



2020

Comprehensive Annual Financial Report

CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2020



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Department of Finance

For the Fiscal Year Ended December 31, 2020

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2020**

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INTRODUCTORY SECTION



Finance Department

Room 120
411 West First Street
Duluth, Minnesota 55802

 218-730-5350

June 15, 2021

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, 2020.

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 unmodified opinion on the City of Duluth's financial statements for the year ended December 31, 2020. 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 and encompasses 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 is approximately 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 recreation area, 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 10% 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 has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering, and aviation. Duluth's unemployment averaged 6.3% for 2020, which was higher than the previous year's average unemployment rate of 3.2%, because of the COVID-19 pandemic. The total number of jobs in Duluth reported to the state in 2020 averaged 53,640, and peaked at 58,299 during the first quarter, but dropped as low as 49,951 in the second quarter, at the onset of the COVID-19 pandemic.

According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's aviation industry grew 112% between 2013 and 2018, with key anchors like Cirrus Aircraft, American Precision Avionics, and Greystar Electronics contributing millions to the regional economy, and directly supporting over 1,100 jobs in the Duluth metro area. Cirrus Aircraft's SF50 Vision Jet was awarded the prestigious 2017 Robert J. Collier Trophy for "the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety in air or space vehicles..." and is on display at the Smithsonian's Air and Space Museum.

The Port of Duluth-Superior has been one of the backbones of the region's economy and has been long known as the Great Lakes' "Bulk Cargo Capital." It is the number one tonnage port on the Great Lakes and is the farthest-inland freshwater seaport. The Duluth-Superior port moves an average of 35 million tons of cargo annually, ranking among the nation's top 20 ports. It is North America's foremost natural resources port and leading mover of bulk commodities, ranging from iron ore, coal, and limestone, to grain, cement, and salt. It is also recognized worldwide as the heaviest lift port on the Great Lakes for its expertise in handling wind energy cargoes, project cargoes, wood pulp, paper, steel coils, and containerized cargoes. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior, on average, support approximately 7,800 port connected jobs and generate approximately \$504 million in annual income and contributes over \$1.4 billion to the local/regional business economy. The Seaway Port Authority of Duluth reported that 617 ships visited the Port of Duluth-Superior in 2020, down from 2019's 754 vessels; and, moved 25.8 million tons in 2020, down from 2019's 33.5 million tons of cargo, due to the downturn in the economy caused by the COVID-19 pandemic.

While the COVID-19 pandemic caused a downturn in Duluth's key industry of tourism in 2020, tourism typically brings approximately 6.7 million visitors to Duluth annually and injects more than \$957 million each year directly into the immediate area. Duluth has become a top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth offers a variety of attractions and outdoor activities, including: Canal Park, Duluth's historic waterfront district with its variety of hotels, restaurants, and shops, and is home to the famous Aerial Lift Bridge, which is Minnesota's most frequented tourist attraction; the Lakewalk, a 7.5 mile recreational trail on the shores of Lake Superior; Bayfront Festival Park, the 20 acre waterfront park with a seasonal amphitheater, that hosts outdoor summertime concerts and events, and during the holiday season, the Bentleyville Tour of Lights-America's largest free walk-through/drive-through holiday light display. Bayfront Festival Park was named the "Best Outdoor Music

Venue” in 2014’s “Best of Minnesota” poll by the Minneapolis Star Tribune. Duluth is also home to the Great Lakes Aquarium—a \$30 million freshwater aquarium featuring more than 20 exhibits; Spirit Mountain Ski and Recreation Area—a year-round recreation area with the Midwest’s longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. The City has 129 municipal parks encompassing over 3,264 acres, a public golf course, zoo, and over 150 miles of trails for hikers, bicyclists, and cross-country skiers. Duluth’s 104-mile Traverse Mountain Biking Trail system is close to completion, and is rated as one of only six “Gold Level” Ride Centers in the world by the International Mountain Bicycling Association (IMBA). Duluth hosts world-class special events such as Grandma’s Marathon, the 16th largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. Duluth has been nationally recognized by various publications and was rated by Money magazine as one of the top four Midwestern small cities, based on livability. In 2015, Duluth was voted as America’s “Best Town” by an online poll conducted by Outside Magazine. In 2017, Duluth was named as America’s fittest City by Fitbit; and, SmartAsset’s 2017 edition named Duluth as the least stressed city in America. In 2018, Duluth was recognized by the New York Post as one of the “Best 10 Christmas Cities in America.” Indeed.com ranked Duluth #1 in 2018 for “US Cities Where Salaries Go Furthest” based upon high adjusted salaries, low unemployment, and good future prospects. Starting in May 2022, international cruise line company Viking Expeditions will be operating their Thunder Bay, Canada to Milwaukee, Wisconsin “Undiscovered Great Lakes” 8-day Great Lakes cruise, which will visit Duluth, dock in the harbor, and offer daytime expedition trips to Duluth’s various attractions and outdoor experiences. Lake Superior, the City’s unique history, premier trails, natural beauty, and quality of life continue to define Duluth as a family friendly vacation destination and place to live.

The Duluth Entertainment Convention Center (DECC) remains a leader in convention center business and environmental stewardship. With their focus on sustainability, the DECC strives to make a positive impact on our local community through environmental, economic, and social stewardship. In 2020, the DECC was closed for the majority of the year due to the COVID-19 pandemic, but in 2019 the DECC hosted 515 events, which were comprised of Broadway and performing arts; rock, country, and miscellaneous concerts; meetings; and, various public, social, family, and sporting events. In 2019, there were 47 conventions in the CitySide and the HarborSide Convention Centers with over 32,200 attendees. AMSOIL Arena had its tenth year of operations and is home to the University of Minnesota-Duluth’s (UMD) hockey teams. Fans supported the 2019 National Collegiate Hockey Conference (NCHC) Champions, the men’s Bulldog hockey team; and, also supported the women’s Western Collegiate Hockey Conference (WCHA) team. On an average winter Saturday night, the DECC can be filled with over 20,000 guests attending hockey in Amsoil Arena; a Duluth-Superior Symphony Orchestra (DSSO) concert in Symphony Hall; a convention or banquet in Cityside or HarborSide Ballrooms; curling at the Duluth Curling Club, the proud home of the 2018 U.S. Olympic Gold Medal winning team; or watching a movie at the Duluth 10 Theater. Bayfront Park was under the management of the DECC for the ninth year but was closed for the 2020 season due to the COVID-19 pandemic; but, in 2019, had a successful year with a full roster of events, including Bentleyville, Duluth Fourth Fest, Blues Fest, Pride Festival, Tributefest, and All Pints North Brewfest.

According to the Minnesota Department of Employment and Economic Development (DEED), the Duluth metro has more than 20,000 college and university students. The American Institute of Economic Research named the Duluth metropolitan area as one of America’s best small metropolitan areas for college students in their “Small Metro category” in its 2012 College Destinations index. The University of Minnesota Duluth (UMD) and the College of St. Scholastica (CSS) are consistently ranked in the top tier of Midwestern universities by U.S. News and World Report’s “America’s Best Colleges” issue.

- The University of Minnesota Duluth (UMD) is a comprehensive regional university and adds a total annual economic impact on the region of over \$500 million. UMD had fall enrollment of 10,275 students in 2020. Undergraduate students can choose from 16 bachelor’s degrees in 87 majors, and 74 minors as well as seven certificates. UMD also offers graduate programs in 25 fields, 14 minors, and four certificates. The University of Minnesota Medical School and the University of Minnesota College of Pharmacy, both have programs on the UMD campus. In addition to offering the EdD, UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs.
- The College of St. Scholastica has been called a “hidden gem” by the Washington Post in its “100 Schools to Consider” and in 2014 was named by Money Magazine to the top third of all four-year colleges in the country, based on graduation rates, educational quality, affordability, and alumni earnings. Forbes Magazine named CSS in its “Top Colleges” list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. CSS has 6 academic schools, and offers degrees in more than 75

undergraduate majors, minors and pre-professionals: 15 masters, and four doctoral programs, with a total 2020 enrollment of 3,712 students.

- Lake Superior College (LSC) is a two-year community and technical college in Duluth and is a member of the Minnesota State College System and has the third lowest college tuition in the State of Minnesota. Lake Superior College was recently ranked among the 20 best community colleges in the nation for quality and affordability; and, was ranked 41st among “50 Best Community Colleges in the Nation” by College Consensus, an organization that combines all the most reputable college ranking publishers and real student reviews. The college offers pre-baccalaureate majors for students interested in transferring to 4-year educational institutions, as well as more than 90+ certificate, diploma and associate degree programs in career and technical fields. LSC's Continuing Education/Customized Training division collaborates with area businesses and industry to design specialized opportunities for entry-level and advanced education. While courses are typically offered in traditional classroom and lab settings, LSC also offers over 200 courses online.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (18.3% of total General Fund expenditures and transfers) exceeds the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned 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, 2020, the Community Investment Fund reported a fund balance of \$30.6 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$29.9 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$82.7 million on December 31, 2020. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare premium costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2020, retiree health care premium costs of \$727,233 were funded by the irrevocable trust. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

MAJOR INITIATIVES

In 2019, the State legislature approved a ½ percent local sales tax increase to fund street improvements. The new tax went into effect on October 1, 2019. Fiscal year 2020 was the first full year of collections for the City in regard to this new tax. It is estimated that the additional tax will garner an additional \$7 million annually to be designated for the City's Street Improvement Program.

State legislation created a Duluth Regional Exchange District that will support the two regional health care systems headquartered in downtown Duluth. Essentia Health and St. Luke's Hospital are constructing new facilities that will result in a combined investment exceeding \$1 billion in downtown Duluth. This investment will be the largest private development in Duluth's history and will act as a catalyst for additional development activity in the downtown area. Included in the State legislation was \$97.2 million earmarked for public improvements including parking ramps and street and utility improvements in the District. Site work began in 2019 and work on the project will continue for several years.

The City was recently awarded approximately \$60 million dollars in Coronavirus State and Local Fiscal Recover Funds as part of the America Rescue Plan. The City received the first half of this payment in May of 2021. City staff is currently reviewing funding guidance and determining how this funding can best be used in the City of Duluth.

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, 2019. This was the forty-fourth 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 2020. 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.

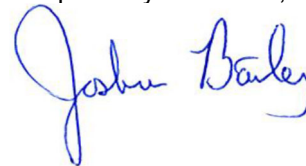
When looking at a report such as this CAFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the CAFR. As the requirements and demands of financial reporting in government increase, so too 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,



Jennifer Carlson, CPA
Finance Director

Respectfully submitted,



Joshua Bailey,
City Auditor

ELECTED AND APPOINTED OFFICIALS CITY OF DULUTH, MINNESOTA

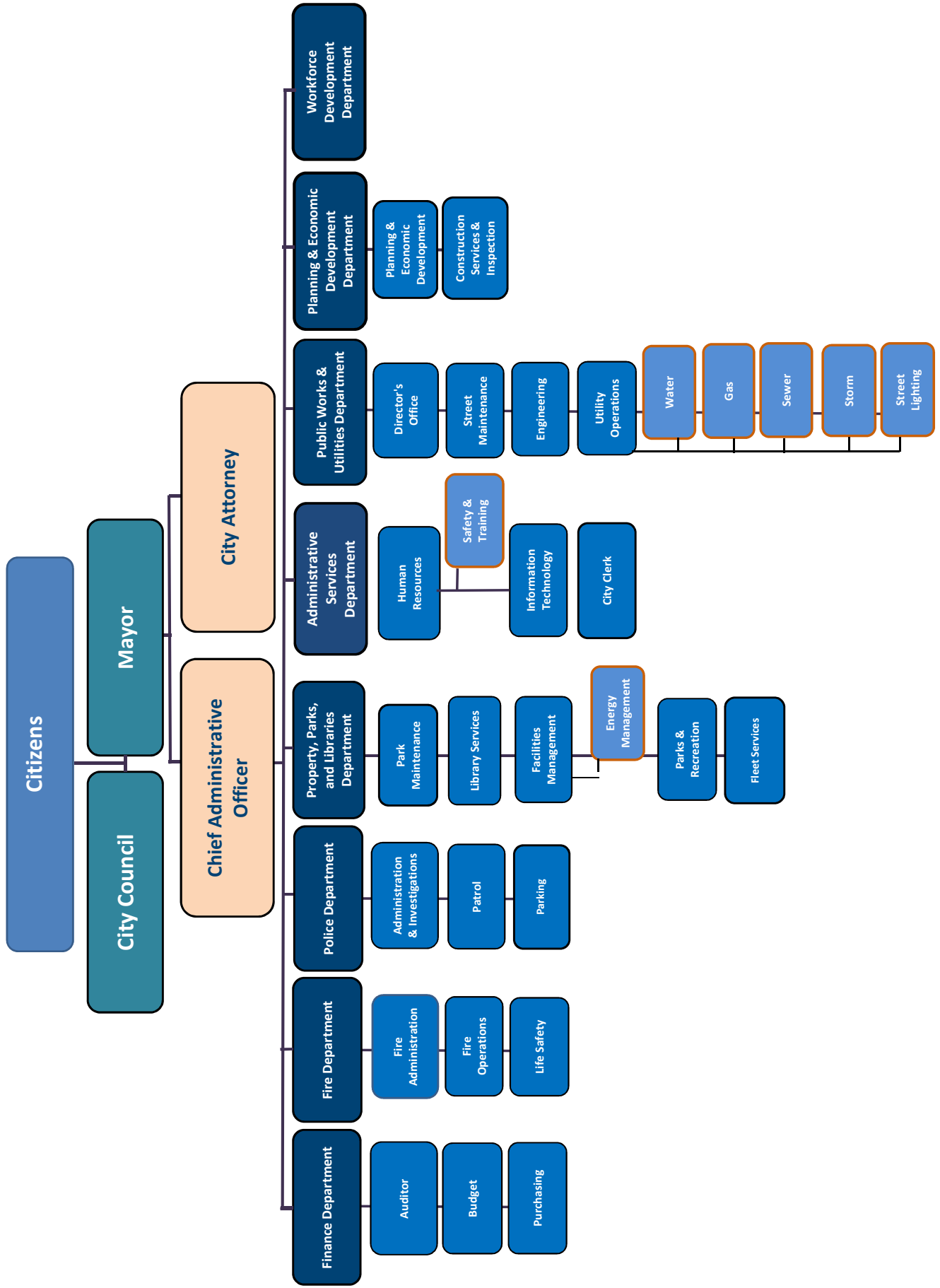
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Emily Larson		2024
City Council		
Zack Filipovich	At large	2022
Arik Forsman	At large	2024
Derek Medved	At large	2024
Terese Tomanek	At large	2024
Gary Anderson	1	2024
Joel Sipress	2	2022
Roz Randorf	3	2024
Renee Van Nett	4	2022
Janet Kennedy	5	2024

*All terms expire in January

APPOINTED POSITION

Attorney	Rebecca St. George
Auditor	Joshua Bailey
Chief Administrative Officer	Noah Schuchman
Finance Director	Jennifer Carlson
Chief of Police	Michael Tusken
Director of Administrative Services	Chelsea Helmer
Director of Planning and Economic Development	Christopher Fleege
Director of Property, Parks & Libraries	Jim Filby Williams
Director of Workforce Development	Elena Foshay
Director of Public Works and Utilities	James Benning
Fire Chief	Shawn Krizaj

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

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, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Emily Larson, Mayor
and Members of the City Council
City of Duluth, Minnesota

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes of the Spirit Mountain Recreation Area Authority component unit's activities are included as of and for the year ended April 30, 2020.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of the City of Duluth, Minnesota, as of December 31, 2020, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2020, the City changed the presentation of the Street Lighting Fund from an enterprise fund to a special revenue fund. The City also adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

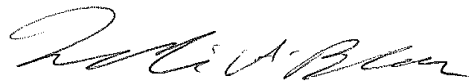
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth’s basic financial statements. The Introductory Section, the Combining and Individual Fund Statements and Schedules, the Supplementary Information, and the Statistical Section as 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. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 15, 2021, on our consideration of the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth’s or the Duluth Economic Development Authority component unit’s internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting and compliance.



JULIE BLAHA
STATE AUDITOR



DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

June 15, 2021

**Management's
Discussion and Analysis**

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**
(unaudited)

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, 2020, 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

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflow of resources at December 31, 2020, by \$470.2 million; this amount is identified as net position.
- As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$91.7 million.
- Restricted fund balances were \$44.3 million of fund balance or 48.3%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$47.4 million, or 51.7%, are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's Other Post-Employment Benefits (OPEB). As of December 31, 2020, the trust reported net position totaling \$82.7 million.
- As of December 31, 2020, the General Fund's unrestricted, unassigned fund balance was \$16.9 million, or 18.3% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements, which consists of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This 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 Position presents information on all of the City's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the net difference between the four reported as net position. Increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 stormwater utilities, parking, and municipal golf courses. The government-wide financial statements include not only the City, 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.

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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, the addresses of which are provided in Note 1 of the notes to the financial statements.

The two government-wide financial statements follow 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, 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, Disaster Recovery Special Revenue Fund, Community Investment Trust Special Revenue Fund and General Obligation Debt Service Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are included in the combining and individual fund section of this report.

The City 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, demonstrates 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 Priley Drive Parking Facility, Water, Gas, Sewer, and Steam funds, all of which are considered to be major funds. Data from the remaining enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds are included in the combining and individual fund section of this report.

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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 are 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 Position and the Statement of Changes in Fiduciary Net Position are included in the basic financial statement section of this report, while the statements for custodial funds are 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, internal service funds, fiduciary funds, and miscellaneous schedules. These schedules and statements follow the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. The largest portion of the City's net position 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 position (12.7%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

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	Governmental Activities		Business-type Activities		Total	
	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)
	Current and other assets	\$ 158,383	\$ 137,357	\$ 59,403	\$ 46,852	\$ 217,786
Capital assets	320,923	299,433	319,753	296,285	640,676	595,718
Total assets	\$ 479,306	\$ 436,790	\$ 379,156	\$ 343,137	\$ 858,462	\$ 779,927
Deferred outflows of resources	\$ 20,999	\$ 30,576	\$ 1,437	\$ 1,404	\$ 22,436	\$ 31,980
Long-term liabilities outstanding	\$ 266,579	\$ 263,662	\$ 65,690	\$ 59,602	\$ 332,269	\$ 323,264
Other liabilities	19,014	16,561	11,283	9,559	30,297	26,120
Total liabilities	\$ 285,593	\$ 280,223	\$ 76,973	\$ 69,161	\$ 362,566	\$ 349,384
Deferred inflows of resources	\$ 42,181	\$ 58,843	\$ 5,949	\$ 6,950	\$ 48,130	\$ 65,793
Net position:						
Net investment in capital assets	\$ 269,467	\$ 255,407	\$ 272,755	\$ 249,449	\$ 542,222	\$ 504,856
Restricted	57,117	43,515	2,462	2,092	59,579	45,607
Unrestricted	(154,053)	(170,622)	22,454	16,889	(131,599)	(153,733)
Total net position	\$ 172,531	\$ 128,300	\$ 297,671	\$ 268,430	\$ 470,202	\$ 396,730

Overall, the City's net position improved in 2020. The City's total net position increased \$73.5 million, an increase of 18.5%. Net position invested in capital assets increased largely due to the City's utility infrastructure replacement and major reconstruction of the City's Lakewalk due to storm damage that occurred in prior years. In addition, strong investment returns contributed to a significant reduction in the City's OPEB liability calculation and growth of the City's Community Investment Trust Fund portfolio.

In governmental activities the increase in assets was due to strong investment returns and continued investment in capital assets. Capital additions, especially as they relate to the Lakewalk reconstruction, have largely been grant driven which allows the City to improve its capital infrastructure without incurring a large amount of debt to do so. In governmental activities, the increase in total liabilities of \$5.4 million was largely due to a net OPEB liability decrease which was offset by an increase in the City's net pension liability and increased capital related bonding. Both the City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows, and are amortized and expensed over several years in accordance with the Governmental Accounting Standards Board (GASB). Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred inflows and outflows. See Notes 15 and 16 of the financial statement for more details on the City's pension and OPEB liabilities.

For business-type activities, the increase in total assets of \$36.0 million is largely due to capital related spending. Improvements to utility infrastructure have been partially funded by grant funds for Steam Utility improvements and other utility improvements associated with I-35 corridor project. Long-term liabilities increased due to the issuance of Steam funded utility bonds associated with the Superior Street reconstruction project. This \$10.5 million bond issuance was partially offset by the continuing pay down of other utility related bonds and notes.

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

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	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 12,554	\$ 13,433	\$ 88,209	\$ 94,896	\$ 100,763	\$ 108,329
Operating grants and contributions	19,699	12,290	-	61	19,699	12,351
Capital grants and contributions	24,939	12,733	16,949	6,134	41,888	18,867
General revenues:						
Property taxes	37,076	32,996	-	1,301	37,076	34,297
Other taxes	33,456	32,728	-	-	33,456	32,728
Grants and shared revenues not restricted to specific programs	32,536	31,918	-	49	32,536	31,967
Other	7,558	8,281	276	307	7,834	8,588
Total revenues	<u>167,818</u>	<u>144,379</u>	<u>105,434</u>	<u>102,748</u>	<u>273,252</u>	<u>247,127</u>
Expenses:						
General government	31,746	31,839	-	-	31,746	31,839
Public safety	42,105	42,181	-	-	42,105	42,181
Public works	26,886	27,785	-	-	26,886	27,785
Culture and recreation	10,419	16,261	-	-	10,419	16,261
Urban and economic development	11,375	14,244	-	-	11,375	14,244
Interest	3,398	3,910	-	-	3,398	3,910
Water	-	-	9,702	10,814	9,702	10,814
Gas	-	-	29,784	31,777	29,784	31,777
Sewer	-	-	16,220	16,260	16,220	16,260
Stormwater	-	-	3,523	3,572	3,523	3,572
Steam	-	-	8,296	8,350	8,296	8,350
Golf	-	-	1,271	1,771	1,271	1,771
Parking	-	-	2,924	3,405	2,924	3,405
Priley drive parking facility	-	-	1,231	1,249	1,231	1,249
Street lighting	-	-	-	1,836	-	1,836
Total expenses	<u>125,929</u>	<u>136,220</u>	<u>72,951</u>	<u>79,034</u>	<u>198,880</u>	<u>215,254</u>
Increase (decrease) in net position before transfers and special item	41,889	8,159	32,483	23,714	74,372	31,873
Special item: Spirit Mountain loan reduction	(900)	-	-	-	(900)	-
Transfers	3,242	4,514	(3,242)	(4,514)	-	-
Increase in net position	<u>44,231</u>	<u>12,673</u>	<u>29,241</u>	<u>19,200</u>	<u>73,472</u>	<u>31,873</u>
Net position, January 1	123,666	110,993	273,052	253,852	396,718	364,845
Restatement	4,634	-	(4,622)	-	12	-
Net position, January 1, restated	<u>128,300</u>	<u>110,993</u>	<u>268,430</u>	<u>253,852</u>	<u>396,730</u>	<u>364,845</u>
Net position, December 31	<u>\$ 172,531</u>	<u>\$ 123,666</u>	<u>\$ 297,671</u>	<u>\$ 273,052</u>	<u>\$ 470,202</u>	<u>\$ 396,718</u>

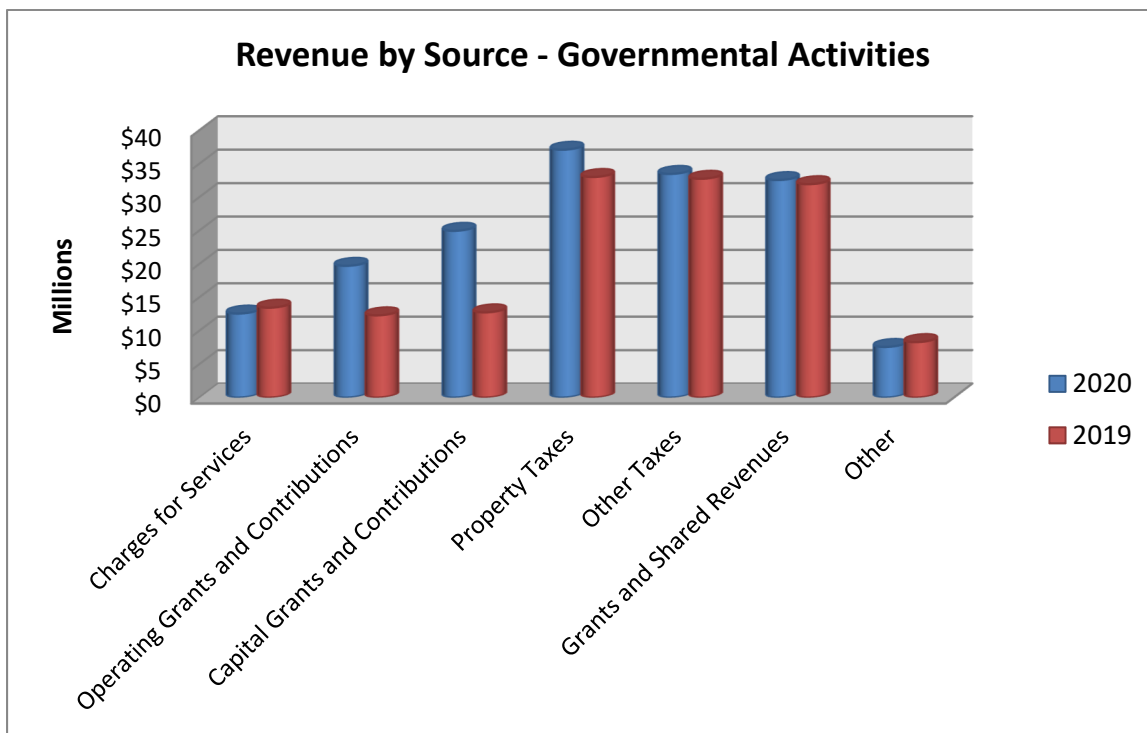
Governmental activities revenue increased by \$23.4 million in 2020. This increase is due to increased property tax revenue and increased capital grant related funding. In 2020 the City received \$6.6 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding which also contributed towards the City's increase in revenue. Tourism tax related collections were severely impacted by the pandemic in 2020. Effective October 1, 2019, the City's general sales tax increased from 1.0% to 1.5%. The 0.5% increase is dedicated to street improvements and 2020 was the first year the City recognized a full year of this funding. This new sales tax contributed to the increase in revenue from 2019 to 2020. The City's property tax levy increased 8.46% from 2019 to 2020. This increase helped cover cost-of-living adjustments and a 10% increase in health insurance rates. The strong stock market performance in 2020

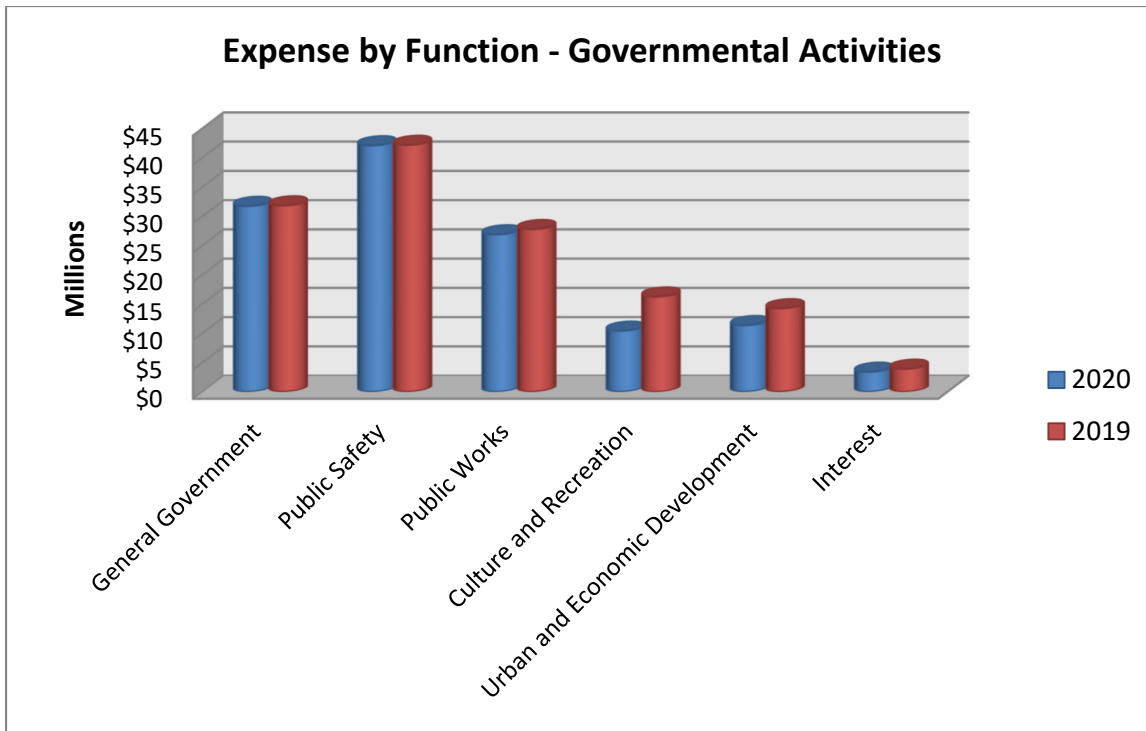
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resulted in \$4.3 million in investment revenue for the Community Investment Trust fund. Business-type activities revenue remained relatively stable with a \$2.7 million dollar increase. Decreased utility revenue, which can be largely attributed to less commercial usage due to the pandemic, was largely offset by increased capital funding associated with the I-35 corridor project. Variable water rates and variable sewer rates both increased. There were no changes to natural gas rates. The majority of the decrease in utility charges for service revenue was in the Gas fund and was mainly due to lower commercial consumptions due to business slow down (and closures) during the height of pandemic restrictions and lower residential/commercial consumptions due to a milder heating season as compared to 2019.

Total expenses decreased \$10.3 million for governmental activities. Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements No. 68 (pension liability) and 75 (OBEB liability). These liabilities, and associated deferred inflows and outflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred inflows and outflows and expensed over future years. Further detail on these two items can be found in Notes 15 and 16 of the financial statements. The City, in response to the pandemic, laid off some temporary and full-time staff. This resulted in a reduction in personnel costs in some areas. In addition, the City incurred lower interest costs in 2020 vs. 2019 as old debt is paid off and new debt is being issued at favorable rates. In 2020, the City experienced a 10% increase in health insurance premiums. It is expected that health insurance costs will continue to increase based on current trends.

Business-type activities expenses decreased \$6.1 million. The majority of the decrease was in the Water and Gas funds. The decreased expenses in the Water fund are due to less water pumping and treatment due to decrease in demand (mainly due to a shutdown of major customer) and cost cutting measures implemented due to uncertainty of the pandemic. In the Gas fund there were lower gas purchases due to lower demand. In addition, the reclassification of the Street Lighting fund from an enterprise fund to a governmental special revenue fund in 2020 accounted for a decrease of \$1.8 million.





FUND FINANCIAL ANALYSIS

As noted earlier, the City 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; 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, 2020, the City’s governmental funds reported combined ending fund balances of \$91.7 million, an increase of \$7.6 million from 2019. Of the total fund balance amount, \$47.4 million, or 51.7%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$32.3 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 94.5% of the committed fund balance. Restricted fund balance of \$44.3 million is primarily composed of funds dedicated to debt service and capital projects.

The General Fund is the main operating fund of the City. At December 31, 2020, fund balance of the General Fund was \$21.1 million, with \$16.9 million, or 80.0% reported as unassigned. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 18.3% and total fund balance is 22.9% of total General Fund expenditures. The General Fund’s fund balance increased \$3.4 million in 2020. A \$4.0 million transfer to the General Fund of CARES related funding helped offset any revenue decreases related to the pandemic. The General Fund also recognized significant cost savings related to park, library, and facility operations due to operation changes related to the pandemic.

The Community Investment Trust Special Revenue fund balance increased \$3.7 million in 2020. This increase was due to the performance of the portfolio holdings in a strong year for the stock market.

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The Disaster Recovery Special Revenue fund balance decreased by \$3.8 million in 2020. This is due to expenses incurred, but not yet reimbursed by state and federal disaster funds. The City experienced significant storm surge damage in both October of 2017 and October of 2018.

The General Obligation Debt Service Fund fund balance increased by \$0.5 million. Property tax collections, even in a pandemic environment, continue to be strong and enable the City to make scheduled debt payments.

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 position for each of the City's major proprietary funds, as well as the change in net position for each fund during the past two fiscal years (dollars in thousands):

	Unrestricted Net Position December 31		Increase (Decrease) Net Position December 31	
	2020	2019	2020	2019
	Priley Drive Parking Facility	\$ 402	\$ 391	\$ (270)
Water	4,666	2,545	4,979	4,318
Gas	5,329	3,481	4,760	5,412
Sewer	4,226	4,749	7,379	3,630
Steam	(460)	(401)	9,491	4,907

Increase in the unrestricted net position for the Water and Gas funds remained relatively stable from 2019 to 2020. The Sewer fund and Steam fund both incurred significant capital outlay associated with the Lift Station 15 project and the Superior Street reconstruction process, respectively. These expenditures are funded by State of Minnesota grants and contributed largely to the increase in the Sewer fund and Steam fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$3.0 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$0.9 million appropriation increase for prior year carryovers;
- \$0.05 million appropriation for grants, gifts and donations; and
- \$2.0 million appropriation for other budget allowable additions.

The carryover appropriation increase was possible due to prior year fund balance reserves. 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 over budget by \$1.6 million. This favorable variance can be attributed to higher than anticipated State of Minnesota insurance premium aid and transfers in. These additional variances offset other revenue shortfalls that were largely pandemic driven.
- Expenditures and transfers were under budget by \$2.7 million due primarily to savings in personnel cost.

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CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, was \$640.7 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2020, the City's total investment in capital assets, net of accumulated depreciation, increased by \$45.0 million. Major capital assets additions in 2020 included: Superior Street reconstruction of \$4.3 million, Lakewalk reconstruction of \$14.0 million, and utility related infrastructure improvements of \$30.8 million. Additional information related to the City's capital assets can be found in Note 7 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):

	Governmental Activities		Business-type Activities	
	2020	2019 (Restated)	2020	2019 (Restated)
Capital Assets:				
Land and improvements	\$ 22,859	\$ 22,859	\$ 4,649	\$ 4,649
Buildings	40,484	39,250	46,236	47,885
Equipment	11,334	11,155	34,406	17,328
Infrastructure	193,073	202,691	208,593	205,262
Construction in progress	53,173	23,478	25,869	21,161
Total	<u>\$ 320,923</u>	<u>\$ 299,433</u>	<u>\$ 319,753</u>	<u>\$ 296,285</u>

LONG-TERM DEBT

The City had \$151.2 million of bonded debt outstanding as of December 31, 2020. Of this amount, \$110.6 million of debt is backed by the full faith and credit of the City. \$1.6 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 \$39.0 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 12/31/20	Balance 12/31/19
Governmental Activities:		
General Obligation Bonds	\$ 85,985	\$ 81,370
General Obligation Tax Abatement Bonds	10,915	11,770
Special Assessment Debt with Government Commitment	1,620	3,125
General Obligation Certificates	13,700	14,050
Total Governmental Activities Bonded Debt	<u>\$ 112,220</u>	<u>\$ 110,315</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 38,985</u>	<u>\$ 31,680</u>

During 2020, the City's total bonded debt increased by \$9.2 million.

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In 2020, the City issued \$5.8 million of general obligation bonds, \$4.0 million of general obligation state aid street improvement bonds, \$3.0 million of general obligation certificates and \$10.5 million of general obligation steam utility revenue bonds. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

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 \$134.6 million, which is significantly higher than the City's net debt of \$37.8 million. Additional information about the City's long-term debt can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2021 General Fund budget is \$94.3 million. State local government aid (LGA) payments are anticipated to supply 32.1% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes increased LGA from 27.4 million in 2011 to \$30.3 million in 2020.

In 2019, the City contracted with an actuary to calculate its annual required contribution for OBEB in accordance with GASB Statement No. 75. For the year ended December 31, 2020, the City made contributions of \$0.6 million to an irrevocable trust and paid out \$10.4 million in retiree claims. As of December 31, 2020, the City's net OBEB liability is \$74.0 million.

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

In addition, the ongoing implications of the COVID-19 pandemic may continue to impact the City's revenue streams as businesses, especially in the tourism industry, begin to return to normal operations.

REQUESTS FOR INFORMATION

This financial report is meant to provide a general overview of the City'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 120, Duluth, MN 55802, or contact the City Auditor via email at jbailey@duluthmn.gov.

