

2019

Comprehensive Annual Financial Report



City of Duluth, Minnesota
For the fiscal year ended December 31, 2019



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Department of Finance

For the Fiscal Year Ended December 31, 2019

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2019**

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INTRODUCTORY SECTION



Chief Financial Officer • Wayne Parson, CPA (inactive)

City Auditor • Joshua Bailey

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An Equal Opportunity Employer

June 29, 2020

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, 2019.

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

The Minnesota Office of the State Auditor has issued an unmodified opinion on the City of Duluth's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

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

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

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

The City Council is required to adopt a final budget before year end. The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The Mayor, Chief Administrative Officer, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of 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 has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. Duluth's unemployment averaged 3.0% for 2019, which was slightly higher than the previous year's average unemployment rate of 2.9%. The total number of jobs reported to the state in 2019 peaked at 59,604.

According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's aviation industry has grown 39% since 2007, with key anchors like Cirrus Aircraft and AAR continuing to soar, contributing \$646 million in the regional economy and directly supporting approximately 3,500 jobs in the Duluth metro area. Cirrus Aircraft's SF50 Vision Jet was awarded the prestigious 2017 Robert J. Collier Trophy for "the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety in air or space vehicles..." and is on display at the Smithsonian's Air and Space Museum.

The Port of Duluth-Superior has been one of the backbones of the region's economy, and has been long known as the Great Lakes' "Bulk Cargo Capital." It is the #1 tonnage port on the Great Lakes, and is the farthest-inland freshwater seaport. The Duluth-Superior port moves an average of 35 million short tons of cargo annually, ranking among the nation's top 25 ports. It accommodates the maritime transportation needs of a wide range of industries ranging from agriculture, forestry, mining and manufacturing to construction, power generation, and passenger cruising. The Seaway Port Authority of Duluth reported that 754 ships visited the Port of Duluth-Superior in 2019, and moved 33.5 million tons of cargo including iron ore, coal, grain, limestone, cement, salt, wood pulp, steel, and wind turbine components, plus a variety of heavy-lift and project cargo. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior support approximately 7,881 jobs and \$504.1 million in wages, and contributes over \$1.4 billion to the local/regional economy.

Duluth continues to excel in the key industry of tourism, bringing approximately 6.7 million visitors to Duluth annually and injecting more than \$957 million each year directly into the immediate area. Duluth has turned itself into the top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth offers a variety of attractions and outdoor activities, including: Canal Park, Duluth's historic waterfront district, which is home to the famous Aerial Lift Bridge-Minnesota's most frequented tourist attraction, and a variety of hotels, restaurants, and shops; the 7.5 mile Lakewalk on the shores of Lake Superior; Bayfront Festival Park-named the "Best Outdoor Music Venue" in the 2014 "Best of Minnesota" poll by the Minneapolis Star Tribune-which is a 20 acre waterfront park with a seasonal amphitheater, hosting outdoor summertime concerts and events, and during the holiday season, the Bentleyville Tour of Lights-America's largest free walk through holiday light display; The Great Lakes Aquarium-a \$30 million freshwater aquarium featuring more than 20 exhibits; Spirit Mountain Ski and Recreation Area-a year round recreation area with the Midwest's longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. The City has 129 municipal parks encompassing over

3,264 acres, two public golf courses, zoo, and over 150 miles of trails for hikers, bicyclists, and cross country skiers. Duluth's 104 mile Traverse Mountain Biking Trail system is close to completion, and is rated as 1 of only 6 "Gold Level" Ride Centers in the world by the International Mountain Bicycling Association (IMBA). Duluth hosts world-class special events such as Grandma's Marathon, the 16th largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. Duluth has been nationally recognized by various publications and was rated by Money magazine as one of the top four Midwestern small cities, based on livability. In 2015, Duluth was voted as America's "Best Town" by an online poll conducted by Outside Magazine. In 2017, Duluth was named as America's fittest City by Fitbit; and, SmartAsset's 2017 edition name Duluth as the least stressed city in America. In 2018, Duluth was recognized by the New York Post as one of the "Best 10 Christmas Cities in America." Indeed.com ranked Duluth #1 for "US Cities Where Salaries Go Furthest: 2018" based upon high adjusted salaries, low unemployment, and good future prospects. Lake Superior, the city's unique history, premier trails, natural beauty, and quality of life continue to define Duluth as a family friendly vacation destination and place to live.

The Duluth Entertainment Convention Center (DECC) remains a leader in convention center business and environmental stewardship. In 2019 the DECC hosted 506 events, which were comprised of Broadway and performing arts; rock, country, and miscellaneous concerts; meetings; and, various public, social, family, and sporting events. There were also 47 conventions in the CitySide and the HarborSide Convention Centers with over 32,200 attendees. AMSOIL Arena had its ninth successful year of operations, and is home to the University of Minnesota-Duluth's (UMD) hockey teams. Fans supported the National Collegiate Hockey Conference (NCHC) Champions, the men's Bulldog hockey team; and, also supported the women's Western Collegiate Hockey Conference (WCHA) team. On an average winter Saturday night, the DECC can be filled with over 20,000 guests attending hockey in Amsoil Arena; a Duluth-Superior Symphony Orchestra (DSSO) concert in Symphony Hall; a convention or banquet in Cityside or HarborSide Ballrooms; curling at the Duluth Curling Club, proud home of the 2018 U.S. Olympic Gold Medal winning team; or, watching a movie at the Duluth 10 Theater. Bayfront Park was under the management of the DECC for the eighth year with a full roster of events, including Bentleyville, Duluth Fourth Fest, Blues Fest, Pride Festival, Tributefest, and All Pints North Brewfest. The retired Great Lakes freighter, the SS William A. Irvin, a floating Maritime Museum and Haunted Ship Halloween attraction, was successfully returned to the Minnesota Slip, after being moved the prior year to make room for the Great Lakes Legacy Act sediment cleanup in the Slip. With their focus on sustainability, the DECC strives to make a positive impact on our local community through environmental, economic and social stewardship.

According to the Minnesota Department of Employment and Economic Development (DEED), the Duluth metro has more than 20,000 college and university students. The American Institute of Economic Research named the Duluth metropolitan area as one of America's best small metropolitan areas for college students in their "Small Metro category" in its 2012 College Destinations index. The University of Minnesota, Duluth (UMD) and the College of St. Scholastica (CSS) are regularly ranked in the top tier of Midwestern universities by U.S. News and World Report's "America's Best Colleges" issue. The University of Minnesota Duluth (UMD) is a comprehensive regional university, and had fall enrollment of 10,858 students in 2019. Undergraduate students can choose from 16 bachelor degrees in 87 majors and 73 minors as well as seven certificates. UMD also offers graduate programs in 25 fields, 14 minors, and four certificates. The University of Minnesota Medical School and the University of Minnesota College of Pharmacy, both have programs on the UMD campus. In addition to offering the EdD, UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider" and in 2014 was named by Money Magazine to the top third of all four-year colleges in the country, based on graduation rates, educational quality, affordability and alumni earnings. Forbes Magazine named CSS in its "Top Colleges" list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. CSS has 6 academic schools, and offers degrees in more than 75 undergraduate majors, minors and pre-professionals; 15 masters, and 4 doctoral programs, with a total 2019 enrollment of 3,906 students. Lake Superior College (LSC) is a two-year community and technical college in Duluth, and is a member of the Minnesota State College System, and has the third lowest college tuition in the State of Minnesota. Lake Superior College was ranked 41st among the "50 Best Community Colleges in the Nation" recently by College Consensus, an organization that combines all of the most reputable college ranking publishers and real student reviews. The college offers pre-baccalaureate majors for students interested in transferring to 4-year educational institutions, as well as more than 90 certificate, diploma and degree programs

in career and technical fields. LSC's Continuing Education/Customized Training division collaborates with area businesses and industry to design specialized opportunities for entry-level and advanced education. While courses are typically offered in traditional classroom and lab settings, LSC also offers over 200 courses online.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (15.8 percent of total General Fund expenditures and transfers) exceeds the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned fund balance should fall within the following range of General Fund expenditures and transfers: 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2019, the Community Investment Fund reported a fund balance of \$26.9 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$29.1 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$71.5 million at December 31, 2019. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare premium costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2019, retiree health care premium costs of \$303,020 were funded by the irrevocable trust. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

MAJOR INITIATIVES

In November 2017, a transportation sales tax referendum was overwhelmingly approved by voters. The new ½% sales tax went into effect on October 1, 2019 and will garner an estimated \$7 million annually to be designated for the City's Street Improvement Program.

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

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, 2018. This was the forty-third 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 2019. 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.

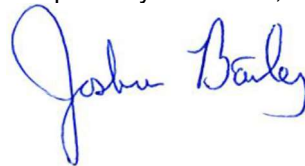
When looking at a report such as this CAFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the CAFR. As the requirements and demands of financial reporting in government increase, so too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

Respectfully submitted,



Joshua Bailey,
City Auditor

ELECTED AND APPOINTED OFFICIALS CITY OF DULUTH, MINNESOTA

ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Emily Larson		2020
City Council		
Zack Filipovich	At large	2022
Arik Forsman	At large	2020
Noah Hobbs	At large	2020
Barb Russ **	At large	2022
Gary Anderson	1	2020
Joel Sipress	2	2022
Em Westerlund	3	2020
Renee Van Nett	4	2022
Jay Fosle	5	2020

*All terms expire in January

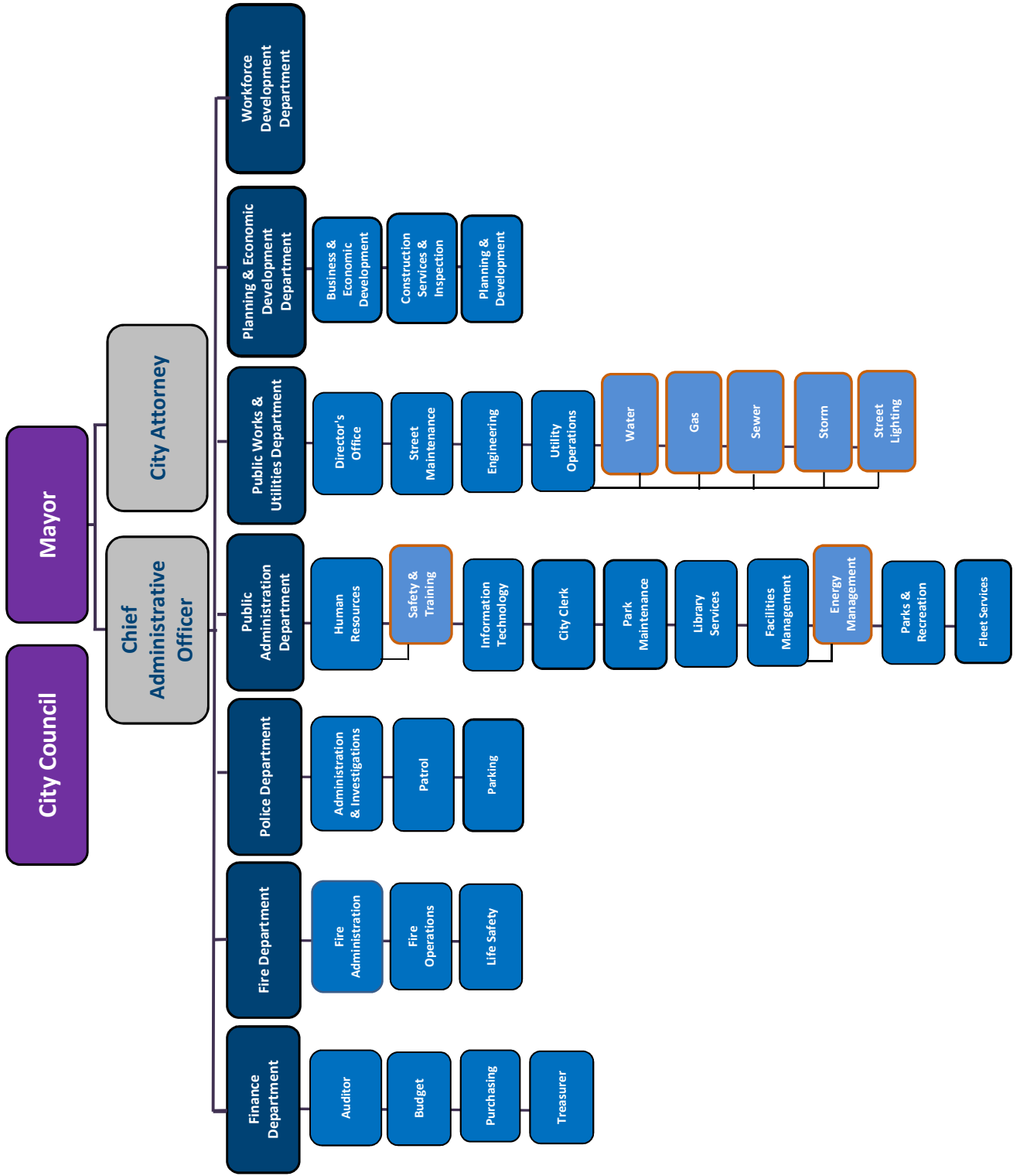
**Barb Russ Resigned in April 2020

APPOINTED POSITIONS

Attorney	Gunnar Johnson ***
Auditor	Joshua Bailey
Chief Administrative Officer	Noah Schuchman
Chief Financial Officer	Wayne Parson
Chief of Police	Michael Tusken
Clerk	Chelsea Helmer
Director of Planning and Economic Development	Christopher Fleege
Director of Public Administration	Jim Filby Williams
Director of Workforce Development	Elena Foshay
Director of Public Works and Utilities	James Benning
Fire Chief	Shawn Krizaj

***Gunnar Johnson Resigned in April 2020

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Duluth
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes of the Spirit Mountain Recreation Area Authority component unit's activities are included as of and for the year ended April 30, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth as of December 31, 2019, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 20 to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic, resulting in a reduction of tax collections for 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth’s basic financial statements. The Introductory Section, the Combining and Individual Fund Statements and Schedules, the Supplementary Information, and the Statistical Section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The Combining and Individual Fund Statements and Schedules and the Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting and compliance.


