

CITY OF DULUTH, MINNESOTA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2009



CITY OF DULUTH MINNESOTA

**Comprehensive Annual Financial Report
for the Fiscal Year Ending
December 31, 2009**



Department of Finance

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 December 31, 2009**

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INTRODUCTORY SECTION



June 29, 2010

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, 2009.

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

The Minnesota Office of the State Auditor has issued an unqualified opinion on the City of Duluth's financial statements for the year ended December 31, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

Duluth is the seat of St. Louis County, and is the largest city in the northern two-thirds of Minnesota. It is located at the western tip of Lake Superior; the city limits encompass 67 square miles of land and nearly 50 square miles of water. Situated on a hillside along Lake Superior's north shore, Duluth is 23 miles long and eight miles wide at its broadest point. Duluth's population exceeds 85,000 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 three 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, which functions, in essence, as a department of the City and therefore is included as an integral part of the City's financial statements. The City also is financially accountable for several legally separate entities including an airport, convention center, transit services and a ski hill, all of which are reported separately in the City's financial statements. Additional information regarding these legally separate entities is provided in Note 1 to the financial statements.

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

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Security, Duluth's employment figures fared well by comparison to other municipalities. The total number of jobs reported to the state in 2009 peaked at 58,414 while unemployment averaged just 7.8%, compared with 8.2% for the state as a whole.

Duluth also serves as a major shipping port for the region. The Seaway Port Authority of Duluth reports that 726 ships used the port last year including 475 U.S-flag vessels, 187 Canadian-flag vessels and 64 foreign-flag vessels. Tonnage carried by those vessels was 31,210,918 tons for the 2009 shipping season. The Seaway Port Authority reports as the economy continues to improve, current season tonnage should approach the 40 million ton mark.

Duluth continues to excel in the key industry of tourism bringing approximately 3.5 million visitors to Duluth. Duluth's efforts in attracting conventions to the city resulted in 48 conventions hosted by the Duluth Entertainment Convention Center (DECC) during 2009. The DECC remains a leader in convention center business and is uniquely located on one of the largest inland seaports in the world. The DECC expansion, home to the University of Minnesota-Duluth's men's and women's hockey teams, is scheduled for opening late 2010. With seating for up to 6,800 hockey and 8,000 concert guests, the arena will attract larger concerts and conventions to the city. This expansion is estimated to cost nearly \$80 million.

According to survey results from the Minnesota Board of Trade and Economic Development and the Minnesota Office of Tourism, visitors to Duluth contribute over \$780 million to the local and regional economy.

Enrollment at Duluth's three institutions of higher learning, the University of Minnesota-Duluth, The College of St. Scholastica, and Lake Superior College, has never been higher. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools To Consider." UMD and St. Scholastica are regularly ranked in the top tier of midwestern universities by *U.S. News and World Report*. With a student population of 11,664, UMD provides 13 bachelor degrees in 74 majors, 27 graduate programs including a two year School of Medicine and the College of Pharmacy. In addition UMD offers two doctoral programs: the Doctor of Education (Ed.D.) degree and a Phd in Integrated Biological Sciences. Lake Superior College has grown by more than 50% over the past decade and has received \$12.2 million in funding for a new Health and Science Center.

LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund (2.3 percent of total general fund expenditures and transfers) does not fall within the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unreserved, undesignated fund balance should fall within the following range of general fund expenditures and transfers; 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum. The City will continue its fund balance recovery initiative to work towards rebuilding unreserved, undesignated fund balance to meet policy requirements during 2010 and 2011.

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, 2009, the Community Investment Fund reported a fund balance of \$47.0 million.

In 2009, the City Council approved using \$7.4 million to pay off debt issued to finance the City's street improvement program and approved transferring \$11.2 million over the two-year period of 2009-2010 to fund the City's street improvement program. It is anticipated that over the two-year period of 2009-2010, the street improvement program will result in the improvement of over 30 miles of city streets.

MAJOR INITIATIVES

In 2007, the City established an irrevocable trust to pre-fund the City's other post employment benefit liability. Cumulative contributions totaling \$20.3 million have been made to the irrevocable trust as of December 31, 2009. Future contributions will be made from a variety of funding sources including property taxes and public utility revenues.

In 2008, the City approved an additional three-quarter of one percent food and beverage tax for the Duluth Entertainment Convention Center (DECC) project. The DECC project will be financed by state grants of \$38 million and City general obligation bonds of \$41 million. Construction of the project is anticipated to be completed by the end of 2010. The City general obligation bonds will be repaid with food and beverage tax collections and operating revenues from the DECC.

In 2009, the City completed the sale of the assets of Steam District #2 for \$2.5 million to Minnesota Power. The proceeds from the sale were used to restore general fund unreserved undesignated fund balance.

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2008. This was the thirty-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 2009. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Wayne Parson, CPA (inactive)
City Auditor

**ELECTED AND APPOINTED OFFICIALS
CITY OF DULUTH, MINNESOTA
2009**

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

*All terms expire in January

APPOINTED POSITIONS

Chief Administrative Office	David Montgomery
Attorney	Gunnar Johnson
Director, Public Administration	Lisa Potswald
Director, Public Works and Utilities	James Benning
Fire Chief	John Strongitharm
Police Chief	Gordon Ramsay
Assessor	John Gellatly
Auditor	Wayne Parson
Clerk	Jeffrey Cox
Treasurer	Brian Hansen

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CITIZENS

Boards and Commissions

Duluth Economic Development Authority (DEDA)

Duluth Entertainment and Convention Center Authority (DECC)

Duluth Airport Authority

Duluth Transit Authority (DTA)

Spirit Mountain Recreation Area Authority

Mayor

City Council

Chief Administrative Officer

City Attorney

Community Resources

Fire

Police

Public Administration

Public Works and Utilities

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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, 2008

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



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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525 PARK STREET
SAINT PAUL, MN 55103-2139

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Steam District #2 Enterprise Fund, which is 8 percent of the revenues of the business-type activities and 14 percent of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Steam District #2 Enterprise Fund, is based solely upon the report of the other auditors. Steam District #2 ceased operations as of September 30, 2009, and all capital assets were sold.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Steam District #2 Enterprise Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.



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In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Duluth as of December 31, 2009, including the Spirit Mountain Recreation Area Authority as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth's basic financial statements. The combining and individual fund statements and schedules, supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and supplementary information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2010, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2010

Management's Discussion and Analysis (MD & A)

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

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, 2009 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 exceeded its liabilities at December 31, 2009 by \$423.8 million; this amount is identified as net assets. Of this amount, \$77.8 million is unrestricted and may be used to meet the City's ongoing obligations.
- As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$133.7 million. Although \$63.2 million is reported as unreserved-undesignated fund balance, which is considered available for spending at the City's discretion, 75% of that amount is in the Community Investment Fund, which is dedicated towards future capital improvements of the City. Use of those monies requires a "super-majority" vote of the City Council, or seven of nine votes.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other post-employment benefits. As of December 31, 2009, the trust reported net assets totaling \$20.8 million.
- In 2009, the City issued \$17.5 million general obligation bonds to fund the construction of a new law enforcement center.
- The Steam District #2 assets were sold in 2009 for \$2.5 million. The sale proceeds were used to erase the City's negative General Fund unreserved-undesignated fund balance and bring it back into positive territory in 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

The government-wide financial statements include not only the City of Duluth, referred to as the primary government, but also four 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. Complete financial statements for the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, the Duluth Transit Authority, and the Spirit Mountain Recreation Area Authority can be obtained from their respective offices, which addresses are provided in Note 1 of the notes to the financial statements. The Duluth Economic Development Authority, although also legally separate, functions for all practical purposes as a department of the City of Duluth, and therefore has been included as an integral part of the primary government.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net assets may serve as a useful indicator of the City's financial position. The largest portion of the City's net assets (76 percent) is invested in capital assets (land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The remaining balance of net assets (18 percent) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. At the end of the past two fiscal years, all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities, had positive balances. The following table presents a summary of the City's net assets at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 186,829	\$ 182,979	\$ 42,429	\$ 36,531	\$ 229,258	\$ 219,510
Capital assets	263,203	255,634	186,865	189,723	450,068	445,357
Total assets	\$ 450,032	\$ 438,613	\$ 229,294	\$ 226,254	\$ 679,326	\$ 664,867
Long-term liabilities outstanding	\$ 154,865	\$ 142,440	\$ 71,479	\$ 73,243	\$ 226,344	\$ 215,683
Other liabilities	16,205	10,571	13,015	13,151	29,220	23,722
Total liabilities	\$ 171,070	\$ 153,011	\$ 84,494	\$ 86,394	\$ 255,564	\$ 239,405
Net assets:						
Invested in capital assets net of related debt	\$ 202,559	\$ 188,130	\$ 117,944	\$ 119,658	\$ 320,503	\$ 307,788
Restricted	23,345	24,242	2,088	2,204	25,433	26,446
Unrestricted	53,058	73,230	24,767	17,998	77,825	91,228
Total net assets	\$ 278,962	\$ 285,602	\$ 144,799	\$ 139,860	\$ 423,761	\$ 425,462

Overall, the City's financial position remained unchanged for 2009. The City's total net assets decreased slightly, \$1.7 million, a decrease of only 0.4%. Net assets invested in capital assets continue to increase in both governmental and business activities due to the City's street improvement program and utility infrastructure replacement.

In governmental activities, the increase in total liabilities was due to \$17.5 million in debt issued to finance a new law enforcement center and an increase of \$5.4 million in the liability for other post employment benefits. The increase in assets was due primarily to unspent bond proceeds.

For business-type activities the increase in unrestricted net assets was due to several factors including positive operating results in the gas fund and sewer fund. In addition, 2009 was the first full year of collection of a new fee to fund a clean water program.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

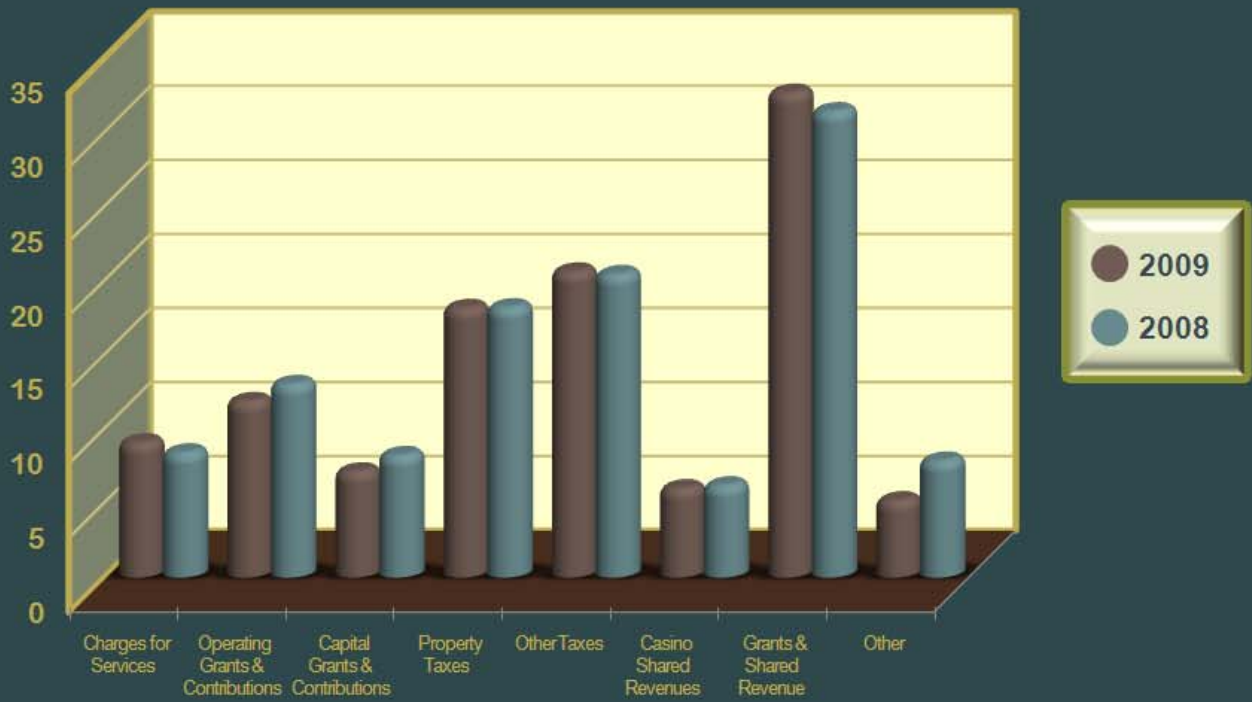
To give users a better understanding of the sources and uses of the City's net assets, the following table presents a summary of revenues, expenses, and changes in net assets for the past two fiscal years ending December 31 (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 9,053	\$ 8,380	\$ 104,203	\$ 112,878	\$ 113,256	\$ 121,258
Operating grants and contributions	11,846	12,997	-	-	11,846	12,997
Capital grants and contributions	7,095	8,200	3,836	1,970	10,931	10,170
General Revenues:						
Property taxes	18,125	18,170	-	-	18,125	18,170
Other taxes	20,584	20,413	-	-	20,584	20,413
Casino shared revenues	5,963	6,157	-	-	5,963	6,157
Grants and shared revenues not restricted to specific programs	32,645	31,398	-	-	32,645	31,398
Other	5,151	7,819	433	557	5,584	8,376
Total revenues	<u>110,462</u>	<u>113,534</u>	<u>108,472</u>	<u>115,405</u>	<u>218,934</u>	<u>228,939</u>
Expenses:						
General government	35,376	25,028	-	-	35,376	25,028
Public safety	36,398	36,479	-	-	36,398	36,479
Public works	7,616	15,817	-	-	7,616	15,817
Culture and recreation	24,655	13,962	-	-	24,655	13,962
Urban and economic development	15,722	18,181	-	-	15,722	18,181
Interest	5,175	4,749	-	-	5,175	4,749
Water	-	-	10,717	11,325	10,717	11,325
Gas	-	-	38,462	54,337	38,462	54,337
Sewer	-	-	17,569	16,747	17,569	16,747
Stormwater	-	-	3,309	2,876	3,309	2,876
Steam District #1	-	-	5,995	5,852	5,995	5,852
Steam District #2	-	-	9,031	10,240	9,031	10,240
Golf	-	-	1,895	1,887	1,895	1,887
Parking	-	-	1,882	2,030	1,882	2,030
Street lighting	-	-	1,392	310	1,392	310
Total expenses	<u>124,942</u>	<u>114,216</u>	<u>90,252</u>	<u>105,604</u>	<u>215,194</u>	<u>219,820</u>
Increase in net assets before transfers and extraordinary item	(14,480)	(682)	18,220	9,801	3,740	9,119
Extraordinary item: Loss on sale of business activity	-	-	(5,441)	-	(5,441)	-
Transfers	7,840	2,235	(7,840)	(2,235)	-	-
Increase in net assets	(6,640)	1,553	4,939	7,566	(1,701)	9,119
Net assets, January 1	<u>285,602</u>	<u>284,049</u>	<u>139,860</u>	<u>132,294</u>	<u>425,462</u>	<u>416,343</u>
Net assets, December 31	<u>\$278,962</u>	<u>\$285,602</u>	<u>\$ 144,799</u>	<u>\$ 139,860</u>	<u>\$ 423,761</u>	<u>\$ 425,462</u>

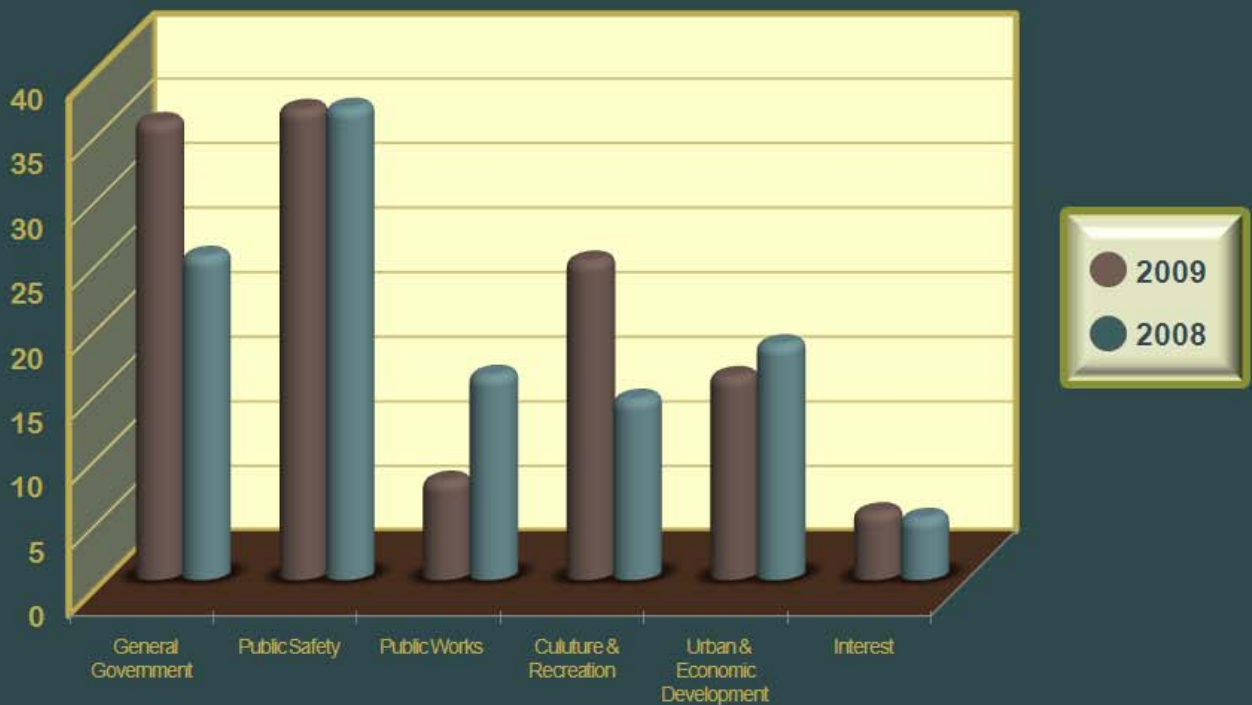
The governmental activities revenue decrease of \$3.1 million was due primarily due to a decrease in miscellaneous revenue. In 2008 the City had additional miscellaneous revenue largely due to the sale of unimproved city owned land. The business-type activities revenue decrease of \$6.9 million was due primarily to a decrease in gas utility revenues which fluctuate based upon the cost of natural gas. In addition, 2009 was the first full year of fee collections for street lighting and the clean water program to prevent sewage overflows into Lake Superior. These new fees offset some of the decrease in gas utility revenues.

Total expenses increased \$10.7 million for governmental activities. The increase was due primarily to increased construction activity related to the Duluth Entertainment and Convention Center (DECC) expansion which is categorized as a culture and recreation expense. The DECC expansion is reported as a capital asset of the DECC, a component unit of the City. Therefore, City funds expended on the project are reported as an expense on the statement of activities. Also, due to a city-wide reorganization in 2009, maintenance operations previously reported as public works are now reported as general government operations. This reorganization explains the significant fluctuation in general government & culture and recreation expenses between 2008 and 2009. Business-type activities expenses and transfers decreased \$9.7 million. This decrease was largely due to the reduced cost of natural gas. Natural gas prices fluctuate widely based upon supply and demand factors beyond the control of the City.

Revenue by Source - Governmental Activities



Expense by Function - Governmental Activities



**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

FUND FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2009, the City's governmental funds reported combined ending fund balances of \$133.7 million, a decrease of \$5.2 million from 2008. Of the total fund balance amount, \$115.6 million, or 86%, is reported as unreserved fund balance, which is available for spending at the City's discretion. Of the unreserved amount, \$52.5 million is already designated for specific purposes, with the largest amount, \$38.7 million, set aside for capital improvements. Of the \$63.2 million reported as unreserved, undesignated fund balance, 75% of it is in the Community Investment Special Revenue Fund, which is to be used to finance future capital improvements of the City. The remaining \$18.1 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate existing contracts and purchase orders totaling \$5.9 million; 2) to pay \$8.7 million for debt service; and 3) \$3.5 million for a variety of other restricted purposes.

The General Fund is the main operating fund of the City of Duluth. At December 31, 2009, fund balance of the General Fund was \$2.4 million, with \$2.0 million, or 83% reported as unreserved. The undesignated portion of unreserved fund balance was \$1.7 million. The unreserved-undesignated fund balance of the General Fund increased \$3.1 million in 2009. This increase was due in part to \$2.5 million in proceeds received from the sale of Steam District #2 assets. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated, unreserved fund balance and total fund balance to total fund expenditures. Undesignated, unreserved fund balance is 2.3% and total fund balance is 3.2% of total General Fund expenditures.

The Community Investment Special Revenue Fund balance decreased \$10.6 million in 2009. This reduction was due to the use of \$7.4 million to pay off debt issued to finance the City's street Improvement program and the use of an additional \$5.2 million to finance current year street improvements.

The DECC Capital Improvement Capital Project Fund was created in 2008 to account for the bond proceeds issued to finance the construction of an addition to the Duluth Entertainment and Convention Center (DECC). Construction is expected to be completed by the end of 2010.

PROPRIETARY FUNDS

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

	Unrestricted Net Assets December 31		Increase (Decrease) Net Assets December 31	
	2009	2008	2009	2008
	Water	\$ 1,668	\$ 1,620	\$ 926
Gas	11,364	9,488	3,813	728
Sewer	3,948	1,229	6,038	514
Parking	3,376	2,640	721	2,501

Unrestricted net assets increased for all major proprietary funds. The unrestricted net asset increase was due to favorable operating results. The Sewer fund had the added benefit of 2009 being the first full year of collection of a new fee to fund a clean water program to prevent sewage overflows into Lake Superior. The Sewer Fund also received \$3.4 million in capital grants to finance sewer infrastructure improvements.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$.7 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$.2 million appropriation increase for prior year carryovers.
- \$.5 million appropriation for grants, gifts and donations.

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

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

- Revenues and other financing sources were under budget by \$2.1 million. Unfavorable variances occurred in building inspection fees due to new building activity remaining stagnant due to the economy. The economy also had a significant impact on sales tax revenue. A significant unfavorable variance in intergovernmental revenue was due a shortfall in state aid due to conditions beyond the control of the City. Proceeds from the sale of the Steam District #2 assets helped offset these unfavorable variances.
- Expenditures and transfers were under budget by \$5.5 million due primarily to staff vacancies and associated benefits. In addition, the annual transfer to fund the debt service on street improvement debt was made by the Community Investment Special Revenue Fund as part of the City's new strategy for financing its street improvement program.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City of Duluth's investment in capital assets for its governmental and business-type activities as of December 31, 2009 was \$450.1 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2009, the City's total investment in capital assets, net of accumulated depreciation, increased by \$4.7 million. The net increase of \$4.7 million was due primarily to the City's ongoing street improvement program and utility related infrastructure work. Additional information related to the City's capital assets can be found in Note 6 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2009	2008	2009	2008
Capital Assets:				
Land and improvements	\$ 21,733	\$ 22,146	\$ 4,628	\$ 4,630
Buildings	38,854	40,450	35,163	36,355
Equipment	7,224	7,237	23,219	24,909
Infrastructure	163,122	166,396	115,033	110,432
Construction in progress	32,270	19,405	8,822	13,397
Total	<u>\$ 263,203</u>	<u>\$ 255,634</u>	<u>\$ 186,865</u>	<u>\$ 189,723</u>

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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LONG-TERM DEBT

The City of Duluth had \$182.2 million of bonded debt outstanding as of December 31, 2009. Of this amount, \$85.1 million is debt backed by the full faith and credit of the City. \$41.1 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 \$54.5 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 <u>12/31/09</u>	Balance <u>12/31/08</u>
Governmental Activities:		
General Obligation Bonds	\$ 76,699	\$ 60,815
General Obligation Tax Increment Bonds	-	-
General Obligation Tax Abatement Bonds	310	310
Tax Increment Revenue Bonds	135	175
Lease Revenue Bonds	995	1,125
Special Assessment Debt with Government Commitment	41,106	48,845
General Obligation Certificates	<u>8,065</u>	<u>6,715</u>
Total Governmental Activities Bonded Debt	<u>\$ 127,310</u>	<u>\$ 117,985</u>
Business-type Activities:		
Revenue Bonds	420	550
Revenue and General Obligation Bonds	<u>54,505</u>	<u>56,315</u>
Total Business-type Activities Bonded Debt	<u>\$ 54,925</u>	<u>\$ 56,865</u>

During 2009, the City's total debt increased by \$ 7.4 million. In 2009, the City issued \$19.6 million of general obligation bonds, \$1.6 million special assessment debt with government commitment, and \$2.6 million of general obligation certificates. Of the \$19.6 million general obligation bonds issued, \$17.5 million was issued to assist in the financing of a new law enforcement center. The City also issued \$6.1 million utility revenue and general obligation bonds and \$1.4 million utility general obligation notes. The City has an "Aa2" rating from Moody's Investors Service and an "AA-" rating from Standard and Poors.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$114.6 million, which is significantly higher than the City's net debt of \$40.3 million. Additional information about the City's long-term debt can be found in Note 11 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2010 General Fund budget of \$75.5 million is \$5.8 million or 7.1% less than the 2009 approved budget. State local government aid (LGA) payments are anticipated to supply 37.0% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

In the 2003 state legislative session, the Legislature reduced local government aid to cities across the state as part of the solution to the State's budget deficit and has enacted significant changes to the LGA program for 2005 and beyond. The amount of dollars allocated to the program has been reduced and the Legislature also eliminated the automatic inflationary increase that had been in place since 1993. The greatest change to the program however, was the adoption of a new formula which measures each city's expenditure need based on a number of statistical variables. Once a city's need is calculated, it is compared to a city's ability to pay or revenue raising capacity. Cities that have spending needs that exceed their ability to pay receive a share of the LGA distribution. For Duluth's 2010 allocation, the certified formula aid increase was \$.8 million for a total aid amount of \$31.5 million. However, the City anticipates that a projected state deficit for 2009-2010 biennium budget will

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

result in a sizeable decrease in its 2010 certified formula aid to approximately \$26.3 million. In December 2009, due to a projected state deficit, the governor made a \$1.5 million reduction (unallotment) in the City's final 2009 state aid payment. In 2002, prior to the LGA legislative changes, the City's allocation was \$30.2 million.

In 2009, the City contracted with an actuary to calculate its annual required contribution for post employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The annual required contribution for 2009 was calculated to be \$17.6 million which is a major decrease from the 2008 annual required contribution of \$23.7 million. For the year ended December 31, 2009, the City made contributions of \$3.0 million to an irrevocable trust and paid an additional \$10.5 million of retiree claims which resulted in a net increase of \$4.0 million in the City's net other post employment benefits liability. As of December 31, 2009, the City's net other post employment benefits liability is \$16.2 million. The City has budgeted contributions of \$2.7 million to the irrevocable trust for 2010.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 149,860,452	\$ 16,343,305	\$ 166,203,757	\$ 7,684,898
Assets held by trustee	138,044	-	138,044	-
Receivables, net	29,239,306	12,643,207	41,882,513	791,773
Due from primary government	-	-	-	108,323
Internal balances	156,391	(156,391)	-	-
Due from component units	334,866	-	334,866	-
Due from other governments	4,666,940	2,210,982	6,877,922	302,439
Inventories	406,132	2,010,491	2,416,623	512,918
Prepays	475,115	2,630,439	3,105,554	73,363
Restricted assets:				
Cash and cash equivalents	-	2,765,848	2,765,848	695,366
Accounts receivable	-	-	-	63,014
Loans receivable	-	3,318,707	3,318,707	-
Grants receivable	-	-	-	3,304,529
Due from primary government	-	-	-	2,821,221
Due from other governments	-	-	-	2,720,481
Assets held by trustee	-	104,010	104,010	86,495
Deferred charges	1,551,747	558,067	2,109,814	816,846
Capital assets (Note 6):				
Non-depreciable	54,003,181	13,450,071	67,453,252	49,870,186
Depreciable, net	209,200,293	173,414,860	382,615,153	121,377,050
Total assets	450,032,467	229,293,596	679,326,063	191,228,902
LIABILITIES				
Accounts payable and other short-term liabilities	9,062,544	8,393,070	17,455,614	9,600,898
Accrued interest payable	2,101,817	1,064,189	3,166,006	37,198
Due to component units	2,934,250	-	2,934,250	-
Due to primary government	-	-	-	312,592
Due to other government	963,762	1,031,276	1,995,038	43,774
Unearned revenues	1,142,808	2,526,736	3,669,544	466,939
Noncurrent liabilities (Note 11):				
Due within one year	14,762,160	5,772,652	20,534,812	2,006,620
Due in more than one year	140,102,895	65,706,289	205,809,184	4,168,642
Total liabilities	171,070,236	84,494,212	255,564,448	16,636,663
NET ASSETS				
Investment in capital assets, net of related debt	202,558,996	117,943,713	320,502,709	167,325,660
Restricted for:				
Debt service	19,906,226	-	19,906,226	86,495
Capital projects	606,522	-	606,522	264,665
Special projects	1,833,241	106,882	1,940,123	-
Loans	958,817	1,981,564	2,940,381	-
Other	40,761	-	40,761	5,368,167
Unrestricted	53,057,668	24,767,225	77,824,893	1,547,252
Total net assets	\$ 278,962,231	\$ 144,799,384	\$ 423,761,615	\$ 174,592,239

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, 2009**

<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	\$ 35,376,090	\$ 4,514,042	\$ 1,614,559	\$ 95,485
Public safety	36,397,795	2,555,541	2,165,940	85,288
Public works	7,616,214	349,364	-	5,957,387
Culture and recreation	24,655,278	1,108,600	100,204	107,500
Urban and economic development	15,722,245	525,437	7,965,421	849,756
Interest	5,175,178	-	-	-
Total governmental activities	<u>124,942,800</u>	<u>9,052,984</u>	<u>11,846,124</u>	<u>7,095,416</u>
Business-type activities:				
Water	10,717,468	11,961,915	-	21,822
Gas	38,462,243	46,419,426	-	21,764
Sewer	17,569,046	20,320,378	-	3,436,525
Stormwater	3,308,604	5,222,917	-	25,309
Steam district #1	5,994,665	6,152,268	-	-
Steam district #2	9,031,530	8,384,720	-	330,754
Golf	1,895,162	1,945,446	-	-
Parking	1,881,852	2,524,682	-	-
Street Lighting	1,391,981	1,271,623	-	-
Total business-type activities	<u>90,252,551</u>	<u>104,203,375</u>	<u>-</u>	<u>3,836,174</u>
Total primary government	<u>\$ 215,195,351</u>	<u>\$ 113,256,359</u>	<u>\$ 11,846,124</u>	<u>\$ 10,931,590</u>
Component units :				
Duluth Entertainment and Convention Center Authority	\$ 10,990,932	\$ 6,445,888	\$ -	\$ 34,430,855
Duluth Airport Authority	8,286,071	3,465,677	41,426	12,985,250
Duluth Transit Authority	14,570,804	2,236,580	6,420,055	4,172,033
Spirit Mountain Recreation Area Authority	4,416,141	4,166,725	-	225,000
Total component units	<u>\$ 38,263,948</u>	<u>\$ 16,314,870</u>	<u>\$ 6,461,481</u>	<u>\$ 51,813,138</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, 2009**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:				
Governmental activities:				
General government	\$ (29,152,004)	\$ -	\$ (29,152,004)	\$ -
Public safety	(31,591,026)	-	(31,591,026)	-
Public works	(1,309,463)	-	(1,309,463)	-
Culture and recreation	(23,338,974)	-	(23,338,974)	-
Urban and economic development	(6,381,631)	-	(6,381,631)	-
Interest	(5,175,178)	-	(5,175,178)	-
Total governmental activities	(96,948,276)	-	(96,948,276)	-
Business-type activities:				
Water	-	1,266,269	1,266,269	-
Gas	-	7,978,947	7,978,947	-
Sewer	-	6,187,857	6,187,857	-
Stormwater	-	1,939,622	1,939,622	-
Steam district #1	-	157,603	157,603	-
Steam district #2	-	(316,056)	(316,056)	-
Golf	-	50,284	50,284	-
Parking	-	642,830	642,830	-
Street Lighting	-	(120,358)	(120,358)	-
Total business-type activities	-	17,786,998	17,786,998	-
Total primary government	(96,948,276)	17,786,998	(79,161,278)	-
Component units :				
Duluth Entertainment and Convention Center Authority	-	-	-	29,885,811
Duluth Airport Authority	-	-	-	8,206,282
Duluth Transit Authority	-	-	-	(1,742,136)
Spirit Mountain Recreation Area Authority	-	-	-	(24,416)
Total component units	-	-	-	36,325,541
General Revenues:				
Property taxes	18,125,284	-	18,125,284	2,280,539
Market value credit aid	1,147,029	-	1,147,029	-
Sales taxes	18,009,914	-	18,009,914	-
Other taxes	2,573,884	-	2,573,884	-
Casino shared revenues	5,963,162	-	5,963,162	-
Grants and shared revenues not restricted to specific programs	31,498,519	-	31,498,519	3,426,300
Investment income	4,034,753	320,540	4,355,293	107,871
Gain on sale or disposition of capital assets	84,278	112,447	196,725	56,315
Miscellaneous	1,031,930	-	1,031,930	307,346
Extraordinary item: Loss on sale of business activity	-	(5,441,237)	(5,441,237)	-
Transfers	7,839,803	(7,839,803)	-	-
Total general revenues and transfers	90,308,556	(12,848,053)	77,460,503	6,178,371
Change in net assets	(6,639,720)	4,938,945	(1,700,775)	42,503,912
Net assets - beginning	285,601,951	139,860,439	425,462,390	132,088,327
Net assets - ending	<u>\$ 278,962,231</u>	<u>\$ 144,799,384</u>	<u>\$ 423,761,615</u>	<u>\$ 174,592,239</u>

