b>	<b>383,549</b>	<b>4,232,938</b>	<b>201,986</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,665,466</b>	<b>\$ 4,232,938</b>	<b>\$ 549,926</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
 BALANCE SHEET - DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010**

	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,467,321	\$ 7,238,169	\$ 10,985,526
Taxes receivable, net	373,633	-	373,633
Accounts receivable, net	19,098	2,177	100,881
Assessments receivable, net	-	-	121,520
Loans receivable, net	-	1,583,225	4,599,753
Deposits receivable	-	-	250,000
Due from other funds	-	986,370	1,494,510
Prepays	-	337,379	337,379
Capital assets held for resale	-	-	192,500
<b>Total Assets</b>	<b>\$ 1,860,052</b>	<b>\$ 10,147,320</b>	<b>\$ 18,455,702</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 2,326	\$ 49,679
Contracts payable	35,000	-	74,424
Loans payable	-	-	380,102
Due to other funds	995,901	408,609	1,494,510
Due to primary government	-	428,434	1,105,372
Due to other governments	335,242	17,517	352,759
Deferred revenues	365,036	1,541,273	2,302,349
<b>Total Liabilities</b>	<b>1,731,179</b>	<b>2,398,159</b>	<b>5,759,195</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances	-	796,228	940,369
Debt service	108,393	-	108,393
Noncurrent loans receivable	-	34,812	2,104,677
Prepaid items	-	337,379	337,379
Deposits	-	-	250,000
Unreserved - designated for capital projects	-	1,723,499	1,723,499
Unreserved - designated for loans	-	-	41,777
Unreserved - designated for new loan fund	-	-	750,000
Unreserved - undesignated, reported in:			
General fund	-	-	249,962
Special revenue funds	-	-	1,312,728
Debt service funds	20,480	-	20,480
Capital project funds	-	4,857,243	4,857,243
<b>Total Fund Balances</b>	<b>128,873</b>	<b>7,749,161</b>	<b>12,696,507</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,860,052</b>	<b>\$ 10,147,320</b>	

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	21,068,162
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,040,136
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(200,527)
Other assets that are not available to pay for current period expenditures, and therefore, are not reported in the funds.	5,931
<b>Net assets of governmental activities</b>	<b>\$ 35,610,209</b>

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Special Revenue Funds</u>		
	<u>General Operating</u>	<u>Loan Programs</u>	<u>Northwest Maintenance Facility</u>
<b>REVENUES:</b>			
<b>Taxes</b>			
Tax increments	\$ -	\$ -	\$ -
<b>Intergovernmental revenues</b>			
Market value credit aid	-	-	-
State and federal grants	56,462	-	-
<b>Charges for services</b>			
Parking meters	274,311	-	-
Assessment fees	4,460	-	-
<b>Miscellaneous revenues</b>			
Earnings on investments	201	23,681	208
Interest	-	78,264	-
Bond fees	104,384	-	-
Land sales	112,521	-	-
Developer contributions	-	-	-
Other	161,063	9,988	13,500
<b>Total Revenues</b>	<u>713,402</u>	<u>111,933</u>	<u>13,708</u>
<b>EXPENDITURES:</b>			
<b>Current</b>			
<b>Urban and economic development</b>			
Other services and charges	574,005	5,631	116,635
Economic development projects	324,540	49,581	-
<b>Capital Outlay</b>			
<b>Urban and economic development</b>			
Buildings and structures	1,608,354	-	-
<b>Debt Service</b>			
Principal retirement	-	-	-
Interest and fiscal fees	-	-	-
Other	-	-	-
<b>Total Expenditures</b>	<u>2,506,899</u>	<u>55,212</u>	<u>116,635</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,793,497)</u>	<u>56,721</u>	<u>(102,927)</u>
<b>OTHER FINANCING SOURCES/USES:</b>			
<b>Operating transfer in</b>			
DEDA Loan Programs	1,565,282	-	-
DEDA Debt Service	58,826	-	-
DEDA Capital Projects	303,413	-	-
Northwest Maintenance Facility	90,000	-	-
<b>Total Operating Transfer In</b>	<u>2,017,521</u>	<u>-</u>	<u>-</u>
<b>Operating transfers out</b>			
DEDA General Operating	-	(1,565,282)	(90,000)
DEDA Capital Projects	-	-	-
<b>Total Operating Transfers Out</b>	<u>-</u>	<u>(1,565,282)</u>	<u>(90,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,017,521</u>	<u>(1,565,282)</u>	<u>(90,000)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>224,024</u>	<u>(1,508,561)</u>	<u>(192,927)</u>
<b>FUND BALANCES:</b>			
Fund Balance - January 1, 2010	<u>159,525</u>	<u>5,741,499</u>	<u>394,913</u>
Fund Balance - December 31, 2010	<u>\$ 383,549</u>	<u>\$ 4,232,938</u>	<u>\$ 201,986</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES:</b>			
<b>Taxes</b>			
Tax increments	\$ 1,978,037	\$ -	\$ 1,978,037
<b>Intergovernmental revenues</b>			
Market value credit aid	63,893	-	63,893
State and federal grants	-	-	56,462
<b>Charges for services</b>			
Parking meters	-	-	274,311
Assessment fees	-	-	4,460
<b>Miscellaneous revenues</b>			
Earnings on investments	40,714	65,349	130,153
Interest	-	3,381	81,645
Bond fees	-	-	104,384
Land sales	-	-	112,521
Developer contributions	19,098	-	19,098
Other	-	20,910	205,461
<b>Total Revenues</b>	<u>2,101,742</u>	<u>89,640</u>	<u>3,030,425</u>
<b>EXPENDITURES:</b>			
<b>Current</b>			
<b>Urban and economic development</b>			
Other services and charges	-	218,808	915,079
Economic development projects	569,169	1,071,807	2,015,097
<b>Capital Outlay</b>			
<b>Urban and economic development</b>			
Buildings and structures	-	1,071,234	2,679,588
<b>Debt Service</b>			
Principal retirement	100,000	-	100,000
Interest and fiscal fees	16,553	-	16,553
Other	356,620	-	356,620
<b>Total Expenditures</b>	<u>1,042,342</u>	<u>2,361,849</u>	<u>6,082,937</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,059,400</u>	<u>(2,272,209)</u>	<u>(3,052,512)</u>
<b>OTHER FINANCING SOURCES/USES:</b>			
<b>Operating transfer in</b>			
DEDA Loan Programs	-	-	1,565,282
DEDA Debt Service	-	986,370	1,045,196
DEDA Capital Projects	-	-	303,413
Northwest Maintenance Facility	-	-	90,000
<b>Total Operating Transfer In</b>	<u>-</u>	<u>986,370</u>	<u>3,003,891</u>
<b>Operating transfers out</b>			
DEDA General Operating	(58,826)	(303,413)	(2,017,521)
DEDA Capital Projects	(986,370)	-	(986,370)
<b>Total Operating Transfers Out</b>	<u>(1,045,196)</u>	<u>(303,413)</u>	<u>(3,003,891)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,045,196)</u>	<u>682,957</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>14,204</u>	<u>(1,589,252)</u>	<u>(3,052,512)</u>
<b>FUND BALANCES:</b>			
Fund Balance - January 1, 2010	<u>114,669</u>	<u>9,338,413</u>	<u>15,749,019</u>
Fund Balance - December 31, 2010	<u>\$ 128,873</u>	<u>\$ 7,749,161</u>	<u>\$ 12,696,507</u>

**CITY OF DULUTH, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
COMPONENT UNIT – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds	\$ (3,052,512)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	1,593,277
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues provide current financial resources to governmental funds but do not have any effect on net assets. This amount is the net effect of these differences.	87,905
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	102,767
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(20,806)
Change in net assets of governmental activities	<u>\$ (1,289,369)</u>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Direct		
Cooperative Forestry Assistance	10.664	<u>\$ 8,607</u>
<b>U.S. Department of Commerce</b>		
Passed Through Minnesota Department of Natural Resources		
Coastal Zone Management Administration Awards	11.419	<u>\$ 45,000</u>
<b>U.S. Department of Defense - Army Engineers</b>		
Direct		
Northeastern Minnesota Environmental Infrastructure Section 569 Program - ARRA	12.120	<u>\$ 1,862,892</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct		
Community Development Block Grants/Entitlement Grants Cluster	14.218	\$ 3,944,971
Community Development Block Grants/Entitlement Grants	14.253	381,624
Community Development Block Grants/Entitlement Grants - ARRA	14.231	131,070
Emergency Shelter Grants Program	14.239	747,359
Home Investment Partnerships Program	14.257	527,512
Homelessness Prevention and Rapid Re-housing Program - ARRA	14.401	19,380
Fair Housing Assistance Program - States and Local		<u>19,380</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>\$ 5,751,916</u>
<b>U.S. Department of Justice</b>		
Direct		
Alcohol, Tobacco, and Firearms Training Assistance	16.012	19,788
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	218,794
Local Law Enforcement Block Grant	16.592	17,847
Bulletproof Vest Partnership Program	16.607	19,206
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.738	76,403
Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - ARRA	16.804	132,534
Edward Bryne Memorial Competitive Grant Program - ARRA	16.808	76,507
Passed Through the City of Chisholm		
Public Safety Partnership and Community Policing Grants	16.710	59,633
Passed Through the City of Virginia		
Public Safety Partnership and Community Policing Grants	16.710	16,708
Passed through the Minnesota Department of Public Safety		
Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories - ARRA	16.803	157,473
<b>Total U.S. Department of Justice</b>		<u>\$ 794,893</u>
<b>U.S. Department of Labor</b>		
Passed Through Senior Service America, Inc.		
Senior Community Service Employment Program Cluster		
Senior Community Service Employment Program	17.235	\$ 319,254
Senior Community Service Employment Program - ARRA	17.235	72,558
Passed Through Minnesota Department of Employment and Economic Development		
Unemployment Insurance - ARRA	17.225	3,075
Senior Community Service Employment Program Cluster		
Senior Community Service Employment Program	17.235	113,763
Senior Community Service Employment Program - ARRA	17.235	32,382
Workforce Investment Act (WIA) Cluster		
WIA Adult Program	17.258	337,561
WIA Adult Program - ARRA	17.258	143,084
WIA Youth Activities	17.259	566,622
WIA Youth Activities - ARRA	17.259	44,372
WIA Dislocated Workers	17.260	279,217
WIA Dislocated Workers - ARRA	17.260	111,812
<b>Total U.S. Department of Labor</b>		<u>\$ 2,023,700</u>

(Continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 3,125,483
Highway Planning and Construction - ARRA	20.205	4,056,420
<b>Total U.S. Department of Transportation</b>		<b>\$ 7,181,903</b>
<b>U.S. Environmental Protection Agency</b>		
Passed through Minnesota Department of Employment and Economic Development		
Capitalization Grants for Clean Water State Revolving Funds Cluster		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 2,563,100
Capitalization Grants for Clean Water State Revolving Funds - ARRA	66.458	2,667,442
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2,428,858
Passed through Minnesota Pollution Control Agency		
Nonpoint Source Implementation Grants	66.460	24,829
Great Lakes Program	66.469	6,000
<b>Total U.S. Environmental Protection Agency</b>		<b>\$ 7,690,229</b>
<b>U.S. Department of Energy</b>		
Direct		
Energy Efficiency and Conservation Block Grant - ARRA	81.128	\$ 267,568
Passed through the Minnesota Department of Commerce		
State Energy Program - ARRA	81.041	75,021
<b>Total U.S. Department of Energy</b>		<b>\$ 342,589</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Employment and Economic Development		
Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs - ARRA	93.714	<b>\$ 122,507</b>
<b>U.S. Department of Homeland Security</b>		
Direct		
Assistance to Firefighters Grant	97.044	\$ 33,218
Port Security Grant Program	97.056	170,209
Passed Through Minnesota Department of Public Safety		
Homeland Security Grant Program	97.067	93,838
Passed Through St. Louis County		
Homeland Security Grant Program	97.067	104,300
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 401,565</b>
<b>Total Federal Awards</b>		<b>\$ 26,225,801</b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Duluth. It does not include \$6,803,173 and \$5,413,321 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Duluth under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Duluth, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Duluth.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 15,396,179
Grants received more than 60 days after year-end deferred in 2009	
Community Development Block Grant	52,364
Workforce Investment Act - Adult Program	62,160
Workforce Investment Act - Youth Activities	31,427
Highway Planning and Construction	1,563,997
State Energy Program - ARRA	1,063
Port Security Grant Program	170,209
Deferred in 2009, recognized as revenue in 2010	
Highway Planning and Construction	(551,518)
Nonpoint Source Implementation Grants	(2,210)
Homeland Security Grant Program	(20,162)
Capital grants received in enterprise funds	
Northeastern Minnesota Environmental Infrastructure Section 569 Program - ARRA	1,862,892
Capitalization Grant for Clean Water State Revolving Funds	2,563,100
Capitalization Grant for Clean Water State Revolving Funds - ARRA	2,667,442
Capitalization Grant for Drinking Water State Revolving Funds	<u>2,428,858</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u><u>\$ 26,225,801</u></u>

**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

5. Subrecipients

Of the expenditures presented in the schedule, the City of Duluth provided federal awards to subrecipients as follows:

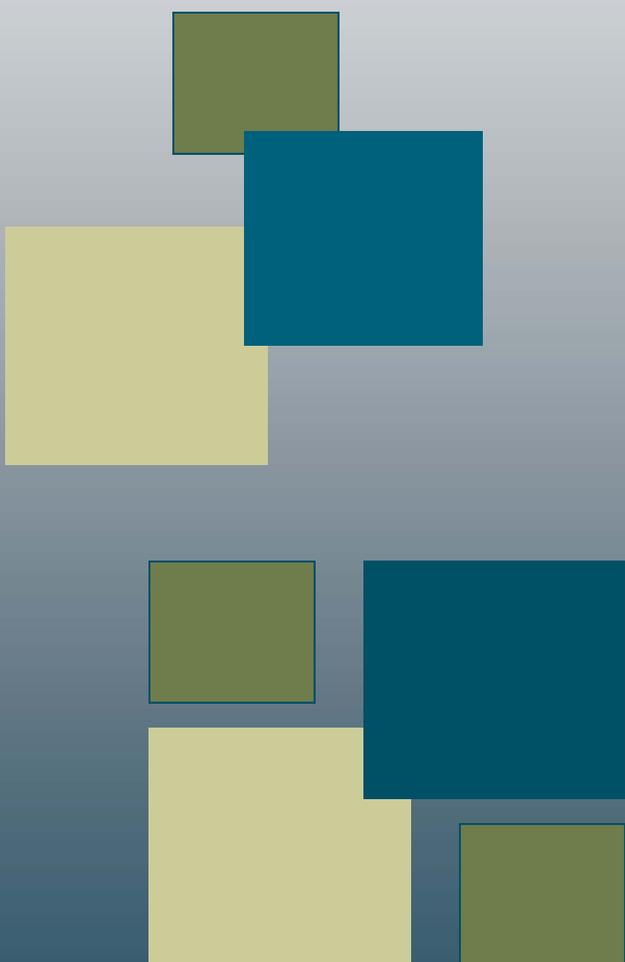
<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 3,291,787
14.253	Community Development Block Grants/Entitlement Grants - ARRA	34,123
14.231	Emergency Shelter Grants Program	127,337
14.239	Home Investment Partnerships Program	696,526
14.257	Homelessness Prevention and Rapid Re-housing Program - ARRA	503,960
16.804	Edward Bryne Memorial Justice Assistance Grant Program - ARRA	30,592
81.041	State Energy Program - ARRA	75,021
	Total	<u>\$ 4,759,346</u>

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

**STATISTICAL**

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## STATISTICAL SECTION

This part of the City of Duluth's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Guide to Statistical Section</b>	<b><u>Pages</u></b>
<b>Financial Trends –</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	<b>142-149</b>
<b>Revenue Capacity –</b> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	<b>150-152</b>
<b>Debt Capacity –</b> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	<b>153-156</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	<b>157-158</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	<b>159-163</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF DULUTH, MINNESOTA  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)**

	<u>2002*</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 119,109,618	\$ 129,099,323	\$ 146,521,749	\$ 155,698,901	\$ 171,675,354
Restricted	24,429,416	24,886,042	30,712,294	28,531,432	29,935,162
Unrestricted	<u>1,097,094</u>	<u>12,154,111</u>	<u>48,153,658</u>	<u>55,324,852</u>	<u>66,303,461</u>
Total governmental activities net assets	<u>\$ 144,636,128</u>	<u>\$ 166,139,476</u>	<u>\$ 225,387,701</u>	<u>\$ 239,555,185</u>	<u>\$ 267,913,977</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 84,981,950	\$ 83,949,511	\$ 87,721,493	\$ 91,986,495	\$ 95,017,361
Restricted	150,000	150,529	2,181,329	2,182,045	2,201,848
Unrestricted	<u>25,484,429</u>	<u>29,289,746</u>	<u>26,228,252</u>	<u>25,641,077</u>	<u>24,713,278</u>
Total business-type activities net assets	<u>\$ 110,616,379</u>	<u>\$ 113,389,786</u>	<u>\$ 116,131,074</u>	<u>\$ 119,809,617</u>	<u>\$ 121,932,487</u>
Primary government					
Invested in capital assets, net of related debt	\$ 204,091,568	\$ 213,048,834	\$ 234,243,242	\$ 247,685,396	\$ 266,692,715
Restricted	24,579,416	25,036,571	32,893,623	30,713,477	32,137,010
Unrestricted	<u>26,581,523</u>	<u>41,443,857</u>	<u>74,381,910</u>	<u>80,965,929</u>	<u>91,016,739</u>
Total primary government net assets	<u>\$ 255,252,507</u>	<u>\$ 279,529,262</u>	<u>\$ 341,518,775</u>	<u>\$ 359,364,802</u>	<u>\$ 389,846,464</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
Governmental activities					
Invested in capital assets, net of related debt	\$ 183,581,640	\$ 188,129,975	\$ 202,558,996	\$ 197,355,610	
Restricted	23,911,854	24,241,591	23,345,567	22,294,675	
Unrestricted	<u>76,555,455</u>	<u>73,230,385</u>	<u>53,057,668</u>	<u>9,970,184</u>	
Total governmental activities net assets	<u>\$ 284,048,949</u>	<u>\$ 285,601,951</u>	<u>\$ 278,962,231</u>	<u>\$ 229,620,469</u>	
Business-type activities					
Invested in capital assets, net of related debt	\$ 112,994,409	\$ 119,657,883	\$ 117,943,713	\$ 136,180,485	
Restricted	2,222,671	2,204,022	2,088,446	2,108,171	
Unrestricted	<u>17,076,630</u>	<u>17,998,534</u>	<u>24,767,225</u>	<u>22,771,757</u>	
Total business-type activities net assets	<u>\$ 132,293,710</u>	<u>\$ 139,860,439</u>	<u>\$ 144,799,384</u>	<u>\$ 161,060,413</u>	
Primary government					
Invested in capital assets, net of related debt	\$ 296,576,049	307,787,858	320,502,709	333,536,095	
Restricted	26,134,525	26,445,613	25,434,013	24,402,846	
Unrestricted	<u>93,632,085</u>	<u>91,228,919</u>	<u>77,824,893</u>	<u>32,741,941</u>	
Total primary government net assets	<u>\$ 416,342,659</u>	<u>\$ 425,462,390</u>	<u>\$ 423,761,615</u>	<u>\$ 390,680,882</u>	

\*This table was developed with the implementation of Governmental Accounting Standards Board Statement No. 34. Years prior to 2002 were not restated, and therefore are not available.