JULIE BLAHA
STATE AUDITOR


GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 29, 2020

**Management's
Discussion and Analysis**

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**
(unaudited)

The City of Duluth's Finance Department has prepared this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflow of resources at December 31, 2019, by \$396.7 million; this amount is identified as net position.
- As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$83.0 million.
- Restricted fund balances were \$39.4 million of fund balance or 47.5%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$43.6 million, or 52.5%, are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other postemployment benefits. As of December 31, 2019, the trust reported net position totaling \$71.5 million.
- As of December 31, 2019, the General Fund's unrestricted, unassigned fund balance was \$14.4 million, or 16.0% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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The City's governmental activities include general government, public safety, public works, culture and recreation, and urban and economic development. The City's business-type activities include water, gas, sewer, steam and stormwater utilities, street lighting, parking, and municipal golf courses. The government-wide financial statements include not only the City, referred to as the primary government, but also five legally separate component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information of the City, as the primary government.

Financial statements for the Duluth Economic Development Authority are included in the Supplementary Information section of this report. Complete financial statements for the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, the Duluth Transit Authority, and the Spirit Mountain Recreation Area Authority can be obtained from their respective offices, the addresses of which are provided in Note 1 of the notes to the financial statements.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

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Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City and are not included in the government-wide financial statements because their resources are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position 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, internal service funds, fiduciary funds, and miscellaneous schedules. These schedules and statements follow the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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An additional portion of the City's net position (11.3%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 136,082	\$ 131,904	\$ 48,127	\$ 43,315	\$ 184,209	\$ 175,219
Capital assets	295,611	296,706	300,107	292,371	595,718	589,077
Total assets	<u>\$ 431,693</u>	<u>\$ 428,610</u>	<u>\$ 348,234</u>	<u>\$ 335,686</u>	<u>\$ 779,927</u>	<u>\$ 764,296</u>
Deferred outflows of resources	\$ 30,546	\$ 42,160	\$ 1,434	\$ 5,006	\$ 31,980	\$ 47,166
Long-term liabilities outstanding	\$ 263,368	\$ 291,519	\$ 59,908	\$ 72,624	\$ 323,276	\$ 364,143
Other liabilities	16,430	13,634	9,690	10,809	26,120	24,443
Total liabilities	<u>\$ 279,798</u>	<u>\$ 305,153</u>	<u>\$ 69,598</u>	<u>\$ 83,433</u>	<u>\$ 349,396</u>	<u>\$ 388,586</u>
Deferred inflows of resources	\$ 58,775	\$ 54,624	\$ 7,018	\$ 3,407	\$ 65,793	\$ 58,031
Net position:						
Net investment in capital assets	\$ 251,585	\$ 249,613	\$ 253,271	\$ 240,474	\$ 504,856	\$ 490,087
Restricted	42,703	42,919	2,092	2,115	44,795	45,034
Unrestricted	(170,622)	(181,539)	17,689	11,263	(152,933)	(170,276)
Total net position	<u>\$ 123,666</u>	<u>\$ 110,993</u>	<u>\$ 273,052</u>	<u>\$ 253,852</u>	<u>\$ 396,718</u>	<u>\$ 364,845</u>

Overall, the City's net position improved in 2019. The City's total net position increased \$31.9 million, an increase of 8.7%. Net position invested in capital assets continues to increase largely due to the City's utility infrastructure replacement and the pay down of debt associated with those capital asset additions. In addition, strong investment returns and changes in actuarial assumptions contributed to a significant reduction in the City's OPEB liability calculation.

In governmental activities, the decrease in total liabilities of \$25.3 million was largely due to a net OPEB liability decrease. This decrease, as mentioned above, is due to strong investment returns for the City's OPEB trust and changes in actuarial assumptions. Both the City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows, and are amortized and expensed over several years in accordance with GASB accounting standards. Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred inflows and outflows. See Notes 15 and 16 of the financial statement for more details on the City's pension and OPEB liabilities.

For business-type activities, the decrease in total liabilities of \$13.8 million is largely due to the repayment of revenue related bonds and notes. In addition, the business-type activities net OPEB liability decreased \$6.1 million. Total assets increased due to utility infrastructure projects.

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

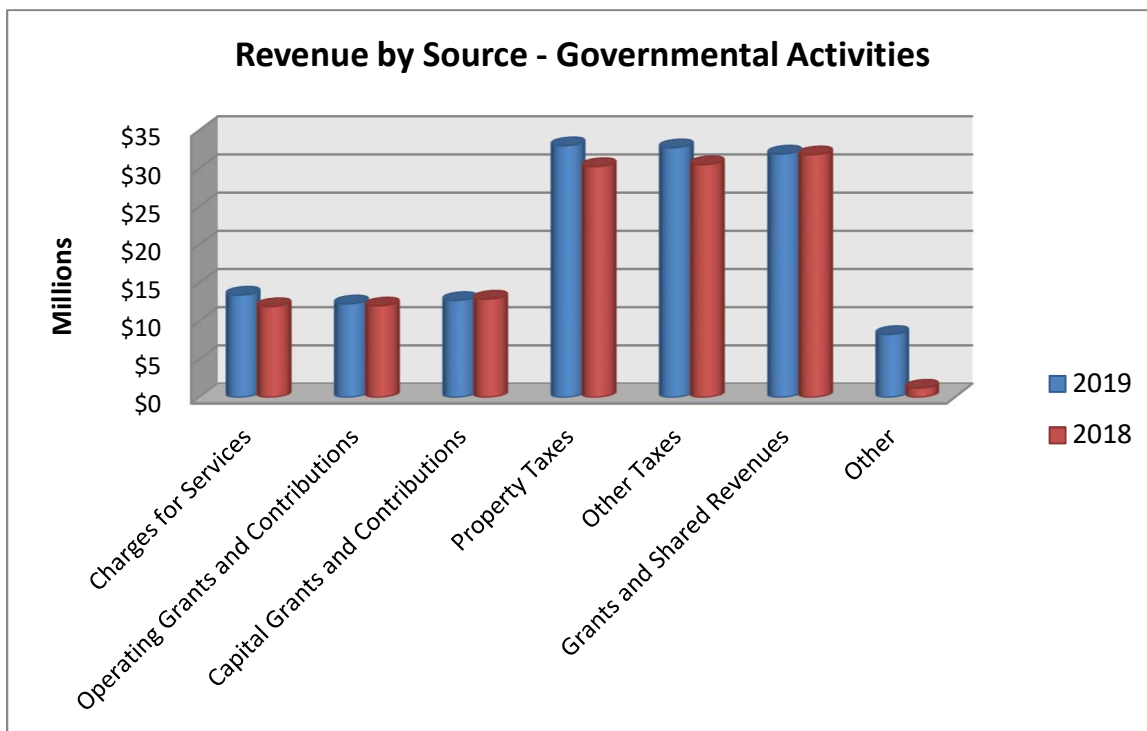
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 13,433	\$ 11,928	\$ 94,896	\$ 94,246	\$ 108,329	\$ 106,174
Operating grants and contributions	12,290	12,019	61	-	12,351	12,019
Capital grants and contributions	12,733	12,913	6,134	5,603	18,867	18,516
General revenues:						
Property taxes	32,996	30,266	1,301	751	34,297	31,017
Other taxes	32,728	30,518	-	-	32,728	30,518
Grants and shared revenues not restricted to specific programs	31,918	31,810	49	49	31,967	31,859
Other	8,281	1,248	307	186	8,588	1,434
Total revenues	<u>144,379</u>	<u>130,702</u>	<u>102,748</u>	<u>100,835</u>	<u>247,127</u>	<u>231,537</u>
Expenses:						
General government	31,839	31,093	-	-	31,839	31,093
Public safety	42,181	43,353	-	-	42,181	43,353
Public works	27,785	24,997	-	-	27,785	24,997
Culture and recreation	16,261	13,170	-	-	16,261	13,170
Urban and economic development	14,244	13,664	-	-	14,244	13,664
Interest	3,910	4,025	-	-	3,910	4,025
Water	-	-	10,814	11,269	10,814	11,269
Gas	-	-	31,777	33,161	31,777	33,161
Sewer	-	-	16,260	16,835	16,260	16,835
Stormwater	-	-	3,572	3,430	3,572	3,430
Steam	-	-	8,350	8,185	8,350	8,185
Golf	-	-	1,771	1,853	1,771	1,853
Parking	-	-	3,405	2,980	3,405	2,980
Priley drive parking facility	-	-	1,249	1,254	1,249	1,254
Street lighting	-	-	1,836	1,910	1,836	1,910
Total expenses	<u>136,220</u>	<u>130,302</u>	<u>79,034</u>	<u>80,877</u>	<u>215,254</u>	<u>211,179</u>
Increase (decrease) in net position before transfers	8,159	400	23,714	19,958	31,873	20,358
Transfers	4,514	4,355	(4,514)	(4,355)	-	-
Increase in net position	<u>12,673</u>	<u>4,755</u>	<u>19,200</u>	<u>15,603</u>	<u>31,873</u>	<u>20,358</u>
Net position, January 1	<u>110,993</u>	<u>106,238</u>	<u>253,852</u>	<u>238,249</u>	<u>364,845</u>	<u>344,487</u>
Net position, December 31	<u>\$ 123,666</u>	<u>\$ 110,993</u>	<u>\$ 273,052</u>	<u>\$ 253,852</u>	<u>\$ 396,718</u>	<u>\$ 364,845</u>

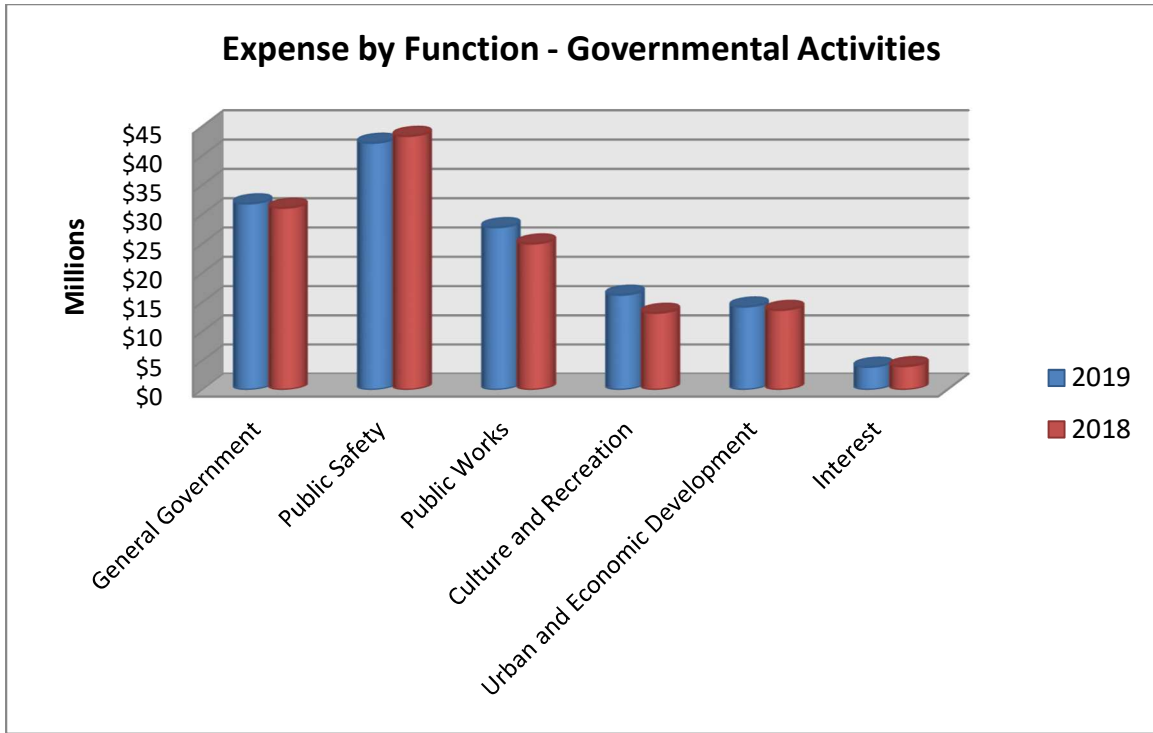
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Governmental activities revenue increased by \$13.7 million in 2019. This increase is primarily due to strong investment returns in addition to increases in property tax revenue and general sales tax collections. Effective October 1, 2019, the City's general sales tax increased from 1.0% to 1.5%. The 0.5% increase is dedicated to street improvements and generated \$2.0 million of revenue in 2019. The City's property tax levy increased 11.25% from 2018 to 2019. This increase helped cover cost-of-living adjustments and a ten percent increase in health insurance rates. The strong stock market performance in 2019 resulted in \$5.6 million in investment revenue for the Community Investment Trust fund. Business-type activities revenue remained relatively stable with a \$1.9 million dollar increase. Variable water rates increased while variable sewer rates decreased. There were no changes to natural gas rates. There were no unusual swings in gas operations, which can often happen when there are extremely warm or cool heating seasons. The Steam Fund received slightly over \$5 million in State of Minnesota funding in 2019 associated with the steam upgrades being performed in conjunction with the multi-year Superior Street reconstruction project.