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

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General Fund	Community Investment	DECC Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,694,510	\$ 46,962,762	\$ 23,214,578	\$ 62,936,072	\$ 134,807,922
Assets held by trustee	138,044	-	-	-	138,044
Receivables, net:					
Taxes	2,755,578	-	-	1,424,893	4,180,471
Accounts	410,958	3,483,987	-	490,310	4,385,255
Assessments	931,985	-	-	10,088,107	11,020,092
Loans	271,643	-	-	8,469,176	8,740,819
Grants	-	-	-	766,149	766,149
Accrued interest	153,916	330,237	78,762	-	562,915
Deposits	-	-	-	250,000	250,000
Due from other funds	1,612,392	-	-	8,487,822	10,100,214
Due from component units	153,887	-	-	-	153,887
Interfund loan receivable	970,046	-	-	-	970,046
Due from other governments	715,124	-	-	3,463,224	4,178,348
Land held for resale	-	-	-	192,500	192,500
Prepays	-	-	-	430,945	430,945
Total assets	\$ 9,808,083	\$ 50,776,986	\$ 23,293,340	\$ 96,999,198	\$ 180,877,607
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,232,137	\$ -	\$ -	\$ 682,754	\$ 2,914,891
Contracts payable	132,785	-	-	3,665,135	3,797,920
Due to other funds	1,648,595	262,145	-	8,286,946	10,197,686
Due to component units	10,975	-	2,821,221	102,054	2,934,250
Interfund loan payable	-	-	-	282,453	282,453
Loans payable	-	-	-	391,947	391,947
Due to other governments	79,442	-	-	870,543	949,985
Accrued salaries payable	1,575,291	-	-	84,880	1,660,171
Deferred revenue	1,729,411	3,483,987	-	18,809,281	24,022,679
Total liabilities	7,408,636	3,746,132	2,821,221	33,175,993	47,151,982
Fund balances:					
Reserved for:					
Encumbrances	185,031	-	-	5,670,852	5,855,883
Debt service	-	-	-	8,688,605	8,688,605
Special accounts	251,829	-	-	3,298,568	3,550,397
Unreserved:					
Designated for, reported in:					
Capital improvements	218,183	-	-	-	218,183
Special accounts	5,230	-	-	-	5,230
Special revenue funds	-	-	-	1,352,914	1,352,914
Debt service funds	-	-	-	12,384,602	12,384,602
Capital project funds	-	-	20,472,119	18,035,330	38,507,449
Undesignated, reported in:					
General fund	1,739,174	-	-	-	1,739,174
Special revenue funds	-	47,030,854	-	6,909,500	53,940,354
Capital project funds	-	-	-	7,482,834	7,482,834
Total fund balances	2,399,447	47,030,854	20,472,119	63,823,205	133,725,625
Total liabilities and fund balances	\$ 9,808,083	\$ 50,776,986	\$ 23,293,340	\$ 96,999,198	\$ 180,877,607

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

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

Fund Balance--total governmental funds		\$ 133,725,625
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets is \$400,960,981, and the accumulated depreciation is \$138,242,994.		262,717,987
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		22,008,719
Internal service funds are used by management to charge the costs of fleet services, group health insurance, loss control activities, and vacation benefits payable to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets for \$10,914,256 less \$2,115,142 attributed to business-type activities.		8,799,114
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Bonds and Notes payable, net of issuance costs	130,415,324	
Other post employment benefits	15,853,008	
Interest accrued on long-term debt	<u>2,047,619</u>	
		(148,315,951)
Other assets that are not available to pay for current period expenditures, and therefore, are not reported in the funds.		<u>26,737</u>
Net assets of governmental activities		<u>\$ 278,962,231</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Community Investment	DECC Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 8,569,335	\$ -	\$ -	\$ 9,290,243	\$ 17,859,578
Sales taxes	10,774,603	-	-	7,235,311	18,009,914
Other taxes	2,565,053	-	-	8,831	2,573,884
Licenses and permits	1,149,265	-	-	-	1,149,265
Intergovernmental revenues	34,393,593	-	-	15,653,628	50,047,221
Charges for services	5,218,927	-	-	1,129,136	6,348,063
Fines and forfeits	1,770,427	-	-	-	1,770,427
Special assessments	454,205	-	-	2,494,770	2,948,975
Investment income	1,167,603	999,210	1,149,297	375,624	3,691,734
Miscellaneous revenues	873,291	3,040,223	-	2,408,182	6,321,696
	<u>66,936,302</u>	<u>4,039,433</u>	<u>1,149,297</u>	<u>38,595,725</u>	<u>110,720,757</u>
EXPENDITURES					
Current:					
General government	32,609,102	78,899	-	55,782	32,743,783
Public safety	35,896,662	-	-	822,077	36,718,739
Public works	1,823,307	-	-	49,679	1,872,986
Culture and recreation	4,554,760	-	-	1,541,119	6,095,879
Urban and economic development	775,118	-	-	13,284,310	14,059,428
Debt service:					
Principal retirement	130,000	-	-	12,224,000	12,354,000
Interest and fiscal fees	47,000	-	-	5,217,029	5,264,029
Bond issuance costs	-	-	-	442,358	442,358
Capital outlay	-	-	17,541,992	18,732,182	36,274,174
	<u>75,835,949</u>	<u>78,899</u>	<u>17,541,992</u>	<u>52,368,536</u>	<u>145,825,376</u>
Excess (deficiency) of revenues over expenditures	<u>(8,899,647)</u>	<u>3,960,534</u>	<u>(16,392,695)</u>	<u>(13,772,811)</u>	<u>(35,104,619)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	21,560,000	21,560,000
Proceeds from refundings	-	-	-	2,150,000	2,150,000
Premium on issuance of bonds	-	-	-	578,200	578,200
Payment to refunded bond escrow agent	-	-	-	(2,150,000)	(2,150,000)
Transfers in	12,821,826	-	-	24,769,647	37,591,473
Transfers out	(503,138)	(14,541,535)	(698,201)	(14,044,661)	(29,787,535)
	<u>12,318,688</u>	<u>(14,541,535)</u>	<u>(698,201)</u>	<u>32,863,186</u>	<u>29,942,138</u>
Net change in fund balance	3,419,041	(10,581,001)	(17,090,896)	19,090,375	(5,162,481)
Fund balance - January 1, 2009	(1,019,594)	57,611,855	37,563,015	44,732,830	138,888,106
Fund balance - December 31, 2009	<u>\$ 2,399,447</u>	<u>\$ 47,030,854</u>	<u>\$ 20,472,119</u>	<u>\$ 63,823,205</u>	<u>\$ 133,725,625</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, 2009**

Net change in fund balances - total governmental funds \$ (5,162,481)

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

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

Capital outlay	17,469,303	
Depreciation expense	<u>(9,897,518)</u>	
Excess of capital outlay over depreciation expense		7,571,785

Miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and other disposals) decreased net assets. (36,256)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$1,374,611 from internal funds less \$308,942 attributed to business-type activities is reported with governmental activities. 1,065,669

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

Bonds issued, including a bond premium of \$529,368 less issuance costs of \$414,074.	21,675,294	
Refunding bonds, including a bond premium of \$48,832 less issuance costs of \$28,284.	<u>2,170,548</u>	
Total bond proceeds		(23,845,842)

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

Bond principal retirement	12,354,000	
PERA police and fire liability	3,524,605	
Payments to the bond refunding agent	<u>2,150,000</u>	
Total long-term debt repayment		18,028,605

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 899,857

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

Net decrease in accrued interest	320,099	
Increase in net other post employment benefits payable	(5,399,391)	
Amortization of deferred amounts:		
for bond premiums	101,278	
for bond issuance costs	(147,018)	
on refundings	<u>(36,025)</u>	
Total additional expenditures		(5,161,057)

Change in net assets of governmental activities \$ (6,639,720)

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, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	(Budgetary Basis) (Note 2)
REVENUES			
Taxes	\$ 23,062,300	\$ 23,062,300	\$ 21,908,991
Licenses and permits	1,102,100	1,102,100	1,149,265
Intergovernmental revenues	35,716,300	35,925,626	34,393,593
Charges for services	6,583,800	6,585,600	5,218,927
Fines and forfeits	1,700,600	1,754,538	1,770,427
Special assessments	405,500	405,500	454,205
Investment income	1,445,000	1,445,000	1,167,603
Miscellaneous revenues	381,200	564,085	873,291
Total revenues	70,396,800	70,844,749	66,936,302
EXPENDITURES			
Current:			
General government	33,081,800	33,726,852	32,678,233
Public safety	34,957,400	36,419,188	35,939,562
Public works	2,032,000	2,034,200	1,823,307
Culture and recreation	4,959,900	4,592,687	4,554,760
Urban and economic development	673,300	881,000	848,118
Debt service:			
Capital lease obligation - principal	130,000	130,000	130,000
Capital lease obligation - interest	47,000	47,000	47,000
Total expenditures	75,881,400	77,830,927	76,020,980
Excess (deficiency) of revenues over expenditures	(5,484,600)	(6,986,178)	(9,084,678)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,950,200	11,015,779	12,821,826
Transfers out	(5,465,600)	(4,215,586)	(503,138)
Total other financing sources (uses)	5,484,600	6,800,193	12,318,688
Net change in fund balance - budgetary basis	-	(185,985)	3,234,010
Net adjustments to reflect operations in accordance with generally accepted accounting principles			185,031
Net change in fund balance - GAAP basis	-	(185,985)	3,419,041
Fund balance - January 1, 2009	(1,019,594)	(1,019,594)	(1,019,594)
Fund balance - December 31, 2009	<u>\$ (1,019,594)</u>	<u>\$ (1,205,579)</u>	<u>\$ 2,399,447</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Business-type Activities - Enterprise Funds		
	Water	Gas	Sewer
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,106,624	\$ 4,568,394	\$ 3,442,955
Restricted cash and cash equivalents:			
Customer deposits	89,040	1,517,133	-
Construction	-	-	477,797
Loans	-	681,878	-
Restricted assets held by trustee	-	-	-
Receivables, net:			
Accounts	1,157,907	6,965,373	2,298,276
Restricted loans	-	563,835	-
Assessments	78,870	13,568	23,347
Due from other funds	82,497	60,610	207,515
Due from component units	-	-	-
Interfund loan receivable	-	236,207	-
Due from other governments	65,694	30,984	2,064,996
Inventories	786,893	875,371	37,286
Prepays	-	2,331,410	197,364
Total current assets	<u>4,367,525</u>	<u>17,844,763</u>	<u>8,749,536</u>
Noncurrent assets:			
Assessments receivable	282,079	44,200	151,272
Due from other governments	-	-	-
Restricted loans receivable	-	2,754,872	-
Issuance costs	38,943	53,969	177,477
Capital assets, net	<u>41,411,922</u>	<u>42,526,056</u>	<u>54,201,530</u>
Total noncurrent assets	<u>41,732,944</u>	<u>45,379,097</u>	<u>54,530,279</u>
Total assets	<u>46,100,469</u>	<u>63,223,860</u>	<u>63,279,815</u>
LIABILITIES			
Current liabilities:			
Accounts payable	232,795	3,011,987	320,870
Contracts payable	143,850	331,361	2,083,276
Claims payable	-	-	-
Notes payable	345,955	-	283,480
Leases payable	106,910	98,001	92,061
Due to other funds	1,150,417	170,178	554,866
Interfund loan payable	-	-	-
Due to other governments	148,566	93,548	716,051
Accrued interest payable	137,494	176,810	289,957
Accrued salaries payable	121,234	160,959	76,320
Compensated absences	216,196	323,891	157,515
Unearned revenue	452,407	1,489,269	268,090
Deposits	10,000	1,206,434	-
Revenue bonds payable	460,000	652,000	1,274,000
Total current liabilities	<u>3,525,824</u>	<u>7,714,438</u>	<u>6,116,486</u>
Noncurrent liabilities:			
Notes payable	1,996,408	-	3,280,249
Claims payable	-	-	-
Compensated absences	21,328	57,042	7,621
Leases payable	3,141,048	2,879,294	2,704,792
Net other postemployment benefits payable	347,551	276,696	-
Revenue bonds payable	3,737,000	10,093,814	14,731,186
Less unamortized bond discount	(12,108)	(40,796)	17,100
Total noncurrent liabilities	<u>9,231,227</u>	<u>13,266,050</u>	<u>20,740,948</u>
Total liabilities	<u>12,757,051</u>	<u>20,980,488</u>	<u>26,857,434</u>
NET ASSETS			
Invested in capital assets, net of related debt	31,675,652	28,897,712	32,469,796
Restricted for special accounts	-	-	4,140
Restricted for loans	-	1,981,564	-
Unrestricted	<u>1,667,766</u>	<u>11,364,096</u>	<u>3,948,445</u>
Total net assets	<u>\$ 33,343,418</u>	<u>\$ 42,243,372</u>	<u>\$ 36,422,381</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Parking	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,687,252	\$ 2,538,080	\$ 16,343,305	\$ 15,052,530
Restricted cash and cash equivalents:				
Customer deposits	-	-	1,606,173	-
Construction	-	-	477,797	-
Loans	-	-	681,878	-
Restricted assets held by trustee	-	104,010	104,010	-
Receivables, net:				
Accounts	37,629	1,572,879	12,032,064	258,622
Restricted loans	-	-	563,835	-
Assessments	-	17,807	133,592	-
Due from other funds	-	40,271	390,893	1,728,386
Due from component units	-	-	-	180,979
Interfund loan receivable	-	-	236,207	-
Due from other governments	1,210	23,098	2,185,982	488,592
Inventories	-	310,941	2,010,491	213,632
Prepays	-	101,665	2,630,439	44,170
Total current assets	3,726,091	4,708,751	39,396,666	17,966,911
Noncurrent assets:				
Assessments receivable	-	-	477,551	-
Due from other governments	-	25,000	25,000	-
Restricted loans receivable	-	-	2,754,872	-
Issuance costs	172,170	115,508	558,067	-
Capital assets, net	22,765,307	25,960,116	186,864,931	485,487
Total noncurrent assets	22,937,477	26,100,624	190,680,421	485,487
Total assets	26,663,568	30,809,375	230,077,087	18,452,398
LIABILITIES				
Current liabilities:				
Accounts payable	18,552	335,330	3,919,534	234,520
Contracts payable	-	271,604	2,830,091	23,877
Claims payable	-	-	-	2,274,138
Notes payable	-	1,325	630,760	-
Leases payable	-	97,651	394,623	44,022
Due to other funds	1,111	98,261	1,974,833	46,974
Interfund loan payable	-	923,800	923,800	-
Due to other governments	-	73,111	1,031,276	13,777
Accrued interest payable	295,412	164,516	1,064,189	54,198
Accrued salaries payable	4,487	64,011	427,011	39,218
Compensated absences	-	109,667	807,269	2,645,706
Unearned revenue	20,935	296,035	2,526,736	80,602
Deposits	-	-	1,216,434	-
Revenue bonds payable	745,000	809,000	3,940,000	-
Total current liabilities	1,085,497	3,244,311	21,686,556	5,457,032
Noncurrent liabilities:				
Notes payable	-	-	5,276,657	-
Claims payable	-	-	-	1,289,582
Compensated absences	9,420	16,137	111,548	721,801
Leases payable	-	-	8,725,134	69,727
Net other postemployment benefits payable	-	-	624,247	-
Revenue bonds payable	13,165,000	9,258,000	50,985,000	-
Less unamortized bond discount	24,879	(5,372)	(16,297)	-
Total noncurrent liabilities	13,199,299	9,268,765	65,706,289	2,081,110
Total liabilities	14,284,796	12,513,076	87,392,845	7,538,142
NET ASSETS				
Invested in capital assets, net of related debt	9,002,598	15,897,955	117,943,713	371,738
Restricted for special accounts	-	102,742	106,882	-
Restricted for loans	-	-	1,981,564	-
Unrestricted	3,376,174	2,295,602	22,652,083	10,542,518
Total net assets	\$ 12,378,772	\$ 18,296,299	142,684,242	\$ 10,914,256

Amounts reported for business-type activities in the statement of net assets are different because of the consolidation of internal service fund activities related to enterprise funds. 2,115,142

Net assets of business-type activities \$ 144,799,384

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
OPERATING REVENUES			
Sales	\$ -	\$ 44,940,813	\$ -
Charges for services	11,701,062	632,808	20,185,539
Miscellaneous revenues	243,934	822,441	126,556
Total operating revenues	<u>11,944,996</u>	<u>46,396,062</u>	<u>20,312,095</u>
OPERATING EXPENSES			
Cost of sales and services	-	27,647,451	-
Personal services	5,466,611	7,059,741	3,430,988
Supplies	1,233,319	757,430	310,860
Utilities	1,023,438	35,050	98,758
Other services and charges	1,520,777	1,438,817	12,042,296
Amortization	6,540	1,457	17,312
Depreciation	1,252,343	1,056,585	1,070,762
Medical and insurance	-	-	-
Total operating expenses	<u>10,503,028</u>	<u>37,996,531</u>	<u>16,970,976</u>
Operating income	<u>1,441,968</u>	<u>8,399,531</u>	<u>3,341,119</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	52,435	130,184	32,544
Intergovernmental revenue	16,919	23,364	8,283
Gain (Loss) on sale or disposition of capital assets	8,601	100,726	2,160
Interest expense	(297,249)	(554,975)	(708,568)
Total non-operating revenue (expenses)	<u>(219,294)</u>	<u>(300,701)</u>	<u>(665,581)</u>
Income before contributions, transfers, and extraordinary item	1,222,674	8,098,830	2,675,538
Capital contributions	21,822	21,764	3,436,525
Extraordinary item - Loss on sale of business activity	-	-	-
Transfers in	-	-	-
Transfers out	(318,132)	(4,307,315)	(74,558)
Change in net assets	926,364	3,813,279	6,037,505
Total net assets - January 1, 2009	<u>32,417,054</u>	<u>38,430,093</u>	<u>30,384,876</u>
Total net assets - December 31, 2009	<u>\$ 33,343,418</u>	<u>\$ 42,243,372</u>	<u>\$ 36,422,381</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business-type Activities - Enterprise Funds			Governmental
	Parking	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Fund
OPERATING REVENUES				
Sales	\$ -	\$ 498,944	\$ 45,439,757	\$ 1,814,082
Charges for services	2,523,558	22,207,173	57,250,140	27,092,012
Miscellaneous revenues	1,124	197,214	1,391,269	1,532,796
Total operating revenues	<u>2,524,682</u>	<u>22,903,331</u>	<u>104,081,166</u>	<u>30,438,890</u>
OPERATING EXPENSES				
Cost of sales and services	-	316,430	27,963,881	1,534,525
Personal services	179,126	2,209,653	18,346,119	4,926,041
Supplies	100,667	4,996,513	7,398,789	50,574
Utilities	127,723	1,363,248	2,648,217	-
Other services and charges	269,565	10,054,079	25,325,534	2,618,509
Amortization	16,220	19,743	61,272	-
Depreciation	489,614	2,264,848	6,134,152	60,714
Medical and insurance	-	-	-	20,077,385
Total operating expenses	<u>1,182,915</u>	<u>21,224,514</u>	<u>87,877,964</u>	<u>29,267,748</u>
Operating income	<u>1,341,767</u>	<u>1,678,817</u>	<u>16,203,202</u>	<u>1,171,142</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	67,503	37,874	320,540	168,679
Intergovernmental revenue	-	73,643	122,209	5,835
Gain (Loss) on sale or disposition of capital assets	-	960	112,447	-
Interest expense	(704,586)	(418,151)	(2,683,529)	(6,910)
Total non-operating revenue (expenses)	<u>(637,083)</u>	<u>(305,674)</u>	<u>(2,128,333)</u>	<u>167,604</u>
Income before contributions, transfers, and extraordinary item	704,684	1,373,143	14,074,869	1,338,746
Capital contributions	-	356,063	3,836,174	-
Extraordinary item - Loss on sale of business activity	-	(5,441,237)	(5,441,237)	-
Transfers in	1,234,737	-	1,234,737	200,000
Transfers out	(1,218,737)	(3,155,798)	(9,074,540)	(164,135)
Change in net assets	720,684	(6,867,829)	4,630,003	1,374,611
Total net assets - January 1, 2009	<u>11,658,088</u>	<u>25,164,128</u>	<u>138,054,239</u>	<u>9,539,645</u>
Total net assets - December 31, 2009	<u>\$ 12,378,772</u>	<u>\$ 18,296,299</u>	<u>\$ 142,684,242</u>	<u>\$ 10,914,256</u>

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

Change in net assets	\$ 4,630,003
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>308,942</u>
Change in net assets of business-type activities	<u>\$ 4,938,945</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 11,845,884	\$ 49,282,414	\$ 19,448,764
Cash paid to suppliers	(3,548,322)	(29,549,678)	(12,288,326)
Cash paid to employees	(5,959,418)	(7,644,236)	(3,755,554)
Other operating revenues	174,492	435,754	45,327
Net cash provided (used) by operating activities	<u>2,512,636</u>	<u>12,524,254</u>	<u>3,450,211</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	21,000	21,000	9,000
Transfers to other funds	(926,727)	(4,311,111)	(110,055)
Operating grants	16,919	23,364	8,283
Interfund financing	884,234	(403,565)	956,793
Net cash provided (used) by noncapital financing activities	<u>(4,574)</u>	<u>(4,670,312)</u>	<u>864,021</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	715	21,246	1,473,523
Transfer from other funds	-	-	-
Interest received on capital	-	-	-
Issuance of revenue bonds and notes	615,015	2,916,423	3,881,293
Principal paid on bonds, notes and capitalized leases	(755,636)	(4,306,358)	(2,439,671)
Interest paid on bonds, notes and capitalized leases	(245,582)	(567,508)	(668,347)
Transfer to trustee debt service account	-	-	-
Payment of bond issuance costs	(15,735)	(38,992)	(82,088)
Special assessments received	108,530	24,117	24,724
Sale of capital assets	10,600	125,280	2,160
Acquisition or construction of capital assets	(2,071,594)	(1,269,063)	(5,435,773)
Net cash provided (used) by capital and related financing activities	<u>(2,353,687)</u>	<u>(3,094,855)</u>	<u>(3,244,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment interest	27,652	125,268	25,403
Net increase (decrease) in cash and cash equivalents	182,027	4,884,355	1,095,456
Cash and cash equivalents - January 1, 2009	2,013,637	1,883,050	2,825,296
Cash and cash equivalents - December 31, 2009	<u>\$ 2,195,664</u>	<u>\$ 6,767,405</u>	<u>\$ 3,920,752</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	\$ 1,441,968	\$ 8,399,531	\$ 3,341,119
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,258,883	1,058,042	1,088,074
Change in assets and liabilities:			
Decrease (increase) in receivables	(257,884)	2,548,872	(953,872)
Decrease (increase) in inventory	45,959	(23,398)	(37,286)
Decrease (increase) in prepaid items	-	2,631,404	(197,364)
Increase (decrease) in payables	(428,697)	(1,764,036)	(58,550)
Increase (decrease) in deferred revenues	452,407	(326,161)	268,090
Total adjustments	<u>1,070,668</u>	<u>4,124,723</u>	<u>109,092</u>
Net cash provided (used) by operating activities	<u>\$ 2,512,636</u>	<u>\$ 12,524,254</u>	<u>\$ 3,450,211</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, 2009**

	Business-type Activities - Enterprise Funds		Governmental	
	Parking	Other Enterprise Funds	Activities - Internal Service Fund	
		Total Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,503,817	\$ 23,452,525	\$ 106,533,404	\$ 28,662,999
Cash paid to suppliers	(546,314)	(17,708,874)	(63,641,514)	(23,979,672)
Cash paid to employees	(179,699)	(2,224,476)	(19,763,383)	(4,195,734)
Other operating revenues	-	74,685	730,258	817
Net cash provided (used) by operating activities	<u>1,777,804</u>	<u>3,593,860</u>	<u>23,858,765</u>	<u>488,410</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	9,000	60,000	200,000
Transfers to other funds	(1,218,737)	(3,258,958)	(9,825,588)	(464,135)
Operating grants	-	59,970	108,536	5,835
Interfund financing	-	390,604	1,828,066	-
Net cash provided (used) by noncapital financing activities	<u>(1,218,737)</u>	<u>(2,799,384)</u>	<u>(7,828,986)</u>	<u>(258,300)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and contributions	-	341,735	1,837,219	-
Transfer from other funds	1,234,737	-	1,234,737	-
Interest received on capital	-	42	42	-
Issuance of revenue bonds and notes	1,175	-	7,413,906	-
Principal paid on bonds, notes and capitalized leases	(430,000)	(782,489)	(8,714,154)	(41,710)
Interest paid on bonds, notes and capitalized leases	(694,887)	(410,336)	(2,586,660)	(7,257)
Transfer to trustee debt service account	-	(146,624)	(146,624)	-
Payment of bond issuance costs	-	-	(136,815)	-
Special assessments received	-	9,244	166,615	-
Sale of capital assets	-	2,354,434	2,492,474	-
Acquisition or construction of capital assets	(55,301)	(2,033,280)	(10,865,011)	(76,943)
Net cash provided (used) by capital and related financing activities	<u>55,724</u>	<u>(667,274)</u>	<u>(9,304,271)</u>	<u>(125,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment interest	<u>67,503</u>	<u>37,281</u>	<u>283,107</u>	<u>168,679</u>
Net increase (decrease) in cash and cash equivalents	682,294	164,483	7,008,615	272,879
Cash and cash equivalents - January 1, 2009	<u>3,004,958</u>	<u>2,373,597</u>	<u>12,100,538</u>	<u>14,779,651</u>
Cash and cash equivalents - December 31, 2009	<u>\$ 3,687,252</u>	<u>\$ 2,538,080</u>	<u>\$ 19,109,153</u>	<u>\$ 15,052,530</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ 1,341,767</u>	<u>\$ 1,678,817</u>	<u>\$ 16,203,202</u>	<u>\$ 1,171,142</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	505,834	2,284,591	6,195,424	60,714
Change in assets and liabilities:				
Decrease (increase) in receivables	(19,255)	576,028	1,893,889	(1,814,846)
Decrease (increase) in inventory	-	(38,306)	(53,031)	5,034
Decrease (increase) in prepaid items	-	294,058	2,728,098	(44,170)
Increase (decrease) in payables	(48,932)	(1,308,880)	(3,609,095)	1,041,022
Increase (decrease) in deferred revenues	(1,610)	107,552	500,278	69,514
Total adjustments	<u>436,037</u>	<u>1,915,043</u>	<u>7,655,563</u>	<u>(682,732)</u>
Net cash provided (used) by operating activities	<u>\$ 1,777,804</u>	<u>\$ 3,593,860</u>	<u>\$ 23,858,765</u>	<u>\$ 488,410</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009**

	Other Post Employment Benefits Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,978,129
Receivables:		
Loans	-	1,625,669
Investments, at fair value:		
Fixed income pool	10,145,478	-
Equity pool	10,702,414	-
Other assets	-	349,493
	<u>\$ 20,847,892</u>	<u>\$ 3,953,291</u>
LIABILITIES		
Accounts payable	\$ -	\$ 366
Due to other governments	-	38,045
Due to agency	-	3,914,880
	<u>-</u>	<u>\$ 3,953,291</u>
NET ASSETS		
Held in trust for post employment benefits	<u>\$ 20,847,892</u>	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

ADDITIONS

Contributions	<u>\$ 3,000,000</u>
Investment earnings:	
Interest	706,117
Net increase in fair value of investments	<u>2,510,571</u>
Total investment earnings	<u>3,216,688</u>
Total additions	<u>6,216,688</u>

DEDUCTIONS

Administrative Fees	<u>1,682</u>
Change in net assets	6,215,006
Net assets - January 1, 2009	<u>14,632,886</u>
Net assets - December 31, 2009	<u>\$ 20,847,892</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2009**

	Duluth Entertainment & Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
ASSETS					
Cash and cash equivalents	\$ 733,123	\$ 203,817	\$ 6,524,278	\$ 223,680	\$ 7,684,898
Receivables, net					
Taxes	-	-	53,980	-	53,980
Accounts	207,865	355,372	41,496	75,453	680,186
Grants	-	57,607	-	-	57,607
Due from primary government	107,246	1,077	-	-	108,323
Due from other governments	-	-	302,439	-	302,439
Inventories	117,826	95,300	209,624	90,168	512,918
Prepays	27,955	30,235	8,972	6,201	73,363
Deferred charges	2,256	695,331	-	119,259	816,846
Restricted assets:					
Cash and cash equivalents	340,250	90,451	-	264,665	695,366
Accounts receivable	9,149	53,865	-	-	63,014
Grants receivable	-	3,304,529	-	-	3,304,529
Due from primary government	2,821,221	-	-	-	2,821,221
Due from other governments	2,720,481	-	-	-	2,720,481
Assets held by trustee	86,495	-	-	-	86,495
Capital assets, net:					
Non-depreciable	32,158,335	15,023,231	222,367	2,466,253	49,870,186
Depreciable	40,760,032	59,534,636	18,234,538	2,847,844	121,377,050
Total assets	80,092,234	79,445,451	25,597,694	6,093,523	191,228,902
LIABILITIES					
Accounts payable and other short-term liabilities	255,413	264,970	500,010	119,888	1,140,281
Contracts payable	5,505,699	2,607,227	-	-	8,112,926
Accrued interest payable	19,444	-	-	17,754	37,198
Due to primary government	28,401	178,253	-	105,938	312,592
Due to other government	-	36,770	-	7,004	43,774
Deferred revenue	184,503	84,086	74,592	123,758	466,939
Deposits	347,691	-	-	-	347,691
Non-current liabilities:					
Due within one year	963,961	125,937	519,195	397,527	2,006,620
Due in more than one year	1,865,240	1,170,510	-	1,132,892	4,168,642
Total liabilities	9,170,352	4,467,753	1,093,797	1,904,761	16,636,663
NET ASSETS					
Invested in capital assets, net of related debt	70,759,269	74,261,312	18,456,905	3,848,174	167,325,660
Restricted for:					
Debt service	86,495	-	-	-	86,495
Capital projects	-	-	-	264,665	264,665
Other	-	-	5,292,818	75,349	5,368,167
Unrestricted	76,118	716,386	754,174	574	1,547,252
Total net assets	\$ 70,921,882	\$ 74,977,698	\$ 24,503,897	\$ 4,188,762	\$ 174,592,239

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, 2009**

<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 Entertainment & Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	\$ 10,990,932	\$ 6,445,888	\$ -	\$ 34,430,855
Duluth Airport Authority				
Business-type activities:				
Airport facility	8,286,071	3,465,677	41,426	12,985,250
Duluth Transit Authority				
Business-type activities:				
Public transportation	14,570,804	2,236,580	6,420,055	4,172,033
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	4,416,141	4,166,725	-	225,000
Total component units	\$ 38,263,948	\$ 16,314,870	\$ 6,461,481	\$ 51,813,138

(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, 2009**

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>				<u>Totals</u>
	<u>Duluth Entertainment & Convention Center Authority</u>	<u>Duluth Airport Authority</u>	<u>Duluth Transit Authority</u>	<u>Spirit Mountain Recreation Area Authority</u>	
Duluth Entertainment & Convention Center Authority					
Business-type activities:					
Entertainment and convention facility	<u>\$ 29,885,811</u>	\$ -	\$ -	\$ -	\$ 29,885,811
Duluth Airport Authority					
Business-type activities:					
Airport facility	-	<u>8,206,282</u>	-	-	8,206,282
Duluth Transit Authority					
Business-type activities:					
Public transportation	-	-	<u>(1,742,136)</u>	-	(1,742,136)
Spirit Mountain Recreation Area Authority					
Business-type activities:					
Ski hill operations	-	-	-	<u>(24,416)</u>	<u>(24,416)</u>
Total component units					<u>36,325,541</u>
General revenues:					
Property taxes	963,617	-	1,316,922	-	2,280,539
Grants and shared revenues not restricted to specific programs	-	-	3,426,300	-	3,426,300
Investment income	11,199	19,039	71,048	6,585	107,871
Gain on sale of capital assets	-	-	-	56,315	56,315
Miscellaneous	<u>238,567</u>	-	-	<u>68,779</u>	<u>307,346</u>
Total general revenues and transfers	<u>1,213,383</u>	<u>19,039</u>	<u>4,814,270</u>	<u>131,679</u>	<u>6,178,371</u>
Change in net assets	31,099,194	8,225,321	3,072,134	107,263	42,503,912
Net assets - beginning	<u>39,822,688</u>	<u>66,752,377</u>	<u>21,431,763</u>	<u>4,081,499</u>	<u>132,088,327</u>
Net assets - ending	<u>\$ 70,921,882</u>	<u>\$ 74,977,698</u>	<u>\$ 24,503,897</u>	<u>\$ 4,188,762</u>	<u>\$ 174,592,239</u>

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

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Notes to the Financial Statements

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

Guide to Notes

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**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

BLENDED COMPONENT UNIT

The Duluth City Council is the governing board of the Duluth Economic Development Authority (DEDA). Although legally separate, DEDA, is in substance, part of City operations. DEDA funds are reported as governmental funds.

DISCRETELY PRESENTED COMPONENT UNITS

As required by generally accepted accounting principles, the financial statements in this report present the City of Duluth, the primary government, and its four component units: the Duluth Entertainment and Convention Center Authority, 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 Duluth Entertainment and Convention Center Authority, which has seven City appointees and four directors appointed by the Governor of Minnesota.

The City Council approves the budget of each component unit. The City Council also approves the issuance and funding of debt for each component unit. The City Council currently provides an annual subsidy to the Duluth Entertainment and Convention Center Authority, and the Spirit Mountain Recreation Area Authority. For the Duluth Transit Authority, the City Council approves rate changes and approves an annual tax levy to finance operating and capital needs.

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Combining statements for the City's component units are presented in the Basic Financial Statements section of this report. Complete financial statements for each of the other component units can be obtained from their respective offices at the following addresses:

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

Duluth Airport Authority
Duluth International Airport
Duluth, MN 55811

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

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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 90 days of the end of the current fiscal year, except for property taxes, which are considered available if collected within 60 days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.

The **Community Investment Special Revenue Fund** accounts for the City's share of revenues received from operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Such monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General fund.

The **DECC Capital Improvement Fund** accounts for costs associated with the construction of an expansion to the to the Duluth Entertainment Convention Center (DECC)

The City reports the following major proprietary funds:

The **Water Enterprise Fund** accounts for the collection, treatment, and distribution of water.

The **Gas Enterprise Fund** accounts for the distribution of natural gas, as well as inspection, maintenance and servicing of customer gas utilization equipment.

The **Sewer Enterprise Fund** accounts for the operation and maintenance of the sanitary sewer system.

The **Parking Fund** accounts for the operation and maintenance of municipal parking ramps, municipal lots, and parking meters.

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

The assets represent funds held for debt service reserves.

RECEIVABLES AND PAYABLES

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
RECEIVABLES

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

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

Loans receivable include both the current and long-term portions of loans issued by the City. Business development loans are reported in both special revenue and agency funds. Most of these loans receivable are reported as an asset in the amount of loan proceeds disbursed; however, some loans, depending on their original funding source, report a deferred revenue equal to the loan amount and recognize a revenue when principal payments are received. Loans made at terms where the stated interest rate is significantly less than prevailing market interest rates are reported as an asset at the present value of the loan. Low interest home energy loans accounted for in the Gas Enterprise Fund, report a loan receivable and a contract payable in the amount of the loan agreement.

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

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

INVENTORIES AND PREPAID ITEMS

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

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

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

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
INVENTORIES AND PREPAID ITEMS (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. The Duluth Economic Development Authority has a prepaid lease agreement for space rental which is being amortized over 15 years.

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
COMPENSATED ABSENCES (continued)

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

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

LONG-TERM OBLIGATIONS

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

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

FUND EQUITY

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2008, 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
BUDGETARY INFORMATION

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

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

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

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

DEFICIT FUND EQUITY

The Street Improvement Program Capital Project Fund had a deficit fund balance of \$371,929 at December 31, 2009. This deficit is a result of expenditures for projects to be funded in the future.

The Special Assessment Capital Project Fund had a deficit fund balance of \$442 at December 31, 2009. The deficit is a result of expenditures for projects to be funded in the future.