Source: Statement of Net Assets

Unaudited

**CITY OF DULUTH, MINNESOTA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)**

	<u>2002*</u>	<u>2003</u>	<u>2004**</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 19,163,984	\$ 18,164,487	\$ 20,669,584	\$ 21,287,443	\$ 20,902,934
Public safety	26,045,849	25,163,652	25,285,634	28,069,291	28,480,845
Public works	16,485,742	14,061,511	12,580,602	13,720,883	13,823,001
Culture and recreation	8,541,853	7,493,744	6,385,653	7,400,480	9,107,022
Urban and economic development	13,939,868	11,081,790	14,173,566	23,676,985	12,773,203
Interest	<u>6,855,458</u>	<u>6,046,179</u>	<u>6,917,787</u>	<u>6,749,211</u>	<u>7,427,045</u>
Total governmental activities expenses	<u>91,032,754</u>	<u>82,011,363</u>	<u>86,012,826</u>	<u>100,904,293</u>	<u>92,514,050</u>
Business-type activities:					
Water	9,734,767	8,945,765	8,465,593	9,463,342	9,827,419
Gas	36,290,401	38,806,370	41,883,691	50,491,710	45,278,118
Sewer	15,355,339	15,240,922	14,610,838	13,454,790	14,928,433
Stormwater	2,227,108	2,354,872	2,470,513	2,508,496	2,776,726
Steam district #1	3,399,206	3,597,759	3,893,705	4,085,845	4,628,019
Steam district #2	7,917,186	8,497,270	8,677,762	8,919,977	9,314,893
Golf	1,756,201	1,754,734	1,762,485	1,908,334	1,889,657
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
Total business-type activities expenses	<u>76,680,208</u>	<u>79,197,692</u>	<u>81,764,587</u>	<u>90,832,494</u>	<u>88,643,265</u>
Total primary government expenses	<u>\$ 167,712,962</u>	<u>\$ 161,209,055</u>	<u>\$ 167,777,413</u>	<u>\$ 191,736,787</u>	<u>\$ 181,157,315</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 4,124,263	\$ 4,307,134	\$ 4,935,952	\$ 1,434,650	\$ 1,804,560
Public safety	1,956,737	2,040,761	2,555,502	2,394,256	3,305,117
Public works	957,365	670,756	364,600	724,710	1,096,718
Culture and recreation	578,927	737,820	679,580	856,974	807,245
Urban and economic development	10,919	68,323	1,914,397	7,300,488	908,279
Operating grants and contributions	14,328,781	11,580,360	11,944,143	9,884,061	10,469,744
Capital grants and contributions	<u>14,919,934</u>	<u>11,074,089</u>	<u>13,955,413</u>	<u>11,565,853</u>	<u>12,445,080</u>
Total governmental activities program revenues	<u>36,876,926</u>	<u>30,479,243</u>	<u>36,349,587</u>	<u>34,160,992</u>	<u>30,836,743</u>
Business-type activities:					
Charges for services:					
Water	9,598,099	9,732,863	9,884,976	10,315,543	11,025,294
Gas	38,088,753	42,245,487	45,110,428	55,339,940	49,534,016
Sewer	16,498,761	16,872,231	16,639,746	14,347,815	15,507,006
Stormwater	3,106,087	2,904,443	2,924,170	2,982,846	3,098,403
Steam district #1	3,548,873	3,683,243	4,016,386	4,416,123	4,686,723
Steam district #2	5,972,570	6,136,880	6,383,327	6,584,168	6,959,000
Golf	1,482,071	1,570,600	1,732,131	1,699,090	1,893,564
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
Capital grants and contributions	<u>2,965,465</u>	<u>1,762,519</u>	<u>943,565</u>	<u>2,179,046</u>	<u>2,960,981</u>
Total business-type activities program revenues	<u>81,260,679</u>	<u>84,908,266</u>	<u>87,634,729</u>	<u>97,864,571</u>	<u>95,664,987</u>
Total primary government program revenues	<u>\$ 118,137,605</u>	<u>\$ 115,387,509</u>	<u>\$ 123,984,316</u>	<u>\$ 132,025,563</u>	<u>\$ 126,501,730</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)**

	<u>2002*</u>	<u>2003</u>	<u>2004**</u>	<u>2005</u>	<u>2006</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (54,155,828)	\$ (51,532,120)	\$ (49,663,239)	\$ (66,743,301)	\$ (61,677,307)
Business-type activities	<u>4,580,471</u>	<u>5,710,574</u>	<u>5,870,142</u>	<u>7,032,077</u>	<u>7,021,722</u>
Total primary government net expense	<u>\$ (49,575,357)</u>	<u>\$ (45,821,546)</u>	<u>\$ (43,793,097)</u>	<u>\$ (59,711,224)</u>	<u>\$ (54,655,585)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 9,856,199	\$ 9,510,074	\$ 15,478,942	\$ 16,489,656	\$ 15,709,840
Market value credit aid	-	1,254,477	1,196,015	1,260,395	1,184,399
Sales taxes	15,350,586	14,903,251	15,478,954	15,963,891	16,860,351
Other taxes	1,945,693	1,937,557	1,924,690	1,945,956	2,006,659
Casino shared revenues	5,521,705	5,440,225	5,653,523	5,608,777	5,844,787
Grants and shared revenues not restricted to specific programs	35,095,985	32,840,817	32,502,413	31,443,085	32,249,900
Investment income	3,406,336	1,168,695	2,243,381	2,858,882	5,131,090
Gain on sale or disposition of capital assets	55,325	335,352	-	-	262,367
Miscellaneous	751,895	570,108	641,584	4,900,055	5,170,612
Special Items	-	-	-	-	-
Transfers	<u>3,742,445</u>	<u>3,214,912</u>	<u>3,695,422</u>	<u>4,070,710</u>	<u>5,616,094</u>
Total governmental activities	<u>75,726,169</u>	<u>71,175,468</u>	<u>78,814,924</u>	<u>84,541,407</u>	<u>90,036,099</u>
Business-type activities:					
Investment income	718,578	244,231	485,428	715,342	824,428
Gain on sale or disposition of capital assets	20,519	33,514	81,140	1,834	30,268
Extraordinary items	-	-	-	-	-
Transfers	<u>(3,742,445)</u>	<u>(3,214,912)</u>	<u>(3,695,422)</u>	<u>(4,070,710)</u>	<u>(5,616,094)</u>
Total business-type activities	<u>(3,003,348)</u>	<u>(2,937,167)</u>	<u>(3,128,854)</u>	<u>(3,353,534)</u>	<u>(4,761,398)</u>
Total primary government	<u>\$ 72,722,821</u>	<u>\$ 68,238,301</u>	<u>\$ 75,686,070</u>	<u>\$ 81,187,873</u>	<u>\$ 85,274,701</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 21,570,341	\$ 19,643,348	\$ 29,151,685	\$ 17,798,106	\$ 28,358,792
Business-type activities	<u>1,577,123</u>	<u>2,773,407</u>	<u>2,741,288</u>	<u>3,678,543</u>	<u>2,260,324</u>
Total primary government	<u>\$ 23,147,464</u>	<u>\$ 22,416,755</u>	<u>\$ 31,892,973</u>	<u>\$ 21,476,649</u>	<u>\$ 30,619,116</u>

\*This table was developed with the implementation of Governmental Accounting Standards Board Statement No. 34. Years prior to 2002 were not restated, and therefore are not available.

\*\*Effective 2004, the Duluth City Council became the governing board of Duluth Economic Development Authority.