Total expenses increased \$5.9 million for governmental activities. Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements number 68 (pension liability) and 75 (post-employment benefit liability). These liabilities, and associated deferred inflows and outflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred inflows and outflows and expensed over future years. Further detail on these two items can be found in Notes 15 and 16 of the financial statements. In 2019, the City experienced a 10% increase in health insurance premiums. It is expected that health insurance costs will continue to increase based on current trends. In addition, the City incurred repair expenses in 2019 related to the various windstorms that have heavily impacted Duluth's Canal Park area in the past few years.

Business-type activities expenses decreased \$1.8 million. This decrease is largely due to the impact of the decrease in the City's net OPEB liability. In addition, the City's utility funds experience the same increase in health insurance costs that the City's governmental funds do.





FUND FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2019, the City’s governmental funds reported combined ending fund balances of \$83.0 million, an increase of \$2.4 million from 2018. Of the total fund balance amount, \$43.6 million, or 52.5%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$28.5 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 94.2% of the committed fund balance. Restricted fund balance of \$39.4 million is primarily composed of funds dedicated to debt service and capital projects.

The General Fund is the main operating fund of the City. At December 31, 2019, fund balance of the General Fund was \$17.7 million, with \$14.4 million, or 81.4% reported as unassigned. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 16.0% and total fund balance is 19.6% of total General Fund expenditures. The General Fund’s fund balance increased \$0.8 million in 2019. Positive sales tax revenue along with savings in personal costs contributed to this outcome.

The Community Investment Trust Special Revenue fund balance increased \$5.0 million in 2019. This increase was due to the performance of the portfolio holdings in a strong year for the stock market.

The Disaster Recovery Special Revenue fund balance decreased by \$1.1 million in 2019. This is due to expenses incurred, but not yet reimbursed by state and federal disaster funds. The City experienced significant storm surge damage in both October of 2017 and October of 2018.

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The General Obligation Debt Service fund balance increased by \$0.3 million in 2019. The City's percentage of levy collections remains high and contributed to the small fund balance increase for this fund.

PROPRIETARY FUNDS

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

	Unrestricted Net Position December 31		Increase (Decrease) Net Position December 31	
	2019	2018	2019	2018
	Priley Drive Parking Facility	\$ 391	\$ 330	\$ (242)
Water	2,545	(333)	4,318	3,625
Gas	3,481	102	5,412	3,597
Sewer	4,749	3,289	3,630	2,824
Steam	(401)	(411)	4,907	4,612

Unrestricted Net Position for the Water, Gas, and Sewer funds was positively impacted by the decrease in the City's net OPEB liability. The Steam Fund incurred significant capital outlay associated with the Superior Street reconstruction process. These expenditures are funded by a State of Minnesota grant and contributed to the substantial increase in the Steam Fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$3.8 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$2.3 million appropriation increase for prior year carryovers;
- \$0.4 million appropriation for grants, gifts and donations; and
- \$1.1 million appropriation for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$1.3 million. This favorable variance can be attributed to higher than anticipated sales tax revenue, licensing and permit fees, and State of Minnesota insurance premium aid.
- Expenditures and transfers were under budget by \$1.1 million due primarily to savings in personal costs and other miscellaneous transfers.

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CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, was \$595.7 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2019, the City's total investment in capital assets, net of accumulated depreciation, increased by \$6.6 million. Major capital assets additions in 2019 included: Superior Street reconstruction - \$9.7 million; and utility related infrastructure improvements of \$13.9 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Capital Assets:				
Land and improvements	\$ 22,859	\$ 22,859	\$ 4,649	\$ 4,649
Buildings	39,250	40,826	47,885	49,546
Equipment	9,383	9,309	19,100	20,867
Infrastructure	200,641	195,957	207,312	202,392
Construction in progress	23,478	27,755	21,161	14,917
Total	\$ 295,611	\$ 296,706	\$ 300,107	\$ 292,371

LONG-TERM DEBT

The City had \$142.0 million of bonded debt outstanding as of December 31, 2019. Of this amount, \$107.2 million is debt backed by the full faith and credit of the City. \$3.1 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 \$31.7 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance 12/31/19	Balance 12/31/18
Governmental Activities:		
General Obligation Bonds	\$ 81,370	\$ 87,485
General Obligation Tax Abatement Bonds	11,770	12,605
Special Assessment Debt with Government Commitment	3,125	5,165
General Obligation Certificates	14,050	14,295
Total Governmental Activities Bonded Debt	\$ 110,315	\$ 119,550
Business-type Activities:		
Revenue and General Obligation Bonds	\$ 31,680	\$ 35,097

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During 2019, the City's total bonded debt decreased by \$12.7 million.

In 2019, the City issued \$1.2 million of general obligation bonds, \$9.8 million of general obligation refunding bonds, and \$3.1 million of general obligation certificates. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$130.7 million, which is significantly higher than the City's net debt of \$38.6 million. Additional information about the City's long-term debt can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2020 General Fund budget is \$92.9 million. State local government aid (LGA) payments are anticipated to supply 32.6% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes increased LGA by \$2.8 million in 2020 to \$30.2 million compared to the \$27.4 million received in 2011, 2012 and 2013. In 2014, 2015, 2016, 2017, 2018, and 2019 the LGA revenue was \$29.0, \$29.2, \$29.3, \$29.3, \$29.6, and \$29.7 million respectively.

In 2019, the City contracted with an actuary to calculate its annual required contribution for other postemployment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75. For the year ended December 31, 2019, the City made contributions of \$1.2 million to an irrevocable trust and paid out \$10.8 million in retiree claims. As of December 31, 2019, the City's net other postemployment benefits liability is \$84.5 million.

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

In addition, the City will be impacted by the COVID-19 pandemic. The total financial impact to the City is unknown at this time. City Administration and City Finance staff are working, and will continue to work, on measures to minimize the impact to the City as much as possible.

REQUESTS FOR INFORMATION

This financial report is meant to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning information provided in the report or requests for additional financial information should be addressed to the City Auditor's Office, 411 West First Street, Room 120, Duluth, MN 55802, or contact the City Auditor via email at jbailey@duluthmn.gov.

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 60,374,435	\$ 17,144,126	\$ 77,518,561	\$ 18,848,312
Investments, at fair value	26,871,570	-	26,871,570	-
Assets held by trustee	7,935,383	-	7,935,383	-
Receivables, net	31,145,422	10,939,467	42,084,889	10,091,023
Due from primary government	-	-	-	814,914
Internal balances	(781,857)	781,857	-	-
Due from component units	1,465,871	23,701	1,489,572	-
Due from other governments	8,843,291	2,128,759	10,972,050	1,068,845
Inventories	178,064	3,253,470	3,431,534	589,457
Prepays	50,000	7,062,533	7,112,533	222,773
Restricted assets:				
Cash and cash equivalents	-	4,837,832	4,837,832	1,260,724
Accounts receivable	-	-	-	50,504
Loans receivable	-	1,955,876	1,955,876	-
Grants receivable	-	-	-	3,747,492
Planning and development costs	-	-	-	923,015
Capital assets (Note 7):				
Non-depreciable	46,336,893	25,810,816	72,147,709	12,721,284
Depreciable, net	249,273,774	274,296,032	523,569,806	266,275,562
Total Assets	431,692,846	348,234,469	779,927,315	316,613,905
Deferred Outflows of Resources				
Deferred pension obligation outflows	26,647,832	1,056,694	27,704,526	785,200
Deferred OPEB outflows	1,489,259	-	1,489,259	28,487
Deferred loss from debt refunding	2,409,716	377,023	2,786,739	-
Total Deferred Outflows of Resources	30,546,807	1,433,717	31,980,524	813,687
Liabilities				
Accounts payable and other short-term liabilities	11,110,686	7,243,381	18,354,067	5,606,596
Accrued interest payable	1,642,668	452,859	2,095,527	3,935
Due to component units	814,909	5	814,914	-
Due to primary government	-	-	-	1,488,069
Due to other government	1,308,268	1,053,207	2,361,475	11,107
Unearned revenues	1,552,986	940,735	2,493,721	1,924,069
Noncurrent liabilities (Note 12):				
Due within one year	16,863,628	6,919,938	23,783,566	2,145,413
Due in more than one year	246,504,720	52,987,730	299,492,450	18,740,711
Total Liabilities	279,797,865	69,597,855	349,395,720	29,919,900
Deferred Inflows of Resources				
Deferred pension obligation inflows	41,692,385	2,433,762	44,126,147	1,513,337
Deferred OPEB inflows	17,083,048	4,584,594	21,667,642	301,450
Total Deferred Inflows of Resources	58,775,433	7,018,356	65,793,789	1,814,787
Net Position				
Net investment in capital assets	251,585,123	253,270,775	504,855,898	268,972,194
Restricted for:				
General government	5,238,569	-	5,238,569	-
Public safety	869,192	-	869,192	-
Public works	-	1,375,042	1,375,042	-
Culture and recreation	3,040,367	-	3,040,367	-
Urban and economic development	6,535,625	-	6,535,625	-
Debt service	21,723,796	716,899	22,440,695	-
Capital outlay	5,295,840	-	5,295,840	13,161,768
Unrestricted	(170,622,157)	17,689,259	(152,932,898)	3,558,943
Total Net Position	\$ 123,666,355	\$ 273,051,975	\$ 396,718,330	\$ 285,692,905