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 71,382,160	\$ 17,709,436	\$ 89,091,596	\$ 20,040,664
Investments, at fair value	30,577,729	-	30,577,729	-
Assets held by trustee	10,729,123	-	10,729,123	-
Receivables, net	28,413,551	10,653,725	39,067,276	8,903,709
Internal balances	(1,536,302)	1,536,302	-	-
Due from component units	400,061	1,592	401,653	-
Due from other governments	18,159,391	3,235,003	21,394,394	3,122,460
Inventories	200,261	3,328,777	3,529,038	481,403
Prepays	57,075	12,408,518	12,465,593	168,497
Restricted assets:				
Cash and cash equivalents	-	8,726,057	8,726,057	382,827
Accounts receivable	-	-	-	17,304
Loans receivable	-	1,803,999	1,803,999	-
Grants receivable	-	-	-	5,844,034
Planning and development costs	-	-	-	2,275,525
Capital assets (Note 7):				
Non-depreciable	76,032,671	30,518,201	106,550,872	11,533,548
Depreciable, net	244,890,036	289,234,476	534,124,512	264,775,150
Total Assets	479,305,756	379,156,086	858,461,842	317,545,121
Deferred Outflows of Resources				
Deferred pension obligation outflows	17,701,118	1,169,351	18,870,469	436,027
Deferred OPEB outflows	1,058,837	-	1,058,837	289,208
Deferred loss from debt refunding	2,238,612	268,041	2,506,653	-
Total Deferred Outflows of Resources	20,998,567	1,437,392	22,435,959	725,235
Liabilities				
Accounts payable and other short-term liabilities	15,685,741	8,839,939	24,525,680	3,519,846
Accrued interest payable	1,700,294	441,489	2,141,783	-
Due to primary government	-	-	-	1,303,273
Due to other government	261,456	947,615	1,209,071	698,474
Unearned revenues	1,366,589	1,053,696	2,420,285	1,764,076
Noncurrent liabilities:				
Due within one year	14,687,043	6,870,446	21,557,489	2,071,613
Due in more than one year	115,888,091	47,337,475	163,225,566	7,389,586
Other postemployment benefits liability	85,368,592	-	85,368,592	4,703,071
Net pension liability	50,635,133	11,482,619	62,117,752	5,438,788
Total Liabilities	285,592,939	76,973,279	362,566,218	26,888,727
Deferred Inflows of Resources				
Deferred pension obligation inflows	23,142,872	680,600	23,823,472	1,076,520
Deferred for highway allotments	2,636,907	-	2,636,907	-
Deferred OPEB inflows	16,400,828	5,268,609	21,669,437	247,472
Total Deferred Inflows of Resources	42,180,607	5,949,209	48,129,816	1,323,992
Net Position				
Net investment in capital assets	269,467,267	272,754,726	542,221,993	267,491,741
Restricted for:				
General government	9,339,734	-	9,339,734	-
Public safety	1,062,462	-	1,062,462	-
Public works	1,043,455	1,626,254	2,669,709	-
Culture and recreation	3,461,152	-	3,461,152	-
Urban and economic development	8,140,797	-	8,140,797	-
Debt service	21,065,593	836,142	21,901,735	-
Capital outlay	13,003,208	-	13,003,208	15,266,621
Unrestricted	(154,052,891)	22,453,868	(131,599,023)	7,299,275
Total Net Position	\$ 172,530,777	\$ 297,670,990	\$ 470,201,767	\$ 290,057,637

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, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 31,745,911	\$ 5,732,214	\$ 500,283	\$ 10,460
Public safety	42,104,761	1,794,884	9,664,430	297,857
Public works	26,885,812	336,908	1,711,628	9,733,971
Culture and recreation	10,419,424	853,276	772,234	14,456,711
Urban and economic development	11,374,651	3,836,466	7,050,293	439,477
Interest	3,397,730	-	-	-
Total Governmental Activities	<u>125,928,289</u>	<u>12,553,748</u>	<u>19,698,868</u>	<u>24,938,476</u>
Business-type activities:				
Water	9,701,506	15,099,895	-	40,745
Gas	29,784,236	36,549,373	-	1,326,325
Sewer	16,219,816	19,164,926	-	4,838,364
Stormwater	3,523,521	5,400,293	-	63,034
Steam	8,296,062	7,606,029	-	10,287,879
Golf	1,270,959	1,083,096	-	-
Parking	2,923,925	2,906,751	-	392,508
Priley Drive parking facility	1,231,195	398,812	-	-
Total Business-type Activities	<u>72,951,220</u>	<u>88,209,175</u>	<u>-</u>	<u>16,948,855</u>
Total Primary Government	<u>\$ 198,879,509</u>	<u>\$ 100,762,923</u>	<u>\$ 19,698,868</u>	<u>\$ 41,887,331</u>
Component units:				
Duluth Economic Development Authority	\$ 4,902,362	\$ 1,440,886	\$ 130,000	\$ -
Duluth Entertainment and Convention Center Authority	10,482,640	3,530,113	-	401,000
Duluth Airport Authority	15,845,609	4,985,755	-	12,555,596
Duluth Transit Authority	23,910,122	1,499,966	18,397,138	9,561,655
Spirit Mountain Recreation Area Authority	6,462,619	5,273,902	-	755,700
Total Component Units	<u>\$ 61,603,352</u>	<u>\$ 16,730,622</u>	<u>\$ 18,527,138</u>	<u>\$ 23,273,951</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, 2020**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:				
Governmental activities:				
General government	\$ (25,502,954)	\$ -	\$ (25,502,954)	\$ -
Public safety	(30,347,590)	-	(30,347,590)	-
Public works	(15,103,305)	-	(15,103,305)	-
Culture and recreation	5,662,797	-	5,662,797	-
Urban and economic development	(48,415)	-	(48,415)	-
Interest	(3,397,730)	-	(3,397,730)	-
Total Governmental Activities	<u>(68,737,197)</u>	<u>-</u>	<u>(68,737,197)</u>	<u>-</u>
Business-type activities:				
Water	-	5,439,134	5,439,134	-
Gas	-	8,091,462	8,091,462	-
Sewer	-	7,783,474	7,783,474	-
Stormwater	-	1,939,806	1,939,806	-
Steam	-	9,597,846	9,597,846	-
Golf	-	(187,863)	(187,863)	-
Parking	-	375,334	375,334	-
Priley Drive parking facility	-	(832,383)	(832,383)	-
Total Business-type Activities	<u>-</u>	<u>32,206,810</u>	<u>32,206,810</u>	<u>-</u>
Total Primary Government	<u>(68,737,197)</u>	<u>32,206,810</u>	<u>(36,530,387)</u>	<u>-</u>
Component units:				
Duluth Economic Development Authority	-	-	-	(3,331,476)
Duluth Entertainment and Convention Center Authority	-	-	-	(6,551,527)
Duluth Airport Authority	-	-	-	1,695,742
Duluth Transit Authority	-	-	-	5,548,637
Spirit Mountain Recreation Area Authority	-	-	-	(433,017)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,071,641)</u>
General Revenues:				
Property taxes	37,075,587	-	37,075,587	4,809,098
Sales taxes	29,475,871	-	29,475,871	1,209,806
Franchise taxes	3,586,792	-	3,586,792	-
Other taxes	393,442	-	393,442	-
Grants and shared revenues not restricted to specific programs	32,535,525	-	32,535,525	-
Investment income	5,222,490	237,420	5,459,910	305,797
Gain on sale or disposition of capital assets	-	30,790	30,790	-
Miscellaneous	2,335,463	8,095	2,343,558	1,111,672
Special item - reduction of Spirit Mountain loan	(900,000)	-	(900,000)	-
Transfers	3,242,459	(3,242,459)	-	-
Total General Revenues and Transfers	<u>112,967,629</u>	<u>(2,966,154)</u>	<u>110,001,475</u>	<u>7,436,373</u>
Change in Net Position	44,230,432	29,240,656	73,471,088	4,364,732
Net Position - Beginning, as restated (Note 1)	128,300,345	268,430,334	396,730,679	285,692,905
Net Position - Ending	<u>\$ 172,530,777</u>	<u>\$ 297,670,990</u>	<u>\$ 470,201,767</u>	<u>\$ 290,057,637</u>

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Disaster Recovery	Community Investment Trust	General Obligation	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 15,198,172	\$ -	\$ -	\$ 14,577,196	\$ 38,043,625	\$ 67,818,993
Investments, at fair value	-	-	30,577,729	-	-	30,577,729
Receivables, net						
Taxes	3,508,564	-	-	289,726	2,172,355	5,970,645
Accounts	474,848	-	-	-	682,080	1,156,928
Assessments	837,879	-	-	-	2,039,588	2,877,467
Loans	1,842,920	-	-	12,970,000	4,235,455	19,048,375
Due from other funds	327,283	-	-	-	2,247,094	2,574,377
Due from component units	300,061	-	-	-	100,000	400,061
Interfund loan receivables	9,620,404	-	-	-	-	9,620,404
Due from other governments	714,264	13,135,960	-	-	4,309,167	18,159,391
Prepays	-	-	-	-	7,075	7,075
Total Assets	\$ 32,824,395	\$ 13,135,960	\$ 30,577,729	\$ 27,836,922	\$ 53,836,439	\$158,211,445
Liabilities						
Accounts payable	5,322,109	-	-	-	856,170	6,178,279
Contracts payable	98,882	1,602,649	-	-	5,715,461	7,416,992
Due to other funds	948,757	-	-	-	1,422,532	2,371,289
Interfund loan payable	-	6,168,018	-	-	477,569	6,645,587
Due to other governments	17,611	-	-	-	214,187	231,798
Accrued salaries payable	1,797,470	-	-	-	80,019	1,877,489
Unearned revenue	76,350	958,402	-	-	225,485	1,260,237
Total Liabilities	8,261,179	8,729,069	-	-	8,991,423	25,981,671
Deferred Inflows of Resources						
Unavailable revenue	3,458,334	11,834,035	-	13,173,915	9,378,726	37,845,010
Revenues deferred for highway allotments	-	-	-	-	2,636,907	2,636,907
Total Deferred Inflows of Resources	3,458,334	11,834,035	-	13,173,915	12,015,633	40,481,917
Fund Balances						
Restricted	329,336	-	-	14,663,007	29,280,944	44,273,287
Committed	32,186	-	30,577,729	-	1,733,807	32,343,722
Assigned	3,886,800	-	-	-	2,317,122	6,203,922
Unassigned	16,856,560	(7,427,144)	-	-	(502,490)	8,926,926
Total Fund Balances	21,104,882	(7,427,144)	30,577,729	14,663,007	32,829,383	91,747,857
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,824,395	\$ 13,135,960	\$ 30,577,729	\$ 27,836,922	\$ 53,836,439	\$158,211,445

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 POSITION
DECEMBER 31, 2020**

Fund Balance-total governmental funds		\$ 91,747,857
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the assets is \$596,357,432, and the accumulated depreciation is \$275,583,821.		320,773,611
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.		37,157,406
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and debt refunding that are not recognized in the governmental funds.		
Deferred pension obligation outflows	17,596,576	
Deferred OPEB outflows	1,058,837	
Deferred loss from debt refunding	2,238,612	
Deferred pension obligation inflows	(23,082,026)	
Deferred OPEB inflows	<u>(16,400,828)</u>	
		(18,588,829)
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 position for \$7,775,339 less \$5,359,505 attributed to business-type activities.		2,415,834
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	124,297,649	
Other post employment benefits	85,368,592	
Net pension liability	49,608,567	
Interest accrued on long-term debt	<u>1,700,294</u>	
		<u>(260,975,102)</u>
Net position of governmental activities		<u>\$ 172,530,777</u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Disaster Recovery</u>	<u>Community Investment Trust</u>	<u>General Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes						
Property taxes	\$21,960,857	\$ -	\$ -	\$ 6,933,244	\$ 7,967,959	\$ 36,862,060
Sales taxes	13,849,221	-	-	-	15,626,650	29,475,871
Other taxes	3,967,565	-	-	-	12,669	3,980,234
Licenses and permits	1,850,737	-	-	-	100,849	1,951,586
Intergovernmental revenues	35,048,484	11,371,991	-	42,445	19,712,692	66,175,612
Charges for services	6,801,038	-	-	-	836,925	7,637,963
Fines and forfeits	326,229	-	-	-	267,396	593,625
Special assessments	509,774	-	-	-	777,128	1,286,902
Investment income	150,413	-	4,273,310	127,822	461,752	5,013,297
Miscellaneous revenues	2,071,819	-	-	2,051,970	2,590,805	6,714,594
Total Revenues	<u>86,536,137</u>	<u>11,371,991</u>	<u>4,273,310</u>	<u>9,155,481</u>	<u>48,354,825</u>	<u>159,691,744</u>
Expenditures						
Current						
General government	27,874,798	-	-	266,908	730,554	28,872,260
Public safety	43,776,064	459,602	-	-	1,449,799	45,685,465
Public works	12,536,809	655,712	-	-	3,817,390	17,009,911
Culture and recreation	3,859,426	321,601	-	-	4,408,847	8,589,874
Urban and economic development	3,435,967	-	-	-	8,698,524	12,134,491
Debt service						
Principal retirement	-	-	-	9,285,000	1,520,000	10,805,000
Interest and fiscal fees	-	-	-	3,825,326	159,451	3,984,777
Bond issuance costs	-	-	-	-	158,881	158,881
Capital outlay	598,194	14,053,706	-	-	26,090,463	40,742,363
Total Expenditures	<u>92,081,258</u>	<u>15,490,621</u>	<u>-</u>	<u>13,377,234</u>	<u>47,033,909</u>	<u>167,983,022</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,545,121)</u>	<u>(4,118,630)</u>	<u>4,273,310</u>	<u>(4,221,753)</u>	<u>1,320,916</u>	<u>(8,291,278)</u>
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	12,695,000	12,695,000
Premium on issuance of bonds	-	-	-	-	856,705	856,705
Transfers in	10,074,437	4,300,000	-	4,688,057	13,733,179	32,795,673
Transfers out	(213,593)	(4,000,000)	(567,151)	-	(24,772,470)	(29,553,214)
Total Other Financing Sources (Uses)	<u>9,860,844</u>	<u>300,000</u>	<u>(567,151)</u>	<u>4,688,057</u>	<u>2,512,414</u>	<u>16,794,164</u>
Special Item						
Reduction of Spirit Mountain loan	(900,000)	-	-	-	-	(900,000)
Net Change in Fund Balances	<u>3,415,723</u>	<u>(3,818,630)</u>	<u>3,706,159</u>	<u>466,304</u>	<u>3,833,330</u>	<u>7,602,886</u>
Fund Balances - January 1, 2020, as restated (Note 1)	17,689,159	(3,608,514)	26,871,570	14,196,703	28,996,053	84,144,971
Fund Balances - December 31, 2020	<u>\$21,104,882</u>	<u>\$ (7,427,144)</u>	<u>\$30,577,729</u>	<u>\$14,663,007</u>	<u>\$ 32,829,383</u>	<u>\$ 91,747,857</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,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds \$ 7,602,886

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

Governmental 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	39,638,568	
Depreciation expense	<u>(18,098,970)</u>	
Excess of depreciation expense over capital outlay		21,539,598

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$3,185,887 from internal funds less \$1,358,267 attributed to business-type activities is reported with governmental activities. 1,827,620

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:
Bonds issued, including a bond premium of \$856,705 (13,551,705)

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 position. In the current year, these amounts consist of:
Bond principal retirement 10,805,000

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. Unavailable revenues decreased by this amount this year. 7,262,451

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 increase in accrued interest	(57,626)	
Net decrease in interest receivable	(42,445)	
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	6,126,672	
Decrease in pension obligation and related deferred inflows and deferred outflows	1,932,170	
Increase in allowance for doubtful accounts	(32,743)	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	<u>989,658</u>	
Total additional expenditures		<u>8,744,582</u>

Change in net position of governmental activities \$ 44,230,432

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis) (Note 2)	Modified Budget Increase (Decrease)
Revenues				
Taxes	\$ 40,110,300	\$ 40,110,300	\$ 39,777,643	\$ (332,657)
Licenses and permits	1,802,500	1,802,500	1,850,737	48,237
Intergovernmental revenues	34,349,200	34,907,678	35,048,484	140,806
Charges for services	7,008,400	7,008,400	6,801,038	(207,362)
Fines and forfeits	387,600	387,600	326,229	(61,371)
Special assessments	492,900	535,706	509,774	(25,932)
Investment income	-	-	150,413	150,413
Miscellaneous revenues	570,000	1,847,775	2,071,819	224,044
Total revenues	<u>84,720,900</u>	<u>86,599,959</u>	<u>86,536,137</u>	<u>(63,822)</u>
Expenditures				
Current				
General government	28,137,900	29,942,242	28,520,355	1,421,887
Public safety	42,645,600	43,787,816	43,782,942	4,874
Public works	13,344,400	13,293,443	12,538,536	754,907
Culture and recreation	4,933,500	4,950,046	3,864,658	1,085,388
Urban and economic development	3,726,200	3,834,382	3,435,967	398,415
Total expenditures	<u>92,787,600</u>	<u>95,807,929</u>	<u>92,142,458</u>	<u>3,665,471</u>
Excess (deficiency) of revenues over expenditures	<u>(8,066,700)</u>	<u>(9,207,970)</u>	<u>(5,606,321)</u>	<u>3,601,649</u>
Other Financing Sources (Uses)				
Transfers in	8,191,700	8,415,349	10,074,437	1,659,088
Transfers out	(125,000)	(125,000)	(213,593)	(88,593)
Total other financing sources (uses)	<u>8,066,700</u>	<u>8,290,349</u>	<u>9,860,844</u>	<u>1,570,495</u>
Special Item				
Reduction of spirit mountain loan	-	-	900,000	(900,000)
Net change in fund balance budgetary basis	-	(917,621)	3,354,523	4,272,144
Net adjustments to reflect operations in accordance with generally accepted accounting principles	-	-	61,200	61,200
Net change in fund balance GAAP basis	-	(917,621)	3,415,723	<u>\$ 4,333,344</u>
Fund Balance - January 1, 2020	17,689,159	17,689,159	17,689,159	
Fund Balance - December 31, 2020	<u>\$ 17,689,159</u>	<u>\$ 16,771,538</u>	<u>\$ 21,104,882</u>	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Assets				
Current assets				
Cash and cash equivalents	\$ 502,182	\$ 4,560,636	\$ 5,817,445	\$ 1,686,561
Restricted cash and cash equivalents				
Customer deposits	-	-	2,010,118	-
Construction	-	354,660	-	836,142
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	21,288	1,363,761	5,286,171	1,830,509
Restricted loans	-	-	488,646	-
Assessments	-	19,938	337	19,401
Due from other funds	-	1,019	1,103	563
Due from component units	-	-	-	-
Due from other governments	-	-	1,229,127	1,624,954
Inventories	-	1,282,462	1,314,974	101,020
Prepays	-	3,010,420	3,249,582	3,757,065
Total current assets	<u>523,470</u>	<u>10,592,896</u>	<u>19,397,503</u>	<u>9,856,215</u>
Noncurrent assets				
Assessments receivable	-	72,498	6,272	78,666
Restricted loans receivable	-	-	1,291,072	-
Capital assets, net	18,393,515	67,333,466	60,548,029	101,070,462
Total noncurrent assets	<u>18,393,515</u>	<u>67,405,964</u>	<u>61,845,373</u>	<u>101,149,128</u>
Total Assets	<u>18,916,985</u>	<u>77,998,860</u>	<u>81,242,876</u>	<u>111,005,343</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	-	-	1,281
Deferred pension obligation outflows	-	335,175	464,446	194,357
Total Deferred Outflows of Resources	<u>-</u>	<u>335,175</u>	<u>464,446</u>	<u>195,638</u>
Liabilities				
Current liabilities				
Accounts payable	3,269	192,119	2,755,884	149,060
Contracts payable	-	63,833	728,904	750,029
Claims payable	-	-	-	-
Notes payable	-	707,000	-	1,442,000
Leases payable	-	265,017	242,932	228,209
Due to other funds	-	15,913	21,700	11,386
Interfund loan payable	-	-	-	-
Due to other governments	-	2,693	87,501	828,705
Accrued interest payable	118,564	86,871	13,959	64,525
Accrued salaries payable	-	142,395	219,202	86,552
Compensated absences	-	267,649	429,264	186,160
Unearned revenue	-	76,875	860,618	59,407
Deposits	-	10,000	2,010,118	-
Revenue bonds payable	239,765	330,000	-	705,000
Total current liabilities	<u>361,598</u>	<u>2,160,365</u>	<u>7,370,082</u>	<u>4,511,033</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Noncurrent liabilities				
Notes payable	-	4,289,000	-	4,643,000
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	-	-	-	-
Leases payable	-	707,755	648,775	609,456
Net pension liability	-	3,291,304	4,560,699	1,908,514
Revenue bonds payable	11,749,875	3,815,101	-	1,066,706
Total noncurrent liabilities	<u>11,749,875</u>	<u>12,103,160</u>	<u>5,209,474</u>	<u>8,227,676</u>
Total Liabilities	<u>12,111,473</u>	<u>14,263,525</u>	<u>12,579,556</u>	<u>12,738,709</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	195,083	270,323	113,122
Deferred OPEB inflows	-	1,634,951	2,245,439	909,595
Total Deferred Inflows of Resources	<u>-</u>	<u>1,830,034</u>	<u>2,515,762</u>	<u>1,022,717</u>
Net Position				
Net investment in capital assets	6,403,875	57,574,253	59,656,322	92,377,372
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	836,142
Restricted for loans	-	-	1,626,254	-
Unrestricted	401,637	4,666,223	5,329,428	4,226,041
Total Net Position	<u>\$ 6,805,512</u>	<u>\$ 62,240,476</u>	<u>\$ 66,612,004</u>	<u>\$ 97,439,555</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 65,837	\$ 5,076,775	\$ 17,709,436	\$ 3,563,167
Restricted cash and cash equivalents				
Customer deposits	-	-	2,010,118	-
Construction	5,525,137	-	6,715,939	-
Restricted assets held by trustee	-	-	-	10,729,123
Receivables, net				
Accounts	1,356,464	570,198	10,428,391	47,740
Restricted loans	-	-	488,646	-
Assessments	-	27,644	67,320	-
Due from other funds	23,218	591	26,494	1,034,341
Due from component units	-	1,592	1,592	-
Due from other governments	317,888	63,034	3,235,003	-
Inventories	506,931	123,390	3,328,777	200,261
Prepays	8,816	2,382,635	12,408,518	50,000
Total current assets	<u>7,804,291</u>	<u>8,245,859</u>	<u>56,420,234</u>	<u>15,624,632</u>
Noncurrent assets				
Assessments receivable	-	578	158,014	-
Restricted loans receivable	24,281	-	1,315,353	-
Capital assets, net	33,656,030	38,751,175	319,752,677	149,096
Total noncurrent assets	<u>33,680,311</u>	<u>38,751,753</u>	<u>321,226,044</u>	<u>149,096</u>
Total Assets	<u>41,484,602</u>	<u>46,997,612</u>	<u>377,646,278</u>	<u>15,773,728</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	3,561	263,199	268,041	-
Deferred pension obligation outflows	-	175,373	1,169,351	104,542
Total Deferred Outflows of Resources	<u>3,561</u>	<u>438,572</u>	<u>1,437,392</u>	<u>104,542</u>
Liabilities				
Current liabilities				
Accounts payable	568,749	69,040	3,738,121	165,637
Contracts payable	869,783	87,773	2,500,322	951
Claims payable	-	-	-	1,623,690
Notes payable	-	-	2,149,000	-
Leases payable	-	-	736,158	-
Due to other funds	1,198,673	11,616	1,259,288	4,635
Interfund loan payable	-	1,040,409	1,040,409	384,408
Due to other governments	24,441	4,275	947,615	29,658
Accrued interest payable	101,843	55,727	441,489	-
Accrued salaries payable	-	88,022	536,171	46,393
Compensated absences	-	172,450	1,055,523	2,698,353
Unearned revenue	-	56,796	1,053,696	106,352
Deposits	-	45,207	2,065,325	-
Revenue bonds payable	670,000	985,000	2,929,765	-
Total current liabilities	<u>3,433,489</u>	<u>2,616,315</u>	<u>20,452,882</u>	<u>5,060,077</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Noncurrent liabilities				
Notes payable	-	-	8,932,000	-
Claims payable	-	-	-	789,677
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	6,609	6,609	1,165,765
Leases payable	-	-	1,965,986	-
Net pension liability	-	1,722,102	11,482,619	1,026,566
Revenue bonds payable	15,142,468	4,658,730	36,432,880	-
Total noncurrent liabilities	<u>15,142,468</u>	<u>7,937,441</u>	<u>60,370,094</u>	<u>2,982,008</u>
Total Liabilities	<u>18,575,957</u>	<u>10,553,756</u>	<u>80,822,976</u>	<u>8,042,085</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	102,072	680,600	60,846
Deferred OPEB inflows	-	478,624	5,268,609	-
Total Deferred Inflows of Resources	<u>-</u>	<u>580,696</u>	<u>5,949,209</u>	<u>60,846</u>
Net Position				
Net investment in capital assets	23,372,260	33,370,644	272,754,726	149,096
Restricted for health insurance trust	-	-	-	9,339,734
Restricted for special accounts	-	-	836,142	-
Restricted for loans	-	-	1,626,254	-
Unrestricted	(460,054)	2,931,088	17,094,363	(1,713,491)
Total Net Position	<u>\$ 22,912,206</u>	<u>\$ 36,301,732</u>	<u>\$ 292,311,485</u>	<u>\$ 7,775,339</u>

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

Net position of business-type activities 5,359,505
\$ 297,670,990

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Operating Revenues				
Sales	\$ -	\$ -	\$ 34,987,154	\$ -
Charges for services	398,812	14,957,024	938,932	18,950,851
Fines and forfeits	-	-	-	-
Miscellaneous revenues	7,412	142,871	623,287	214,075
Total Operating Revenues	<u>406,224</u>	<u>15,099,895</u>	<u>36,549,373</u>	<u>19,164,926</u>
Operating Expenses				
Cost of sales and services	-	-	19,293,616	-
Personal services	-	4,667,652	6,466,955	2,690,274
Supplies	-	1,086,473	1,041,757	261,875
Utilities	28,129	1,235,594	36,287	137,342
Other services and charges	198,153	1,194,035	1,820,671	11,178,862
Depreciation	520,571	1,773,304	1,515,571	2,066,357
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>746,853</u>	<u>9,957,058</u>	<u>30,174,857</u>	<u>16,334,710</u>
Operating Income (Loss)	<u>(340,629)</u>	<u>5,142,837</u>	<u>6,374,516</u>	<u>2,830,216</u>
Nonoperating Revenues (Expenses)				
Investment income	4,419	41,998	62,635	17,030
Intergovernmental revenue	-	-	-	-
Gain (loss) on sale or disposition of capital assets	-	9,749	17,363	1,847
Interest and fiscal fees	(484,342)	(219,220)	(37,042)	(178,861)
Total Nonoperating Revenues (Expenses)	<u>(479,923)</u>	<u>(167,473)</u>	<u>42,956</u>	<u>(159,984)</u>
Income (Loss) Before Contributions and Transfers	(820,552)	4,975,364	6,417,472	2,670,232
Capital contributions	-	40,745	1,326,325	4,838,364
Transfers in	550,711	135,000	-	-
Transfers out	-	(172,124)	(2,983,985)	(130,068)
Change in Net Position	<u>(269,841)</u>	<u>4,978,985</u>	<u>4,759,812</u>	<u>7,378,528</u>
Total Net Position - January 1, 2020, as restated (Note 1)	7,075,353	57,261,491	61,852,192	90,061,027
Total Net Position - December 31, 2020	<u>\$ 6,805,512</u>	<u>\$ 62,240,476</u>	<u>\$ 66,612,004</u>	<u>\$ 97,439,555</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues				
Sales	\$ -	\$ 235,578	\$ 35,222,732	\$ 2,024,082
Charges for services	7,307,948	8,213,888	50,767,455	27,341,793
Fines and forfeits	-	844,863	844,863	-
Miscellaneous revenues	298,081	96,494	1,382,220	1,434,930
Total Operating Revenues	7,606,029	9,390,823	88,217,270	30,800,805
Operating Expenses				
Cost of sales and services	-	131,328	19,424,944	1,709,902
Personal services	-	2,991,966	16,816,847	5,315,641
Supplies	2,898,303	171,748	5,460,156	47,602
Utilities	342,964	160,463	1,940,779	33,285
Other services and charges	3,377,557	3,110,545	20,879,823	3,788,978
Depreciation	1,286,850	1,112,919	8,275,572	59,288
Medical and insurance	-	-	-	16,871,597
Total Operating Expenses	7,905,674	7,678,969	72,798,121	27,826,293
Operating Income (Loss)	(299,645)	1,711,854	15,419,149	2,974,512
Nonoperating Revenues (Expenses)				
Investment income	65,837	45,501	237,420	209,193
Intergovernmental revenue	-	-	-	2,182
Gain (loss) on sale or disposition of capital assets	(4,801)	1,831	25,989	-
Interest and fiscal fees	(405,936)	(181,164)	(1,506,565)	-
Total Nonoperating Revenues (Expenses)	(344,900)	(133,832)	(1,243,156)	211,375
Income (Loss) Before Contributions and Transfers	(644,545)	1,578,022	14,175,993	3,185,887
Capital contributions	10,287,879	455,542	16,948,855	-
Transfers in	-	125,000	810,711	-
Transfers out	(152,800)	(614,193)	(4,053,170)	-
Change in Net Position	9,490,534	1,544,371	27,882,389	3,185,887
Total Net Position - January 1, 2020, as restated (Note 1)	13,421,672	34,757,361	264,429,096	4,589,452
Total Net Position - December 31, 2020	\$ 22,912,206	\$ 36,301,732	\$ 292,311,485	\$ 7,775,339

Amounts reported in business-type activities in the statement of activities are different because:

Change in net position	\$ 27,882,389
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,358,267
Change in net position of business-type activities	\$ 29,240,656

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, 2020**

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Cash Flows from Operating Activities				
Cash received from customers	\$ 408,608	\$ 14,935,085	\$ 36,112,675	\$ 18,953,458
Cash paid to suppliers	(223,659)	(3,394,034)	(22,967,209)	(11,337,657)
Cash paid to employees	-	(6,077,873)	(8,408,444)	(3,404,009)
Other operating revenues	7,412	111,258	214,886	201,804
Net cash provided (used) by operating activities	<u>192,361</u>	<u>5,574,436</u>	<u>4,951,908</u>	<u>4,413,596</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	550,711	133,981	(1,103)	(563)
Transfers to other funds	-	(172,124)	(2,983,749)	(130,068)
Operating grants	-	11,509	19,475	314,828
Interfund financing	-	-	2,510,937	-
Net cash provided (used) by noncapital financing activities	<u>550,711</u>	<u>(26,634)</u>	<u>(454,440)</u>	<u>184,197</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	54,895	97,417	3,255,569
Issuance of revenue bonds and notes	-	-	-	-
Principal paid on bonds, notes and capitalized leases	(240,229)	(1,239,252)	(233,981)	(2,678,799)
Interest paid on bonds, notes and capitalized leases	(486,718)	(236,469)	(40,705)	(212,132)
Sale of capital assets	-	18,280	31,171	1,847
Acquisition or construction of capital assets	-	(4,270,014)	(3,370,399)	(6,489,106)
Net cash provided (used) by capital and related financing activities	<u>(726,947)</u>	<u>(5,672,560)</u>	<u>(3,516,497)</u>	<u>(6,122,621)</u>
Cash Flows from Investing Activities				
Investment earnings	4,419	41,998	62,635	17,030
Net increase (decrease) in cash and cash equivalents	20,544	(82,760)	1,043,606	(1,507,798)
Cash and cash equivalents - January 1, 2020	481,638	4,998,056	6,783,957	4,030,501
Cash and cash equivalents - December 31, 2020	<u>\$ 502,182</u>	<u>\$ 4,915,296</u>	<u>\$ 7,827,563</u>	<u>\$ 2,522,703</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (340,629)	\$ 5,142,837	\$ 6,374,516	\$ 2,830,216
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	520,571	1,773,304	1,515,571	2,066,357
Change in assets and liabilities:				
Decrease (increase) in receivables	9,796	110,086	267,273	110,278
Decrease (increase) in inventories	-	(12,852)	(83,852)	(12,003)
Decrease (increase) in prepaids	-	(1,468,871)	(2,685,814)	(829,416)
Decrease (increase) in deferred pension obligation outflows	-	(39,545)	(57,477)	(19,879)
Increase (decrease) in payables	2,623	9,323	(500,656)	174,573
Increase (decrease) in unearned revenues	-	16,318	108,410	4,265
Increase (decrease) in deferred pension obligation inflows	-	(485,808)	(667,000)	(288,734)
Increase (decrease) in pension liability	-	349,650	511,180	172,374
Increase (decrease) in OPEB inflows	-	179,994	169,757	205,565
Total adjustments	<u>532,990</u>	<u>431,599</u>	<u>(1,422,608)</u>	<u>1,583,380</u>
Net cash provided (used) by operating activities	<u>\$ 192,361</u>	<u>\$ 5,574,436</u>	<u>\$ 4,951,908</u>	<u>\$ 4,413,596</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, 2020**

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Steam	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 7,381,865	\$ 9,268,156	\$ 87,059,847	\$ 30,512,849
Cash paid to suppliers	(6,747,467)	(3,592,245)	(48,262,271)	(23,816,701)
Cash paid to employees	-	(3,223,742)	(21,114,068)	(4,667,474)
Other operating revenues	21,632	84,431	641,423	1,616
Net cash provided (used) by operating activities	656,030	2,536,600	18,324,931	2,030,290
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	124,539	807,565	-
Transfers to other funds	(152,800)	(614,193)	(4,052,934)	-
Operating grants	-	-	345,812	2,182
Interfund financing	(2,510,937)	(19,072)	(19,072)	(79,214)
Net cash provided (used) by noncapital financing activities	(2,663,737)	(508,726)	(2,918,629)	(77,032)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	11,697,167	414,617	15,519,665	-
Issuance of revenue bonds and notes	10,569,305	-	10,569,305	-
Principal paid on bonds, notes and capitalized leases	(665,000)	(977,481)	(6,034,742)	-
Interest paid on bonds, notes and capitalized leases	(150,888)	(145,718)	(1,272,630)	-
Sale of capital assets	-	6,454	57,752	-
Acquisition or construction of capital assets	(13,917,740)	(857,677)	(28,904,936)	(9,846)
Net cash provided (used) by capital and related financing activities	7,532,844	(1,559,805)	(10,065,586)	(9,846)
Cash Flows from Investing Activities				
Investment earnings	65,837	45,501	237,420	209,192
Net increase (decrease) in cash and cash equivalents	5,590,974	513,570	5,578,136	2,152,604
Cash and cash equivalents - January 1, 2020	-	4,563,205	20,857,357	12,139,686
Cash and cash equivalents - December 31, 2020	\$ 5,590,974	\$ 5,076,775	\$ 26,435,493	\$ 14,292,290
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (299,645)	\$ 1,711,854	\$ 15,419,149	\$ 2,974,512
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	1,286,850	1,112,919	8,275,572	59,288
Change in assets and liabilities:				
Decrease (increase) in receivables	(197,013)	9,220	309,640	(280,135)
Decrease (increase) in inventories	22,873	10,527	(75,307)	(22,197)
Decrease (increase) in prepaids	11,755	(373,639)	(5,345,985)	-
Decrease (increase) in deferred pension obligation outflows	-	(25,303)	(142,204)	(11,582)
Increase (decrease) in payables	(168,790)	2,188	(480,739)	(639,332)
Increase (decrease) in unearned revenues	-	(25,134)	103,859	1,422
Increase (decrease) in deferred pension obligation inflows	-	(243,567)	(1,685,109)	(153,258)
Increase (decrease) in pension liability	-	228,836	1,262,040	101,572
Increase (decrease) in OPEB inflows	-	128,699	684,015	-
Total adjustments	955,675	824,746	2,905,782	(944,222)
Net cash provided (used) by operating activities	\$ 656,030	\$ 2,536,600	\$ 18,324,931	\$ 2,030,290

(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, 2020**

Noncash Investing, Capital and Financing Activities

Water

Capital contributions are reported net of timing differences totaling \$14,150 due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$1,228,908 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$1,582,795 due to receivables.

Steam

Capital contributions are reported net of timing differences totaling \$1,409,288 due to receivables.