Source: Statement of Activities

(continued)

**CITY OF DULUTH, MINNESOTA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 35,023,700	\$ 25,028,329	\$ 35,376,090	\$ 36,014,153
Public safety	30,350,398	36,478,984	36,397,795	38,100,958
Public works	15,232,820	15,817,121	7,616,214	13,657,626
Culture and recreation	6,851,355	13,962,001	24,655,278	25,434,289
Urban and economic development	13,178,400	18,180,805	15,722,245	14,549,117
Interest	<u>7,762,355</u>	<u>4,749,041</u>	<u>5,175,178</u>	<u>5,409,679</u>
Total governmental activities expenses	<u>108,399,028</u>	<u>114,216,281</u>	<u>124,942,800</u>	<u>133,165,822</u>
Business-type activities:				
Water	10,865,334	11,325,128	10,717,468	10,810,875
Gas	47,107,309	54,336,765	38,462,243	35,800,001
Sewer	15,023,848	16,747,150	17,569,046	16,259,669
Stormwater	2,865,872	2,876,181	3,308,604	3,333,875
Steam district #1	5,367,034	5,851,628	5,994,665	6,258,368
Steam district #2	11,397,738	10,024,789	9,031,530	-
Golf	1,887,795	1,886,874	1,895,162	2,006,633
Parking	1,871,344	2,030,206	1,881,852	1,957,414
Street Lighting	-	309,920	1,391,981	1,557,525
Total business-type activities expenses	<u>96,386,274</u>	<u>105,388,641</u>	<u>90,252,551</u>	<u>77,984,360</u>
Total primary government expenses	<u>\$ 204,785,302</u>	<u>\$ 219,604,922</u>	<u>\$ 215,195,351</u>	<u>\$ 211,150,182</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 4,008,714	\$ 3,846,472	\$ 4,514,042	\$ 4,619,911
Public safety	2,451,449	2,434,033	2,555,541	3,330,905
Public works	353,575	392,155	349,364	369,068
Culture and recreation	815,732	797,188	1,108,600	1,297,370
Urban and economic development	922,159	910,181	525,437	280,880
Operating grants and contributions	11,209,578	12,997,358	11,846,124	14,164,865
Capital grants and contributions	<u>13,674,386</u>	<u>8,200,343</u>	<u>7,095,416</u>	<u>17,075,628</u>
Total governmental activities program revenues	<u>33,435,593</u>	<u>29,577,730</u>	<u>27,994,524</u>	<u>41,138,627</u>
Business-type activities:				
Charges for services:				
Water	12,166,968	11,370,681	11,961,915	12,024,675
Gas	47,489,082	58,604,811	46,419,426	39,882,397
Sewer	15,771,516	17,224,701	20,320,378	20,347,330
Stormwater	3,916,525	4,563,498	5,222,917	4,730,608
Steam district #1	5,261,495	5,959,836	6,152,268	6,617,346
Steam district #2	8,985,844	8,834,290	8,384,720	-
Golf	1,887,737	1,879,530	1,945,446	1,967,401
Parking	2,138,316	4,136,535	2,524,682	2,563,215
Street Lighting	-	88,924	1,271,623	1,270,118
Capital grants and contributions	<u>4,468,083</u>	<u>1,970,497</u>	<u>3,836,174</u>	<u>9,104,643</u>
Total business-type activities program revenues	<u>102,085,566</u>	<u>114,633,303</u>	<u>108,039,549</u>	<u>98,507,733</u>
Total primary government program revenues	<u>\$ 135,521,159</u>	<u>\$ 144,211,033</u>	<u>\$ 136,034,073</u>	<u>\$ 139,646,360</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(accrual basis of accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (74,963,435)	\$ (84,638,551)	\$ (96,948,276)	\$ (92,027,195)
Business-type activities	<u>5,699,292</u>	<u>9,244,662</u>	<u>17,786,998</u>	<u>20,523,373</u>
Total primary government net expense	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>	<u>\$ (79,161,278)</u>	<u>\$ (71,503,822)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 17,452,324	\$ 18,170,135	\$ 18,125,284	\$ 16,001,873
Market value credit aid	1,191,228	1,086,482	1,147,029	33,675
Sales taxes	17,509,877	18,363,052	18,009,914	19,252,407
Other taxes	2,051,173	2,049,848	2,573,884	2,014,928
Casino shared revenues	6,430,460	6,156,767	5,963,162	6,258,727
Grants and shared revenues not restricted to specific programs	31,725,087	30,311,915	31,498,519	29,130,992
Investment income	4,690,453	4,058,373	4,034,753	2,307,506
Gain on sale or disposition of capital assets	37,803	136,787	84,278	19,174
Miscellaneous	1,062,999	3,623,533	1,031,930	13,584
Special Items	12,708,044	-	-	-
Transfers	<u>(3,761,041)</u>	<u>2,234,661</u>	<u>7,839,803</u>	<u>4,552,145</u>
Total governmental activities	<u>91,098,407</u>	<u>86,191,553</u>	<u>90,308,556</u>	<u>79,585,011</u>
Business-type activities:				
Investment income	878,763	545,151	320,540	282,545
Gain on sale or disposition of capital assets	22,127	11,577	112,447	7,256
Extraordinary items	-	-	(5,441,237)	-
Transfers	<u>3,761,041</u>	<u>(2,234,661)</u>	<u>(7,839,803)</u>	<u>(4,552,145)</u>
Total business-type activities	<u>4,661,931</u>	<u>(1,677,933)</u>	<u>(12,848,053)</u>	<u>(4,262,344)</u>
Total primary government	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>	<u>\$ 77,460,503</u>	<u>\$ 75,322,667</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 16,134,972	\$ 1,553,002	\$ (6,639,720)	\$ (12,442,184)
Business-type activities	<u>10,361,223</u>	<u>7,566,729</u>	<u>4,938,945</u>	<u>16,261,029</u>
Total primary government	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>	<u>\$ (1,700,775)</u>	<u>\$ 3,818,845</u>

Unaudited

**CITY OF DULUTH, MINNESOTA  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)**

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund					
Reserved	\$ 596,978	\$ 523,439	\$ 518,339	\$ 575,992	\$ 650,718
Unreserved	<u>4,918,653</u>	<u>5,531,067</u>	<u>4,487,573</u>	<u>5,439,550</u>	<u>4,224,264</u>
Total general fund	<u>\$ 5,515,631</u>	<u>\$ 6,054,506</u>	<u>\$ 5,005,912</u>	<u>\$ 6,015,542</u>	<u>\$ 4,874,982</u>
All other governmental funds					
Reserved	\$ 10,761,317	\$ 12,536,767	\$ 13,621,208	\$ 19,033,022	\$ 34,078,985
Unreserved, reported in:					
Special revenue funds	36,855,586	41,990,679	47,128,380	58,384,931	61,376,988
Debt service funds	11,776,691	13,471,340	13,892,475	13,165,779	9,480,448
Capital projects funds	<u>34,412</u>	<u>(3,757,026)</u>	<u>(4,241,951)</u>	<u>2,139,384</u>	<u>(4,653,373)</u>
Total all other governmental funds	<u>\$ 59,428,006</u>	<u>\$ 64,241,760</u>	<u>\$ 70,400,112</u>	<u>\$ 92,723,116</u>	<u>\$ 100,283,048</u>

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund					
Reserved	\$ 816,458	\$ 190,911	\$ 325,430	\$ 436,860	\$ 368,134
Unreserved	<u>4,237,396</u>	<u>1,423,116</u>	<u>(1,345,024)</u>	<u>1,962,587</u>	<u>5,579,282</u>
Total general fund	<u>\$ 5,053,854</u>	<u>\$ 1,614,027</u>	<u>\$ (1,019,594)</u>	<u>\$ 2,399,447</u>	<u>\$ 5,947,416</u>
All other governmental funds					
Reserved	\$ 23,363,256	\$ 14,628,923	\$ 13,599,551	\$ 17,658,025	\$ 22,178,725
Unreserved, reported in:					
Special revenue funds	65,770,619	63,097,631	67,075,700	55,293,268	38,712,371
Debt service funds	8,968,752	11,125,923	11,201,667	12,384,602	13,496,346
Capital projects funds	<u>(2,523,300)</u>	<u>5,986,870</u>	<u>48,030,782</u>	<u>45,990,283</u>	<u>10,263,175</u>
Total all other governmental funds	<u>\$ 95,579,327</u>	<u>\$ 94,839,347</u>	<u>\$ 139,907,700</u>	<u>\$ 131,326,178</u>	<u>\$ 84,650,617</u>

Source: Balance Sheet & Combining Balance Sheet

Unaudited

**CITY OF DULUTH, MINNESOTA  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	Fiscal Year				
	<u>2001</u>	<u>2002*</u>	<u>2003</u>	<u>2004**</u>	<u>2005</u>
<b>Revenues</b>					
Taxes:					
Property Taxes	\$ 11,815,267	\$ 9,955,083	\$ 9,259,909	\$ 15,522,334	\$ 16,321,413
Sales Taxes	15,252,121	15,350,586	14,903,251	15,478,954	15,963,891
Other Taxes	1,737,308	1,945,693	1,937,557	1,924,690	1,945,956
Licenses and permits	624,432	609,550	658,314	680,953	853,927
Intergovernmental revenues	46,273,269	57,166,830	54,781,689	52,057,762	49,263,351
Charges for Services	5,190,480	5,831,871	6,091,850	6,549,128	7,969,577
Fines and forfeits	1,074,390	947,610	994,710	1,083,084	1,002,752
Special assessments	2,384,289	3,530,095	2,671,352	2,735,163	3,237,809
Investment income	-	3,102,648	1,089,073	2,044,335	2,574,786
Miscellaneous revenues	<u>14,449,871</u>	<u>9,010,620</u>	<u>11,093,844</u>	<u>12,536,138</u>	<u>12,091,312</u>
Total revenues	<u>98,801,427</u>	<u>107,450,586</u>	<u>103,481,549</u>	<u>110,612,541</u>	<u>111,224,774</u>
<b>Expenditures</b>					
General government	17,694,117	19,124,773	19,040,102	19,574,200	19,885,273
Public safety	28,683,145	29,423,941	28,861,649	29,082,948	31,519,654
Public works	9,860,405	9,833,899	9,618,124	9,947,392	9,979,171
Culture and recreation	7,392,309	7,395,397	6,919,311	6,945,317	6,713,232
Urban and economic development	9,976,323	12,565,206	12,005,724	15,511,249	19,828,474
Debt Service					
Principal retirement	10,753,925	10,247,366	11,107,478	13,610,613	16,956,649
Interest and fiscal fees	4,685,976	4,599,568	4,179,881	4,857,973	5,040,518
Revenue pledge	-	-	-	-	2,612,545
Bond issuance costs	-	48,934	148,000	180,618	407,773
Capital Outlay	<u>17,876,628</u>	<u>23,186,154</u>	<u>18,671,264</u>	<u>17,010,131</u>	<u>23,478,917</u>
Total Expenditures	<u>106,922,828</u>	<u>116,425,238</u>	<u>110,551,533</u>	<u>116,720,441</u>	<u>136,422,206</u>
Excess of revenues over (under) expenditures	<u>(8,121,401)</u>	<u>(8,974,652)</u>	<u>(7,069,984)</u>	<u>(6,107,900)</u>	<u>(25,197,432)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	11,030,000	12,975,000	8,670,000	7,885,000	28,265,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	159,777	197,367
Issuance of refunding bonds	-	-	6,925,000	-	-
Sale of capital asset	-	55,325	335,352	24,000	-
Loan proceeds	-	-	-	-	6,594,000
Payment to refunded bond escrow agent	-	(1,683,463)	(6,965,522)	-	(7,690,417)
Transfers in	16,479,062	16,410,573	12,769,347	18,584,108	19,413,529
Transfers out	<u>(17,227,936)</u>	<u>(13,430,154)</u>	<u>(9,554,435)</u>	<u>(14,773,286)</u>	<u>(15,162,675)</u>
Total other financing sources (uses)	<u>10,281,126</u>	<u>14,327,281</u>	<u>12,179,742</u>	<u>11,879,599</u>	<u>31,616,804</u>
Net change in fund balances	<u>\$ 2,159,725</u>	<u>\$ 5,352,629</u>	<u>\$ 5,109,758</u>	<u>\$ 5,771,699</u>	<u>\$ 6,419,372</u>
Debt service as a percentage of noncapital expenditures	17.3%	15.9%	16.7%	19.1%	19.1%