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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 31,839,444	\$ 5,978,363	\$ 86,872	\$ 12,920
Public safety	42,180,828	2,115,004	3,277,128	482,973
Public works	27,785,208	138,436	1,745,215	7,479,676
Culture and recreation	16,261,444	1,328,289	873,235	4,224,885
Urban and economic development	14,244,055	3,872,703	6,307,286	532,671
Interest	3,909,623	-	-	-
Total Governmental Activities	<u>136,220,602</u>	<u>13,432,795</u>	<u>12,289,736</u>	<u>12,733,125</u>
Business-type activities:				
Water	10,814,241	15,142,128	11,509	11,591
Gas	31,777,159	39,886,073	19,474	100,479
Sewer	16,259,666	19,615,365	-	328,688
Stormwater	3,571,577	5,295,794	29,645	-
Steam	8,350,276	8,091,177	-	5,269,398
Golf	1,771,189	1,482,349	-	-
Parking	3,404,851	4,095,285	-	423,701
Priley Drive parking facility	1,249,348	452,308	-	-
Street lighting	1,836,048	835,761	-	-
Total Business-type Activities	<u>79,034,355</u>	<u>94,896,240</u>	<u>60,628</u>	<u>6,133,857</u>
Total Primary Government	<u>\$ 215,254,957</u>	<u>\$ 108,329,035</u>	<u>\$ 12,350,364</u>	<u>\$ 18,866,982</u>
Component units:				
Duluth Economic Development Authority	\$ 5,620,614	\$ 1,016,309	\$ 5,648	\$ -
Duluth Entertainment and Convention Center Authority	15,450,014	9,552,003	-	552,800
Duluth Airport Authority	14,887,490	7,145,963	-	13,570,892
Duluth Transit Authority	24,213,284	3,026,839	16,855,133	1,923,503
Spirit Mountain Recreation Area Authority	6,494,143	5,434,040	-	462,342
Total Component Units	<u>\$ 66,665,545</u>	<u>\$ 26,175,154</u>	<u>\$ 16,860,781</u>	<u>\$ 16,509,537</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, 2019**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:				
Governmental activities:				
General government	\$ (25,761,289)	\$ -	\$ (25,761,289)	\$ -
Public safety	(36,305,723)	-	(36,305,723)	-
Public works	(18,421,881)	-	(18,421,881)	-
Culture and recreation	(9,835,035)	-	(9,835,035)	-
Urban and economic development	(3,531,395)	-	(3,531,395)	-
Interest	(3,909,623)	-	(3,909,623)	-
Total Governmental Activities	<u>(97,764,946)</u>	<u>-</u>	<u>(97,764,946)</u>	<u>-</u>
Business-type activities:				
Water	-	4,350,987	4,350,987	-
Gas	-	8,228,867	8,228,867	-
Sewer	-	3,684,387	3,684,387	-
Stormwater	-	1,753,862	1,753,862	-
Steam	-	5,010,299	5,010,299	-
Golf	-	(288,840)	(288,840)	-
Parking	-	1,114,135	1,114,135	-
Priley Drive parking facility	-	(797,040)	(797,040)	-
Street lighting	-	(1,000,287)	(1,000,287)	-
Total Business-type Activities	<u>-</u>	<u>22,056,370</u>	<u>22,056,370</u>	<u>-</u>
Total Primary Government	<u>(97,764,946)</u>	<u>22,056,370</u>	<u>(75,708,576)</u>	<u>-</u>
Component units:				
Duluth Economic Development Authority	-	-	-	(4,598,657)
Duluth Entertainment and Convention Center Authority	-	-	-	(5,345,211)
Duluth Airport Authority	-	-	-	5,829,365
Duluth Transit Authority	-	-	-	(2,407,809)
Spirit Mountain Recreation Area Authority	-	-	-	(597,761)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,120,073)</u>
General Revenues:				
Property taxes	32,995,611	1,301,757	34,297,368	4,400,383
Sales taxes	28,867,348	-	28,867,348	1,869,144
Franchise taxes	3,534,435	-	3,534,435	-
Other taxes	326,091	-	326,091	-
Grants and shared revenues not restricted to specific programs	31,917,733	48,566	31,966,299	-
Investment income	6,611,326	235,864	6,847,190	361,270
Gain on sale or disposition of capital assets	-	26,962	26,962	-
Miscellaneous	1,670,993	45,380	1,716,373	1,354,755
Transfers	4,514,471	(4,514,471)	-	-
Total General Revenues and Transfers	<u>110,438,008</u>	<u>(2,855,942)</u>	<u>107,582,066</u>	<u>7,985,552</u>
Change in Net Position	12,673,062	19,200,428	31,873,490	865,479
Net Position - Beginning	110,993,293	253,851,547	364,844,840	284,827,426
Net Position - Ending	<u>\$ 123,666,355</u>	<u>\$ 273,051,975</u>	<u>\$ 396,718,330</u>	<u>\$ 285,692,905</u>

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

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Disaster Recovery</u>	<u>Community Investment Trust</u>	<u>General Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 10,848,170	\$ -	\$ -	\$14,125,699	\$ 31,196,263	\$ 56,170,132
Investments, at fair value	-	-	26,871,570	-	-	26,871,570
Receivables, net						
Taxes	3,506,074	-	-	250,144	3,044,019	6,800,237
Accounts	469,144	-	-	-	685,357	1,154,501
Assessments	912,811	-	-	-	2,626,398	3,539,209
Loans	1,822,063	-	-	14,385,000	3,986,650	20,193,713
Due from other funds	145,314	-	-	-	1,856,184	2,001,498
Due from component units	1,200,275	-	-	-	265,596	1,465,871
Interfund loan receivables	6,389,368	-	-	-	-	6,389,368
Due from other governments	644,457	4,491,453	-	-	3,707,381	8,843,291
Total Assets	<u>\$ 25,937,676</u>	<u>\$4,491,453</u>	<u>\$ 26,871,570</u>	<u>\$28,760,843</u>	<u>\$ 47,367,848</u>	<u>\$133,429,390</u>
Liabilities						
Accounts payable	2,050,413	140,236	-	-	857,497	3,048,146
Contracts payable	59,117	331,783	-	-	5,983,606	6,374,506
Due to other funds	1,058,583	-	-	-	1,052,519	2,111,102
Due to component units	627	-	-	-	814,282	814,909
Interfund loan payable	-	2,651,192	-	-	665,074	3,316,266
Due to other governments	224,063	-	-	-	1,068,644	1,292,707
Accrued salaries payable	1,403,603	-	-	-	40,761	1,444,364
Unearned revenue	106,393	904,303	-	-	433,785	1,444,481
Total Liabilities	<u>4,902,799</u>	<u>4,027,514</u>	<u>-</u>	<u>-</u>	<u>10,916,168</u>	<u>19,846,481</u>
Deferred Inflows of Resources						
Unavailable revenue	<u>3,345,718</u>	<u>4,072,453</u>	<u>-</u>	<u>14,564,140</u>	<u>8,600,248</u>	<u>30,582,559</u>
Fund Balances						
Restricted	216,132	-	-	14,196,703	24,945,613	39,358,448
Committed	35,958	-	26,871,570	-	1,621,490	28,529,018
Assigned	2,999,900	-	-	-	1,942,077	4,941,977
Unassigned	14,437,169	(3,608,514)	-	-	(657,748)	10,170,907
Total Fund Balances	<u>17,689,159</u>	<u>(3,608,514)</u>	<u>26,871,570</u>	<u>14,196,703</u>	<u>27,851,432</u>	<u>83,000,350</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,937,676</u>	<u>\$4,491,453</u>	<u>\$ 26,871,570</u>	<u>\$28,760,843</u>	<u>\$ 47,367,848</u>	<u>\$133,429,390</u>

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

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Fund Balance--total governmental funds	\$ 83,000,350
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the assets is \$547,064,607, and the accumulated depreciation is \$251,652,478.	295,412,129
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	29,970,143
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and debt refunding that are not recognized in the governmental funds.	
Deferred pension obligation outflows	26,554,872
Deferred OPEB outflows	1,489,259
Deferred loss from debt refunding	2,409,716
Deferred pension obligation inflows	(41,478,281)
Deferred OPEB inflows	(17,083,048)
	(28,107,482)
Internal service funds are used by management to charge the costs of fleet services, group health insurance, loss control activities, and vacation benefits payable to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position for \$4,589,452 less \$4,001,238 attributed to business-type activities.	588,214
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	122,540,602
Other post employment benefits	91,243,466
Pension liability	41,770,263
Interest accrued on long-term debt	1,642,668
	(257,196,999)
Net position of governmental activities	\$ 123,666,355

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Disaster Recovery	Community Investment Trust	General Obligation	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes						
Property taxes	\$19,295,839	\$ -	\$ -	\$ 6,933,636	\$ 6,736,718	\$ 32,966,193
Sales taxes	14,453,054	-	-	-	14,414,294	28,867,348
Other taxes	3,849,548	-	-	-	10,977	3,860,525
Licenses and permits	1,987,547	-	-	-	114,210	2,101,757
Intergovernmental revenues	34,511,555	2,456,446	-	223,993	17,868,046	55,060,040
Charges for services	7,008,232	-	-	-	1,144,830	8,153,062
Fines and forfeits	544,596	-	-	-	154,333	698,929
Special assessments	498,962	-	-	-	1,115,366	1,614,328
Investment income	83,511	-	5,573,211	139,772	569,523	6,366,017
Miscellaneous revenues	1,157,078	-	-	1,890,387	2,389,265	5,436,730
Total Revenues	83,389,922	2,456,446	5,573,211	9,187,788	44,517,562	145,124,929
Expenditures						
Current						
General government	26,719,409	-	-	58,878	1,826,825	28,605,112
Public safety	41,660,867	-	-	-	1,833,808	43,494,675
Public works	13,159,703	-	-	-	4,949,854	18,109,557
Culture and recreation	4,625,454	3,592,983	-	-	5,597,262	13,815,699
Urban and economic development	3,341,361	-	-	-	11,210,875	14,552,236
Debt service						
Principal retirement	-	-	-	9,305,000	2,055,000	11,360,000
Interest and fiscal fees	-	-	-	4,506,369	244,938	4,751,307
Bond issuance costs	-	-	-	93,913	82,459	176,372
Capital outlay						
Capital outlay	801,441	-	-	-	16,576,389	17,377,830
Total Expenditures	90,308,235	3,592,983	-	13,964,160	44,377,410	152,242,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,918,313)</u>	<u>(1,136,537)</u>	<u>5,573,211</u>	<u>(4,776,372)</u>	<u>140,152</u>	<u>(7,117,859)</u>
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	4,260,000	4,260,000
Issuance of refunding bonds	-	-	-	9,755,000	-	9,755,000
Premium on issuance of bonds	-	-	-	2,214,482	617,982	2,832,464
Payment to refunded bond escrow agent	-	-	-	(11,849,546)	-	(11,849,546)
Transfers in	8,510,707	-	-	5,001,164	8,959,524	22,471,395
Transfers out	(789,000)	-	(570,067)	-	(16,597,857)	(17,956,924)
Total Other Financing Sources (Uses)	7,721,707	-	(570,067)	5,121,100	(2,760,351)	9,512,389
Net Change in Fund Balances	803,394	(1,136,537)	5,003,144	344,728	(2,620,199)	2,394,530
Fund Balances - January 1, 2019	16,885,765	(2,471,977)	21,868,426	13,851,975	30,471,631	80,605,820
Fund Balances - December 31, 2019	\$17,689,159	\$ (3,608,514)	\$ 26,871,570	\$14,196,703	\$ 27,851,432	\$ 83,000,350

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, 2019**

Net change in fund balances - total governmental funds \$ 2,394,530

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	16,103,111	
Depreciation expense	(17,134,238)	
Excess of depreciation expense over capital outlay		(1,031,127)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$(512,053) from internal funds less \$141,799 attributed to business-type activities is reported with governmental activities. (653,852)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:
Bonds issued, including a bond premium of \$2,832,464 (16,847,464)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:
Bond principal retirement 23,265,000

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues decreased by this amount this year. (179,054)

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	257,610	
Net decrease in interest receivable	(57,055)	
Decrease in net other post employment benefits payable and related deferred inflows and deferred inflows	5,309,556	
Decrease in pension obligation and related deferred inflows and deferred outflows	921,109	
Decrease in loans receivable	(1,411,183)	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	876,096	

Total additional expenditures 5,725,029

Change in net position of governmental activities \$ 12,673,062

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, 2019

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis) (Note 2)	Modified Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 37,161,800	\$ 37,161,800	\$ 37,598,441	\$ 436,641
Licenses and permits	1,798,400	1,798,400	1,987,547	189,147
Intergovernmental revenues	33,767,500	34,167,913	34,511,555	343,642
Charges for services	6,959,100	6,959,100	7,008,232	49,132
Fines and forfeits	518,800	518,800	544,596	25,796
Special assessments	433,900	529,146	498,962	(30,184)
Investment income	-	-	83,511	83,511
Miscellaneous revenues	474,000	985,276	1,157,078	171,802
Total revenues	81,113,500	82,120,435	83,389,922	1,269,487
Expenditures				
Current:				
General government	27,068,700	28,988,423	28,126,748	861,675
Public safety	40,742,100	41,661,226	41,701,197	(39,971)
Public works	12,893,300	13,212,309	13,169,227	43,082
Culture and recreation	4,723,800	4,648,742	4,625,454	23,288
Urban and economic development	3,660,700	3,668,125	3,435,509	232,616
Total expenditures	89,088,600	92,178,825	91,058,135	1,120,690
Excess (deficiency) of revenues over expenditures	(7,975,100)	(10,058,390)	(7,668,213)	2,390,177
Other Financing Sources (Uses)				
Transfers in	8,032,100	8,499,488	8,510,707	11,219
Transfers out	(57,000)	(765,000)	(789,000)	(24,000)
Total other financing sources (uses)	7,975,100	7,734,488	7,721,707	(12,781)
Net change in fund balance - budgetary basis	-	(2,323,902)	53,494	2,377,396
Net adjustments to reflect operations in accordance with generally accepted accounting principles	-	-	749,900	749,900
Net change in fund balance - GAAP basis	-	(2,323,902)	803,394	\$ 3,127,296
Fund Balance - January 1, 2019	16,885,765	16,885,765	16,885,765	
Fund Balance - December 31, 2019	\$ 16,885,765	\$ 14,561,863	\$ 17,689,159	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2019**