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Other Postemployment Benefits Trust Fund	Custodial Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 28,468	\$ 1,305,728
Receivables		
Loans	-	437,175
Accounts receivable	152,489	-
Investments, at fair value		
Fixed income pool	20,435,108	-
Equity pool	62,059,119	-
	<u>82,675,184</u>	<u>1,742,903</u>
Total Assets	<u>82,675,184</u>	<u>1,742,903</u>
Liabilities		
Accounts payable	-	215
Contracts payable	-	4,101
	<u>-</u>	<u>4,316</u>
Total Liabilities	<u>-</u>	<u>4,316</u>
Net Position		
Restricted for		
Postemployment benefits other than pensions	82,675,184	-
Other organizations	-	1,738,587
	<u>82,675,184</u>	<u>1,738,587</u>
Total Net Position	<u>\$ 82,675,184</u>	<u>\$ 1,738,587</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Other Postemployment Benefits Trust Fund	Custodial Fund
Additions		
Employer contributions	\$ 10,287,850	\$ -
Investment earnings:		
Interest and dividends	1,532,101	23,986
Net increase in fair value of investments	9,776,603	7,072
Less investment expenses	(4,724)	-
Interest on loans	-	8,546
Other reimbursements	-	4,500
Total Additions	<u>21,591,830</u>	<u>44,104</u>
Deductions		
Benefits	10,427,312	-
Legal services	-	23,782
Professional services	-	10,460
Uncollectible accounts	-	20,625
Grants & awards	-	1,283,000
Other services and charges	-	38,513
Board meeting expense	-	972
Total Deductions	<u>10,427,312</u>	<u>1,377,352</u>
Change in net position	11,164,518	(1,333,248)
Net Position - January 1, 2020, as restated (Note 1)	<u>71,510,666</u>	<u>3,071,835</u>
Net Position - December 31, 2020	<u>\$ 82,675,184</u>	<u>\$ 1,738,587</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2020**

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Assets						
Cash and cash equivalents	\$ 8,549,378	\$ 1,206,161	\$ 3,137,764	\$ 6,955,031	\$ 192,330	\$ 20,040,664
Receivables, net:						
Taxes	36,641	-	-	9,302	-	45,943
Accounts	14,169	346,020	614,206	506,480	168,336	1,649,211
Loans	7,208,555	-	-	-	-	7,208,555
Due from other governments	50,000	-	-	3,072,460	-	3,122,460
Inventories	-	67,218	20,882	313,471	79,832	481,403
Prepays	-	33,208	51,455	9,475	74,359	168,497
Restricted assets:						
Cash and cash equivalents	-	226,496	156,331	-	-	382,827
Accounts receivable	-	241	17,063	-	-	17,304
Grants receivable	-	-	5,844,034	-	-	5,844,034
Planning and development costs	-	-	2,275,525	-	-	2,275,525
Capital assets, net:						
Non-depreciable	4,005,903	905,601	3,665,376	286,880	2,669,788	11,533,548
Depreciable	6,791,112	76,343,409	117,192,291	49,737,403	14,710,935	264,775,150
Total Assets	26,655,758	79,128,354	132,974,927	60,890,502	17,895,580	317,545,121
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	75,727	121,939	-	238,361	436,027
Deferred OPEB outflows	-	266,464	22,744	-	-	289,208
Total Deferred Outflow of Resources	-	342,191	144,683	-	238,361	725,235
Liabilities						
Accounts payable and other						
short-term liabilities	111,608	316,333	192,445	1,657,206	529,006	2,806,598
Contracts payable	104,212	-	390,120	-	-	494,332
Due to primary government	101,592	-	61	-	1,201,620	1,303,273
Due to other government	767	692,100	-	-	5,607	698,474
Unearned revenue	-	665,821	489,385	18,620	590,250	1,764,076
Deposits	-	218,916	-	-	-	218,916
Non-current liabilities:						
Due within one year	-	78,981	1,090,552	593,786	308,294	2,071,613
Due in more than one year	-	-	6,702,686	-	686,900	7,389,586
Other postemployment benefits liability	-	1,795,098	2,907,973	-	-	4,703,071
Net pension liability	-	2,853,838	1,175,111	-	1,409,839	5,438,788
Total Liabilities	318,179	6,621,087	12,948,333	2,269,612	4,731,516	26,888,727
Deferred Inflows of Resources						
Deferred pension obligation inflows	-	667,651	72,479	-	336,390	1,076,520
Deferred OPEB inflows	-	92,264	155,208	-	-	247,472
Total Deferred Inflow of Resources	-	759,915	227,687	-	336,390	1,323,992
Net Position						
Net investment in capital assets	10,604,515	77,249,010	113,395,444	50,024,283	16,218,489	267,491,741
Restricted for:						
Capital projects	7,424,188	-	-	7,842,433	-	15,266,621
Unrestricted	8,308,876	(5,159,467)	6,548,146	754,174	(3,152,454)	7,299,275
Total Net Position	\$26,337,579	\$ 72,089,543	\$119,943,590	\$58,620,890	\$13,066,035	\$290,057,637

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, 2020**

<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>
Duluth Economic Development Authority				
Governmental activities:				
Economic development	\$ 4,902,362	\$ 1,440,886	\$ 130,000	\$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	10,482,640	3,530,113	-	401,000
Duluth Airport Authority				
Business-type activities:				
Airport facility	15,845,609	4,985,755	-	12,555,596
Duluth Transit Authority				
Business-type activities:				
Public transportation	23,910,122	1,499,966	18,397,138	9,561,655
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	6,462,619	5,273,902	-	755,700
Total Component Units	<u>\$ 61,603,352</u>	<u>\$ 16,730,622</u>	<u>\$ 18,527,138</u>	<u>\$ 23,273,951</u>

(continued)

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, 2020**

Net (Expense) Revenue and Changes in Net Position

Functions/Programs	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Duluth Economic Development Authority						
Governmental activities:						
Economic development	<u>\$ (3,331,476)</u>	\$ -	\$ -	\$ -	\$ -	\$ (3,331,476)
Duluth Entertainment and Convention Center Authority						
Business-type activities:						
Entertainment and convention facility	-	<u>(6,551,527)</u>	-	-	-	(6,551,527)
Duluth Airport Authority						
Business-type activities:						
Airport facility	-	-	<u>1,695,742</u>	-	-	1,695,742
Duluth Transit Authority						
Business-type activities:						
Public transportation	-	-	-	<u>5,548,637</u>	-	5,548,637
Spirit Mountain Recreation Area Authority						
Business-type activities:						
Ski hill operations	-	-	-	-	<u>(433,017)</u>	(433,017)
Total Component Units						<u>(3,071,641)</u>
General Revenues:						
Property taxes	3,142,198	-	-	1,666,900	-	4,809,098
Sales taxes	-	1,209,806	-	-	-	1,209,806
Investment income	167,845	13,648	41,924	82,380	-	305,797
Miscellaneous	<u>470,838</u>	<u>508,330</u>	<u>(806)</u>	<u>-</u>	<u>133,310</u>	<u>1,111,672</u>
Total General Revenues and Transfers	<u>3,780,881</u>	<u>1,731,784</u>	<u>41,118</u>	<u>1,749,280</u>	<u>133,310</u>	<u>7,436,373</u>
Change in Net Position	449,405	(4,819,743)	1,736,860	7,297,917	(299,707)	4,364,732
Net Position - Beginning	<u>25,888,174</u>	<u>76,909,286</u>	<u>118,206,730</u>	<u>51,322,973</u>	<u>13,365,742</u>	<u>285,692,905</u>
Net Position - Ending	<u>\$ 26,337,579</u>	<u>\$ 72,089,543</u>	<u>\$ 119,943,590</u>	<u>\$ 58,620,890</u>	<u>\$ 13,066,035</u>	<u>\$ 290,057,637</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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

GUIDE TO NOTES (continued)

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 each 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 (GASB) 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, the primary government, and its five component units: the Duluth Economic Development Authority (DEDA), the Duluth Entertainment and Convention Center Authority (DECC), the Duluth Airport Authority, the 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 DECC, which has seven City appointees and four directors appointed by the Governor of Minnesota. Three of the seven board members of DEDA must be City Councilors.

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

Combining statements for the City's component units are presented in the basic financial statements section of this report. Financial statements for DEDA are included 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 Economic Development Authority
411 West First Street Room 402
Duluth, MN 55802

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Duluth Airport Authority
Duluth International Airport
4701 Grinden Drive
Duluth, MN 55811

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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. 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 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 45 days of the end of the current fiscal year. 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:

General Fund	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
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**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Disaster Recovery Special Revenue Fund	This fund was established to account for grants and aids associated with the 500-year flood event in June 2012, and continues to be used for subsequent disasters.
Community Investment Trust Fund	This fund accounts for the City's share of revenues that were received from the operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. 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.
General Obligation Debt Service Fund	This fund accounts for accumulation of resources for, and payment of, general obligation bonds, notes and certificates.

The City reports the following major proprietary funds:

Priley Drive Parking Facility Enterprise Fund	This fund accounts for the construction, operation, and maintenance of the parking ramp located at 410 West First Street.
Water Enterprise Fund	This fund accounts for the collection, treatment, and distribution of water.
Gas Enterprise Fund	This fund accounts for the distribution of natural gas, as well as inspection, maintenance and servicing of customer gas utilization equipment.
Sewer Enterprise Fund	This fund accounts for the operation and maintenance of the sanitary sewer system.
Steam Enterprise Fund	This fund accounts for the generation and distribution of steam in the downtown area.

Additionally, the City reports the following fund types:

Internal Service Funds	These 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	This fund accounts for an irrevocable trust established for funding other postemployment benefits for eligible retired employees under a single-employer defined benefit plan.
Custodial Fund	This fund accounts for assets held by the City as an agent for the Duluth 1200 Loan Fund.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2020. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

These assets are funds held pursuant to a self-insurance trust agreement.

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 material 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 deferred 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 custodial funds. Most of these loans receivable are reported as an asset in the amount of loan proceeds disbursed. However, some loans, depending on their original funding source, report unavailable revenue equal to the loan amount, and recognize 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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessments receivable include current, delinquent, and deferred assessments for garbage service, razings, administration fines, 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, and revenues are deferred until the collections are received. Assessments for utility improvements are reported in proprietary funds.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has three items that qualify for reporting in this category: deferred amounts from debt refunding, deferred pension obligations, and OPEB obligations. The City reports these deferred outflows under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category: unavailable revenue, deferred highway allotments, deferred pension obligations, and OPEB inflows. Unavailable revenue and deferred highway allotments are reported in the governmental funds balance sheet. Unavailable revenue arises under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resource in the period that the amounts become available. The deferred highway allotment is recognized as revenue when the timing requirements have been met and, accordingly, is also reported on the statement of net position. The City also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and are only reported in the statement of net position.

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 cost 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 method.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Several enterprise funds have prepaid assets related to positive net OPEB calculations. In these cases, assets available for OPEB exceed the OPEB liability.

RESTRICTED ASSETS

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

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, trails, 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 acquisition value.

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.

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	10-75

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 position for employees paid from governmental funds. All other liabilities for employees' unused vacation is recognized in the fund from which they are paid. Compensated absences are liquidated from the fund where an employee's salary is charged.

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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds.

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 other financing sources. 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.

FUND EQUITY

In the fund financial statements, governmental funds report the following fund balance classifications:

Nonspendable - amounts that cannot be spent because they are not in spendable form or that are legally or contractually required to be maintained intact.

Restricted - amounts to be used for specific purposes as determined by enabling legislation or imposed by grantors or debt covenants.

Committed - amounts to be used for specific purposes as determined by Council resolution. The City's formal actions, or board resolutions, are the highest decision making level and remain binding unless removed in the same manner.

Assigned - amounts intended to be used for certain purposes as determined by Council resolution or by joint action by the Chief Administrative Officer and Chief Financial Officer pursuant to the City's Fund Balance Reporting and Governmental Fund Type Definitions Policy.

Unassigned - residual balances in the General Fund that have not been restricted, committed or assigned. Other governmental funds may report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of the fund.

It is the City's policy to use restricted resources first and then unrestricted resources as needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order; first committed, then assigned, and finally unassigned. Fund balance commitments may be established, modified, or rescinded by Council resolution.

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2020, 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.

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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the general fund and other governmental funds, and proprietary funds that have personnel services.

CHANGE IN ACCOUNTING PRINCIPLE

Statement of Activities	Governmental Activities	Business-type Activities
Net Position, January 1, 2020, as previously reported	\$123,666,355	\$273,051,975
Change in accounting principle	4,633,990	(4,621,641)
Net Position, January 1, 2020, as restated	<u>\$128,300,345</u>	<u>\$268,430,334</u>

Statement of Revenues, Expenses, and Changes in Fund

Balance - Governmental Funds	Amount
Fund Balance, January 1, 2020, as previously reported	\$ 83,000,350
Change in accounting principle	1,144,621
Fund Balance, January 1, 2020, as restated	<u>\$ 84,144,971</u>

Statement of Revenues, Expenses, and Changes in Fund

Net Position - Proprietary Funds	Amount
Net Position, January 1, 2020, as previously reported	\$269,050,737
Change in accounting principle	(4,621,641)
Net Position, January 1, 2020, as restated	<u>\$264,429,096</u>

During the year ended December 31, 2020, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

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

Statement of Activities	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -
Change in accounting principle	3,071,835
Net Position, January 1, 2020, as restated	<u>\$ 3,071,835</u>

SPECIAL ITEM

The City loaned funds to the Spirit Mountain Recreation Area Authority under a line of credit agreement. Due to economic and operational impacts the line of credit was not repaid in a timely manner. City administration created a Spirit Mountain Task Force to create a set of recommendations intended to help the Authority achieve financial stability. Based on the recommendations of the task force and a resolution that has been brought before City Council, a \$900,000 expense is reported in the financial statements.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The budget is adopted on a basis consistent with generally accepted accounting principles, 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 10% 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 assigned 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 either an assigned or a restricted 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, 2020. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$7,427,144, Home Investment Partnerships Program - \$100,803, and Senior Employment - \$1,066. These deficits will be eliminated upon receipt of the grant funds. The Lake Superior Zoo deficit fund balance of \$264,760 will be eliminated through operational changes and efficiencies.

The following capital project funds had a deficit fund balance at the end of the current fiscal year: Special Assessment - \$126,663 which will be eliminated through future special assessment collections; and Regional Exchange District - \$9,198 which will be eliminated through future grant proceeds.

The following internal service funds had a deficit net position at the end of the current fiscal year: Fleet Services - \$906,076 which will be eliminated through future charges; and Self-Insurance - \$694,836 which will be eliminated through future operational changes.

The Golf enterprise fund had a deficit net position of \$1,402,606 at the end of the current fiscal year which will be eliminated through operational changes and efficiencies.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position

Governmental Activities

Cash and cash equivalents	\$ 71,382,160
Investments, at fair value	30,577,729
Assets held by trustee	10,729,123

Business-type Activities

Cash and cash equivalents	17,709,436
Cash and cash equivalents - restricted assets	8,726,057

Discrete Component Units

Cash and cash equivalents	20,040,664
Cash and cash equivalents - restricted assets	382,827

Statement of Fiduciary Net Position

Cash and cash equivalents	1,334,196
Investments, at fair value	82,494,227

Total Cash and Investments	<u><u>\$ 243,376,419</u></u>
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DEPOSITS

Minnesota Statutes § 118A.02 and § 118A.04 authorize 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 United States 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, 2020, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

Minnesota Statutes § 118A.04 and § 118A.05 authorize 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 Statute § 118A.04 subdivision 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.

2) any security which is (1) a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; (2) a security which is a revenue obligation of any state or local government 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

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 § 429.091, subdivision 7, § 469.178, subdivision 5, or § 475.61, subdivision 6.

6) repurchase agreements consisting of collateral allowable in Minnesota Statute § 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 Statute § 118A.05, subdivision 3.

7) securities lending agreements, including custody agreements, may be entered into with a financial institution meeting the qualifications of Minnesota Statute § 118A.05, subdivision 2, clause (1) or (2), and having an office in Minnesota. Securities lending transactions may be entered into with entities meeting the qualifications of Minnesota Statute § 118A.05, subdivision 2, and the collateral for such transactions shall be restricted to the securities described in Minnesota Statutes § 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 § 118A.04 and § 118A.05, subdivision 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 § 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.

9) agreements or contracts for a 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

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, 2020, 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>Over 5 Years</u>
U.S. Government Agency Securities	\$ 92,270,421	\$ 85,090,806	\$ 7,179,615	\$ -
Negotiable Certificates of Deposit	21,409,126	1,261,808	20,147,318	-
Municipal Bonds	11,325,923	3,022,336	8,303,587	-
Commercial Paper	2,436,777	2,436,777	-	-
Mutual Funds	114,319,162	114,319,162	-	-
Total Investments	241,761,409	\$ 206,130,889	\$ 35,630,520	\$ -
Deposits	1,615,010			
Total Deposits and Investments	<u>\$ 243,376,419</u>			

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.

The City's exposure to credit risk as of December 31, 2020, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 5,925,927
AA+	94,552,134
AA	2,616,063
AA-	502,220
<u>Moody's Rating</u>	
Aaa	1,247,206
P-1	2,436,777
<u>Not Rated</u>	
Mutual Funds	113,071,956
Negotiable Certificates of Deposit	21,409,126
Total	<u>\$ 241,761,409</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, 2020, 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 United States 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:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS (continued)

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 20,138,360
US Treasury Bill	\$ 61,993,650

Fair Value of Investment. The City of Duluth measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2020, the City of Duluth had the following recurring fair value measurements.

Investments By Fair Value Level	12/31/2020	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
U.S. Government Agency Securities	\$ 92,270,421	\$ 8,267,775	\$ 84,002,646	\$ -
Negotiable Certificates of Deposit	21,409,126	-	21,409,126	-
Municipal Bonds	11,325,923	-	11,325,923	-
Commercial Paper	2,436,777	-	2,436,777	-
Total Investments by Fair Value	<u>127,442,247</u>	<u>\$ 8,267,775</u>	<u>\$ 119,174,472</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	<u>1,247,206</u>			
Total Investments by Fair Value and Measured at NAV	128,689,453			
Deposits	1,615,010			
State Board of Investment Funds	<u>113,071,956</u>			
Total Deposits and Investments	<u>\$ 243,376,419</u>			

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The mutual funds are liquid assets the City holds in addition to cash to ensure adequate cash flow for operating activities.

The City holds \$62,059,119 in the Internal Equity Pool and \$20,435,108 in the Internal Fixed Pool, with the State Board of Investment, an external investment pool, related to the City's Other Postemployment Benefits Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute § 353.95, the City may only redeem these funds for the use of postemployment benefits. The City invests in this pool due to the increased investment authority, historical rates of return on investments, and the reduction of the postemployment benefit liability recorded in its financial statements.

The City also holds \$23,526,630 in the Internal Equity Pool, \$7,051,093 in the Internal Fixed Pool, and \$6 in the Cash Pool, with the State Board of Investment, an external investment pool, related to the City's Community Investment Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. The City invests in this pool, in accordance with Minnesota Statute § 11A.235, due to the increased investment authority and historical rates of return on investments.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. PROPERTY TAXES

Property tax levies are set by the City Council in December 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 45 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2020, was 98.5%.

5. RECEIVABLES

Receivables as of December 31, 2020 for the City's governmental and business-type activities are below:

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>	<u>Not expected to be collected within one year</u>
Governmental Activities:				
Taxes receivable	\$ 6,258,581	\$ (287,936)	\$ 5,970,645	\$ -
Accounts receivable	1,238,788	(34,120)	1,204,668	-
Assessments receivable	2,877,467	-	2,877,467	2,347,123
Loans receivable	19,048,375	(687,604)	18,360,771	16,905,771
Due from component units	1,300,061	(900,000)	400,061	200,000
Due from other governments	18,159,391	-	18,159,391	-
Total Governmental Activities	<u>\$ 48,882,663</u>	<u>\$ (1,909,660)</u>	<u>\$ 46,973,003</u>	<u>\$ 19,452,894</u>
Business Activities:				
Accounts receivable	\$ 11,645,772	\$ (1,217,381)	\$ 10,428,391	\$ -
Assessments receivable	225,334	-	225,334	158,014
Loans receivable	1,813,225	(9,226)	1,803,999	1,315,353
Due from component units	1,592	-	1,592	-
Due from other governments	3,235,003	-	3,235,003	-
Total Business Activities	<u>\$ 16,920,926</u>	<u>\$ (1,226,607)</u>	<u>\$ 15,694,319</u>	<u>\$ 1,473,367</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following schedule shows the detail of deferred inflows of resources at December 31, 2020:

General		
Assessments	\$	837,880
Grants		169,759
Loans		1,842,920
Other unavailable revenue		27,950
Taxes		579,825
Disaster Recovery		
Grants		11,834,035
General Obligation		
Loans		12,970,000
Taxes		203,915
Nonmajor		
Assessments		2,039,587
Grants		3,002,772
Highway allotments		2,636,907
Loans		4,082,276
Other unavailable revenue		49,278
Taxes		204,813
Total for Governmental Funds		<u>\$40,481,917</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,859,321	\$ -	\$ -	\$ 22,859,321
Construction in progress	23,477,572	33,494,047	3,798,269	53,173,350
Total capital assets, not being depreciated	46,336,893	33,494,047	3,798,269	76,032,671
Capital assets, being depreciated:				
Buildings	91,082,533	4,772,890	-	95,855,423
Equipment	49,846,058	4,374,443	761,862	53,458,639
Infrastructure	370,826,797	1,611,175	-	372,437,972
Total capital assets being depreciated	511,755,388	10,758,508	761,862	521,752,034
Less accumulated depreciation for:				
Buildings	51,832,303	3,539,557	-	55,371,860
Equipment	38,691,029	4,132,353	698,277	42,125,105
Infrastructure	168,136,398	11,228,635	-	179,365,033
Total accumulated depreciation *	258,659,730	18,900,545	698,277	276,861,998
Total capital assets, being depreciated, net	253,095,658	(8,142,037)	63,585	244,890,036
Governmental activities capital assets, net	<u>\$299,432,551</u>	<u>\$25,352,010</u>	<u>\$ 3,861,854</u>	<u>\$320,922,707</u>

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ -	\$ -	\$ 4,649,458
Construction in progress	21,161,358	30,759,384	26,051,999	25,868,743
Total capital assets, not being depreciated	<u>25,810,816</u>	<u>30,759,384</u>	<u>26,051,999</u>	<u>30,518,201</u>
Capital assets, being depreciated:				
Buildings	83,354,292	-	-	83,354,292
Equipment	49,126,637	19,759,229	2,751,468	66,134,398
Infrastructure	272,132,412	7,281,499	16,166	279,397,745
Total capital assets, being depreciated	<u>404,613,341</u>	<u>27,040,728</u>	<u>2,767,634</u>	<u>428,886,435</u>
Less accumulated depreciation for:				
Buildings	35,469,090	1,649,819	-	37,118,909
Equipment	31,799,379	2,680,335	2,751,468	31,728,246
Infrastructure	66,870,724	3,945,418	11,338	70,804,804
Total accumulated depreciation	<u>134,139,193</u>	<u>8,275,572</u>	<u>2,762,806</u>	<u>139,651,959</u>
Total capital assets, being depreciated, net	<u>270,474,148</u>	<u>18,765,156</u>	<u>4,828</u>	<u>289,234,476</u>
Business-type activities capital assets, net	<u>\$296,284,964</u>	<u>\$49,524,540</u>	<u>\$26,056,827</u>	<u>\$319,752,677</u>

* Accumulated depreciation on assets transferred from business-type activities to governmental activities was \$720,333.

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

Governmental activities:	
General government	\$ 1,722,791
Public Safety	2,437,819
Public works, including depreciation of general infrastructure assets	11,412,703
Culture and recreation	2,366,767
Urban and economic development	158,890
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>81,242</u>
Total depreciation expense - governmental activities	<u>\$18,180,212</u>
Business-type activities:	
Parking	\$ 571,932
Priley Drive Parking Facility	520,570
Water	1,773,304
Gas	1,515,571
Sewer	2,066,357
Golf	87,569
Stormwater	453,419
Steam	<u>1,286,850</u>
Total depreciation expense - business-type activities	<u>\$ 8,275,572</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

7. CAPITAL ASSETS (continued)

<u>COMPONENT UNITS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 10,927,449	\$ -	\$ 54,500	\$ 10,872,949
Construction in progress	1,793,835	9,122,100	10,255,336	660,599
Total capital assets, not being depreciated	<u>12,721,284</u>	<u>9,122,100</u>	<u>10,309,836</u>	<u>11,533,548</u>
Capital assets, being depreciated:				
Buildings	319,793,605	5,913,618	31,581	325,675,642
Equipment	87,054,099	7,772,394	3,662,215	91,164,278
Infrastructure	141,615,195	7,700,817	-	149,316,012
Other	1,052,205	2,935	-	1,055,140
Total capital assets being depreciated	<u>549,515,104</u>	<u>21,389,764</u>	<u>3,693,796</u>	<u>567,211,072</u>
Less accumulated depreciation for:				
Buildings	139,303,302	10,140,582	31,582	149,412,302
Equipment	58,406,382	5,066,560	3,658,630	59,814,312
Infrastructure	84,926,407	7,630,764	-	92,557,171
Other	603,451	48,686	-	652,137
Total accumulated depreciation	<u>283,239,542</u>	<u>22,886,592</u>	<u>3,690,212</u>	<u>302,435,922</u>
Total capital assets, being depreciated, net	<u>266,275,562</u>	<u>(1,496,828)</u>	<u>3,584</u>	<u>264,775,150</u>
Component unit capital assets, net	<u>\$278,996,846</u>	<u>\$ 7,625,272</u>	<u>\$10,313,420</u>	<u>\$276,308,698</u>

Depreciation expense was charged to component units as follows:

Duluth Economic Development Authority	\$ 905,483
Duluth Entertainment and Convention Center Authority	3,775,182
Duluth Airport Authority	10,875,483
Duluth Transit Authority	6,157,885
Spirit Mountain Recreation Area Authority	1,172,559
Total depreciation expense - component units	<u>\$22,886,592</u>

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2020, the City had construction commitments of approximately \$5,794,898 for various utility 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.

At December 31, 2020, the City had purchase commitments represented by open encumbrances. These are included as part of fund balance as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 129,131
Disaster Recovery	1,616,917
Other Governmental Funds	17,235,825
Total Purchase Commitments	<u>\$18,981,873</u>

DISASTER DAMAGE REPAIR COMMITMENTS

The City incurred significant damage to its shoreline infrastructure due to three unprecedented storm surges in October 2017, April 2018, and again in October 2018. The City submitted a request for federal and state aid for repair work which is estimated to be \$30 million as of December 31, 2020.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

9. 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 \$500,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association (WCRA), 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 WCRA provides full indemnification for the City for claims arising under Minnesota Statute 176 in excess of the \$500,000 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 \$191,099 for various claims and cases which are considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making a 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 2019 and 2020 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2019	\$ 1,169,776	550,575	641,115	\$ 1,079,236
2020	\$ 1,079,236	358,741	355,202	\$ 1,082,775

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

9. 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 Delta Dental of Minnesota and HealthPartners 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 HealthPartners. The stop-loss policy has an individual limit of \$500,000 and an aggregate limit of 120% 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 2019 and 2020 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2019	\$ 1,688,890	14,213,879	13,256,353	\$ 2,646,416
2020	\$ 2,646,416	11,651,237	12,967,061	\$ 1,330,592

10. 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 2020:

<u>Type of Property</u>	Governmental Activities	Business-Type Activities	Component Units
Impound lot	\$ 3,724	-	\$ -
Land & right-of-way	20,345	5,679	61,172
Buildings	524,208	-	-
Equipment	351,085	59,961	9,005
Total Expense	<u>\$ 899,362</u>	<u>\$ 65,640</u>	<u>\$ 70,177</u>

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, 2020:

<u>Year Ending December 31</u>	Governmental Activities	Component Units
2021	\$ 20,747	\$ 61,172
2022	15,810	61,172

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. LEASE OBLIGATIONS (continued)

Year Ending December 31	Governmental Activities	Component Units
2023	1,000	61,172
2024	1,000	61,172
2025	1,000	61,172
2026-2030	5,000	305,860
2031-2035	5,000	305,860
2036-2040	5,000	305,860
2041-2045	5,000	122,336
2046-2050	5,000	-
2051-2055	5,000	-
2056-2060	5,000	-
Total minimum payments required	<u>\$ 74,557</u>	<u>\$ 1,345,776</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$1,345,776 at December 31, 2020.

CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2020, consist of the following capital assets shown at original costs as summarized below:

Type of Property	Business-Type Activities	Component Units
Equipment	\$ 9,377,739	\$ 3,177,967
Less: Accumulated amortization	(7,189,600)	(1,562,941)
Total Expense	<u>\$ 2,188,139</u>	<u>\$ 1,615,026</u>

Minimum future lease payments are:

Year Ending December 31	Business-Type Activities	Component Units
2021	\$ 831,660	\$ 213,239
2022	831,660	213,208
2023	831,660	213,208
2024	415,830	213,208
2025	-	96,025
Total minimum lease payments	2,910,810	948,888
Less: Imputed interest	(208,666)	(79,154)
Present value of minimum lease payments	<u>\$ 2,702,144</u>	<u>\$ 869,734</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020, follows:

	Balance 01/01/20	Additions	Deletions	Balance 12/31/20	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 81,370,000	\$ 9,735,000	\$ 5,120,000	\$ 85,985,000	\$ 5,055,000
General Obligation - Tax Abatement	11,770,000	-	855,000	10,915,000	870,000
Special Assessment Debt with Government Commitment	3,125,000	-	1,505,000	1,620,000	975,000
General Obligation Certificates	14,050,000	2,960,000	3,310,000	13,700,000	3,450,000
Add Deferred Amounts:					
For Bond Premiums	9,604,602	856,705	989,658	9,471,649	-
Revenue Notes	2,621,000	-	15,000	2,606,000	15,000
Compensated Absences	3,163,371	3,305,028	2,604,281	3,864,118	2,698,353
Claims and Judgments	3,725,652	12,009,978	13,322,263	2,413,367	1,623,690
Total Governmental Long-Term Liabilities	<u>\$ 129,429,625</u>	<u>\$ 28,866,711</u>	<u>\$ 27,721,202</u>	<u>\$ 130,575,134</u>	<u>\$ 14,687,043</u>
Business-Type Activities:					
Bonds Payable:					
Revenue and General Obligation Bonds	\$ 31,679,868	\$ 10,495,000	\$ 3,190,228	\$ 38,984,640	\$ 2,929,765
Add Deferred Amounts:					
For Bond Premiums	167,377	260,684	50,056	378,005	-
General Obligation Public Facilities Authority Notes	13,204,000	-	2,123,000	11,081,000	2,149,000
Capital Leases Payable	3,411,177	-	709,033	2,702,144	736,158
Loans Payable	12,481	-	12,481	-	-
Compensated Absences	918,177	1,264,510	1,120,555	1,062,132	1,055,523
Total Business-Type Long-Term Liabilities	<u>\$ 49,393,080</u>	<u>\$ 12,020,194</u>	<u>\$ 7,205,353</u>	<u>\$ 54,207,921</u>	<u>\$ 6,870,446</u>
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Compensated Absences	\$ 226,065	\$ 86,618	\$ 233,702	\$ 78,981	\$ 78,981
Duluth Transit Authority					
Compensated Absences	569,138	628,425	603,777	593,786	593,786
Duluth Airport Authority					
Loans Payable	8,423,890	-	961,667	7,462,223	967,223
Compensated Absences	119,039	125,195	120,905	123,329	123,329
Unearned Revenue	364,095	-	156,409	207,686	-
Spirit Mountain Recreation Area Authority					
Capital Leases	1,084,677	-	214,943	869,734	182,834
Compensated Absences	112,523	116,727	103,790	125,460	125,460
Total Component Unit Long-Term Liabilities	<u>\$ 10,899,427</u>	<u>\$ 956,965</u>	<u>\$ 2,395,193</u>	<u>\$ 9,461,199</u>	<u>\$ 2,071,613</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 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
2021	3,138,936	5,055,000	474,339	3,450,000	281,044	870,000
2022	3,007,263	6,340,000	368,925	3,420,000	263,444	890,000
2023	2,814,608	6,465,000	242,675	2,780,000	244,166	905,000
2024	2,613,340	6,760,000	134,350	2,100,000	222,792	925,000
2025	2,411,046	6,875,000	55,325	1,305,000	200,034	945,000
2026-2030	8,240,289	32,480,000	12,900	645,000	584,959	5,150,000
2031-2035	1,887,669	21,690,000	-	-	39,060	1,230,000
2036-2040	3,200	320,000	-	-	-	-
Total	<u>\$ 24,116,351</u>	<u>\$ 85,985,000</u>	<u>\$ 1,288,514</u>	<u>\$ 13,700,000</u>	<u>\$ 1,835,499</u>	<u>\$ 10,915,000</u>

United States Department of Housing and Urban Development Revenue Notes

During 2005, and since refunded in 2019, \$7,876,000 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 tax increment financing, 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 follow:

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2021	71,244	15,000
2022	70,858	20,000
2023	70,349	20,000
2024	69,826	30,000
2025	69,025	2,521,000
Total	<u>\$ 351,302</u>	<u>\$ 2,606,000</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

11. LONG-TERM DEBT (continued)

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$1,620,000 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds.

Annual debt service requirements to maturity to fund special assessment bonds.

Year Ending December 31	Special Assessment Bonds	
	Interest	Principal
2021	43,525	975,000
2022	16,600	460,000
2023	3,700	185,000
Total	<u>\$ 63,825</u>	<u>\$ 1,620,000</u>

Other Debt

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, Sewer, Stormwater, and Parking operations is insufficient to retire their respective general obligation revenue bonds.

General Obligation Public Facilities Authority 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 of the business-type activities follow:

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2021	1,072,266	2,929,765	135,533	2,149,000
2022	1,041,219	3,124,859	108,650	2,090,000
2023	957,963	2,952,579	82,260	1,908,000
2024	875,936	2,850,813	57,843	1,932,000
2025	795,213	2,799,582	33,101	1,622,000
2026-2030	3,049,896	8,309,718	33,552	1,380,000
2031-2035	2,055,701	6,417,645	-	-
2036-2040	1,127,326	5,956,475	-	-
2041-2045	209,746	3,643,204	-	-
Total	<u>\$ 11,185,266</u>	<u>\$38,984,640</u>	<u>\$ 450,939</u>	<u>\$ 11,081,000</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

11. LONG-TERM DEBT (continued)

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

The Authority obtained a loan from the Minnesota Investment Fund. Proceeds from the loan have been used to remedy soil conditions on the Duluth Airport Authority property. The 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.

The City issued \$7,650,000 General Obligation Airport Improvement Bonds, dated May 24, 2012, on behalf of the Authority. Proceeds of the bonds will be used as a local match of federal and state grants to fund a new terminal facility, parking ramp, access road and aprons. The Authority entered into a loan agreement with the City requiring the Authority to make loan payments to the City to fund debt payments on the bonds.

The City issued \$3,400,000 General Obligation Airport Improvement Bonds, dated December 18, 2013, on behalf of the Authority. Proceeds of the bonds will be used as a local match of federal and state grants to fund a new terminal facility, parking ramp, access road and aprons. The Authority entered into a loan agreement with the City requiring the Authority to make loan payments to the City to fund debt payments on the bonds.

The City issued \$2,855,000 General Obligation Airport Improvement Bonds, dated November 5, 2015, on behalf of the Authority. Proceeds of the bonds will be used to finance hanger improvements. The Authority entered into a loan agreement with the City requiring the Authority to make loan payments to the City to fund debt payments on the bonds.

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities:			
General Obligation Bonds Payable:			
Capital Improvement	11/23/2010	245,000	
Capital Improvement	11/29/2011	420,000	
Airport Improvement	05/24/2012	4,405,000	
Airport Improvement	12/18/2013	2,500,000	
Capital Improvement	12/18/2013	780,000	
Capital Improvement - Lakewalk	12/18/2013	960,000	
Wade Stadium Improvement	10/30/2014	1,680,000	
Spirit Mountain Improvement	10/30/2014	1,720,000	
Capital Improvement	10/30/2014	590,000	
Capital Improvement	11/05/2015	1,010,000	
Airport Improvement	11/05/2015	2,230,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	9,755,000	
Duluth Entertainment and Convention Center Improvement			
Refunding	03/22/2016	31,675,000	
Capital Improvement	11/09/2016	835,000	
Capital Improvement	11/21/2017	1,280,000	
Capital Improvement - Seawall	02/14/2018	4,000,000	
Capital Improvement	10/17/2018	1,220,000	
Capital Improvement	10/09/2019	1,190,000	
Capital Improvement Refunding	10/09/2019	9,755,000	

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Capital Improvement	10/21/2020	1,640,000	
Capital Improvement - Lakewalk	10/21/2020	4,150,000	
State Aid Street Improvement	10/21/2020	<u>3,945,000</u>	
Total General Obligation Bonds Payable			\$ 85,985,000
General Obligation Tax Abatement:			
Spirit Mountain Tax Abatement Bonds	02/23/2012	4,455,000	
GO Tax Abatement (Cirrus)	03/22/2016	<u>6,460,000</u>	10,915,000
Special Assessment Debt with Government Commitment	3 issues	<u>1,620,000</u>	1,620,000
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable	6 issues	<u>13,700,000</u>	<u>13,700,000</u>
Total Governmental Activities Debt			<u>112,220,000</u>
Business-type Activities Debt:			
Revenue and General Obligation Bonds Payable:			
Parking Fund	1 issue	5,345,000	
Priley Drive Parking Facility	1 issue	11,989,640	
Water Fund	3 issues	4,107,000	
Steam Fund	3 issues	15,520,000	
Sewer Fund	5 issues	1,738,000	
Stormwater Fund	1 issue	<u>285,000</u>	
Total Revenue and General Obligation Bonds Payable			<u>38,984,640</u>
Total Business-type Activities Debt			<u>38,984,640</u>
Total Bonds Payable			<u>151,204,640</u>
Deductions Allowable:			
Airport Improvement	05/24/2012	4,405,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	4,455,000	
Airport Improvement	12/18/2013	2,500,000	
Wade Stadium Improvement	10/30/2014	1,680,000	
Spirit Mountain Improvement	10/30/2014	1,720,000	
Airport Improvement	11/05/2015	2,230,000	
Capital Improvement 1/2 & 1/2	11/05/2015	9,755,000	
Duluth Entertainment and Convention Center Authority Refunding	03/22/2016	31,675,000	
GO Tax Abatement (Cirrus)	03/22/2016	6,460,000	
Capital Improvement - Seawall	02/14/2018	4,000,000	
Street Improvement	10/21/2020	3,945,000	
Special Assessment		1,620,000	
Parking Fund		5,345,000	
Priley Drive Parking Facility		11,989,640	
Water Fund		4,107,000	
Steam Fund		15,520,000	
Sewer Fund		1,738,000	
Stormwater Fund		<u>285,000</u>	
Total Deductions Allowable			<u>113,429,640</u>
Net Debt			<u>\$ 37,775,000</u>
Legal Debt Margin for Duluth Taxable Market Value (6,732,090,600 X 2%)			<u>\$ 134,641,812</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. LONG-TERM DEBT (continued)

Unit	Overlapping Debt to Duluth		
	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$38,125,000	88.69%	\$ 33,813,776
Independent School District 704	23,995,000	7.86%	1,885,711
St. Louis County	157,500,000	39.26%	61,832,708
			<u>\$ 97,532,195</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. No current refunding bonds were issued in 2020.

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, have been performed by a certified public accounting firm.

All advance refunded bonds have been paid in full.