\*Implementation of Governmental Accounting Standards Board Statement No. 34 in 2002.

General Governmental includes Capital Projects Fund.

\*\*Effective 2004, the Duluth City Council became the governing board of Duluth Economic Development Authority.

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances

(continued)

**CITY OF DULUTH, MINNESOTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>					
Taxes:					
Property Taxes	\$ 15,469,329	\$ 17,837,011	\$ 17,776,235	\$ 17,859,578	\$ 15,953,934
Sales Taxes	16,860,351	17,509,877	18,363,052	18,009,914	19,252,407
Other Taxes	2,006,659	2,051,173	2,049,848	2,573,884	2,014,928
Licenses and permits	987,464	1,111,727	985,506	1,149,265	1,182,044
Intergovernmental revenues	51,467,392	53,793,307	50,315,079	50,047,221	55,756,919
Charges for Services	8,718,615	5,995,079	5,802,260	6,348,063	6,902,683
Fines and forfeits	905,324	1,086,304	1,056,783	1,770,427	1,791,604
Special assessments	2,964,983	2,941,244	2,609,585	2,948,975	2,741,754
Investment income	4,576,550	3,908,135	3,364,141	3,691,734	2,051,772
Miscellaneous revenues	<u>14,978,054</u>	<u>10,641,263</u>	<u>12,202,008</u>	<u>6,321,696</u>	<u>3,285,276</u>
Total revenues	<u>118,934,721</u>	<u>116,875,120</u>	<u>114,524,497</u>	<u>110,720,757</u>	<u>110,933,321</u>
<b>Expenditures</b>					
General government	21,248,502	32,109,525	23,062,581	32,743,783	32,628,277
Public safety	33,176,998	33,319,542	35,661,590	36,718,739	33,901,872
Public works	10,358,429	11,080,239	12,106,097	1,872,986	7,164,216
Culture and recreation	6,978,630	6,716,210	8,037,797	6,095,879	6,570,834
Urban and economic development	12,694,861	14,531,149	16,515,445	14,059,428	14,177,365
Debt Service					
Principal retirement	15,175,505	11,454,452	9,984,002	12,354,000	10,254,000
Interest and fiscal fees	5,589,857	4,777,420	4,377,160	5,264,029	5,441,345
Revenue pledge	1,383,363	2,966,875	-	-	-
Bond issuance costs	269,189	205,336	544,187	442,358	140,135
Capital Outlay	<u>30,731,546</u>	<u>13,496,052</u>	<u>15,749,543</u>	<u>36,274,174</u>	<u>37,344,799</u>
Total Expenditures	<u>137,606,880</u>	<u>130,656,800</u>	<u>126,038,402</u>	<u>145,825,376</u>	<u>147,622,843</u>
Excess of revenues over (under) expenditures	<u>(18,672,159)</u>	<u>(13,781,680)</u>	<u>(11,513,905)</u>	<u>(35,104,619)</u>	<u>(36,689,522)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	17,050,000	10,650,000	51,600,000	21,560,000	4,470,000
Proceeds from refundings	-	-	-	2,150,000	4,190,000
Premium on issuance of bonds	287,586	269,594	383,591	578,200	109,851
Issuance of refunding bonds	-	-	-	-	-
Sale of capital asset	-	-	-	-	-
Loan proceeds	1,482,000	-	-	-	-
Payment to refunded bond escrow agent	(10,626,155)	(5,827,735)	(3,570,023)	(2,150,000)	(4,155,250)
Transfers in	28,843,364	29,700,237	25,900,738	37,591,473	26,903,985
Transfers out	<u>(22,889,485)</u>	<u>(25,190,223)</u>	<u>(20,365,669)</u>	<u>(29,787,535)</u>	<u>(22,207,637)</u>
Total other financing sources (uses)	<u>14,147,310</u>	<u>9,601,873</u>	<u>53,948,637</u>	<u>29,942,138</u>	<u>9,310,949</u>
Net change in fund balances	<u>\$ (4,524,849)</u>	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>	<u>\$ (5,162,481)</u>	<u>\$ (27,378,573)</u>
Debt service as a percentage of noncapital expenditures	19.9%	13.8%	12.8%	13.7%	12.3%

Unaudited

**CITY OF DULUTH, MINNESOTA  
 ASSESSED & EXTIMATED TAXABLE MARKET VALUE OF PROPERTY  
 LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2001*	2,206,052,200	25,102,366	527,197,900	16,141,177
2002	2,477,595,400	23,719,895	583,024,800	10,453,000
2003	2,725,278,200	25,641,929	602,397,500	10,482,303
2004	3,351,249,500	29,833,979	642,098,600	12,109,770
2005	3,972,632,500	35,109,144	760,035,800	14,421,069
2006	4,114,469,300	39,255,023	822,511,200	15,028,434
2007	4,200,391,700	41,880,176	880,587,500	16,128,121
2008	4,456,568,100	44,910,418	909,880,320	16,677,463
2009	4,617,041,700	46,697,414	1,009,119,300	18,491,015
2010	4,542,850,233	48,956,915	1,026,182,900	21,309,642

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2001*	15,782,000	159,627	61,189,500	2,152,839
2002	16,271,300	162,086	65,996,400	1,306,895
2003	16,922,200	168,654	64,502,300	1,278,679
2004	17,023,600	169,124	70,268,600	1,392,633
2005	17,840,900	176,231	73,834,400	1,462,013
2006	18,899,500	186,310	81,333,600	1,611,889
2007	20,534,000	204,985	96,120,400	1,862,143
2008	26,367,500	237,933	94,106,400	1,521,098
2009	28,544,000	284,456	75,270,300	1,435,859
2010	30,165,000	378,816	78,621,200	1,544,328

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2001*	2,810,221,600	43,556,009	1.55%
2002	3,142,887,900	35,641,876	1.13%	0.28976
2003	3,409,100,200	37,571,565	1.10%	0.29027
2004	4,080,640,300	43,505,506	1.07%	0.26866
2005	4,824,343,600	51,168,457	1.06%	0.24215
2006	5,037,213,600	56,081,656	1.11%	0.22183
2007	5,197,633,600	60,075,425	1.16%	0.22939
2008	5,486,922,320	63,346,912	1.15%	0.23259
2009	5,729,975,300	66,908,744	1.17%	0.25403
2010	5,677,819,333	72,189,701	1.27%	0.26331

\* 2001 Tax Reform lowered the tax capacity rates on most classes of property.