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Assets				
Current assets				
Cash and cash equivalents	\$ 481,638	\$ 3,645,869	\$ 4,015,211	\$ 3,313,602
Restricted cash and cash equivalents				
Customer deposits	-	90,380	2,767,131	-
Construction	-	1,261,807	-	716,899
Loans	-	-	1,615	-
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	31,084	1,473,554	5,403,978	1,940,630
Restricted loans	-	-	401,780	-
Assessments	-	21,757	556	17,733
Due from other funds	-	8,690	13,975	167
Due from component units	-	-	-	-
Interfund loan receivable	-	-	2,510,937	-
Due from other governments	-	11,643	19,519	342,551
Inventories	-	1,269,610	1,231,122	89,017
Prepays	-	1,541,549	563,768	2,927,649
Total current assets	<u>512,722</u>	<u>9,324,859</u>	<u>16,929,592</u>	<u>9,348,248</u>
Noncurrent assets				
Assessments receivable	-	84,829	6,272	94,760
Restricted loans receivable	-	-	1,527,193	-
Capital assets, net	18,914,086	64,815,185	58,122,115	95,976,347
Total noncurrent assets	<u>18,914,086</u>	<u>64,900,014</u>	<u>59,655,580</u>	<u>96,071,107</u>
Total Assets	<u>19,426,808</u>	<u>74,224,873</u>	<u>76,585,172</u>	<u>105,419,355</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	-	-	17,673
Deferred pension obligation outflows	-	295,630	406,969	174,478
Total Deferred Outflows of Resources	<u>-</u>	<u>295,630</u>	<u>406,969</u>	<u>192,151</u>
Liabilities				
Current liabilities				
Accounts payable	646	71,148	2,555,788	37,667
Contracts payable	-	42,262	160,435	78,663
Claims payable	-	-	-	-
Notes payable	-	700,000	-	1,423,000
Leases payable	-	255,251	233,980	219,800
Due to other funds	-	43,253	55,024	33,003
Interfund loan payable	-	-	-	-
Due to other governments	-	143,902	90,967	791,488
Due to component units	-	5	-	-
Accrued interest payable	120,940	97,154	17,622	88,546
Accrued salaries payable	-	115,518	166,442	68,388
Compensated absences	-	237,620	365,245	156,744
Unearned revenue	-	60,557	752,208	55,142
Deposits	-	10,000	2,788,006	-
Revenue bonds payable	219,731	284,000	-	1,035,999
Total current liabilities	<u>341,317</u>	<u>2,060,670</u>	<u>7,185,717</u>	<u>3,988,440</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2019**

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Noncurrent liabilities				
Notes payable	-	4,996,000	-	6,085,000
Loans payable	-	-	-	-
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Leases payable	-	972,773	891,708	837,665
Pension liability	-	2,941,654	4,049,519	1,736,140
Revenue bonds payable	12,010,138	4,152,067	-	1,797,348
Total noncurrent liabilities	12,010,138	13,062,494	4,941,227	10,456,153
Total Liabilities	12,351,455	15,123,164	12,126,944	14,444,593
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	680,891	937,323	401,856
Deferred OPEB inflows	-	1,454,957	2,075,682	704,030
Total Deferred Inflows of Resources	-	2,135,848	3,013,005	1,105,886
Net Position				
Net investment in capital assets	6,684,217	54,716,901	56,996,427	84,595,208
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	716,899
Restricted for loans	-	-	1,375,042	-
Unrestricted	391,136	2,544,590	3,480,723	4,748,920
Total Net Position	\$ 7,075,353	\$ 57,261,491	\$ 61,852,192	\$ 90,061,027

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2019**

	Business-type Activities - Enterprise Funds			Governmental
	Steam	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 5,687,806	\$ 17,144,126	\$ 4,204,303
Restricted cash and cash equivalents				
Customer deposits	-	-	2,857,511	-
Construction	-	-	1,978,706	-
Loans	-	-	1,615	-
Restricted assets held by trustee	-	-	-	7,935,383
Receivables, net				
Accounts	1,157,938	678,867	10,686,051	70,178
Restricted loans	-	-	401,780	-
Assessments	-	26,931	66,977	-
Due from other funds	22,109	28,978	73,919	731,767
Due from component units	-	23,701	23,701	-
Interfund loan receivable	-	-	2,510,937	-
Due from other governments	1,727,176	27,870	2,128,759	-
Inventories	529,804	133,917	3,253,470	178,064
Prepays	20,571	2,008,996	7,062,533	50,000
Total current assets	<u>3,457,598</u>	<u>8,617,066</u>	<u>48,190,085</u>	<u>13,169,695</u>
Noncurrent assets				
Assessments receivable	-	578	186,439	-
Restricted loans receivable	26,903	-	1,554,096	-
Capital assets, net	19,509,322	42,769,793	300,106,848	198,538
Total noncurrent assets	<u>19,536,225</u>	<u>42,770,371</u>	<u>301,847,383</u>	<u>198,538</u>
Total Assets	<u>22,993,823</u>	<u>51,387,437</u>	<u>350,037,468</u>	<u>13,368,233</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	44,330	315,020	377,023	-
Deferred pension obligation outflows	-	179,617	1,056,694	92,960
Total Deferred Outflows of Resources	<u>44,330</u>	<u>494,637</u>	<u>1,433,717</u>	<u>92,960</u>
Liabilities				
Current liabilities				
Accounts payable	464,892	82,460	3,212,601	207,528
Contracts payable	311,875	153,892	747,127	215
Claims payable	-	-	-	2,895,257
Notes payable	-	-	2,123,000	-
Leases payable	-	-	709,031	-
Due to other funds	508,590	43,950	683,820	12,262
Interfund loan payable	2,510,937	1,059,480	3,570,417	463,622
Due to other governments	24,460	2,390	1,053,207	15,561
Due to component units	-	-	5	-
Accrued interest payable	64,341	64,256	452,859	-
Accrued salaries payable	-	78,495	428,843	35,927
Compensated absences	-	158,568	918,177	3,163,371
Unearned revenue	-	72,828	940,735	108,505
Deposits	-	56,804	2,854,810	-
Revenue bonds payable	665,000	965,000	3,169,730	-
Total current liabilities	<u>4,550,095</u>	<u>2,738,123</u>	<u>20,864,362</u>	<u>6,902,248</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2019**

	Business-type Activities - Enterprise Funds			Governmental
	Steam	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Noncurrent liabilities				
Notes payable	-	-	11,081,000	-
Loans payable	-	12,481	12,481	-
Claims payable	-	-	-	830,395
Interfund loan payable	-	1,550,000	1,550,000	-
Leases payable	-	-	2,702,146	-
Pension liability	-	1,787,275	10,514,588	924,994
Revenue bonds payable	5,066,386	5,651,576	28,677,515	-
Total noncurrent liabilities	<u>5,066,386</u>	<u>9,001,332</u>	<u>54,537,730</u>	<u>1,755,389</u>
Total Liabilities	<u>9,616,481</u>	<u>11,739,455</u>	<u>75,402,092</u>	<u>8,657,637</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	413,692	2,433,762	214,104
Deferred OPEB inflows	-	349,925	4,584,594	-
Total Deferred Inflows of Resources	<u>-</u>	<u>763,617</u>	<u>7,018,356</u>	<u>214,104</u>
Net Position				
Net investment in capital assets	13,822,266	36,455,756	253,270,775	198,538
Restricted for health insurance trust	-	-	-	5,238,569
Restricted for special accounts	-	-	716,899	-
Restricted for loans	-	-	1,375,042	-
Unrestricted	(400,594)	2,923,246	13,688,021	(847,655)
Total Net Position	<u>\$ 13,421,672</u>	<u>\$ 39,379,002</u>	<u>\$ 269,050,737</u>	<u>\$ 4,589,452</u>

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

Net position of business-type activities	<u>4,001,238</u>
	<u>\$ 273,051,975</u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Operating Revenues				
Sales	\$ -	\$ -	\$ 38,133,852	\$ -
Charges for services	452,308	14,971,423	1,017,883	19,368,220
Fines and forfeits	-	-	-	-
Miscellaneous revenues	-	171,297	734,382	247,189
Total Operating Revenues	452,308	15,142,720	39,886,117	19,615,409
Operating Expenses				
Cost of sales and services	-	-	20,067,111	-
Personal services	-	5,126,665	6,816,177	2,944,597
Supplies	-	1,431,841	1,206,487	296,247
Utilities	23,042	1,041,191	33,503	129,911
Other services and charges	212,288	1,329,277	2,132,155	10,600,536
Depreciation	520,571	1,752,474	1,515,603	2,036,253
Medical and insurance	-	-	-	-
Total Operating Expenses	755,901	10,681,448	31,771,036	16,007,544
Operating Income (Loss)	(303,593)	4,461,272	8,115,081	3,607,865
Nonoperating Revenues (Expenses)				
Property taxes	-	-	-	-
Investment income	4,489	47,466	81,859	35,176
Intergovernmental revenue	-	28,427	42,839	8,283
Gain (loss) on sale or disposition of capital assets	-	8,531	13,808	-
Interest and fiscal fees	(493,447)	(245,638)	(46,251)	(249,757)
Total Nonoperating Revenues (Expenses)	(488,958)	(161,214)	92,255	(206,298)
Income (Loss) Before Contributions and Transfers	(792,551)	4,300,058	8,207,336	3,401,567
Capital contributions	-	11,591	100,479	328,688
Transfers in	550,711	144,300	14,900	7,450
Transfers out	-	(138,262)	(2,911,118)	(107,301)
Change in Net Position	(241,840)	4,317,687	5,411,597	3,630,404
Total Net Position - January 1, 2019	7,317,193	52,943,804	56,440,595	86,430,623
Total Net Position - December 31, 2019	\$ 7,075,353	\$ 57,261,491	\$ 61,852,192	\$ 90,061,027

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Steam</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Sales	\$ -	\$ 446,891	\$ 38,580,743	\$ 2,465,355
Charges for services	7,619,217	10,047,377	53,476,428	25,348,004
Fines and forfeits	-	947,382	947,382	-
Miscellaneous revenues	471,960	312,239	1,937,067	1,119,229
Total Operating Revenues	<u>8,091,177</u>	<u>11,753,889</u>	<u>94,941,620</u>	<u>28,932,588</u>
Operating Expenses				
Cost of sales and services	-	196,811	20,263,922	2,148,694
Personal services	-	3,566,286	18,453,725	5,874,849
Supplies	3,174,722	515,305	6,624,602	44,552
Utilities	363,418	695,778	2,286,843	33,803
Other services and charges	3,184,483	4,059,484	21,518,223	3,442,184
Depreciation	1,318,551	1,389,581	8,533,033	64,038
Medical and insurance	-	-	-	18,087,665
Total Operating Expenses	<u>8,041,174</u>	<u>10,423,245</u>	<u>77,680,348</u>	<u>29,695,785</u>
Operating Income (Loss)	<u>50,003</u>	<u>1,330,644</u>	<u>17,261,272</u>	<u>(763,197)</u>
Nonoperating Revenues (Expenses)				
Property taxes	-	1,301,757	1,301,757	-
Investment income	-	66,874	235,864	245,309
Intergovernmental revenue	-	29,645	109,194	5,835
Gain (loss) on sale or disposition of capital assets	(67,895)	4,623	(40,933)	-
Interest and fiscal fees	(191,220)	(201,598)	(1,427,911)	-
Total Nonoperating Revenues (Expenses)	<u>(259,115)</u>	<u>1,201,301</u>	<u>177,971</u>	<u>251,144</u>
Income (Loss) Before Contributions and Transfers	(209,112)	2,531,945	17,439,243	(512,053)
Capital contributions	5,269,398	423,701	6,133,857	-
Transfers in	-	29,600	746,961	-
Transfers out	(152,960)	(1,951,791)	(5,261,432)	-
Change in Net Position	<u>4,907,326</u>	<u>1,033,455</u>	<u>19,058,629</u>	<u>(512,053)</u>
Total Net Position - January 1, 2019	<u>8,514,346</u>	<u>38,345,547</u>	<u>249,992,108</u>	<u>5,101,505</u>
Total Net Position - December 31, 2019	<u>\$ 13,421,672</u>	<u>\$ 39,379,002</u>	<u>\$ 269,050,737</u>	<u>\$ 4,589,452</u>

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

Change in net position	\$ 19,058,629
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	141,799
Change in net position of business-type activities	<u>\$ 19,200,428</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, 2019**