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, 2009; an auditor's report on compliance and internal accounting control will be issued at a later date.

EXTRAORDINARY ITEM

On September 30, 2009 the City sold the assets of Steam District #2 for \$2.5 million to Minnesota Power. As a result of the sale, an extraordinary loss of \$5,441,237 is reported in the financial statements on the disposition of this business activity.

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

3. DEPOSITS AND INVESTMENTS

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

Government-wide statement of net assets	
Governmental Activities	
Cash and cash equivalents	\$ 149,860,452
Assets held by trustee	138,044
Business-type activities	
Cash and cash equivalents	16,343,305
Cash and cash equivalents - restricted assets	2,765,848
Assets held by trustee	104,010
Discrete Component Units	
Cash and cash equivalents	7,684,898
Cash and cash equivalents - restricted assets	695,366
Assets held by trustee	86,495
Statement of fiduciary net assets	
Cash and cash equivalents	1,978,129
Investments, at fair value	<u>20,847,892</u>
 Total Cash and Investments	 <u><u>\$ 200,504,439</u></u>

DEPOSITS

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2009; deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

3. DEPOSITS AND INVESTMENTS
INVESTMENTS (continued)

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

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

At December 31, 2009 the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>
U.S. Government Agency Securities	\$ 93,364,029	\$ 15,531,489	\$ 63,026,028	\$ 14,806,512
Guaranteed Investment Contract	23,214,578	23,214,578		
Negotiable Certificates of Deposit	3,705,000	3,705,000		
Mutual Funds	75,078,764	75,078,764		
Total Investments	<u>\$ 195,362,371</u>	<u>\$ 117,529,831</u>	<u>\$ 63,026,028</u>	<u>\$ 14,806,512</u>
Deposits	<u>\$ 5,142,068</u>			
Total Deposits and Investments	<u>\$ 200,504,439</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, 2009 is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 93,364,029
<u>Moody's Rating</u>	
Aaa	54,230,872
<u>Not Rated</u>	
Mutual Funds	20,847,892
Guaranteed Investment Contract	23,214,578
Negotiable Certificates of Deposit	<u>3,705,000</u>
Total	<u>\$ 195,362,371</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, 2009 none of the City's investments were subject to custodial credit risk.

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$67,938,990
FSA Capital management Services, LLC	
Guaranteed Investment Contract	11,468,499
Federal Farm Credit Bank	23,214,578

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2009 was 96.5%.

5. RECEIVABLES

Receivables, net of uncollectible amounts, are reported in the governmental, proprietary, and fiduciary financial statements for goods and services, taxes, assessments, loans, grants and interest. The amount of delinquent assessments included for the current fiscal year is \$1,371,137. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2009 are as follows:

Water	\$ 276,086
Gas	764,229
Sewer	348,615
Nonmajor	96,745
Total uncollectibles	<u>\$ 1,485,675</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The following schedule shows the detail of deferred revenue at December 31, 2009:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes	\$ 1,245,249	\$ -
Grants	859,981	1,015,689
Assessments	11,053,629	-
Loans	5,352,274	53,354
Deposits	-	6,762
Casino shared revenues	3,483,987	-
Total for governmental funds	<u>\$ 21,995,120</u>	<u>\$ 1,075,805</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

6. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2009 was as follows:

Primary Government

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 22,145,744	\$ -	\$ -	\$ 412,963	\$ 21,732,781
Construction in progress	19,405,054	-	16,227,190	3,361,844	32,270,400
Total capital assets, not being depreciated	<u>41,550,798</u>	<u>-</u>	<u>16,227,190</u>	<u>3,774,807</u>	<u>54,003,181</u>
Capital assets, being depreciated:					
Buildings	76,231,012	-	362,876	-	76,593,888
Equipment	22,899,254	-	1,988,872	804,675	24,083,451
Infrastructure	244,638,963	-	2,742,115	-	247,381,078
Total capital assets being depreciated	<u>343,769,229</u>	<u>-</u>	<u>5,093,863</u>	<u>804,675</u>	<u>348,058,417</u>
Less accumulated depreciation for:					
Buildings	35,780,966	-	1,958,719	-	37,739,685
Equipment	15,662,285	-	1,983,881	786,356	16,859,810
Infrastructure	78,242,997	-	6,015,632	-	84,258,629
Total accumulated depreciation	<u>129,686,248</u>	<u>-</u>	<u>9,958,232</u>	<u>786,356</u>	<u>138,858,124</u>
Total capital assets, being depreciated, net	<u>214,082,981</u>	<u>-</u>	<u>(4,864,369)</u>	<u>18,319</u>	<u>209,200,293</u>
Governmental activities capital assets, net	<u>\$ 255,633,779</u>	<u>\$ -</u>	<u>\$ 11,362,821</u>	<u>\$ 3,793,126</u>	<u>\$ 263,203,474</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 4,630,409	\$ -	\$ 1	\$ 2,003	\$ 4,628,407
Construction in progress	13,396,833	-	10,445,472	15,020,641	8,821,664
Total capital assets, not being depreciated	<u>18,027,242</u>	<u>-</u>	<u>10,445,473</u>	<u>15,022,644</u>	<u>13,450,071</u>
Capital assets, being depreciated:					
Buildings	58,223,287	-	279,185	1,483,113	57,019,359
Equipment	80,669,335	-	11,288,573	49,194,125	42,763,783
Infrastructure	151,480,795	-	3,773,567	2,526,943	152,727,419
Total capital assets, being depreciated	<u>290,373,417</u>	<u>-</u>	<u>15,341,325</u>	<u>53,204,181</u>	<u>252,510,561</u>
Less accumulated depreciation for:					
Buildings	21,868,694	-	1,244,529	1,256,215	21,857,008
Equipment	58,859,224	-	2,689,776	42,004,266	19,544,734
Infrastructure	37,949,300	-	2,199,848	2,455,189	37,693,959
Total accumulated depreciation	<u>118,677,218</u>	<u>-</u>	<u>6,134,153</u>	<u>45,715,670</u>	<u>79,095,701</u>
Total capital assets, being depreciated, net	<u>171,696,199</u>	<u>-</u>	<u>9,207,172</u>	<u>7,488,511</u>	<u>173,414,860</u>
Business-type activities capital assets, net	<u>\$ 189,723,441</u>	<u>\$ -</u>	<u>\$ 19,652,645</u>	<u>\$ 22,511,155</u>	<u>\$ 186,864,931</u>

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

6. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,701,922
Public safety	841,851
Public works, including depreciation of general infrastructure assets	6,538,903
Culture and recreation	814,842
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.	<u>60,714</u>
Total depreciation expense - governmental activities	<u>\$ 9,958,232</u>
Business-type activities:	
Water	\$ 1,252,343
Gas	1,056,585
Sewer	1,070,762
Stormwater	365,612
Steam #1	918,090
Steam #2	613,535
Street Lighting	220,490
Parking	489,614
Golf	<u>147,121</u>
Total depreciation expense - business-type activities	<u>\$ 6,134,152</u>

Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 6,935,947	\$ 19,708	\$ -	\$ 6,955,655
Construction in progress	8,915,821	47,430,468	13,431,758	42,914,531
Total capital assets, not being depreciated	<u>15,851,768</u>	<u>47,450,176</u>	<u>13,431,758</u>	<u>49,870,186</u>
Capital assets, being depreciated:				
Buildings	114,231,549	9,080,211	2,980,084	120,331,676
Equipment	47,601,010	5,730,342	789,516	52,541,836
Infrastructure	66,011,325	4,997,114	-	71,008,439
Other	422,016	30,912	-	452,928
Total capital assets being depreciated	<u>228,265,900</u>	<u>19,838,579</u>	<u>3,769,600</u>	<u>244,334,879</u>
Less accumulated depreciation for:				
Buildings	50,795,105	3,358,134	1,168,834	52,984,405
Equipment	31,723,425	3,255,760	620,022	34,359,163
Infrastructure	31,754,920	3,512,249	-	35,267,169
Other	328,425	18,667	-	347,092
Total accumulated depreciation	<u>114,601,875</u>	<u>10,144,810</u>	<u>1,788,856</u>	<u>122,957,829</u>
Total capital assets, being depreciated, net	<u>113,664,025</u>	<u>9,693,769</u>	<u>1,980,744</u>	<u>121,377,050</u>
Component unit capital assets, net	<u>\$ 129,515,793</u>	<u>\$ 57,143,945</u>	<u>\$ 15,412,502</u>	<u>\$ 171,247,236</u>

Depreciation expense was charged to component units as follows:

Duluth Airport Authority	\$ 4,828,206
Duluth Entertainment and Convention Center Authority	1,869,031
Duluth Transit Authority	3,054,350
Spirit Mountain Recreation Area Authority	<u>393,223</u>
Total Depreciation expense - component units	<u>\$ 10,144,810</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

7. COMMITMENTS

CONSTRUCTION COMMITMENTS

At December 31, 2009, the City had construction commitments of approximately \$20,179,460 for various projects and street improvements. The Duluth Airport Authority component unit had construction commitments of \$7,035,239 for airport improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

8. RISK MANAGEMENT

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

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

The self-insurance for workers' compensation covers up to \$860,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Ch. 176, in excess of the \$860,000 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 \$272,243 for various claims and cases which he considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making his liability estimate. The amount of these estimated liabilities is not reflected in the financial statements. Changes in the balances of the Self-Insurance Fund's liability during 2008 and 2009 were as follows:

	<u>Liability</u> <u>January 1</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>December 31</u>
2008	1,341,156	1,459,932	1,254,466	1,546,622
2009	1,546,622	1,290,229	1,327,902	1,508,949

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

8. RISK MANAGEMENT (continued)

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Dental Plan of Minnesota, Blue Cross Blue Shield of Minnesota, and Clearscript an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from Blue Cross Blue Shield of Minnesota. The stop-loss policy has an individual limit of \$350,000 and an aggregate limit of 125% of projected claims for the year. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2008 and 2009 were as follows:

	<u>Liability January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability December 31</u>
2008	1,321,747	16,599,335	16,603,572	1,317,510
2009	1,317,510	18,634,121	17,896,860	2,054,771

9. LEASE OBLIGATIONS
OPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities, and equipment. The following is a summary of the approximate operating lease expense for 2009:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Police Garage	\$ 15,356	\$ -
Land & Right-of-way	40,524	-
Buildings	361,818	-
Equipment	548,171	4,252
Total Expense	<u>\$ 965,869</u>	<u>\$ 4,252</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, 2009:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2010	\$ 64,528
2011	81,570
2012	81,570
2013	81,570
2014-2018	81,570
2019-2023	357,796
2024-2028	109,094
2029-2033	76,780
2030-2034	30,712
Total required payments:	<u>\$ 965,190</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$450,515 at December 31, 2009.

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

9. LEASE OBLIGATIONS (continued)
CAPITAL LEASES

Capitalized leases for the City of Duluth and its component units at December 31, 2009, consist of the following capital assets shown at original cost as summarized below:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ 750,000	\$ -	\$ 1,534,313
Equipment	-	9,843,875	756,850
Total	750,000	9,843,875	2,291,163
Less: Accumulated amortization	(391,667)	(480,401)	(656,858)
Total Expense	<u>\$ 358,333</u>	<u>\$ 9,363,474</u>	<u>\$ 1,634,305</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2010	\$ 48,968	\$ 738,269	\$ 323,750
2011	48,968	831,661	323,750
2012	24,485	831,660	323,750
2013	-	831,661	323,750
2014	-	831,660	203,412
2015-2019	-	4,158,303	185,413
2020-2024	-	3,742,472	-
2025-2029	-	-	-
Total minimum lease payments	<u>122,421</u>	<u>11,965,686</u>	<u>1,683,825</u>
Less: Imputed interest	<u>(8,672)</u>	<u>(2,845,927)</u>	<u>(217,919)</u>
Present value of minimum lease payments	<u>\$ 113,749</u>	<u>\$ 9,119,759</u>	<u>\$ 1,465,906</u>

10. SHORT-TERM DEBT

Short term debt activity for the year ended December 31, 2009 follows:

	<u>Balance 01/01/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/09</u>
Governmental Activities:				
Loans Payable	\$ 439,302	\$ -	\$ 47,355	\$ 391,947

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

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

**11. LONG-TERM DEBT
CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2009 follows:

	Balance 01/01/09	Additions	Deletions	Balance 12/31/09	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 60,815,000	\$ 19,579,118	\$ 3,695,000	\$ 76,699,118	\$ 3,215,000
General Obligation Bonds - Tax Increment	-	-	-	-	-
General Obligation - Tax Abatement	310,000	-	-	310,000	-
Tax Increment Revenue Bonds	175,000	-	40,000	135,000	45,000
Lease Revenue Bonds	1,125,000	-	130,000	995,000	135,000
Special Assessment Debt with Government Commitment	48,845,000	1,560,882	9,300,000	41,105,882	4,870,000
General Obligation Certificates	6,715,000	2,570,000	1,220,000	8,065,000	1,440,000
Add deferred amounts:					
For Bond Premium	565,149	578,200	101,278	1,042,071	-
Tax Increment Revenue Notes	210,000	-	50,000	160,000	55,000
Public Facilities Authority Note	253,000	-	24,000	229,000	24,000
Greater Minnesota Housing Fund Note	200,000	-	-	200,000	-
Revenue Notes	3,081,000	-	55,000	3,026,000	60,000
Tax Increment Revenue Pledge	-	-	-	-	-
Revenue Pledge	-	-	-	-	-
Capital Leases Payable	155,459	-	41,710	113,749	44,022
Compensated Absences	3,147,671	2,859,045	2,639,209	3,367,507	2,600,000
Claims and Judgments	2,864,132	19,924,350	19,224,762	3,563,720	2,274,138
Net Other Post Employment Benefits Payable	10,453,617	5,399,391	-	15,853,008	-
PERA Police and Fire Pension Liability	3,524,605	-	3,524,605	-	-
Total Governmental Activity Long-Term Liabilities	\$142,439,633	\$ 52,470,986	\$ 40,045,564	\$154,865,055	\$ 14,762,160
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 550,000	\$ -	\$ 130,000	\$ 420,000	\$ 135,000
Revenue and General Obligation Bonds	56,315,000	6,105,000	7,915,000	54,505,000	3,805,000
Less deferred amounts:					
For Issuance Discounts	(188,290)	143,389	(28,604)	(16,297)	-
General Obligation Notes	4,891,670	1,355,455	341,033	5,906,092	629,435
Capital Leases Payable	8,999,093	570,313	449,649	9,119,757	394,623
Loans	9,794	-	8,469	1,325	1,325
Net Other Post Employment Benefits Payable	1,818,505	-	1,194,258	624,247	-
Compensated Absences	847,136	858,996	787,315	918,817	807,269
Total Business-Type Activity Long-Term Liabilities	\$ 73,242,908	\$ 9,033,153	\$ 10,797,120	\$ 71,478,941	\$ 5,772,652
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Bonds Payable					
General Obligation Bonds	\$ 2,225,000	\$ -	\$ 710,000	\$ 1,515,000	\$ 740,000
Less deferred amounts:					
For Issuance Discounts	(4,603)	-	(2,301)	(2,302)	-
On Refunding	(250,061)	-	(85,752)	(164,309)	-
Capital Leases	918,870	-	108,161	810,709	113,914
Compensated Absences	177,316	135,628	127,953	184,991	110,047
Net Other Post Employment Benefits Payable	337,451	147,661	-	485,112	-
Duluth Transit Authority					
Compensated Absences	487,178	519,195	487,178	519,195	519,195
Duluth Airport Authority					
Notes Payable	497,379	-	22,170	475,209	33,673
Loans Payable	322,222	-	26,666	295,556	26,667
Compensated Absences	70,792	65,597	70,792	65,597	65,597
Deferred Revenue	37,428	-	15,758	21,670	-
Net Other Post Employment Benefits Payable	319,175	119,240	-	438,415	-
Spirit Mountain Recreation Authority					
Revenue Bond Payable	993,432	-	182,706	810,726	190,238
Capital Leases	186,744	655,197	186,744	655,197	142,793
Due to Primary Government	45,015	-	45,015	-	-
Compensated Absences	64,788	64,496	64,788	64,496	64,496
Total Component Activities Long-Term Liabilities	\$ 6,428,126	\$ 1,707,014	\$ 1,959,878	\$ 6,175,262	\$ 2,006,620

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2010	\$ 3,127,862	\$ 3,215,000	\$ 242,409	\$ 1,440,000	\$ 12,230	\$ -
2011	3,356,328	2,998,095	202,188	1,740,000	11,780	25,000
2012	3,248,185	2,789,052	140,578	1,805,000	10,880	25,000
2013	3,136,244	3,283,265	82,169	1,470,000	9,980	25,000
2014	3,009,727	3,458,138	35,656	1,070,000	9,068	25,000
2015-2019	13,442,210	12,300,568	8,100	540,000	29,165	145,000
2020-2024	11,162,689	10,800,000	-	-	2,902	65,000
2025-2029	7,832,725	16,280,000	-	-	-	-
2030-2035	2,738,279	21,575,000	-	-	-	-
Total	<u>\$ 51,054,249</u>	<u>\$ 76,699,118</u>	<u>\$ 711,100</u>	<u>\$ 8,065,000</u>	<u>\$ 86,005</u>	<u>\$ 310,000</u>

Greater Minnesota Housing Notes

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

Tax Increment Revenue Bond and Notes

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

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

Year Ending December 31	Duluth Economic Development Tax Increment Revenue			
	Bonds		Notes	
	Interest	Principal	Interest	Principal
2010	\$ 9,000	\$ 45,000	\$ 7,553	\$ 55,000
2011	5,400	45,000	4,417	55,000
2012	1,800	45,000	1,425	50,000
Total	<u>\$ 16,200</u>	<u>\$135,000</u>	<u>\$ 13,395</u>	<u>\$160,000</u>

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

11. LONG-TERM DEBT
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt (continued)

Lease Revenue Bond

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

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

Lease Revenue Bonds		
Year Ending <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 39,800	\$135,000
2011	34,400	145,000
2012	28,600	150,000
2013	22,600	150,000
2014	16,600	415,000
Total	<u>\$142,000</u>	<u>\$995,000</u>

United States Department of Housing and Urban Development Revenue Notes

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

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

United States Dept. of Housing and Urban Development Revenue Notes

<u>Year Ending</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 170,856	\$ 60,000
2011	167,861	60,000
2012	164,849	65,000
2013	161,580	75,000
2014	157,792	80,000
2015-2019	760,739	65,000
2020-2024	742,474	100,000
2025-2029	144,707	2,521,000
Total	<u>\$ 2,470,858</u>	<u>\$ 3,026,000</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

11. LONG-TERM DEBT
 DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt (continued)
 Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$41,105,882 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Special Assessment Bonds		G.O. Revenue Notes Public Facilities Authority	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 1,498,158	\$ 4,870,000	\$ 2,290	\$ 24,000
2011	1,338,478	4,666,905	2,050	25,000
2012	1,162,935	4,845,948	1,800	25,000
2013	999,336	3,936,735	1,550	25,000
2014	847,047	4,096,862	1,300	25,000
2015-2019	2,284,001	14,414,432	2,640	105,000
2020-2024	288,887	4,275,000	-	-
Total	<u>\$ 8,418,842</u>	<u>\$41,105,882</u>	<u>\$ 11,630</u>	<u>\$ 229,000</u>

Other Debt

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

The State of Minnesota merged the police and fire consolidation pension accounts into the PERA Police and Fire Fund and established a ten-year fixed amortization payment for unfunded liabilities. The final payment was made in 2009.

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

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

Revenue Bonds

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

General Obligation Public Facilities Authority Revenue Notes

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

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

Year Ending <u>December 31</u>	Revenue and General Obligation Bonds		Revenue Bonds		G.O. Revenue Notes Public Facilities Authority	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 2,136,110	\$ 3,810,000	\$ 15,210	\$ 135,000	\$ 103,132	\$ 629,435
2011	2,033,914	4,190,000	10,620	140,000	149,688	782,000
2012	1,878,781	4,330,000	5,510	145,000	141,606	755,568
2013	1,715,829	4,450,000	-	-	101,513	591,000
2014	1,542,168	4,625,000	-	-	90,138	604,000
2015-2019	4,971,738	21,030,000	-	-	161,221	2,079,089
2020-2024	1,565,804	9,985,000	-	-	10,741	465,000
2025-2029	113,322	2,085,000	-	-	-	-
Total	<u>\$15,957,666</u>	<u>\$54,505,000</u>	<u>\$ 31,340</u>	<u>\$ 420,000</u>	<u>\$ 758,039</u>	<u>\$5,906,092</u>

The Steam District #1 Enterprise Fund has a loan for storefront renovations.

Component Unit Long-Term Debt

Spirit Mountain Recreation Area Authority

Revenue Bonds

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

11. LONG-TERM DEBT
 DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Component Unit Long-Term Debt

Spirit Mountain Recreation Area Authority (continued)

The annual requirements to service the debt follow:

Year Ending <u>April 30</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 34,379	\$ 190,238
2011	25,705	199,295
2012	16,636	208,365
2013	7,154	212,828
Total	<u>\$ 83,874</u>	<u>\$ 810,726</u>

Duluth Entertainment and Convention Center Authority

General Obligation Bonds

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

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

Year Ending <u>December 31</u>	General Obligation Refunding Revenue Bonds	
	<u>Interest</u>	<u>Principal</u>
2010	\$ 63,075	\$ 740,000
2011	32,550	775,000
Total	<u>\$ 95,625</u>	<u>\$ 1,515,000</u>

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

11. LONG-TERM DEBT
DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Component Unit Long-Term Debt (continued)

Duluth Airport Authority

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority's fixed base operator. The principal of the note is \$475,209; payable in semi-annual payments on June 1 and December 1 each year; commencing June 1, 2007 and until final maturity on June 1, 2019 with an annual interest rate of 8.85 percent.

The annual requirements to service the debt follow:

Year Ending December 31	Airport Facility Revenue Note	
	Interest	Principal
2010	\$ 41,327	\$ 33,673
2011	38,281	36,719
2012	34,960	40,040
2013	31,338	43,662
2014	27,388	47,612
2015-2019	<u>63,997</u>	<u>273,503</u>
Total	<u>\$ 237,291</u>	<u>\$ 475,209</u>

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

11. LONG-TERM DEBT (continued)
DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS
December 31, 2009

	Issue Date	Amount Outstanding	Total
Governmental Activities:			
General Obligation Bonds Payable -			
Great Lakes Aquarium	12-01-99	325,000	
Bayfront Festival Park	04-01-01	825,000	
Duluth Transit Authority	09-01-01	155,000	
Airport Improvement G.O. Bonds	02-01-02	2,285,000	
DECC Authority Refunding	03-01-03	370,000	
Bayfront Festival Park	12-01-03	175,000	
G. O. Improvement	03-01-04	470,000	
Airpark Improvement	09-01-04	750,000	
Capital Improvement	06-01-05	880,000	
Lake Superior Center Refunding	12-19-05	1,360,000	
Zoo Refunding Issue	12-19-05	750,000	
Capital Improvement	09-07-06	725,000	
Capital Improvement	12-13-07	1,125,000	
DECC Authority Refunding	12-13-07	3,215,000	
DECC Authority Improvement	08-07-08	40,635,000	
Aerial Lift Bridge Improvement	08-07-08	1,475,000	
Capital Improvement	12-09-08	1,600,000	
Capital Improvement	12/17/09	7,085,000	
Capital Improvement - Law Enforcement Center	12/17/09	11,905,000	
West Michigan Street Improvements Refunding	12/17/09	589,118	
Total General Obligation Bonds Payable		\$ 76,699,118	
General Obligation Tax Abatement			
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	310,000
Revenue Bonds Payable -			
Tax Increment Revenue Bonds -			
Cirrus Tax Increment Revenue	03-01-94	135,000	
Lease Revenue Bond	02-07-07	995,000	
Total Revenue Bonds Payable			1,130,000
Special Assessment Debt with Government Commitment	22 issues	41,105,882	41,105,882
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	5 issues	8,065,000	8,065,000
Total Governmental Activities Debt			\$127,310,000
Business-type Activities Debt:			
Revenue Bonds Payable:			
Golf Fund	1 issue	420,000	\$ 420,000
Revenue and General Obligation Bonds Payable:			
Parking Fund	3 issues	13,910,000	
Water Fund	6 issues	4,197,000	
Gas Fund	5 issues	10,745,814	
Steam District #1	5 issues	7,160,000	
Sewer Fund	11 issues	16,005,186	
Stormwater Fund	2 issues	2,487,000	
Total Revenue and General Obligation Bonds Payable			54,505,000
Total Business-type Activities Debt			\$ 54,925,000
Total Bonds Payable			\$182,235,000

(continued)

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

11. LONG-TERM DEBT
DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS (continued)
December 31, 2009

Deductions Allowable:

Bayfront Festival Park	04-01-01	825,000	
Airport Improvement G.O. Bonds	02-01-02	2,285,000	
Airpark Improvement	09-01-04	750,000	
Duluth Entertainment & Convention Center Authori	08-07-08	40,635,000	
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	
Cirrus Tax Increment Revenue	03-01-94	135,000	
Lease Revenue Bond	05-01-95	995,000	
Special Assessment		41,105,882	
Golf Fund		420,000	
Parking Fund		13,910,000	
Water Fund		4,197,000	
Gas Fund		10,745,814	
Steam District #1		7,160,000	
Sewer Fund		16,005,186	
Stormwater Fund		2,487,000	
Total Deductions Allowable			<u>\$141,965,882</u>
Net Debt			<u>\$ 40,269,118</u>
Legal Debt Margin for Duluth			
Taxable Market Value (\$ 5,729,975,300 X 2%)			<u>\$114,599,506</u>

Overlapping Debt to Duluth

<u>Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$ 72,910,000	88.30%	\$ 64,379,530
Independent School District 704	23,620,000	6.60%	1,558,920
St. Louis County	40,630,000	36.20%	14,708,060
			<u>\$ 80,646,510</u>

REFUNDING BOND ISSUES

Current Refunding Bonds

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

In 2009 the City issued \$3,560,000 General Obligation Utility Revenue Refunding Bonds with the obligation to be paid by net revenues derived from operation of the City gas and sewer utilities. The transaction resulted in a net present value savings of \$312,469 and a reduction in future debt service payments of \$342,551.

The City also issued \$2,150,000 General Obligation Improvement Refunding Bonds with the obligation to be paid primarily by special assessments levied and ad valorem taxes. The transaction resulted in a net present value savings of \$169,284 and a reduction in future debt service payments of \$170,003.

All current refunded debt is fully defeased.

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

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

The following refunded bonds are scheduled to be recalled February 1, 2010:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2001F	12/01/01	General Obligation Utility Revenue Bonds	\$ 4,030,000
1998E	12/01/98	General Obligation Improvement Bonds	1,185,000
1999G	12/01/99	General Obligation Improvement Bonds	600,000
2001A	04/01/01	General Obligation Improvement Bonds	765,000

All other current refunded bonds have been paid in full.

Advance Refunding Bonds

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

Crossover Advance Refunding Bonds

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

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

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Zoo General Obligation	12-19-05	\$ 1,485,000	\$ 750,000
Street Improvement	12-19-05	2,820,000	1,500,000
Street Improvement	12-19-06	2,395,000	1,505,000
Street Improvement	12-19-06	3,445,000	2,570,000
Art Space Refunding Bond	02-07-07	1,380,000	995,000
DECC Authority Parking	12-13-07	3,760,000	3,215,000
Street Improvement	12-09-08	3,055,000	3,055,000
West Michigan Street	12-17-09	589,118	589,118
General Obligation Improvement	12-17-09	397,780	397,780
General Obligation Improvement	12-17-09	506,415	506,415
General Obligation Improvement	12-17-09	656,687	656,687
Advance Refunding Bonds:			
DECC Authority	03-01-03	2,405,000	370,000
Street Improvement (1994)	03-01-03	818,000	122,200
Street Improvement (1995)	03-01-03	3,118,400	465,700
General Obligation Improvement	03-01-03	583,600	87,100
Lake Superior Center General Obligation	12-19-05	1,765,000	1,360,000
Street Improvement	12-19-06	3,190,000	2,570,000
		<u>\$32,370,000</u>	<u>\$20,715,000</u>
Total Governmental Activities			
Business-type Activities:			
Current Refunding Bonds:			
Golf Course	12-04-04	\$ 1,040,000	\$ 420,000
Water Utility Revenue and G.O.	12-13-07	950,000	845,000
Sewer Utility Revenue and G.O.	12-13-07	1,325,000	1,165,000
Parking Improvements	12-09-08	1,965,000	1,965,000
Gas Utility Revenue and G.O.	12-17-09	2,846,814	2,846,814
Sewer Utility Revenue and G.O.	12-17-09	713,186	713,186
Advance Refunding Bonds:			
Water Utility Revenue and G.O.	03-01-03	625,000	95,000
Sewer Utility Revenue and G.O.	03-01-03	1,240,000	195,000
		<u>\$10,705,000</u>	<u>\$ 8,245,000</u>
Total Business-type Activities			
Component Unit Activities:			
DECC Authority			
Advance Refunding:			
General Obligation DECC Refunding	04-01-01	\$ 6,970,000	\$ 1,515,000
		<u>\$ 6,970,000</u>	<u>\$ 1,515,000</u>
		Total	<u>\$30,475,000</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Bonds, certificates, and notes payable at December 31, 2009, are comprised 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						
Great Lakes Aquarium	4.50 to 4.88%	02/01; 08/01	12-01-99	02-01-10	2,475,000	325,000
Bayfront Festival Park	3.50 to 4.25%	02/01; 08/01	04-01-01	02-01-12	3,135,000	825,000
Duluth Transit Authority	2.65 to 4.10%	02/01; 08/01	09-01-01	02-01-11	615,000	155,000
Airport Improvement	4.00 to 6.25%	02/01; 08/01	02-01-02	02-01-17	3,400,000	2,285,000
DECC Author. Refunding	2.00 to 3.10%	02/01; 08/01	03-01-03	02-01-10	2,405,000	370,000
Bayfront Festival Park Improvement	2.00 to 3.60%	02/01; 08/01	12-01-03	02-01-12	425,000	175,000
Improvement	2.00 to 3.40%	02/01; 08/01	03-01-04	02-01-14	800,000	470,000
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04	02-01-20	945,000	750,000
Capital Improvement	2.80 to 3.70%	02/01; 08/01	06-01-05	02-01-15	1,255,000	880,000
Lake Superior Center Refunding	3.25 to 4.00%	02/01; 08/01	12-19-05	02-01-17	1,765,000	1,360,000
Zoo Refunding Issue	3.20 to 4.00%	02/01; 08/01	12-19-05	02-01-12	1,485,000	750,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06	02-01-16	895,000	725,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07	02-01-17	1,240,000	1,125,000
DECC Author. Refunding	4.00%	02/01; 08/01	12-13-07	02-01-14	3,760,000	3,215,000
DECC Author. Improvement	4.00 to 5.00%	02/01; 08/01	08-07-08	02-01-34	40,635,000	40,635,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08	02-01-19	1,475,000	1,475,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08	02-01-18	1,600,000	1,600,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09	02-01-20	7,085,000	7,085,000
Capital Improvement - Law Enforcement Center	5.00 to 6.00%	02/01; 08/01	12-17-09	02-01-32	11,905,000	11,905,000
West Michigan Street Improvements Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-18	589,118	589,118
Total General Obligation					<u>\$ 87,889,118</u>	<u>\$ 76,699,118</u>
General Obligation - Tax Abatement						
Lake Walk Homes Tax Abatement Bonds	3.60 to 4.30 %	02/01; 08/01	10-01-05	02-01-21	\$ 310,000	\$ 310,000
Total General Obligation Bonds Payable					<u>\$ 88,199,118</u>	<u>\$ 77,009,118</u>
Revenue Bonds Payable -						
Tax Increment Revenue Bonds Payable -						
Cirrus Tax Increment Revenue	7.00 to 8.00%	02/01; 08/01	03-01-94	02-01-12	\$ 645,000	\$ 135,000
Lease Revenue Bonds Payable -						
Artspace Community Center Refunding	4.00%	02/01; 08/01	02-07-07	08-01-14	1,380,000	995,000
Total Revenue Bonds Payable					<u>\$ 2,025,000</u>	<u>\$ 1,130,000</u>
Special Assessment Debt with Government Commitment -						
Street Improvement	2.50 to 4.45%	02/01; 08/01	09-01-02	02-01-18	3,860,000	2,525,000
General Obligation Improvement	3.50 to 4.55%	02/01; 08/01	12-01-02	02-01-18	2,220,000	1,490,000
Street Improvement Refunding	2.00 to 3.10%	02/01; 08/01	03-01-03	02-01-10	3,118,400	465,700
Street Improvement Refunding	2.00 to 3.10%	02/01; 08/01	03-01-03	02-01-10	818,000	122,200
General Obligation Improvement Refunding	2.00 to 3.10%	02/01; 08/01	03-01-03	02-01-10	583,600	87,100
Street Improvement	2.00 to 4.50%	02/01; 08/01	09-01-03	02-01-19	5,035,000	3,635,000
General Obligation Improvement	2.50 to 4.20%	02/01; 08/01	12-01-03	02-01-19	2,010,000	1,465,000
Street Improvement	2.25 to 4.63%	02/01; 08/01	09-01-04	02-01-20	4,785,000	3,755,000
General Obligation Improvement	3.50 to 4.00%	02/01; 08/01	06-01-05	02-01-20	2,275,000	1,890,000
Street Improvement	3.50 to 4.25%	02/01; 08/01	10-01-05	02-01-21	4,260,000	3,605,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-05	02-01-12	2,820,000	1,500,000
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	02-01-21	1,985,000	1,770,000
Street Improvement	4.00%	02/01; 08/01	09-07-06	02-01-22	3,355,000	3,035,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	02-01-12	2,395,000	1,505,000
Street Improvement Refunding	3.75 to 4.00%	02/01; 08/01	12-19-06	02-01-14	3,445,000	2,570,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	02-01-16	3,190,000	2,570,000
Street Improvement	3.75 to 4.25%	02/01; 08/01	12-13-07	02-01-23	2,285,000	2,180,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08	02-01-24	2,320,000	2,320,000
Street Improvement Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	3,055,000	3,055,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	397,780	397,780
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	506,415	506,415
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-16	656,687	656,687
Total Special Assessment Debt with Government Commitment					<u>\$ 55,375,882</u>	<u>\$ 41,105,882</u>
General Obligation Certificates Payable -						
Equipment	4.00%	06/19; 12/19	12-19-05	12-19-10	1,110,000	240,000
Equipment	3.63%	06/19; 12/19	12-19-06	02-01-12	1,785,000	1,115,000
Equipment	4.25 to 5.00%	02/01; 08/01	12-13-07	02-01-13	1,985,000	1,625,000
Equipment	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-14	2,515,000	2,515,000
Equipment	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-15	2,570,000	2,570,000
Total General Obligation Certificates Payable					<u>\$ 9,965,000</u>	<u>\$ 8,065,000</u>
Total Governmental Activities Bonds and Certificates Payable					<u>\$ 155,565,000</u>	<u>\$ 127,310,000</u>