Unaudited

**CITY OF DULUTH, MINNESOTA  
PROPERTY TAX RATES\* & PRINCIPAL PROPERTY TAXPAYERS  
LAST TEN FISCAL YEARS**

Fiscal Year	City		Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Schools	County	Special	
2001	0.16391	0.10014	0.46084	0.65924	0.01778	1.40191
2002	0.16673	0.12303	0.18180	0.87363	0.04860	1.39379
2003	0.17070	0.11957	0.14816	0.81464	0.05631	1.30938
2004	0.16861	0.10005	0.11778	0.77282	0.06810	1.22736
2005	0.15770	0.08445	0.11405	0.67545	0.06902	1.10067
2006	0.15126	0.07057	0.10994	0.63330	0.06576	1.03083
2007	0.14780	0.08159	0.10881	0.63013	0.06615	1.03447
2008	0.14743	0.08516	0.20874	0.59190	0.06298	1.09621
2009	0.16193	0.09210	0.20940	0.57645	0.06497	1.10485
2010	0.18050	0.08281	0.20971	0.55365	0.05654	1.08321

\* Tax Capacity Rate (per \$1 of Tax Capacity Value)

Source: St. Louis County web site

Unaudited

**Principal Property Taxpayers  
Current Year and Nine Years Ago**

Taxpayer	Type of Business	2010			2001		
		Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Minnesota Power	Electric Utility	111,944,600	1	1.97%	79,193,000	1	2.82%
Simon Property, Inc.	Shopping Mall	66,156,700	2	1.17%	23,161,400	3	0.82%
St. Mary's/ Duluth Clinic	Healthcare/Hospital	50,678,000	3	0.89%	22,521,000	4	0.80%
Bowman Properties	Apartments	36,833,000	4	0.65%	-	-	-
D M & I R Railroad	Railroad	33,109,900	5	0.58%	8,384,400	5	0.30%
IRET Properties	Property Mngmt.	25,525,900	6	0.45%	-	-	-
StoraEnso North America	Paper Mill	22,445,100	7	0.40%	42,742,600	2	1.52%
Whitebox Commodities Holdings	Grain Elevators	18,334,000	8	0.32%	-	-	-
ZMC Hotels	Hotels	16,596,400	9	0.29%	-	-	-
Tech Village	Office/Tech Building	11,921,200	10	0.21%	-	-	-
US Bank	Bank/Office Building	-	-	-	7,692,600	6	0.27%
Home Depot	Retail/Developer	-	-	-	7,192,700	7	0.26%
Bradley Operating Limited	Strip Mall	-	-	-	6,726,600	8	0.24%
JMM Limited Partnership	Retail/Hotel	-	-	-	6,406,000	9	0.23%
Burlington Northern	Railroad	-	-	-	5,564,600	10	0.20%
		<u>\$ 393,544,800</u>		<u>6.93%</u>	<u>\$ 209,584,900</u>		<u>7.46%</u>

Unaudited

Source: City Assessor

**CITY OF DULUTH, MINNESOTA  
PROPERTY TAX LEVIES & COLLECTIONS AND  
RATIOS OF OUTSTANDING DEBT BY TYPE**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2001	9,658,700	9,440,473	97.7%	224,849	9,665,322	100.1%
2002	9,038,100	8,889,198	98.4%	234,325	9,123,523	100.9%
2003	9,679,200	9,511,986	98.3%	176,896	9,688,882	100.1%
2004	10,153,500	9,872,757	97.2%	160,597	10,033,354	98.8%
2005	10,730,400	10,507,463	97.9%	157,785	10,665,248	99.4%
2006	11,102,100	10,839,881	97.6%	203,936	11,043,817	99.5%
2007	12,208,400	11,890,737	97.4%	224,420	12,115,157	99.2%
2008	13,543,600	13,088,415	96.6%	249,172	13,337,587	98.5%
2009	15,437,800	14,893,155	96.5%	286,524	15,179,679	98.3%
2010	17,176,100	15,565,507	90.6%	-	15,565,507	90.6%

Unaudited

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)**

Governmental Activities									
Fiscal Year	General	General	General	Tax Increment	Lease	Special	General	Revenue	Capital
	Obligation	Obligation	Obligation	Revenue	Revenue	Assessment	Obligation	Notes	Leases
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	Debt with	<u>Certificates</u>		
						Government			
						Commitment			
2001	28,953	-	-	9,500	2,215	46,888	5,205	275	617
2002	30,093	-	-	8,100	2,115	49,443	5,175	140	824
2003	28,208	-	-	6,500	2,005	52,555	4,590	364	647
2004	** 26,974	4,348	-	10,167	1,890	53,018	4,310	1,418	459
2005	33,813	7,282	310	3,919	1,770	53,919	3,915	7,780	260
2006	32,439	6,381	310	2,543	1,640	53,600	4,395	4,367	227
2007	19,502	23	310	1,240	1,250	52,060	5,270	3,943	193
2008	60,815	-	310	175	1,125	48,845	6,715	3,744	155
2009	76,699	-	310	135	995	41,106	8,065	3,026	114
2010	*** 75,449	-	310	-	860	36,011	8,920	2,966	70

Business-Type Activities							
Fiscal Year	Revenue	Revenue and	Revenue	Capital	Total	Percentage	Per
	<u>Bonds</u>	and General	<u>Notes</u>	<u>Leases</u>	Primary	of Personal	Capita*
		<u>Bonds</u>			Government	Income*	
2001	2,010	20,942	-	383	116,988	6.36%	1,358
2002	1,755	30,100	-	-	127,745	6.58%	1,485
2003	1,490	36,380	1,435	121	134,295	6.81%	1,560
2004	1,040	38,210	3,594	80	145,508	7.02%	1,696
2005	920	40,340	3,790	37	158,055	7.59%	1,840
2006	800	46,815	3,517	369	157,403	7.15%	1,848
2007	675	60,595	4,946	282	150,289	6.45%	1,759
2008	550	56,315	4,892	8,999	192,640	8.06%	2,261
2009	420	54,505	5,906	9,120	200,401	8.77%	2,343
2010	285	47,900	10,766	8,725	192,262	8.41%	2,229

\*See the Schedule of Demographic and Economic Statistics for personal income and population data.

\*\*In 2004, Duluth Economic Development Authority became a blended component unit.

\*\*\*In 2010, Duluth Economic Development Authority became a discretely presented component unit.

Unaudited

**CITY OF DULUTH, MINNESOTA  
RATIOS OF NET GENERAL OBLIGATION BONDED DEBT AND  
DIRECT & OVERLAPPING GOVERNMENT ACTIVITIES DEBT**

**Ratios of Net General Obligation Bonded Debt  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
2001	86,125	43,556,009	34,157,800	3,623,861	30,533,939	70.10%	354.53
2002	86,044	35,641,876	35,268,100	1,881,129	33,386,971	93.67%	388.02
2003	86,082	37,571,565	32,798,400	4,880,479	27,917,921	74.31%	324.32
2004*	85,782	43,505,506	35,632,400	5,903,348	29,729,052	68.33%	346.57
2005	85,889	51,168,457	45,320,700	6,287,564	39,033,136	76.28%	454.46
2006	85,170	56,081,656	43,525,000	6,162,546	37,362,454	66.62%	438.68
2007**	85,439	60,075,425	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,346,912	67,840,000	14,636,181	53,203,819	83.99%	624.31
2009	85,530	66,908,744	85,074,118	18,612,250	66,461,868	99.33%	777.06
2010***	86,265	72,189,701	84,679,118	19,144,190	65,534,928	90.78%	759.69

Note: Gross bonded debt consists of general long-term debt bonds payable as reported on the Combined Balance Sheet. Specifically excluded are special assessment and enterprise bond issues for which the city is contingently liable. Tax increment revenue bonds are not included.

\*In 2004, Duluth Economic Development Authority became a blended component unit. Their General Obligation debt is included beginning in 2004.

\*\*In 2007 the Parking Fund was created. Its General Obligation Tax Increment Debt is no longer included in Gross Bonded Debt.

\*\*\*In 2010, Duluth Economic Development Authority became a discretely presented component unit.

Unaudited

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2010**

<u>Governmental Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$ 70,060,000	88.3%	\$ 61,879,018
Independent School District 704	23,005,000	6.6%	1,515,185
St. Louis County	42,385,000	36.2%	15,340,312
Subtotal, overlapping debt			78,734,515
City of Duluth direct debt			121,619,927
Total direct and overlapping debt			\$ 200,354,442

Unaudited

**CITY OF DULUTH, MN  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Taxable market value	\$ 2,810,221,600	\$ 3,142,887,900	\$ 3,409,100,200	\$ 4,080,640,300	\$ 4,824,343,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 56,204,432</u>	<u>\$ 62,857,758</u>	<u>\$ 68,182,004</u>	<u>\$ 81,612,806</u>	<u>\$ 96,486,872</u>
Debt applicable to limit:					
Total bonds payable	115,712,623	126,781,000	131,728,000	139,957,491	146,189,413
Less: Deductions allowable	<u>(87,249,823)</u>	<u>(100,307,900)</u>	<u>(107,309,600)</u>	<u>(117,408,091)</u>	<u>(116,546,513)</u>
Total net debt applicable to limit	<u>\$ 28,462,800</u>	<u>\$ 26,473,100</u>	<u>\$ 24,418,400</u>	<u>\$ 22,549,400</u>	<u>\$ 29,642,900</u>
Total net debt applicable to the limit as a percentage of debt limit	50.64%	42.12%	35.81%	27.63%	30.72%

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Taxable market value	\$ 5,037,213,600	\$ 5,197,633,600	\$ 5,486,922,320	\$ 5,729,975,300	\$ 5,677,819,333
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 100,744,272</u>	<u>\$ 103,952,672</u>	<u>\$ 109,738,446</u>	<u>\$ 114,599,506</u>	<u>\$ 113,556,387</u>
Debt applicable to limit:					
Total bonds payable	148,923,488	140,925,002	174,850,000	182,235,000	169,735,000
Less: Deductions allowable	<u>(119,604,288)</u>	<u>(121,323,002)</u>	<u>(152,495,000)</u>	<u>(141,965,882)</u>	<u>(128,955,882)</u>
Total net debt applicable to limit	<u>\$ 29,319,200</u>	<u>\$ 19,602,000</u>	<u>\$ 22,355,000</u>	<u>\$ 40,269,118</u>	<u>\$ 40,779,118</u>
Total net debt applicable to the limit as a percentage of debt limit	29.10%	18.86%	20.37%	35.14%	35.91%

Unaudited

**CITY OF DULUTH, MINNESOTA  
REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b><u>WATER REVENUE BOND</u></b>							
2001	\$ 8,409,390	\$ 6,609,669	\$ 1,799,721	\$ * 650,000	\$ 264,633	\$ 914,633	1.97
2002	9,787,215	6,601,830	3,185,385	685,000	328,420	1,013,420	3.14
2003	9,841,217	7,318,249	2,522,968	882,000	304,781	1,186,781	2.13
2004	10,041,273	7,165,410	2,875,863	918,000	269,155	1,187,155	2.42
2005	10,450,145	8,033,370	2,416,775	1,002,124	253,705	1,255,829	1.92
2006	11,104,194	8,399,508	2,704,686	989,000	218,199	1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87

\* \$ 1,910,000 was provided from funds held in escrow.