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Cash Flows from Operating Activities				
Cash received from customers	\$ 448,606	\$ 14,986,471	\$ 40,186,963	\$ 19,465,359
Cash paid to suppliers	(239,057)	(3,833,212)	(23,557,371)	(10,983,355)
Cash paid to employees	-	(6,258,278)	(8,486,304)	(3,420,949)
Other operating revenues	-	57,558	156,606	168,696
Net cash provided (used) by operating activities	<u>209,549</u>	<u>4,952,539</u>	<u>8,299,894</u>	<u>5,229,751</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	550,711	144,300	14,900	7,450
Transfers to other funds	-	(138,262)	(2,911,118)	(107,301)
Property taxes	-	-	-	-
Operating grants	-	16,918	23,363	(306,545)
Interfund financing	-	-	86,561	-
Net cash provided (used) by noncapital financing activities	<u>550,711</u>	<u>22,956</u>	<u>(2,786,294)</u>	<u>(406,396)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	24,031	100,709	340,933
Principal paid on bonds, notes and capitalized leases	(217,606)	(1,210,846)	(730,358)	(2,616,701)
Interest paid on bonds, notes and capitalized leases	(495,599)	(234,830)	(59,665)	(266,722)
Sale of capital assets	-	4,419	7,707	-
Acquisition or construction of capital assets	-	(3,234,237)	(3,125,410)	(1,536,310)
Net cash provided (used) by capital and related financing activities	<u>(713,205)</u>	<u>(4,651,463)</u>	<u>(3,807,017)</u>	<u>(4,078,800)</u>
Cash Flows from Investing Activities				
Investment earnings	4,489	47,466	81,859	35,176
Net increase (decrease) in cash and cash equivalents	51,544	371,498	1,788,442	779,731
Cash and cash equivalents - January 1, 2019	430,094	4,626,558	4,995,515	3,250,770
Cash and cash equivalents - December 31, 2019	<u>\$ 481,638</u>	<u>\$ 4,998,056</u>	<u>\$ 6,783,957</u>	<u>\$ 4,030,501</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (303,593)	\$ 4,461,272	\$ 8,115,081	\$ 3,607,865
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	520,571	1,752,474	1,515,603	2,036,253
Change in assets and liabilities:				
Decrease (increase) in receivables	(3,702)	(87,213)	50,243	52,278
Decrease (increase) in inventories	-	169,026	55,960	16,975
Decrease (increase) in prepaids	-	(1,541,549)	(74,440)	(1,648,197)
Decrease (increase) in deferred pension obligation outflows	-	339,958	467,572	204,240
Decrease (increase) in OPEB outflows	-	671,232	860,316	457,219
Increase (decrease) in payables	(3,727)	(198,409)	38,482	19,930
Increase (decrease) in OPEB liability	-	(1,744,674)	(4,379,221)	-
Increase (decrease) in unearned revenues	-	15,146	39,618	2,076
Increase (decrease) in deferred pension obligation inflows	-	(279,286)	(383,837)	(170,271)
Increase (decrease) in pension liability	-	(60,395)	(81,165)	(52,647)
Increase (decrease) in OPEB inflows	-	1,454,957	2,075,682	704,030
Total adjustments	<u>513,142</u>	<u>491,267</u>	<u>184,813</u>	<u>1,621,886</u>
Net cash provided (used) by operating activities	<u>\$ 209,549</u>	<u>\$ 4,952,539</u>	<u>\$ 8,299,894</u>	<u>\$ 5,229,751</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, 2019**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Steam</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities				
Cash received from customers	\$ 8,355,430	\$ 11,605,095	\$ 95,047,924	\$ 28,669,869
Cash paid to suppliers	(7,287,489)	(5,444,452)	(51,344,936)	(22,839,572)
Cash paid to employees	-	(3,600,853)	(21,766,384)	(5,769,451)
Other operating revenues	4,155	283,184	670,199	1,755
Net cash provided (used) by operating activities	<u>1,072,096</u>	<u>2,842,974</u>	<u>22,606,803</u>	<u>62,601</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	5,600	722,961	-
Transfers to other funds	(152,960)	(1,951,791)	(5,261,432)	-
Property taxes	-	1,288,928	1,288,928	-
Operating grants	-	29,645	(236,619)	5,835
Interfund financing	(86,561)	246,367	246,367	(31,066)
Net cash provided (used) by noncapital financing activities	<u>(239,521)</u>	<u>(381,251)</u>	<u>(3,239,795)</u>	<u>(25,231)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	5,495,954	400,000	6,361,627	-
Principal paid on bonds, notes and capitalized leases	(655,000)	(990,004)	(6,420,515)	-
Interest paid on bonds, notes and capitalized leases	(161,963)	(165,505)	(1,384,284)	-
Sale of capital assets	-	-	12,126	-
Acquisition or construction of capital assets	(5,511,566)	(3,153,761)	(16,561,284)	-
Net cash provided (used) by capital and related financing activities	<u>(832,575)</u>	<u>(3,909,270)</u>	<u>(17,992,330)</u>	<u>-</u>
Cash Flows from Investing Activities				
Investment earnings	-	66,874	235,864	245,309
Net increase (decrease) in cash and cash equivalents	-	(1,380,673)	1,610,542	282,679
Cash and cash equivalents - January 1, 2019	-	7,068,479	20,371,416	11,857,007
Cash and cash equivalents - December 31, 2019	<u>\$ -</u>	<u>\$ 5,687,806</u>	<u>\$ 21,981,958</u>	<u>\$ 12,139,686</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 50,003	\$ 1,330,644	\$ 17,261,272	\$ (763,197)
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	1,318,551	1,389,581	8,533,033	64,038
Change in assets and liabilities:				
Decrease (increase) in receivables	272,526	132,704	416,836	(338,039)
Decrease (increase) in inventories	(91,948)	2,745	152,758	(2,781)
Decrease (increase) in prepaids	11,754	(764,577)	(4,017,009)	-
Decrease (increase) in deferred pension obligation outflows	-	187,043	1,198,813	206,366
Decrease (increase) in OPEB outflows	-	256,905	2,245,672	-
Increase (decrease) in payables	(488,790)	24,759	(607,755)	946,686
Increase (decrease) in OPEB liability	-	-	(6,123,895)	-
Increase (decrease) in unearned revenues	-	18,024	74,864	-
Increase (decrease) in deferred pension obligation inflows	-	(140,219)	(973,613)	(74,168)
Increase (decrease) in pension liability	-	55,440	(138,767)	23,696
Increase (decrease) in OPEB inflows	-	349,925	4,584,594	-
Total adjustments	<u>1,022,093</u>	<u>1,512,330</u>	<u>5,345,531</u>	<u>825,798</u>
Net cash provided (used) by operating activities	<u>\$ 1,072,096</u>	<u>\$ 2,842,974</u>	<u>\$ 22,606,803</u>	<u>\$ 62,601</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, 2019**

Noncash Investing, Capital and Financing Activities

Water

Capital contributions are reported net of timing differences totaling \$12,440 due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$230 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$12,245 due to receivables.

Steam

Capital contributions are reported net of timing differences totaling \$226,556 due to receivables.

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Other Postemployment Benefits Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 49,068	\$ 2,679,869
Receivables:		
Loans	-	398,904
Accounts receivable	353,046	-
Investments, at fair value:		
Fixed income pool	18,372,059	-
Equity pool	<u>52,736,493</u>	<u>-</u>
Total Assets	<u>71,510,666</u>	<u>\$ 3,078,773</u>
Liabilities		
Accounts payable	\$ -	\$ 6,939
Due to agency	<u>-</u>	<u>3,071,834</u>
Total Liabilities	<u>-</u>	<u>\$ 3,078,773</u>
Net Position Restricted for postemployment benefits other than pensions	<u>\$ 71,510,666</u>	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Additions

Employer Contributions	<u>\$ 11,642,994</u>
Investment earnings:	
Interest and dividends	1,500,343
Net increase in fair value of investments	12,736,135
Less investment expenses	(4,173)
Net investment earnings	<u>14,232,305</u>
Total Additions	<u>25,875,299</u>

Deductions

Benefits	<u>10,769,326</u>
Net increase in net position	15,105,973

Net Position restricted for postemployment benefits other than pensions

Net Position - January 1, 2019	<u>56,404,693</u>
Net Position - December 31, 2019	<u>\$ 71,510,666</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2019**

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Assets						
Cash and cash equivalents	\$ 7,045,174	\$ 779,530	\$ 2,591,259	\$ 7,971,523	\$ 460,826	\$ 18,848,312
Receivables, net:						
Taxes	120,187	-	-	-	-	120,187
Accounts	33,012	1,195,195	578,174	137,945	173,272	2,117,598
Loans	7,630,697	-	-	-	-	7,630,697
Grants	-	-	222,541	-	-	222,541
Due from primary government	-	814,879	-	35	-	814,914
Due from other governments	-	-	-	1,068,845	-	1,068,845
Inventories	-	202,405	26,820	269,040	91,192	589,457
Prepays	-	45,698	62,848	69,992	44,235	222,773
Restricted assets:						
Cash and cash equivalents	-	1,116,724	144,000	-	-	1,260,724
Accounts receivable	-	1,195	49,309	-	-	50,504
Grants receivable	-	-	3,747,492	-	-	3,747,492
Planning and development costs	-	-	913,574	-	9,441	923,015
Capital assets, net:						
Non-depreciable	4,060,403	1,622,243	4,212,955	222,367	2,603,316	12,721,284
Depreciable	7,696,592	79,183,397	120,179,894	43,760,667	15,455,012	266,275,562
Total Assets	26,586,065	84,961,266	132,728,866	53,500,414	18,837,294	316,613,905
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	312,013	106,609	-	366,578	785,200
Deferred OPEB outflows	-	-	28,487	-	-	28,487
Total Deferred Outflow of Resources	-	312,013	135,096	-	366,578	813,687
Liabilities						
Accounts payable and other short-term liabilities	245,765	536,988	240,135	1,489,668	684,387	3,196,943
Contracts payable	170,664	-	1,129,631	-	-	1,300,295
Accrued interest payable	-	-	-	-	3,935	3,935
Due to primary government	281,462	4,077	92	-	1,202,438	1,488,069
Due to other government	-	-	-	-	11,107	11,107
Unearned revenue	-	850,377	104,650	118,635	850,407	1,924,069
Deposits	-	1,109,358	-	-	-	1,109,358
Non-current liabilities:						
Due within one year	-	163,062	1,080,706	569,138	332,507	2,145,413
Due in more than one year	-	4,845,658	11,660,105	-	2,234,948	18,740,711
Total Liabilities	697,891	7,509,520	14,215,319	2,177,441	5,319,729	29,919,900
Deferred Inflows of Resources						
Deferred pension obligation inflows	-	747,425	247,511	-	518,401	1,513,337
Deferred OPEB inflows	-	107,048	194,402	-	-	301,450
Total Deferred Inflow of Resources	-	854,473	441,913	-	518,401	1,814,787
Net Position						
Net investment in capital assets	11,564,495	80,805,640	115,968,959	43,983,034	16,650,066	268,972,194
Restricted for:						
Capital projects	6,576,003	-	-	6,585,765	-	13,161,768
Unrestricted	7,747,676	(3,896,354)	2,237,771	754,174	(3,284,324)	3,558,943
Total Net Position	\$25,888,174	\$ 76,909,286	\$ 118,206,730	\$ 51,322,973	\$ 13,365,742	\$ 285,692,905

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, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Economic Development Authority				
Governmental activities:				
Economic development	\$ 5,620,614	\$ 1,016,309	\$ 5,648	\$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	15,450,014	9,552,003	-	552,800
Duluth Airport Authority				
Business-type activities:				
Airport facility	14,887,490	7,145,963	-	13,570,892
Duluth Transit Authority				
Business-type activities:				
Public transportation	24,213,284	3,026,839	16,855,133	1,923,503
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	6,494,143	5,434,040	-	462,342
Total Component Units	<u>\$ 66,665,545</u>	<u>\$ 26,175,154</u>	<u>\$ 16,860,781</u>	<u>\$ 16,509,537</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net (Expense) Revenue and Changes in Net Position						
Functions/Programs	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Duluth Economic Development Authority						
Governmental activities:						
Economic development	\$ (4,598,657)	\$ -	\$ -	\$ -	\$ -	\$ (4,598,657)
Duluth Entertainment and Convention Center Authority						
Business-type activities:						
Entertainment and convention facility	-	(5,345,211)	-	-	-	(5,345,211)
Duluth Airport Authority						
Business-type activities:						
Airport facility	-	-	5,829,365	-	-	5,829,365
Duluth Transit Authority						
Business-type activities:						
Public transportation	-	-	-	(2,407,809)	-	(2,407,809)
Spirit Mountain Recreation Area Authority						
Business-type activities:						
Ski hill operations	-	-	-	-	(597,761)	(597,761)
Total Component Units						(7,120,073)
General Revenues:						
Property taxes	2,903,174	-	-	1,497,209	-	4,400,383
Sales taxes	-	1,869,144	-	-	-	1,869,144
Investment income	200,019	28,862	31,921	100,468	-	361,270
Miscellaneous	496,351	535,989	-	-	322,415	1,354,755
Total General Revenues and Transfers	3,599,544	2,433,995	31,921	1,597,677	322,415	7,985,552
Change in Net Position	(999,113)	(2,911,216)	5,861,286	(810,132)	(275,346)	865,479
Net Position - Beginning,	26,887,287	79,820,502	112,345,444	52,133,105	13,641,088	284,827,426
Net Position - Ending	<u>\$25,888,174</u>	<u>\$ 76,909,286</u>	<u>\$ 118,206,730</u>	<u>\$ 51,322,973</u>	<u>\$13,365,742</u>	<u>\$ 285,692,905</u>

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

Notes to the Financial Statements

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

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

The governing board of each component unit is appointed by the Mayor and approved by the City Council, except for the DECC, which has seven City appointees and four directors appointed by the Governor of Minnesota. Three of the seven board members of DEDA must be City Councilors.