(continued)

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Bonds, certificates, and notes payable at December 31, 2009, are comprised of the following individual issues:

Business-type Activities:	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Revenue Bonds Payable - Golf Fund - Revenue Recreation Facility Refunding	2.00 to 3.80%	06/01; 12/01	12-04-04 12-01-12	\$ 1,040,000	\$ 420,000
Revenue and General Obligation Bonds Payable - Parking Fund - Medical District Tax Increment	5.25 to 5.50%	02/01; 08/01	12-16-05 02-01-26	\$12,785,000	\$11,945,000
Tech. Village Parking Ramp Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-15	1,814,485	1,814,485
Parking Improvement Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-15	150,515	150,515
Total Parking Fund				<u>\$14,750,000</u>	<u>\$13,910,000</u>
Water Fund - Water Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 08/01	09-01-02 02-01-18	\$ 1,690,000	\$ 1,131,000
Water Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 08/01	12-01-02 12-01-18	1,385,000	920,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.25%	02/01; 08/01	03-01-03 02-01-10	625,000	95,000
Water Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06 02-01-22	1,120,000	1,010,000
Water Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07 02-01-16	950,000	845,000
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	196,000	196,000
Total Water Fund				<u>\$ 5,966,000</u>	<u>\$ 4,197,000</u>
Gas Fund - Gas Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 08/01	09-01-02 02-01-18	2,132,000	1,424,000
Gas Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 08/01	12-01-02 02-01-18	1,425,000	955,000
Gas Utility Revenue and General Obligation	2.50 to 4.20%	02/01; 08/01	12-01-03 02-01-19	6,090,000	4,445,000
Gas Utility Revenue and General Obligation	3.63 to 4.15%	02/01; 08/01	12-19-06 02-01-22	1,190,000	1,075,000
Gas Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-17	2,846,814	2,846,814
Total Gas Fund				<u>\$13,683,814</u>	<u>\$10,745,814</u>
Steam District # 1 Fund - Steam Utility Revenue and General Obligation	5.25 to 5.50%	02/01; 08/01	12-01-00 02-01-11	325,000	80,000
Steam Utility Revenue and General Obligation	4.30 to 4.50%	02/01; 08/01	02-01-02 02-01-12	345,000	125,000
Steam Utility Revenue and General Obligation	2.25 to 4.75%	02/01; 08/01	09-01-03 02-01-23	2,250,000	1,840,000
Steam Utility Revenue and General Obligation	2.80 to 4.15%	02/01; 08/01	06-01-05 02-01-20	1,250,000	1,035,000
Steam Utility Revenue and General Obligation	4.00 to 4.13%	02/01; 08/01	12-19-06 02-01-22	4,525,000	4,080,000
Total Steam District # 1 Fund				<u>\$ 8,695,000</u>	<u>\$ 7,160,000</u>
Sewer Fund - Sewer Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 08/01	09-01-02 02-01-18	2,003,000	1,338,000
Sewer Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 08/01	12-01-02 02-01-18	1,825,000	1,220,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.25%	02/01; 08/01	03-01-03 02-01-10	1,240,000	195,000
Sewer Utility Revenue and General Obligation	3.00 to 4.20%	02/01; 08/01	12-01-04 02-01-20	4,045,000	3,175,000
Sewer Utility Revenue and General Obligation	3.50 to 4.30%	02/01; 08/01	12-19-05 02-01-21	3,515,000	2,980,000
Sewer Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06 02-01-22	945,000	850,000
Sewer Utility Revenue and General Obligation	3.75 to 4.25%	02/01; 08/01	12-13-07 02-01-23	2,120,000	2,020,000
Sewer Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07 02-01-16	1,325,000	1,165,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	1,444,000	1,444,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-17	713,186	713,186
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	905,000
Total Sewer Fund				<u>\$20,080,186</u>	<u>\$16,005,186</u>
Stormwater Fund - Stormwater Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 08/01	09-01-02 02-01-18	\$ 1,425,000	\$ 952,000
Stormwater Utility Revenue and General Obligation	4.00%	02/01; 08/01	09-07-06 02-01-22	1,705,000	1,535,000
Total Stormwater Fund				<u>\$ 3,130,000</u>	<u>\$ 2,487,000</u>
Total Revenue and General Obligation Bonds Payable				<u>\$66,305,000</u>	<u>\$54,505,000</u>
Total Business-type Activities Bonds Payable				<u>\$67,345,000</u>	<u>\$54,925,000</u>
Component Units: Spirit Mountain Recreation Area Revenue Bonds Payable - Spirit Mountain Recreation Area	4.50 to 4.50%	06/01; 12/01	03-31-03 12-01-12	\$ 1,646,750	\$ 810,726
DECC Authority General Obligation Bonds Payable - DECC Refunding	3.50 to 4.20%	06/01; 12/01	04-01-01 12-01-11	6,970,000	1,515,000
Total Component Units Bonds Payable				<u>\$ 8,616,750</u>	<u>\$ 2,325,726</u>

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Bonds, certificates, and notes payable at December 31, 2009, are comprised of the following individual issues:

NOTES PAYABLE BY ISSUE	<u>Interest Rate and Dates</u>		<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental Activities:						
General Obligation						
Public Facilities Authority Note	1.00%	02/20; 08/20	07-24-02	08-20-18	\$ 364,195	\$ 229,000
Greater Minnesota Housing Fund Note	None	Note 1	11-06-06	11-06-16	200,000	200,000
Total General Obligation					<u>\$ 564,195</u>	<u>\$ 429,000</u>
Revenue Note						
U.S. Dept. of Housing and Urban Dev.	5.23 to 5.77%	01/22; 07/22	08-01-05	08-01-25	7,876,000	3,026,000
Tax Increment Revenue						
Fremont Tax Increment Limited Revenue	5.70%	02/01; 08/01	07-01-97	02-01-12	650,000	160,000
Total Governmental Activities					<u>\$ 9,090,195</u>	<u>\$ 3,615,000</u>
Business-type Activities:						
General Obligation:						
Water Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 870,000	\$ 573,124
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04	08-20-18	1,971,532	1,289,000
Public Facilities Authority Note (Note 2)	1.077%	02/20; 08/20	10-28-09	08-20-19	1,698,450	480,239
Total Water Fund					\$ 4,539,982	\$ 2,342,363
Sewer Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 100,000	\$ 65,876
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03	08-20-18	1,179,115	795,000
Public Facilities Authority Note (Note 3)	1.15%	02/20; 08/20	07-12-07	08-20-22	2,042,350	1,903,000
Public Facilities Authority Note (Note 4)	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	97,614
Public Facilities Authority Note (Note 5)	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	702,239
Total Sewer Fund					<u>\$ 6,532,450</u>	<u>\$ 3,563,729</u>
Total Business-type Activities					<u>\$ 11,072,432</u>	<u>\$ 5,906,092</u>
Component Units:						
Duluth Airport Authority						
Revenue Note	8.85%	06/01; 12/01	11-01-05	06-01-19	\$ 497,379	\$ 475,209

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

Note 2: Only \$ 480,239 has been drawn on the Public Facilities Authority Note dated 10/28/09.

Note 3: Only \$ 1,973,033 has been drawn on the Public Facilities Authority Note dated 7/12/07.

Note 4: Only \$ 97,614 has been drawn on the Public Facilities Authority Note dated 8/20/09.

Note 5: Only \$ 702,239 has been drawn on the Public Facilities Authority Note dated 11/25/09.

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

**12. INTERFUND ASSETS/LIABILITIES/TRANSFERS
DUE TO/FROM OTHER FUNDS**

Due To/From Other Funds results from the time lag between the dates interfund goods or services are provided or reimbursable expenditures occur and when the payment between funds is made. Balances at December 31, 2009 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 62,631
	Nonmajor Enterprise Funds	17,161
	Internal Service Funds	1,568,803
Community Investment Trust	General	262,145
Parking Enterprise	Nonmajor Enterprise Funds	1,095
	Internal Service Funds	16
Water Enterprise	General	2,299
	Nonmajor Governmental Funds	1,129,487
	Internal Service Funds	18,631
Gas Enterprise	General	3,762
	Nonmajor Governmental Funds	135,799
	Internal Service Funds	30,617
Sewer Enterprise	General	1,100
	Nonmajor Governmental Funds	544,518
	Internal Service Funds	9,248
Nonmajor Governmental Funds	General	1,339,983
	Water Enterprise	77,461
	Gas Enterprise	52,936
	Sewer Enterprise	182,744
	Nonmajor Governmental Funds	6,591,742
	Nonmajor Enterprise Funds	20,672
	Internal Service Funds	21,408
Nonmajor Enterprise Funds	General	1,100
	Nonmajor Governmental Funds	76,545
	Internal Service Funds	20,616
Internal Service Funds	General	2,003
	Water Enterprise	5,036
	Gas Enterprise	7,674
	Sewer Enterprise	24,771
	Nonmajor Enterprise Funds	1,343
	Internal Service Funds	6,147
	Total	<u>\$ 12,219,493</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	10,100,214
	Statement of Net Assets- Proprietary Funds:	
	Business-type Activities - Enterprise Funds	390,893
	Governmental Activities- Internal Service Funds	1,728,386
	Total	<u>\$ 12,219,493</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)
DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due To/From primary government and component unit results from the time lag between the date goods or services are provided and when payment is made. Balances as shown below are reported on the Government-wide Statement of Net Assets. Balances are at December 31, 2009, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2009.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government: General Fund	Component Unit: Duluth Entertainment and Convention Center Authority	\$ 28,401
	Spirit Mountain Recreation Area Authority	80,286
	Duluth Airport Authority	45,200
Internal Service Funds	Spirit Mountain Recreation Area Authority	47,926
	Duluth Airport Authority	133,053
Total Due from Component Units		<u>\$ 334,866</u>
Due to Primary Government: Current Liability		\$ 312,592
Non-Current Liability		-
Total Due to Primary Government		<u>312,592</u>
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2009		(105,938)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2009		128,212
		<u>\$ 334,866</u>
Component Unit: Duluth Entertainment and Convention Center Authority	Primary Government: General Fund	\$ 6,269
	DECC Capital Improvement	2,821,221
	Nonmajor Governmental Funds	100,977
Duluth Airport Authority	Nonmajor Governmental Funds	1,077
Total Due from Primary Government		<u>\$ 2,929,544</u>
Total Due to Component Units		\$ 2,934,250
Add Spirit Mountain Recreation Area Authority balance at April 30, 2009		-
Deduct Spirit Mountain Recreation Area Authority balance at December 31, 2009		(4,706)
Total Due to Component Units		<u>\$ 2,929,544</u>

**CITY OF DULUTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS
INTERFUND LOAN RECEIVABLES/PAYABLES

These balances are a result of temporary interfund financing at year-end. Balances at December 31, 2009 are:

<u>Receivable Fund</u>	<u>Amount</u>
General	\$ 970,046
Gas Enterprise	<u>236,207</u>
Total	<u>\$ 1,206,253</u>
 <u>Payable Fund</u>	
Nonmajor Governmental Funds	\$ 282,453
Nonmajor Enterprise Funds	<u>923,800</u>
Total	<u>\$ 1,206,253</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

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

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: payments in lieu of taxes, debt service payments, participation in projects, reimbursement of expenditures, and revenue recognition for investment earnings in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interfund transfers for the year ended December 31, 2009 are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General	Community Investment Trust	\$ 1,895,146
	Parking Enterprise	1,218,737
	Water Enterprise	318,132
	Gas Enterprise	4,232,315
	Sewer Enterprise	74,558
	Nonmajor Governmental Funds	1,763,005
	Nonmajor Enterprise Funds	3,155,798
	Internal Service Funds	164,135
Parking Enterprise	Nonmajor Governmental Funds	1,234,737
Nonmajor Governmental Funds	General	303,138
	Community Investment Trust	12,646,389
	DECC Capital Improvement	698,201
	Gas Enterprise	75,000
	Nonmajor Governmental Funds	11,046,919
Internal Service Funds	General	<u>200,000</u>
		<u>\$ 39,026,210</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and Changes in Fund Balance:	
	Governmental Funds	\$ 29,787,535
	Statement of Revenues, Expenses, and Changes in Fund Net Assets:	
	Business-type Activities - Enterprise Funds	9,074,540
	Governmental Activities - Internal Service Funds	<u>164,135</u>
	Total	<u>\$ 39,026,210</u>

Non-routine Transfers

The City Council authorized a transfer of \$2.5 million from Steam District #2 to the General Fund. The transfer represents the proceeds received from the sale of the assets of Steam District #2 to Minnesota Power on September 30, 2009.

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

13. PENSION PLANS
PLAN DESCRIPTION

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

Public Employees Retirement Fund members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

The PERA provides retirement benefits, as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2% of average salary for each of the first ten years and 1.7% for each successive year. Using Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0% of average salary for each year of service.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

13. PENSION PLANS (continued)
 FUNDING POLICY

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Statutory contribution rates of annual covered payroll for the plans are:

	2009 Statutory Rates	
	<u>Employees</u>	<u>Employer</u>
Public Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated Members	6.00%	6.75%
Public Employees Police and Fire Fund	9.40%	14.10%

The City's contributions for the years ending December 31, 2009, 2008, and 2007 for the Public Employees Retirement Fund and Public Employees Police and Fire Fund were:
 (Dollar amounts in Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 2,008	\$ 1,867	\$ 1,854
Public Employees Police and Fire Fund	<u>6,539</u>	<u>6,188</u>	<u>5,929</u>
Totals	<u>\$ 8,547</u>	<u>\$ 8,055</u>	<u>\$ 7,783</u>

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

DEFINED CONTRIBUTION PLAN

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

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

13. PENSION PLANS
 DEFINED CONTRIBUTION PLAN (continued)

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2009, were:

	Employee	Employer
Contribution amount	\$ 4,841	\$ 4,841
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0 percent.

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to the Public Employees Retirement Association of Minnesota (PERA). Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly-available 2009 annual report.

The Duluth Transit Authority has no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2009 annual report.

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

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

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

As of December 31, 2009, there were 870 retirees receiving health benefits from the City's health plan and 811 active employees covered under the plan.

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

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

FUNDING POLICY

The City of Duluth has historically funded these liabilities on a pay-as-you go basis. Union contracts govern the premiums contributed by the City and the retirees. For eligible retirees, the City pays a portion of the premium ranging from 25%-100% depending on the years of service. Retirees pay the remaining portion of the premium. Premiums are paid to the Group Health Internal Service Fund which accounts for the activity of the plan. Premiums are intended to cover the cost of providing benefits to retirees on a pay-as-you-go basis. For the year ended December 31, 2009, the City contributed \$10,619,694 and retirees contributed \$68,405.

In July 2007, the City established an OPEB irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$3,000,000 were made to the irrevocable trust in 2009.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$17,615,054
Interest on net OPEB obligation	602,318
Adjustment to ARC	(743,200)
Annual OPEB Cost	<u>17,474,172</u>
Claims paid on behalf of retirees	(10,488,168)
Contributions to irrevocable trust	<u>(3,000,000)</u>
Increase in net OPEB obligation	3,986,004
Net OPEB, January 1	<u>12,210,421</u>
Net OPEB, December 31	<u><u>16,196,425</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007, 2008 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net OPEB Obligation
December 31, 2007	\$23,742,663	\$22,081,427	93.00%	\$1,661,236
December 31, 2008	23,720,514	13,171,329	55.53%	12,210,421
December 31, 2009	17,474,172	13,488,168	77.19%	16,196,425

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)
FUNDING STATUS AND FUNDING PROGRESS

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

TRUST FUND

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

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

DEFINED CONTRIBUTION OPEB PLAN

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

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

15. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following non-major enterprise funds; Steam District #1, the plant which generates and distributes steam to users in the downtown area; Stormwater Utility, which operates the stormwater sewer collection system; and the Golf Fund, which operates the city's two municipal 27-hole golf courses. Summary financial information for each of these funds for fiscal year ending December 31, 2009 is presented below.

	<u>Stormwater</u>	<u>Steam District #1</u>	<u>Golf</u>
CONDENSED STATEMENT OF NET ASSETS			
Assets			
Current assets	\$ 3,201,396	\$ 1,168,587	\$ 149,724
Due from other funds	22,015	18,256	-
Capital assets	11,546,262	9,960,532	2,125,518
Noncurrent assets	24,433	99,010	17,065
Total assets	<u>14,794,106</u>	<u>11,246,385</u>	<u>2,292,307</u>
Liabilities			
Current liabilities	743,752	1,386,921	953,688
Due to other funds	94,638	265	685
Noncurrent liabilities	2,312,477	6,663,179	285,000
Total liabilities	<u>3,150,867</u>	<u>8,050,365</u>	<u>1,239,373</u>
Net assets			
Invested in capital assets, net of related debt	9,087,246	2,875,038	1,607,867
Restricted for special accounts		-	102,742
Unrestricted	2,555,993	320,982	(657,675)
Total net assets	<u>\$ 11,643,239</u>	<u>\$ 3,196,020</u>	<u>\$ 1,052,934</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues (expenses)			
Charges (pledged against bonds)	\$ 5,149,274	\$ 6,152,268	\$ 1,945,446
Depreciation expense	(365,612)	(918,090)	(147,121)
Other operating expenses	(2,862,787)	(4,784,338)	(1,723,055)
Operating income	<u>1,920,875</u>	<u>449,840</u>	<u>75,270</u>
Nonoperating revenues (expenses)			
Investment earnings	37,743	-	89
Intergovernmental	73,643	-	-
Gain (Loss) on sale or disposition of capital assets	960	-	-
Interest expense	(100,928)	(292,237)	(24,986)
Capital contributions	25,309	-	-
Transfers out	(538,798)	(117,000)	-
Change in net assets	<u>1,418,804</u>	<u>40,603</u>	<u>50,373</u>
Beginning net assets	<u>10,224,435</u>	<u>3,155,417</u>	<u>1,002,561</u>
Ending net assets	<u>\$ 11,643,239</u>	<u>\$ 3,196,020</u>	<u>\$ 1,052,934</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash provided (used) by			
Operating activities	\$ 1,857,632	\$ 1,436,818	\$ 362,241
Noncapital financing activities	40,312	(224,927)	(114,769)
Capital and related financing activities	(1,491,939)	(1,265,114)	(247,472)
Investing activities	37,281	-	-
Net increase (decrease)	<u>443,286</u>	<u>(53,223)</u>	<u>-</u>
Beginning cash and cash equivalents	<u>2,085,547</u>	<u>53,223</u>	<u>-</u>
Ending cash and cash equivalents	<u>\$ 2,528,833</u>	<u>\$ -</u>	<u>\$ -</u>

16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES
LAKE SUPERIOR CENTER

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

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

LITIGATION

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

The consent decree requires the City to make certain improvements to prevent future sewage overflows. The City has consented to these improvements which will be made over a number of years and must be completed by the end of 2016. The improvements are estimated to cost \$84 million and are expected to be financed by federal grants, state grants, and local sources.

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2009.

**CITY OF DULUTH, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

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

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

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2009, is:

Total Assets	\$	58,834
Total Liabilities		-
Total Fund Equity	\$	58,834
Total Revenues		-
Total Expenditures/Expenses		-
Increase (decrease) in Fund Balance	\$	-

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City of Duluth with its own rights and powers. Although the Mayor of the City of Duluth appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City of Duluth. Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,320,819 to the Duluth Housing and Redevelopment Authority in 2009.

PASSENGER RAIL SERVICE FEASIBILITY STUDY

The City of Duluth entered into an agreement with several organizations to perform a feasibility of passenger rail service between the City of Duluth and the City of Minneapolis. Upon completion of the study, the City of Duluth, together with other participating counties and cities, elected to continue working to restore passenger rail service and entered into a joint powers agreement forming Northern Lights Express Joint Powers Association (JPA). Funding for this board is derived by a cost sharing funding formula adopted by the board and approved annually by each party's governing body.

FOND DU LUTH CASINO

In 2009 the Band unilaterally stopped all contractually required payments to the City. Pursuant to the 1994 City of Duluth/Fond du Lac Band agreement, the City is to receive nineteen percent of all slot machine revenue. The City has sued to recover the outstanding payments and the US District Court has granted the City summary judgment on that issue. All contractually required payments will be paid to the City. As of December 31, 2009, the Band owes \$3,483,987 to the City.

**CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)
TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2009, follows:

- Augusta Building - \$268,321
- Fifth Street Redevelopment - \$411,681
- Garfield Business Park LLC - \$611,069
- Ramsey Townhouses - \$282,150
- Sherman Associates Hotel/Condominium - \$5,000,000
- Spirit Bay - \$118,319
- Accessible Space, Inc. - annual payment not to exceed 100% of captured tax increment. The maximum tax increment financing available is \$149,999.

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2009, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal Outstanding</u>
ECUMEN	1998	\$ 11,750,000	\$ 4,030,000
Afterno Home	2006	2,620,000	2,499,906
Residential Services	2000B	576,421	275,661
Residential Services	2000C	330,919	158,090
Center for Alcohol & Drug Treatment	2000A	2,600,000	1,855,543
St; Luke's Hospital	2002	55,000,000	49,775,000
Merritt School LLC	2004	660,000	563,765
St. Francis Health Services	1996	801,540	249,043

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Required Supplementary Information

CITY OF DULUTH, MINNESOTA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POST-EMPLOYMENT BENEFITS PLAN TRUST
 FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

Year Ended December 31	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$13,700,000	\$23,742,663	57.7%
2008	\$4,100,000	\$23,720,514	17.3%
2009	\$3,000,000	\$17,615,054	17.0%

Employer contributions to the trust do not include retiree medical claims of \$8,381,427 and \$9,071,329, \$10,488,168, for the years ended December 31, 2007, 2008 and 2009, respectively, paid directly by the City.

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

CITY OF DULUTH
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2009

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

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

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

Combining and Individual Fund Information

Governmental Funds

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

Senior Nutrition – to account for monies received from the Arrowhead Regional Development Commission under the Older Americans Act of 1965 for providing hot meals and other services to people 60 or over.

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

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

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

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

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

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

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

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

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

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

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS (continued)**

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

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

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

DEDA Operating - is the general operating fund for DEDA. It accounts for all financial transactions not accounted for in another DEDA fund.

DEDA NWA Maintenance Facility - to account for monies, including franchise fee monies received from the City of Duluth, relating to the financing of an aircraft maintenance facility at Duluth International Airport.

DEDA Loan Programs - to account for loan programs established to revitalize buildings within the City.

DEBT SERVICE FUNDS

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

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

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

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

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

DEDA Debt Service – to account for the resources for, and payment of, tax increment backed debt.

CAPITAL PROJECTS FUNDS

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

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

Permanent Improvement -- to account for improvements which will not sustain a special assessment.

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

Capital Improvements -- to account for bond proceeds, transfers from other funds, and other revenues received for capital improvement projects.

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

DEDA Capital Projects - to account for improvements that are financed by tax increment collections.

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Lake Superior Zoo	Home Investment Partnership Program	Community Development	Workforce Development	Senior Employment
ASSETS					
Cash and cash equivalents	\$ 361,495	\$ 1,718	\$ 768,737	\$ 312,367	\$ -
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	11,349	-	8,165	8,621	-
Assessments	-	-	-	-	-
Loans	-	215,839	2,548,961	-	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	662	-	126,714	-	18,595
Due from other governments	-	331,388	1,238,153	379,275	89,261
Land held for resale	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 373,506</u>	<u>\$ 548,945</u>	<u>\$ 4,690,730</u>	<u>\$ 700,263</u>	<u>\$ 107,856</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 3,328	\$ 19,550	\$ 15,307
Contracts payable	230,593	215,965	871,110	3,000	-
Due to other funds	-	20,152	52,290	77,334	7,154
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	71,376
Loans payable	-	-	-	-	-
Due to other governments	236	-	2,392	49,816	-
Accrued salaries payable	-	-	18,296	52,565	14,019
Deferred revenue	-	312,828	2,727,387	140,206	-
Total liabilities	<u>230,829</u>	<u>548,945</u>	<u>3,674,803</u>	<u>342,471</u>	<u>107,856</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	-	504,215	-	-
Special accounts	-	-	-	332,437	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	142,677	-	511,712	25,355	-
Capital project funds	-	-	-	-	-
Total fund balances	<u>142,677</u>	<u>-</u>	<u>1,015,927</u>	<u>357,792</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 373,506</u>	<u>\$ 548,945</u>	<u>\$ 4,690,730</u>	<u>\$ 700,263</u>	<u>\$ 107,856</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Special Projects	Police Grant Programs	Housing Investment	GMHF Revolving Fund	Recovery Loan Program
ASSETS					
Cash and cash equivalents	\$ 432,786	\$ -	\$ 199,151	\$ 200,000	\$ 269,559
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	46,704	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	1,304,867	-	448,325
Grants	-	661,149	-	-	-
Deposits	-	-	-	-	-
Due from other funds	10,396	52,464	-	-	622,000
Due from other governments	98,400	-	-	-	-
Land held for resale	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 588,286</u>	<u>\$ 713,613</u>	<u>\$ 1,504,018</u>	<u>\$ 200,000</u>	<u>\$ 1,339,884</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 35,835	\$ 137,076	\$ -	\$ -	\$ 295
Contracts payable	-	29,378	80,776	-	-
Due to other funds	24,636	273,884	-	-	26,305
Due to component units	-	-	-	-	-
Interfund loan payable	-	211,077	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	-	35,603	-	-	354,467
Accrued salaries payable	-	-	-	-	-
Deferred revenue	33,257	-	1,304,867	-	94,174
Total liabilities	<u>93,728</u>	<u>687,018</u>	<u>1,385,643</u>	<u>-</u>	<u>475,241</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	118,375	-	-
Debt service	-	-	-	-	-
Special accounts	-	26,595	-	200,000	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	494,558	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	864,643
Capital project funds	-	-	-	-	-
Total fund balances	<u>494,558</u>	<u>26,595</u>	<u>118,375</u>	<u>200,000</u>	<u>864,643</u>
Total liabilities and fund balances	<u>\$ 588,286</u>	<u>\$ 713,613</u>	<u>\$ 1,504,018</u>	<u>\$ 200,000</u>	<u>\$ 1,339,884</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Bayfront Festival Park	Library Special Accounts	Capital Equipment	Economic Development	Energy Management
ASSETS					
Cash and cash equivalents	\$ 138,151	\$ 668,785	\$ 2,286,338	\$ 306,156	\$ 348,919
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	-	-	-	21,286	-
Due from other governments	-	-	-	257,274	3,600
Land held for resale	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 138,151</u>	<u>\$ 668,785</u>	<u>\$ 2,286,338</u>	<u>\$ 584,716</u>	<u>\$ 352,519</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 1,655	\$ 113,854	\$ 257,274	\$ -
Contracts payable	-	-	-	12,215	-
Due to other funds	-	-	-	250,000	-
Due to component units	-	-	-	1,077	-
Interfund loan payable	-	-	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	57	24	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	2,000	-	-	-	-
Total liabilities	<u>2,057</u>	<u>1,679</u>	<u>113,854</u>	<u>520,566</u>	<u>-</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	1,113,253	-	-
Debt service	-	-	-	-	-
Special accounts	-	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	136,094	667,106	1,059,231	64,150	352,519
Capital project funds	-	-	-	-	-
Total fund balances	<u>136,094</u>	<u>667,106</u>	<u>2,172,484</u>	<u>64,150</u>	<u>352,519</u>
Total liabilities and fund balances	<u>\$ 138,151</u>	<u>\$ 668,785</u>	<u>\$ 2,286,338</u>	<u>\$ 584,716</u>	<u>\$ 352,519</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Tourism Tax	Public Facility and Programs	DECC Revenue	DEDA Operating	DEDA NWA Maint. Facility
ASSETS					
Cash and cash equivalents	\$ 1,105,571	\$ 13,673	\$ 494,180	\$ 674,679	\$ 496,805
Receivables, net:					
Taxes	486,499	493	-	-	-
Accounts	54,509	-	-	8,575	300,000
Assessments	-	-	-	-	-
Loans	-	-	-	125,937	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	7,806	-	308,183	396,004	-
Due from other governments	-	-	-	-	10,000
Land held for resale	-	-	-	192,500	-
Prepays	-	-	-	-	-
Total assets	\$ 1,654,385	\$ 14,166	\$ 802,363	\$ 1,397,695	\$ 806,805
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,906	\$ -	\$ -	\$ 1,918	\$ 21,892
Contracts payable	-	-	-	-	-
Due to other funds	368,171	-	-	718,368	90,000
Due to component units	100,977	-	-	-	-
Interfund loan payable	-	-	-	-	-
Loans payable	-	-	-	391,947	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	-	-	125,937	300,000
Total liabilities	473,054	-	-	1,238,170	411,892
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	240,817	-
Debt service	1,039,710	-	802,363	-	-
Special accounts	52,841	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	88,780	14,166	-	(81,292)	394,913
Capital project funds	-	-	-	-	-
Total fund balances	1,181,331	14,166	802,363	159,525	394,913
Total liabilities and fund balances	\$ 1,654,385	\$ 14,166	\$ 802,363	\$ 1,397,695	\$ 806,805

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Fund	Debt Service Funds			
	DEDA Loan Programs	General Obligation	Street Improvement Debt Service	Transit Bond	Special Assessment Debt Service
ASSETS					
Cash and cash equivalents	\$ 3,353,460	\$ 6,391,196	\$ 9,834,750	\$ 227,172	\$ 1,223,874
Receivables, net:					
Taxes	-	364,720	-	7,264	-
Accounts	-	175	-	-	-
Assessments	-	-	3,505,715	-	6,544,026
Loans	2,190,808	-	-	-	-
Grants	-	105,000	-	-	-
Deposits	250,000	-	-	-	-
Due from other funds	5,108	551,600	486,804	-	517,232
Due from other governments	-	-	-	-	-
Land held for resale	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 5,799,376</u>	<u>\$ 7,412,691</u>	<u>\$ 13,827,269</u>	<u>\$ 234,436</u>	<u>\$ 8,285,132</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 2,467	\$ -	\$ -	\$ 6,004
Contracts payable	-	-	-	-	-
Due to other funds	57,877	620,409	-	-	183,924
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	371,665	3,499,613	5,468	6,457,728
Total liabilities	<u>57,877</u>	<u>994,541</u>	<u>3,499,613</u>	<u>5,468</u>	<u>6,647,656</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	6,149,508	-	78,140	-
Special accounts	2,213,697	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	858,356	-	-	-	-
Debt service funds	-	268,642	10,327,656	150,828	1,637,476
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	2,669,446	-	-	-	-
Capital project funds	-	-	-	-	-
Total fund balances	<u>5,741,499</u>	<u>6,418,150</u>	<u>10,327,656</u>	<u>228,968</u>	<u>1,637,476</u>
Total liabilities and fund balances	<u>\$ 5,799,376</u>	<u>\$ 7,412,691</u>	<u>\$ 13,827,269</u>	<u>\$ 234,436</u>	<u>\$ 8,285,132</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Debt Service Fund	Capital Project Funds			
	DEDA Debt Service	Special Assessment	Permanent Improvement	Street Improvement Program	Capital Improvements
ASSETS					
Cash and cash equivalents	\$ 3,561,842	\$ 299,253	\$ 2,029,131	\$ 653,007	\$ 19,793,838
Receivables, net:					
Taxes	534,576	-	31,341	-	-
Accounts	19,162	-	-	-	-
Assessments	-	8,511	-	29,855	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	53,529	17,401	1,485,739	391,641	20,000
Due from other governments	2,685	-	1,053,188	-	-
Land held for resale	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	\$ 4,171,794	\$ 325,165	\$ 4,599,399	\$ 1,074,503	\$ 19,813,838
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,741	\$ -	\$ 47,302
Contracts payable	43,625	15,792	1,017,570	643,650	214,149
Due to other funds	3,095,241	301,304	487,398	772,927	551,600
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	427,948	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	490,311	8,511	1,319,765	29,855	-
Total liabilities	4,057,125	325,607	2,826,474	1,446,432	813,051
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	91,977	3,539,825
Debt service	114,669	-	-	-	-
Special accounts	-	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	15,460,962
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	(442)	1,772,925	(463,906)	-
Total fund balances	114,669	(442)	1,772,925	(371,929)	19,000,787
Total liabilities and fund balances	\$ 4,171,794	\$ 325,165	\$ 4,599,399	\$ 1,074,503	\$ 19,813,838

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Medical District Expansion</u>	<u>DEDA Capital Projects</u>	
ASSETS			
Cash and cash equivalents	\$ 449,815	\$ 6,039,664	\$ 62,936,072
Receivables, net:			
Taxes	-	-	1,424,893
Accounts	-	33,050	490,310
Assessments	-	-	10,088,107
Loans	-	1,634,439	8,469,176
Grants	-	-	766,149
Deposits	-	-	250,000
Due from other funds	-	3,394,658	8,487,822
Due from other governments	-	-	3,463,224
Land held for resale	-	-	192,500
Prepays	-	430,945	430,945
Total assets	<u>\$ 449,815</u>	<u>\$ 11,532,756</u>	<u>\$ 96,999,198</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 13,350	\$ 682,754
Contracts payable	-	287,312	3,665,135
Due to other funds	-	307,972	8,286,946
Due to component units	-	-	102,054
Interfund loan payable	-	-	282,453
Loans payable	-	-	391,947
Due to other governments	-	-	870,543
Accrued salaries payable	-	-	84,880
Deferred revenue	-	1,585,709	18,809,281
Total liabilities	<u>-</u>	<u>2,194,343</u>	<u>33,175,993</u>
Fund balances:			
Reserved for:			
Encumbrances	-	566,605	5,670,852
Debt service	-	-	8,688,605
Special accounts	-	472,998	3,298,568
Unreserved:			
Designated for, reported in:			
Special revenue funds	-	-	1,352,914
Debt service funds	-	-	12,384,602
Capital project funds	-	2,574,368	18,035,330
Undesignated, reported in:			
Special revenue funds	-	-	6,909,500
Capital project funds	449,815	5,724,442	7,482,834
Total fund balances	<u>449,815</u>	<u>9,338,413</u>	<u>63,823,205</u>
Total liabilities and fund balances	<u>\$ 449,815</u>	<u>\$ 11,532,756</u>	<u>\$ 96,999,198</u>