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:			
Street Improvement	11/27/2012	6,905,000	355,000
Street Improvement	11/05/2015	2,630,000	1,080,000
Capital Improvement Refunding	10/09/2019	9,755,000	9,755,000
Advance Refunding Bonds:			
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	33,470,000	31,675,000
Total Governmental Activities		<u>\$ 52,760,000</u>	<u>\$ 42,865,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Steam Utility Revenue and General Obligation	11/27/2012	5,475,000	1,010,000
Water Utility Revenue and General Obligation	11/05/2015	515,000	180,000
Sewer Utility Revenue and General Obligation	11/05/2015	1,110,000	505,000
Sewer Utility Revenue and General Obligation	11/05/2015	350,000	120,000
Stormwater Utility Revenue and General Obligation	11/05/2015	790,000	285,000
Advance Refunding Bonds:			
Sewer Utility Revenue and General Obligation	11/27/2012	2,000,000	305,000
Parking Improvements	11/27/2012	10,270,000	5,345,000
Total Business-type Activities		<u>\$ 20,510,000</u>	<u>\$ 7,750,000</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2020, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding	
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation						
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-21	2,175,000	245,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11	02-01-22	1,870,000	420,000
Airport Improvement	2.00 to 3.25%	02/01; 08/01	05-24-12	02-01-28	7,650,000	4,405,000
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13	02-01-29	3,400,000	2,500,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13	02-01-24	1,795,000	780,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	960,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	1,680,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	1,720,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14	02-01-25	1,115,000	590,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	1,010,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	2,230,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	9,755,000
Duluth Entertainment and Convention						
Center Improvement Refunding	3.00 to 5.00%	02/01; 08/01	03-22-16	02-01-34	33,470,000	31,675,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16	02-01-27	1,135,000	835,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17	02-01-28	1,545,000	1,280,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18	02-01-34	4,450,000	4,000,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18	02-01-29	1,310,000	1,220,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19	02-01-30	1,190,000	1,190,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19	02-01-32	9,755,000	9,755,000
Capital Improvement	3.00%	02/01; 08/01	10-21-20	02-01-31	1,640,000	1,640,000
Capital Improvement - Lakewalk	2.00%	02/01; 08/01	10-21-20	02-01-36	4,150,000	4,150,000
State Aid Street Improvement	1.50%	02/01; 08/01	10-21-20	02-01-26	3,945,000	3,945,000
Total General Obligation					<u>104,525,000</u>	<u>85,985,000</u>
General Obligation -Tax Abatement						
Spirit Mountain Tax Abatement Bonds	2.00 to 3.00%	02/01; 08/01	02-23-12	02-01-30	7,055,000	4,455,000
GO Tax Abatement (Cirrus)	1.00 to 3.15%	02/01; 08/01	03-22-16	02-01-32	7,820,000	6,460,000
Total General Obligation - Tax Abatement					<u>14,875,000</u>	<u>10,915,000</u>
Special Assessment Debt with Government Commitment						
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	02-01-21	1,985,000	185,000
Street Improvement Refunding	2.00 to 3.00%	02/01; 08/01	11-27-12	02-01-21	6,905,000	355,000
Street Improvement Refunding	4.00%	02/01; 08/01	11-05-15	02-01-23	2,630,000	1,080,000
Total Special Assessment Debt with Government Commitment					<u>11,520,000</u>	<u>1,620,000</u>
General Obligation Certificates Payable						
Equipment	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-21	3,325,000	705,000
Equipment	4.00%	02/01; 08/01	11-09-16	02-01-22	3,565,000	1,520,000
Equipment	3.00 to 4.00%	02/01; 08/01	11-21-17	02-01-23	3,615,000	2,255,000
Equipment	3.00 to 5.00%	02/01; 08/01	10-17-18	02-01-24	3,885,000	3,190,000
Equipment	5.00%	02/01; 08/01	10-09-19	02-01-25	3,070,000	3,070,000
Equipment	4.00%	02/01; 08/01	10-21-20	02-01-26	2,960,000	2,960,000
Total General Obligation Certificates Payable					<u>20,420,000</u>	<u>13,700,000</u>
Total Governmental Activities					<u>\$151,340,000</u>	<u>\$112,220,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. LONG-TERM DEBT (continued)

	<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:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12 02-01-26	\$ 10,270,000	\$ 5,345,000
Priley Drive Parking Facility					
Parking Improvement Tax Increment	4.00%	04/01; 10/01	05-15-14 04-01-44	11,500,000	11,989,640
Water Fund					
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	196,000	62,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	515,000	180,000
Water Utility Revenue and General Obligation	3.00 to 3.38%	02/01; 08/01	10-17-18 02-01-34	4,050,000	3,865,000
Total Water Fund				<u>4,761,000</u>	<u>4,107,000</u>
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	1.00 to 2.13%	02/01; 08/01	11-27-12 02-01-22	5,475,000	1,010,000
Steam Utility Revenue and General Obligation	3.00 to 3.20%	02/01; 08/01	11-05-15 02-01-27	4,015,000	4,015,000
Steam Utility Revenue and General Obligation	2.00 to 2.40%	02/01; 08/01	10-21-20 02-01-41	10,495,000	10,495,000
Total Steam Fund				<u>19,985,000</u>	<u>15,520,000</u>
Sewer Fund					
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	1,444,000	453,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	355,000
Sewer Utility Revenue and General Obligation Refunding	2.00%	02/01; 08/01	11-27-12 02-01-21	2,000,000	305,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-23	1,110,000	505,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	350,000	120,000
Total Sewer Fund				<u>5,809,000</u>	<u>1,738,000</u>
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	790,000	285,000
Total Business-type Activities				<u>\$ 53,115,000</u>	<u>\$ 38,984,640</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. LONG-TERM DEBT (continued)

NOTES PAYABLE BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding	
Governmental Activities:						
Revenue Note						
U.S. Dept. of Housing and Urban Development	2.54 to 2.74%	01/22; 07/22	03-28-19	08-01-25	2,636,000	2,606,000
Total Governmental Activities				<u>\$ 2,636,000</u>	<u>\$ 2,606,000</u>	
Business-type Activities:						
General Obligation:						
Water Fund						
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	1,293,200	451,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-07-10	08-20-25	3,344,131	1,208,000
Public Facilities Authority Note	1.221%	02/20; 08/20	11-18-11	08-20-26	1,221,631	497,000
Public Facilities Authority Note	1.000%	02/20; 08/20	02-25-14	08-20-29	4,778,806	2,840,000
Total Water Fund				<u>10,637,768</u>	<u>4,996,000</u>	
Sewer Fund						
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07	08-20-22	1,973,033	312,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	241,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	752,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	3,753,059	1,331,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	8,504,224	2,968,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11	08-20-21	279,117	28,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-30-11	08-20-21	265,418	29,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11	08-20-21	278,149	30,000
Public Facilities Authority Note	1.000%	02/20; 08/20	09-10-12	08-20-22	476,537	97,000
Public Facilities Authority Note	1.000%	02/20; 08/20	10-29-14	08-20-24	860,847	297,000
Total Sewer Fund				<u>19,601,369</u>	<u>6,085,000</u>	
Total Business-type Activities				<u>\$ 30,239,137</u>	<u>\$ 11,081,000</u>	

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

12. FUND EQUITY

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2020 are as follows:

	General Fund	Disaster Recovery	Community Investment Trust	General Obligation	Other Governmental Funds	Total Fund Balance
Fund Balances:						
Spendable:						
Restricted for:						
Forfeitures	\$ 329,336	\$ -	\$ -	\$ -	\$ 343,896	\$ 673,232
Capital Projects	-	-	-	-	11,589,717	11,589,717
Community Development	-	-	-	-	572,143	572,143
Employment	-	-	-	-	198,923	198,923
Parks and Recreation	-	-	-	-	2,056,066	2,056,066
Public Access Television	-	-	-	-	620,422	620,422
Public Works	-	-	-	-	4,513,337	4,513,337
Economic Development	-	-	-	-	874,497	874,497
Library	-	-	-	-	666,588	666,588
Tourism	-	-	-	-	1,950,090	1,950,090
Debt Service	-	-	-	14,663,007	5,895,265	20,558,272
Committed for:						
General Government	-	-	-	-	858,862	858,862
Community Investment	-	-	30,577,729	-	-	30,577,729
Energy Program	-	-	-	-	57,555	57,555
Municipal Arts	-	-	-	-	177,008	177,008
Parks and Recreation	-	-	-	-	517,944	517,944
Public Safety	32,186	-	-	-	122,438	154,624
Assigned to:						
General Government	3,878,195	-	-	-	-	3,878,195
Public Safety	6,878	-	-	-	-	6,878
Public Works	1,727	-	-	-	-	1,727
Economic Development	-	-	-	-	168,506	168,506
Capital Projects	-	-	-	-	2,148,616	2,148,616
Unassigned	16,856,560	(7,427,144)	-	-	(502,490)	8,926,926
Total Fund Balances	\$21,104,882	\$(7,427,144)	\$30,577,729	\$14,663,007	\$32,829,383	\$91,747,857

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

13. INTERFUND ASSETS/LIABILITIES/TRANSFERS

DUE TO/FROM OTHER FUNDS

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances at December 31, 2020 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Water Enterprise	\$ 1,019
	Gas Enterprise	1,103
	Sewer Enterprise	563
	Steam Enterprise	21,500
	Nonmajor Governmental Funds	9,159
	Nonmajor Enterprise Funds	461
	Internal Service Funds	914,952
Water Enterprise	Internal Service Funds	15,913
Gas Enterprise	General Fund	236
	Internal Service Funds	21,464
Sewer Enterprise	Internal Service Funds	11,386
Steam Enterprise	Nonmajor Governmental Funds	1,198,497
	Internal Service Funds	176
Nonmajor Governmental Funds	General Fund	327,047
	Nonmajor Governmental Funds	1,034,803
	Nonmajor Enterprise Funds	130
	Internal Service Funds	60,552
Nonmajor Enterprise Funds	Steam Enterprise	1,718
	Internal Service Funds	9,898
Internal Service Funds	Nonmajor Governmental Funds	4,635
Total		(1,2,3) <u>\$ 3,635,212</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 2,574,377
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	26,494
	Governmental Activities - Internal Service Funds	1,034,341
Total		<u>\$ 3,635,212</u>

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2020, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2020.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

13. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Spirit Mountain Recreation Area Authority	(4) 300,000
	Duluth Airport Authority	(1,2,3) 61
Nonmajor Governmental Funds	Duluth Economic Development Authority	(1,2,3) 100,000
Nonmajor Enterprise Funds	Duluth Economic Development Authority	(1,2,3) 1,592
Total Due From Component Units		<u>\$ 401,653</u>
Total Due To Primary Government		\$ 1,303,273
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2020		(1,201,620)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2020		300,000
Total Due From Component Units		<u>\$ 401,653</u>

INTERFUND LOAN RECEIVABLES/PAYABLES

Interfund loan balances are a result of temporary interfund financing at year-end to cover deficit cash balances within the various funds. Balances on December 31, 2020 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 9,620,404</u>
<u>Payable Fund</u>	
Disaster Recovery Fund	6,168,018
Nonmajor Governmental Funds	477,569
Nonmajor Enterprise Funds	2,590,409
Internal Service Funds	384,408
Total	<u>\$ 9,620,404</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: (1) debt service payments, participation in projects, and reimbursements of expenditures; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2020, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General Fund	Disaster Recovery	(1) \$ 4,000,000
	Community Investment Trust	(1) 567,151
	Water Enterprise	(1) 172,124
	Gas Enterprise	(1) 2,908,985
	Sewer Enterprise	(1,2) 130,068
	Steam Enterprise	(1) 152,800
	Nonmajor Governmental Funds	(2) 1,529,116
	Nonmajor Enterprise Funds	(1) 614,193
		(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

13. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
Disaster Recovery	Nonmajor Governmental Funds	(1) 4,300,000
General Obligation Debt		
Service Fund	Nonmajor Governmental Funds	(1) 4,688,057
Priley Drive Parking Facility		
Enterprise Fund	Nonmajor Governmental Funds	(1) 550,711
Water Enterprise	Nonmajor Governmental Funds	(1) 135,000
Nonmajor Governmental Funds	General Fund	(1) 213,593
	Gas Enterprise	(1) 75,000
	Nonmajor Governmental Funds	(1) 13,444,586
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	(2) 125,000
Total		<u>\$ 33,606,384</u>
	Statement of Revenues, Expenditures, and	
Transfers out, reported in:	Change in Fund Balances:	
	Governmental Funds	\$ 29,553,214
	Statement of Revenues, Expenditures, and	
	Change in Fund Net Position:	
	Business-type Activities - Enterprise Funds	4,053,170
Total		<u>\$ 33,606,384</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

14. PENSION PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Duluth are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No City employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50% after 5 years and increasing 10% for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years and increasing 5% for each year of service until fully vested after 20 years.

BENEFITS PROVIDED

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50% of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0% and maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan benefit recipients will receive a 1.0% post retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

14. PENSION PLANS (continued)

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.0% of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

CONTRIBUTIONS

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes, Chapter 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.5% of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in 2020.

In 2020, the City was required to contribute the following percentages of annual covered salary:

General Employees Plan - Coordinated Plan Members	7.50%
Police and Fire Plan	17.70%

The Police and Fire Plan member and employer contribution rates increased 0.50% and 0.75%, respectively, from 2019.

The City's contributions to the pension plans ending December 31 were:

	2020	2019	2018
General Employees Fund	\$ 2,812,381	\$ 2,853,467	\$ 2,697,667
Police and Fire Fund	4,475,263	4,286,075	3,790,774
Total	<u>\$ 7,287,644</u>	<u>\$ 7,139,542</u>	<u>\$ 6,488,441</u>

The contributions are equal to the contractually required contributions as set by state statute.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

14. PENSION PLANS (continued)

PENSION COSTS

General Employees Fund

At December 31, 2020, the City reported a liability of \$32,609,291 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportion was 0.5439%. It was 0.5179% measured as of June 30, 2019. The City recognized pension expense of \$1,737,604 for its proportionate share of the General Employees Plan's pension expense.

The City also recognized \$87,518 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

City's proportionate share of the net pension liability	\$ 32,609,291
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,005,605</u>
Total	<u>\$ 33,614,896</u>

The City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 283,194	\$ 123,378
Changes in actuarial assumptions	-	1,179,040
Difference between projected and actual investment earnings	578,704	-
Changes in proportion	1,078,111	630,405
Contributions paid to PERA subsequent to the measurement date	<u>1,380,811</u>	<u>-</u>
Total	<u>\$ 3,320,820</u>	<u>\$ 1,932,823</u>

The \$1,380,811 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2021	\$ (2,052,259)
2022	294,558
2023	977,037
2024	787,850

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

14. PENSION PLANS (continued)

Police and Fire Fund

At December 31, 2020, the City reported a liability of \$29,508,461 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportion was 2.2387%. It was 2.3085% measured as of June 30, 2019. The City recognized pension expense of \$3,076,847 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The City recognized an additional \$213,879 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

City's proportionate share of the net pension liability	\$ 29,508,461
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>695,185</u>
Total	<u><u>\$ 30,203,646</u></u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90% funded, or until the State Patrol Plan is 90% funded, whichever occurs later. The City also recognized \$201,481 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

The City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,314,848	\$ 1,450,343
Changes in actuarial assumptions	10,234,769	18,957,652
Difference between projected and actual investment earnings	866,223	-
Changes in proportion	898,612	1,482,654
Contributions paid to PERA subsequent to the measurement date	<u>2,235,197</u>	<u>-</u>
Total	<u><u>\$ 15,549,649</u></u>	<u><u>\$ 21,890,649</u></u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

14. PENSION PLANS (continued)

The \$2,235,197 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (2,262,231)
2022	(8,664,295)
2023	1,098,356
2024	1,355,216
2025	(103,243)

The total pension expense for all plans recognized by the City for the year ended December 31, 2020, was \$4,814,451.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per year	2.50% per year
Active member payroll growth	3.00% per year	3.25% per year
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25% for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00% as set by state statute.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated August 30, 2016. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan.

The long-term expected rate of return on pension plan investments is 7.50%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class.

These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

14. PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50%	5.30%
Bond pool	20.00%	0.75%
Alternatives	25.00%	5.90%
Cash equivalents	2.00%	0.00%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50% in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN ACTUARIAL ASSUMPTIONS

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020, through December 31, 2023, and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

14. PENSION PLANS (continued)

PENSION LIABILITY SENSITIVITY

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

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	6.5%	\$ 52,261,382	6.5%	\$ 58,814,611
Current	7.5%	32,609,291	7.5%	29,508,461
1.0% Increase	8.5%	16,397,894	8.5%	5,262,758

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

DEFINED CONTRIBUTION PLAN

Certain elected officials of the City are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minnesota Statutes, Chapter 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 time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minnesota Statutes, § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0% of salary, which is matched by the employer. 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 2.0% of employer contributions and 0.25% of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2020, were:

	Employee	Employer
Contribution amount	\$ 4,528	\$ 4,528
Percentage of covered payroll	5.0%	5.0%

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 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 2020 annual report.

The Duluth Transit Authority and Duluth Economic Development Authority have 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 2020 annual report.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

15. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The City provides postemployment 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's Joint Powers Enterprise Trust. The life insurance benefits are paid directly by the fund from which the employee retires, and recorded as a deduction in the Statement of Fiduciary Net Position for the Other Postemployment Benefits Trust Fund, under GASB 74. A separate report is not issued for the plan. The authority to provide these benefits is established in Minnesota Statute § 471.617. Liabilities arising from postemployment benefits are generally liquidated from the general fund and the City's utility proprietary funds.

As of December 31, 2020, there were 1,135 retirees receiving health benefits from the City's health plan and 861 active employees covered under the plan.

FUNDING POLICY

The City 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 Joint Powers Enterprise Trust 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, 2020, the City contributed \$9,727,233 and retirees contributed \$224,206.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$587,771 were made to the irrevocable trust in 2020.

INVESTMENTS

Investment policy – The City's OPEB irrevocable trust fund is managed by the City of Duluth. All OPEB funds are invested with the Minnesota State Board of Investment (SBI). It is the policy of the City to pursue an investment strategy that reduces risk through the diversification of the portfolio. The City's target asset allocation as of December 31, 2020 is:

<u>Asset Class</u>	<u>Target Allocation</u>
MN SBI Non-Retirement Bond Fund	30%
MN SBI Non-Retirement Equity Fund	70%
Total	<u>100%</u>

Rate of return – For the year ended December 31, 2020, the annual money-weighted return on investments, net of investment expense, was 15.24%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2020, were as follows:

Total OPEB liability	\$ 156,608,958
Plan fiduciary net position	<u>(82,675,184)</u>
City's net OPEB liability	<u>\$ 73,933,774</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.79%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of \$85,368,592 and the business-type activities report a prepaid asset of \$11,434,818.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/20	\$ 156,007,515	\$ 71,510,666	\$ 84,496,849
Changes for the year:			
Service cost	2,366,072	-	2,366,072
Interest	8,662,683	-	8,662,683
Contributions - employer	-	10,287,850	(10,287,850)
Difference between actual and projected earnings	-	7,230,403	(7,230,403)
Projected earnings	-	4,078,301	(4,078,301)
Benefit payments	(10,427,312)	(10,427,312)	-
Administrative expense	-	(4,724)	4,724
Net change	<u>601,443</u>	<u>11,164,518</u>	<u>(10,563,075)</u>
Balance at 12/31/20	<u>\$ 156,608,958</u>	<u>\$ 82,675,184</u>	<u>\$ 73,933,774</u>

ACTUARIAL METHODS AND ASSUMPTIONS

The expected long-term rate 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 the assets, consistent with the long-term perspective of the calculations.

In the January 1, 2019, actuarial valuation, the individual entry age normal as a level percentage of payroll 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 based on the expected long-term investment returns on plan assets. The price inflation rate was 2.20%. The salary increases rate is based on the 3.50% salary scale. The annual healthcare cost trend rate is 9.00% initially, reduced incrementally to an ultimate rate of 5.00% after ten years.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

Mortality rates were based on the Society of Actuaries RPH-2014 Adjust to 2006 Total Dataset Headcount-weighted Mortality project with Scale MP-2018.

Asset allocations fluctuate due to market performance, however, the targeted OPEB asset allocation is as described below. The City's objective in selecting the expected long-term rate of return on assets is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets. The estimates of arithmetic real rates of return of each major asset class included in the target asset allocation are:

Asset Classes	Long-Term Expected Real Rate of Return
Domestic Fixed Income	0.90%
Domestic Equity	4.80%
	<u>5.70%</u>

The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

<u>Single Equivalent Interest Rate (SEIR)</u>	
Long-Term Expected Rate of Return	5.70%
Municipal Bond Index Rate*	1.93%
Administrative Expenses (as a percent of the market value of assets)	0.01%
Fiscal Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate	5.70%

* Source: S&P Municipal Bond 20 Year High Grade Rate Index

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.7%)	Discount Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability (asset)	\$ 90,925,870	\$ 73,933,774	\$ 59,936,469

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

	Healthcare Cost		
	1% Decrease (8.0% decrease to 4.0%)	Trend Rate (9.0% decrease to 5.0%)	1% Increase (10.0% decrease to 6.0%)
Net OPEB liability (asset)	\$ 56,805,937	\$ 73,933,774	\$ 94,693,846

OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2020, the City recognized OPEB expenses of \$10,130,858. At December 31, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 10,330,102
Changes in actuarial assumptions	-	11,048,123
Difference between expected and actual economic experience	1,058,837	291,212
Total	<u>\$ 1,058,837</u>	<u>\$ 21,669,437</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2021	\$ (6,798,186)
2022	(6,798,191)
2023	(5,568,144)
2024	(1,446,079)

TRUST FUND

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

The financial statements are prepared using accrual basis 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 provided a defined contribution postemployment benefit in the form of a minimum 1.00% contribution of each full-time, permanent, active employee's salary into a postemployment 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.

For the year ended December 31, 2020, the City recognized OPEB expenses of \$366,443.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

16. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following nonmajor enterprise funds: Parking, which accounts for the municipal parking ramps, lots, and meters; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ended December 31, 2020, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Parking</u>	<u>Stormwater</u>
Assets		
Current assets	\$ 3,442,210	\$ 4,780,449
Due from other funds	-	591
Capital assets	18,079,360	19,402,662
Noncurrent assets	-	578
Total Assets	<u>21,521,570</u>	<u>24,184,280</u>
Deferred Outflows of Resources	<u>291,902</u>	<u>146,670</u>
Liabilities		
Current liabilities	965,790	494,541
Due to other funds	1,767	9,849
Noncurrent liabilities	4,795,104	1,592,337
Total Liabilities	<u>5,762,661</u>	<u>2,096,727</u>
Deferred Inflows of Resources	<u>16,706</u>	<u>563,990</u>
Net Position		
Net investment in capital assets	12,990,921	19,110,570
Unrestricted	3,043,184	2,559,663
Total Net Position	<u>\$ 16,034,105</u>	<u>\$ 21,670,233</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Parking</u>	<u>Stormwater</u>
Operating revenues (expenses)		
Charges (pledged against bonds)	\$ 2,907,434	\$ 5,400,293
Depreciation expense	(571,931)	(453,419)
Other operating expenses	(2,173,193)	(3,209,467)
Operating income	<u>162,310</u>	<u>1,737,407</u>
Nonoperating revenues (expenses)		
Investment earnings	29,512	15,989
Gain (Loss) on sale of capital assets	-	1,831
Interest expense	(178,801)	(2,363)
Capital contributions	392,508	63,034
Transfers out	(76,181)	(538,012)
Change in net position	<u>329,348</u>	<u>1,277,886</u>
Beginning net position	<u>15,704,757</u>	<u>20,392,347</u>
Ending net position	<u>\$ 16,034,105</u>	<u>\$ 21,670,233</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

16. SEGMENT INFORMATION (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking</u>	<u>Stormwater</u>
Net cash provided (used) by		
Operating activities	\$ 675,752	\$ 1,954,295
Noncapital financing activities	(76,181)	(538,473)
Capital and related financing activities	(649,901)	(897,423)
Investing activities	29,512	15,989
Net increase (decrease)	(20,818)	534,388
Beginning cash and cash equivalents	3,431,244	1,131,961
Ending cash and cash equivalents	<u>\$ 3,410,426</u>	<u>\$ 1,666,349</u>

17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

LAKE SUPERIOR CENTER

The City and Duluth Economic Development Authority (DEDA) entered into agreements with the 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., 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 1st.

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 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, 2020.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City with its own rights and powers. Although the Mayor of the City appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City.

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 \$835,012 to the Duluth Housing and Redevelopment Authority in 2020.

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

The City, along with several other governmental entities, formed the Minneapolis-Duluth/Superior Passenger Rail Alliance on February 1, 2008, under a Joint Powers Agreement in accordance with Minnesota Statutes § 471.59, 398A.04, and 398A.06. Its purpose is to collaboratively discuss, study, plan for, promote, and facilitate the development of intercity passenger rail transportation between the Twin Cities Metropolitan and Twin Ports areas. The passenger rail line has been given the title of the Northern Lights Express (NLX). The Alliance is governed by a nine-member Board composed of one elected official selected by each party represented in the Alliance, as well as an additional member from the Mille Lacs Band of Ojibwe. Each party contributes funds consistent with the annual budget and cost sharing formula. The Board is organized with a chair and a vice chair elected each year. The St. Louis and Lake County Regional Railroad Authority serves as the fiscal agent.

A summary of the financial information of the Minneapolis-Duluth/Superior Passenger Rail Alliance for the Government-wide financial statements for December 31, 2019 (the most recent available) was:

Total Assets	\$	21,827
Total Liabilities		5,091
Total Net Position		16,736
Total Revenues		90,411
Total Expenditures		65,216
Change in Net Position		25,195

Separate financial information can be obtained from the St. Louis and Lake County Regional Railroad Authority.

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, 2020, follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

	Maximum Assistance	2020 Tax Rebate
A & L Renaissance	\$ -	\$ 14,757
Augusta Building	\$ -	\$ 94,655
Bluestone Commons	\$ 9,896,864	\$ 398,806
Central Hillside Development, LLP	\$ 194,451	\$ 7,269
Garfield Business Park, LLC	\$ 611,069	\$ 21,715
Harbor Bay	\$ 2,225,302	\$ 321,157
NorShore Theatre, LLC	\$ 1,234,196	\$ 170,746
NorShore Theatre, LLC	\$ 236,727	\$ 123,353
Sherman Associates Hotel/Condominium	\$ 5,000,000	\$ 213,432
Pier B, LLC	\$ 3,445,636	\$ 238,673
Kenwood Village, LLC	\$ 2,862,500	\$ 206,409

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority (DEDA) 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, DEDA 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, 2020, are as follows:

Entity	Series	Issued	Principal
Health Care Facilities (Aftenro)	2006	\$ 2,620,000	\$ 1,880,824
St. Luke's Hospital	2012	\$ 81,595,000	\$ 67,850,000
Benedictine Health Center	2013	\$ 5,750,000	\$ 4,225,037
Benedictine Health Center	2014	\$ 4,000,000	\$ 3,498,192
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 8,359,172
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 5,454,660
Ikonics	2016	\$ 3,415,000	\$ 2,758,279
Cambia Hills	2018	\$ 26,500,000	\$ 26,500,000
Essentia Health	2018A	\$ 682,285,000	\$ 682,285,000
St Luke's Hospital	2018A	\$ 19,750,000	\$ 19,750,000
St Luke's Hospital	2018B	\$ 19,750,000	\$ 19,750,000

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

18. TAX ABATEMENT

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2018 and continues for fifteen years. The City's abatement will not exceed \$9,179 per year and a total aggregate amount of \$250,000.

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2019 and continues for twenty years. The City's abatement will not exceed a total aggregate amount of \$278,000.

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2021 and continues for fifteen years. The City's abatement will not exceed a total aggregate amount of \$400,000.

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2021 and continues for twenty years. The City's abatement will not exceed a total aggregate amount of \$400,000.

The City has entered into a property tax agreement with a real estate developer for constructing senior care units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2021 and continues for ten years. The City's abatement will not exceed a total aggregate amount of \$125,000.

The City has entered into a property tax agreement with a corporation related to the construction of a retail development, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2021 and continues for twenty years. The City's abatement will not exceed a total aggregate amount of \$1,350,000.

19. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Although things are beginning to return to normal in 2021 there is still some uncertainty regarding when certain industries, especially tourism related, will return to pre-pandemic levels. The City factored these potential decreases in sales tax revenue into its 2021 budget.

The City was allocated approximately \$60 million dollars in Coronavirus State and Local Fiscal Recovery Funds as part of the America Rescue Plan. These funds are directed at helping governments address economic fallouts associated with the pandemic and lay a foundation for recovery. City administration is currently in the early stage of determining how this funding will be used.

**Required Supplementary
Information**

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS AND
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2020**

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability				
Service cost	\$ 2,933,971	\$ 2,952,513	\$ 2,440,931	\$ 2,366,072
Interest	9,412,409	9,609,404	8,958,475	8,662,683
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)
Changes in assumptions	-	-	(20,030,337)	-
Difference in expected vs. actual experience	-	-	1,391,711	-
Net change in total OPEB liability	<u>2,599,084</u>	<u>1,416,008</u>	<u>(18,008,546)</u>	<u>601,443</u>
Total OPEB liability - beginning	<u>170,000,969</u>	<u>172,600,053</u>	<u>174,016,061</u>	<u>156,007,515</u>
Total OPEB liability - ending (a)	<u>\$ 172,600,053</u>	<u>\$ 174,016,061</u>	<u>\$ 156,007,515</u>	<u>\$ 156,608,958</u>
Plan fiduciary net position				
Contributions - employer	\$ 10,222,267	\$ 11,678,484	\$ 11,642,994	\$ 10,287,850
Net investment income	8,178,671	(1,841,168)	14,236,478	11,308,704
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)
Administrative expense	-	(3,853)	(4,173)	(4,724)
Net change in plan fiduciary net position	<u>8,653,642</u>	<u>(1,312,446)</u>	<u>15,105,973</u>	<u>11,164,518</u>
Plan fiduciary net position - beginning	<u>49,063,497</u>	<u>57,717,139</u>	<u>56,404,693</u>	<u>71,510,666</u>
Plan fiduciary net position - ending (b)	<u>\$ 57,717,139</u>	<u>\$ 56,404,693</u>	<u>\$ 71,510,666</u>	<u>\$ 82,675,184</u>
City's net OPEB liability - ending (a-b)	\$ 114,882,914	\$ 117,611,368	\$ 84,496,849	\$ 73,933,774
Plan fiduciary net position as a percentage of the total OPEB liability	33.44%	32.41%	45.84%	52.79%
Covered-employee payroll	\$ 51,597,031	\$ 51,597,031	\$ 54,243,818	\$ 56,142,352
City's net OPEB liability as a percentage of covered-employee payroll	222.7%	227.9%	155.8%	131.7%

SCHEDULE OF INVESTMENT RETURNS

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annual money-weighted rate of return, net of investment expense	16.68%	-3.20%	24.48%	15.24%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) TRUST
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2020**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$11,456,261	\$10,536,980	\$ 9,619,556	\$10,050,122
Contributions in relation to the actuarially determined contribution	10,222,267	11,678,484	11,642,994	10,287,850
Contribution deficiency (excess)	<u>\$ (1,233,994)</u>	<u>\$ 1,141,504</u>	<u>\$ 2,023,438</u>	<u>\$ 237,728</u>
 Covered-employee payroll	 \$51,597,031	 \$51,597,031	 \$54,243,818	 \$56,142,352
 Contributions as a percentage of covered-employee payroll	 19.8%	 22.6%	 21.5%	 18.3%
Notes to Schedule:				
Valuation date	1/1/2019			
Methods and assumptions used to determine contribution rates:				
Actuarial cost method	Individual Entry Age Normal as a level percentage of payroll			
Asset valuation method	Market value			
Inflation	2.2%			
Healthcare cost trend rates	9.0% initially, reduced incrementally to an ultimate rate of 5.0% after ten years			
Salary increases	3.5%			
Investment rate of return	5.7%			
Retirement age	Based on actuary's experience with plans of a similar size, plan design, workforce composition, and discussions with the City			
Mortality	SOA RPH-2014 Adjust to 2006 Total Dataset Headcount-weighted Mortality project with Scale MP-2018			
Morbidity	Pre-65: 2.75% per year; Post-65: 1.0% per year			

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES PLAN
DECEMBER 31, 2020**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY *
(LAST TEN YEARS**)**

Fiscal Year Ending***	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.5439%	\$ 32,609,291	\$ 1,005,605	\$ 33,614,896	\$ 38,794,227	86.65%	79.10%
2019	0.5179%	\$ 28,633,531	\$ 889,961	\$ 29,523,492	\$ 36,654,573	80.55%	80.20%
2018	0.5221%	\$ 28,963,967	\$ 950,024	\$ 29,913,991	\$ 35,092,853	85.24%	79.50%
2017	0.5543%	\$ 35,388,146	\$ 444,931	\$ 35,833,077	\$ 35,707,680	100.35%	75.90%
2016	0.5257%	\$ 42,684,233	\$ 557,508	\$ 43,241,741	\$ 32,622,333	132.55%	68.91%
2015	0.5499%	\$ 28,498,672	\$ -	\$ 28,498,672	\$ 32,321,183	88.17%	78.19%

* This schedule is for Employers in the General Employees Plan to report their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

** Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

*** The year reported for this schedule coincides with the measurement date used for the NPL.

**SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS *)**

Fiscal Year Ending **	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2020	\$ 2,812,381	\$ 2,812,381	\$ -	\$ 37,500,813	7.50%
2019	\$ 2,853,467	\$ 2,853,467	\$ -	\$ 38,046,227	7.50%
2018	\$ 2,697,667	\$ 2,697,667	\$ -	\$ 35,968,893	7.50%
2017	\$ 2,678,076	\$ 2,678,076	\$ -	\$ 34,694,027	7.72%
2016	\$ 2,446,675	\$ 2,446,675	\$ -	\$ 33,753,187	7.25%
2015	\$ 2,514,167	\$ 2,514,167	\$ -	\$ 33,522,227	7.50%

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** The fiscal year for the Schedule of Contributions should be the employer's fiscal year end, i.e., June 30 or December 31 for most PERA employers.

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA POLICE AND FIRE PLAN
DECEMBER, 31, 2020**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(LAST TEN YEARS*)**

Fiscal Year Ending**	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	2.239%	\$ 29,508,461	\$ 695,185	\$ 30,203,646	\$ 25,263,315	116.80%	87.20%
2019	2.309%	\$ 24,576,314	N/A	\$ 24,576,314	\$ 24,327,497	101.02%	89.30%
2018	2.195%	\$ 23,397,505	N/A	\$ 23,397,505	\$ 23,134,636	101.14%	88.80%
2017	2.311%	\$ 31,201,250	N/A	\$ 31,201,250	\$ 23,723,278	131.52%	85.40%
2016	2.317%	\$ 92,985,242	N/A	\$ 92,985,242	\$ 22,320,623	416.59%	63.88%
2015	2.268%	\$ 25,769,787	N/A	\$ 25,769,787	\$ 20,780,650	124.01%	86.61%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

** The year reported for this schedule coincides with the measurement date used for the NPL.

**SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS*)**

Fiscal Year Ending**	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2020	\$ 4,475,263	\$ 4,475,263	\$ -	\$ 25,283,972	17.70%
2019	\$ 4,286,075	\$ 4,286,075	\$ -	\$ 25,286,578	16.95%
2018	\$ 3,790,774	\$ 3,790,774	\$ -	\$ 23,399,840	16.20%
2017	\$ 3,843,171	\$ 3,843,171	\$ -	\$ 22,831,389	16.83%
2016	\$ 3,615,941	\$ 3,615,941	\$ -	\$ 22,874,383	15.81%
2015	\$ 3,557,651	\$ 3,557,651	\$ -	\$ 21,960,809	16.20%

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** The fiscal year for the Schedule of Contributions should be the employer's fiscal year end, i.e., June 30 or December 31 for most PE

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

See Note 16 in the notes to the financial statements for additional information regarding the City's other postemployment benefits.

EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

In 2007, the City established an irrevocable trust, pursuant to Minnesota Statute § 471.6175 to prefund a portion of the liability of the plan. These funds are reported in the Other Postemployment Benefits Trust Fund and are included in the actuarial valuation.

The following changes were reflected in the valuation performed on behalf of the OPEB Trust Fund as of January 1, 2019:

- The initial healthcare cost trend rate was changed from 10.00% to 9.00%.
- The mortality projection scale was changed from MP-2016 to MP-2018.
- The morbidity rate for those under 65 was changed from 2.00% to 2.75%.

DEFINED BENEFIT PENSION PLANS - CHANGES IN SIGNIFICANT PLAN PROVISION, ACTUARIAL METHODS AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Fund

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP- 2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

General Employees Fund (continued)

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.0% per year through 2044 and 2.5% per year thereafter, to 1.25% per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.50% upon attainment of 90.0% funding ratio to 50.0% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.
- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The state's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter, to 1.0% for all future years.
- The assumed investment rate was changed from 7.9% to 7.5%. The single discount rate was also changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25%. Payroll growth was reduced from 3.5% to 3.25%. Inflation was reduced from 2.75% to 2.5%.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

General Employees Fund (continued)

2015

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.
- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Plan

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Postretirement benefit increases changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65% to 60%.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Police and Fire Plan (continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.50% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.
- The postretirement benefit increase to be paid after the attainment of the 90.0% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

Combining and Individual
Fund Statements and
Schedules

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

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.

Parks – to account for a tax levy dedicated for parks and recreation facilities, recreation activities, and implementation of the Duluth parks and recreation master plan.

Special Projects – to account for monies received as fees, donations, or 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.

Recovery Loan Program – to account for grant monies received from the Minnesota Department of Employment and Economic Development 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.

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.

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 Program – 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.

Home Investment Partnerships 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 Employment and Economic Development and St. 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 Employment and Economic Development 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.

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

SPECIAL REVENUE FUNDS (continued)

Street System Maintenance Utility – to account for monies received for street system maintenance utility fees from residential, commercial, and industrial properties, used to fund existing street improvement debt, enhanced maintenance, and street reconstruction.

Street Improvement Sales Tax – additional half percent general sales tax dedicated to street improvement.

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

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.

DEBT SERVICE FUNDS

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

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.

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

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.

Tax Increment – to account for the collection and distribution of tax increment proceeds associated with City Tax Increment Financing (TIF) districts.

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.

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

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

Permanent Improvement – to account for capital improvements financed by sources other than assessments.

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

Capital Improvement – to account for capital improvements that are financed by issuance of debt.

Tourism and Recreational Projects – Capital project fund established to account for bond proceeds for tourism and recreational projects along the St. Louis River Corridor.