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

Combining statements for the City's component units are presented in the basic financial statements section of this report. Financial statements for DEDA are included as schedules in the supplementary information section of this report. Complete financial statements for each of the other component units can be obtained from their respective offices at the following addresses:

Duluth Economic Development Authority
411 West First Street Room 402
Duluth, MN 55802

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
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**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

Internal Service Funds	These funds account for fleet services, insurance coverage for property, casualty, liability, workers' compensation, medical and dental claims, and compensated absences, provided to other departments, employees, authorities of the City, or to other governmental units, on a cost reimbursement basis.
Trust Fund	This fund accounts for an irrevocable trust established for funding other postemployment benefits for eligible retired employees under a single-employer defined benefit plan.
Agency Fund	This fund accounts for assets held by the City as an agent for the Duluth 1200 Loan Fund.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2019. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

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

RECEIVABLES AND PAYABLES

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

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

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

Loans receivable include both the current and long-term portions of loans issued by the City. Business development loans are reported in both special revenue and 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 unavailable revenue equal to the loan amount, and recognize revenue when principal payments are received. Loans made at terms where the stated interest rate is significantly less than prevailing market interest rates are reported as an asset at the present value of the loan. Low interest home energy loans accounted for in the Gas Enterprise Fund, report a loan receivable and a contract payable in the amount of the loan agreement.

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assessments for street improvements are reported in a governmental fund, and revenues are deferred until the collections are received. Assessments for utility improvements are reported in proprietary funds.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category: unavailable revenue, deferred pension obligations, and OPEB inflows. These amounts are recognized as an inflow of resources in the period that the amounts become available.

INVENTORIES AND PREPAID ITEMS

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

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

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

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

The City Council has authorized the Department of Public Works and Utilities to enter into cooperative agreements for the purpose of purchasing and storing natural gas for future use.

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

RESTRICTED ASSETS

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS

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

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

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	10-75

COMPENSATED ABSENCES

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUND EQUITY

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

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

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

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

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

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

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2019, 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.

PENSIONS

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The Mayor, Chief Administrative Officer, or a designee may make transfers between appropriations. However, the total of all transfers to or from any budget item in excess of 10% of that budget item must be approved by the City Council. The budget ordinance allows the budget to be increased for reimbursements received for damages or repairs to city property or work done for others and not anticipated in the original budget. It also allows for grants accepted by city council resolution to be added to the budget. Finally, the budget ordinance requires that use of the General Fund's fund balance that has been assigned in a prior year must be approved by the Council if used for a purpose other than what had been specified. The Council may revise the budget at any time by ordinance upon recommendation of the Administration.

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2019. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$3,608,514, Home Investment Partnerships Program - \$123,235, and Senior Employment - \$2,014. These deficits will be eliminated upon receipt of the grant funds. The Lake Superior Zoo deficit fund balance of \$406,497 will be eliminated through operational changes and efficiencies.

The Special Assessment capital project fund had a deficit fund balance of \$181,434 at the end of the current fiscal year which will be eliminated through future special assessment collections.

The Fleet Services internal service fund had a deficit net position of \$900,081 at the end of the current fiscal year which will be eliminated through future charges.

The Golf enterprise fund had a deficit net position of \$1,339,743 at the end of the current fiscal year which will be eliminated through operational changes and efficiencies.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position

Governmental Activities	
Cash and cash equivalents	\$ 60,374,435
Investments, at fair value	26,871,570
Assets held by trustee	7,935,383
Business-type Activities	
Cash and cash equivalents	17,144,126
Cash and cash equivalents - restricted assets	4,837,832
Discrete Component Units	
Cash and cash equivalents	18,848,312
Cash and cash equivalents - restricted assets	1,260,724

Statement of Fiduciary Net Position

Cash and cash equivalents	2,728,937
Investments, at fair value	71,108,552

Total Cash and Investments	<u><u>\$ 211,109,871</u></u>
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DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2019, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. DEPOSITS AND INVESTMENTS (continued)

2) any security which is (1) a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; (2) a security which is a revenue obligation of any state or local government which is rated "AA" or better by a national bond rating service; and (3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.

3) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks.

5) in general obligation temporary bonds of the same governmental entity issued under Minnesota Statutes § 429.091, subdivision 7, § 469.178, subdivision 5, or § 475.61, subdivision 6.

6) repurchase agreements consisting of collateral allowable in Minnesota Statute § 118A.04, and reverse repurchase agreements may be entered into with any of the following entities:

- (1) a financial institution qualified as a "depository" of public funds of the government entity;
- (2) any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;
- (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
- (4) a securities broker-dealer licensed pursuant to chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.

Reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs. In no event may reverse repurchase agreements be entered into for the purpose of generating cash for investments, except as stated in Minnesota Statute § 118A.05, subdivision 3.

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

8) agreements or contracts for:

- (1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.05, subdivision 2;
- (2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.05;
- (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or
- (4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. DEPOSITS AND INVESTMENTS (continued)

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

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, 2019, the City had the following investments:

Investment Type	Fair Value	Less than 1 year	1-5 years	Over 5 Years
U.S. Government Agency Securities	\$ 77,740,770	\$ 72,411,438	\$ 5,329,332	\$ -
Negotiable Certificates of Deposit	19,811,089	1,192,901	18,618,188	-
Municipal Bonds	9,974,725	1,562,635	8,412,090	-
Commercial Paper	517,919	517,919	-	-
Mutual Funds	100,426,964	100,426,964	-	-
Total Investments	208,471,467	\$ 176,111,857	\$ 32,359,610	\$ -
Deposits	2,638,404			
Total Deposits and Investments	<u>\$ 211,109,871</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, 2019, is as follows:

S & P Rating	Fair Value
AAA	\$ 5,158,079
AA+	79,493,885
AA	2,559,706
AA-	503,825
<u>Moody's Rating</u>	
Aaa	2,446,842
P-1	517,919
<u>Not Rated</u>	
Mutual Funds	97,980,122
Negotiable Certificates of Deposit	19,811,089
Total	<u>\$ 208,471,467</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, 2019, none of the City's investments were subject to custodial credit risk.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

3. DEPOSITS AND 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 United States government and agency securities can be held without limit. Other investments in a single security type or with a single financial institution shall not exceed 50% of the City's total investment portfolio. The City limits its commercial paper holdings to a maximum of \$5,000,000 in any issuer. Investments in any one issuer that represent 5% or more of the City's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 67,804,265

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

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

At December 31, 2019, the City of Duluth had the following recurring fair value measurements.

<u>Investments By Fair Value Level</u>	<u>12/31/2019</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government Agency Securities	\$ 77,740,770	\$ 5,420,183	\$ 72,320,587	\$ -
Negotiable Certificates of Deposit	19,811,089	-	19,811,089	-
Municipal Bonds	9,974,725	-	9,974,725	-
Commercial Paper	517,919	-	517,919	-
Total Investments by Fair Value	108,044,503	\$ 5,420,183	\$ 102,624,320	\$ -
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	2,446,842			
Total Investments by Fair Value and Measured at NAV	110,491,345			
Deposits	2,638,404			
State Board of Investment Funds	97,980,122			
Total Deposits and Investments	\$ 211,109,871			

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

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

The City holds \$52,736,493 in the Internal Equity Pool and \$18,372,059 in the Internal Fixed Pool, with the State Board of Investment, an external investment pool, related to the City's Other Postemployment Benefits Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute § 353.95, the City may only redeem these funds for the use of postemployment benefits. The City invests in this pool due to the increased investment authority, historical rates of return on investments, and the reduction of the postemployment benefit liability recorded in its financial statements.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

3. DEPOSITS AND INVESTMENTS (continued)

The City also holds \$20,355,715 in the Internal Equity Pool, \$6,515,849 in the Internal Fixed Pool, and \$6 in the Cash Pool, with the State Board of Investment, an external investment pool, related to the City's Community Investment Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. The City invests in this pool, in accordance with Minnesota Statute § 11A.235, due to the increased investment authority and historical rates of return on investments.

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 45 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2019, was 98.4%.

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 \$286,816. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2019, are as follows:

Water	\$ 129,839
Gas	454,795
Sewer	222,372
Steam	36,087
Nonmajor	83,350
Total Uncollectible	<u>\$ 926,443</u>

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following schedule shows the detail of deferred inflows of resources at December 31, 2019:

General	
Assessments	\$ 912,811
Grants	161,785
Loans	1,822,063
Taxes	449,059
Disaster Recovery	
Grants	4,072,453
General Obligation	
Loans	14,385,000
Taxes	179,140
Nonmajor	
Assessments	2,626,398
Grants	2,038,267
Loans	3,788,756
Taxes	146,827
Total for Governmental Funds	<u>\$ 30,582,559</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,859,321	\$ -	\$ -	\$ 22,859,321
Construction in progress	27,755,450	14,801,112	19,078,990	23,477,572
Total capital assets, not being depreciated	<u>50,614,771</u>	<u>14,801,112</u>	<u>19,078,990</u>	<u>46,336,893</u>
Capital assets, being depreciated:				
Buildings	89,182,599	1,899,934	-	91,082,533
Equipment	39,592,155	3,085,607	209,229	42,468,533
Infrastructure	353,294,680	15,395,449	-	368,690,129
Total capital assets being depreciated	<u>482,069,434</u>	<u>20,380,990</u>	<u>209,229</u>	<u>502,241,195</u>
Less accumulated depreciation for:				
Buildings	48,356,977	3,475,326	-	51,832,303
Equipment	30,282,728	3,012,268	209,229	33,085,767
Infrastructure	157,338,668	10,710,683	-	168,049,351
Total accumulated depreciation	<u>235,978,373</u>	<u>17,198,277</u>	<u>209,229</u>	<u>252,967,421</u>
Total capital assets, being depreciated, net	<u>246,091,061</u>	<u>3,182,713</u>	<u>-</u>	<u>249,273,774</u>
Governmental activities capital assets, net	<u>\$ 296,705,832</u>	<u>\$ 17,983,825</u>	<u>\$ 19,078,990</u>	<u>\$ 295,610,667</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ -	\$ -	\$ 4,649,458
Construction in progress	14,916,988	13,854,370	7,610,000	21,161,358
Total capital assets, not being depreciated	<u>19,566,446</u>	<u>13,854,370</u>	<u>7,610,000</u>	<u>25,810,816</u>
Capital assets, being depreciated:				
Buildings	83,354,294	-	-	83,354,294
Equipment	56,191,249	1,207,808	894,895	56,504,162
Infrastructure	265,528,450	8,884,639	144,008	274,269,081
Total capital assets, being depreciated	<u>405,073,993</u>	<u>10,092,447</u>	<u>1,038,903</u>	<u>414,127,537</u>
Less accumulated depreciation for:				
Buildings	33,807,722	1,661,370	-	35,469,092
Equipment	35,324,069	2,964,142	883,569	37,404,642
Infrastructure	63,137,690	3,907,518	87,437	66,957,771
Total accumulated depreciation	<u>132,269,481</u>	<u>8,533,030</u>	<u>971,006</u>	<u>139,831,505</u>
Total capital assets, being depreciated, net	<u>272,804,512</u>	<u>1,559,417</u>	<u>67,897</u>	<u>274,296,032</u>
Business-type activities capital assets, net	<u>\$ 292,370,958</u>	<u>\$ 15,413,787</u>	<u>\$ 7,677,897</u>	<u>\$ 300,106,848</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,562,525
Public Safety	2,200,218
Public works, including depreciation of general infrastructure assets	10,982,957
Culture and recreation	2,235,562
Urban and economic development	152,976
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>64,038</u>
Total depreciation expense - governmental activities	<u><u>\$ 17,198,277</u></u>

Business-type activities:	
Parking	\$ 567,526
Priley Drive Parking Facility	520,571
Water	1,752,474
Gas	1,515,603
Sewer	2,036,253
Golf	92,642
Stormwater	437,762
Steam	1,318,548
Street Lighting	<u>291,651</u>
Total depreciation expense - business-type activities	<u><u>\$ 8,533,030</u></u>

<u>COMPONENT UNITS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 10,900,877	\$ 65,405	\$ 38,833	\$ 10,927,449
Construction in progress	896,667	14,776,547	13,879,379	1,793,835
Total capital assets, not being depreciated	<u>11,797,544</u>	<u>14,841,952</u>	<u>13,918,212</u>	<u>12,721,284</u>
Capital assets, being depreciated:				
Buildings	321,025,458	438,504	1,670,356	319,793,605
Equipment	88,984,559	3,337,297	5,267,757	87,054,099
Infrastructure	127,768,251	13,846,945	-	141,615,195
Other	1,095,138	46,660	89,593	1,052,205
Total capital assets being depreciated	<u>538,873,406</u>	<u>17,669,406</u>	<u>7,027,706</u>	<u>549,515,104</u>
Less accumulated depreciation for:				
Buildings	129,938,073	10,068,834	703,605	139,303,302
Equipment	58,810,572	4,807,234	5,211,424	58,406,382
Infrastructure	78,406,554	6,519,853	-	84,926,407
Other	645,195	47,849	89,593	603,451
Total accumulated depreciation	<u>267,800,394</u>	<u>21,443,770</u>	<u>6,004,622</u>	<u>283,239,542</u>
Total capital assets, being depreciated, net	<u>271,073,012</u>	<u>(3,774,364)</u>	<u>1,023,084</u>	<u>266,275,562</u>
Component unit capital assets, net	<u><u>\$ 282,870,556</u></u>	<u><u>\$ 11,067,588</u></u>	<u><u>\$ 14,941,296</u></u>	<u><u>\$ 278,996,846</u></u>

Depreciation expense was charged to component units as follows:

Duluth Economic Development Authority	\$ 956,909
Duluth Entertainment and Convention Center Authority	3,722,886
Duluth Airport Authority	9,830,435
Duluth Transit Authority	5,814,334
Spirit Mountain Recreation Area Authority	<u>1,119,206</u>
Total depreciation expense - component units	<u><u>\$ 21,443,770</u></u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2019, the City had construction commitments of approximately \$10,395,790 for various utility improvements. The Duluth Airport Authority component unit had construction commitments of \$3,164,822 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.