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Lake Superior Zoo	Home Investment Partnership Program	Community Development	Workforce Development	Senior Employment
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	107,500	885,836	3,657,212	2,639,994	387,872
Charges for services	786,923	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	354	-	-
Miscellaneous revenues	37,690	-	269,051	14,004	-
Total revenues	<u>932,113</u>	<u>885,836</u>	<u>3,926,617</u>	<u>2,653,998</u>	<u>387,872</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	1,355,211	-	-	-	-
Urban and economic development	-	885,836	3,705,955	2,787,497	387,872
Debt service:					
Principal retirement	-	-	55,000	-	-
Interest and fiscal fees	-	-	173,584	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,355,211</u>	<u>885,836</u>	<u>3,934,539</u>	<u>2,787,497</u>	<u>387,872</u>
Excess (deficiency) of revenues over expenditures	<u>(423,098)</u>	<u>-</u>	<u>(7,922)</u>	<u>(133,499)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	454,200	-	104,956	-	-
Transfers out	-	-	(80,991)	-	-
Total other financing sources (uses)	<u>454,200</u>	<u>-</u>	<u>23,965</u>	<u>-</u>	<u>-</u>
Net change in fund balance	31,102	-	16,043	(133,499)	-
Fund balance - January 1, 2009	<u>111,575</u>	<u>-</u>	<u>999,884</u>	<u>491,291</u>	<u>-</u>
Fund balance - December 31, 2009	<u>\$ 142,677</u>	<u>\$ -</u>	<u>\$ 1,015,927</u>	<u>\$ 357,792</u>	<u>\$ -</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, 2009**

	Special Revenue Funds				
	Senior Nutrition	Special Projects	Police Grant Programs	Housing Investment	GMHF Revolving Fund
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	584,623	1,105,113	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	22	-	-	-	-
Miscellaneous revenues	-	281,841	57,174	-	-
Total revenues	22	866,464	1,162,287	-	-
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	236,916	534,960	-	-
Public works	-	-	-	-	-
Culture and recreation	-	158,719	-	-	-
Urban and economic development	51,668	79,364	-	481,625	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	85,288	-	-
Total expenditures	51,668	474,999	620,248	481,625	-
Excess (deficiency) of revenues over expenditures	(51,646)	391,465	542,039	(481,625)	-
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(35,054)	(522,339)	-	-
Total other financing sources (uses)	-	(35,054)	(522,339)	-	-
Net change in fund balance	(51,646)	356,411	19,700	(481,625)	-
Fund balance - January 1, 2009	51,646	138,147	6,895	600,000	200,000
Fund balance - December 31, 2009	\$ -	\$ 494,558	\$ 26,595	\$ 118,375	\$ 200,000

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds				
	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Capital Equipment	Economic Development
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	257,274
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	55	167	393	-
Miscellaneous revenues	58,385	43,674	70,436	4,554	256,461
Total revenues	<u>58,385</u>	<u>43,729</u>	<u>70,603</u>	<u>4,947</u>	<u>513,735</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	892	25,797	-	-
Urban and economic development	3,865	-	-	-	263,735
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	2,764	-
Bond issuance costs	-	-	-	28,414	-
Capital outlay	-	-	15,433	1,917,628	21,286
Total expenditures	<u>3,865</u>	<u>892</u>	<u>41,230</u>	<u>1,948,806</u>	<u>285,021</u>
Excess (deficiency) of revenues over expenditures	<u>54,520</u>	<u>42,837</u>	<u>29,373</u>	<u>(1,943,859)</u>	<u>228,714</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	2,570,000	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	84,479	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	21,286
Transfers out	(25,545)	-	-	-	(250,000)
Total other financing sources (uses)	<u>(25,545)</u>	<u>-</u>	<u>-</u>	<u>2,654,479</u>	<u>(228,714)</u>
Net change in fund balance	28,975	42,837	29,373	710,620	-
Fund balance - January 1, 2009	<u>835,668</u>	<u>93,257</u>	<u>637,733</u>	<u>1,461,864</u>	<u>64,150</u>
Fund balance - December 31, 2009	<u>\$ 864,643</u>	<u>\$ 136,094</u>	<u>\$ 667,106</u>	<u>\$ 2,172,484</u>	<u>\$ 64,150</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, 2009**

	<u>Special Revenue Funds</u>				
	<u>Energy Management</u>	<u>Tourism Tax</u>	<u>Public Facility and Programs</u>	<u>DECC Revenue</u>	<u>DEDA Operating</u>
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	7,235,311	-	-	-
Other taxes	-	-	8,831	-	-
Intergovernmental revenues	7,600	-	-	-	-
Charges for services	-	-	-	-	342,213
Special assessments	-	-	-	-	-
Investment income	-	28,466	3	140	263
Miscellaneous revenues	10,000	-	-	-	312,201
Total revenues	<u>17,600</u>	<u>7,263,777</u>	<u>8,834</u>	<u>140</u>	<u>654,677</u>
EXPENDITURES					
Current:					
General government	4,880	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	3,089,923	-	-	699,308
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>4,880</u>	<u>3,089,923</u>	<u>-</u>	<u>-</u>	<u>699,308</u>
Excess (deficiency) of revenues over expenditures	<u>12,720</u>	<u>4,173,854</u>	<u>8,834</u>	<u>140</u>	<u>(44,631)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	75,000	-	-	1,310,823	357,004
Transfers out	-	(4,285,688)	-	(1,205,274)	-
Total other financing sources (uses)	<u>75,000</u>	<u>(4,285,688)</u>	<u>-</u>	<u>105,549</u>	<u>357,004</u>
Net change in fund balance	87,720	(111,834)	8,834	105,689	312,373
Fund balance - January 1, 2009	<u>264,799</u>	<u>1,293,165</u>	<u>5,332</u>	<u>696,674</u>	<u>(152,848)</u>
Fund balance - December 31, 2009	<u>\$ 352,519</u>	<u>\$ 1,181,331</u>	<u>\$ 14,166</u>	<u>\$ 802,363</u>	<u>\$ 159,525</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, 2009**

	Special Revenue Funds		Debt Service Funds		
	DEDA NWA Maint. Facility	DEDA Loan Programs	General Obligation	Street Improvement Debt Service	Transit Bond
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ 4,811,355	\$ -	\$ 78,755
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	-	376,759	-	6,102
Charges for services	-	-	-	-	-
Special assessments	-	-	-	1,017,291	-
Investment income	304	45,405	26,726	95,775	-
Miscellaneous revenues	30,000	70,266	667,436	-	-
Total revenues	30,304	115,671	5,882,276	1,113,066	84,857
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	92,174	12,500	-	-	-
Debt service:					
Principal retirement	-	-	4,255,000	6,644,800	75,000
Interest and fiscal fees	-	-	2,900,489	1,433,777	8,083
Bond issuance costs	-	-	13,337	-	-
Capital outlay	-	-	-	-	-
Total expenditures	92,174	12,500	7,168,826	8,078,577	83,083
Excess (deficiency) of revenues over expenditures	(61,870)	103,171	(1,286,550)	(6,965,511)	1,774
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	589,118	-	-
Premium on issuance of bonds	-	-	13,225	-	-
Payment to refunded bond escrow agent	-	-	(589,118)	-	-
Transfers in	-	-	4,144,986	7,891,620	-
Transfers out	(90,000)	(1,096,818)	(1,368,387)	(92,564)	-
Total other financing sources (uses)	(90,000)	(1,096,818)	2,789,824	7,799,056	-
Net change in fund balance	(151,870)	(993,647)	1,503,274	833,545	1,774
Fund balance - January 1, 2009	546,783	6,735,146	4,914,876	9,494,111	227,194
Fund balance - December 31, 2009	\$ 394,913	\$ 5,741,499	\$ 6,418,150	\$ 10,327,656	\$ 228,968

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Debt Service Funds		Capital Project Funds		
	Special Assessment Debt Service	DEDA Debt Service	Special Assessment	Permanent Improvement	Street Improvement Program
REVENUES					
Taxes:					
Property taxes	\$ -	\$ 4,013,678	\$ -	\$ 386,455	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	66,326	10,981	5,380,439	-
Charges for services	-	-	-	-	-
Special assessments	1,406,124	-	-	-	71,355
Investment income	21,709	64,948	203	-	6
Miscellaneous revenues	-	19,162	-	-	-
Total revenues	<u>1,427,833</u>	<u>4,164,114</u>	<u>11,184</u>	<u>5,766,894</u>	<u>71,361</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	49,679	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	121,760	-	-	-
Debt service:					
Principal retirement	1,104,200	90,000	-	-	-
Interest and fiscal fees	430,524	263,344	-	-	-
Bond issuance costs	14,947	-	-	-	-
Capital outlay	-	-	23,457	6,304,570	4,883,943
Total expenditures	<u>1,549,671</u>	<u>475,104</u>	<u>23,457</u>	<u>6,354,249</u>	<u>4,883,943</u>
Excess (deficiency) of revenues over expenditures	<u>(121,838)</u>	<u>3,689,010</u>	<u>(12,273)</u>	<u>(587,355)</u>	<u>(4,812,582)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	1,560,882	-	-	-	-
Premium on issuance of bonds	35,607	-	-	-	-
Payment to refunded bond escrow agent	(1,560,882)	-	-	-	-
Transfers in	470,658	53,529	17,206	-	5,200,000
Transfers out	<u>(38,264)</u>	<u>(3,741,037)</u>	<u>(297,977)</u>	<u>(5,067)</u>	<u>-</u>
Total other financing sources (uses)	<u>468,001</u>	<u>(3,687,508)</u>	<u>(280,771)</u>	<u>(5,067)</u>	<u>5,200,000</u>
Net change in fund balance	346,163	1,502	(293,044)	(592,422)	387,418
Fund balance - January 1, 2009	<u>1,291,313</u>	<u>113,167</u>	<u>292,602</u>	<u>2,365,347</u>	<u>(759,347)</u>
Fund balance - December 31, 2009	<u>\$ 1,637,476</u>	<u>\$ 114,669</u>	<u>\$ (442)</u>	<u>\$ 1,772,925</u>	<u>\$ (371,929)</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, 2009**

	<u>Capital Project Funds</u>			Total Nonmajor Governmental Funds
	<u>Capital Improvements</u>	<u>Medical District Expansion</u>	<u>DEDA Capital Projects</u>	
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ 9,290,243
Sales taxes	-	-	-	7,235,311
Other taxes	-	-	-	8,831
Intergovernmental revenues	95,485	-	84,512	15,653,628
Charges for services	-	-	-	1,129,136
Special assessments	-	-	-	2,494,770
Investment income	35,791	-	54,894	375,624
Miscellaneous revenues	<u>110,474</u>	<u>-</u>	<u>95,373</u>	<u>2,408,182</u>
Total revenues	<u>241,750</u>	<u>-</u>	<u>234,779</u>	<u>38,595,725</u>
EXPENDITURES				
Current:				
General government	50,902	-	-	55,782
Public safety	50,201	-	-	822,077
Public works	-	-	-	49,679
Culture and recreation	500	-	-	1,541,119
Urban and economic development	-	-	621,228	13,284,310
Debt service:				
Principal retirement	-	-	-	12,224,000
Interest and fiscal fees	4,464	-	-	5,217,029
Bond issuance costs	385,660	-	-	442,358
Capital outlay	<u>2,508,611</u>	<u>-</u>	<u>2,971,966</u>	<u>18,732,182</u>
Total expenditures	<u>3,000,338</u>	<u>-</u>	<u>3,593,194</u>	<u>52,368,536</u>
Excess (deficiency) of revenues over expenditures	<u>(2,758,588)</u>	<u>-</u>	<u>(3,358,415)</u>	<u>(13,772,811)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	18,990,000	-	-	21,560,000
Proceeds from refundings	-	-	-	2,150,000
Premium on issuance of bonds	444,889	-	-	578,200
Payment to refunded bond escrow agent	-	-	-	(2,150,000)
Transfers in	323,138	-	4,345,241	24,769,647
Transfers out	<u>(613,602)</u>	<u>-</u>	<u>(296,054)</u>	<u>(14,044,661)</u>
Total other financing sources (uses)	<u>19,144,425</u>	<u>-</u>	<u>4,049,187</u>	<u>32,863,186</u>
Net change in fund balance	16,385,837	-	690,772	19,090,375
Fund balance - January 1, 2009	<u>2,614,950</u>	<u>449,815</u>	<u>8,647,641</u>	<u>44,732,830</u>
Fund balance - December 31, 2009	<u>\$ 19,000,787</u>	<u>\$ 449,815</u>	<u>\$ 9,338,413</u>	<u>\$ 63,823,205</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Taxes:				
General property -				
Current	\$ 8,870,500	\$ 8,870,500	\$ 8,347,225	\$ (523,275)
Delinquent	150,000	150,000	183,021	33,021
Mobile home	26,000	26,000	39,089	13,089
Forfeited tax sale apportionment	125,400	125,400	53,299	(72,101)
Franchise	1,831,600	1,831,600	1,889,796	58,196
Sales taxes	11,996,800	11,996,800	10,774,603	(1,222,197)
Charitable gambling	62,000	62,000	55,762	(6,238)
Other	-	-	566,196	566,196
Total Taxes	23,062,300	23,062,300	21,908,991	(1,153,309)
Licenses and Permits:				
Liquor and non-intoxicating liquor	375,000	375,000	400,083	25,083
Health	20,500	20,500	20,082	(418)
Police protective	21,700	21,700	28,252	6,552
Amusement	20,000	20,000	26,697	6,697
Manufacturing and merchandising	36,100	36,100	33,566	(2,534)
Other	628,800	628,800	640,585	11,785
Total Licenses and Permits	1,102,100	1,102,100	1,149,265	47,165
Intergovernmental revenues:				
Shared revenues -				
Local government aid	30,730,400	30,730,400	29,200,998	(1,529,402)
PERA aid	124,400	124,400	124,428	28
Amortization aid	1,323,700	1,323,700	643,189	(680,511)
Insurance premium	1,450,000	1,450,000	1,529,904	79,904
State grants -				
Snowmobile trail	20,000	20,000	25,275	5,275
Develop Unified Development Code	-	40,000	-	(40,000)
Police training reimbursement	54,000	54,000	55,102	1,102
HAZMAT regional response team	-	38,755	44,343	5,588
Fire Department training reimbursement	-	5,000	5,000	-
Market value credit aid	-	-	667,682	667,682
MSA maintenance allotment	1,128,000	1,128,000	1,141,465	13,465
Lake Place Park landscaping	-	-	1,000	1,000
Federal grants -				
Drug and gang task force	-	-	4,983	4,983
Fair housing enforcement	120,000	120,000	145,485	25,485
Bulletproof vest partnership program	74,000	80,000	14,080	(65,920)
Highway safety - operation nite cap	-	19,800	8,301	(11,499)
Organized Crime Drug Enforcement Task Force	-	35,366	45,568	10,202
Drunk driving prevention - safe and sober	-	-	8,909	8,909
Other grants -				
St. Louis County	156,000	166,000	163,406	(2,594)
Payments in lieu of taxes -				
Housing and Redevelopment Authority	32,300	82,300	52,068	(30,232)
Independent School District #709	479,500	480,500	480,510	10
WLSSD	24,000	24,000	29,242	5,242
Miscellaneous	-	3,405	2,655	(750)
Total Intergovernmental Revenues	35,716,300	35,925,626	34,393,593	(1,532,033)

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Charges for Services:				
Departmental fees and services -				
Fire	4,200	4,200	4,200	-
Police	84,500	84,500	87,818	3,318
Parks and recreation	25,000	25,000	39,056	14,056
Engineering	500,000	500,000	341,675	(158,325)
Building inspection services	3,000,700	3,000,700	1,648,442	(1,352,258)
MIS services	2,000	2,000	2,766	766
Grant administration services	46,300	46,300	83,071	36,771
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	77,000	77,000	119,065	42,065
Other services	11,100	11,100	5,487	(5,613)
Departmental sales -				
Copier and microfilm prints	20,200	20,200	19,175	(1,025)
Print and plan sales	11,600	11,600	12,598	998
Book sales	200	200	165	(35)
Miscellaneous sales and services	91,200	93,000	132,809	39,809
Share of general expenses -				
Duluth Airport Authority	32,400	32,400	45,200	12,800
Water and Gas	927,700	927,700	927,700	-
Sewer	330,700	330,700	330,700	-
Stormwater	170,000	170,000	170,000	-
Steam District #1	49,500	49,500	49,500	-
Duluth Entertainment & Convention Center	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	66,800	-
Duluth Economic Development Authority	365,000	365,000	365,000	-
Fleet Services	108,200	108,200	108,200	-
Group Health	250,000	250,000	250,000	-
Self Insurance	283,200	283,200	283,200	-
Spirit Mountain Recreation Area Authority	37,700	37,700	37,700	-
Parking	23,300	23,300	23,300	-
Total Charges for Services	6,583,800	6,585,600	5,218,927	(1,366,673)
Fines and Forfeits:				
Library fines	115,000	115,000	89,430	(25,570)
Parking fines	1,200,000	1,200,000	1,168,883	(31,117)
Court fees	377,000	377,000	425,378	48,378
License penalties	8,600	8,600	9,225	625
Felony forfeitures	-	53,938	77,511	23,573
Total Fines and Forfeits	1,700,600	1,754,538	1,770,427	15,889
Special Assessments	405,500	405,500	454,205	48,705
Investment Income	1,445,000	1,445,000	1,167,603	(277,397)

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES – ESTIMATED AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Miscellaneous Revenues:				
Commission and concessions	11,200	11,200	12,527	1,327
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	-	23,867	23,867
Rent and lease	102,200	102,200	114,700	12,500
Damage claims	1,000	11,250	13,369	2,119
Sale of equipment	80,000	80,000	98,753	18,753
Sale of land	80,000	99,740	284,372	184,632
Sale of scrap	1,600	1,600	1,873	273
Surcharge retainage	1,500	1,500	1,653	153
Refunds and reimbursements	85,200	228,517	280,153	51,636
Gifts and donations	2,500	12,078	25,938	13,860
Total Miscellaneous Revenues	381,200	564,085	873,291	309,206
Total Revenues	70,396,800	70,844,749	66,936,302	(3,908,447)
Other Financing Sources:				
Operating transfers in:				
Special Projects	-	12,379	35,054	22,675
Duluth Police Grant Programs	260,500	260,500	522,339	261,839
Community Investment Trust	2,325,000	2,378,200	1,895,146	(483,054)
Tourism Taxes	752,300	752,300	810,754	58,454
Community Development	-	-	20,760	20,760
G O Debt Service	-	-	26,726	26,726
Special Assessment Debt Service	-	-	21,058	21,058
Street Improvement Debt Service	-	-	92,564	92,564
Special Assessment	-	-	7,541	7,541
Permanent Improvement	160,000	160,000	5,067	(154,933)
Capital Improvements	20,000	20,000	62,002	42,002
Parking	1,745,200	1,745,200	1,218,737	(526,463)
Water	280,000	280,000	318,132	38,132
Gas	4,750,000	4,750,000	4,232,315	(517,685)
Sewer	50,000	50,000	74,558	24,558
Stormwater	502,200	502,200	538,798	36,598
Steam	105,000	105,000	117,000	12,000
Steam District #2	-	-	2,500,000	2,500,000
Group Health	-	-	123,218	123,218
Employee Vacation Compensation	-	-	40,917	40,917
DEDA Debt Service	-	-	62,887	62,887
DEDA Capital Projects	-	-	52,964	52,964
DEDA Building Renovation Loans	-	-	43,289	43,289
Total Other Financing Sources	10,950,200	11,015,779	12,821,826	1,806,047
Total Revenues and Other Financing Sources	\$ 81,347,000	\$ 81,860,528	\$ 79,758,128	\$ (2,102,400)
Reconciliation:				
Original budget as approved by Duluth City Council		\$ 81,347,000		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		435,161		
Ordinance allowable		78,367		
Total adjustments		513,528		
Modified budget as reported above		<u>\$ 81,860,528</u>		

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
GENERAL GOVERNMENT:							
Legislative and Executive							
City Council							
Personal services - salaries	\$ 90,000	\$ 90,950		\$ 90,947	\$ -	\$ 90,947	\$ 3
Personal services - benefits	13,000	12,050		7,327	-	7,327	4,723
Other expenditures	47,000	46,000		29,747	-	29,747	16,253
Total City Council	150,000	149,000	1	128,021	-	128,021	20,979
Mayor's Office							
Personal services - salaries	202,600	199,600		108,260	-	108,260	91,340
Personal services - benefits	59,900	59,900		27,607	-	27,607	32,293
Other expenditures	12,000	16,000		14,086	-	14,086	1,914
Total Mayor's Office	274,500	275,500	1	149,953	-	149,953	125,547
Chief Administrative Officer							
Personal services - salaries	563,000	274,700		181,353	-	181,353	93,347
Personal services - benefits	122,500	93,300		42,352	-	42,352	50,948
Other expenditures	18,100	18,100		16,270	-	16,270	1,830
Total Chief Administrative Officer	703,600	386,100	1	239,975	-	239,975	146,125
Attorney and Human Rights							
Personal services - salaries	1,247,400	1,320,500		1,279,939	-	1,279,939	40,561
Personal services - benefits	315,000	319,800		319,607	-	319,607	193
Other expenditures	81,000	54,300		41,692	-	41,692	12,608
Capital outlay	5,000	9,000		7,950	-	7,950	1,050
Total Attorney and Human Rights	1,648,400	1,703,600	1	1,649,188	-	1,649,188	54,412
Total Legislative and Executive	2,776,500	2,514,200		2,167,137	-	2,167,137	347,063
Public Administration							
Management Information Systems							
Personal services - salaries	1,155,600	1,128,600		1,049,958	-	1,049,958	78,642
Personal services - benefits	329,600	329,600		294,201	-	294,201	35,399
Other expenditures	259,500	280,000		276,141	-	276,141	3,859
Total Management Information Systems	1,744,700	1,738,200	1	1,620,300	-	1,620,300	117,900
Human Resources							
Personal services - salaries	643,100	643,100		587,561	-	587,561	55,539
Personal services - benefits	170,000	170,000		151,006	-	151,006	18,994
Other expenditures	38,500	38,500		37,754	-	37,754	746
Total Human Resources	851,600	851,600		776,321	-	776,321	75,279
Clerk							
Personal services - salaries	408,000	420,700		420,529	-	420,529	171
Personal services - benefits	117,300	126,000		125,914	-	125,914	86
Other expenditures	58,400	66,400		65,478	-	65,478	922
Total Clerk	583,700	613,100	1	611,921	-	611,921	1,179
Budget							
Personal services - salaries	159,400	163,300		133,016	-	133,016	30,284
Personal services - benefits	42,000	45,300		43,201	-	43,201	2,099
Other expenditures	6,700	6,700		4,088	-	4,088	2,612
Total Budget	208,100	215,300	1	180,305	-	180,305	34,995
Assessor							
Personal services - salaries	554,100	569,900		569,731	-	569,731	169
Personal services - benefits	168,800	169,900		169,629	-	169,629	271
Other expenditures	28,600	28,600		20,804	-	20,804	7,796
Total Assessor	751,500	768,400	1	760,164	-	760,164	8,236

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
GENERAL GOVERNMENT: (continued)							
Public Administration (continued)							
Auditor							
Personal services - salaries	1,005,700	912,500		899,865	-	899,865	12,635
Personal services - benefits	265,500	265,500		242,212	-	242,212	23,288
Other expenditures	231,000	231,000		198,246	-	198,246	32,754
Total Auditor	1,502,200	1,409,000	1	1,340,323	-	1,340,323	68,677
Purchasing							
Personal services - salaries	115,200	151,300		151,114	-	151,114	186
Personal services - benefits	52,900	60,800		60,711	-	60,711	89
Other expenditures	10,000	10,000		6,636	-	6,636	3,364
Total Purchasing	178,100	222,100	1	218,461	-	218,461	3,639
Treasurer							
Personal services - salaries	259,300	271,700		271,595	-	271,595	105
Personal services - benefits	69,300	73,300		73,217	-	73,217	83
Other expenditures	10,000	52,100		51,441	-	51,441	659
Total Treasurer	338,600	397,100	1	396,253	-	396,253	847
Maintenance Operations							
Personal services - salaries	4,637,300	5,231,800		5,138,589	8,979	5,147,568	84,232
Personal services - benefits	1,250,100	1,514,800		1,511,414	-	1,511,414	3,386
Other expenditures	6,053,300	6,088,600		5,771,831	-	5,771,831	316,769
Total Maintenance Operations	11,940,700	12,835,200	1	12,421,834	8,979	12,430,813	404,387
Total Public Administration	18,099,200	19,050,000		18,325,882	8,979	18,334,861	715,139
TOTAL GENERAL GOVERNMENT	20,875,700	21,564,200		20,493,019	8,979	20,501,998	1,062,202
PUBLIC SAFETY:							
Fire							
Administration							
Personal services - salaries	309,200	320,000		319,773	-	319,773	227
Personal services - benefits	122,200	130,700		130,644	-	130,644	56
Other expenditures	51,900	51,900		45,285	-	45,285	6,615
Total Administration	483,300	502,600	1	495,702	-	495,702	6,898
Operations							
Personal services - salaries	8,562,600	8,923,326		8,890,374	-	8,890,374	32,952
Personal services - benefits	5,306,900	5,579,500		5,578,917	-	5,578,917	583
Other expenditures	521,900	521,900		482,963	-	482,963	38,937
Total Operations	14,391,400	15,024,726	1,3,4	14,952,254	-	14,952,254	72,472
Prevention							
Personal services - salaries	319,600	320,600		320,104	-	320,104	496
Personal services - benefits	165,600	165,600		156,667	-	156,667	8,933
Other expenditures	18,100	24,760		19,186	-	19,186	5,574
Total Prevention	503,300	510,960	1,3	495,957	-	495,957	15,003
Building Safety							
Personal services - salaries	1,360,200	1,355,855		1,292,042	42,900	1,334,942	20,913
Personal services - benefits	413,500	413,500		379,281	-	379,281	34,219
Other expenditures	162,800	180,550		90,680	-	90,680	89,870
Total Building Safety	1,936,500	1,949,905	1,2,4	1,762,003	42,900	1,804,903	145,002
Hazardous Materials (HAZMAT)							
Other expenditures	-	14,485		11,096	-	11,096	3,389
Total Hazardous Materials (HAZMAT)	-	14,485	1,2,3,4	11,096	-	11,096	3,389
Total Fire	17,314,500	18,002,676		17,717,012	42,900	17,759,912	242,764

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
PUBLIC SAFETY: (continued)							
Police							
Administration and Investigation							
Personal services - salaries	4,260,600	4,608,588		4,608,265	-	4,608,265	323
Personal services - benefits	1,395,300	1,567,000		1,566,315	-	1,566,315	685
Other expenditures	1,207,500	1,210,678		1,067,916	-	1,067,916	142,762
Total Administration and Investigation	6,863,400	7,386,266	1	7,242,496	-	7,242,496	143,770
Patrol							
Personal services - salaries	7,866,800	7,893,298		7,889,071	-	7,889,071	4,227
Personal services - benefits	2,777,500	2,852,700		2,852,384	-	2,852,384	316
Other expenditures	135,200	150,200		112,516	-	112,516	37,684
Total Patrol	10,779,500	10,896,198	1,3	10,853,971	-	10,853,971	42,227
Police Special Accounts							
Other expenditures	-	134,048		83,183	-	83,183	50,865
Total Police Special Accounts	-	134,048	2,4	83,183	-	83,183	50,865
Total Police	17,642,900	18,416,512		18,179,650	-	18,179,650	236,862
TOTAL PUBLIC SAFETY	34,957,400	36,419,188		35,896,662	42,900	35,939,562	479,626
PUBLIC WORKS:							
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	33,900	34,900		34,619	-	34,619	281
Personal services - benefits	7,000	9,300		9,174	-	9,174	126
Other expenditures	900	500		363	-	363	137
Total Public Works Director's Office	41,800	44,700	1	44,156	-	44,156	544
Engineering							
Personal services - salaries	1,393,300	1,383,800		1,251,655	-	1,251,655	132,145
Personal services - benefits	385,200	394,000		393,500	-	393,500	500
Other expenditures	211,700	211,700		133,996	-	133,996	77,704
Total Engineering	1,990,200	1,989,500	1	1,779,151	-	1,779,151	210,349
Total Public Works and Utilities	2,032,000	2,034,200		1,823,307	-	1,823,307	210,893
TOTAL PUBLIC WORKS	2,032,000	2,034,200		1,823,307	-	1,823,307	210,893
CULTURE AND RECREATION:							
Parks and Recreation							
Personal services - salaries	711,800	641,295		641,129	-	641,129	166
Personal services - benefits	137,600	198,905		198,882	-	198,882	23
Other expenditures	259,400	206,350		130,225	-	130,225	76,125
Total Parks and Recreation	1,108,800	1,046,550	1,3	970,236	-	970,236	76,314
Library Services							
Personal services - salaries	2,532,400	2,223,400		2,212,185	-	2,212,185	11,215
Personal services - benefits	697,800	652,900		622,844	-	622,844	30,056
Other expenditures	305,900	309,955		308,109	-	308,109	1,846
Capital outlay	315,000	359,882		359,019	-	359,019	863
Total Library Services	3,851,100	3,546,137	1,3	3,502,157	-	3,502,157	43,980
TOTAL CULTURE AND RECREATION	4,959,900	4,592,687		4,472,393	-	4,472,393	120,294

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
URBAN AND ECONOMIC DEVELOPMENT:							
Planning and Development							
Personal services - salaries	442,500	451,200		449,835	73,000	522,835	(71,635)
Personal services - benefits	113,800	112,800		109,315	-	109,315	3,485
Other expenditures	117,000	317,000		215,968	-	215,968	101,032
Total Planning and Development	673,300	881,000	1,3	775,118	73,000	848,118	32,882
TOTAL URBAN AND ECONOMIC DEVELOPMENT	673,300	881,000		775,118	73,000	848,118	32,882
TRANSFERS AND OTHER FUNCTIONS:							
Business improvement district	500,000	500,000		478,746	-	478,746	21,254
Capital improvements/lease purchase	177,000	177,000		177,000	-	177,000	-
Capital maintenance/lease purchase	1,085,000	1,395,392	1,2,3	1,129,531	1,000	1,130,531	264,861
Facilities Maintenance Program	420,600	420,600		202,693	20,230	222,923	197,677
Flexible benefits	13,000	15,410	1	15,391	-	15,391	19
Parking fine administration	150,000	157,610	1	157,606	-	157,606	4
Public access television	169,000	169,000		162,000	-	162,000	7,000
Retiree insurance	9,130,000	9,129,450	1	8,833,126	4,950	8,838,076	291,374
Self insurance	1,100,000	1,100,000		1,100,000	-	1,100,000	-
State sales tax administration	225,000	162,390	1	96,233	-	96,233	66,157
Street improvement program	4,005,600	2,574,746	1	-	-	-	2,574,746
Transfers and accruals	250,000	-	1	-	-	-	-
Other functions	623,500	753,640	1,2,3	526,262	33,972	560,234	193,406
TOTAL TRANSFERS AND OTHER FUNCTIONS	17,848,700	16,555,238		12,878,588	60,152	12,938,740	3,616,498
TOTAL EXPENDITURES AND ENCUMBRANCES	\$ 81,347,000	\$ 82,046,513		\$ 76,339,087	\$ 185,031	\$ 76,524,118	\$ 5,522,395

RECONCILIATION:

Original budget as approved by Duluth City Council	\$ 81,347,000	
Adjustments made in accordance with Budget Ordinance		
Note 1	-	Departmental transfers made in accordance with budget ordinance
Note 2	185,985	Encumbrance, contract, reserve, or designation carryovers from prior year
Note 3	435,161	Grants, gifts, and donations in accordance with budget ordinance
Note 4	78,367	Other allowable additions made in accordance with budget ordinance
Total adjustments	699,513	
Modified budget as reported above	\$ 82,046,513	

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
GENERAL GOVERNMENT:						
Legislative and Executive						
City Council	\$ 90,947	\$ 7,327	\$ 29,747	\$ -	\$ -	\$ 128,021
Mayor's Office	108,260	27,607	14,086	-	-	149,953
Chief Administrative Officer	181,353	42,352	16,270	-	-	239,975
City Attorney and Human Rights	1,279,939	319,607	41,692	7,950	-	1,649,188
Total Legislative and Executive	1,660,499	396,893	101,795	7,950	-	2,167,137
Public Administration						
Management Information Systems	1,049,958	294,201	276,141	141,197	-	1,761,497
Human Resources	587,561	151,006	37,754	-	-	776,321
Clerk	420,529	125,914	65,478	-	-	611,921
Budget	133,016	43,201	4,088	-	-	180,305
Assessor	569,731	169,629	20,804	-	-	760,164
Auditor	899,865	242,212	198,246	-	-	1,340,323
Purchasing	151,114	60,711	6,636	-	-	218,461
Treasurer	271,595	73,217	51,441	-	-	396,253
Maintenance Operations	5,138,589	1,511,414	5,777,899	140,035	-	12,567,937
Other functions	-	786,604	1,890,226	503,436	-	3,180,266
Total Public Administration	9,221,958	3,458,109	8,328,713	784,668	-	21,793,448
Benefits						
Flexible Benefits	-	15,391	-	-	-	15,391
Retiree Insurance	-	8,633,126	-	-	-	8,633,126
Total Benefits	-	8,648,517	-	-	-	8,648,517
TOTAL GENERAL GOVERNMENT	10,882,457	12,503,519	8,430,508	792,618	-	32,609,102
PUBLIC SAFETY:						
Fire						
Administration	319,773	130,644	45,285	-	-	495,702
Operations	8,890,374	5,578,917	482,963	-	-	14,952,254
Prevention	320,104	156,667	19,186	-	-	495,957
Building Safety	1,292,042	379,281	90,680	-	-	1,762,003
HAZMAT	-	-	11,096	-	-	11,096
Total Fire	10,822,293	6,245,509	649,210	-	-	17,717,012
Police						
Administration and Investigation	4,608,265	1,566,315	1,067,916	-	-	7,242,496
Patrol	7,889,071	2,852,384	112,516	-	-	10,853,971
Police Special Accounts	-	-	83,183	-	-	83,183
Total Police	12,497,336	4,418,699	1,263,615	-	-	18,179,650
TOTAL PUBLIC SAFETY	23,319,629	10,664,208	1,912,825	-	-	35,896,662

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
PUBLIC WORKS:						
Public Works						
Public Works Director's Office	34,619	9,174	363	-	-	44,156
Engineering	1,251,655	393,500	133,996	-	-	1,779,151
Total Public Works	1,286,274	402,674	134,359	-	-	1,823,307
TOTAL PUBLIC WORKS	1,286,274	402,674	134,359	-	-	1,823,307
CULTURE AND RECREATION:						
Culture and Recreation						
Parks and Recreation	641,129	198,882	132,099	70,332	-	1,042,442
Library Services	2,212,185	622,844	318,270	359,019	-	3,512,318
Total Culture and Recreation	2,853,314	821,726	450,369	429,351	-	4,554,760
TOTAL CULTURE AND RECREATION	2,853,314	821,726	450,369	429,351	-	4,554,760
URBAN AND ECONOMIC DEVELOPMENT:						
Planning and Development						
Urban Development	449,835	109,315	215,968	-	-	775,118
Total Planning and Development	449,835	109,315	215,968	-	-	775,118
TOTAL URBAN AND ECONOMIC DEVELOPMENT	449,835	109,315	215,968	-	-	775,118
TRANSFERS:						
Capital Improvements	-	-	-	-	303,138	303,138
Self Insurance	-	-	-	-	200,000	200,000
TOTAL TRANSFERS	-	-	-	-	503,138	503,138
DEBT SERVICE:						
Capital Lease Obligation - Principal	-	-	-	130,000	-	130,000
Capital Lease Obligation - Interest	-	-	-	47,000	-	47,000
TOTAL DEBT SERVICE	-	-	-	177,000	-	177,000
TOTAL EXPENDITURES/TRANSFERS OUT	\$ 38,791,509	\$ 24,501,442	\$ 11,144,029	\$ 1,398,969	\$ 503,138	\$ 76,339,087

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Proprietary Funds

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

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

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

Steam District #2 – to account for the generation and distribution of steam to New Page Corporation – Duluth Paper Mill and other industrial customers.