**GAS REVENUE BOND**

2001	41,036,149	39,003,580	2,032,569	-	155,865	155,865	13.04
2002	38,394,277	33,626,427	4,767,850	235,000	338,116	573,116	8.32
2003	42,313,867	37,357,082	4,956,785	455,000	493,552	948,552	5.23
2004	45,272,089	40,575,751	4,696,338	757,000	544,805	1,301,805	3.61
2005	55,642,735	48,960,275	6,682,460	825,000	519,365	1,344,365	4.97
2006	49,890,597	43,701,022	6,189,575	844,000	520,369	1,364,369	4.54
2007	47,701,819	45,655,468	2,046,351	933,000	507,486	1,440,486	1.42
2008	58,737,875	52,926,055	5,811,820	964,000	473,807	1,437,807	4.04
2009	46,526,246	36,939,946	9,586,300	652,000	341,269	993,269	9.65
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25

**SEWER REVENUE BOND**

2001	15,553,393	13,908,314	1,645,079	825,000	301,776	1,126,776	1.46
2002	16,560,152	13,815,859	2,744,293	925,000	396,905	1,321,905	2.08
2003	16,913,297	14,380,362	2,532,935	714,000	365,128	1,079,128	2.35
2004	16,407,422	13,705,780	2,701,642	750,000	441,383	1,191,383	2.27
2005	14,506,025	12,332,037	2,173,988	1,057,876	564,507	1,622,383	1.34
2006	15,700,498	13,679,753	2,020,745	1,192,000	584,732	1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96

(continued)

**CITY OF DULUTH, MINNESOTA  
REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b><u>STORMWATER REVENUE BOND</u></b>							
2002	\$ 2,774,284	\$ 1,869,425	\$ 904,859	\$ -	\$ 47,999	\$ 47,999	18.85
2003	2,861,113	2,147,125	713,988	74,000	51,437	125,437	5.69
2004	2,904,664	2,220,714	683,950	75,000	49,575	124,575	5.49
2005	3,012,171	2,232,765	779,406	76,000	47,592	123,592	6.31
2006	3,050,492	2,442,658	607,834	80,000	106,727	186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
<b><u>STEAM DISTRICT #1 REVENUE BOND</u></b>							
2001	3,223,089	2,976,532	246,557	270,000	46,261	316,261	0.78
2002	3,548,873	3,008,319	540,554	300,000	45,309	345,309	1.57
2003	3,686,289	3,225,286	461,003	90,000	115,822	205,822	2.24
2004	4,021,712	3,373,137	648,575	135,000	118,620	253,620	2.56
2005	4,416,123	3,491,603	924,520	185,000	165,218	350,218	2.64
2006	4,687,255	3,994,525	692,730	265,000	262,113	527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
<b><u>GOLF REVENUE BOND</u></b>							
2001	1,564,975	1,274,932	290,043	255,000	120,573	375,573	0.77
2002	1,487,619	1,392,197	95,422	265,000	105,528	370,528	0.26
2003	1,572,912	1,411,583	161,329	275,000	89,893	364,893	0.44
2004	1,735,653	1,441,402	294,251	120,000	31,595	151,595	1.94
2005	1,699,090	1,633,529	65,561	120,000	29,195	149,195	0.44
2006	1,901,413	1,672,256	229,157	125,000	26,435	151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
<b><u>PARKING REVENUE BOND</u></b>							
2007	2,193,800	597,826	1,595,974	680,000	786,071	1,466,071	1.09
2008	4,200,392	816,515	3,383,877	430,000	694,889	1,124,889	3.01
2009	2,592,185	693,301	1,898,884	745,000	692,013	1,437,013	1.32
2010	2,610,111	789,126	1,820,985	790,000	657,056	1,447,056	1.26

Notes:

- (1) Includes operating revenue and interest earnings.
- (2) Includes operating expenses, excluding depreciation.

Unaudited

**CITY OF DULUTH, MINNESOTA  
 DEMOGRAPHIC & ECONOMIC STATISTICS AND  
 PRINCIPAL EMPLOYERS  
 LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2001	86,125	\$ 1,840,813,483	\$ 21,374	12,464	4.6%
2002	86,044	1,940,558,194	22,553	12,555	5.0%
2003	86,082	1,973,465,217	22,925	12,321	5.4%
2004	85,782	2,071,632,035	24,150	11,979	5.4%
2005	85,889	2,082,363,825	24,245	11,123	4.9%
2006	85,170	2,200,368,620	25,835	10,050	4.7%
2007	85,439	2,330,534,215	27,277	9,819	4.9%
2008	85,220	2,390,569,327	28,052	9,554	6.5%
2009	85,530	2,286,061,049	26,728	9,195	7.1%
2010	86,265 *	2,286,061,049 *	26,500	8,780	6.7%

Data sources:

The population figures are estimates of the State Demographer.

Total personal income is from the Minnesota Department of Employment and Economic Development's website.

The school enrollment figures were provided by the Duluth School District.

The unemployment rates were provided by the Minnesota Department of Economic Security.

\*Estimates

Unaudited

**Principal Employers  
 Current Year and Nine Years Ago**

<u>Employer</u>	<u>Type of Business</u>	<u>2010</u>			<u>2001</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Essentia Health (SMDC)	Healthcare / hospital	4,693	1	8.06%	5,169	1	8.93%
University of Minnesota - Duluth	Education	1,700	2	2.92%	1,453	5	2.51%
Uniprise (United Health Care)	Claims processing	1,634	3	2.81%	813	9	1.40%
St. Luke's Hospital	Healthcare / hospital	1,515	4	2.60%	1,700	3	2.94%
Independent School District No. 7C	Education	1,426	5	2.45%	2,593	2	4.48%
Allete (Minnesota Power)	Electric utility	1,419	6	2.44%	-		
St. Louis County	Government	1,301	7	2.23%	1,553	4	2.68%
Duluth Air National Guard Base	Military	1,068	8	1.83%	-		
City of Duluth	Government	850	9	1.46%	960	7	1.66%
US Government	Government	850	10	1.46%	-		
State of Minnesota	Government				1,060	6	1.83%
U.S. Postal Service	Government/Postal Encoding Center				896	8	1.55%
Miller Dwan Medical Center	Healthcare				805	10	1.39%
		<u>16,456</u>		<u>28.26%</u>	<u>17,002</u>		<u>29.37%</u>

Source: Northland Connection's website

Total city employment is from the Minnesota Department of Employment & Economic Development's website

Unaudited

**CITY OF DULUTH, MINNESOTA  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS**

Function:	Full-time Equivalent Employees as of December 31				
	2001	2002	2003	2004	2005
General government	224.8	226.8	221.8	207.0	205.0
Public safety					
Police	180.0	179.0	179.0	171.0	169.0
Fire	163.0	161.0	162.0	159.0	154.0
Public works	37.0	34.8	34.8	31.4	30.4
Culture and recreation					
Parks and recreation	23.2	23.2	23.2	22.2	20.2
Zoo	13.0	13.0	13.0	12.0	11.0
Library	65.6	65.6	65.6	59.7	58.6
Urban and economic development	49.0	47.0	47.0	41.0	37.0
Water & Gas	143.8	141.8	139.9	135.5	135.2
Sewer	35.8	34.7	33.6	33.3	37.4
Stormwater	16.7	19.9	17.9	19.8	20.0
Golf	8.0	8.0	8.0	8.0	5.0
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
<b>Total</b>	<b>959.9</b>	<b>954.8</b>	<b>945.8</b>	<b>899.9</b>	<b>882.8</b>

Function:	Full-time Equivalent Employees as of December 31				
	2006	2007	2008	2009	2010
General government	204.0	194.4	183.0	185.0	223.0
Public safety					
Police	173.0	174.0	179.0	182.0	187.0
Fire	159.0	158.0	157.0	159.0	158.0
Public works	30.4	29.2	28.4	22.4	21.2
Culture and recreation					
Parks and recreation	18.2	19.2	17.6	7.5	7.5
Zoo	11.0	12.0	11.0	-	-
Library	58.6	59.6	57.3	47.3	43.5
Urban and economic development	37.0	33.0	33.0	31.0	35.0
Water & Gas	131.9	124.9	122.5	120.5	124.8
Sewer	38.6	38.6	38.6	38.6	38.4
Stormwater	20.1	20.1	20.1	21.1	24.2
Golf	5.0	3.0	-	-	-
Parking	-	-	4.0	4.0	4.0
Street Lighting	-	-	-	4.0	4.0
<b>Total</b>	<b>886.8</b>	<b>866.0</b>	<b>851.5</b>	<b>822.4</b>	<b>870.6</b>

Note: Steam District #1 has no city employees.