Regional Exchange District – to account for funds awarded by the State of Minnesota for public improvements in the City's medical district.

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

Special Revenue Funds

	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Assets					
Cash and cash equivalents	\$ -	\$ 2,060,635	\$ 1,991,741	\$ 214,446	\$ 882,461
Receivables, net					
Taxes	-	114,924	-	-	-
Accounts	-	2,937	98,294	-	-
Assessments	-	-	268,751	-	-
Loans	247,396	-	-	-	728,166
Due from other funds	100,000	4,635	13,256	-	-
Due from component units	-	-	-	-	-
Due from other governments	-	75,969	115,482	706,336	-
Prepays	-	-	-	-	-
Total Assets	\$ 347,396	\$ 2,259,100	\$ 2,487,524	\$ 920,782	\$ 1,610,627
Liabilities					
Accounts payable	70	19,231	64,737	284,351	-
Contracts payable	58,361	83,060	1,751	59,551	-
Due to other funds	-	3,249	33,826	125,924	-
Interfund loan payable	306,329	-	-	-	-
Due to other governments	-	2,586	-	35,164	161,142
Accrued salaries payable	-	27,260	-	-	-
Unearned revenue	-	-	103,701	-	-
Total Liabilities	364,760	135,386	204,015	504,990	161,142
Deferred Inflows of Resources					
Unavailable revenue	247,396	153,871	300,916	115,999	574,988
Revenues deferred for highway allotments	-	-	-	-	-
Total Deferred Inflows of Resources	247,396	153,871	300,916	115,999	574,988
Fund Balances					
Restricted	-	1,969,843	664,525	299,793	874,497
Committed	-	-	1,318,068	-	-
Assigned	-	-	-	-	-
Unassigned	(264,760)	-	-	-	-
Total Fund Balances	(264,760)	1,969,843	1,982,593	299,793	874,497
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 347,396	\$ 2,259,100	\$ 2,487,524	\$ 920,782	\$ 1,610,627

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

Special Revenue Funds

	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Tax
Assets					
Cash and cash equivalents	\$ 183,176	\$ 667,336	\$ 179,088	\$ 43,961	\$ 2,389,852
Receivables, net					
Taxes	-	-	-	-	437,268
Accounts	-	-	-	18,625	-
Assessments	-	-	-	-	-
Loans	-	-	275,942	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	100,000
Due from other governments	-	-	46,122	-	62,020
Prepays	-	-	-	-	-
Total Assets	\$ 183,176	\$ 667,336	\$ 501,152	\$ 62,586	\$ 2,989,140
Liabilities					
Accounts payable	2,000	748	-	38	-
Contracts payable	-	-	56,704	-	-
Due to other funds	-	-	-	2,010	1,039,050
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	2,983	-
Unearned revenue	-	-	-	-	-
Total Liabilities	2,000	748	56,704	5,031	1,039,050
Deferred Inflows of Resources					
Unavailable revenue	-	-	275,942	-	-
Revenues deferred for highway allotments	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	275,942	-	-
Fund Balances					
Restricted	-	666,588	-	-	1,950,090
Committed	181,176	-	-	57,555	-
Assigned	-	-	168,506	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	181,176	666,588	168,506	57,555	1,950,090
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 183,176	\$ 667,336	\$ 501,152	\$ 62,586	\$ 2,989,140

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue Funds				
	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Assets					
Cash and cash equivalents	\$ 86,142	\$ -	\$ 1,355,685	\$ 304,237	\$ -
Receivables, net					
Taxes	81	-	-	-	-
Accounts	-	-	142,378	14	-
Assessments	-	-	-	-	-
Loans	-	369,158	2,614,793	-	-
Due from other funds	-	-	1,231	4,159	1,080
Due from component units	-	-	-	-	-
Due from other governments	-	174,126	1,181,699	172,531	26,736
Prepays	-	-	-	-	7,075
Total Assets	\$ 86,223	\$ 543,284	\$ 5,295,786	\$ 480,941	\$ 34,891
Liabilities					
Accounts payable	-	-	4,691	70,970	1,245
Contracts payable	-	172,487	1,095,775	53,019	-
Due to other funds	-	1,639	9,950	28,900	1,078
Interfund loan payable	-	2,133	-	-	32,556
Due to other governments	-	-	14,334	810	-
Accrued salaries payable	-	-	-	34,045	-
Unearned revenue	-	17,690	40,044	9,901	-
Total Liabilities	-	193,949	1,164,794	197,645	34,879
Deferred Inflows of Resources					
Unavailable revenue	-	450,138	3,558,849	84,373	1,078
Revenues deferred for highway allotments	-	-	-	-	-
Total Deferred Inflows of Resources	-	450,138	3,558,849	84,373	1,078
Fund Balances					
Restricted	86,223	-	572,143	198,923	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(100,803)	-	-	(1,066)
Total Fund Balances	86,223	(100,803)	572,143	198,923	(1,066)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 86,223	\$ 543,284	\$ 5,295,786	\$ 480,941	\$ 34,891

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	Special Revenue Funds				Debt Service Funds
	Street System Maintenance Utility	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue
Assets					
Cash and cash equivalents	\$ 1,800,894	\$ 325,872	\$ 1,135,422	\$ 177,008	\$ 4,091,271
Receivables, net					
Taxes	107,570	1,439,824	59,829	-	-
Accounts	-	-	37,173	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	291,092
Due from component units	-	-	-	-	-
Due from other governments	-	-	27,266	-	-
Prepays	-	-	-	-	-
Total Assets	\$ 1,908,464	\$ 1,765,696	\$ 1,259,690	\$ 177,008	\$ 4,382,363
Liabilities					
Accounts payable	8,196	-	117,938	-	-
Contracts payable	-	-	21,665	-	-
Due to other funds	69,513	-	20,067	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	15,731	-	-
Unearned revenue	-	-	2,674	-	-
Total Liabilities	77,709	-	178,075	-	-
Deferred Inflows of Resources					
Unavailable revenue	77,291	-	87,438	-	-
Revenues deferred for highway allotments	-	-	-	-	-
Total Deferred Inflows of Resources	77,291	-	87,438	-	-
Fund Balances					
Restricted	1,753,464	1,765,696	994,177	-	4,382,363
Committed	-	-	-	177,008	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	1,753,464	1,765,696	994,177	177,008	4,382,363
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,908,464	\$ 1,765,696	\$ 1,259,690	\$ 177,008	\$ 4,382,363

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>	
	<u>Special Assessment Debt Service</u>	<u>Street Improvement Debt Service</u>	<u>Tax Increment</u>	<u>Capital Equipment</u>	<u>Special Assessment</u>
Assets					
Cash and cash equivalents	\$ 35,086	\$ 1,360,027	\$ 116,123	\$ 2,584,565	\$ -
Receivables, net					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Assessments	339,880	167,441	-	-	278,895
Loans	-	-	-	-	-
Due from other funds	-	334	-	2,228	690
Due from component units	-	-	-	-	-
Due from other governments	26,799	-	-	-	-
Prepays	-	-	-	-	-
Total Assets	<u>\$ 401,765</u>	<u>\$ 1,527,802</u>	<u>\$ 116,123</u>	<u>\$ 2,586,793</u>	<u>\$ 279,585</u>
Liabilities					
Accounts payable	-	-	-	213,990	-
Contracts payable	-	-	-	-	-
Due to other funds	25,467	-	-	-	-
Interfund loan payable	-	-	-	-	127,353
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>25,467</u>	<u>-</u>	<u>-</u>	<u>213,990</u>	<u>127,353</u>
Deferred Inflows of Resources					
Unavailable revenue	339,880	167,441	-	-	278,895
Revenues deferred for highway allotments	-	-	-	-	-
Total Deferred Inflows of Resources	<u>339,880</u>	<u>167,441</u>	<u>-</u>	<u>-</u>	<u>278,895</u>
Fund Balances					
Restricted	36,418	1,360,361	116,123	2,372,803	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(126,663)
Total Fund Balances	<u>36,418</u>	<u>1,360,361</u>	<u>116,123</u>	<u>2,372,803</u>	<u>(126,663)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 401,765</u>	<u>\$ 1,527,802</u>	<u>\$ 116,123</u>	<u>\$ 2,586,793</u>	<u>\$ 279,585</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Permanent Improvements	Street Improvement Program	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	
Assets						
Cash and cash equivalents	\$ 7,527,830	\$ 3,795,772	\$ 720,158	\$ 4,014,837	\$ -	\$ 38,043,625
Receivables, net						
Taxes	12,859	-	-	-	-	2,172,355
Accounts	382,659	-	-	-	-	682,080
Assessments	-	984,621	-	-	-	2,039,588
Loans	-	-	-	-	-	4,235,455
Due from other funds	449,959	818,941	551,051	8,438	-	2,247,094
Due from component units	-	-	-	-	-	100,000
Due from other governments	310,249	-	288,000	1,095,832	-	4,309,167
Prepays	-	-	-	-	-	7,075
Total Assets	\$ 8,683,556	\$ 5,599,334	\$ 1,559,209	\$ 5,119,107	\$ -	\$ 53,836,439
Liabilities						
Accounts payable	-	-	20,713	47,252	-	856,170
Contracts payable	2,810,537	463,583	391,449	447,519	-	5,715,461
Due to other funds	53,421	-	8,438	-	-	1,422,532
Interfund loan payable	-	-	-	-	9,198	477,569
Due to other governments	151	-	-	-	-	214,187
Accrued salaries payable	-	-	-	-	-	80,019
Unearned revenue	-	-	-	51,475	-	225,485
Total Liabilities	2,864,109	463,583	420,600	546,246	9,198	8,991,423
Deferred Inflows of Resources						
Unavailable revenue	295,778	984,621	288,000	1,095,832	-	9,378,726
Revenues deferred for highway allotments	2,636,907	-	-	-	-	2,636,907
Total Deferred Inflows of Resources	2,932,685	984,621	288,000	1,095,832	-	12,015,633
Fund Balances						
Restricted	2,886,762	2,002,514	850,609	3,477,029	-	29,280,944
Committed	-	-	-	-	-	1,733,807
Assigned	-	2,148,616	-	-	-	2,317,122
Unassigned	-	-	-	-	(9,198)	(502,490)
Total Fund Balances	2,886,762	4,151,130	850,609	3,477,029	(9,198)	32,829,383
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,683,556	\$ 5,599,334	\$ 1,559,209	\$ 5,119,107	\$ -	\$ 53,836,439

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

Special Revenue Funds

	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,874,692	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	53,305	46,744	-	-
Intergovernmental revenues	238,137	760,907	317,180	2,321,827	-
Charges for services	648,862	46,440	135,927	-	-
Fines and forfeits	-	-	2,541	264,855	-
Special assessments	-	-	-	-	-
Investment income	-	18,972	18,057	(187)	8,482
Miscellaneous revenues	106,072	61,138	513,915	-	-
Total Revenues	993,071	3,815,454	1,034,364	2,586,495	8,482
Expenditures					
Current					
General government	-	-	41,096	-	-
Public safety	-	-	306,480	1,056,265	-
Public works	-	-	-	-	-
Culture and recreation	1,361,334	2,267,791	76,892	-	-
Urban and economic development	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	438,706	-	199,751	-
Total Expenditures	1,361,334	2,706,497	424,468	1,256,016	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(368,263)	1,108,957	609,896	1,330,479	8,482
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	157,371	9,434	-	-
Transfers out	-	(842,746)	(376,710)	(1,164,846)	-
Total Other Financing Sources (Uses)	510,000	(685,375)	(367,276)	(1,164,846)	-
Net Change in Fund Balances	141,737	423,582	242,620	165,633	8,482
Fund Balances - January 1, 2020	(406,497)	1,546,261	1,739,973	134,160	866,015
Fund Balances - December 31, 2020	\$(264,760)	\$ 1,969,843	\$ 1,982,593	\$ 299,793	\$ 874,497

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds				
	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Taxes
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	8,381,902
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	211,145	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	1,587	5,947	2,074	143	26,420
Miscellaneous revenues	1,445	137,622	185,421	38,737	-
Total Revenues	3,032	143,569	398,640	38,880	8,408,322
Expenditures					
Current					
General government	-	-	-	138,618	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	3,500	69,016	-	-	-
Urban and economic development	-	-	234,468	-	1,707,444
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	147,067	-
Total Expenditures	3,500	69,016	234,468	285,685	1,707,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	(468)	74,553	164,172	(246,805)	6,700,878
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	132,000	-
Transfers out	-	(12,050)	-	-	(5,683,101)
Total Other Financing Sources (Uses)	-	(12,050)	-	132,000	(5,683,101)
Net Change in Fund Balances	(468)	62,503	164,172	(114,805)	1,017,777
Fund Balances - January 1, 2020	181,644	604,085	4,334	172,360	932,313
Fund Balances - December 31, 2020	\$ 181,176	\$ 666,588	\$ 168,506	\$ 57,555	\$ 1,950,090

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds				
	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	12,669	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	622,030	2,556,273	2,186,162	491,118
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	790	(100)	24,723	2,750	-
Miscellaneous revenues	-	-	366,450	247,976	-
Total Revenues	13,459	621,930	2,947,446	2,436,888	491,118
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	599,498	3,168,764	2,511,765	476,086
Debt service					
Principal retirement	-	-	15,000	-	-
Interest and fiscal fees	-	-	71,626	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	-	599,498	3,255,390	2,511,765	476,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,459	22,432	(307,944)	(74,877)	15,032
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	4,159	-
Transfers out	-	-	-	-	(14,084)
Total Other Financing Sources (Uses)	-	-	-	4,159	(14,084)
Net Change in Fund Balances	13,459	22,432	(307,944)	(70,718)	948
Fund Balances - January 1, 2020	72,764	(123,235)	880,087	269,641	(2,014)
Fund Balances - December 31, 2020	\$ 86,223	\$ (100,803)	\$ 572,143	\$ 198,923	\$ (1,066)

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds				Debt Service Funds
	Street System Maintenance Utility	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue
Revenues					
Taxes					
Property taxes	\$ 2,482,789	\$ -	\$ 1,720,106	\$ -	\$ -
Sales taxes	-	7,244,748	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	800	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	5,696	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	18,527	3,837	9,793	1,539	33,549
Miscellaneous revenues	3,256	-	84,073	-	-
Total Revenues	<u>2,504,572</u>	<u>7,248,585</u>	<u>1,820,468</u>	<u>1,539</u>	<u>33,549</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	362,431	42,538	1,700,180	-	-
Culture and recreation	-	-	-	400	-
Urban and economic development	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	4,410	-	-	-	-
Total Expenditures	<u>366,841</u>	<u>42,538</u>	<u>1,700,180</u>	<u>400</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,137,731</u>	<u>7,206,047</u>	<u>120,288</u>	<u>1,139</u>	<u>33,549</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	2,648,923
Transfers out	(826,806)	(7,405,000)	(270,732)	-	(2,751,100)
Total Other Financing Sources (Uses)	<u>(826,806)</u>	<u>(7,405,000)</u>	<u>(270,732)</u>	<u>-</u>	<u>(102,177)</u>
Net Change in Fund Balances	1,310,925	(198,953)	(150,444)	1,139	(68,628)
Fund Balances - January 1, 2020	442,539	1,964,649	1,144,621	175,869	4,450,991
Fund Balances - December 31, 2020	<u>\$ 1,753,464</u>	<u>\$ 1,765,696</u>	<u>\$ 994,177</u>	<u>\$ 177,008</u>	<u>\$ 4,382,363</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Debt Service Funds			Capital Projects Funds	
	Special Assessment Debt Service	Street Improvement Debt Service	Tax Increment	Capital Equipment	Special Assessment
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 611,901	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	199,146	88,948	-	-	54,771
Investment income	(233)	9,639	-	44,436	-
Miscellaneous revenues	-	-	-	384	-
Total Revenues	198,913	98,587	611,901	44,820	54,771
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	499	-	-
Debt service					
Principal retirement	360,000	1,145,000	-	-	-
Interest and fiscal fees	13,750	74,075	-	-	-
Bond issuance costs	-	-	-	31,805	-
Capital outlay	-	-	-	3,389,652	-
Total Expenditures	373,750	1,219,075	499	3,421,457	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,837)	(1,120,488)	611,402	(3,376,637)	54,771
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	2,960,000	-
Premium on issuance of bonds	-	-	-	347,818	-
Transfers in	-	425,000	-	-	-
Transfers out	-	-	(550,711)	(2,533)	-
Total Other Financing Sources (Uses)	-	425,000	(550,711)	3,305,285	-
Net Change in Fund Balances	(174,837)	(695,488)	60,691	(71,352)	54,771
Fund Balances - January 1, 2020	211,255	2,055,849	55,432	2,444,155	(181,434)
Fund Balances - December 31, 2020	\$ 36,418	\$ 1,360,361	\$ 116,123	\$ 2,372,803	\$ (126,663)

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Permanent Improvements	Street Improvement Program	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	
Revenues						
Taxes						
Property taxes	\$ 278,471	\$ -	\$ -	\$ -	\$ -	\$ 7,967,959
Sales taxes	-	-	-	-	-	15,626,650
Other taxes	-	-	-	-	-	12,669
Licenses and permits	-	-	-	-	-	100,849
Intergovernmental revenues	7,083,670	-	1,453,151	1,471,092	-	19,712,692
Charges for services	-	-	-	-	-	836,925
Fines and forfeits	-	-	-	-	-	267,396
Special assessments	-	434,263	-	-	-	777,128
Investment income	78,858	38,193	12,608	101,348	-	461,752
Miscellaneous revenues	841,654	-	-	2,662	-	2,590,805
Total Revenues	8,282,653	472,456	1,465,759	1,575,102	-	48,354,825
Expenditures						
Current						
General government	-	-	550,840	-	-	730,554
Public safety	-	-	87,054	-	-	1,449,799
Public works	1,251,476	173,809	286,956	-	-	3,817,390
Culture and recreation	-	-	36,764	593,150	-	4,408,847
Urban and economic development	-	-	-	-	-	8,698,524
Debt service						
Principal retirement	-	-	-	-	-	1,520,000
Interest and fiscal fees	-	-	-	-	-	159,451
Bond issuance costs	44,846	-	82,230	-	-	158,881
Capital outlay	9,212,783	5,026,927	2,428,928	5,233,041	9,198	26,090,463
Total Expenditures	10,509,105	5,200,736	3,472,772	5,826,191	9,198	47,033,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,226,452)	(4,728,280)	(2,007,013)	(4,251,089)	(9,198)	1,320,916
Other Financing Sources (Uses)						
Issuance of bonds	3,945,000	-	5,790,000	-	-	12,695,000
Premium on issuance of bonds	103,886	-	405,001	-	-	856,705
Transfers in	1,135,871	7,405,000	855,421	450,000	-	13,733,179
Transfers out	(92,161)	(463,333)	(4,303,718)	(12,839)	-	(24,772,470)
Total Other Financing Sources (Uses)	5,092,596	6,941,667	2,746,704	437,161	-	2,512,414
Net Change in Fund Balances	2,866,144	2,213,387	739,691	(3,813,928)	(9,198)	3,833,330
Fund Balances - January 1, 2020	20,618	1,937,743	110,918	7,290,957	-	28,996,053
Fund Balances - December 31, 2020	\$ 2,886,762	\$ 4,151,130	\$ 850,609	\$ 3,477,029	\$ (9,198)	\$ 32,829,383

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Taxes				
General property				
Current	\$ 21,879,300	\$ 21,879,300	\$ 21,700,740	\$ (178,560)
Delinquent	150,000	150,000	172,295	22,295
Mobile home	59,700	59,700	87,822	28,122
Forfeited tax sale apportionment	19,400	19,400	-	(19,400)
Franchise	3,898,200	3,898,200	3,586,792	(311,408)
Sales taxes	14,000,000	14,000,000	13,849,221	(150,779)
Charitable gambling	20,000	20,000	19,080	(920)
Other	83,700	83,700	361,693	277,993
Total Taxes	40,110,300	40,110,300	39,777,643	(332,657)
Licenses and Permits				
Liquor and non-intoxicating liquor	512,000	512,000	435,606	(76,394)
Health	25,000	25,000	24,712	(288)
Police protective	32,500	32,500	28,875	(3,625)
Amusement	1,000	1,000	601	(399)
Manufacturing and merchandising	38,600	38,600	17,829	(20,771)
Other	1,193,400	1,193,400	1,343,114	149,714
Total Licenses and Permits	1,802,500	1,802,500	1,850,737	48,237
Intergovernmental revenues				
Shared revenues				
Local government aid	30,247,200	30,247,200	30,282,160	34,960
Insurance premium	1,942,000	1,942,000	2,253,160	311,160
PERA contribution	-	502,878	502,878	-
State grants				
Minnesota Library Information Network	5,000	5,000	4,120	(880)
Cross country ski trail	11,000	11,000	11,000	-
Snowmobile trail	13,900	13,900	-	(13,900)
Post training reimbursement	142,000	142,000	148,664	6,664
Duty belt suspenders grant	-	2,182	2,182	-
Market value credit	-	-	206	206
MSA street maintenance allotment	1,533,400	1,533,400	1,533,400	-
Federal grants				
Bulletproof Vest Partnership Program	-	16,418	16,418	-
COVID relief grant	-	37,000	-	(37,000)
Other grants				
St. Louis County	138,400	138,400	183,438	45,038
Payments in lieu of taxes				
Housing and Redevelopment Authority	57,400	57,400	70,689	13,289
Independent School District #709	258,900	258,900	40,169	(218,731)
Total Intergovernmental Revenues	34,349,200	34,907,678	35,048,484	140,806

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Increase (Decrease)</u>
Charges for Services				
Departmental fees and services				
Fire	4,200	4,200	4,200	-
Police	70,400	70,400	55,795	(14,605)
Engineering	300,000	300,000	105,504	(194,496)
Building inspection services	3,317,600	3,317,600	3,314,799	(2,801)
Attorney services	4,000	4,000	3,575	(425)
Information technology services	24,600	24,600	27,407	2,807
Grant administration services	69,000	69,000	74,798	5,798
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	60,600	60,600	97,235	36,635
Other services	-	-	45	45
Departmental sales				
Copier and microfilm prints	22,500	22,500	5,182	(17,318)
Print and plan sales	100	100	-	(100)
Book sales	100	100	-	(100)
Share of general expenses				
Stormwater	169,900	169,900	169,900	-
Sewer	230,400	230,400	230,400	-
Steam	53,200	53,200	53,200	-
Duluth Entertainment and Convention Center Authority	13,800	13,800	-	(13,800)
Duluth Transit Authority	10,300	10,300	10,300	-
Duluth Airport Authority	45,200	45,200	45,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	851,000	851,000	851,000	-
Fleet Services	146,200	146,200	146,200	-
Golf	8,100	8,100	-	(8,100)
Group Health	353,300	353,300	380,598	27,298
Self-Insurance	614,500	614,500	614,500	-
Spirit Mountain Recreation Area Authority	26,200	26,200	26,200	-
Parking	150,000	150,000	150,000	-
Street Lighting	28,200	28,200	-	(28,200)
Priley Drive Parking Facility	5,000	5,000	5,000	-
Total Charges for Services	<u>7,008,400</u>	<u>7,008,400</u>	<u>6,801,038</u>	<u>(207,362)</u>
Fines and Forfeits				
Library fines	-	-	2	2
Parking fines	21,600	21,600	48,018	26,418
Court fines	364,000	364,000	260,501	(103,499)
Administrative fines	-	-	1,620	1,620
License penalties	2,000	2,000	1,894	(106)
Felony forfeitures	-	-	14,194	14,194
Total Fines and Forfeits	<u>387,600</u>	<u>387,600</u>	<u>326,229</u>	<u>(61,371)</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Increase (Decrease)</u>
Special Assessments	492,900	535,706	509,774	(25,932)
Investment Income				
Fair value adjustment	-	-	150,413	150,413
Miscellaneous Revenues				
Commission and concessions	10,000	10,000	-	(10,000)
Payments in lieu of taxes	16,000	16,000	-	(16,000)
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	9,176	9,176
Rent and lease	84,600	84,600	76,360	(8,240)
Damage claims	-	-	19,276	19,276
Sale of equipment	-	-	59,976	59,976
Sale of land	-	-	163,500	163,500
Sale of scrap	5,000	5,000	2,614	(2,386)
Surcharge retainage	1,400	1,400	1,941	541
Refunds and reimbursements	230,100	1,507,875	1,525,745	17,870
Gifts and donations	-	-	5,938	5,938
Miscellaneous sales and services	72,900	72,900	57,293	(15,607)
Total Miscellaneous Revenues	<u>570,000</u>	<u>1,847,775</u>	<u>2,071,819</u>	<u>224,044</u>
Total Revenues	<u>84,720,900</u>	<u>86,599,959</u>	<u>86,536,137</u>	<u>(63,822)</u>
Other Financing Sources				
Transfers in				
Special Projects	227,500	262,506	240,178	(22,328)
Disaster Recovery Fund	-	-	4,000,000	4,000,000
Duluth Police Grant Programs	1,068,500	1,153,059	1,164,846	11,787
Library Special Accounts	-	-	12,050	12,050
Community Investment Trust	425,000	425,000	567,151	142,151
Tourism Taxes	1,130,000	1,167,500	97,958	(1,069,542)
Senior Programs	-	-	14,084	14,084
Parking Fund	1,356,300	1,422,884	76,181	(1,346,703)
Water	226,000	226,000	172,124	(53,876)
Gas	2,890,500	2,890,500	2,908,985	18,485
Sewer	163,700	163,700	130,068	(33,632)
Stormwater	551,400	551,400	538,012	(13,388)
Steam	152,800	152,800	152,800	-
Total Other Financing Sources	<u>8,191,700</u>	<u>8,415,349</u>	<u>10,074,437</u>	<u>1,659,088</u>
Total Revenues and Other Financing Sources	<u>\$ 92,912,600</u>	<u>\$ 95,015,308</u>	<u>\$ 96,610,574</u>	<u>\$ 1,595,266</u>
Reconciliation				
Original budget as approved by Duluth City Council		\$ 92,912,600		
Adjustments made in accordance with budget ordinance provisions				
Grants, gifts, and donations		55,754		
Ordinance allowable		<u>2,046,954</u>		
Total adjustments		<u>2,102,708</u>		
Modified budget as reported above		<u>\$ 95,015,308</u>		

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Legislative and Executive							
City Council							
Personal services - salaries	\$ 124,200	\$ 124,200		\$ 110,120	\$ -	\$ 110,120	\$ 14,080
Personal services - benefits	11,600	11,600		8,476	-	8,476	3,124
Other expenditures	68,700	68,700		60,215	-	60,215	8,485
Total City Council	204,500	204,500		178,811	-	178,811	25,689
Mayor's Office							
Personal services - salaries	496,100	496,100		504,376	-	504,376	(8,276)
Personal services - benefits	246,100	246,100		239,309	-	239,309	6,791
Other expenditures	24,200	24,580	4	8,193	-	8,193	16,387
Total Mayor's Office	766,400	766,780		751,878	-	751,878	14,902
Chief Administrative Officer							
Personal services - salaries	310,400	308,400	1	303,257	-	303,257	5,143
Personal services - benefits	135,200	135,200		126,737	-	126,737	8,463
Other expenditures	10,600	10,600		9,797	-	9,797	803
Total Chief Administrative Officer	456,200	454,200		439,791	-	439,791	14,409
Attorney and Human Rights							
Personal services - salaries	1,718,700	1,718,700		1,704,479	-	1,704,479	14,221
Personal services - benefits	627,900	627,900		646,917	-	646,917	(19,017)
Other expenditures	41,100	43,100	1	40,818	-	40,818	2,282
Total Attorney and Human Rights	2,387,700	2,389,700		2,392,214	-	2,392,214	(2,514)
Total Legislative and Executive	3,814,800	3,815,180		3,762,694	-	3,762,694	52,486
Property, Parks and Libraries							
Park Maintenance							
Personal services - salaries	1,708,500	1,626,500	1	1,422,268	-	1,422,268	204,232
Personal services - benefits	711,000	711,000		636,644	-	636,644	74,356
Other expenditures	944,800	944,800		831,405	-	831,405	113,395
Total Park Maintenance	3,364,300	3,282,300		2,890,317	-	2,890,317	391,983
Library Services							
Personal services - salaries	2,934,600	2,911,271	1,4	2,200,092	-	2,200,092	711,179
Personal services - benefits	1,234,100	1,239,513	4	957,986	-	957,986	281,527
Other expenditures	764,800	786,767	1	688,853	5,232	694,085	92,682
Total Library Services	4,933,500	4,937,551		3,846,931	5,232	3,852,163	1,085,388
Facilities Management							
Personal services - salaries	1,912,000	1,912,000		1,718,198	-	1,718,198	193,802
Personal services - benefits	881,700	881,700		764,375	-	764,375	117,325
Other expenditures	2,243,000	2,325,000	1	2,035,778	3,192	2,038,970	286,030
Total Facilities Management	5,036,700	5,118,700		4,518,351	3,192	4,521,543	597,157
Total Property, Parks and Libraries	13,334,500	13,338,551		11,255,599	8,424	11,264,023	2,074,528

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Administrative Services							
Human Resources							
Personal services - salaries	771,200	771,200		799,846	-	799,846	(28,646)
Personal services - benefits	353,700	353,700		333,372	-	333,372	20,328
Other expenditures	74,500	74,500		53,428	-	53,428	21,072
Total Human Resources	1,199,400	1,199,400		1,186,646	-	1,186,646	12,754
Information Technology							
Personal services - salaries	1,893,300	1,893,300		1,927,481	-	1,927,481	(34,181)
Personal services - benefits	820,300	820,300		829,140	-	829,140	(8,840)
Other expenditures	963,200	990,639	2	704,339	15,363	719,702	270,937
Total Information Technology	3,676,800	3,704,239		3,460,960	15,363	3,476,323	227,916
Clerk							
Personal services - salaries	576,800	576,800		624,635	-	624,635	(47,835)
Personal services - benefits	233,300	233,300		187,596	-	187,596	45,704
Other expenditures	55,700	55,700		37,319	-	37,319	18,381
Total Clerk	865,800	865,800		849,550	-	849,550	16,250
Total Administrative Services	5,742,000	5,769,439		5,497,156	15,363	5,512,519	256,920
Finance							
Budget							
Personal services - salaries	659,000	659,000		695,113	-	695,113	(36,113)
Personal services - benefits	253,500	253,500		248,810	-	248,810	4,690
Other expenditures	37,100	37,100		34,950	-	34,950	2,150
Total Budget	949,600	949,600		978,873	-	978,873	(29,273)
Auditor							
Personal services - salaries	663,200	663,200		638,146	-	638,146	25,054
Personal services - benefits	323,600	323,600		291,168	-	291,168	32,432
Other expenditures	304,100	304,100		288,222	-	288,222	15,878
Total Auditor	1,290,900	1,290,900		1,217,536	-	1,217,536	73,364
Purchasing							
Personal services - salaries	389,600	389,600		397,096	-	397,096	(7,496)
Personal services - benefits	170,800	170,800		199,397	-	199,397	(28,597)
Other expenditures	14,200	14,200		4,504	-	4,504	9,696
Total Purchasing	574,600	574,600		600,997	-	600,997	(26,397)
Total Finance	2,815,100	2,815,100		2,797,406	-	2,797,406	17,694

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Planning and Construction Services							
Planning and Development							
Personal services - salaries	986,600	986,600		950,124	-	950,124	36,476
Personal services - benefits	438,600	438,600		353,005	-	353,005	85,595
Other expenditures	74,700	102,451	2,4	50,045	-	50,045	52,406
Total Planning and Development	1,499,900	1,527,651		1,353,174	-	1,353,174	174,477
Construction Services and Inspection							
Personal services - salaries	1,444,400	1,444,400		1,304,754	-	1,304,754	139,646
Personal services - benefits	636,400	636,400		551,624	-	551,624	84,776
Other expenditures	145,500	212,649	2	213,133	-	213,133	(484)
Total Construction Services and Inspection	2,226,300	2,293,449		2,069,511	-	2,069,511	223,938
Total Planning and Construction Services	3,726,200	3,821,100		3,422,685	-	3,422,685	398,415
Fire							
Administration							
Personal services - salaries	460,900	448,900	1	384,182	-	384,182	64,718
Personal services - benefits	106,200	118,200	1	153,141	-	153,141	(34,941)
Other expenditures	59,000	59,000		45,814	-	45,814	13,186
Total Administration	626,100	626,100		583,137	-	583,137	42,963
Operations							
Personal services - salaries	10,943,600	10,962,868	4	11,160,412	-	11,160,412	(197,544)
Personal services - benefits	4,983,000	4,986,687	4	5,180,062	-	5,180,062	(193,375)
Other expenditures	689,000	710,144	2,4	668,400	-	668,400	41,744
Total Operations	16,615,600	16,659,699		17,008,874	-	17,008,874	(349,175)
Life Safety							
Personal services - salaries	880,500	880,500		711,798	-	711,798	168,702
Personal services - benefits	434,100	434,000	1	296,128	-	296,128	137,872
Other expenditures	68,200	68,750	1,4	68,710	-	68,710	40
Total Life Safety	1,382,800	1,383,250		1,076,636	-	1,076,636	306,614
Total Fire	18,624,500	18,669,049		18,668,647	-	18,668,647	402
Police							
Administration and Investigation							
Personal services - salaries	15,581,400	16,004,135	1,3,4	16,318,897	-	16,318,897	(314,762)
Personal services - benefits	7,047,700	7,047,700		7,272,015	-	7,272,015	(224,315)
Other expenditures	1,300,000	1,322,028	1,2,3,4	1,032,186	-	1,032,186	289,842
Total Administration and Investigation	23,929,100	24,373,863		24,623,098	-	24,623,098	(249,235)
Police Special Accounts							
Other expenditures	92,000	321,644	1,2	65,493	6,878	72,371	249,273
Total Police	24,021,100	24,695,507		24,688,591	6,878	24,695,469	38

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	79,800	79,800		69,688	-	69,688	10,112
Personal services - benefits	29,000	29,000		29,553	-	29,553	(553)
Other expenditures	800	800		604	-	604	196
Total Public Works Director's Office	109,600	109,600		99,845	-	99,845	9,755
Street Maintenance							
Personal services - salaries	2,902,700	2,902,700		2,837,408	-	2,837,408	65,292
Personal services - benefits	1,348,800	1,348,800		1,296,567	-	1,296,567	52,233
Other expenditures	3,683,100	3,683,100		3,559,828	-	3,559,828	123,272
Total Street Maintenance	7,934,600	7,934,600		7,693,803	-	7,693,803	240,797
Engineering							
Personal services - salaries	1,311,300	1,311,300		1,337,595	-	1,337,595	(26,295)
Personal services - benefits	487,100	487,100		515,017	-	515,017	(27,917)
Other expenditures	137,500	146,389	2	103,078	1,727	104,805	41,584
Total Engineering	1,935,900	1,944,789		1,955,690	1,727	1,957,417	(12,628)
Total Public Works and Utilities	9,980,100	9,988,989		9,749,338	1,727	9,751,065	237,924
Transfers and Other Functions:							
Business improvement district	370,000	412,806	4	412,806	-	412,806	-
Public access television	182,000	182,000		182,000	-	182,000	-
State sales tax administration	120,000	120,000		85,076	-	85,076	34,924
Capital program	47,000	645,194	1,2	598,194	-	598,194	47,000
Benefits administration	123,000	124,716	1,2	83,192	-	83,192	41,524
Retiree insurance	7,399,100	8,137,545	4	8,147,020	-	8,147,020	(9,475)
Self insurance	1,400,000	1,400,000		1,400,000	-	1,400,000	-
PERA contribution	500,000	763,878	1,4	502,878	-	502,878	261,000
Transfers and accruals	50,000	50,000		9,159	-	9,159	40,841
Other functions	663,200	1,183,875	1,2,4	1,032,410	28,808	1,061,218	122,657
Total Transfers and Other Functions	10,854,300	13,020,014		12,452,735	28,808	12,481,543	538,471
Special Item							
Reduction of spirit mountain loan	-	-		900,000	-	900,000	(900,000)
Total Expenditures and encumbrances	\$ 92,912,600	\$ 95,932,929		\$ 93,194,851	\$ 61,200	\$ 93,256,051	\$ 2,676,878
Duluth City Council	\$ 92,912,600						
Budget Ordinance							
Note 1	-			- Departmental transfers made in accordance with budget ordinance.			
Note 2	917,621			Encumbrance, contract, reserve, or designation carryovers from prior year.			
Note 3	55,754			Grants, gifts, and donations in accordance with budget ordinance.			
Note 4	2,046,954			Other allowable additions made in accordance with budget ordinance.			
Total adjustments	3,020,329						
	\$ 95,932,929						

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government						
Legislative and Executive						
City Council	\$ 110,120	\$ 8,476	\$ 60,215	\$ -	\$ -	\$ 178,811
Mayor's Office	504,376	239,309	8,193	-	-	751,878
Chief Administrative Officer	303,257	126,737	9,797	-	-	439,791
Attorney and Human Rights	1,704,479	646,917	40,818	-	-	2,392,214
Total Legislative and Executive	2,622,232	1,021,439	119,023	-	-	3,762,694
Property, Parks and Libraries						
Facilities Management	1,718,198	764,375	2,035,778	-	-	4,518,351
Other Functions	-	904,829	2,132,463	598,194	84,159	3,719,645
Total Property, Parks and Libraries	1,718,198	1,669,204	4,168,241	598,194	84,159	8,237,996
Administrative Services						
Human Resources	799,846	333,372	53,428	-	-	1,186,646
Information Technology	1,927,481	829,140	704,339	-	-	3,460,960
Clerk	624,635	187,596	37,319	-	-	849,550
Total Administrative Services	3,351,962	1,350,108	795,086	-	-	5,497,156
Finance						
Budget	695,113	248,810	34,950	-	-	978,873
Auditor	638,146	291,168	288,222	-	-	1,217,536
Purchasing	397,096	199,397	4,504	-	-	600,997
Total Finance	1,730,355	739,375	327,676	-	-	2,797,406
Benefits						
Benefits Administration	-	33,246	49,946	-	-	83,192
Retiree Insurance	-	8,147,020	-	-	-	8,147,020
PERA Contribution	-	31,687	-	-	-	31,687
Total Benefits	-	8,211,953	49,946	-	-	8,261,899
Total General Government	9,422,747	12,992,079	5,459,972	598,194	84,159	28,557,151
Public Safety						
Fire						
Administration	384,182	153,141	45,814	-	-	583,137
Operations	11,160,412	5,180,062	668,400	-	-	17,008,874
Life Safety	711,798	296,128	64,276	-	4,434	1,076,636
Total Fire	12,256,392	5,629,331	778,490	-	4,434	18,668,647
Police						
Administration and Investigation	16,318,897	7,272,015	1,032,186	-	-	24,623,098
Police Special Accounts	-	-	65,493	-	-	65,493
Total Police	16,318,897	7,272,015	1,097,679	-	-	24,688,591
Benefits						
PERA Contribution	-	423,260	-	-	-	423,260
Total Public Safety	28,575,289	13,324,606	1,876,169	-	4,434	43,780,498

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works						
Property, Parks and Libraries						
Park Maintenance	1,422,268	636,644	706,405	-	125,000	2,890,317
Public Works						
Public Works Director's Office	69,688	29,553	604	-	-	99,845
Street Maintenance	2,837,408	1,296,567	3,559,828	-	-	7,693,803
Engineering	1,337,595	515,017	103,078	-	-	1,955,690
Total Public Works	4,244,691	1,841,137	3,663,510	-	-	9,749,338
Benefits						
PERA Contribution	-	22,154	-	-	-	22,154
Total Public Works	5,666,959	2,499,935	4,369,915	-	125,000	12,661,809
Culture and Recreation						
Property, Parks and Libraries						
Library Services	2,200,092	957,986	688,853	-	-	3,846,931
Benefits						
PERA Contribution	-	12,495	-	-	-	12,495
Total Culture and Recreation	2,200,092	970,481	688,853	-	-	3,859,426
Urban and Economic Development						
Planning and Construction Services						
Planning and Development	950,124	353,005	50,045	-	-	1,353,174
Construction Services and Inspection	1,304,754	551,624	213,133	-	-	2,069,511
Total Planning and Construction Services	2,254,878	904,629	263,178	-	-	3,422,685
Benefits						
PERA Contribution	-	13,282	-	-	-	13,282
Total Urban and Economic Development	2,254,878	917,911	263,178	-	-	3,435,967
Special Item						
Reduction of spirit mountain loan	-	-	900,000	-	-	900,000
Total Expenditures/Transfers Out	\$ 48,119,965	\$ 30,705,012	\$ 13,558,087	\$ 598,194	\$ 213,593	\$ 93,194,851

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2020**

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.