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2009**

	<u>Street Lighting</u>	<u>Steam District #1</u>	<u>Stormwater</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,247	\$ -	\$ 2,528,833	\$ -	\$ 2,538,080
Restricted assets held by trustee	-	-	-	104,010	104,010
Receivables, net:					
Accounts receivable	139,526	920,765	510,906	1,682	1,572,879
Assessments	-	-	17,807	-	17,807
Due from other funds	-	18,256	22,015	-	40,271
Due from other governments	-	-	23,098	-	23,098
Inventories	-	236,041	37,286	37,614	310,941
Prepays	-	11,781	83,466	6,418	101,665
Total current assets	148,773	1,186,843	3,223,411	149,724	4,708,751
Noncurrent assets:					
Due from other governments	-	25,000	-	-	25,000
Issuance costs	-	74,010	24,433	17,065	115,508
Capital assets, net	2,327,804	9,960,532	11,546,262	2,125,518	25,960,116
Total noncurrent assets	2,327,804	10,059,542	11,570,695	2,142,583	26,100,624
Total assets	2,476,577	11,246,385	14,794,106	2,292,307	30,809,375
LIABILITIES					
Current liabilities:					
Accounts payable	42,294	255,132	36,856	1,048	335,330
Contracts payable	-	216,695	54,909	-	271,604
Notes payable	-	1,325	-	-	1,325
Leases payable	-	-	-	97,651	97,651
Due to other funds	2,673	265	94,638	685	98,261
Interfund loan payable	-	236,207	-	687,593	923,800
Due to other governments	-	61,618	11,493	-	73,111
Accrued interest payable	-	120,944	41,340	2,232	164,516
Accrued salaries payable	12,145	-	51,866	-	64,011
Compensated absences	-	-	109,667	-	109,667
Unearned revenue	7,250	-	258,621	30,164	296,035
Revenue bonds payable	-	495,000	179,000	135,000	809,000
Total current liabilities	64,362	1,387,186	838,390	954,373	3,244,311
Noncurrent liabilities:					
Compensated absences	8,109	-	8,028	-	16,137
Revenue bonds payable	-	6,665,000	2,308,000	285,000	9,258,000
Less unamortized bond discount	-	(1,821)	(3,551)	-	(5,372)
Total noncurrent liabilities	8,109	6,663,179	2,312,477	285,000	9,268,765
Total liabilities	72,471	8,050,365	3,150,867	1,239,373	12,513,076
NET ASSETS					
Invested in capital assets, net of related debt	2,327,804	2,875,038	9,087,246	1,607,867	15,897,955
Restricted for special accounts	-	-	-	102,742	102,742
Unrestricted	76,302	320,982	2,555,993	(657,675)	2,295,602
Total net assets	\$ 2,404,106	\$ 3,196,020	\$ 11,643,239	\$ 1,052,934	\$ 18,296,299

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Street Lighting	Steam Dist #1	Steam Dist. #2
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Charges for services	1,209,060	6,045,946	8,384,720
Miscellaneous revenues	62,563	106,322	-
	1,271,623	6,152,268	8,384,720
OPERATING EXPENSES			
Cost of sales and services	-	-	-
Personal services	362,761	-	-
Supplies	109,241	2,013,880	2,666,093
Utilities	108	375,720	930,978
Other services and charges	699,381	2,387,247	4,820,924
Amortization	-	7,491	-
Depreciation	220,490	918,090	613,535
	1,391,981	5,702,428	9,031,530
Total operating expenses	1,391,981	5,702,428	9,031,530
Operating income	(120,358)	449,840	(646,810)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	42
Intergovernmental revenue	-	-	-
Gain (Loss) on sale or disposition of capital assets	-	-	-
Interest expense	-	(292,237)	-
	-	(292,237)	42
Total non-operating revenue (expenses)	-	(292,237)	42
Income before contributions, transfers, and extraordinary item	(120,358)	157,603	(646,768)
Capital contributions	-	-	330,754
Extraordinary item - Loss on sale of business activity	-	-	(5,441,237)
Transfers out	-	(117,000)	(2,500,000)
	(120,358)	40,603	(8,257,251)
Change in net assets	(120,358)	40,603	(8,257,251)
Total net assets - January 1, 2009	2,524,464	3,155,417	8,257,251
Total net assets - December 31, 2009	\$ 2,404,106	\$ 3,196,020	\$ -

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Stormwater</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES			
Sales	\$ -	\$ 498,944	\$ 498,944
Charges for services	5,120,945	1,446,502	22,207,173
Miscellaneous revenues	28,329	-	197,214
	<u>5,149,274</u>	<u>1,945,446</u>	<u>22,903,331</u>
OPERATING EXPENSES			
Cost of sales and services	-	316,430	316,430
Personal services	1,846,561	331	2,209,653
Supplies	170,302	36,997	4,996,513
Utilities	19,888	36,554	1,363,248
Other services and charges	819,635	1,326,892	10,054,079
Amortization	6,401	5,851	19,743
Depreciation	365,612	147,121	2,264,848
	<u>3,228,399</u>	<u>1,870,176</u>	<u>21,224,514</u>
Total operating expenses	<u>3,228,399</u>	<u>1,870,176</u>	<u>21,224,514</u>
Operating income	<u>1,920,875</u>	<u>75,270</u>	<u>1,678,817</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	37,743	89	37,874
Intergovernmental revenue	73,643	-	73,643
Gain (Loss) on sale or disposition of capital assets	960	-	960
Interest expense	(100,928)	(24,986)	(418,151)
	<u>11,418</u>	<u>(24,897)</u>	<u>(305,674)</u>
Total non-operating revenue (expenses)	<u>11,418</u>	<u>(24,897)</u>	<u>(305,674)</u>
Income before contributions, transfers, and extraordinary item	1,932,293	50,373	1,373,143
Capital contributions	25,309	-	356,063
Extraordinary item - Loss on sale of business activity	-	-	(5,441,237)
Transfers out	(538,798)	-	(3,155,798)
Change in net assets	1,418,804	50,373	(6,867,829)
Total net assets - January 1, 2009	<u>10,224,435</u>	<u>1,002,561</u>	<u>25,164,128</u>
Total net assets - December 31, 2009	<u>\$ 11,643,239</u>	<u>\$ 1,052,934</u>	<u>\$ 18,296,299</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Street Lighting</u>	<u>Steam District #1</u>	<u>Steam District #2</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,113,914	\$ 6,162,788	\$ 9,576,368
Cash paid to suppliers	(815,310)	(4,735,852)	(9,616,252)
Cash paid to employees	(380,892)	-	-
Other operating revenues	59,341	9,882	-
Net cash provided (used) by operating activities	<u>(22,947)</u>	<u>1,436,818</u>	<u>(39,884)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	-	(117,000)	(2,500,000)
Operating grants	-	-	-
Interfund financing	-	(107,927)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(224,927)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	-	-	330,754
Interest received on capital	-	-	42
Principal paid on bonds, notes and capitalized leases	-	(518,472)	-
Interest paid on bonds, notes and capitalized leases	-	(300,336)	-
Transfer to trustee debt service account	-	-	-
Special assessments received	-	-	-
Sale of capital assets	-	3,474	2,350,000
Acquisition or construction of capital assets	(12,791)	(449,780)	(330,754)
Net cash provided (used) by capital and related financing activities	<u>(12,791)</u>	<u>(1,265,114)</u>	<u>2,350,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment interest	-	-	-
Net increase (decrease) in cash and cash equivalents	(35,738)	(53,223)	(189,842)
Cash and cash equivalents - January 1, 2009	44,985	53,223	189,842
Cash and cash equivalents - December 31, 2009	<u>\$ 9,247</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	<u>\$ (120,358)</u>	<u>\$ 449,840</u>	<u>\$ (646,810)</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	220,490	925,581	613,535
Change in assets and liabilities:			
Decrease (increase) in receivables	(95,587)	25,278	1,191,648
Decrease (increase) in inventory	-	(28,673)	-
Decrease (increase) in prepaid items	-	99,524	67,502
Increase (decrease) in payables	(34,742)	(34,732)	(1,265,759)
Increase (decrease) in deferred revenues	7,250	-	-
Total adjustments	<u>97,411</u>	<u>986,978</u>	<u>606,926</u>
Net cash provided (used) by operating activities	<u>\$ (22,947)</u>	<u>\$ 1,436,818</u>	<u>\$ (39,884)</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Stormwater	Golf	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,649,845	\$ 1,949,610	\$ 23,452,525
Cash paid to suppliers	(954,422)	(1,587,038)	(17,708,874)
Cash paid to employees	(1,843,253)	(331)	(2,224,476)
Other operating revenues	5,462	-	74,685
Net cash provided (used) by operating activities	<u>1,857,632</u>	<u>362,241</u>	<u>3,593,860</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	9,000	-	9,000
Transfers to other funds	(641,958)	-	(3,258,958)
Operating grants	59,970	-	59,970
Interfund financing	613,300	(114,769)	390,604
Net cash provided (used) by noncapital financing activities	<u>40,312</u>	<u>(114,769)</u>	<u>(2,799,384)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	10,981	-	341,735
Interest received on capital	-	-	42
Principal paid on bonds, notes and capitalized leases	(170,000)	(94,017)	(782,489)
Interest paid on bonds, notes and capitalized leases	(103,169)	(6,831)	(410,336)
Transfer to trustee debt service account	-	(146,624)	(146,624)
Special assessments received	9,244	-	9,244
Sale of capital assets	960	-	2,354,434
Acquisition or construction of capital assets	(1,239,955)	-	(2,033,280)
Net cash provided (used) by capital and related financing activities	<u>(1,491,939)</u>	<u>(247,472)</u>	<u>(667,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment interest	37,281	-	37,281
Net increase (decrease) in cash and cash equivalents	443,286	-	164,483
Cash and cash equivalents - January 1, 2009	2,085,547	-	2,373,597
Cash and cash equivalents - December 31, 2009	<u>\$ 2,528,833</u>	<u>\$ -</u>	<u>\$ 2,538,080</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	<u>\$ 1,920,875</u>	<u>\$ 75,270</u>	<u>\$ 1,678,817</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	372,013	152,972	2,284,591
Change in assets and liabilities:			
Decrease (increase) in receivables	(549,475)	4,164	576,028
Decrease (increase) in inventory	(37,286)	27,653	(38,306)
Decrease (increase) in prepaid items	-	127,032	294,058
Increase (decrease) in payables	51,203	(24,850)	(1,308,880)
Increase (decrease) in deferred revenues	100,302	-	107,552
Total adjustments	<u>(63,243)</u>	<u>286,971</u>	<u>1,915,043</u>
Net cash provided (used) by operating activities	<u>\$ 1,857,632</u>	<u>\$ 362,241</u>	<u>\$ 3,593,860</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Golf

The trustee debt service account paid \$130,000 and \$19,435 for principal and interest payments, respectively, and earned \$89 in interest.

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS
DECEMBER 31, 2009**

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,246,581	\$ 10,737,443	\$ 27,001	\$ 3,041,505	\$ 15,052,530
Accounts receivable, net	-	258,622	-	-	258,622
Due from other funds	1,100,000	55,913	342,616	229,857	1,728,386
Due from component units	47,926	133,053	-	-	180,979
Due from other governments	488,592	-	-	-	488,592
Inventories	-	-	213,632	-	213,632
Prepays	-	44,170	-	-	44,170
Total current assets	2,883,099	11,229,201	583,249	3,271,362	17,966,911
Capital assets, net	-	-	485,487	-	485,487
Total assets	2,883,099	11,229,201	1,068,736	3,271,362	18,452,398
LIABILITIES					
Current liabilities:					
Accounts payable	35,736	-	198,784	-	234,520
Contracts payable	10,827	13,050	-	-	23,877
Claims payable	219,367	2,054,771	-	-	2,274,138
Leases payable	-	-	44,022	-	44,022
Due to other funds	46,974	-	-	-	46,974
Due to other governments	13,214	-	563	-	13,777
Accrued interest payable	53,250	-	948	-	54,198
Accrued salaries payable	2,753	-	36,465	-	39,218
Compensated absences	-	-	45,706	2,600,000	2,645,706
Unearned revenue	-	80,602	-	-	80,602
Total current liabilities	382,121	2,148,423	326,488	2,600,000	5,457,032
Noncurrent liabilities:					
Claims payable	1,289,582	-	-	-	1,289,582
Compensated absences	-	-	50,439	671,362	721,801
Leases payable	-	-	69,727	-	69,727
Total noncurrent liabilities	1,289,582	-	120,166	671,362	2,081,110
Total liabilities	1,671,703	2,148,423	446,654	3,271,362	7,538,142
NET ASSETS					
Invested in capital assets, net of related debt	-	-	371,738	-	371,738
Unrestricted	1,211,396	9,080,778	250,344	-	10,542,518
Total net assets	\$ 1,211,396	\$ 9,080,778	\$ 622,082	\$ -	\$ 10,914,256

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ 1,814,082	\$ -	\$ 1,814,082
Charges for services	2,235,755	20,219,499	1,365,396	3,271,362	27,092,012
Miscellaneous revenues	962,537	569,442	817	-	1,532,796
Total operating revenues	<u>3,198,292</u>	<u>20,788,941</u>	<u>3,180,295</u>	<u>3,271,362</u>	<u>30,438,890</u>
OPERATING EXPENSES					
Cost of sales and services	-	-	1,534,525	-	1,534,525
Personal services	505,115	-	1,149,564	3,271,362	4,926,041
Supplies	-	-	50,574	-	50,574
Other services and charges	746,671	1,604,040	267,798	-	2,618,509
Depreciation	-	-	60,714	-	60,714
Medical and insurance	1,302,725	18,774,660	-	-	20,077,385
Total operating expenses	<u>2,554,511</u>	<u>20,378,700</u>	<u>3,063,175</u>	<u>3,271,362</u>	<u>29,267,748</u>
Operating income	<u>643,781</u>	<u>410,241</u>	<u>117,120</u>	<u>-</u>	<u>1,171,142</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	127,762	-	40,917	168,679
Intergovernmental revenue	-	-	5,835	-	5,835
Interest expense	-	-	(6,910)	-	(6,910)
Total non-operating revenue (expenses)	<u>-</u>	<u>127,762</u>	<u>(1,075)</u>	<u>40,917</u>	<u>167,604</u>
Income before transfers	643,781	538,003	116,045	40,917	1,338,746
Transfers in	200,000	-	-	-	200,000
Transfers out	-	(123,218)	-	(40,917)	(164,135)
Change in net assets	843,781	414,785	116,045	-	1,374,611
Total net assets - January 1, 2009	<u>367,615</u>	<u>8,665,993</u>	<u>506,037</u>	<u>-</u>	<u>9,539,645</u>
Total net assets - December 31, 2009	<u>\$ 1,211,396</u>	<u>\$ 9,080,778</u>	<u>\$ 622,082</u>	<u>\$ -</u>	<u>\$ 10,914,256</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,849,797	\$ 20,631,252	\$ 3,103,419	\$ 3,078,531	\$ 28,662,999
Cash paid to suppliers	(2,513,056)	(19,672,559)	(1,794,057)	-	(23,979,672)
Cash paid to employees	-	-	(1,154,228)	(3,041,506)	(4,195,734)
Other operating revenues	-	-	817	-	817
Net cash provided (used) by operating activities	<u>(663,259)</u>	<u>958,693</u>	<u>155,951</u>	<u>37,025</u>	<u>488,410</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	200,000	-	-	-	200,000
Transfers to other funds	-	(123,218)	(300,000)	(40,917)	(464,135)
Operating grants	-	-	5,835	-	5,835
Net cash provided (used) by noncapital	<u>200,000</u>	<u>(123,218)</u>	<u>(294,165)</u>	<u>(40,917)</u>	<u>(258,300)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds, notes and capitalized leases	-	-	(41,710)	-	(41,710)
Interest paid on bonds, notes and capitalized leases	-	-	(7,257)	-	(7,257)
Acquisition or construction of capital assets	-	-	(76,943)	-	(76,943)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(125,910)</u>	<u>-</u>	<u>(125,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment interest	-	127,762	-	40,917	168,679
Net increase (decrease) in cash and cash equivalents	(463,259)	963,237	(264,124)	37,025	272,879
Cash and cash equivalents - January 1, 2009	1,709,840	9,774,206	291,125	3,004,480	14,779,651
Cash and cash equivalents - December 31, 2009	<u>\$ 1,246,581</u>	<u>\$ 10,737,443</u>	<u>\$ 27,001</u>	<u>\$ 3,041,505</u>	<u>\$ 15,052,530</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	<u>\$ 643,781</u>	<u>\$ 410,241</u>	<u>\$ 117,120</u>	<u>\$ -</u>	<u>\$ 1,171,142</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	-	60,714	-	60,714
Change in assets and liabilities:					
Decrease (increase) in receivables	(1,348,495)	(227,203)	(76,059)	(163,089)	(1,814,846)
Decrease (increase) in inventory	-	-	5,034	-	5,034
Decrease (increase) in prepaid items	-	(44,170)	-	-	(44,170)
Increase (decrease) in payables	41,455	750,311	49,142	200,114	1,041,022
Increase (decrease) in deferred revenues	-	69,514	-	-	69,514
Total adjustments	<u>(1,307,040)</u>	<u>548,452</u>	<u>38,831</u>	<u>37,025</u>	<u>(682,732)</u>
Net cash provided (used) by operating activities	<u>\$ (663,259)</u>	<u>\$ 958,693</u>	<u>\$ 155,951</u>	<u>\$ 37,025</u>	<u>\$ 488,410</u>

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Fiduciary Funds

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

Seaway Port Authority - to account for property tax revenues used for the operation of the Duluth port terminal.

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance 01/01/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/09</u>
<u>DULUTH 1200 FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 2,091,530	\$ 585,641	\$ 775,990	\$ 1,901,181
Loans receivable	1,465,927	507,073	347,331	1,625,669
Other assets	349,520	2,007	2,034	349,493
Total assets	<u>\$ 3,906,977</u>	<u>\$ 1,094,721</u>	<u>\$ 1,125,355</u>	<u>\$ 3,876,343</u>
LIABILITIES				
Accounts payable	\$ 80	\$ 216,940	\$ 216,675	\$ 345
Due to agency	3,906,897	31,383	62,282	3,875,998
Total liabilities	<u>\$ 3,906,977</u>	<u>\$ 248,323</u>	<u>\$ 278,957</u>	<u>\$ 3,876,343</u>
<u>DULUTH PUBLIC ARTS</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 27,312</u>	<u>\$ 47,041</u>	<u>\$ 35,450</u>	<u>\$ 38,903</u>
LIABILITIES				
Accounts payable	\$ -	\$ 35,472	\$ 35,451	\$ 21
Due to agency	27,312	46,791	35,221	38,882
Total liabilities	<u>\$ 27,312</u>	<u>\$ 82,263</u>	<u>\$ 70,672</u>	<u>\$ 38,903</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance 01/01/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/09</u>
<u>SEAWAY PORT AUTHORITY</u>				
ASSETS				
Cash and cash equivalents	\$ 39,073	\$ 73,866	\$ 74,894	\$ 38,045
Taxes receivable	5	-	5	-
Total assets	<u>\$ 39,078</u>	<u>\$ 73,866</u>	<u>\$ 74,899</u>	<u>\$ 38,045</u>
LIABILITIES				
Due to other governments	<u>\$ 39,078</u>	<u>\$ 186,801</u>	<u>\$ 187,834</u>	<u>\$ 38,045</u>
 <u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 2,157,915	\$ 706,548	\$ 886,334	\$ 1,978,129
Taxes receivable	5	-	5	-
Loans receivable	1,465,927	507,073	347,331	1,625,669
Other assets	349,520	2,007	2,034	349,493
Total assets	<u>\$ 3,973,367</u>	<u>\$ 1,215,628</u>	<u>\$ 1,235,704</u>	<u>\$ 3,953,291</u>
LIABILITIES				
Accounts payable	\$ 80	\$ 252,412	\$ 252,126	\$ 366
Due to other governments	39,078	186,801	187,834	38,045
Due to agency	3,934,209	78,174	97,503	3,914,880
Total liabilities	<u>\$ 3,973,367</u>	<u>\$ 517,387</u>	<u>\$ 537,463</u>	<u>\$ 3,953,291</u>

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Supplementary Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2009**

Governmental funds capital assets:

Land	\$ 21,732,781
Buildings and structures	75,830,733
Equipment	23,745,989
Infrastructure	247,381,078
Construction in Progress	<u>32,270,400</u>

Total governmental funds capital assets **\$ 400,960,981**

Investments in governmental funds capital assets by source:

General fund	\$ 13,787,343
Special revenue fund	22,034,263
Capital projects fund	363,271,985
Donations	<u>1,867,390</u>

Total governmental funds capital assets **\$ 400,960,981**

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

**CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2009**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government						
Legislative and Executive	\$ -	\$ -	\$ 15,239	\$ -	\$ -	\$ 15,239
Planning and Development	2,656,048	27,164,440	2,403,425	-	1,097,030	33,320,943
Finance	-	-	344,979	-	-	344,979
Administrative Services	-	-	1,608,257	-	441,735	2,049,992
Street and Park Maintenance	5,200,050	2,779,707	7,674,781	236,565,731	23,863,366	276,083,635
Facilities Management	1,636,325	11,563,983	723,588	9,504,427	3,290,573	26,718,896
Total General Government	<u>9,492,423</u>	<u>41,508,130</u>	<u>12,770,269</u>	<u>246,070,158</u>	<u>28,692,704</u>	<u>338,533,684</u>
Public Safety						
Police	2,000	2,045,142	3,738,227	-	651,804	6,437,173
Fire	83,006	2,559,291	5,296,868	-	-	7,939,165
Total Public Safety	<u>85,006</u>	<u>4,604,433</u>	<u>9,035,095</u>	<u>-</u>	<u>651,804</u>	<u>14,376,338</u>
Public Works						
Engineering	-	-	1,069,772	-	-	1,069,772
Total Public Works	<u>-</u>	<u>-</u>	<u>1,069,772</u>	<u>-</u>	<u>-</u>	<u>1,069,772</u>
Culture and Recreation						
Libraries	51,585	7,545,987	378,347	-	-	7,975,919
Parks and Recreation	12,103,767	22,172,183	492,506	1,310,920	2,925,892	39,005,268
Total Culture and Recreation	<u>12,155,352</u>	<u>29,718,170</u>	<u>870,853</u>	<u>1,310,920</u>	<u>2,925,892</u>	<u>46,981,187</u>
Total Governmental Funds Capital Assets	<u>\$ 21,732,781</u>	<u>\$ 75,830,733</u>	<u>\$ 23,745,989</u>	<u>\$ 247,381,078</u>	<u>\$ 32,270,400</u>	<u>\$ 400,960,981</u>

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

**CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2009**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets 01/01/09</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 12/31/09</u>
General Government					
Legislative and Executive	\$ 22,960	\$ -	-	\$ 7,721	\$ 15,239
Planning and Development	33,809,227	(20,940)	61,434	528,778	33,320,943
Finance	274,842	6,696	70,020	6,579	344,979
Administrative Services	1,333,272	9,241	749,689	42,210	2,049,992
Street and Park Maintenance	264,994,160	109,582	14,451,676	3,471,783	276,083,635
Facilities Management	23,303,679	4,707	3,410,510	-	26,718,896
Total General Government	<u>323,738,140</u>	<u>109,286</u>	<u>18,743,329</u>	<u>4,057,071</u>	<u>338,533,684</u>
Public Safety					
Police	6,036,524	(144,807)	736,253	190,797	6,437,173
Fire	7,771,487	110,600	154,382	97,304	7,939,165
Total Public Safety	<u>13,808,011</u>	<u>(34,207)</u>	<u>890,635</u>	<u>288,101</u>	<u>14,376,338</u>
Public Works					
Engineering	1,076,913	13,426	-	20,567	1,069,772
Total Public Works	<u>1,076,913</u>	<u>13,426</u>	<u>-</u>	<u>20,567</u>	<u>1,069,772</u>
Culture and Recreation					
Libraries	7,982,819	-	-	6,900	7,975,919
Parks and Recreation	37,690,469	(88,505)	1,610,147	206,843	39,005,268
Total Culture and Recreation	<u>45,673,288</u>	<u>(88,505)</u>	<u>1,610,147</u>	<u>213,743</u>	<u>46,981,187</u>
Total Governmental Funds Capital Assets	<u>\$ 384,296,352</u>	<u>\$ -</u>	<u>\$ 21,244,111</u>	<u>\$ 4,579,482</u>	<u>\$ 400,960,981</u>

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
DECEMBER 31, 2009**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation				
West Michigan Street Improvements	\$ 1,745,000	12/1/1998	2/1/2014	\$ 840,000
Great Lakes Aquarium	2,475,000	12/1/1999	2/1/2010	630,000
Bayfront Festival Park	3,135,000	4/1/2001	2/1/2011	1,270,000
Duluth Transit Authority	615,000	9/1/2001	2/1/2011	230,000
Airport Improvement	3,400,000	2/1/2002	2/1/2017	2,500,000
Duluth Entertainment and Convention Center Authority Refunding	2,405,000	3/1/2003	2/1/2010	730,000
Bayfront Festival Park Improvement	425,000	12/1/2003	2/1/2012	230,000
Capital Improvement	800,000	3/1/2004	2/1/2014	555,000
Airpark Improvement	945,000	9/1/2004	2/1/2020	800,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	1,010,000
Lake Superior Center Refunding	1,765,000	12/19/2005	2/1/2017	1,505,000
Zoo Refunding Issue	1,485,000	12/19/2005	2/1/2012	995,000
Capital Improvement	895,000	9/7/2006	2/1/2016	810,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	1,240,000
Duluth Entertainment and Convention Center Authority Refunding	3,760,000	12/13/2007	2/1/2014	3,760,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	1,475,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	40,635,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	1,600,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	-
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	2/1/2032	-
West Michigan Street Improvements Refunding	589,118	12/17/2009	2/1/2018	-
Total General Obligation				<u>\$ 60,815,000</u>
General Obligation - Tax Abatement				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/1/2005	2/1/2021	<u>\$ 310,000</u>
Total General Obligation Bonds Payable				<u>\$ 61,125,000</u>
Revenue Bonds Payable				
Tax Increment Revenue Bonds Payable -				
Cirrus Tax Increment Revenue	\$ 645,000	3/1/1994	2/1/2012	\$ 175,000
Lease Revenue Bonds Payable				
Artspace Community Center Refunding	\$ 1,380,000	2/7/2007	8/1/2014	1,125,000
Total Revenue Bonds Payable				<u>\$ 1,300,000</u>
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 1,005,000	12/1/1998	2/1/2015	\$ 540,000
General Obligation Improvement	1,220,000	12/1/1999	2/1/2015	685,000
General Obligation Improvement	1,405,000	4/1/2001	2/1/2016	855,000
Street Improvement	4,800,000	9/1/2001	2/1/2016	3,095,000
Street Improvement	3,860,000	9/1/2002	2/1/2018	2,745,000
General Obligation Improvement	2,220,000	12/1/2002	2/1/2018	1,625,000
Street Improvement Refunding	3,118,400	3/1/2003	2/1/2010	921,000
Street Improvement Refunding	818,000	3/1/2003	2/1/2010	241,700
General Obligation Improvement Refunding	583,600	3/1/2003	2/1/2010	172,300
Street Improvement	5,035,000	9/1/2003	2/1/2019	3,925,000
General Obligation Improvement	2,010,000	12/1/2003	2/1/2019	1,580,000
Street Improvement	4,785,000	9/1/2004	2/1/2020	4,015,000
General Obligation Improvement	2,275,000	6/1/2005	2/1/2020	2,020,000
Street Improvement	4,260,000	10/1/2005	2/1/2021	3,835,000
Street Improvement Refunding	2,820,000	12/19/2005	2/1/2012	1,965,000
General Obligation Improvement	1,985,000	9/7/2006	2/1/2021	1,880,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	3,205,000
Street Improvement Refunding	2,395,000	12/19/2006	2/1/2012	1,965,000
Street Improvement Refunding	3,445,000	12/19/2006	2/1/2014	3,025,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	2,890,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	2,285,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	2,320,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	3,055,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	-
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	-
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	-
Total Special Assessment Debt with Government Commitment				<u>\$ 48,845,000</u>
General Obligation Certificates Payable				
Equipment	\$ 1,355,000	12/20/2004	12/20/2009	\$ 285,000
Equipment	1,110,000	12/19/2005	12/19/2010	470,000
Equipment	1,785,000	12/19/2006	2/1/2012	1,460,000
Equipment	1,985,000	12/13/2007	2/1/2013	1,985,000
Equipment	2,515,000	12/9/2008	2/1/2014	2,515,000
Equipment	2,570,000	12/17/2009	2/1/2015	-
Total General Obligation Certificates Payable				<u>\$ 6,715,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 117,985,000</u>

(Continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
DECEMBER 31, 2009**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2010</u>	<u>Interest Due in 2010</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation					
West Michigan Street Improvements	\$ -	\$ 840,000	\$ -	\$ -	\$ -
Great Lakes Aquarium	-	305,000	325,000	325,000	7,922
Bayfront Festival Park	-	445,000	825,000	365,000	27,078
Duluth Transit Authority	-	75,000	155,000	75,000	4,780
Airport Improvement	-	215,000	2,285,000	225,000	132,146
Duluth Entertainment and Convention Center Authority Refunding	-	360,000	370,000	370,000	5,735
Bayfront Festival Park Improvement	-	55,000	175,000	55,000	5,053
Capital Improvement	-	85,000	470,000	90,000	13,005
Airpark Improvement	-	50,000	750,000	55,000	27,724
Capital Improvement	-	130,000	880,000	130,000	28,127
Lake Superior Center Refunding	-	145,000	1,360,000	145,000	49,670
Zoo Refunding Issue	-	245,000	750,000	255,000	22,885
Capital Improvement	-	85,000	725,000	90,000	27,200
Capital Improvement	-	115,000	1,125,000	125,000	42,500
Duluth Entertainment and Convention Center Authority Refunding	-	545,000	3,215,000	590,000	116,800
Aerial Lift Bridge Improvement	-	-	1,475,000	125,000	54,330
Duluth Entertainment and Convention Center Improvement	-	-	40,635,000	50,000	1,934,738
Capital Improvement	-	-	1,600,000	145,000	55,450
Capital Improvement	7,085,000	-	7,085,000	-	139,821
Capital Improvement - Law Enforcement Center	11,905,000	-	11,905,000	-	424,531
West Michigan Street Improvements Refunding	589,118	-	589,118	-	8,367
Total General Obligation	<u>\$ 19,579,118</u>	<u>\$ 3,695,000</u>	<u>\$ 76,699,118</u>	<u>\$ 3,215,000</u>	<u>\$ 3,127,862</u>
General Obligation - Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	\$ -	\$ -	\$ 310,000	\$ -	\$ 12,230
Total General Obligation Bonds Payable	<u>\$ 19,579,118</u>	<u>\$ 3,695,000</u>	<u>\$ 77,009,118</u>	<u>\$ 3,215,000</u>	<u>\$ 3,140,092</u>
Revenue Bonds Payable					
Tax Increment Revenue Bonds Payable -					
Cirrus Tax Increment Revenue	\$ -	\$ 40,000	\$ 135,000	\$ 45,000	\$ 9,000
Lease Revenue Bonds Payable					
Artspace Community Center Refunding	-	130,000	995,000	135,000	39,800
	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 1,130,000</u>	<u>\$ 180,000</u>	<u>\$ 48,800</u>
Special Assessment Debt with Government Commitment					
General Obligation Improvement	\$ -	\$ 540,000	\$ -	-	-
General Obligation Improvement	-	685,000	-	-	-
General Obligation Improvement	-	855,000	-	-	-
Street Improvement	-	3,095,000	-	-	-
Street Improvement	-	220,000	2,525,000	235,000	97,976
General Obligation Improvement	-	135,000	1,490,000	140,000	60,452
Street Improvement Refunding	-	455,300	465,700	465,700	7,219
Street Improvement Refunding	-	119,500	122,200	122,200	1,894
General Obligation Improvement Refunding	-	85,200	87,100	87,100	1,350
Street Improvement	-	290,000	3,635,000	295,000	141,990
General Obligation Improvement	-	115,000	1,465,000	120,000	54,115
Street Improvement	-	260,000	3,755,000	270,000	143,384
General Obligation Improvement	-	130,000	1,890,000	135,000	70,300
Street Improvement	-	230,000	3,605,000	235,000	139,377
Street Improvement Refunding	-	465,000	1,500,000	480,000	50,400
General Obligation Improvement	-	110,000	1,770,000	115,000	68,500
Street Improvement	-	170,000	3,035,000	180,000	117,800
Street Improvement Refunding	-	460,000	1,505,000	480,000	50,600
Street Improvement Refunding	-	455,000	2,570,000	475,000	92,706
Street Improvement Refunding	-	320,000	2,570,000	330,000	96,200
Street Improvement	-	105,000	2,180,000	120,000	83,450
Street Improvement	-	-	2,320,000	125,000	96,083
Street Improvement Refunding	-	-	3,055,000	460,000	102,987
General Obligation Improvement Refunding	397,780	-	397,780	-	4,820
General Obligation Improvement Refunding	506,415	-	506,415	-	7,999
General Obligation Improvement Refunding	656,687	-	656,687	-	8,556
Total Special Assessment Debt with Government Commitment	<u>\$ 1,560,882</u>	<u>\$ 9,300,000</u>	<u>\$ 41,105,882</u>	<u>\$ 4,870,000</u>	<u>\$ 1,498,158</u>
General Obligation Certificates Payable					
Equipment	\$ -	\$ 285,000	\$ -	\$ -	\$ -
Equipment	-	230,000	240,000	240,000	9,600
Equipment	-	345,000	1,115,000	360,000	33,894
Equipment	-	360,000	1,625,000	385,000	66,131
Equipment	-	-	2,515,000	455,000	94,175
Equipment	2,570,000	-	2,570,000	-	38,609
Total General Obligation Certificates Payable	<u>\$ 2,570,000</u>	<u>\$ 1,220,000</u>	<u>\$ 8,065,000</u>	<u>\$ 1,440,000</u>	<u>\$ 242,409</u>
Total Governmental Activities Bonds and Certificates Payable	<u>\$ 23,710,000</u>	<u>\$ 14,385,000</u>	<u>\$ 127,310,000</u>	<u>\$ 9,705,000</u>	<u>\$ 4,929,459</u>

(Continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
DECEMBER 31, 2009**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Business-type Activities:				
Revenue Bonds Payable				
Golf Fund				
Revenue Recreation Facility Refunding	\$ 1,040,000	12/14/2004	12/1/2012	\$ 550,000
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment	\$ 12,785,000	12/16/2005	2/1/2026	\$ 12,375,000
Technology Village & Parking Improvement	1,965,000	12/9/2008	2/1/2015	1,965,000
Total Parking Fund				<u>\$ 14,340,000</u>
Water Fund				
Water Utility Revenue and General Obligation	\$ 1,690,000	9/1/2002	2/1/2018	\$ 1,232,000
Water Utility Revenue and General Obligation	1,385,000	12/1/2002	2/1/2018	1,005,000
Water Utility Revenue and General Obligation Refunding	625,000	3/1/2003	2/1/2010	190,000
Water Utility Revenue and General Obligation	1,120,000	12/19/2006	2/1/2022	1,070,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	950,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	-
Total Water Fund				<u>\$ 4,447,000</u>
Gas Fund				
Gas Utility Revenue and General Obligation	\$ 5,300,000	12/1/2001	2/1/2017	\$ 3,560,000
Gas Utility Revenue and General Obligation	2,132,000	9/1/2002	2/1/2018	1,553,000
Gas Utility Revenue and General Obligation	1,425,000	12/1/2002	2/1/2018	1,040,000
Gas Utility Revenue and General Obligation	6,090,000	12/1/2003	2/1/2019	4,800,000
Gas Utility Revenue and General Obligation	1,190,000	12/19/2006	2/1/2022	1,135,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	-
Total Gas Fund				<u>\$ 12,088,000</u>
Steam District #1 Fund				
Steam Utility Revenue and General Obligation	\$ 310,000	12/1/1998	2/1/2009	\$ 35,000
Steam Utility Revenue and General Obligation	325,000	12/1/2000	2/1/2011	115,000
Steam Utility Revenue and General Obligation	345,000	12/1/2002	2/1/2012	160,000
Steam Utility Revenue and General Obligation	2,250,000	9/1/2003	2/1/2023	1,935,000
Steam Utility Revenue and General Obligation	1,250,000	6/1/2005	2/1/2020	1,110,000
Steam Utility Revenue and General Obligation	4,525,000	12/19/2006	2/1/2022	4,315,000
Total Steam District # 1 Fund				<u>\$ 7,670,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 1,080,000	12/1/1998	2/1/2009	\$ 130,000
Sewer Utility Revenue and General Obligation	1,330,000	12/1/2001	2/1/2017	890,000
Sewer Utility Revenue and General Obligation	2,003,000	9/1/2002	2/1/2018	1,458,000
Sewer Utility Revenue and General Obligation	1,825,000	12/1/2002	2/1/2018	1,330,000
Sewer Utility Revenue and General Obligation Refunding	1,240,000	3/1/2003	2/1/2010	385,000
Sewer Utility Revenue and General Obligation	4,045,000	12/1/2004	2/1/2020	3,405,000
Sewer Utility Revenue and General Obligation	3,515,000	12/19/2005	2/1/2021	3,170,000
Sewer Utility Revenue and General Obligation	945,000	12/19/2006	2/1/2022	900,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	2,120,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	1,325,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	-
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	-
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	-
Total Sewer Fund				<u>\$ 15,113,000</u>
Stormwater Fund				
Stormwater Utility Revenue	\$ 1,425,000	9/1/2002	2/1/2018	\$ 1,037,000
Stormwater Utility Revenue	1,705,000	9/7/2006	2/1/2022	1,620,000
Total Stormwater Fund				<u>\$ 2,657,000</u>
Total Revenue and General Obligation Bonds Payable				<u>\$ 56,315,000</u>
Total Business-type Activities Bonds Payable				<u>\$ 56,865,000</u>
Component Units:				
Spirit Mountain Recreation Area				
Revenue Bonds Payable				
Spirit Mountain Recreation Area	\$ 1,646,750	3/31/2003	12/1/2012	\$ 993,432
Duluth Entertainment and Convention Center Authority				
General Obligation Bonds Payable				
Duluth Entertainment and Convention Center Refunding	\$ 6,970,000	4/1/2001	12/1/2011	\$ 2,225,000
Total Component Units Bonds Payable				<u>\$ 3,218,432</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
DECEMBER 31, 2009**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2010</u>	<u>Interest Due in 2010</u>
Business-type Activities:					
Revenue Bonds Payable					
Golf Fund					
Revenue Recreation Facility Refunding	\$ -	\$ 130,000	\$ 420,000	\$ 135,000	\$ 15,210
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment	\$ -	\$ 430,000	\$ 11,945,000	\$ 450,000	\$ 625,875
Technology Village & Parking Improvement	-	-	1,965,000	295,000	66,237
Total Parking Fund	\$ -	\$ 430,000	\$ 13,910,000	\$ 745,000	\$ 692,112
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 101,000	\$ 1,131,000	\$ 105,000	\$ 44,127
Water Utility Revenue and General Obligation	-	85,000	920,000	85,000	36,604
Water Utility Revenue and General Obligation Refunding	-	95,000	95,000	95,000	1,544
Water Utility Revenue and General Obligation	-	60,000	1,010,000	60,000	37,746
Water Utility Revenue and General Obligation Refunding	-	105,000	845,000	105,000	31,700
Water Utility Revenue and General Obligation	196,000	-	196,000	10,000	6,135
Total Water Fund	\$ 196,000	\$ 446,000	\$ 4,197,000	\$ 460,000	\$ 157,856
Gas Fund					
Gas Utility Revenue and General Obligation	\$ -	\$ 3,560,000	\$ -	\$ -	\$ -
Gas Utility Revenue and General Obligation	-	129,000	1,424,000	132,000	55,558
Gas Utility Revenue and General Obligation	-	85,000	955,000	90,000	37,973
Gas Utility Revenue and General Obligation	-	355,000	4,445,000	365,000	164,261
Gas Utility Revenue and General Obligation	-	60,000	1,075,000	65,000	40,164
Gas Utility Revenue and General Obligation Refunding	2,846,814	-	2,846,814	-	43,313
Total Gas Fund	\$ 2,846,814	\$ 4,189,000	\$ 10,745,814	\$ 652,000	\$ 341,269
Steam District #1 Fund					
Steam Utility Revenue and General Obligation	\$ -	\$ 35,000	\$ -	\$ -	\$ -
Steam Utility Revenue and General Obligation	-	35,000	80,000	40,000	3,300
Steam Utility Revenue and General Obligation	-	35,000	125,000	40,000	4,645
Steam Utility Revenue and General Obligation	-	95,000	1,840,000	100,000	76,488
Steam Utility Revenue and General Obligation	-	75,000	1,035,000	75,000	37,418
Steam Utility Revenue and General Obligation	-	235,000	4,080,000	245,000	158,794
Total Steam District # 1 Fund	\$ -	\$ 510,000	\$ 7,160,000	\$ 500,000	\$ 280,645
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 130,000	\$ -	\$ -	\$ -
Sewer Utility Revenue and General Obligation	-	890,000	-	-	-
Sewer Utility Revenue and General Obligation	-	120,000	1,338,000	124,000	52,197
Sewer Utility Revenue and General Obligation	-	110,000	1,220,000	115,000	48,486
Sewer Utility Revenue and General Obligation Refunding	-	190,000	195,000	195,000	3,169
Sewer Utility Revenue and General Obligation	-	230,000	3,175,000	240,000	120,985
Sewer Utility Revenue and General Obligation	-	190,000	2,980,000	195,000	115,318
Sewer Utility Revenue and General Obligation	-	50,000	850,000	50,000	31,778
Sewer Utility Revenue and General Obligation	-	100,000	2,020,000	110,000	77,343
Sewer Utility Revenue and General Obligation Refunding	-	160,000	1,165,000	170,000	43,200
Sewer Utility Revenue and General Obligation	1,444,000	-	1,444,000	75,000	45,178
Sewer Utility Revenue and General Obligation Refunding	713,186	-	713,186	-	19,742
Sewer Utility Revenue and General Obligation	905,000	-	905,000	-	10,102
Total Sewer Fund	\$ 3,062,186	\$ 2,170,000	\$ 16,005,186	\$ 1,274,000	\$ 567,498
Stormwater Fund					
Stormwater Utility Revenue	\$ -	\$ 85,000	\$ 952,000	\$ 89,000	\$ 37,130
Stormwater Utility Revenue	-	85,000	1,535,000	90,000	59,600
Total Stormwater Fund	\$ -	\$ 170,000	\$ 2,487,000	\$ 179,000	\$ 96,730
Total Revenue and General Obligation Bonds Payable	\$ 6,105,000	\$ 7,915,000	\$ 54,505,000	\$ 3,810,000	\$ 2,136,110
Total Business-type Activities Bonds Payable	\$ 6,105,000	\$ 8,045,000	\$ 54,925,000	\$ 3,945,000	\$ 2,151,320
Component Units:					
Spirit Mountain Recreation Area					
Revenue Bonds Payable					
Spirit Mountain Recreation Area	\$ -	\$ 182,324	\$ 811,108	\$ 190,621	\$ 34,379
Duluth Entertainment and Convention Center Authority					
General Obligation Bonds Payable					
Duluth Entertainment and Convention Center Refunding	\$ -	\$ 710,000	\$ 1,515,000	\$ 740,000	\$ 63,075
Total Component Units Bonds Payable	\$ -	\$ 892,324	\$ 2,326,108	\$ 930,621	\$ 97,454

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2009**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
General Obligation				
Public Facilities Authority Note	\$ 364,195	8/8/2002	8/20/2018	\$ 253,000
Greater Minnesota Housing Fund Note	200,000	11/6/2006	11/6/2016	<u>200,000</u>
Total General Obligation				<u>\$ 453,000</u>
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	<u>\$ 3,081,000</u>
Tax Increment Revenue				
Fremont Tax Increment Limited Revenue	\$ 650,000	7/1/1997	2/1/2012	<u>\$ 210,000</u>
Total Governmental Activities				<u>\$ 3,744,000</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 628,732
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	1,415,000
Public Facilities Authority Note (Note 1)	1,698,450	10/28/2009	8/20/2019	<u>-</u>
Total Water Fund				<u>\$ 2,043,732</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 72,268
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	878,000
Public Facilities Authority Note (Note 2)	2,042,350	7/12/2007	8/20/2022	1,897,670
Public Facilities Authority Note (Note 3)	796,835	8/20/2009	8/20/2024	-
Public Facilities Authority Note (Note 4)	2,414,150	11/25/2009	8/20/2024	<u>-</u>
Total Sewer Fund				<u>\$ 2,847,938</u>
Total Business-type Activities				<u>\$ 4,891,670</u>
Component Units:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	<u>\$ 497,379</u>

Note 1: Only \$ 480,239 has been drawn on the Public Facilities Authority Note dated 10/28/2009.

Note 2: Only \$ 1,973,033 has been drawn on the Public Facilities Authority Note dated 7/12/2007.

Note 3: Only \$ 97,614 has been drawn on the Public Facilities Authority Note dated 8/20/2009.

Note 4: Only \$ 702,238 has been drawn on the Public Facilities Authority Note dated 11/25/2009.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2009**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2010</u>	<u>Interest Due in 2010</u>
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	\$ -	\$ 24,000	\$ 229,000	\$ 24,000	\$ 2,290
Greater Minnesota Housing Fund Note	-	-	200,000	-	-
Total General Obligation	\$ -	\$ 24,000	\$ 429,000	\$ 24,000	\$ 2,290
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 55,000	\$ 3,026,000	\$ 60,000	\$ 170,856
Tax Increment Revenue					
Fremont Tax Increment Limited Revenue	\$ -	\$ 50,000	\$ 160,000	\$ 55,000	\$ 7,553
Total Governmental Activities	\$ -	\$ 129,000	\$ 3,615,000	\$ 139,000	\$ 180,699
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 55,608	\$ 573,124	\$ 56,505	\$ 16,156
Public Facilities Authority Note	-	126,000	1,289,000	129,000	32,611
Public Facilities Authority Note	480,239	-	480,239	160,450	4,533
Total Water Fund	\$ 480,239	\$ 181,608	\$ 2,342,363	\$ 345,955	\$ 53,300
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 6,392	\$ 65,876	\$ 6,495	\$ 1,857
Public Facilities Authority Note	-	83,000	795,000	84,000	10,653
Public Facilities Authority Note	75,363	70,033	1,903,000	136,000	21,885
Public Facilities Authority Note	97,614	-	97,614	30,835	3,404
Public Facilities Authority Note	702,238	-	702,238	26,150	12,033
Total Sewer Fund	\$ 875,215	\$ 159,425	\$ 3,563,728	\$ 283,480	\$ 49,832
Total Business-type Activities	\$ 1,355,454	\$ 341,033	\$ 5,906,091	\$ 629,435	\$ 103,132
Component Units:					
Duluth Airport Authority					
Revenue Note	\$ -	\$ 22,170	\$ 475,209	\$ 33,673	\$ 41,327

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2009**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
SHARED REVENUE:						
State of Minnesota						
Local Government Aid	\$ 29,200,998	\$ -	\$ -	\$ -	\$ -	\$ 29,200,998
PERA Aid	124,428	-	-	-	54,401	178,829
Amortization Aid	643,189	-	-	-	-	643,189
Insurance Premium	1,529,904	-	-	-	-	1,529,904
TOTAL SHARED REVENUE	31,498,519	-	-	-	54,401	31,552,920
STATE GRANTS:						
State of Minnesota, Department of Commerce						
Auto Theft Prevention Program	-	25,935	-	-	-	25,935
Employment and Economic Development						
Redevelopment Grant	-	257,274	-	86,313	-	343,587
Youth Program	-	116,526	-	-	-	116,526
Dislocated Workers	-	220,674	-	-	-	220,674
Employment and Economic Development Total	-	594,474	-	86,313	-	680,787
Natural Resources						
Snowmobile Trail	25,275	-	-	-	-	25,275
Lake Superior Zoo	-	107,500	-	-	-	107,500
Lakewalk East Extension	-	-	-	82,485	-	82,485
Natural Resources Total	25,275	107,500	-	82,485	-	215,260
Peace Officers Board						
Post Training Reimbursement	55,102	-	-	-	-	55,102
Public Safety						
Crime Victims Emergency Fund	-	435	-	-	-	435
Narcotic/Gang Strike Force	-	320,000	-	-	-	320,000
HAZMAT Regional Response Team	44,343	-	-	-	-	44,343
Financial Crimes Task Force	-	50,000	-	-	-	50,000
Fire Department Training Reimbursement	5,000	-	-	-	-	5,000
Public Safety Total	49,343	370,435	-	-	-	419,778
Pollution Control Agency						
Surface Water Reduction Program	-	-	-	-	10,847	10,847
Stormwater Reduction Program	-	-	-	-	62,796	62,796
Model Energy Use in the City	-	4,000	-	-	-	4,000
Pollution Control Agency Total	-	4,000	-	-	73,643	77,643
Revenue						
Market Value Credit	667,682	-	449,187	30,160	-	1,147,029
Transportation						
MSA Street Maintenance Allotment	1,141,465	-	-	-	-	1,141,465
MSA Street Construction Allotment	-	-	-	2,122,104	-	2,122,104
Municipal Turnback	-	-	-	2,673,887	-	2,673,887
MN Air Guard	-	-	-	55,533	-	55,533
Bridge Bonding	-	-	-	139,054	-	139,054
Lake Place Park Landscaping	1,000	-	-	-	-	1,000
Transportation Total	1,142,465	-	-	4,990,578	-	6,133,043
TOTAL STATE GRANTS	1,939,867	1,102,344	449,187	5,189,536	73,643	8,754,577
OTHER GRANTS:						
St. Louis County						
Job Training Services	-	851,915	-	-	-	851,915
Other	163,406	-	-	13,402	-	176,808
St. Louis County Total	163,406	851,915	-	13,402	-	1,028,723
Housing and Redevelopment Authority	52,068	-	-	-	-	52,068
Independent School District #709	480,510	-	-	-	-	480,510
WLSDD	29,242	-	-	-	-	29,242
Other	2,655	-	-	500	-	3,155
TOTAL OTHER GRANTS	\$ 727,881	\$ 851,915	\$ -	\$ 13,902	\$ -	\$ 1,593,698

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2009**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
FEDERAL GRANTS:						
Federal, Department of						
Agriculture						
USDA Forest Service	\$ 4,983	\$ 1,410	\$ -	\$ -	\$ -	\$ 6,393
Commerce						
Coastal Zone Management Administration	-	79,152	-	-	-	79,152
Assist Senior Citizens in Converting to Digital Cable	-	7,500	-	-	-	7,500
Commerce Total	-	86,652	-	-	-	86,652
Energy						
Energy Efficiency and Conservation Block Grant	-	3,600	-	-	-	3,600
Homeland Security						
Homeland Security Grant Program	-	149,563	-	-	-	149,563
Assistance to Firefighters	-	206,270	-	-	-	206,270
Port Security Grant Program	-	275,846	-	-	-	275,846
Homeland Security Total	-	631,679	-	-	-	631,679
Housing and Urban Development						
Community Development Block Grant	-	3,072,620	-	-	-	3,072,620
HOME Investment Partnership	-	885,836	-	-	-	885,836
Emergency Shelter	-	113,730	-	-	-	113,730
Fair Housing Enforcement	145,485	-	-	-	-	145,485
Homelessness Prevention and Rapid Rehousing	-	37,617	-	-	-	37,617
Neighborhood Stabilization Program	-	433,245	-	-	-	433,245
Housing and Urban Development Total	145,485	4,543,048	-	-	-	4,688,533
Justice						
Grants to Encourage Arrest Policies	-	217,974	-	-	-	217,974
Project Safe (Anti-Gang)	-	15,000	-	-	-	15,000
Bulletproof Vest Partnership Program	14,080	-	-	-	-	14,080
Organized Crime Drug Enforcement Task Force	45,568	-	-	-	-	45,568
Edward Byrne Memorial Formula Grant	-	232,138	-	-	-	232,138
Community Policing Development	-	108,513	-	-	-	108,513
Justice Total	59,648	573,625	-	-	-	633,273
Labor						
Senior Community Service Employment	-	387,872	-	-	-	387,872
Dislocated Workers	-	208,159	-	-	-	208,159
Workforce Investment Act	-	1,242,720	-	-	-	1,242,720
Labor Total	-	1,838,751	-	-	-	1,838,751
Transportation						
Enforcing Underage Drinking Laws Program	8,301	-	-	-	-	8,301
Alcohol Traffic Safety & Drunken Driving	8,909	-	-	-	-	8,909
Highway Planning and Construction	-	-	-	367,979	-	367,979
Transportation Total	17,210	-	-	367,979	-	385,189
TOTAL FEDERAL GRANTS	227,326	7,678,765	-	367,979	-	8,274,070
TOTAL INTERGOVERNMENTAL REVENUE	\$ 34,393,593	\$ 9,633,024	\$ 449,187	\$ 5,571,417	\$ 128,044	\$ 50,175,265

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue Funds			
	Operating	Building Renovation Loan	Old Downtown Loan	District Storefront Loan
ASSETS				
Cash and cash equivalents	\$ 674,679	\$ 2,954,777	\$ 263,259	\$ 135,424
Taxes receivable, net	-	-	-	-
Accounts receivable, net	8,575	-	-	-
Loans receivable, net	125,937	1,921,189	4,451	265,168
Deposits receivable	-	250,000	-	-
Due from other funds	396,004	-	-	5,108
Due from other governments	-	-	-	-
Prepays	-	-	-	-
Capital assets held for resale	192,500	-	-	-
Total Assets	\$ 1,397,695	\$ 5,125,966	\$ 267,710	\$ 405,700
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,918	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Loans payable	391,947	-	-	-
Due to other funds	718,368	4,348	-	53,529
Due to other governments	-	-	-	-
Deferred revenues	125,937	-	-	-
Total Liabilities	1,238,170	4,348	-	53,529
FUND BALANCES:				
Reserved for:				
Encumbrances	240,817	-	-	-
Debt service	-	-	-	-
Noncurrent loans receivable	-	1,749,356	-	214,341
Prepaid items	-	-	-	-
Deposits	-	250,000	-	-
Unreserved - designated for capital projects	-	-	-	-
Unreserved - designated for loans	-	108,356	-	-
Unreserved - designated for new loan fund	-	750,000	-	-
Unreserved - undesignated, reported in:				
Special revenue funds	(81,292)	2,263,906	267,710	137,830
Capital project funds	-	-	-	-
Total Fund Balances	159,525	5,121,618	267,710	352,171
Total Liabilities and Fund Balances	\$ 1,397,695	\$ 5,125,966	\$ 267,710	\$ 405,700

(continued)

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue Fund			
	Northwest Maintenance Facility	Debt Service	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 496,805	\$ 3,561,842	\$ 6,039,664	\$ 14,126,450
Taxes receivable, net	-	534,576	-	534,576
Accounts receivable, net	300,000	19,162	33,050	360,787
Loans receivable, net	-	-	1,634,439	3,951,184
Deposits receivable	-	-	-	250,000
Due from other funds	-	53,529	3,394,658	3,849,299
Due from other governments	10,000	2,685	-	12,685
Prepays	-	-	430,945	430,945
Capital assets held for resale	-	-	-	192,500
Total Assets	\$ 806,805	\$ 4,171,794	\$ 11,532,756	\$ 23,708,426
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 21,892	\$ -	\$ 13,350	\$ 37,160
Contracts payable	-	43,625	287,312	330,937
Loans payable	-	-	-	391,947
Due to other funds	90,000	3,095,241	307,972	4,269,458
Due to other governments	-	427,948	-	427,948
Deferred revenues	300,000	490,311	1,585,709	2,501,957
Total Liabilities	411,892	4,057,125	2,194,343	7,959,407
FUND BALANCES:				
Reserved for:				
Encumbrances	-	-	566,605	807,422
Debt service	-	114,669	-	114,669
Noncurrent loans receivable	-	-	42,053	2,005,750
Prepaid items	-	-	430,945	430,945
Deposits	-	-	-	250,000
Unreserved - designated for capital projects	-	-	2,574,368	2,574,368
Unreserved - designated for loans	-	-	-	108,356
Unreserved - designated for new loan fund	-	-	-	750,000
Unreserved - undesignated, reported in:				
Special revenue funds	394,913	-	-	2,983,067
Capital project funds	-	-	5,724,442	5,724,442
Total Fund Balances	394,913	114,669	9,338,413	15,749,019
Total Liabilities and Fund Balances	\$ 806,805	\$ 4,171,794	\$ 11,532,756	\$ 23,708,426

**CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds			
	Operating	Building Renovation	Old Downtown	District Storefront
REVENUES:				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Market value credit aid	-	-	-	-
State and federal grants	-	-	-	-
Charges for services				
Parking meters	276,020	-	-	-
Development fees	900	-	-	-
Assessment fees	65,293	-	-	-
Miscellaneous revenues				
Earnings on investments	263	44,987	131	287
Interest	-	57,776	347	8,825
Bond fees	116,946	-	-	-
Land sales	94,385	-	-	-
Developer contributions	-	-	-	-
Other	100,870	3,318	-	-
Total Revenues	654,677	106,081	478	9,112
EXPENDITURES:				
Current				
Urban and economic development				
Other services and charges	552,998	-	-	-
Economic development projects	146,310	-	12,500	-
Capital Outlay				
Urban and economic development				
Buildings and structures	-	-	-	-
Improvements other than buildings	-	-	-	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal fees	-	-	-	-
Other	-	-	-	-
Total Expenditures	699,308	-	12,500	-
Excess of Revenues Over (Under) Expenditures	(44,631)	106,081	(12,022)	9,112
OTHER FINANCING SOURCES/USES:				
Operating transfer in				
DEDA Funds	320,032	-	-	-
Economic Development Fund	-	-	-	-
Debt Service Fund	11,427	-	-	-
Recovery Loan Program Fund	25,545	-	-	-
Total Operating Transfer In	357,004	-	-	-
Operating transfers out				
DEDA Funds	-	(500,000)	-	(553,529)
General Fund	-	(43,289)	-	-
Economic Development Fund	-	-	-	-
Community Development Fund	-	-	-	-
Parking Enterprise Fund	-	-	-	-
Total Operating Transfers Out	-	(543,289)	-	(553,529)
Total Other Financing Sources (Uses)	357,004	(543,289)	-	(553,529)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	312,373	(437,208)	(12,022)	(544,417)
FUND BALANCES:				
Beginning of the year	(152,848)	5,558,826	279,732	896,588
End of the year	<u>\$ 159,525</u>	<u>\$ 5,121,618</u>	<u>\$ 267,710</u>	<u>\$ 352,171</u>

(continued)

**CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Fund			
	Northwest Maintenance Facility	Debt Service	Capital Projects	Total
REVENUES:				
Taxes				
Tax increments	\$ -	\$ 4,013,678	\$ -	\$ 4,013,678
Intergovernmental revenues				
Market value credit aid	-	66,326	-	66,326
State and federal grants	-	-	84,512	84,512
Charges for services				
Parking meters	-	-	-	276,020
Development fees	-	-	-	900
Assessment fees	-	-	-	65,293
Miscellaneous revenues				
Earnings on investments	304	64,948	54,894	165,814
Interest	-	-	3,765	70,713
Bond fees	-	-	-	116,946
Land sales	-	-	-	94,385
Developer contributions	-	19,162	-	19,162
Other	30,000	-	91,608	225,796
Total Revenues	30,304	4,164,114	234,779	5,199,545
EXPENDITURES:				
Current				
Urban and economic development				
Other services and charges	92,174	121,760	223,644	990,576
Economic development projects	-	-	397,584	556,394
Capital Outlay				
Urban and economic development				
Buildings and structures	-	-	2,964,910	2,964,910
Improvements other than buildings	-	-	7,056	7,056
Debt Service				
Principal retirement	-	90,000	-	90,000
Interest and fiscal fees	-	22,945	-	22,945
Other	-	240,399	-	240,399
Total Expenditures	92,174	475,104	3,593,194	4,872,280
Excess of Revenues Over (Under) Expenditures	(61,870)	3,689,010	(3,358,415)	327,265
OTHER FINANCING SOURCES/USES:				
Operating transfer in				
DEDA Funds	-	53,529	4,095,241	4,468,802
Economic Development Fund	-	-	250,000	250,000
Debt Service Fund	-	-	-	11,427
Recovery Loan Program Fund	-	-	-	25,545
Total Operating Transfer In	-	53,529	4,345,241	4,755,774
Operating transfers out				
DEDA Funds	(90,000)	(3,103,469)	(221,804)	(4,468,802)
General Fund	-	(62,887)	(52,964)	(159,140)
Economic Development Fund	-	-	(21,286)	(21,286)
Community Development Fund	-	(94,644)	-	(94,644)
Parking Enterprise Fund	-	(480,037)	-	(480,037)
Total Operating Transfers Out	(90,000)	(3,741,037)	(296,054)	(5,223,909)
Total Other Financing Sources (Uses)	(90,000)	(3,687,508)	4,049,187	(468,135)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(151,870)	1,502	690,772	(140,870)
FUND BALANCES:				
Beginning of the year	546,783	113,167	8,647,641	15,889,889
End of the year	\$ 394,913	\$ 114,669	\$ 9,338,413	\$ 15,749,019

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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 148-155

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 156-158

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

Debt Capacity – Pages 158-162

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 – Pages 163-164

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 165-169

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 Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)**

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

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

Source: Statement of Net Assets

Unaudited

City of Duluth, Minnesota
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

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

(continued)

City of Duluth, Minnesota
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

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

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

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

Source: Statement of Activities

(continued)

City of Duluth, Minnesota
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General government	\$ 20,902,934	\$ 35,023,700	\$ 25,028,329	\$ 35,376,090
Public safety	28,480,845	30,350,398	36,478,984	36,397,795
Public works	13,823,001	15,232,820	15,817,121	7,616,214
Culture and recreation	9,107,022	6,851,355	13,962,001	24,655,278
Urban and economic development	12,773,203	13,178,400	18,180,805	15,722,245
Interest	<u>7,427,045</u>	<u>7,762,355</u>	<u>4,749,041</u>	<u>5,175,178</u>
Total governmental activities expenses	<u>92,514,050</u>	<u>108,399,028</u>	<u>114,216,281</u>	<u>124,942,800</u>
Business-type activities:				
Water	9,827,419	10,865,334	11,325,128	10,717,468
Gas	45,278,118	47,107,309	54,336,765	38,462,243
Sewer	14,928,433	15,023,848	16,747,150	17,569,046
Stormwater	2,776,726	2,865,872	2,876,181	3,308,604
Steam district #1	4,628,019	5,367,034	5,851,628	5,994,665
Steam district #2	9,314,893	11,397,738	10,024,789	9,031,530
Golf	1,889,657	1,887,795	1,886,874	1,895,162
Parking	-	1,871,344	2,030,206	1,881,852
Street Lighting	-	-	309,920	1,391,981
Total business-type activities expenses	<u>88,643,265</u>	<u>96,386,274</u>	<u>105,388,641</u>	<u>90,252,551</u>
Total primary government expenses	<u>\$ 181,157,315</u>	<u>\$ 204,785,302</u>	<u>\$ 219,604,922</u>	<u>\$ 215,195,351</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,804,560	\$ 4,008,714	\$ 3,846,472	\$ 4,514,042
Public safety	3,305,117	2,451,449	2,434,033	2,555,541
Public works	1,096,718	353,575	392,155	349,364
Culture and recreation	807,245	815,732	797,188	1,108,600
Urban and economic development	908,279	922,159	910,181	525,437
Operating grants and contributions	10,469,744	11,209,578	12,997,358	11,846,124
Capital grants and contributions	<u>12,445,080</u>	<u>13,674,386</u>	<u>8,200,343</u>	<u>7,095,416</u>
Total governmental activities program revenues	<u>30,836,743</u>	<u>33,435,593</u>	<u>29,577,730</u>	<u>27,994,524</u>
Business-type activities:				
Charges for services:				
Water	11,025,294	12,166,968	11,370,681	11,961,915
Gas	49,534,016	47,489,082	58,604,811	46,419,426
Sewer	15,507,006	15,771,516	17,224,701	20,320,378
Stormwater	3,098,403	3,916,525	4,563,498	5,222,917
Steam district #1	4,686,723	5,261,495	5,959,836	6,152,268
Steam district #2	6,959,000	8,985,844	8,834,290	8,384,720
Golf	1,893,564	1,887,737	1,879,530	1,945,446
Parking	-	2,138,316	4,136,535	2,524,682
Street Lighting	-	-	88,924	1,271,623
Capital grants and contributions	<u>2,960,981</u>	<u>4,468,083</u>	<u>1,970,497</u>	<u>3,836,174</u>
Total business-type activities program revenues	<u>95,664,987</u>	<u>102,085,566</u>	<u>114,633,303</u>	<u>108,039,549</u>
Total primary government program revenues	<u>\$ 126,501,730</u>	<u>\$ 135,521,159</u>	<u>\$ 144,211,033</u>	<u>\$ 136,034,073</u>

(continued)

City of Duluth, Minnesota
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (expense)/revenue				
Governmental activities	\$ (61,677,307)	\$ (74,963,435)	\$ (84,638,551)	\$ (96,948,276)
Business-type activities	7,021,722	5,699,292	9,244,662	17,786,998
Total primary government net expense	<u>\$ (54,655,585)</u>	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>	<u>\$ (79,161,278)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 15,709,840	\$ 17,452,324	\$ 18,170,135	\$ 18,125,284
Market value credit aid	1,184,399	1,191,228	1,086,482	1,147,029
Sales taxes	16,860,351	17,509,877	18,363,052	18,009,914
Other taxes	2,006,659	2,051,173	2,049,848	2,573,884
Casino shared revenues	5,844,787	6,430,460	6,156,767	5,963,162
Grants and shared revenues not restricted to specific programs	32,249,900	31,725,087	30,311,915	31,498,519
Investment income	5,131,090	4,690,453	4,058,373	4,034,753
Gain on sale or disposition of capital assets	262,367	37,803	136,787	84,278
Miscellaneous	5,170,612	1,062,999	3,623,533	1,031,930
Special Items	-	12,708,044	-	-
Transfers	5,616,094	(3,761,041)	2,234,661	7,839,803
Total governmental activities	<u>90,036,099</u>	<u>91,098,407</u>	<u>86,191,553</u>	<u>90,308,556</u>
Business-type activities:				
Investment income	824,428	878,763	545,151	320,540
Gain on sale or disposition of capital assets	30,268	22,127	11,577	112,447
Extraordinary items	-	-	-	(5,441,237)
Transfers	(5,616,094)	3,761,041	(2,234,661)	(7,839,803)
Total business-type activities	<u>(4,761,398)</u>	<u>4,661,931</u>	<u>(1,677,933)</u>	<u>(12,848,053)</u>
Total primary government	<u>\$ 85,274,701</u>	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>	<u>\$ 77,460,503</u>
Change in Net Assets				
Governmental activities	\$ 28,358,792	\$ 16,134,972	\$ 1,553,002	\$ (6,639,720)
Business-type activities	2,260,324	10,361,223	7,566,729	4,938,945
Total primary government	<u>\$ 30,619,116</u>	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>	<u>\$ (1,700,775)</u>

Unaudited

City of Duluth, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund					
Reserved	\$ 738,919	\$ 596,978	\$ 523,439	\$ 518,339	\$ 575,992
Unreserved	<u>7,327,952</u>	<u>4,918,653</u>	<u>5,531,067</u>	<u>4,487,573</u>	<u>5,439,550</u>
Total general fund	<u>\$ 8,066,871</u>	<u>\$ 5,515,631</u>	<u>\$ 6,054,506</u>	<u>\$ 5,005,912</u>	<u>\$ 6,015,542</u>
All other governmental funds					
Reserved	\$ 11,193,204	\$ 10,761,317	\$ 12,536,767	\$ 13,621,208	\$ 19,033,022
Unreserved, reported in:					
Special revenue funds	31,085,989	36,855,586	41,990,679	47,128,380	58,384,931
Debt service funds	9,925,436	11,776,691	13,471,340	13,892,475	13,165,779
Capital projects funds	<u>1,513,699</u>	<u>34,412</u>	<u>(3,757,026)</u>	<u>(4,241,951)</u>	<u>2,139,384</u>
Total all other governmental funds	<u>\$ 53,718,328</u>	<u>\$ 59,428,006</u>	<u>\$ 64,241,760</u>	<u>\$ 70,400,112</u>	<u>\$ 92,723,116</u>

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund					
Reserved	\$ 650,718	\$ 816,458	\$ 190,911	\$ 325,430	\$ 436,860
Unreserved	<u>4,224,264</u>	<u>4,237,396</u>	<u>1,423,116</u>	<u>(1,345,024)</u>	<u>1,962,587</u>
Total general fund	<u>\$ 4,874,982</u>	<u>\$ 5,053,854</u>	<u>\$ 1,614,027</u>	<u>\$ (1,019,594)</u>	<u>\$ 2,399,447</u>
All other governmental funds					
Reserved	\$ 34,078,985	\$ 23,363,256	\$ 14,628,923	\$ 13,599,551	\$ 17,658,025
Unreserved, reported in:					
Special revenue funds	61,376,988	65,770,619	63,097,631	67,075,700	55,293,268
Debt service funds	9,480,448	8,968,752	11,125,923	11,201,667	12,384,602
Capital projects funds	<u>(4,653,373)</u>	<u>(2,523,300)</u>	<u>5,986,870</u>	<u>48,030,782</u>	<u>45,990,283</u>
Total all other governmental funds	<u>\$ 100,283,048</u>	<u>\$ 95,579,327</u>	<u>\$ 94,839,347</u>	<u>\$ 139,907,700</u>	<u>\$ 131,326,178</u>

Source: Balance Sheet & Combining Balance Sheet

Unaudited

City of Duluth, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002*</u>	<u>2003</u>	<u>2004**</u>
Revenues					
Taxes:					
Property Taxes	\$ 11,059,701	\$ 11,815,267	\$ 9,955,083	\$ 9,259,909	\$ 15,522,334
Sales Taxes	14,640,400	15,252,121	15,350,586	14,903,251	15,478,954
Other Taxes	1,652,556	1,737,308	1,945,693	1,937,557	1,924,690
Licenses and permits	513,534	624,432	609,550	658,314	680,953
Intergovernmental revenues	49,733,588	46,273,269	57,166,830	54,781,689	52,057,762
Charges for Services	5,510,166	5,190,480	5,831,871	6,091,850	6,549,128
Fines and forfeits	1,130,118	1,074,390	947,610	994,710	1,083,084
Special assessments	2,338,340	2,384,289	3,530,095	2,671,352	2,735,163
Investment income	-	-	3,102,648	1,089,073	2,044,335
Miscellaneous revenues	<u>15,202,653</u>	<u>14,449,871</u>	<u>9,010,620</u>	<u>11,093,844</u>	<u>12,536,138</u>
Total revenues	<u>101,781,056</u>	<u>98,801,427</u>	<u>107,450,586</u>	<u>103,481,549</u>	<u>110,612,541</u>
Expenditures					
General government	17,105,024	17,694,117	19,124,773	19,040,102	19,574,200
Public safety	25,772,933	28,683,145	29,423,941	28,861,649	29,082,948
Public works	9,198,817	9,860,405	9,833,899	9,618,124	9,947,392
Culture and recreation	6,338,207	7,392,309	7,395,397	6,919,311	6,945,317
Urban and economic development	8,997,600	9,976,323	12,565,206	12,005,724	15,511,249
Debt Service					
Principal retirement	9,283,026	10,753,925	10,247,366	11,107,478	13,610,613
Interest and fiscal fees	5,082,661	4,685,976	4,599,568	4,179,881	4,857,973
Revenue pledge	-	-	-	-	-
Bond issuance costs	-	-	48,934	148,000	180,618
Capital Outlay	<u>28,633,109</u>	<u>17,876,628</u>	<u>23,186,154</u>	<u>18,671,264</u>	<u>17,010,131</u>
Total Expenditures	<u>110,411,377</u>	<u>106,922,828</u>	<u>116,425,238</u>	<u>110,551,533</u>	<u>116,720,441</u>
Excess of revenues over (under) expenditures	<u>(8,630,321)</u>	<u>(8,121,401)</u>	<u>(8,974,652)</u>	<u>(7,069,984)</u>	<u>(6,107,900)</u>
Other financing sources (uses)					
Issuance of bonds	7,395,000	11,030,000	12,975,000	8,670,000	7,885,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	159,777
Issuance of refunding bonds	-	-	-	6,925,000	-
Sale of capital asset	-	-	55,325	335,352	24,000
Loan proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(1,683,463)	(6,965,522)	-
Transfers in	18,135,168	16,479,062	16,410,573	12,769,347	18,584,108
Transfers out	<u>(15,704,442)</u>	<u>(17,227,936)</u>	<u>(13,430,154)</u>	<u>(9,554,435)</u>	<u>(14,773,286)</u>
Total other financing sources (uses)	<u>9,825,726</u>	<u>10,281,126</u>	<u>14,327,281</u>	<u>12,179,742</u>	<u>11,879,599</u>
Net change in fund balances	<u>\$ 1,195,405</u>	<u>\$ 2,159,725</u>	<u>\$ 5,352,629</u>	<u>\$ 5,109,758</u>	<u>\$ 5,771,699</u>
Debt service as a percentage of noncapital expenditures	17.6%	17.3%	16.0%	16.9%	19.3%

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

General Governmental includes Capital Projects Fund.