Source: City of Duluth Budget Office

Unaudited

**CITY OF DULUTH, MINNESOTA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function:	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Police</b>					
Criminal offences	17,839	17,928	17,610	16,352	9,659
Adult and juvenile arrests	4,755	6,805	4,503	4,042	3,329
Traffic violations	7,389	8,602	7,290	5,978	3,752
Parking violations	59,690	69,453	68,721	69,906	66,555
<b>Fire</b>					
Number of calls answered	6,759	6,944	7,015	7,193	7,462
Number of inspections conducted	3,000	3,140	3,500	1,200	1,200
<b>Public works</b>					
<b>Construction permits:</b>					
Permits issued	2,499	2,743	2,659	2,456	2,400
Estimated cost of construction during year	\$ 74,490,278	\$ 105,056,128	\$ 101,287,887	\$ 175,360,742	\$ 121,160,329
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	94,400	57,752	43,825	53,330	58,492
Participation in recreation	261,301	306,168	287,127	253,496	129,000
Zoo regular customers	114,000	113,982	116,862	107,227	93,870
<b>Library</b>					
Registered borrowers	79,442	77,580	59,080	63,851	49,011
Items in collection*	345,112	345,709	341,119	341,034	354,480
Items loaned	942,089	976,951	972,650	970,342	969,186
Library visits	443,941	509,147	490,182	493,181	480,173
Internet uses					
Reference/research questions answered**	190,261	197,796	230,310	237,517	226,222
<b>Water</b>					
Meters in service	27,265	27,459	27,572	27,696	27,809
Average number of gallons treated per month	551,560,000	531,922,500	562,962,000	537,703,000	514,360,000
Daily average consumption in gallons	18,141,408	17,947,726	15,214,250	17,630,000	16,910,466
<b>Gas</b>					
Meters in service	24,413	24,613	24,857	24,970	25,085
MMBTU sold	4,805,908	5,124,065	5,289,874	5,066,848	4,777,330
<b>Sewer</b>					
Number of service connections	28,835	28,835	28,835	28,835	28,840
Daily average treatment in gallons	16,500,000	16,500,000	16,500,000	16,500,000	14,580,000
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	28,845	24,052	19,734	40,535	14,448
<b>Steam District #1</b>					
Steam sold	333,314	333,657	363,175	353,808	376,485
<b>Golf</b>					
Season passes	1,256	1,195	1,231	1,159	1,037
Daily tickets	39,883	37,673	37,399	35,826	35,524
Carts	10,870	11,875	13,079	12,652	13,509
Rounds played	98,462	91,613	98,436	91,909	84,382

\*Note: Prior to 2009, only cataloged items were included in the Library's "Items in collection."

\*\*Note: Beginning in 2009, only actual reference questions are included in the Library's "Reference questions answered."  
In prior years, directional questions were also included.

Sources: Various government departments.

(continued)

**CITY OF DULUTH, MINNESOTA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function:	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>					
Criminal offences	9,916	10,277	10,376	10,452	10,187
Adult and juvenile arrests	4,648	4,485	4,312	4,759	4,484
Traffic violations	6,184	3,344	2,951	2,153	5,241
Parking violations	76,095	62,556	49,498	54,953	57,537
<b>Fire</b>					
Number of calls answered	7,981	8,090	8,552	9,319	8,484
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
<b>Public works</b>					
<b>Construction permits:</b>					
Permits issued	2,080	3,117	2,757	2,362	2,026
Estimated cost of construction during year	\$ 194,794,123	\$ 93,080,667	\$ 115,091,545	\$ 113,965,408	\$ 238,186,019
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	48,510	47,143	59,353	42,858	48,896
Participation in recreation	129,998	117,118	112,826	36,217	31,905
Zoo regular customers	102,865	117,269	92,218	91,606	102,986
<b>Library</b>					
Registered borrowers	48,884	49,660	49,233	47,662	46,592
Items in collection*	355,668	359,805	344,302	620,941	620,101
Items loaned	969,972	969,756	901,128	881,268	929,161
Library visits	470,684	462,950	404,724	362,719	380,982
Internet uses	52,016	52,545	40,187	43,907	62,379
Reference/research questions answered**	231,445	194,604	250,756	67,460	80,678
<b>Water</b>					
Meters in service	27,948	28,087	28,016	27,950	30,317
Average number of gallons treated per month	518,865,000	527,489,906	514,647,500	516,805,833	481,950,833
Daily average consumption in gallons	17,058,575	17,342,134	16,919,918	16,973,333	15,844,958
<b>Gas</b>					
Meters in service	25,278	25,642	25,983	26,148	26,668
MMBTU sold	4,285,167	4,808,178	5,169,299	4,804,897	4,617,923
<b>Sewer</b>					
Number of service connections	28,845	28,845	28,845	28,845	28,845
Daily average treatment in gallons	14,780,000	13,150,675	15,249,900	13,740,000	14,859
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	10,599	9,409	21,254	23,358	14,734
<b>Steam District #1</b>					
Steam sold	422,651	436,966	465,717	441,808	403,085
<b>Golf</b>					
Season passes	1,046	1,005	928	1,023	1,024
Daily tickets	41,467	34,274	35,230	33,815	32,252
Carts	14,323	13,255	12,811	11,128	10,670
Rounds played	89,287	84,185	83,390	80,987	79,430

Unaudited

**CITY OF DULUTH, MINNESOTA  
 CAPITAL ASSETS STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS**

Function:	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Police</b>					
Patrol units	76	78	81	75	92
<b>Fire</b>					
Fire stations	9	9	9	9	9
<b>Public works</b>					
<b>Miles of streets and alleys:</b>					
Miles of streets - paved	459.46	460.46	462.87	466.63	469.20
Miles of streets - unpaved	81.05	81.05	80.13	78.56	77.31
Miles of Sidewalk	380.60	380.60	380.77	380.83	381.33
<b>Number of street lights:</b>					
Ornamental lamps (no. of bulbs)	3,291	3,241	3,241	3,241	3,712
Overhead street lamps	3,740	3,740	3,740	3,740	3,727
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	131	129	129	129	129
Park acreage	11,493	11,862	11,862	11,862	11,862
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	31	31	30	23	23
Community clubs/field houses operated	27	27	27	27	27
Number of athletic fields	39	39	39	39	39
Number of hiking trails	13	13	13	13	13
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	397.67	397.85	403.38	406.24	408.22
Number of hydrants	2,199	2,196	2,231	2,279	2,363
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	458.30	465.30	478.50	482.20	488.30
<b>Sewer</b>					
Miles of sanitary sewers	419.94	420.81	420.81	404.00	408.00
<b>Stormwater</b>					
Miles of storm sewers	260.88	262.48	262.48	311.00	349.00
<b>Steam District #1</b>					
Miles of line	10.00	10.00	10.00	10.50	11.00
<b>Golf</b>					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

**CITY OF DULUTH, MINNESOTA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

Function:	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>					
Patrol units	87	96	96	91	96
<b>Fire</b>					
Fire stations	9	9	9	9	9
<b>Public works</b>					
<b>Miles of streets and alleys:</b>					
Miles of streets - paved	471.90	474.66	476.30	476.30	469.00
Miles of streets - unpaved	76.61	73.85	73.11	73.11	48.02
Miles of Sidewalk	382.56	382.56	382.56	382.56	277.00
<b>Number of street lights:</b>					
Ornamental lamps (no. of bulbs)	3,758	3,758	3,758	3,930	3,930
Overhead street lamps	3,732	3,732	3,732	3,657	3,665
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	107	107	111	145	127
Park acreage	11,862	11,862	13,490	11,880	15,255
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	22	22	22	15	17
Community clubs/field houses operated	27	27	27	22	22
Number of athletic fields	36	36	36	57	57
Number of hiking trails	13	13	13	13	13
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	408.30	424.31	424.40	425.20	427.30
Number of hydrants	2,373	2,396	2,500	2,506	2,535
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	35,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	495.34	508.00	510.20	506.00	512.40
<b>Sewer</b>					
Miles of sanitary sewers	409.00	409.00	424.00	444.00	392.00
<b>Stormwater</b>					
Miles of storm sewers	351.00	288.00	431.00	431.00	431.00
<b>Steam District #1</b>					
Miles of line	11.00	11.00	11.00	11.00	11.00
<b>Golf</b>					
Number of municipal golf courses	2	2	2	2	2

Unaudited

**CITY OF DULUTH, MINNESOTA  
MISCELLANEOUS STATISTICAL DATA  
LAST TEN FISCAL YEARS**

COMPONENT UNITS-	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Duluth Entertainment and Convention Center (DECC) -</b>					
Number of events	554	588	512	522	545
Number of conventions	48	60	38	44	43
<b>Duluth Airport Authority -</b>					
Number of passengers	288,140	303,070	253,454	316,912	305,750
<b>Duluth Transit Authority -</b>					
Number of buses	87	72	66	66	72
Number of routes	18	18	18	17	18
Number of passengers	3,148,888	3,048,430	2,771,990	2,647,051	2,709,249
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority -</b>					
Skier visits	148,495	134,518	151,381	140,480	156,301
Season passes	10,086	11,129	9,385	8,630	9,209

COMPONENT UNITS-	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Duluth Entertainment and Convention Center (DECC) -</b>					
Number of events	534	523	533	536	690
Number of conventions	43	45	57	48	49
<b>Duluth Airport Authority -</b>					
Number of passengers	290,421	349,447	303,163	257,561	306,330
<b>Duluth Transit Authority -</b>					
Number of buses	72	72	72	67	66
Number of routes	18	20	20	18	18
Number of passengers	2,692,931	2,854,467	3,219,758	3,173,485	3,171,087
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority -</b>					
Skier visits	166,304	181,365	153,287	144,579	155,450
Season passes	8,920	8,028	8,123	7,728	7,835

Unaudited