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

Parking – to account for the operation and maintenance of municipal parking ramps, municipal lots, and parking meters.

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

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.

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

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.

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2020**

	Golf	Parking	Stormwater	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 3,410,426	\$ 1,666,349	\$ 5,076,775
Receivables, net				
Accounts	-	30,192	540,006	570,198
Assessments	-	-	27,644	27,644
Due from other funds	-	-	591	591
Due from component units	-	1,592	-	1,592
Due from other governments	-	-	63,034	63,034
Inventories	22,609	-	100,781	123,390
Prepays	-	-	2,382,635	2,382,635
Total current assets	22,609	3,442,210	4,781,040	8,245,859
Noncurrent assets				
Assessments receivable	-	-	578	578
Capital assets, net	1,269,153	18,079,360	19,402,662	38,751,175
Total noncurrent assets	1,269,153	18,079,360	19,403,240	38,751,753
Total Assets	1,291,762	21,521,570	24,184,280	46,997,612
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	263,199	-	263,199
Deferred pension obligation outflows	-	28,703	146,670	175,373
Total Deferred Outflows of Resources	-	291,902	146,670	438,572
Liabilities				
Current liabilities				
Accounts payable	18,204	16,350	34,486	69,040
Contracts payable	-	10,168	77,605	87,773
Due to other funds	-	1,767	9,849	11,616
Interfund loan payable	1,040,409	-	-	1,040,409
Due to other governments	4,275	-	-	4,275
Accrued interest payable	-	52,196	3,531	55,727
Accrued salaries payable	-	17,305	70,717	88,022
Compensated absences	-	24,771	147,679	172,450
Unearned revenue	36,273	-	20,523	56,796
Deposits	45,207	-	-	45,207
Revenue bonds payable	-	845,000	140,000	985,000
Total current liabilities	1,144,368	967,557	504,390	2,616,315
Noncurrent liabilities				
Interfund loan payable	1,550,000	-	-	1,550,000
Compensated absences	-	6,609	-	6,609
Net pension liability	-	281,857	1,440,245	1,722,102
Revenue bonds payable	-	4,506,638	152,092	4,658,730
Total noncurrent liabilities	1,550,000	4,795,104	1,592,337	7,937,441
Total Liabilities	2,694,368	5,762,661	2,096,727	10,553,756
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	16,706	85,366	102,072
Deferred OPEB inflows	-	-	478,624	478,624
Total Deferred Inflows of Resources	-	16,706	563,990	580,696
Net Position				
Net investment in capital assets	1,269,153	12,990,921	19,110,570	33,370,644
Unrestricted	(2,671,759)	3,043,184	2,559,663	2,931,088
Total Net Position	\$ (1,402,606)	\$ 16,034,105	\$ 21,670,233	\$ 36,301,732

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Golf</u>	<u>Parking</u>	<u>Stormwater</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues				
Sales	\$ 235,578	\$ -	\$ -	\$ 235,578
Charges for services	837,914	1,993,336	5,382,638	8,213,888
Fines and forfeits	-	844,863	-	844,863
Miscellaneous revenues	9,604	69,235	17,655	96,494
Total Operating Revenues	<u>1,083,096</u>	<u>2,907,434</u>	<u>5,400,293</u>	<u>9,390,823</u>
Operating Expenses				
Cost of sales and services	131,328	-	-	131,328
Personal services	-	565,810	2,426,156	2,991,966
Supplies	-	5,354	166,394	171,748
Utilities	-	139,437	21,026	160,463
Other services and charges	1,052,062	1,462,592	595,891	3,110,545
Depreciation	87,569	571,931	453,419	1,112,919
Total Operating Expenses	<u>1,270,959</u>	<u>2,745,124</u>	<u>3,662,886</u>	<u>7,678,969</u>
Operating Income (Loss)	<u>(187,863)</u>	<u>162,310</u>	<u>1,737,407</u>	<u>1,711,854</u>
Nonoperating Revenues (Expenses)				
Investment income	-	29,512	15,989	45,501
Gain (loss) on sale or disposition of capital assets	-	-	1,831	1,831
Interest and fiscal fees	-	(178,801)	(2,363)	(181,164)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(149,289)</u>	<u>15,457</u>	<u>(133,832)</u>
Income (Loss) Before Contributions and Transfers	<u>(187,863)</u>	<u>13,021</u>	<u>1,752,864</u>	<u>1,578,022</u>
Capital contributions	-	392,508	63,034	455,542
Transfers in	125,000	-	-	125,000
Transfers out	-	(76,181)	(538,012)	(614,193)
Change in Net Position	<u>(62,863)</u>	<u>329,348</u>	<u>1,277,886</u>	<u>1,544,371</u>
Total Net Position - January 1, 2020	<u>(1,339,743)</u>	<u>15,704,757</u>	<u>20,392,347</u>	<u>34,757,361</u>
Total Net Position - December 31, 2020	<u>\$ (1,402,606)</u>	<u>\$ 16,034,105</u>	<u>\$ 21,670,233</u>	<u>\$ 36,301,732</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Golf	Parking	Stormwater	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,058,443	\$ 2,868,217	\$ 5,341,496	\$ 9,268,156
Cash paid to suppliers	(1,151,890)	(1,672,530)	(767,825)	(3,592,245)
Cash paid to employees	-	(589,170)	(2,634,572)	(3,223,742)
Other operating revenues	-	69,235	15,196	84,431
Net cash provided (used) by operating activities	<u>(93,447)</u>	<u>675,752</u>	<u>1,954,295</u>	<u>2,536,600</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	125,000	-	(461)	124,539
Transfers to other funds	-	(76,181)	(538,012)	(614,193)
Interfund financing	(19,072)	-	-	(19,072)
Net cash provided (used) by noncapital financing activities	<u>105,928</u>	<u>(76,181)</u>	<u>(538,473)</u>	<u>(508,726)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	414,617	-	414,617
Principal paid on bonds, notes and capitalized leases	(12,481)	(830,000)	(135,000)	(977,481)
Interest paid on bonds, notes and capitalized leases	-	(135,143)	(10,575)	(145,718)
Sale of capital assets	-	-	6,454	6,454
Acquisition or construction of capital assets	-	(99,375)	(758,302)	(857,677)
Net cash provided (used) by capital and related financing activities	<u>(12,481)</u>	<u>(649,901)</u>	<u>(897,423)</u>	<u>(1,559,805)</u>
Cash Flows from Investing Activities				
Investment earnings	-	29,512	15,989	45,501
Net increase (decrease) in cash and cash equivalents	-	(20,818)	534,388	513,570
Cash and cash equivalents - January 1, 2020	-	3,431,244	1,131,961	4,563,205
Cash and cash equivalents - December 31, 2020	<u>\$ -</u>	<u>\$ 3,410,426</u>	<u>\$ 1,666,349</u>	<u>\$ 5,076,775</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (187,863)	\$ 162,310	\$ 1,737,407	\$ 1,711,854
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	87,569	571,931	453,419	1,112,919
Change in assets and liabilities:				
Decrease (increase) in receivables	-	39,248	(30,028)	9,220
Decrease (increase) in inventories	16,850	-	(6,323)	10,527
Decrease (increase) in prepaids	2,400	-	(376,039)	(373,639)
Decrease (increase) in deferred pension obligation outflows	-	(1,925)	(23,378)	(25,303)
Increase (decrease) in payables	12,250	(57,020)	46,958	2,188
Increase (decrease) in unearned revenues	(24,653)	(9,230)	8,749	(25,134)
Increase (decrease) in deferred pension obligation inflows	-	(44,968)	(198,599)	(243,567)
Increase (decrease) in pension liability	-	15,406	213,430	228,836
Increase (decrease) in OPEB inflows	-	-	128,699	128,699
Total adjustments	<u>94,416</u>	<u>513,442</u>	<u>216,888</u>	<u>824,746</u>
Net cash provided (used) by operating activities	<u>\$ (93,447)</u>	<u>\$ 675,752</u>	<u>\$ 1,954,295</u>	<u>\$ 2,536,600</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
DECEMBER 31, 2020**

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 462,088	\$ -	\$ 3,101,079	\$ -	\$ 3,563,167
Restricted cash and cash equivalents					
Restricted assets held by trustee	-	10,729,123	-	-	10,729,123
Receivables, net					
Accounts	-	47,740	-	-	47,740
Due from other funds	-	-	710,119	324,222	1,034,341
Inventories	-	-	-	200,261	200,261
Prepays	50,000	-	-	-	50,000
Total current assets	512,088	10,776,863	3,811,198	524,483	15,624,632
Noncurrent assets					
Capital assets, net	-	-	-	149,096	149,096
Total noncurrent assets	-	-	-	149,096	149,096
Total Assets	512,088	10,776,863	3,811,198	673,579	15,773,728
Deferred Outflows of Resources					
Deferred pension obligation outflows	8,196	-	-	96,346	104,542
Liabilities					
Current liabilities					
Accounts payable	5,320	-	-	160,317	165,637
Contracts payable	450	-	-	501	951
Claims payable	293,098	1,330,592	-	-	1,623,690
Due to other funds	-	-	4,635	-	4,635
Interfund loan payable	-	185	-	384,223	384,408
Due to other governments	29,658	-	-	-	29,658
Accrued salaries payable	3,911	-	-	42,482	46,393
Compensated absences	7,752	-	2,604,281	86,320	2,698,353
Unearned revenue	-	106,352	-	-	106,352
Total current liabilities	340,189	1,437,129	2,608,916	673,843	5,060,077
Noncurrent liabilities					
Claims payable	789,677	-	-	-	789,677
Compensated absences	-	-	1,165,765	-	1,165,765
Net pension liability	80,484	-	-	946,082	1,026,566
Total noncurrent liabilities	870,161	-	1,165,765	946,082	2,982,008
Total Liabilities	1,210,350	1,437,129	3,774,681	1,619,925	8,042,085
Deferred Inflows of Resources					
Deferred pension obligation inflows	4,770	-	-	56,076	60,846
Net Position					
Net investment in capital assets	-	-	-	149,096	149,096
Restricted for health insurance trust	-	9,339,734	-	-	9,339,734
Unrestricted	(694,836)	-	36,517	(1,055,172)	(1,713,491)
Total Net Position	\$ (694,836)	\$ 9,339,734	\$ 36,517	\$ (906,076)	\$ 7,775,339

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	Self Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Operating revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,024,082	\$ 2,024,082
Charges for services	1,844,990	20,932,218	2,604,281	1,960,304	27,341,793
Miscellaneous revenues	70,273	1,363,041	-	1,616	1,434,930
Total Operating Revenues	<u>1,915,263</u>	<u>22,295,259</u>	<u>2,604,281</u>	<u>3,986,002</u>	<u>30,800,805</u>
Operating Expenses					
Cost of sales and services	-	-	-	1,709,902	1,709,902
Personal services	1,150,056	-	2,604,281	1,561,304	5,315,641
Supplies	3,433	-	-	44,169	47,602
Utilities	-	-	-	33,285	33,285
Other services and charges	1,340,979	1,863,950	-	584,049	3,788,978
Depreciation	-	-	-	59,288	59,288
Medical and insurance	361,172	16,510,425	-	-	16,871,597
Total Operating Expenses	<u>2,855,640</u>	<u>18,374,375</u>	<u>2,604,281</u>	<u>3,991,997</u>	<u>27,826,293</u>
Operating Income (Loss)	<u>(940,377)</u>	<u>3,920,884</u>	<u>-</u>	<u>(5,995)</u>	<u>2,974,512</u>
Nonoperating Revenues (Expenses)					
Investment income	1,785	180,281	27,127	-	209,193
Intergovernmental revenue	2,182	-	-	-	2,182
Total Nonoperating Revenues (Expenses)	<u>3,967</u>	<u>180,281</u>	<u>27,127</u>	<u>-</u>	<u>211,375</u>
Change in Net Position	(936,410)	4,101,165	27,127	(5,995)	3,185,887
Total Net Position - January 1, 2020	241,574	5,238,569	9,390	(900,081)	4,589,452
Total Net Position - December 31, 2020	<u>\$ (694,836)</u>	<u>\$ 9,339,734</u>	<u>\$ 36,517</u>	<u>\$ (906,076)</u>	<u>\$ 7,775,339</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Self- Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,115,263	\$ 22,318,709	\$ 1,946,771	\$ 4,132,106	\$ 30,512,849
Cash paid to suppliers	(1,683,892)	(19,694,495)	-	(2,438,314)	(23,816,701)
Cash paid to employees	(1,151,574)	-	(1,898,797)	(1,617,103)	(4,667,474)
Other operating revenues	-	-	-	1,616	1,616
Net cash provided (used) by operating activities	<u>(720,203)</u>	<u>2,624,214</u>	<u>47,974</u>	<u>78,305</u>	<u>2,030,290</u>
Cash Flows from Noncapital Financing Activities					
Operating grants	2,182	-	-	-	2,182
Interfund financing	-	(10,755)	-	(68,459)	(79,214)
Net cash provided (used) by noncapital financing activities	<u>2,182</u>	<u>(10,755)</u>	<u>-</u>	<u>(68,459)</u>	<u>(77,032)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	(9,846)	(9,846)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,846)</u>	<u>(9,846)</u>
Cash Flows from Investing Activities					
Investment earnings	1,784	180,281	27,127	-	209,192
Net increase (decrease) in cash and cash equivalents	<u>(716,237)</u>	<u>2,793,740</u>	<u>75,101</u>	<u>-</u>	<u>2,152,604</u>
Cash and cash equivalents - January 1, 2020	<u>1,178,325</u>	<u>7,935,383</u>	<u>3,025,978</u>	<u>-</u>	<u>12,139,686</u>
Cash and cash equivalents - December 31, 2020	<u>\$ 462,088</u>	<u>\$ 10,729,123</u>	<u>\$ 3,101,079</u>	<u>\$ -</u>	<u>\$ 14,292,290</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	<u>\$ (940,377)</u>	<u>\$ 3,920,884</u>	<u>\$ -</u>	<u>\$ (5,995)</u>	<u>\$ 2,974,512</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	59,288	59,288
Change in assets and liabilities:					
Decrease (increase) in receivables	200,000	22,028	(650,082)	147,919	(280,135)
Decrease (increase) in inventories	-	-	-	(22,197)	(22,197)
Decrease (increase) in deferred pension obligation outflows	(911)	-	-	(10,671)	(11,582)
Increase (decrease) in payables	25,104	(1,320,120)	698,056	(42,372)	(639,332)
Increase (decrease) in unearned revenues	-	1,422	-	-	1,422
Increase (decrease) in deferred pension obligation inflows	(12,010)	-	-	(141,248)	(153,258)
Increase (decrease) in pension liability	7,991	-	-	93,581	101,572
Total adjustments	<u>220,174</u>	<u>(1,296,670)</u>	<u>47,974</u>	<u>84,300</u>	<u>(944,222)</u>
Net cash provided (used) by operating activities	<u>\$ (720,203)</u>	<u>\$ 2,624,214</u>	<u>\$ 47,974</u>	<u>\$ 78,305</u>	<u>\$ 2,030,290</u>

Custodial Funds

**CITY OF DULUTH, MINNESOTA
CUSTODIAL FUNDS
DECEMBER 31, 2020**

CUSTODIAL FUNDS

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

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 1,305,728
Loans receivable	437,175
Total Assets	<u>1,742,903</u>
Liabilities	
Accounts payable	215
Contracts payable	4,101
Total Liabilities	<u>4,316</u>
Net Position	
Restricted for Other organizations	<u>\$ 1,738,587</u>

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Custodial Fund
Additions	
Investment earnings	
Interest earnings	\$ 23,986
Net increase in fair value of investments	7,072
Interest on loans	8,546
Other reimbursements	4,500
Total Additions	<u>44,104</u>
Deductions	
Legal services	23,782
Professional services	10,460
Uncollectible accounts	20,625
Grants & awards	1,283,000
Other services and charges	38,513
Board meeting expense	972
Total Deductions	<u>1,377,352</u>
Change in Net position	(1,333,248)
Net Position - January 1, 2020	3,071,835
Net Position - December 31, 2020	<u>\$ 1,738,587</u>

Supplementary Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2020**

Governmental Funds Capital Assets:

Land and land improvements	\$	22,859,321
Buildings		94,966,917
Equipment		52,919,872
Infrastructure		372,437,972
Construction in progress		53,173,350
		<hr/>

Total Governmental Funds Capital Assets **\$ 596,357,432**

Investments in Governmental Funds Capital Assets:

General fund	\$	19,851,848
Special revenue fund		30,895,500
Capital projects fund		543,641,984
Donations		1,968,100
		<hr/>

Total Governmental Funds Capital Assets **\$ 596,357,432**

** 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 position.*

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2020

	Land and Land Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
Function and Activity						
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	487,215	-	-	487,215
Management Information Systems	-	-	4,108,174	-	-	4,108,174
Facilities Management	1,636,325	16,105,448	2,360,433	22,175,049	-	42,277,255
Finance	-	-	346,749	-	-	346,749
Total General Government	1,636,325	16,105,448	7,308,890	22,175,049	-	47,225,712
Public Safety						
Fire	83,005	3,114,984	14,025,313	-	-	17,223,302
Police	2,000	16,627,233	5,766,594	562,250	890,302	23,848,379
Total Public Safety	85,005	19,742,217	19,791,907	562,250	890,302	41,071,681
Public Works						
Street Construction	-	-	-	338,236,364	29,444,566	367,680,930
Maintenance Operations	54,435	1,258,641	16,370,158	60,404	-	17,743,638
Engineering	5,145,615	2,610,482	364,437	3,553,552	-	11,674,086
Street Lights	-	-	7,377,525	-	-	7,377,525
Total Public Works	5,200,050	3,869,123	24,112,120	341,850,320	29,444,566	404,476,179
Culture and Recreation						
Libraries	51,585	7,545,988	154,981	-	-	7,752,554
Parks and Recreation	12,839,444	46,607,111	880,381	7,850,353	22,838,482	91,015,771
Total Culture and Recreation	12,891,029	54,153,099	1,035,362	7,850,353	22,838,482	98,768,325
Urban and Economic Development						
Planning and Construction Services	3,046,912	1,097,030	671,593	-	-	4,815,535
Total Governmental Funds						
Capital Assets	\$ 22,859,321	\$ 94,966,917	\$ 52,919,872	\$ 372,437,972	\$ 53,173,350	\$ 596,357,432

* 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 position.

**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, 2020**

Function and Activity	Governmental Funds Capital Assets 01/01/20	Additions	Deductions	Governmental Funds Capital Assets 12/31/20
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	487,215	-	-	487,215
Management Information Systems	3,944,264	163,910	-	4,108,174
Facilities Management	41,895,486	700,327	318,558	42,277,255
Finance	346,749	-	-	346,749
Total General Government	46,680,033	864,237	318,558	47,225,712
Public Safety				
Fire	16,568,965	2,056,501	1,402,164	17,223,302
Police	22,967,089	1,120,840	239,550	23,848,379
Total Public Safety	39,536,054	3,177,341	1,641,714	41,071,681
Public Works				
Street Construction	353,300,760	15,857,095	1,476,925	367,680,930
Maintenance Operations	16,556,961	1,574,223	387,546	17,743,638
Engineering	11,340,956	333,130	-	11,674,086
Street Lights	7,377,525	-	-	7,377,525
Total Public Works	388,576,202	17,764,448	1,864,471	404,476,179
Culture and Recreation				
Libraries	7,752,554	-	-	7,752,554
Parks and Recreation	69,253,812	22,362,581	600,622	91,015,771
Total Culture and Recreation	77,006,366	22,362,581	600,622	98,768,325
Urban and Economic Development				
Planning and Construction Services	4,780,145	52,148	16,758	4,815,535
Total Governmental Funds Capital Assets	\$ 556,578,800	\$ 44,220,755	\$ 4,442,123	\$ 596,357,432

** 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 position.*

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2020**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation - Levy Funded				
Capital Improvement	\$ 7,085,000	12/17/2009	02/01/2020	\$ 755,000
Capital Improvement	2,175,000	11/23/2010	02/01/2021	485,000
Capital Improvement	1,870,000	11/29/2011	02/01/2022	620,000
Capital Improvement	1,795,000	12/18/2013	02/01/2024	960,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	1,050,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	700,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	1,170,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	935,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	1,420,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	1,310,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	1,190,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	9,755,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	-
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	-
Total General Obligation - Levy Funded				\$ 20,350,000
General Obligation - Funded by Other Sources				
Airpark Improvement	\$ 945,000	09/01/2004	02/01/2020	\$ 85,000
Airport Improvement	7,650,000	05/24/2012	02/01/2028	4,895,000
Airport Improvement	3,400,000	12/18/2013	02/01/2029	2,730,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,820,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,815,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	2,400,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	10,420,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	32,630,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	4,225,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	-
Total General Obligation - Funded by Other Sources				\$ 61,020,000
General Obligation - Tax Abatement				
Spirit Mountain Tax Abatement Bonds	\$ 7,055,000	02/23/2012	02/01/2030	\$ 4,850,000
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	6,920,000
Total General Obligation - Tax Abatement				\$ 11,770,000
Total General Obligation Bonds Payable				\$ 93,140,000
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 1,985,000	09/07/2006	02/01/2021	\$ 365,000
Street Improvement Refunding	6,905,000	11/27/2012	02/01/2021	1,080,000
General Obligation Improvement Refunding	865,000	10/30/2014	02/01/2020	180,000
Street Improvement Refunding	2,630,000	11/05/2015	02/01/2023	1,500,000
Total Special Assessment Debt with Government Commitment				\$ 3,125,000
General Obligation Certificates Payable				
Equipment	\$ 2,460,000	10/30/2014	02/01/2020	\$ 510,000
Equipment	3,325,000	11/05/2015	02/01/2021	1,390,000
Equipment	3,565,000	11/09/2016	02/01/2022	2,240,000
Equipment	3,615,000	11/21/2017	02/01/2023	2,955,000
Equipment	3,885,000	10/17/2018	02/01/2024	3,885,000
Equipment	3,070,000	10/09/2019	02/01/2025	3,070,000
Equipment	2,960,000	10/21/2020	02/01/2026	-
Total General Obligation Certificates Payable				\$ 14,050,000
Total Governmental Activities Bonds and Certificates Payable				\$ 110,315,000

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2020**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2021</u>	<u>Interest Due in 2021</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Capital Improvement	\$ -	\$ 755,000	\$ -	\$ -	\$ -
Capital Improvement	-	240,000	245,000	245,000	3,675
Capital Improvement	-	200,000	420,000	205,000	9,525
Capital Improvement	-	180,000	780,000	185,000	20,625
Capital Improvement - Lakewalk	-	90,000	960,000	90,000	34,662
Capital Improvement	-	110,000	590,000	115,000	12,012
Capital Improvement	-	160,000	1,010,000	160,000	20,569
Capital Improvement	-	100,000	835,000	100,000	31,400
Capital Improvement	-	140,000	1,280,000	145,000	36,225
Capital Improvement	-	90,000	1,220,000	110,000	58,250
Capital Improvement	-	-	1,190,000	80,000	57,500
Capital Improvement Refunding	-	-	9,755,000	475,000	475,875
Capital Improvement	1,640,000	-	1,640,000	-	38,267
Capital Improvement - Lakewalk	4,150,000	-	4,150,000	-	64,556
Total General Obligation - Levy Funded	\$ 5,790,000	\$ 2,065,000	\$ 24,075,000	\$ 1,910,000	\$ 863,141
General Obligation - Funded by Other Sources					
Airpark Improvement	\$ -	\$ 85,000	\$ -	\$ -	\$ -
Airport Improvement	-	490,000	4,405,000	500,000	116,456
Airport Improvement	-	230,000	2,500,000	240,000	95,056
Wade Stadium Improvement	-	140,000	1,680,000	145,000	53,250
Spirit Mountain Improvement	-	95,000	1,720,000	95,000	50,750
Airport Improvement	-	170,000	2,230,000	175,000	69,663
Capital Improvement - 1/2 & 1/2	-	665,000	9,755,000	680,000	311,795
Duluth Entertainment and Convention Center Improvement Refunding	-	955,000	31,675,000	1,075,000	1,416,325
Capital Improvement - Seawall	-	225,000	4,000,000	235,000	116,475
Street Improvement	3,945,000	-	3,945,000	-	46,025
Total General Obligation - Funded by Other Sources	\$ 3,945,000	\$ 3,055,000	\$ 61,910,000	\$ 3,145,000	\$ 2,275,795
General Obligation - Tax Abatement					
Spirit Mountain Tax Abatement Bonds	\$ -	\$ 395,000	\$ 4,455,000	\$ 400,000	\$ 111,919
GO Tax Abatement (Cirrus)	-	460,000	6,460,000	470,000	169,125
Total General Obligation - Tax Abatement	\$ -	\$ 855,000	\$ 10,915,000	\$ 870,000	\$ 281,044
Total General Obligation Bonds Payable	\$ 9,735,000	\$ 5,975,000	\$ 96,900,000	\$ 5,925,000	\$ 3,419,980
Special Assessment Debt with Government Commitment					
General Obligation Improvement	\$ -	\$ 180,000	\$ 185,000	\$ 185,000	\$ 3,700
Street Improvement Refunding	-	725,000	355,000	355,000	5,325
General Obligation Improvement Refunding	-	180,000	-	-	-
Street Improvement Refunding	-	420,000	1,080,000	435,000	34,500
Total Special Assessment Debt with Government Commitment	\$ -	\$ 1,505,000	\$ 1,620,000	\$ 975,000	\$ 43,525
General Obligation Certificates Payable					
Equipment	\$ -	\$ 510,000	\$ -	\$ -	\$ -
Equipment	-	685,000	705,000	705,000	10,575
Equipment	-	720,000	1,520,000	745,000	45,900
Equipment	-	700,000	2,255,000	725,000	67,900
Equipment	-	695,000	3,190,000	755,000	117,375
Equipment	-	-	3,070,000	520,000	140,500
	2,960,000	-	2,960,000	-	92,089
Total General Obligation Certificates Payable	\$ 2,960,000	\$ 3,310,000	\$ 13,700,000	\$ 3,450,000	\$ 474,339
Total Governmental Activities Bonds and Certificates Payable	\$ 12,695,000	\$ 10,790,000	\$ 112,220,000	\$ 10,350,000	\$ 3,937,844

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2020**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment Refunding	\$ 10,270,000	11/27/2012	02/01/2026	\$ 6,175,000
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	\$ 11,500,000	05/15/2014	04/01/2044	\$ 12,229,869
Water Fund				
Water Utility Revenue and General Obligation	\$ 196,000	02/19/2009	02/01/2024	\$ 76,000
Water Utility Revenue and General Obligation Refunding	515,000	11/05/2015	02/01/2022	265,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	4,050,000
Total Water Fund				<u>\$ 4,391,000</u>
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	\$ 5,475,000	11/27/2012	02/01/2022	\$ 1,675,000
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	4,015,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	-
Total Steam Fund				<u>\$ 5,690,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 1,444,000	02/19/2009	02/01/2024	\$ 558,999
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	420,000
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	02/01/2020	345,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	02/01/2021	605,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/05/2015	02/01/2023	665,000
Sewer Utility Revenue and General Obligation Refunding	350,000	11/05/2015	02/01/2022	180,000
Total Sewer Fund				<u>\$ 2,773,999</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation Refunding	790,000	11/05/2015	02/01/2022	\$ 420,000
Total Business-type Activities Bonds Payable				<u>\$ 31,679,868</u> (continued)

Note 1: Issue amount does not include capitalized interest of \$1,020,017

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2020**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2021</u>	<u>Interest Due in 2021</u>
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	\$ -	\$ 830,000	\$ 5,345,000	\$ 845,000	\$ 117,919
Priley Drive Parking Facility					
Parking Improvement Tax Increment	\$ -	\$ 240,229	\$ 11,989,640	\$ 239,765	\$ 472,416
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 14,000	\$ 62,000	\$ 15,000	\$ 2,105
Water Utility Revenue and General Obligation Refunding	-	85,000	180,000	90,000	4,050
Water Utility Revenue and General Obligation	-	185,000	3,865,000	225,000	115,812
Total Water Fund	\$ -	\$ 284,000	\$ 4,107,000	\$ 330,000	\$ 121,967
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	\$ -	\$ 665,000	\$ 1,010,000	\$ 570,000	\$ 15,050
Steam Utility Revenue and General Obligation	-	-	4,015,000	100,000	120,887
Steam Utility Revenue and General Obligation	10,495,000	-	10,495,000	-	170,882
Total Steam Fund	\$ 10,495,000	\$ 665,000	\$ 15,520,000	\$ 670,000	\$ 306,819
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 105,999	\$ 453,000	\$ 110,000	\$ 15,370
Sewer Utility Revenue and General Obligation	-	65,000	355,000	65,000	12,900
Sewer Utility Revenue and General Obligation Refunding	-	345,000	-	-	-
Sewer Utility Revenue and General Obligation Refunding	-	300,000	305,000	305,000	3,050
Sewer Utility Revenue and General Obligation Refunding	-	160,000	505,000	165,000	12,675
Sewer Utility Revenue and General Obligation Refunding	-	60,000	120,000	60,000	2,700
Total Sewer Fund	\$ -	\$ 1,035,999	\$ 1,738,000	\$ 705,000	\$ 46,695
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	\$ -	\$ 135,000	\$ 285,000	\$ 140,000	\$ 6,450
Total Business-type Activities Bonds Payable	\$ 10,495,000	\$ 3,190,228	\$ 38,984,640	\$ 2,929,765	\$ 1,072,266

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2020**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 2,636,000	03/28/2019	08/01/2025	\$ 2,621,000
Total Governmental Activities				<u>\$ 2,621,000</u>
Business-type Activities:				
General Obligation				
Water Fund				
Public Facilities Authority Note	\$ 1,293,200	07/28/2010	08/20/2025	\$ 538,000
Public Facilities Authority Note	3,344,131	12/07/2010	08/20/2025	1,442,000
Public Facilities Authority Note	1,221,631	11/18/2011	08/20/2026	576,000
Public Facilities Authority Note	4,778,806	02/25/2014	08/20/2029	<u>3,140,000</u>
Total Water Fund				<u>\$ 5,696,000</u>
Sewer Fund				
Public Facilities Authority Note	\$ 1,973,033	07/12/2007	08/20/2022	\$ 465,000
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	298,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	931,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	1,587,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	3,540,000
Public Facilities Authority Note	279,117	11/18/2011	08/20/2021	55,000
Public Facilities Authority Note	265,418	11/30/2011	08/20/2021	57,000
Public Facilities Authority Note	278,149	11/18/2011	08/20/2021	61,000
Public Facilities Authority Note	476,537	09/10/2012	08/20/2022	145,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>369,000</u>
Total Sewer Fund				<u>\$ 7,508,000</u>
Total Business-type Activities				<u>\$13,204,000</u> (continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2020**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2021</u>	<u>Interest Due in 2021</u>
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	-	15,000	2,606,000	15,000	71,244
Total Governmental Activities	\$ -	\$ 15,000	\$ 2,606,000	\$ 15,000	\$ 71,244
Business-type Activities:					
General Obligation					
Water Fund					
Public Facilities Authority Note	-	87,000	451,000	88,000	5,674
Public Facilities Authority Note	-	234,000	1,208,000	236,000	12,998
Public Facilities Authority Note	-	79,000	497,000	80,000	6,068
Public Facilities Authority Note	-	300,000	2,840,000	303,000	28,400
Total Water Fund	\$ -	\$ 700,000	\$ 4,996,000	\$ 707,000	\$ 53,140
Sewer Fund					
Public Facilities Authority Note	\$ -	\$ 153,000	\$ 312,000	\$ 155,000	\$ 3,588
Public Facilities Authority Note	-	57,000	241,000	58,000	4,745
Public Facilities Authority Note	-	179,000	752,000	182,000	15,168
Public Facilities Authority Note	-	256,000	1,331,000	260,000	16,744
Public Facilities Authority Note	-	572,000	2,968,000	579,000	37,338
Public Facilities Authority Note	-	27,000	28,000	28,000	280
Public Facilities Authority Note	-	28,000	29,000	29,000	290
Public Facilities Authority Note	-	31,000	30,000	30,000	300
Public Facilities Authority Note	-	48,000	97,000	48,000	970
Public Facilities Authority Note	-	72,000	297,000	73,000	2,970
Total Sewer Fund	\$ -	\$ 1,423,000	\$ 6,085,000	\$ 1,442,000	\$ 82,393
Total Business-type Activities	\$ -	\$ 2,123,000	\$ 11,081,000	\$ 2,149,000	\$ 135,533

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 4,219,465	\$ 250,474	\$ 921,233	\$ 3,158,206	\$ 8,549,378
Taxes receivable, net	-	-	36,641	-	36,641
Accounts receivable, net	13,786	-	-	-	13,786
Loans receivable, net	400,000	3,496,637	-	3,739,035	7,635,672
Deposits receivable	-	215	-	-	215
Due from other funds	66	-	-	917,784	917,850
Due from other governments	50,000	-	-	-	50,000
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 4,875,817</u>	<u>\$ 3,747,326</u>	<u>\$ 957,874</u>	<u>\$ 7,815,025</u>	<u>\$ 17,396,042</u>
Liabilities					
Accounts payable	\$ 109,456	\$ -	\$ 2,152	\$ -	\$ 111,608
Contracts payable	104,212	-	-	-	104,212
Due to other funds	-	-	917,850	-	917,850
Due to primary government	100,000	-	1,592	-	101,592
Due to other governments	767	-	-	-	767
Total Liabilities	<u>314,435</u>	<u>-</u>	<u>921,594</u>	<u>-</u>	<u>1,236,029</u>
Deferred Inflows of Resources					
Unavailable revenue	400,000	3,496,637	29,815	3,739,035	7,665,487
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	6,465	4,075,990	4,082,455
Assigned	-	250,689	-	-	250,689
Unassigned	3,968,882	-	-	-	3,968,882
Total Fund Balances	<u>4,161,382</u>	<u>250,689</u>	<u>6,465</u>	<u>4,075,990</u>	<u>8,494,526</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,875,817</u>	<u>\$ 3,747,326</u>	<u>\$ 957,874</u>	<u>\$ 7,815,025</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	10,604,515
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	7,238,370
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	168
Net position of governmental activities	<u>\$ 26,337,579</u>