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

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

(continued)

City of Duluth, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Taxes:					
Property Taxes	\$ 16,321,413	\$ 15,469,329	\$ 17,837,011	\$ 17,776,235	\$ 17,859,578
Sales Taxes	15,963,891	16,860,351	17,509,877	18,363,052	18,009,914
Other Taxes	1,945,956	2,006,659	2,051,173	2,049,848	2,573,884
Licenses and permits	853,927	987,464	1,111,727	985,506	1,149,265
Intergovernmental revenues	49,263,351	51,467,392	53,793,307	50,315,079	50,047,221
Charges for Services	7,969,577	8,718,615	5,995,079	5,802,260	6,348,063
Fines and forfeits	1,002,752	905,324	1,086,304	1,056,783	1,770,427
Special assessments	3,237,809	2,964,983	2,941,244	2,609,585	2,948,975
Investment income	2,574,786	4,576,550	3,908,135	3,364,141	3,691,734
Miscellaneous revenues	<u>12,091,312</u>	<u>14,978,054</u>	<u>10,641,263</u>	<u>12,202,008</u>	<u>6,321,696</u>
Total revenues	<u>111,224,774</u>	<u>118,934,721</u>	<u>116,875,120</u>	<u>114,524,497</u>	<u>110,720,757</u>
Expenditures					
General government	19,885,273	21,248,502	32,109,525	23,062,581	32,743,783
Public safety	31,519,654	33,176,998	33,319,542	35,661,590	36,718,739
Public works	9,979,171	10,358,429	11,080,239	12,106,097	1,872,986
Culture and recreation	6,713,232	6,978,630	6,716,210	8,037,797	6,095,879
Urban and economic development	19,828,474	12,694,861	14,531,149	16,515,445	14,059,428
Debt Service					
Principal retirement	16,956,649	15,175,505	11,454,452	9,984,002	12,354,000
Interest and fiscal fees	5,040,518	5,589,857	4,777,420	4,377,160	5,264,029
Revenue pledge	2,612,545	1,383,363	2,966,875	-	-
Bond issuance costs	407,773	269,189	205,336	544,187	442,358
Capital Outlay	<u>23,478,917</u>	<u>30,731,546</u>	<u>13,496,052</u>	<u>15,749,543</u>	<u>36,274,174</u>
Total Expenditures	<u>136,422,206</u>	<u>137,606,880</u>	<u>130,656,800</u>	<u>126,038,402</u>	<u>145,825,376</u>
Excess of revenues over (under) expenditures	<u>(25,197,432)</u>	<u>(18,672,159)</u>	<u>(13,781,680)</u>	<u>(11,513,905)</u>	<u>(35,104,619)</u>
Other financing sources (uses)					
Issuance of bonds	28,265,000	17,050,000	10,650,000	51,600,000	21,560,000
Proceeds from refundings	-	-	-	-	2,150,000
Premium on issuance of bonds	197,367	287,586	269,594	383,591	578,200
Issuance of refunding bonds	-	-	-	-	-
Sale of capital asset	-	-	-	-	-
Loan proceeds	6,594,000	1,482,000	-	-	-
Payment to refunded bond escrow agent	(7,690,417)	(10,626,155)	(5,827,735)	(3,570,023)	(2,150,000)
Transfers in	19,413,529	28,843,364	29,700,237	25,900,738	37,591,473
Transfers out	<u>(15,162,675)</u>	<u>(22,889,485)</u>	<u>(25,190,223)</u>	<u>(20,365,669)</u>	<u>(29,787,535)</u>
Total other financing sources (uses)	<u>31,616,804</u>	<u>14,147,310</u>	<u>9,601,873</u>	<u>53,948,637</u>	<u>29,942,138</u>
Net change in fund balances	<u>\$ 6,419,372</u>	<u>\$ (4,524,849)</u>	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>	<u>\$ (5,162,481)</u>
Debt service as a percentage of noncapital expenditures	21.7%	21.5%	16.5%	13.3%	14.1%

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
2000	1,922,466,200	22,525,173	505,492,100	15,523,793
2001*	2,206,052,200	25,102,366	527,197,900	16,141,177
2002	2,477,595,400	23,719,895	583,024,800	10,453,000
2003	2,725,278,200	25,641,929	602,397,500	10,482,303
2004	3,351,249,500	29,833,979	642,098,600	12,109,770
2005	3,972,632,500	35,109,144	760,035,800	14,421,069
2006	4,114,469,300	39,255,023	822,511,200	15,028,434
2007	4,200,391,700	41,880,176	880,587,500	16,128,121
2008	4,456,568,100	44,910,418	909,880,320	16,677,463
2009	4,617,041,700	46,697,414	1,009,119,300	18,491,015

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2000	14,917,500	150,364	60,479,600	2,127,017
2001*	15,782,000	159,627	61,189,500	2,152,839
2002	16,271,300	162,086	65,996,400	1,306,895
2003	16,922,200	168,654	64,502,300	1,278,679
2004	17,023,600	169,124	70,268,600	1,392,633
2005	17,840,900	176,231	73,834,400	1,462,013
2006	18,899,500	186,310	81,333,600	1,611,889
2007	20,534,000	204,985	96,120,400	1,862,143
2008	26,367,500	237,933	94,106,400	1,521,098
2009	28,544,000	284,456	75,270,300	1,435,859

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2000	2,503,355,400	40,326,347	1.61%
2001*	2,810,221,600	43,556,009	1.55%	0.26405
2002	3,142,887,900	35,641,876	1.13%	0.28976
2003	3,409,100,200	37,571,565	1.10%	0.29027
2004	4,080,640,300	43,505,506	1.07%	0.26866
2005	4,824,343,600	51,168,457	1.06%	0.24215
2006	5,037,213,600	56,081,656	1.11%	0.22183
2007	5,197,633,600	60,075,425	1.16%	0.22939
2008	5,486,922,320	63,346,912	1.15%	0.23259
2009	5,729,975,300	66,908,744	1.17%	0.25403

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

Unaudited

**City of Duluth, Minnesota
Property Tax Rates*
Direct and Overlapping Governments
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City</u>	<u>Overlapping Rates</u>			<u>Total Direct & Overlapping Rates</u>
		<u>Schools</u>	<u>County</u>	<u>Special</u>	
2000	0.26126	0.48290	0.66028	0.01630	1.42074
2001	0.26405	0.46084	0.65924	0.01778	1.40191
2002	0.28976	0.18180	0.87363	0.04860	1.39379
2003	0.29027	0.14816	0.81464	0.05631	1.30938
2004	0.26866	0.11778	0.77282	0.06810	1.22736
2005	0.24215	0.11405	0.67545	0.06902	1.10067
2006	0.22183	0.10994	0.63330	0.06576	1.03083
2007	0.22939	0.10881	0.63013	0.06615	1.03447
2008	0.23259	0.20874	0.59190	0.06298	1.09621
2009	0.25403	0.20940	0.57645	0.06497	1.10485

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

Source: St. Louis County web site

Unaudited

**City of Duluth, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009</u>			<u>2000</u>		
		<u>Estimated Market Value</u>	<u>Rank</u>	<u>Percentage of Total Estimated Market Value</u>	<u>Estimated Market Value</u>	<u>Rank</u>	<u>Percentage of Total Estimated Market Value</u>
Minnesota Power	Electric utility	114,639,400	1	2.00%	69,858,200	1	2.79%
St. Mary's Med Center / Duluth Clinic	Healthcare / hospital	107,045,100	2	1.87%	22,771,700	4	0.91%
Simon Property, Inc.	Shopping mall	52,270,900	3	0.91%	29,516,500	3	1.18%
St. Luke's Hospital	Healthcare / hospital	48,202,200	4	0.84%			
IRET Properties	Property management	25,648,800	5	0.45%			
StoraEnso North America	Paper mill	22,445,100	6	0.39%	46,529,300	2	1.86%
ZMC Hotels	Hotels	16,357,300	7	0.29%	7,211,500	7	0.29%
Greysolon Apartments	Apartments	12,715,300	8	0.22%			
US Bank	Bank/Office building	12,534,300	9	0.22%	8,477,200	6	0.34%
Tech Village	Office/Tech building	11,744,700	10	0.20%			
D M & I R Railroad	Railroad				16,108,800	5	0.64%
Sears Roebuck & Co	Retailer				6,411,800	8	0.26%
JMM Limited Partnership	Retail/Hotel				6,278,900	9	0.25%
Burlington Northern	Railroad				5,849,900	10	0.23%
		<u>\$ 423,603,100</u>		<u>7.39%</u>	<u>\$ 219,013,800</u>		<u>8.75%</u>

Source: City Assessor

Unaudited

**City of Duluth, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2000	8,795,700	8,560,631	97.3%	259,045	8,819,676	100.3%
2001	9,658,700	9,440,473	97.7%	224,849	9,665,322	100.1%
2002	9,038,100	8,889,198	98.4%	234,325	9,123,523	100.9%
2003	9,679,200	9,511,986	98.3%	176,896	9,688,882	100.1%
2004	10,153,500	9,872,757	97.2%	158,156	10,030,913	98.8%
2005	10,730,400	10,507,463	97.9%	154,945	10,662,408	99.4%
2006	11,102,100	10,839,881	97.6%	197,336	11,037,217	99.4%
2007	12,208,400	11,890,737	97.4%	211,042	12,101,779	99.1%
2008	13,543,600	13,088,415	96.6%	196,233	13,284,648	98.1%
2009	15,437,800	14,893,155	96.5%	-	14,893,155	96.5%

Unaudited

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

Fiscal Year	Governmental Activities					Special Assessment Debt with Government Commitment	General Obligation Certificates	Capital Leases
	General Obligation Bonds	General Obligation Tax Increment Bonds	General Obligation Abatement Bonds	Tax Increment Revenue Bonds	Lease Revenue Bonds			
2000	26,951	-	-	10,900	2,310	45,198	6,100	629
2001	28,953	-	-	9,500	2,215	46,888	5,205	604
2002	30,093	-	-	8,100	2,115	49,443	5,175	533
2003	28,208	-	-	6,500	2,005	52,555	4,590	508
2004	26,974	** 4,348	- **	10,167	1,890	53,018	4,310	483
2005	33,813	7,282	310	3,919	1,770	53,919	3,915	458
2006	32,439	6,381	310	2,543	1,640	53,600	4,395	433
2007	19,502	23	310	1,240	1,250	52,060	5,270	408
2008	60,815	-	310	175	1,125	48,845	6,715	383
2009	76,699	-	310	135	995	41,106	8,065	358

Business-Type Activities

Fiscal Year	Revenue Bonds	Revenue and General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2000	2,260	20,292	-	114,640	6.54%	1,319
2001	2,010	20,942	-	116,317	6.31%	1,351
2002	1,755	30,100	-	127,314	6.55%	1,480
2003	1,490	36,380	-	132,236	6.70%	1,536
2004	1,040	38,210	122	140,562	6.78%	1,639
2005	920	40,340	80	146,726	7.05%	1,708
2006	800	46,815	424	149,780	6.81%	1,759
2007	675	60,595	382	141,715	6.09%	1,659
2008	550	56,315	9,148	184,381	7.71%	2,164
2009	420	54,505	9,363	191,956	8.03%	2,252

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

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

Unaudited

City of Duluth, Minnesota
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>
2000	86,918	40,326,347	30,460,500	3,445,454	27,015,046	66.99%	310.81
2001	86,125	43,556,009	34,157,800	3,623,861	30,533,939	70.10%	354.53
2002	86,044	35,641,876	35,268,100	1,881,129	33,386,971	93.67%	388.02
2003	86,082	37,571,565	32,798,400	4,880,479	27,917,921	74.31%	324.32
2004*	85,782	43,505,506	35,632,400	5,903,348	29,729,052	68.33%	346.57
2005	85,889	51,168,457	45,320,700	6,287,564	39,033,136	76.28%	454.46
2006	85,170	56,081,656	43,525,000	6,162,546	37,362,454	66.62%	438.68
2007**	85,439	60,075,425	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,346,912	67,840,000	14,636,181	53,203,819	83.99%	624.31
2009	85,220	66,908,744	85,074,118	18,612,250	66,461,868	99.33%	779.89

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

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

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

Unaudited

City of Duluth, Minnesota
Direct and Overlapping Governmental Activities Debt
As of December 31, 2009

<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	\$ 72,910,000	88.3%	\$ 64,379,530
Independent School District 704	23,620,000	6.6%	1,558,920
St. Louis County	40,630,000	36.2%	14,708,060
Subtotal, overlapping debt			80,646,510
City of Duluth direct debt			127,668,333
Total direct and overlapping debt			\$ 208,314,843

Unaudited

**City of Duluth, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Taxable market value	\$2,503,355,400	\$2,810,221,600	\$3,142,887,900	\$3,409,100,200	\$4,080,640,300
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 50,067,108</u>	<u>\$ 56,204,432</u>	<u>\$ 62,857,758</u>	<u>\$ 68,182,004</u>	<u>\$ 81,612,806</u>
Debt applicable to limit:					
Total bonds payable	114,011,221	115,712,623	126,781,000	131,728,000	139,957,491
Less: Deductions allowable	<u>(83,550,721)</u>	<u>(87,249,823)</u>	<u>(100,307,900)</u>	<u>(107,309,600)</u>	<u>(117,408,091)</u>
Total net debt applicable to limit	<u>\$ 30,460,500</u>	<u>\$ 28,462,800</u>	<u>\$ 26,473,100</u>	<u>\$ 24,418,400</u>	<u>\$ 22,549,400</u>
Total net debt applicable to the limit as a percentage of debt limit	60.84%	50.64%	42.12%	35.81%	27.63%

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Taxable market value	\$4,824,343,600	\$5,037,213,600	\$5,197,633,600	\$5,486,922,320	\$5,729,975,300
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 96,486,872</u>	<u>\$ 100,744,272</u>	<u>\$ 103,952,672</u>	<u>\$ 109,738,446</u>	<u>\$ 114,599,506</u>
Debt applicable to limit:					
Total bonds payable	146,189,413	148,923,488	140,925,002	174,850,000	182,235,000
Less: Deductions allowable	<u>(116,546,513)</u>	<u>(119,604,288)</u>	<u>(121,323,002)</u>	<u>(152,495,000)</u>	<u>(141,965,882)</u>
Total net debt applicable to limit	<u>\$ 29,642,900</u>	<u>\$ 29,319,200</u>	<u>\$ 19,602,000</u>	<u>\$ 22,355,000</u>	<u>\$ 40,269,118</u>
Total net debt applicable to the limit as a percentage of debt limit	30.72%	29.10%	18.86%	20.37%	35.14%

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>							
2000	7,863,335	6,373,536	1,489,799	* 2,450,000	326,440	2,776,440	0.54
2001	8,409,390	6,609,669	1,799,721	650,000	264,633	914,633	1.97
2002	9,787,215	6,601,830	3,185,385	685,000	328,420	1,013,420	3.14
2003	9,841,217	7,318,249	2,522,968	882,000	304,781	1,186,781	2.13
2004	10,041,273	7,165,410	2,875,863	918,000	269,155	1,187,155	2.42
2005	10,450,145	8,033,370	2,416,775	1,002,124	253,705	1,255,829	1.92
2006	11,104,194	8,399,508	2,704,686	989,000	218,199	1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45

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

GAS REVENUE BOND

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

SEWER REVENUE BOND

2000	14,898,053	13,425,754	1,472,299	875,000	291,510	1,166,510	1.26
2001	15,553,393	13,908,314	1,645,079	825,000	301,776	1,126,776	1.46
2002	16,560,152	13,815,859	2,744,293	925,000	396,905	1,321,905	2.08
2003	16,913,297	14,380,362	2,532,935	714,000	365,128	1,079,128	2.35
2004	16,407,422	13,705,780	2,701,642	750,000	441,383	1,191,383	2.27
2005	14,506,025	12,332,037	2,173,988	1,057,876	564,507	1,622,383	1.34
2006	15,700,498	13,679,753	2,020,745	1,192,000	584,732	1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41

(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>STORMWATER REVENUE BOND</u>							
2002	\$ 2,774,284	\$ 1,869,425	\$ 904,859	\$ -	\$ 47,999	\$ 47,999	18.85
2003	2,861,113	2,147,125	713,988	74,000	51,437	125,437	5.69
2004	2,904,664	2,220,714	683,950	75,000	49,575	124,575	5.49
2005	3,012,171	2,232,765	779,406	76,000	47,592	123,592	6.31
2006	3,050,492	2,442,658	607,834	80,000	106,727	186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
<u>STEAM DISTRICT #1 REVENUE BOND</u>							
2000	3,118,008	2,737,336	380,672	235,000	54,422	289,422	1.32
2001	3,223,089	2,976,532	246,557	270,000	46,261	316,261	0.78
2002	3,548,873	3,008,319	540,554	300,000	45,309	345,309	1.57
2003	3,686,289	3,225,286	461,003	90,000	115,822	205,822	2.24
2004	4,021,712	3,373,137	648,575	135,000	118,620	253,620	2.56
2005	4,416,123	3,491,603	924,520	185,000	165,218	350,218	2.64
2006	4,687,255	3,994,525	692,730	265,000	262,113	527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
<u>GOLF REVENUE BOND</u>							
2000	1,634,898	1,220,726	414,172	250,000	135,323	385,323	1.07
2001	1,564,975	1,274,932	290,043	255,000	120,573	375,573	0.77
2002	1,487,619	1,392,197	95,422	265,000	105,528	370,528	0.26
2003	1,572,912	1,411,583	161,329	275,000	89,893	364,893	0.44
2004	1,735,653	1,441,402	294,251	120,000	31,595	151,595	1.94
2005	1,699,090	1,633,529	65,561	120,000	29,195	149,195	0.44
2006	1,901,413	1,672,256	229,157	125,000	26,435	151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
<u>PARKING REVENUE BOND</u>							
2007	\$ 2,193,800	\$ 597,826	\$ 1,595,974	\$ 680,000	\$ 786,071	\$ 1,466,071	1.09
2008	4,200,392	816,515	3,383,877	430,000	694,889	1,124,889	3.01
2009	2,592,185	693,301	1,898,884	745,000	692,112	1,437,112	1.32

Notes:

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

Unaudited

**City of Duluth, Minnesota
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>
2000	86,918	1,754,033,601	20,180	12,166	4.2%
2001	86,125	1,842,756,661	21,396	12,464	4.6%
2002	86,044	1,943,385,113	22,586	12,555	5.0%
2003	86,082	1,972,288,627	22,912	12,321	5.4%
2004	85,782	2,072,565,791	24,161	11,979	5.4%
2005	85,889	2,080,866,765	24,227	11,123	4.9%
2006	85,170	2,199,929,126	25,830	10,050	4.7%
2007	85,439	2,328,788,169	27,257	9,819	4.9%
2008	85,220	2,390,001,472	28,045	9,554	6.5%
2009 *	85,220 *	2,390,001,472 *	28,045	10,000	7.1%

Data sources:

The population figures are estimates of the State Demographer.

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

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

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

*Estimates

Unaudited

**City of Duluth, Minnesota
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>Type of Business</u>	<u>2009</u>			<u>2000</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>
SMDC Health System	Healthcare / hospital	4,693	1	8.06%	5,136	1	8.85%
University of Minnesota - Duluth	Education	1,700	2	2.92%	1,450	5	2.50%
Uniprise (United Health Care)	Claims processing	1,634	3	2.81%	751	10	1.29%
St. Luke's Hospital	Healthcare / hospital	1,515	4	2.60%	1,625	3	2.80%
Independent School District No. 709	Education	1,426	5	2.45%	2,581	2	4.45%
St. Louis County	Government	1,301	6	2.23%	1,558	4	2.68%
Allete (Minnesota Power)	Electric utility	1,245	7	2.14%	-	-	-
Duluth Air National Guard Base	Military	1,068	8	1.83%	-	-	-
City of Duluth	Government	850	9	1.46%	990	7	1.71%
US Government	Government	850	10	1.46%	-	-	-
State of Minnesota	Government	-	-	-	1,139	6	1.96%
U.S. Postal Service	Government / postal encoding center	-	-	-	908	8	1.56%
Miller Dwan Medical Center	Healthcare	-	-	-	757	9	1.30%
		<u>16,282</u>		<u>27.96%</u>	<u>16,895</u>		<u>29.10%</u>

Source: Northland Connection's website

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

Unaudited

City of Duluth, Minnesota
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function:	Full-time Equivalent Employees as of December 31				
	2000	2001	2002	2003	2004
General government	227.0	224.8	226.8	221.8	207.0
Public safety					
Police	182.0	180.0	179.0	179.0	171.0
Fire	161.0	163.0	161.0	162.0	159.0
Public works	38.7	37.0	34.8	34.8	31.4
Culture and recreation					
Parks and recreation	22.2	23.2	23.2	23.2	22.2
Zoo	13.0	13.0	13.0	13.0	12.0
Library	68.6	65.6	65.6	65.6	59.7
Urban and economic development	53.0	49.0	47.0	47.0	41.0
Water & Gas	163.0	143.8	141.8	139.9	135.5
Sewer	33.1	35.8	34.7	33.6	33.3
Stormwater	18.2	16.7	19.9	17.9	19.8
Golf	10.0	8.0	8.0	8.0	8.0
Total	989.8	959.8	954.8	945.8	899.9

Function:	Full-time Equivalent Employees as of December 31				
	2005	2006	2007	2008	2009
General government	205.0	204.0	194.4	187.0	193.0
Public safety					
Police	169.0	173.0	174.0	179.0	182.0
Fire	154.0	159.0	158.0	157.0	159.0
Public works	30.4	30.4	29.2	28.4	22.4
Culture and recreation					
Parks and recreation	20.2	18.2	19.2	17.6	7.5
Zoo	11.0	11.0	12.0	11.0	-
Library	58.6	58.6	59.6	57.3	47.3
Urban and economic development	37.0	37.0	33.0	33.0	31.0
Water & Gas	135.2	131.9	124.9	122.5	120.5
Sewer	37.4	38.6	38.6	38.6	38.6
Stormwater	20.0	20.1	20.1	20.1	21.1
Golf	5.0	5.0	3.0	-	-
Total	882.8	886.8	866.0	851.5	822.4

Note: Steam Districts #1 and #2 have no city employees.

Source: City of Duluth Budget Office

Unaudited

**City of Duluth, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years**

Function:	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Police					
Criminal offences	12,467	17,839	17,928	17,610	16,352
Adult and juvenile arrests	9,387	4,755	6,805	4,503	4,042
Traffic violations	8,724	7,389	8,602	7,290	5,978
Parking violations	59,248	59,690	69,453	68,721	69,906
Fire					
Number of calls answered	6,257	6,759	6,944	7,015	7,193
Number of inspections conducted	3,450	3,000	3,140	3,500	1,200
Public works					
Construction permits:					
Permits issued	2,522	2,499	2,743	2,659	2,456
Estimated cost of construction during year	\$ 73,534,868	\$ 74,490,278	\$ 105,056,128	\$ 101,287,887	\$ 175,360,742
Culture and recreation					
Parks and recreation department					
Participation in special events	44,160	94,400	57,752	43,825	53,330
Participation in recreation	285,887	261,301	306,168	287,127	253,496
Zoo regular customers	134,764	114,000	113,982	116,862	107,227
Library					
Registered borrowers	81,815	79,442	77,580	59,080	63,851
Items in collection*	344,788	345,112	345,709	341,119	341,034
Items loaned	923,029	942,089	976,951	972,650	970,342
Reference/research questions answered**	191,162	190,261	197,796	230,310	237,517
Water					
Meters in service	27,206	27,265	27,459	27,572	27,696
Average number of gallons treated per month	536,100,000	551,560,000	531,922,500	562,962,000	537,703,000
Daily average consumption in gallons	17,592,030	18,141,408	17,947,726	15,214,250	17,630,000
Gas					
Meters in service	24,242	24,413	24,613	24,857	24,970
MMBTU sold	5,087,104	4,805,908	5,124,065	5,289,874	5,066,848
Sewer					
Number of service connections	27,487	28,835	28,835	28,835	28,835
Daily average treatment in gallons	15,330,000	16,500,000	16,500,000	16,500,000	16,500,000
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
Stormwater					
Cleaning storm sewer pipe (in feet)	50,784	28,845	24,052	19,734	40,535
Steam District #1					
Steam sold	331,980	333,314	333,657	363,175	353,808
Golf					
Season passes	1,338	1,256	1,195	1,231	1,159
Daily tickets	41,646	39,883	37,673	37,399	35,826
Carts	9,757	10,870	11,875	13,079	12,652
Rounds played	108,000	98,462	91,613	98,436	91,909

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

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

Sources: Various government departments.

(continued)

**City of Duluth, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years**

Function:	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Criminal offences	9,659	9,916	10,277	10,376	10,452
Adult and juvenile arrests	3,329	4,648	4,485	4,312	4,759
Traffic violations	3,752	6,184	3,344	2,951	2,153
Parking violations	66,555	76,095	62,556	49,498	54,953
Fire					
Number of calls answered	7,462	7,981	8,090	8,552	9,319
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,400	2,080	3,117	2,757	2,362
Estimated cost of construction during year	\$ 121,160,329	\$ 194,794,123	\$ 93,080,667	\$ 115,091,545	\$ 113,965,408
Culture and recreation					
Parks and recreation department					
Participation in special events	58,492	48,510	47,143	59,353	42,858
Participation in recreation	129,000	129,998	117,118	112,826	36,217
Zoo regular customers	93,870	102,865	117,269	92,218	91,606
Library					
Registered borrowers	49,011	48,884	49,660	49,233	47,662
Items in collection*	354,480	355,668	359,805	344,302	620,941
Items loaned	969,186	969,972	969,756	901,128	881,268
Reference/research questions answered**	226,222	231,445	194,604	250,756	67,460
Water					
Meters in service	27,809	27,948	28,087	28,016	27,950
Average number of gallons treated per month	514,360,000	518,865,000	527,489,906	514,647,500	516,805,833
Daily average consumption in gallons	16,910,466	17,058,575	17,342,134	16,919,918	16,973,333
Gas					
Meters in service	25,085	25,278	25,642	25,983	26,148
MMBTU sold	4,777,330	4,285,167	4,808,178	5,169,299	4,804,897
Sewer					
Number of service connections	28,840	28,845	28,845	28,845	28,845
Daily average treatment in gallons	14,580,000	14,780,000	13,150,675	15,249,900	13,740,000
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
Stormwater					
Cleaning storm sewer pipe (in feet)	14,448	10,599	9,409	21,254	23,358
Steam District #1					
Steam sold	376,485	422,651	436,966	465,717	441,808
Golf					
Season passes	1,037	1,046	1,005	928	1,023
Daily tickets	35,524	41,467	34,274	35,230	33,815
Carts	13,509	14,323	13,255	12,811	11,128
Rounds played	84,382	89,287	84,185	83,390	80,987

Unaudited

**City of Duluth, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function:	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Police					
Patrol units	80	76	78	81	75
Fire					
Fire stations	9	9	9	9	9
Public works					
Miles of streets and alleys:					
Miles of streets - paved	457.13	459.46	460.46	462.87	466.63
Miles of streets - unpaved	83.10	81.05	81.05	80.13	78.56
Miles of Sidewalk	380.60	380.60	380.60	380.77	380.83
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,184	3,291	3,241	3,241	3,241
Overhead street lamps	3,750	3,740	3,740	3,740	3,740
Culture and recreation					
Parks and recreation department					
Number of parks	129	131	129	129	129
Park acreage	11,862	11,493	11,862	11,862	11,862
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	31	31	31	30	23
Community clubs/field houses operated	2	27	27	27	27
Number of athletic fields	39	39	39	39	39
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	396.93	397.67	397.85	403.38	406.24
Number of hydrants	2,194	2,199	2,196	2,231	2,279
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	451.40	458.30	465.30	478.50	482.20
Sewer					
Miles of sanitary sewers	400.20	419.94	420.81	420.81	404.00
Stormwater					
Miles of storm sewers	260.00	260.88	262.48	262.48	311.00
Steam District #1					
Miles of line	9.75	10.00	10.00	10.00	10.50
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

**City of Duluth, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function:	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Patrol units	92	87	96	96	91
Fire					
Fire stations	9	9	9	9	9
Public works					
Miles of streets and alleys:					
Miles of streets - paved	469.20	471.90	474.66	476.30	476.30
Miles of streets - unpaved	77.31	76.61	73.85	73.11	73.11
Miles of Sidewalk	381.33	382.56	382.56	382.56	382.56
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,712	3,758	3,758	3,758	3,930
Overhead street lamps	3,727	3,732	3,732	3,732	3,657
Culture and recreation					
Parks and recreation department					
Number of parks	129	107	107	111	145
Park acreage	11,862	11,862	11,862	13,490	11,880
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	23	22	22	22	15
Community clubs/field houses operated	27	27	27	27	22
Number of athletic fields	39	36	36	36	57
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	408.22	408.30	424.31	424.40	425.20
Number of hydrants	2,363	2,373	2,396	2,500	2,506
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	35,000,000	32,000,000
Gas					
Miles of gas mains	488.30	495.34	508.00	510.20	506.00
Sewer					
Miles of sanitary sewers	408.00	409.00	409.00	424.00	444.00
Stormwater					
Miles of storm sewers	349.00	351.00	288.00	431.00	431.00
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Unaudited

**City of Duluth, Minnesota
Miscellaneous Statistical Data
Last Ten Fiscal Years**

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
COMPONENT UNITS-					
Duluth Entertainment and Convention Center (DECC) -					
Number of events	551	554	588	512	522
Number of conventions	39	48	60	38	44
Duluth Airport Authority -					
Number of passengers	295,700	288,140	303,070	253,454	316,912
Duluth Transit Authority -					
Number of buses	87	87	72	66	66
Number of routes	18	18	18	18	17
Number of passengers	3,046,353	3,148,888	3,048,430	2,771,990	2,647,051
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority -					
Skier visits	297,883	259,441	256,937	254,616	235,410
Season passes	10,712	10,086	11,129	9,385	8,630

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
COMPONENT UNITS-					
Duluth Entertainment and Convention Center (DECC) -					
Number of events	545	534	523	533	536
Number of conventions	43	43	45	57	48
Duluth Airport Authority -					
Number of passengers	305,750	290,421	349,447	303,163	257,561
Duluth Transit Authority -					
Number of buses	72	72	72	72	67
Number of routes	18	18	20	20	18
Number of passengers	2,709,249	2,692,931	2,854,467	3,219,758	3,173,485
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority -					
Skier visits	257,600	264,424	269,673	242,640	229,587
Season passes	9,209	8,920	8,028	8,123	7,728

Unaudited

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