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 3,150,577	\$ -	\$ 3,150,577
Intergovernmental revenues					
St. Louis County	80,000	-	-	-	80,000
State of Minnesota grants	50,000	-	-	-	50,000
Charges for services					
Parking meters	484,988	-	-	-	484,988
Building rent	492,109	-	-	-	492,109
Other	463,789	-	-	-	463,789
Miscellaneous revenues					
Earnings on investments	121,588	2,720	7,371	36,166	167,845
Interest	177,069	3,234	-	-	180,303
Loan principal repayments	610,000	67,129	-	-	677,129
Other	489,665	-	-	-	489,665
Total Revenues	<u>2,969,208</u>	<u>73,083</u>	<u>3,157,948</u>	<u>36,166</u>	<u>6,236,405</u>
Expenditures					
Current					
Urban and economic development					
Economic development projects	2,156,192	-	429,718	-	2,585,910
Debt service					
Principal retirement	-	-	562,086	-	562,086
Interest and fiscal fees	-	-	1,248,886	-	1,248,886
Total Expenditures	<u>2,156,192</u>	<u>-</u>	<u>2,240,690</u>	<u>-</u>	<u>4,396,882</u>
Excess of Revenues Over (Under) Expenditures	<u>813,016</u>	<u>73,083</u>	<u>917,258</u>	<u>36,166</u>	<u>1,839,523</u>
Other Financing Sources (Uses)					
Transfers in					
DEDA Capital Projects	100,860	-	-	-	100,860
DEDA Debt Service	-	-	-	917,784	917,784
Total Transfers In	<u>100,860</u>	<u>-</u>	<u>-</u>	<u>917,784</u>	<u>1,018,644</u>
Transfers out					
DEDA General Operating	-	-	-	(100,860)	(100,860)
DEDA Capital Projects	-	-	(917,784)	-	(917,784)
Total Transfers Out	<u>-</u>	<u>-</u>	<u>(917,784)</u>	<u>(100,860)</u>	<u>(1,018,644)</u>
Total Other Financing Sources (Uses)	<u>100,860</u>	<u>-</u>	<u>(917,784)</u>	<u>816,924</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	913,876	73,083	(526)	853,090	1,839,523
Fund Balances					
Fund Balance - January 1, 2020	3,247,506	177,606	6,991	3,222,900	6,655,003
Fund Balance - December 31, 2020	<u>\$ 4,161,382</u>	<u>\$ 250,689</u>	<u>\$ 6,465</u>	<u>\$ 4,075,990</u>	<u>\$ 8,494,526</u>

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNITS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds \$ 1,839,523

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 (905,480)

In the statement of activities, only the loss on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the cap (54,500)

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 position. This amount is the net effect of these differences. (430,138)

Change in net position of governmental activities \$ 449,405

**DULUTH JPE TRUST
SCHEDULE OF NET POSITION
DECEMBER 31, 2020**

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Assets			
Investments			
Money market	\$ 865,370	\$ 141,745	\$ 1,007,115
U.S. government treasury securities	8,014,479	226,742	8,241,221
U.S. government agency securities	1,301,051	179,736	1,480,787
Receivables			
Other	32,386	15,354	47,740
Total assets	<u>10,213,286</u>	<u>563,577</u>	<u>10,776,863</u>
Liabilities			
Claims payable	1,215,849	114,743	1,330,592
Accounts payable	185	-	185
Premiums received in advance	102,970	3,382	106,352
Total liabilities	<u>1,319,004</u>	<u>118,125</u>	<u>1,437,129</u>
Net Position			
Held in trust	<u>\$ 8,894,282</u>	<u>\$ 445,452</u>	<u>\$ 9,339,734</u>

**DULUTH JPE TRUST
SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Additions			
Health premiums			
Active employees	\$ 19,386,837	\$ -	\$ 19,386,837
Inactive employees	10,234,262	-	10,234,262
Dental premiums	-	1,011,198	1,011,198
Refunds and reimbursements			
Stop loss reimbursements	219,570	-	219,570
Prescription drug rebates	757,977	-	757,977
Health Partners shared savings	372,406	-	372,406
Miscellaneous	13,088	-	13,088
Investment earnings	175,797	4,484	180,281
Total additions	<u>31,159,937</u>	<u>1,015,682</u>	<u>32,175,619</u>
Deductions			
Medical and drug claims			
Active employees	14,900,472	-	14,900,472
Inactive employees	6,445,468	-	6,445,468
Medical insurance - medicare supplement	4,122,642	-	4,122,642
Dental claims	-	741,922	741,922
Administrative fees			
Health Partners	779,408	-	779,408
Delta Dental	-	64,572	64,572
City of Duluth	380,598	-	380,598
Trust services	26,251	1,101	27,352
Consulting services	142,180	-	142,180
Wellness activities	53,957	-	53,957
Patient centered outcomes research fee	4,127	-	4,127
Stop loss insurance	411,756	-	411,756
Total deductions	<u>27,266,859</u>	<u>807,595</u>	<u>28,074,454</u>
Change in Net Position	3,893,078	208,087	4,101,165
Net Position - January 1, 2020	<u>5,001,204</u>	<u>237,365</u>	<u>5,238,569</u>
Net Position - December 31, 2020	<u>\$ 8,894,282</u>	<u>\$ 445,452</u>	<u>\$ 9,339,734</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:						
State of Minnesota						
Insurance Premium	\$ 2,253,160	\$ -	\$ -	\$ -	\$ -	\$ 2,253,160
Local Government Aid	30,282,160	-	-	-	-	30,282,160
MSA Street Construction Allotment	-	-	-	4,257,750	-	4,257,750
MSA Street Maintenance Allotment	1,533,400	-	-	-	-	1,533,400
PERA Contribution	502,878	-	-	-	-	502,878
Total Shared Revenue	34,571,598	-	-	4,257,750	-	38,829,348
State Grants:						
State of Minnesota, Department of						
Commerce						
Auto Theft Prevention Program	-	42,609	-	-	-	42,609
Education						
Minnesota Library Information Network	4,120	-	-	-	-	4,120
Opportunity Online Hardware	-	-	-	88,200	-	88,200
Education Total	4,120	-	-	88,200	-	92,320
Employment and Economic Development						
Dislocated Workers	-	158,359	-	-	-	158,359
Duluth Lake Superior Zoo Project	-	-	-	1,141,354	-	1,141,354
Youth Program	-	355,821	-	-	-	355,821
Employment and Economic Development Total	-	514,180	-	1,141,354	-	1,655,534
Human Services						
Supplemental Nutrition Assistance Program	-	700	-	-	-	700
Labor and Industry						
Safety Grant Project	2,182	-	-	-	2,182	4,364
Natural Resources						
Angler and Hunter Recruitment and Retention Grant	-	22,109	-	-	-	22,109
Conservation Partners Legacy Grant Program	-	380,000	-	-	-	380,000
Cross City Snowmobile Grant-In-Aid	-	18,860	-	-	-	18,860
Cross Country Ski Trail	11,000	-	-	-	-	11,000
Lake Superior Zoo	-	238,137	-	-	-	238,137
No Child Left Inside	-	4,470	-	-	-	4,470
Preparing for EAB Mitigation Grant	-	83,160	-	-	-	83,160
Recreational Trail Program	-	-	-	250,000	-	250,000
Rural Fire Grant Project	-	3,560	-	-	-	3,560
Natural Resources Total	11,000	750,296	-	250,000	-	1,011,296
Peace Officers Board						
Post Training Reimbursement	148,664	-	-	-	-	148,664
Pollution Control Agency						
E-coli Duluth Streams Assessment Project	-	99,595	-	-	-	99,595

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Public Safety						
Community Justice Reinvestment						
Grant	-	96,033	-	-	-	96,033
Crime Victim Services	-	23,826	-	-	-	23,826
Financial Crimes Task Force	-	5,029	-	-	-	5,029
Firefighter Education Reimbursement	-	13,607	-	-	-	13,607
HAZMAT Regional Response Team	-	180,868	-	-	-	180,868
State of Minnesota Disaster Funds	-	4,683,679	-	-	-	4,683,679
Violent Crime Enforcement Team	-	485,194	-	-	-	485,194
Public Safety Total	-	5,488,236	-	-	-	5,488,236
Revenue						
Market Value Credit	206	-	-	-	-	206
Transportation						
Fairmont Street Bridge	-	-	-	694,135	-	694,135
Total State Grants	166,172	6,895,616	-	2,173,689	2,182	9,237,659
Other Grants:						
St. Louis County						
Job Training Services	-	957,244	-	-	-	957,244
Other	183,438	-	-	-	-	183,438
St. Louis County Total	183,438	957,244	-	-	-	1,140,682
Duluth Transit Authority						
Housing and Redevelopment Authority	70,689	419,577	-	-	-	490,266
Independent School District #709	40,169	-	-	-	-	40,169
Total Other Grants	294,296	1,446,598	-	-	-	1,740,894
Federal Grants:						
Federal, Department of						
Agriculture						
Cooperative Forestry Assistance	-	1,750	-	-	-	1,750
Forest Health Protection	-	65,000	-	-	-	65,000
Urban and Community Forestry Program	-	97,858	-	-	-	97,858
Agriculture Total	-	164,608	-	-	-	164,608
Commerce						
Coastal Zone Management Grant	-	11,964	-	69,948	-	81,912
Education						
Rehabilitation Services Vocational Rehabilitation Grants to States	-	15,153	-	-	-	15,153
Environmental Protection Agency						
Brownfields Assessment and Cleanup Cooperative	-	150,336	-	-	-	150,336
Community-Wide Assessment Grant	-	60,809	-	-	-	60,809
Environmental Protection Agency Total	-	211,145	-	-	-	211,145
Health and Human Services						
Temporary Assistance for Needy Families	-	5,177	-	-	-	5,177

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Homeland Security						
Emergency Management						
Performance Grants	-	23,673	-	-	-	23,673
FEMA Disaster Assistance	-	117,662	-	-	-	117,662
Operation Stonegarden Grant Program	-	43,094	-	-	-	43,094
Homeland Security Total	-	184,429	-	-	-	184,429
Housing and Urban Development						
Community Development Block Grant	-	2,019,489	-	-	-	2,019,489
Emergency Solutions Grant Program	-	221,910	-	-	-	221,910
Home Investment Partnerships Program	-	622,030	-	-	-	622,030
Housing and Urban Development Total	-	2,863,429	-	-	-	2,863,429
Justice						
Bulletproof Vest Partnership Program	16,418	-	-	-	-	16,418
Comprehensive Opioid Abuse Site-Based Program		323,255				323,255
Crime Victim Services	-	71,646	-	-	-	71,646
Edward Bryne Memorial Formula Grant	-	24,993	-	-	-	24,993
Grants to Encourage Arrest Policies	-	135,562	-	-	-	135,562
Minneapolis Child Exploitation and Human Trafficking Task Force		966				966
National Sexual Assault Kit Initiative	-	531,315	-	-	-	531,315
Project Safe Neighborhoods	-	8,850	-	-	-	8,850
Public Safety Partnership and Community Policing Grants	-	174,142	-	-	-	174,142
Justice Total	16,418	1,270,729	-	-	-	1,287,147
Labor						
Senior Community Service						
Employment	-	491,118	-	-	-	491,118
WIA Dislocated Workers Formula Grant	-	89,816	-	-	-	89,816
Workforce Investment Act	-	603,892	-	-	-	603,892
Labor Total	-	1,184,826	-	-	-	1,184,826
Transportation						
Highway Planning and Construction	-	-	-	3,496,736	-	3,496,736
NHTSA: DWI Officers	-	53,354	-	-	-	53,354
Recreational Trails Program	-	-	-	9,790	-	9,790
Toward Zero Deaths Law Enforcement Grant	-	199,092	-	-	-	199,092
Transportation Total	-	252,446	-	3,506,526	-	3,758,972
Treasury						
Coronavirus Relief Fund	-	6,570,650	-	-	-	6,570,650
Total Federal Grants	16,418	12,734,556	-	3,576,474	-	16,327,448
Other Federal:						
Treasury						
Build America Interest Rebate	-	-	42,445	-	-	42,445
Total Intergovernmental Revenue	\$ 35,048,484	\$21,076,770	\$ 42,445	\$10,007,913	\$ 2,182	\$66,177,794

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Cooperative Forestry Assistance		10.664	\$ 1,750	\$ -
Passed Through Minnesota Department of Natural Resources				
Urban and Community Forestry Program	140175	10.675	76,842	-
Total U.S. Department of Agriculture			\$ 78,592	\$ -
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	17-306A	11.419	\$ 45,512	\$ -
Coastal Zone Management Administration Awards	19-306A	11.419	100,739	-
(Total Coastal Zone Management Administration Awards 11.419 \$146,251)				
Total U.S. Department of Commerce			\$ 146,251	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block				
Grants/Entitlement Grants		14.218	\$ 2,037,020	\$ 1,385,625
COVID-19 - Community Development Block				
Grants/Entitlement Grants		14.218	578,383	395,688
(Total expenditures for CDBG - Entitlement Grants Cluster \$2,615,403)				
Emergency Solutions Grant Program				
COVID-19 - Emergency Solutions Grant Program		14.231	215,510	184,637
COVID-19 - Emergency Solutions Grant Program		14.231	226,653	182,518
(Total Emergency Solutions Grant Program 14.231 \$442,163)				
Home Investment Partnerships Program		14.239	599,498	570,610
Total U.S. Department of Housing and Urban Development			\$ 3,657,064	\$ 2,719,078
U.S. Department of the Interior				
Passed Through Minnesota Department of Natural Resources				
Outdoor Recreation Acquisition, Development and Planning	LW17-01427	15.916	\$ 250,000	\$ -
U.S. Department of Justice				
Direct				
COVID-19 - Coronavirus Emergency Supplemental Funding Program				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.034	\$ 115,217	\$ -
Bulletproof Vest Partnership Program		16.590	103,238	-
Public Safety Partnership and Community Policing Grants		16.607	16,418	-
Public Safety Partnership and Community Policing Grants		16.710	108,215	-
(Total Public Safety Partnership and Community Policing Grant 16.710 \$171,855)				
Edward Byrne Memorial Justice Assistance Grant Program				
National Sexual Assault Kit Initiative		16.738	18,370	-
Comprehensive Opioid Abuse Site-Based Program		16.833	434,778	-
Comprehensive Opioid Abuse Site-Based Program		16.838	267,027	-
Passed through the Minnesota Department of Public Safety				
Crime Victim Assistance	A-CVSP-2020-DULUTHAO-00036	16.575	57,197	-
Project Safe Neighborhoods	A-PSN-2020-DULUTHPD-002	16.609	8,850	-
Public Safety Partnership and Community Policing Grants	167077	16.710	63,640	-
(Total Public Safety Partnership and Community Policing Grant 16.710 \$171,855)				
Total U.S. Department of Justice			\$ 1,192,950	\$ -
U.S. Department of Labor				
Passed Through Senior Service America, Inc.				
Senior Community Service Employment Program	116	17.235	\$ 280,617	\$ -
(Total Senior Community Service Employment Program 17.235 \$490,170)				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	0045100	17.235	63,148	-
Senior Community Service Employment Program	1045100	17.235	41,829	-
Senior Community Service Employment Program	9045101	17.235	104,576	-
(Total Senior Community Service Employment Program 17.235 \$490,170)				

(continued)

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
(U.S. Department of Labor)				
WIOA Cluster				
WIA Adult Program	7043101	17.258	4,250	-
WIA Adult Program	8043100	17.258	34,941	-
WIA Adult Program	9043100	17.258	218,584	-
WIA Adult Program	0043100	17.258	41,694	-
Total CFDA # 17.258			<u>299,469</u>	<u>-</u>
WIA Youth Activities	7043601	17.259	4,120	-
WIA Youth Activities	8043600	17.259	2,464	-
WIA Youth Activities	9043600	17.259	206,416	-
WIA Youth Activities	0043600	17.259	89,977	-
Total CFDA # 17.259			<u>302,977</u>	<u>-</u>
WIA Dislocated Worker Formula Grants	70480001	17.278	661	-
WIA Dislocated Worker Formula Grants	8048000	17.278	25,484	-
WIA Dislocated Worker Formula Grants	9048000	17.278	50,171	-
WIA Dislocated Worker Formula Grants	0048000	17.278	17,300	-
Total CFDA # 17.278 (Total expenditures for WIOA Cluster \$696,062)			<u>93,616</u>	<u>-</u>
Total U.S. Department of Labor			\$ 1,186,232	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	99887	20.205	\$ 1,434,647	\$ -
Highway Planning and Construction	1029940	20.205	1,827,086	-
Highway Planning and Construction	OJT 8820 (221)	20.205	3,975	-
Total CFDA # 20.205			<u>3,265,708</u>	<u>-</u>
Passed Through Minnesota Department of Natural Resources				
Highway Planning and Construction Cluster				
Recreational Trails Program	TRAL023	20.219	9,790	-
Recreational Trails Program	TRAL024	20.219	4,037	-
Total CFDA # 20.219 (Total expenditures for Highway Planning and Construction Cluster \$3,279,535)			<u>13,827</u>	<u>-</u>
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC20-2020-DULUTHPD-082	20.600	39,277	-
State and Community Highway Safety	A-ENFRC21-2021-DULUTHPD-010	20.600	254	-
Total CFDA # 20.600 (Total expenditures for Highway Safety Cluster \$93,581)			<u>39,531</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC-20-2020-DULUTHPD-082	20.608	101,278	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC21-2021-DULUTHPD-010	20.608	19,012	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR20-2020-DULUTHPD-008	20.608	38,575	-
Total CFDA # 20.608			<u>158,865</u>	<u>-</u>
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC-20-2020-DULUTHPD-082	20.616	35,688	-
National Priority Safety Programs	A-ENFRC21-2021-DULUTHPD-010	20.616	3,583	-
National Priority Safety Programs	A-OFFICR20-2020-DULUTHPD-008	20.616	14,779	-
Total CFDA # 20.616 (Total expenditures for Highway Safety Cluster \$93,581)			<u>54,050</u>	<u>-</u>
Total U.S. Department of Transportation			\$ 3,531,981	\$ -

(continued)

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of the Treasury				
Direct				
Equitable Sharing		21.016	\$ 189,245	\$ -
Passed through Minnesota Department of Management and Budget				
COVID-19 - Coronavirus Relief Fund	SLT0016	21.019	<u>6,570,650</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>\$ 6,759,895</u>	<u>\$ -</u>
U.S. Environmental Protection Agency				
Direct				
Great Lakes Program		66.469	\$ 43,217	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	<u>211,145</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>\$ 254,362</u>	<u>\$ -</u>
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development				
Rehabilitation Services - Vocational Rehabilitation Grants to States	166894 PR 59596	84.126	<u>\$ 8,238</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	1047400	93.558	<u>\$ 5,177</u>	<u>\$ -</u>
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	<u>\$ 100,000</u>	<u>\$ -</u>
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4069-DR-MN	97.036	\$ 5,461	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4414-DR-MN	97.036	5,740,367	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4531-DR-MN	97.036	<u>179,080</u>	<u>-</u>
Total CFDA # 97.036			<u>5,924,908</u>	<u>-</u>
Emergency Management Performance Grants COVID-19 - Emergency Management Performance Grants	A-EMPG-2020-DULUTHCI-090	97.042	21,169	-
	A-EMPG-S-2020-DULUTHCI-022	97.042	<u>10,000</u>	<u>-</u>
Total CFDA # 97.042			<u>31,169</u>	<u>-</u>
Passed Through St. Louis County, Minnesota Homeland Security Grant Program	OPSG FRAGO MN-St. Louis FY 18	97.067	<u>43,094</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>\$ 5,999,171</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 23,169,913</u>	<u>\$ 2,719,078</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

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 \$11,859,301 and \$11,350,573 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 of the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.

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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 16,327,448
Expenditures of Revolving Loan Fund	
Community Development Block Grants	210,302
Expenditures of Equitable Sharing Funds	189,245
Police Task Force Agreements	
Minneapolis Child Exploitation and Human Trafficking Task Force	(966)
Grants received more than 45 days after year-end, unavailable in 2020	
Coastal Zone Management Administration Awards	119,869
Community Development Block Grants	243,915
Community Development Block Grants - Cares Act Funding	334,627
Coronavirus Emergency Supplemental Funding Program	115,217
Disaster Grants - Public Assistance	6,334,616
Emergency Management Performance Grants	7,496
Emergency Solutions Grant Program	8,460
Emergency Solutions Grant Program - Cares Act Funding	226,653
Great Lakes Program	43,217
High Intensity Drug Trafficking Areas Program	100,000
Highway Planning and Construction	159,756
Home Investment Partnerships Program	80,980
Outdoor Recreation Acquisition, Development and Planning	250,000
Recreational Trails Program	4,037
Rehabilitation Services Vocational Rehabilitation Grants to States	3,107
Senior Community Service Employment Program	1,078
WIA Adult Program	4,013
WIA/WIOA Dislocated Worker Formula Grant	3,800
WIOA Youth Program	692
	(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Unavailable in 2019, recognized as revenue in 2020	
Brownfields Assessment and Cleanup Cooperative Agreements	(226)
Coastal Zone Management Administration Awards	(55,530)
Community Development Block Grants	(206,610)
Comprehensive Opioid Abuse Site-Based Program	(54,877)
Crime Victim Assistance	(14,449)
Disaster Grants - Public Assistance	(527,370)
Edward Bryne Memorial Justice Assistance Grant Program	(6,623)
Emergency Solutions Grant Program	(18,859)
Forest Health Protection	(65,000)
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	(32,324)
Highway Planning and Construction	(390,784)
Home Investment Partnerships Program	(102,558)
National Sexual Assault Kit Initiative	(98,326)
Public Safety Partnership and Community Policing Grants	(609)
Senior Community Service Employment Program	(2,026)
Urban and Community Forestry Program	(21,016)
WIA Adult Program	(6,153)
Timing Differences Between Expenditures and Related Reimbursements	<u>5,691</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u><u>\$ 23,169,913</u></u>

STATISTICAL SECTION

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.

Guide to Statistical Section

Financial Trends - Pages 158-164

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - Pages 166-168

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity - Pages 169-172

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.

Demographic and Economic Information - Page 174

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - Pages 175-180

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.

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities					
Net investment in capital assets	\$ 213,619,166	\$ 209,484,876	\$ 210,631,129	\$ 235,177,972	\$ 242,346,774
Restricted	43,113,335	36,781,284	40,778,013	46,063,716	43,143,639
Unrestricted *	<u>(22,596,696)</u>	<u>(21,202,511)</u>	<u>(27,519,849)</u>	<u>(45,926,755)</u>	<u>(100,062,238)</u>
Total governmental activities net position	<u>\$ 234,135,805</u>	<u>\$ 225,063,649</u>	<u>\$ 223,889,293</u>	<u>\$ 235,314,933</u>	<u>\$ 185,428,175</u>
Business-type activities					
Net investment in capital assets	\$ 150,333,747	\$ 158,415,070	\$ 168,290,764	\$ 182,656,056	\$ 204,789,234
Restricted	1,998,139	1,864,068	1,877,950	2,881,659	2,892,969
Unrestricted *	<u>21,865,404</u>	<u>24,618,744</u>	<u>26,878,191</u>	<u>28,779,936</u>	<u>14,843,438</u>
Total business-type activities net position	<u>\$ 174,197,290</u>	<u>\$ 184,897,882</u>	<u>\$ 197,046,905</u>	<u>\$ 214,317,651</u>	<u>\$ 222,525,641</u>
Primary government					
Net investment in capital assets	\$ 363,952,913	\$ 367,899,946	\$ 378,921,893	\$ 417,834,028	\$ 447,136,008
Restricted	45,111,474	38,645,352	42,655,963	48,945,375	46,036,608
Unrestricted *	<u>(731,292)</u>	<u>3,416,233</u>	<u>(641,658)</u>	<u>(17,146,819)</u>	<u>(85,218,800)</u>
Total primary government net position	<u>\$ 408,333,095</u>	<u>\$ 409,961,531</u>	<u>\$ 420,936,198</u>	<u>\$ 449,632,584</u>	<u>\$ 407,953,816</u>

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities					
Net investment in capital assets	\$ 242,875,012	\$ 245,733,061	\$ 249,612,707	\$ 251,585,123	\$ 269,467,267
Restricted	45,703,757	46,203,035	42,919,978	42,703,389	57,116,401
Unrestricted *	<u>(113,329,374)</u>	<u>(117,374,039)</u>	<u>(181,539,392)</u>	<u>(170,622,157)</u>	<u>(154,052,891)</u>
Total governmental activities net position	<u>\$ 175,249,395</u>	<u>\$ 174,562,057</u>	<u>\$ 110,993,293</u>	<u>\$ 123,666,355</u>	<u>\$ 172,530,777</u>
Business-type activities					
Net investment in capital assets	\$ 218,517,664	\$ 227,778,536	\$ 240,473,773	\$ 253,270,775	\$ 272,754,726
Restricted	2,072,379	2,119,974	2,114,827	2,091,941	2,462,396
Unrestricted *	<u>11,153,671</u>	<u>13,766,078</u>	<u>11,262,947</u>	<u>17,689,259</u>	<u>22,453,868</u>
Total business-type activities net position	<u>\$ 231,743,714</u>	<u>\$ 243,664,588</u>	<u>\$ 253,851,547</u>	<u>\$ 273,051,975</u>	<u>\$ 297,670,990</u>
Primary government					
Net investment in capital assets	\$ 461,392,676	\$ 473,511,597	\$ 490,086,480	\$ 504,855,898	\$ 542,221,993
Restricted	47,776,136	48,323,009	45,034,805	44,795,330	59,578,797
Unrestricted *	<u>(102,175,703)</u>	<u>(103,607,961)</u>	<u>(170,276,445)</u>	<u>(152,932,898)</u>	<u>(131,599,023)</u>
Total primary government net position	<u>\$ 406,993,109</u>	<u>\$ 418,226,645</u>	<u>\$ 364,844,840</u>	<u>\$ 396,718,330</u>	<u>\$ 470,201,767</u>

* Implemented GASB Statement No. 68 January 1, 2015 which required restatement of Unrestricted Net Position.
Implemented GASB Statement No. 75 January 1, 2018 which required restatement of Unrestricted Net Position.

Source: Statement of Net Position

Unaudited

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental activities:					
General government	\$ 38,577,305	\$ 40,761,298	\$ 24,455,977	\$ 27,045,420	\$ 26,652,865
Public safety	37,895,850	38,190,780	39,860,955	40,104,416	40,798,398
Public works	9,040,308	12,320,891	26,286,454	21,622,112	22,230,628
Culture and recreation	7,986,366	15,125,570	11,872,741	11,584,949	18,319,587
Urban and economic development	15,446,838	13,275,120	14,922,283	14,294,290	14,265,141
Interest	<u>4,692,654</u>	<u>4,907,447</u>	<u>4,535,639</u>	<u>4,338,915</u>	<u>4,619,216</u>
Total governmental activities expenses	<u>113,639,321</u>	<u>124,581,106</u>	<u>121,934,049</u>	<u>118,990,102</u>	<u>126,885,835</u>
Business-type activities:					
Water	11,218,488	10,243,435	11,015,475	11,255,835	10,187,477
Gas	36,217,536	30,351,746	35,174,140	49,131,965	29,262,281
Sewer	17,291,803	18,216,008	17,882,780	16,963,128	16,284,112
Stormwater	3,474,137	3,447,389	3,581,689	3,701,827	3,764,611
Steam	6,974,162	7,083,477	7,692,984	7,254,245	7,666,582
Golf	2,056,166	2,192,560	2,059,673	2,020,655	2,309,016
Parking	1,939,941	2,923,741	2,901,617	2,701,445	2,550,028
Priley drive parking facility	-	-	-	-	-
Street lighting	<u>1,480,674</u>	<u>1,583,897</u>	<u>1,545,598</u>	<u>1,910,875</u>	<u>1,914,331</u>
Total business-type activities expenses	<u>80,652,907</u>	<u>76,042,253</u>	<u>81,853,956</u>	<u>94,939,975</u>	<u>73,938,438</u>
Total primary government expenses	<u>\$ 194,292,228</u>	<u>\$ 200,623,359</u>	<u>\$ 203,788,005</u>	<u>\$ 213,930,077</u>	<u>\$ 200,824,273</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,673,037	\$ 4,415,328	\$ 4,675,590	\$ 5,018,181	\$ 4,854,823
Public safety	2,975,998	2,925,524	1,948,070	1,501,647	1,562,794
Public works	370,237	394,422	111,061	1,320,130	2,801,089
Culture and recreation	1,273,472	1,082,261	1,332,448	1,299,671	1,310,840
Urban and economic development	310,839	347,895	2,816,814	3,383,810	3,095,554
Operating grants and contributions	15,685,467	13,668,138	13,309,497	11,487,629	10,096,446
Capital grants and contributions	<u>13,067,199</u>	<u>12,230,295</u>	<u>17,878,748</u>	<u>19,388,699</u>	<u>19,174,980</u>
Total governmental activities program revenues	<u>38,356,249</u>	<u>35,063,863</u>	<u>42,072,228</u>	<u>43,399,767</u>	<u>42,896,526</u>
Business-type activities:					
Charges for services:					
Water	11,743,510	13,911,617	14,866,657	14,529,002	14,426,316
Gas	41,415,145	34,071,373	40,587,986	58,291,132	35,495,409
Sewer	20,040,992	20,350,506	20,535,669	19,493,753	19,973,712
Stormwater	4,632,541	4,798,166	4,750,421	4,624,063	4,754,516
Steam	7,169,021	7,239,203	7,858,968	6,820,043	6,725,164
Golf	1,872,577	1,926,929	1,738,980	1,734,534	1,931,016
Parking	2,567,703	3,185,152	3,777,759	4,207,977	4,516,797
Priley drive parking facility	-	-	-	-	-
Street lighting	1,894,038	2,272,395	2,147,449	2,146,270	1,922,930
Operating grants and contributions	-	-	60,699	76,493	-
Capital grants and contributions	<u>5,135,700</u>	<u>3,366,852</u>	<u>2,812,199</u>	<u>4,597,404</u>	<u>8,380,978</u>
Total business-type activities program revenues	<u>96,471,227</u>	<u>91,122,193</u>	<u>99,136,787</u>	<u>116,520,671</u>	<u>98,126,838</u>
Total primary government program revenues	<u>\$ 134,827,476</u>	<u>\$ 126,186,056</u>	<u>\$ 141,209,015</u>	<u>\$ 159,920,438</u>	<u>\$ 141,023,364</u>

(continued)

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net (expense)/revenue					
Governmental activities	\$ (75,283,072)	\$ (89,517,243)	\$ (79,861,821)	\$ (75,590,335)	\$ (83,989,309)
Business-type activities	<u>15,818,320</u>	<u>15,079,940</u>	<u>17,282,831</u>	<u>21,580,696</u>	<u>24,188,400</u>
Total primary government net expense	<u>\$ (59,464,752)</u>	<u>\$ (74,437,303)</u>	<u>\$ (62,578,990)</u>	<u>\$ (54,009,639)</u>	<u>\$ (59,800,909)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 16,718,385	\$ 21,379,384	\$ 21,924,954	\$ 22,146,676	\$ 22,405,560
Market value credit aid	34,071	9,759	-	-	-
Sales taxes	20,071,454	20,888,940	20,388,588	22,031,014	24,305,293
Franchise taxes	1,922,796	1,928,149	1,958,297	2,013,126	2,008,194
Other taxes	159,416	141,927	134,580	622,015	255,491
Casino shared revenues	2,096,800	579,478	-	-	-
Grants and shared revenues not restricted to specific programs	29,154,013	29,148,898	29,401,345	30,995,305	31,232,887
Investment income	2,934,301	506,168	(1,632,312)	2,148,194	328,502
Gain on sale or disposition of capital assets	169,695	19,124	550,473	54,776	-
Miscellaneous	1,157,996	1,172,063	2,694,159	1,996,119	1,323,545
Extraordinary items	-	-	-	-	(13,264,958)
Special item - reduction of Spirit Mountain loan	-	-	-	-	-
Transfers	<u>5,379,481</u>	<u>4,671,197</u>	<u>4,714,434</u>	<u>5,008,750</u>	<u>6,336,860</u>
Total governmental activities	<u>79,798,408</u>	<u>80,445,087</u>	<u>80,134,518</u>	<u>87,015,975</u>	<u>74,931,374</u>
Business-type activities:					
General Revenues:					
Property taxes	-	-	-	-	220,293
Grants and shared revenues not restricted to specific programs	48,567	51,272	48,566	48,566	48,566
Investment income	349,471	184,954	33,206	468,471	124,243
Gain on sale or disposition of capital assets	-	55,623	(4,983)	58,974	79,246
Miscellaneous	2,300,000	-	69,099	122,789	56,606
Transfers	<u>(5,379,481)</u>	<u>(4,671,197)</u>	<u>(4,714,434)</u>	<u>(5,008,750)</u>	<u>(6,336,860)</u>
Total business-type activities	<u>(2,681,443)</u>	<u>(4,379,348)</u>	<u>(4,568,546)</u>	<u>(4,309,950)</u>	<u>(5,807,906)</u>
Total primary government	<u>\$ 77,116,965</u>	<u>\$ 76,065,739</u>	<u>\$ 75,565,972</u>	<u>\$ 82,706,025</u>	<u>\$ 69,123,468</u>
Change in Net Position					
Governmental activities	\$ 4,515,336	\$ (9,072,156)	\$ 272,697	\$ 11,425,640	\$ (9,057,935)
Business-type activities	<u>13,136,877</u>	<u>10,700,592</u>	<u>12,714,285</u>	<u>17,270,746</u>	<u>18,380,494</u>
Total primary government	<u>\$ 17,652,213</u>	<u>\$ 1,628,436</u>	<u>\$ 12,986,982</u>	<u>\$ 28,696,386</u>	<u>\$ 9,322,559</u>

(continued)

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

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses					
Governmental activities:					
General government	\$ 28,487,636	\$ 29,490,639	\$ 31,093,037	\$ 31,839,444	\$ 31,745,911
Public safety	55,526,260	47,268,796	43,352,480	42,180,828	42,104,761
Public works	25,219,128	23,999,112	24,997,278	27,785,208	26,885,812
Culture and recreation	10,407,695	12,497,000	13,169,901	16,261,444	10,419,424
Urban and economic development	17,688,597	15,406,291	13,664,386	14,244,055	11,374,651
Interest	<u>4,543,299</u>	<u>3,951,480</u>	<u>4,025,051</u>	<u>3,909,623</u>	<u>3,397,730</u>
Total governmental activities expenses	<u>141,872,615</u>	<u>132,613,318</u>	<u>130,302,133</u>	<u>136,220,602</u>	<u>125,928,289</u>
Business-type activities:					
Water	10,997,029	11,159,899	11,268,976	10,814,241	9,701,506
Gas	27,526,208	31,537,930	33,160,799	31,777,159	29,784,236
Sewer	16,034,063	16,018,954	16,835,052	16,259,666	16,219,816
Stormwater	4,208,833	3,564,421	3,430,458	3,571,577	3,523,521
Steam	8,364,984	8,298,624	8,185,310	8,350,276	8,296,062
Golf	2,068,650	1,940,477	1,853,157	1,771,189	1,270,959
Parking	2,630,605	2,748,883	2,980,182	3,404,851	2,923,925
Priley Drive parking facility	768,011	1,266,511	1,254,483	1,249,348	1,231,195
Street lighting	<u>2,307,565</u>	<u>2,123,129</u>	<u>1,909,552</u>	<u>1,836,048</u>	<u>-</u>
Total business-type activities expenses	<u>74,905,948</u>	<u>78,658,828</u>	<u>80,877,969</u>	<u>79,034,355</u>	<u>72,951,220</u>
Total primary government expenses	<u>\$ 216,778,563</u>	<u>\$ 211,272,146</u>	<u>\$ 211,180,102</u>	<u>\$ 215,254,957</u>	<u>\$ 198,879,509</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,934,248	\$ 5,706,995	\$ 5,869,145	\$ 5,978,363	\$ 5,732,214
Public safety	1,698,161	2,869,629	2,023,574	2,115,004	1,794,884
Public works	2,723,412	56,549	82,235	138,436	336,908
Culture and recreation	1,182,738	1,247,455	1,270,730	1,328,289	853,276
Urban and economic development	2,655,700	2,183,548	2,682,020	3,872,703	3,836,466
Operating grants and contributions	12,402,217	11,758,737	12,019,093	12,289,736	19,698,868
Capital grants and contributions	<u>15,968,844</u>	<u>11,096,107</u>	<u>12,912,987</u>	<u>12,733,125</u>	<u>24,938,476</u>
Total governmental activities program revenues	<u>41,565,320</u>	<u>34,919,020</u>	<u>36,859,784</u>	<u>38,455,656</u>	<u>57,191,092</u>
Business-type activities:					
Charges for services:					
Water	14,479,884	14,428,987	14,910,171	15,142,128	15,099,895
Gas	31,209,095	36,122,015	39,182,666	39,886,073	36,549,373
Sewer	19,527,000	19,538,573	19,709,102	19,615,365	19,164,926
Stormwater	5,243,461	5,298,272	5,283,440	5,295,794	5,400,293
Steam	7,064,402	7,712,154	7,880,094	8,091,177	7,606,029
Golf	1,822,938	1,730,447	1,692,369	1,482,349	1,083,096
Parking	4,552,144	4,060,636	3,740,640	4,095,285	2,906,751
Priley Drive parking facility	339,417	446,597	457,088	452,308	398,812
Street lighting	1,501,926	1,399,669	1,390,572	835,761	-
Operating grants and contributions	164,101	104,170	-	60,628	-
Capital grants and contributions	<u>2,251,332</u>	<u>2,832,186</u>	<u>5,602,821</u>	<u>6,133,857</u>	<u>16,948,855</u>
Total business-type activities program revenues	<u>88,155,700</u>	<u>93,673,706</u>	<u>99,848,963</u>	<u>101,090,725</u>	<u>105,158,030</u>
Total primary government program revenues	<u>\$ 129,721,020</u>	<u>\$ 128,592,726</u>	<u>\$ 136,708,747</u>	<u>\$ 139,546,381</u>	<u>\$ 162,349,122</u>

(continued)

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

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net (expense)/revenue					
Governmental activities	\$ (100,307,295)	\$ (97,694,298)	\$ (93,442,349)	\$ (97,764,946)	\$ (68,737,197)
Business-type activities	<u>13,249,752</u>	<u>15,014,878</u>	<u>18,970,994</u>	<u>22,056,370</u>	<u>32,206,810</u>
Total primary government net expense	<u>\$ (87,057,543)</u>	<u>\$ (82,679,420)</u>	<u>\$ (74,471,355)</u>	<u>\$ (75,708,576)</u>	<u>\$ (36,530,387)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 23,587,371	\$ 27,596,775	\$ 30,265,657	\$ 32,995,611	\$ 37,075,587
Market value credit aid	-	-	-	-	-
Sales taxes	24,585,124	25,188,254	26,267,168	28,867,348	29,475,871
Franchise taxes	1,998,457	3,883,316	3,997,060	3,534,435	3,586,792
Other taxes	198,546	204,587	254,096	326,091	393,442
Casino shared revenues	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	31,345,365	31,420,457	31,810,084	31,917,733	32,535,525
Investment income	1,805,404	3,571,853	(440,856)	6,611,326	5,222,490
Gain on sale or disposition of capital assets	-	-	-	-	-
Miscellaneous	1,726,300	997,006	1,689,582	1,670,993	2,335,463
Extraordinary items	-	-	-	-	-
Special items	-	-	-	-	(900,000)
Transfers	<u>4,881,948</u>	<u>4,144,712</u>	<u>4,354,903</u>	<u>4,514,471</u>	<u>3,242,459</u>
Total governmental activities	<u>90,128,515</u>	<u>97,006,960</u>	<u>98,197,694</u>	<u>110,438,008</u>	<u>112,967,629</u>
Business-type activities:					
General Revenues:					
Property taxes	647,013	756,037	751,231	1,301,757	-
Grants and shared revenues not restricted to specific programs	48,566	59,826	48,567	48,566	-
Investment income	99,045	86,837	43,383	235,864	237,420
Gain on sale or disposition of capital assets	2,220	57,913	81,868	26,962	30,790
Miscellaneous	53,425	90,095	61,272	45,380	8,095
Transfers	<u>(4,881,948)</u>	<u>(4,144,712)</u>	<u>(4,354,903)</u>	<u>(4,514,471)</u>	<u>(3,242,459)</u>
Total business-type activities	<u>(4,031,679)</u>	<u>(3,094,004)</u>	<u>(3,368,582)</u>	<u>(2,855,942)</u>	<u>(2,966,154)</u>
Total primary government	<u>\$ 86,096,836</u>	<u>\$ 93,912,956</u>	<u>\$ 94,829,112</u>	<u>\$ 107,582,066</u>	<u>\$ 110,001,475</u>
Change in Net Position					
Governmental activities	\$ (10,178,780)	\$ (687,338)	\$ 4,755,345	\$ 12,673,062	\$ 44,230,432
Business-type activities	<u>9,218,073</u>	<u>11,920,874</u>	<u>15,602,412</u>	<u>19,200,428</u>	<u>29,240,656</u>
Total primary government	<u>\$ (960,707)</u>	<u>\$ 11,233,536</u>	<u>\$ 20,357,757</u>	<u>\$ 31,873,490</u>	<u>\$ 73,471,088</u>

Source: Statement of Activities

Unaudited

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

	Fiscal Year				
	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable*	138,012	431,795	414,309	258,535	-
Restricted*	120,766	97,811	75,741	91,324	95,801
Committed*	-	9,067	13,454	13,129	21,781
Assigned*	332,997	583,777	821,114	1,634,029	2,132,059
Unassigned*	<u>7,664,417</u>	<u>7,587,726</u>	<u>7,746,042</u>	<u>9,320,545</u>	<u>11,624,121</u>
Total general fund	<u>\$ 8,256,192</u>	<u>\$ 8,710,176</u>	<u>\$ 9,070,660</u>	<u>\$ 11,317,562</u>	<u>\$ 13,873,762</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted*	36,801,571	29,787,935	31,790,209	31,233,325	44,269,018
Committed*	144,721	294,971	18,095,100	19,705,618	19,846,164
Assigned*	27,983,067	23,258,693	576,094	445,627	389,344
Unassigned*	<u>(255,786)</u>	<u>(2,995,479)</u>	<u>(5,512,643)</u>	<u>(4,232,523)</u>	<u>(8,155,193)</u>
Total all other governmental funds	<u>\$ 64,673,573</u>	<u>\$ 50,346,120</u>	<u>\$ 44,948,760</u>	<u>\$ 47,152,047</u>	<u>\$ 56,349,333</u>

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable*	-	-	-	-	-
Restricted*	85,776	99,766	184,891	216,132	329,336
Committed*	32,075	36,242	41,996	35,958	32,186
Assigned*	1,616,063	2,280,311	3,236,770	2,999,900	3,886,800
Unassigned*	<u>11,634,076</u>	<u>13,190,484</u>	<u>13,422,108</u>	<u>14,437,169</u>	<u>16,856,560</u>
Total general fund	<u>\$ 13,367,990</u>	<u>\$ 15,606,803</u>	<u>\$ 16,885,765</u>	<u>\$ 17,689,159</u>	<u>\$ 21,104,882</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted*	45,235,185	42,708,250	41,801,543	39,142,316	43,943,951
Committed*	21,707,282	24,583,093	23,357,054	28,493,060	32,311,536
Assigned*	824,467	1,209,071	1,691,541	1,942,077	2,317,122
Unassigned*	<u>(2,101,580)</u>	<u>(1,981,450)</u>	<u>(3,130,083)</u>	<u>(4,266,262)</u>	<u>(7,929,634)</u>
Total all other governmental funds	<u>\$ 65,665,354</u>	<u>\$ 66,518,964</u>	<u>\$ 63,720,055</u>	<u>\$ 65,311,191</u>	<u>\$ 70,642,975</u>

*GASB Statement No. 54 changed fund balance classifications in 2011.

Source: Balance Sheet - Governmental Funds

Unaudited

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues					
Taxes:					
Property taxes	\$ 16,581,461	\$ 21,336,285	\$ 21,913,489	\$ 22,118,257	\$ 22,549,109
Sales taxes	20,071,454	20,888,940	20,388,588	22,031,014	24,305,293
Other taxes	2,082,212	2,070,076	2,092,877	2,635,141	2,263,685
Licenses and permits	1,407,951	1,625,826	1,863,333	1,737,068	1,783,741
Intergovernmental revenues	56,211,950	49,469,851	55,451,614	57,455,627	55,941,414
Charges for services	6,453,510	5,891,728	6,441,338	7,987,527	9,289,681
Fines and forfeits	1,579,021	1,075,167	699,846	709,213	652,033
Special assessments	2,837,628	2,884,597	2,328,821	2,458,912	1,983,776
Investment income	2,669,071	430,056	(1,675,875)	2,022,447	230,692
Miscellaneous revenues	<u>3,956,649</u>	<u>4,124,685</u>	<u>4,521,654</u>	<u>4,304,525</u>	<u>5,326,755</u>
Total revenues	<u>113,850,907</u>	<u>109,797,211</u>	<u>114,025,685</u>	<u>123,459,731</u>	<u>124,326,179</u>
Expenditures					
General government	33,469,098	34,625,147	22,290,793	23,174,447	24,004,445
Public safety	34,606,780	36,476,109	35,035,481	35,512,569	37,150,741
Public works	2,081,437	6,046,513	19,397,379	12,536,734	14,388,357
Culture and recreation	6,865,686	7,761,926	9,469,074	9,645,981	15,954,443
Urban and economic development	15,251,986	20,203,006	17,762,959	13,858,327	16,906,657
Debt service					
Principal retirement	11,395,000	13,045,000	8,655,000	11,350,000	10,501,000
Interest and fiscal fees	4,989,456	5,097,486	4,673,854	4,600,843	4,577,976
Bond issuance costs	80,184	280,600	203,741	223,753	361,424
Capital outlay	<u>33,452,857</u>	<u>23,247,154</u>	<u>17,169,385</u>	<u>21,355,037</u>	<u>16,962,641</u>
Total expenditures	<u>142,192,484</u>	<u>146,782,941</u>	<u>134,657,666</u>	<u>132,257,691</u>	<u>140,807,684</u>
Excess of revenues over (under) expenditures	<u>(28,341,577)</u>	<u>(36,985,730)</u>	<u>(20,631,981)</u>	<u>(8,797,960)</u>	<u>(16,481,505)</u>
Other financing sources (uses)					
Issuance of bonds	4,965,000	17,980,000	10,490,000	8,055,000	21,315,000
Proceeds from refundings	-	6,905,000	-	865,000	2,630,000
Premium on issuance of bonds	138,232	868,419	271,507	153,373	799,031
Payment to refunded bond escrow agent	-	(7,363,043)	-	(865,000)	(2,845,900)
Transfers in	23,957,020	19,166,548	16,753,906	16,540,403	19,136,245
Transfers out	<u>(18,386,943)</u>	<u>(14,444,663)</u>	<u>(11,988,958)</u>	<u>(11,500,627)</u>	<u>(12,799,385)</u>
Total other financing sources (uses)	<u>10,673,309</u>	<u>23,112,261</u>	<u>15,526,455</u>	<u>13,248,149</u>	<u>28,234,991</u>
Special Item					
Reduction of Spirit Mountain loan	-	-	-	-	-
Net change in fund balances	<u>\$ (17,668,268)</u>	<u>\$ (13,873,469)</u>	<u>\$ (5,105,526)</u>	<u>\$ 4,450,189</u>	<u>\$ 11,753,486</u>
Debt service as a percentage of noncapital expenditures	14.8%	14.0%	11.4%	14.1%	12.1%

(continued)

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

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues					
Taxes:					
Property taxes	\$ 23,671,256	\$ 27,606,911	\$ 30,318,865	\$ 32,966,193	\$ 36,862,060
Sales taxes	24,585,124	25,188,254	26,267,167	28,867,348	29,475,871
Other taxes	2,197,003	4,087,903	4,251,157	3,860,525	3,980,234
Licenses and permits	1,786,472	1,759,507	2,053,375	2,101,757	1,951,586
Intergovernmental revenues	60,343,948	51,353,893	56,877,087	55,060,040	66,175,612
Charges for services	8,510,151	6,171,005	6,576,669	8,153,062	7,637,963
Fines and forfeits	719,928	1,906,404	604,357	698,929	593,625
Special assessments	2,095,202	1,752,933	1,605,337	1,614,328	1,286,902
Investment income	1,740,987	3,527,779	(559,148)	6,366,017	5,013,297
Miscellaneous revenues	<u>5,980,771</u>	<u>4,809,871</u>	<u>6,138,325</u>	<u>5,436,730</u>	<u>6,714,594</u>
Total revenues	<u>131,630,842</u>	<u>128,164,460</u>	<u>134,133,191</u>	<u>145,124,929</u>	<u>159,691,744</u>
Expenditures					
General government	24,378,741	24,722,755	28,330,883	28,605,112	28,872,260
Public safety	38,524,220	39,263,288	41,552,331	43,494,675	45,685,465
Public works	14,515,792	13,194,918	15,226,399	18,109,557	17,009,911
Culture and recreation	9,117,853	9,779,866	10,530,034	13,815,699	8,589,874
Urban and economic development	24,913,908	15,022,941	13,637,293	14,552,236	12,134,491
Debt service					
Principal retirement	9,531,000	13,271,000	11,172,000	11,360,000	10,805,000
Interest and fiscal fees	4,422,939	4,603,199	4,487,446	4,751,307	3,984,777
Bond issuance costs	595,689	91,522	163,704	176,372	158,881
Capital outlay	<u>15,016,363</u>	<u>14,753,506</u>	<u>25,106,738</u>	<u>17,377,830</u>	<u>40,742,363</u>
Total expenditures	<u>141,016,505</u>	<u>134,702,995</u>	<u>150,206,828</u>	<u>152,242,788</u>	<u>167,983,022</u>
Excess of revenues over (under) expenditures	<u>(9,385,663)</u>	<u>(6,538,535)</u>	<u>(16,073,637)</u>	<u>(7,117,859)</u>	<u>(8,291,278)</u>
Other financing sources (uses)					
Issuance of bonds	12,520,000	5,160,000	9,645,000	4,260,000	12,695,000
Proceeds from refundings	33,470,000	-	-	9,755,000	-
Premium on issuance of bonds	7,185,320	326,247	553,787	2,832,464	856,705
Payment to refunded bond escrow agent	(39,861,356)	-	-	(11,849,546)	-
Transfers in	22,385,436	21,369,040	21,752,295	22,471,395	32,795,673
Transfers out	<u>(17,503,488)</u>	<u>(17,224,328)</u>	<u>(17,397,392)</u>	<u>(17,956,924)</u>	<u>(29,553,214)</u>
Total other financing sources (uses)	<u>18,195,912</u>	<u>9,630,959</u>	<u>14,553,690</u>	<u>9,512,389</u>	<u>16,794,164</u>
	-	-	-	-	<u>(900,000)</u>
Net change in fund balances	<u>\$ 8,810,249</u>	<u>\$ 3,092,424</u>	<u>\$ (1,519,947)</u>	<u>\$ 2,394,530</u>	<u>\$ 7,602,886</u>
Debt service as a percentage of noncapital expenditures	11.0%	14.7%	12.4%	11.8%	11.5%

General Governmental includes Capital Projects Funds.

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

Unaudited

**CITY OF DULUTH, MINNESOTA
 ASSESSED AND ESTIMATED 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
2011	4,391,758,200	44,888,003	1,026,682,900	18,853,813
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612
2016	4,561,213,000	42,373,863	1,202,773,500	22,169,916
2017	4,694,140,900	44,079,263	1,297,252,450	23,998,224
2018	4,662,466,600	45,369,851	1,423,489,056	26,075,238
2019	4,888,714,700	47,913,563	1,504,708,550	27,222,464
2020	5,070,811,100	52,664,544	1,485,780,200	27,761,483

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2011	28,363,500	284,857	84,724,000	1,551,297
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608
2015	33,827,800	276,580	105,380,900	1,937,051
2016	33,899,000	271,921	105,806,200	1,961,029
2017	33,802,700	271,921	99,447,550	1,815,452
2018	33,771,200	271,796	104,460,500	1,919,504
2019	33,371,800	272,762	107,862,900	1,932,529
2020	40,593,600	359,767	134,905,700	2,540,800

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2011	5,531,528,600	65,577,970	1.19%
2012	5,569,039,800	61,532,873	1.10%	0.31597
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,164,860	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094
2020	6,732,090,600	83,326,594	1.24%	0.42997

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX RATES AND PRINCIPAL PROPERTY TAXPAYERS**

**PROPERTY TAX RATES*
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2011	0.18686	0.09270	0.27956	0.23373	0.56011	0.05829	1.13169
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290
2016	0.24322	0.09056	0.33378	0.31825	0.61443	0.06193	1.32839
2017	0.28416	0.09152	0.37568	0.29516	0.65056	0.06049	1.38189
2018	0.30848	0.08853	0.39701	0.28598	0.65286	0.06040	1.39625
2019	0.33397	0.08697	0.42094	0.31427	0.65174	0.06028	1.44723
2020	0.34757	0.08240	0.42997	0.29458	0.67740	0.06218	1.46413

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

Source: St. Louis County website

Unaudited

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	Type of Business	2020		2011	
		Estimated Market Value	Rank	Estimated Market Value	Rank
Minnesota Power	Electric utility	149,030,600	1	111,944,600	1
Summit Management LLC	Apartments & shopping mall	79,986,600	2		
Essentia Health	Healthcare & hospital	66,262,700	3	50,678,000	3
Simon Property, Inc.	Shopping mall	52,233,100	4	66,156,700	2
Wisconsin Central LLC	Railroad	35,354,200	5		
Ansa Propco Partnership	Lease administration	32,650,900	6		
Hall Equities Group	Hotels	24,716,800	7		
Lift Bridge Partners LLC	Real estate development	21,540,700	8		
Burlington Northern	Railroad	19,569,400	9		
St. Luke's Hospital	Healthcare & hospital	19,241,700	10		
Sherman Associates	Real estate development			36,833,000	4
D M & I R Railroad	Railroad			33,109,900	5
IRET Properties	Property management			25,525,900	6
NewPage (StoraEnso)	Paper mill			22,445,100	7
Riverland Ag Corp	Grain elevators			18,334,000	8
ZMC Hotels	Hotels			16,596,400	9
Tech Village	Office & tech building			11,921,200	10
		<u>\$ 500,586,700</u>		<u>\$ 393,544,800</u>	
				<u>7.45%</u>	<u>7.11%</u>

Source: St. Louis County Assessor

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
AND NET CAPACITY OF REAL PROPERTY BY CATEGORY 2020**

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Net Tax (1) 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
2011	16,648,242	16,102,214	96.7%	382,016	16,484,230	99.0%
2012	21,403,582	20,835,227	97.3%	408,253	21,243,480	99.3%
2013	21,966,088	21,396,584	97.4%	463,654	21,860,238	99.5%
2014	22,040,149	21,498,351	97.5%	336,535	21,834,886	99.1%
2015	22,686,100	22,310,465	98.3%	295,462	22,605,927	99.6%
2016	24,233,053	23,842,607	98.4%	233,492	24,076,099	99.4%
2017	28,039,466	27,593,516	98.4%	210,806	27,804,322	99.2%
2018	30,649,272	30,083,315	98.2%	217,622	30,300,937	98.9%
2019	33,804,643	33,259,823	98.4%	163,556	33,423,379	98.9%
2020	36,444,668	35,893,735	98.5%	-	35,893,735	98.5%

(1) Net tax levy is equal to the gross tax levy less state property tax aids.

Unaudited

**NET CAPACITY OF REAL PROPERTY BY CATEGORY
TAXES PAYABLE IN 2020**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 34,577,438	42.99%
Non-Homestead Residential	18,087,106	22.49%
Commercial/Industrial	24,897,429	30.96%
Agricultural	16,088	0.02%
Public Utility	1,499,120	1.87%
Railroad	1,097,670	1.36%
Seasonal/Recreational	251,176	0.31%
Total	<u>\$ 80,426,027</u>	<u>100.00%</u>

Unaudited

**CITY OF DULUTH, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts expressed in thousands, except per capita amount)**

Governmental Activities						
Fiscal Year	General Obligation Bonds	General Obligation Tax Abatement Bonds	Lease Revenue Bonds	Special		Deferred Amount for Bond Premium
				Assessment Debt with Government Commitment	General Obligation Certificates	
2011	74,561	285	715	29,569	10,275	938
2012	76,927	7,315	565	23,943	11,300	1,612
2013	80,754	7,290	415	20,901	12,625	1,579
2014	82,936	6,705	-	16,814	12,340	1,419
2015	97,340	6,350	-	13,080	12,670	1,910
2016	91,300	13,805	-	10,765	13,250	8,418
2017	86,615	13,435	-	7,320	13,670	7,917
2018	87,485	12,605	-	5,165	14,295	7,648
2019	81,370	11,770	-	3,125	14,050	9,605
2020	85,985	10,915	-	1,620	13,700	9,472

Governmental Activities			Business Activities		
Fiscal Year	Revenue and General Obligation Notes	Capital Leases	Revenue Bonds	Revenue and General Obligation Bonds	Deferred Amount for Bond Discounts/Premiums
2011	3,086	24	145	44,005	127
2012	2,996	-	-	41,045	608
2013	2,896	-	-	37,305	505
2014	2,791	-	-	44,343	401
2015	2,735	110	-	42,760	496
2016	2,704	75	-	39,222	377
2017	2,673	38	-	34,927	270
2018	2,636	-	-	35,097	223
2019	2,621	-	-	31,680	167
2020	2,606	-	-	38,985	378

Business Activities					
Fiscal Year	General Obligation Notes	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2011	20,562	8,672	192,964	8.30%	2,237
2012	23,084	8,041	197,436	8.34%	2,290
2013	21,904	7,385	193,559	7.71%	2,247
2014	24,581	6,704	199,034	7.64%	2,308
2015	23,034	5,995	206,480	7.47%	2,398
2016	20,519	5,385	205,820	7.60%	2,385
2017	18,048	4,752	189,665	6.85%	2,204
2018	15,474	4,094	184,722	6.38%	2,151
2019	13,204	3,411	171,003	5.66%	1,997
2020	11,081	2,702	177,444	6.05%	2,073

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

Unaudited

**CITY OF DULUTH, MINNESOTA
RATIOS OF NET GENERAL OBLIGATION BONDED DEBT AND
DIRECT AND OVERLAPPING GOVERNMENTAL 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>
2011	86,277	65,577,970	86,059,378	18,629,920	67,429,458	102.82%	781.55
2012	86,200	61,532,873	97,154,314	17,742,090	79,412,224	129.06%	921.26
2013	86,128	61,948,785	102,247,605	19,802,762	82,444,843	133.09%	957.24
2014	86,238	62,430,044	103,399,159	22,948,537	80,450,622	128.87%	932.89
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,164,860	121,637,268	7,639,067	113,998,201	162.47%	1,324.54
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21
2020	*85,618	83,326,594	120,071,649	20,558,272	99,513,377	119.43%	1,162.30

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

* Estimate

Unaudited

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2020**

<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	\$ 38,125,000	88.69%	\$ 33,813,776
Independent School District 704	23,995,000	7.86%	1,885,711
St. Louis County	157,500,000	39.26%	<u>61,832,708</u>
Subtotal, overlapping debt			97,532,195
City of Duluth direct debt			<u>124,297,649</u>
Total direct and overlapping debt			<u><u>\$ 221,829,844</u></u>

The overlapping debt chargeable to the City is based upon the taxable net tax capacity in the City as a percentage of the total taxable net tax capacity of the overlapping governmental unit.

Unaudited

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Taxable market value	\$ 5,531,528,600	\$ 5,569,039,800	\$ 5,473,015,800	\$ 5,584,098,600	\$ 5,725,483,100
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	\$ 110,630,572	\$ 111,380,796	\$ 109,460,316	\$ 111,681,972	\$ 114,509,662
Debt applicable to limit:					
Total bonds payable	\$ 159,554,999	\$ 161,095,000	\$ 159,290,002	\$ 163,138,242	\$ 172,200,045
Less: Deductions allowable	(117,723,976)	(123,073,029)	(118,746,296)	(123,892,674)	(133,220,045)
Total net debt applicable to limit	\$ 41,831,023	\$ 38,021,971	\$ 40,543,706	\$ 39,245,568	\$ 38,980,000
Total net debt applicable to the limit as a percentage of debt limit	37.81%	34.14%	37.04%	35.14%	34.04%

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Taxable market value	\$ 5,903,691,700	\$ 6,124,643,600	\$ 6,224,187,356	\$ 6,534,657,950	\$ 6,732,090,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	\$ 118,073,834	\$ 122,492,872	\$ 124,483,747	\$ 130,693,159	\$ 134,641,812
Debt applicable to limit:					
Total bonds payable	\$ 168,342,029	\$ 155,967,007	\$ 154,647,475	\$ 141,994,868	\$ 151,204,640
Less: Deductions allowable	(129,827,029)	(117,767,007)	(112,342,475)	(103,369,868)	(109,429,640)
Total net debt applicable to limit	\$ 38,515,000	\$ 38,200,000	\$ 42,305,000	\$ 38,625,000	\$ 41,775,000
Total net debt applicable to the limit as a percentage of debt limit	32.62%	31.19%	33.98%	29.55%	31.03%

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	
<u>WATER REVENUE BOND</u>							
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,371	511,622	9.82
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
2016	14,494,396	9,008,318	5,486,078	336,473	27,326	363,799	15.08
2017	14,443,317	9,286,000	5,157,317	348,851	17,833	366,684	14.06
2018	14,891,148	9,255,377	5,635,771	99,000	110,307	209,307	26.93
2019	15,190,186	8,928,974	6,261,212	284,000	131,249	415,249	15.08
2020	15,141,893	8,183,754	6,958,139	330,000	121,967	451,967	15.40
<u>GAS REVENUE BOND (3)</u>							
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,104	1,059,076	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,767,073	25,294,510	6,472,563	902,931	55,294	958,225	6.75
2017	36,217,772	29,677,464	6,540,308	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<u>SEWER REVENUE BOND</u>							
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,941	257,061	1,764,002	2.77
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,515	1,356,771	4.52
2016	20,670,314	13,608,142	7,062,172	1,357,475	159,416	1,516,891	4.66
2017	19,543,095	13,717,618	5,825,477	1,289,599	127,358	1,416,957	4.11
2018	19,715,390	14,511,632	5,203,758	1,001,000	98,648	1,099,648	4.73
2019	19,650,585	13,971,291	5,679,294	1,035,999	70,975	1,106,974	5.13
2020	19,181,956	14,268,353	4,913,603	705,000	46,695	751,695	6.54
<u>STORMWATER REVENUE BOND</u>							
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15
2016	5,253,324	3,670,639	1,582,685	228,121	24,001	252,122	6.28
2017	5,293,060	3,141,177	2,151,883	241,549	18,184	259,733	8.28
2018	5,280,978	2,989,079	2,291,899	130,000	13,900	143,900	15.93
2019	5,309,868	3,168,582	2,141,286	135,000	10,575	145,575	14.71
2020	5,416,282	3,209,467	2,206,815	140,000	6,450	146,450	15.07

(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	
<u>STEAM REVENUE BOND</u>							
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
2015	6,728,330	6,230,054	498,276	635,000	151,946	786,946	0.63
2016	7,069,377	6,896,627	172,750	635,000	177,553	812,553	0.21
2017	7,712,154	6,845,368	866,786	650,000	170,315	820,315	1.06
2018	7,883,080	6,761,475	1,121,605	655,000	161,013	816,013	1.37
2019	8,091,177	6,722,623	1,368,554	665,000	149,456	814,456	1.68
2020	7,671,866	6,618,824	1,053,042	670,000	306,819	976,819	1.08
<u>GOLF REVENUE BOND (4)</u>							
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<u>PARKING REVENUE BOND</u>							
2011	2,645,997	800,256	1,845,741	825,000	620,263	1,445,263	1.28
2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,694	1,331,694	1.73
2015	4,513,311	1,789,669	2,723,642	780,000	186,819	966,819	2.82
2016	4,563,427	1,850,051	2,713,376	785,000	178,994	963,994	2.81
2017	4,054,780	1,971,083	2,083,697	795,000	167,119	962,119	2.17
2018	3,743,709	2,208,341	1,535,368	810,000	151,069	961,069	1.60
2019	4,134,908	2,642,090	1,492,818	830,000	134,669	964,669	1.55
2020	2,936,946	2,173,193	763,753	845,000	117,919	962,919	0.79

Notes:

- (1) Includes operating revenue and interest earnings.
- (2) Includes operating expenses, excluding depreciation.
- (3) Gas revenue bond was retired in 2019.
- (4) Golf revenue bond was retired in 2012.

Unaudited

**CITY OF DULUTH, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS AND
PRINCIPAL EMPLOYERS**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
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>
2011	86,277	2,324,435,029	26,942	8,815	6.8%
2012	86,200	2,368,110,337	27,472	8,686	6.0%
2013	86,128	2,510,223,601	29,145	8,517	5.2%
2014	86,238	2,605,207,475	30,210	8,517	4.4%
2015	86,110	2,763,072,824	32,088	8,353	3.3%
2016	86,293	2,709,298,125	31,396	8,115	3.9%
2017	86,066	2,770,709,396	32,193	8,067	3.5%
2018	85,884	2,894,363,625	33,701	8,515	2.9%
2019	85,618	3,018,766,661	35,259	8,229	3.2%
2020	*85,618	2,934,455,209	34,274	8,371	6.3%

Data sources:

The population figures are estimates of the US Census Bureau.

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 Employment and Economic Development.

* Estimate

Unaudited

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>Type of Business</u>	<u>2020</u>			<u>2011</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	6,513	1	12.14%	5,168	1	8.98%
St. Luke's Hospital	Healthcare / hospital	2,249	2	4.19%	1,602	4	2.78%
St. Louis County	Government	1,990	3	3.71%	1,956	2	3.40%
Independent School District No. 709	Education	1,450	4	2.70%	1,426	5	2.48%
Allete (Minnesota Power)	Electric utility	1,314	5	2.45%	1,419	6	2.46%
Duluth Air National Guard Base	Military	1,068	6	1.99%	1,068	8	1.86%
Cirrus Design	Aviation	1,000	7	1.86%			
United Health Care	Insurance	999	8	1.86%	1,362	7	2.37%
University of Minnesota - Duluth	Education	953	9	1.78%	1,700	3	2.95%
City of Duluth	Government	850	10	1.58%	870	9	1.51%
US Government	Government				850	10	1.48%
		<u>18,386</u>		<u>0.3426</u>	<u>17,421</u>		<u>0.3027</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**

	Full-time Equivalent Employees as of December 31				
Function:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	113.90	115.90	125.75	127.65	131.65
Public safety					
Police	185.00	185.00	178.50	178.50	178.50
Fire	140.00	138.00	141.00	142.00	143.00
Public works	118.60	106.60	87.10	85.90	85.05
Culture and recreation					
Parks and recreation	7.50	9.00	10.00	10.00	9.75
Library	43.50	48.50	49.00	49.00	46.50
Urban and economic development	62.50	61.50	60.25	59.53	55.50
Water & Gas	128.20	131.00	133.00	132.60	128.65
Sewer	38.40	39.20	40.20	39.33	36.93
Stormwater	24.20	26.00	26.00	25.52	26.87
Parking	3.00	3.00	8.00	8.00	8.00
Street lighting	5.00	5.00	5.00	5.10	5.10
Total	<u>869.80</u>	<u>868.70</u>	<u>863.80</u>	<u>863.13</u>	<u>855.50</u>

	Full-time Equivalent Employees as of December 31				
Function:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General government	132.40	133.00	126.50	131.65	134.10
Public safety					
Police	180.50	184.14	182.14	182.14	180.50
Fire	144.50	146.50	146.50	146.50	148.50
Public works	86.25	86.50	82.95	83.95	82.95
Culture and recreation					
Parks and recreation	11.75	11.95	11.70	11.70	13.70
Library	46.50	46.70	46.70	46.70	46.70
Urban and economic development	54.05	54.05	50.64	57.64	56.14
Water & Gas	129.15	134.75	134.75	135.45	133.00
Sewer	35.80	33.15	34.65	33.05	33.75
Stormwater	27.30	25.85	23.15	24.05	24.80
Parking	9.00	9.00	9.00	9.00	9.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	<u>862.30</u>	<u>870.69</u>	<u>853.78</u>	<u>866.93</u>	<u>868.24</u>

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police					
Criminal offences	11,278	9,924	10,828	9,472	10,262
Cleared by arrest	4,231	3,785	4,473	4,070	4,081
Traffic violations	9,746	9,499	11,152	9,307	8,525
Parking violations	51,991	46,492	51,361	55,097	50,647
Fire					
Number of calls answered	9,262	9,857	10,816	11,114	12,231
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	1,700	2,325	2,054	2,030	1,896
Estimated cost of construction during year	\$ 173,357,959	\$ 104,841,877	\$ 137,097,967	\$ 182,409,369	\$ 160,884,495
Culture and recreation					
Parks and recreation department					
Participation in special events	15,436	18,129	40,045	30,749	23,122
Attendance for parks permitted event permits					
Participation in recreation	39,839	35,681	27,393	28,304	22,586
Zoo regular customers	93,705	71,842	58,306	65,270	64,071
Library					
Registered borrowers	47,965	50,171	50,491	48,147	47,086
Items in collection	463,418	457,999	467,050	456,753	444,790
Items loaned	902,221	953,270	959,432	923,063	927,389
Library visits	376,817	460,918	484,917	492,106	474,982
Internet uses	66,394	89,070	106,662	118,825	109,965
Reference/research questions answered	79,443	90,155	84,838	89,232	77,896
Water					
Meters in service	29,069	28,082	28,051	28,131	28,134
Average number of gallons treated per month	461,125,000	468,170,000	433,795,000	433,676,667	431,616,667
Water pumped - million cubic feet	740	756	696	696	692
Water sold - million cubic feet	590	644	606	591	590
Daily average consumption in gallons	15,160,274	13,206,643	12,418,716	14,257,863	14,190,136
Gas					
Meters in service	26,693	27,542	27,452	26,585	26,896
MMBTU sold	5,184,800	4,528,009	5,355,988	5,679,683	4,885,371
Sewer					
Number of service connections	28,845	27,250	27,956	27,956	27,963
Daily average treatment in gallons	13,284,575	12,137,000	12,843,000	14,257,000	13,000,530
Stormwater					
Cleaning storm sewer pipe (in feet)	14,750	230,165	31,658	2,700	3,330
Steam					
Steam sold (in 1,000 lbs)	409,295	379,257	394,762	300,669	332,830
Golf					
Season passes	810	803	695	644	795
Skyline passes					1,620
Daily tickets	32,101	35,121	31,401	28,860	46,700
Carts	12,553	14,751	14,019	15,056	42,606
Rounds played	75,480	84,740	63,196	60,172	81,082

(continued)

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

Function:	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police					
Criminal offences	10,447	10,561	10,437	10,890	7,695
Cleared by arrest	4,062	3,802	3,267	3,518	2,580
Traffic violations	6,819	5,196	5,421	4,568	10,223
Parking violations	55,226	34,437	31,934	42,684	31,556
Fire					
Number of calls answered	12,799	13,239	13,255	13,698	13,815
Number of inspections conducted	1,200	7,490	7,367	8,382	4,607
Public works					
Construction permits:					
Permits issued	2,085	2,071	1,861	2,188	2,006
Estimated cost of construction during year	\$ 108,815,274	\$ 92,039,794	\$ 115,349,614	\$ 203,247,704	240,265,841
Culture and recreation					
Parks and recreation department					
Participation in special events	49,125	67,300	62,925	68,725	-
Attendance for parks permitted event permits					2,000
Participation in recreation	31,555	25,210	27,197	44,373	10,431
Zoo regular customers	76,316	81,538	78,439	79,128	32,533
Library					
Registered borrowers	45,424	42,674	51,636	52,178	39,906
Items in collection	435,385	424,304	419,907	346,516	332,450
Items loaned	848,293	871,704	847,237	868,740	373,521
Library visits	461,403	475,363	426,082	437,668	91,193
Internet uses	92,656	90,489	81,685	70,338	15,503
Reference/research questions answered	59,321	71,253	59,579	65,702	25,675
Water					
Meters in service	28,134	28,243	28,345	28,422	28,598
Average number of gallons treated per month	415,642,500	408,434,167	388,512,500	374,256,680	334,648,416
Water pumped - million cubic feet	667	655	623	600	537
Water sold - million cubic feet	566	568	562	528	464
Daily average consumption in gallons	11,590,274	11,648,560	12,773,013	12,307,089	11,002,308
Gas					
Meters in service	28,540	28,712	28,957	29,234	29,484
MMBTU sold	4,770,804	5,218,978	5,063,708	5,984,783	5,737,419
Sewer					
Number of service connections	27,985	27,993	28,030	28,075	27,766
Daily average treatment in gallons	13,729,690	14,355,390	12,093,510	14,111,340	11,002,140
Stormwater					
Cleaning storm sewer pipe (in feet)	20,017	107,965	125,776	82,597	2,841
Steam					
Steam sold (in 1,000 lbs)	313,408	305,465	345,262	350,306	293,441
Golf					
Season passes	731	436	462	307	183
Skyline passes	2,146	1,818	1,354	1,045	726
Daily tickets	38,894	34,358	39,661	33,223	15,924
Carts	39,846	28,555	25,048	21,079	16,649
Rounds played	75,544	67,657	60,988	51,402	39,337

Sources: Various government departments

Unaudited

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function:					
Police					
Patrol units	94	93	93	93	93
Fire					
Fire stations	9	8	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	470.23	470.43	470.49	472.51	473.80
Miles of streets - unpaved	48.02	48.02	47.96	47.96	47.96
Miles of sidewalk	409.00	409.90	410.98	410.98	410.98
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,930
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	127	128	128	128	128
Park acreage	15,255	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	19	19
Community clubs/field houses operated	22	21	21	19	19
Number of athletic fields	57	57	57	57	57
Number of hiking trails	14	14	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	426.30	426.74	428.30	429.50	430.40
Number of hydrants	2,583	2,597	2,671	2,677	2,688
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	511.00	520.00	527.00	534.70	534.10
Sewer					
Miles of sanitary sewers	382.00	406.20	398.00	402.00	395.30
Stormwater					
Miles of storm sewers	431.00	431.00	443.00	435.00	398.07
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

(continued)

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

Function:	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police					
Patrol units	97	102	123	120	120
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	475.77	475.74	475.77	475.77	476.13
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	411.08	352.00	352.13	352.13	352.96
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,940	3,930	3,809	3,809	3,350
Overhead street lamps	3,665	3,665	3,665	3,665	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	17	17
Community clubs/field houses operated	19	19	18	17	17
Number of athletic fields	48	48	48	48	48
Number of hiking trails	14	14	14	25	25
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	428.30	428.40	429.40	432.50	430.00
Number of hydrants	2,699	2,708	2,717	2,738	2,747
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	538.20	544.40	548.10	551.10	554.60
Sewer					
Miles of sanitary sewers	397.60	398.80	398.10	398.10	398.00
Stormwater					
Miles of storm sewers	404.56	412.00	413.00	413.00	415.00
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	510	515	471	516	519
Number of conventions	46	45	51	45	52
Duluth Airport Authority					
Number of passengers	295,212	322,208	313,839	310,893	266,500
Duluth Transit Authority					
Number of buses	66	66	66	67	66
Number of routes	19	20	19	19	19
Number of passengers	3,264,479	3,278,682	3,195,020	3,107,305	2,850,000
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	155,450	130,013	136,990	140,017	95,401
Season passes	7,835	6,915	6,773	6,728	5,697

	Fiscal Year				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	506	510	494	515	97
Number of conventions	47	45	46	47	9
Duluth Airport Authority					
Number of passengers	251,459	244,839	275,969	313,980	129,508
Duluth Transit Authority					
Number of buses	67	67	75	75	77
Number of routes	20	23	23	23	23
Number of passengers	2,804,000	2,786,000	2,760,000	2,645,306	1,763,494
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	89,483	78,739	46,963	94,770	104,173
Season passes	4,275	3,386	4,970	6,679	6,756

Unaudited