At December 31, 2019, the City had purchase commitments represented by open encumbrances. These are included as part of fund balance as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 728,570
Disaster Recovery	5,644,311
Other Governmental Funds	22,015,489
Total Purchase Commitments	<u>\$ 28,388,370</u>

DISASTER DAMAGE REPAIR COMMITMENTS

The City incurred significant damage to its shoreline infrastructure due to three unprecedented storm surges in October 2017, April 2018, and again in October 2018. The City submitted a request for federal and state aid for repair work which is estimated to be \$30 million as of December 31, 2019.

9. RISK MANAGEMENT

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

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

The self-insurance for workers' compensation covers up to \$500,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association (WCRA), an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The WCRA provides full indemnification for the City for claims arising under Minnesota Statute 176 in excess of the \$500,000 retention limit.

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

9. RISK MANAGEMENT (continued)

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 \$76,882 for various claims and cases which are considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making a liability estimate. The amount of these estimated liabilities is not reflected in the financial statements. Changes in the balances of the self-insurance fund's liability during 2018 and 2019 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2018	\$ 1,101,722	547,801	479,747	\$ 1,169,776
2019	\$ 1,169,776	550,575	641,115	\$ 1,079,236

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental of Minnesota, HealthPartners, 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 HealthPartners. The stop-loss policy has an individual limit of \$500,000 and an aggregate limit of 120% of projected claims for the year. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2018 and 2019 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2018	\$ 1,428,823	11,445,161	11,185,094	\$ 1,688,890
2019	\$ 1,688,890	14,213,879	13,256,353	\$ 2,646,416

10. LEASE OBLIGATIONS

OPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities and equipment. The following is a summary of the approximate operating lease expense for 2019:

Type of Property	Governmental Activities	Component Units
Impound lot	\$ 3,724	\$ -
Land & right-of-way	25,878	59,685
Buildings	523,999	-
Equipment	666,584	4,500
Total Expense	<u>\$ 1,220,185</u>	<u>\$ 64,185</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, 2019:

Year Ending December 31	Governmental Activities	Component Units
2020	\$ 20,265	\$ 59,685
2021	20,264	59,685

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

10. LEASE OBLIGATIONS (continued)

Year Ending December 31	Governmental Activities	Component Units
2022	1,000	59,685
2023	1,000	59,685
2024	1,000	59,685
2025-2029	5,000	298,423
2030-2034	5,000	298,423
2035-2039	5,000	298,423
2040-2044	5,000	179,052
2045-2049	5,000	-
2050-2054	5,000	-
2055-2059	5,000	-
2060-2064	1,000	-
Total minimum payments required	<u>\$ 79,529</u>	<u>\$ 1,372,746</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$1,372,746 at December 31, 2019.

CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2019, consist of the following capital assets shown at original costs as summarized below:

Type of Property	Business-Type Activities	Component Units
Equipment	\$ 9,377,739	\$ 3,177,967
Less: Accumulated amortization	(6,564,417)	(1,459,579)
Total Expense	<u>\$ 2,813,322</u>	<u>\$ 1,718,388</u>

Minimum future lease payments are:

Year Ending December 31	Business-Type Activities	Component Units
2020	\$ 831,661	\$ 257,692
2021	831,660	213,208
2022	831,660	213,208
2023	831,661	213,208
2024	415,830	213,208
2025-2029	-	91,015
Total minimum lease payments	<u>3,742,472</u>	<u>1,201,539</u>
Less: Imputed interest	(331,295)	(116,862)
Present value of minimum lease payments	<u>\$ 3,411,177</u>	<u>\$ 1,084,677</u>

11. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2019, follows:

	Balance 01/01/19	Additions	Deductions	Balance 12/31/19
Duluth Economic Development Authority Accounts Payable	\$ 54,167	-	54,167	\$ -

Represents temporary financing obtained from the Duluth 1200 Fund for public costs associated with the Cirrus Design Corporation expansion project at the Duluth International Airport; to be repaid through tax abatement agreements, tax increment financing, and building rent receipts.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019, follows:

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 87,485,000	\$ 10,945,000	\$ 17,060,000	\$ 81,370,000	\$ 5,120,000
General Obligation - Tax Abatement	12,605,000	-	835,000	11,770,000	855,000
Special Assessment Debt with Government Commitment	5,165,000	-	2,040,000	3,125,000	1,505,000
General Obligation Certificates	14,295,000	3,070,000	3,315,000	14,050,000	3,310,000
Add Deferred Amounts:					
For Bond Premiums	7,648,234	2,832,464	876,096	9,604,602	-
Revenue Notes	2,636,000	2,636,000	2,651,000	2,621,000	15,000
Pension Liability	41,708,117	987,140	-	42,695,257	-
Compensated Absences	3,110,129	3,356,206	3,302,964	3,163,371	3,163,371
Claims and Judgments	2,858,666	14,764,454	13,897,468	3,725,652	2,895,257
Net Other Postemployment Benefits Payable	114,007,746	-	22,764,280	91,243,466	-
Total Governmental Long-Term Liabilities	\$ 291,518,892	\$ 38,591,264	\$ 66,741,808	\$ 263,368,348	\$ 16,863,628
Business-Type Activities:					
Bonds Payable:					
Revenue and General Obligation Bonds	\$ 35,097,475	\$ -	\$ 3,417,607	\$ 31,679,868	\$ 3,169,730
Add Deferred Amounts:					
For Bond Premiums	222,695	-	55,318	167,377	-
General Obligation Public Facilities Authority Notes	15,474,000	-	2,270,000	13,204,000	2,123,000
Capital Leases Payable	4,094,080	-	682,903	3,411,177	709,031
Loans Payable	62,485	-	50,004	12,481	-
Pension Liability	10,653,355	-	138,767	10,514,588	-
Compensated Absences	896,106	1,118,950	1,096,879	918,177	918,177
Net Other Postemployment Benefits Payable	6,123,895	-	6,123,895	-	-
Total Business-Type Long-Term Liabilities	\$ 72,624,091	\$ 1,118,950	\$ 13,835,373	\$ 59,907,668	\$ 6,919,938
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Compensated Absences	\$ 184,561	\$ 197,216	\$ 155,712	\$ 226,065	\$ 163,062
Pension Liability	3,295,268	-	66,463	3,228,805	-
Net Other Postemployment Benefits Payable	1,639,761	-	85,911	1,553,850	-
Duluth Transit Authority					
Compensated Absences	603,777	569,138	603,777	569,138	569,138

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. LONG-TERM DEBT (continued)

	Balance 01/01/19	Additions	Deletions	Balance 12/31/19	Due Within One Year
Duluth Airport Authority					
Notes Payable	35,911	-	35,911	-	-
Loans Payable	9,360,556	-	936,666	8,423,890	961,667
Compensated Absences	120,905	110,116	111,982	119,039	119,039
Unearned Revenue	398,603		34,508	364,095	
Pension Liability	1,037,399	2,011	-	1,039,410	-
Net Other Postemployment Benefits Payable	2,865,609		71,232	2,794,377	-
Spirit Mountain Recreation Area Authority					
Capital Leases	1,292,960	-	208,283	1,084,677	219,984
Pension Liability	1,723,661	-	353,406	1,370,255	-
Compensated Absences	103,790	112,523	103,790	112,523	112,523
Total Component Unit Long-Term Liabilities	<u>\$ 22,662,761</u>	<u>\$ 991,004</u>	<u>\$ 2,767,641</u>	<u>\$ 20,886,124</u>	<u>\$ 2,145,413</u>

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2020	3,044,183	5,120,000	468,256	3,310,000	298,294	855,000
2021	2,990,089	5,055,000	382,250	3,450,000	281,044	870,000
2022	2,825,701	5,235,000	260,925	2,900,000	263,444	890,000
2023	2,653,408	5,290,000	156,575	2,205,000	244,166	905,000
2024	2,473,440	5,565,000	71,750	1,500,000	222,792	925,000
2025-2029	9,119,555	29,525,000	17,125	685,000	729,898	5,005,000
2030-2034	2,835,619	25,440,000	-	-	94,155	2,320,000
2035	2,380	140,000	-	-	-	-
Total	<u>\$ 25,944,375</u>	<u>\$ 81,370,000</u>	<u>\$ 1,356,881</u>	<u>\$ 14,050,000</u>	<u>\$ 2,133,793</u>	<u>\$ 11,770,000</u>

United States Department of Housing and Urban Development Revenue Notes

During 2005, and since refunded in 2019, \$7,876,000 revenue notes were issued for the Fifth Street Redevelopment Project. Repayment of the notes shall be from tax credit equity participation amounts, surplus cash, tax savings, anticipated tax increment financing, interest reserve account and additional funds previously paid by the developer and held by the City.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

12. LONG-TERM DEBT (continued)

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

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2020	71,626	15,000
2021	71,244	15,000
2022	70,858	20,000
2023	70,349	20,000
2024	69,826	30,000
2025	69,025	2,521,000
Total	<u>\$ 422,928</u>	<u>\$ 2,621,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$3,125,000 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds.

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

Year Ending December 31	Special Assessment Bonds	
	Interest	Principal
2020	85,925	1,505,000
2021	43,525	975,000
2022	16,600	460,000
2023	3,700	185,000
Total	<u>\$ 149,750</u>	<u>\$ 3,125,000</u>

Other Debt

Governmental activities compensated absences and net other postemployment benefit obligations are liquidated primarily through the General Fund.

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

General Obligation Public Facilities Authority Notes

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. LONG-TERM DEBT (continued)

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2020	983,862	3,169,730	162,078	2,123,000
2021	906,119	2,994,344	135,533	2,149,000
2022	829,780	2,751,639	108,649	2,090,000
2023	754,856	2,514,432	82,260	1,908,000
2024	681,919	2,402,741	57,843	1,932,000
2025-2029	2,490,621	7,487,937	66,654	3,002,000
2030-2034	1,683,396	3,931,240	-	-
2035-2039	1,035,230	2,872,243	-	-
2040-2044	358,189	3,555,562	-	-
Total	<u>\$ 9,723,972</u>	<u>\$ 31,679,868</u>	<u>\$ 613,017</u>	<u>\$ 13,204,000</u>

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

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

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

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

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

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	Issue Date	Amount Outstanding	Total
Governmental Activities:			
General Obligation Bonds Payable:			
Airpark Improvement	09/01/2004	\$ 85,000	
Capital Improvement	12/17/2009	755,000	
Capital Improvement	11/23/2010	485,000	
Capital Improvement	11/29/2011	620,000	
Airport Improvement	05/24/2012	4,895,000	
Airport Improvement	12/18/2013	2,730,000	

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Capital Improvement	12/18/2013	960,000	
Capital Improvement - Lakewalk	12/18/2013	1,050,000	
Wade Stadium Improvement	10/30/2014	1,820,000	
Spirit Mountain Improvement	10/30/2014	1,815,000	
Capital Improvement	10/30/2014	700,000	
Capital Improvement	11/05/2015	1,170,000	
Airport Improvement	11/05/2015	2,400,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	10,420,000	
Duluth Entertainment and Convention Center Improvement			
Refunding	03/22/2016	32,630,000	
Capital Improvement	11/09/2016	935,000	
Capital Improvement	11/21/2017	1,420,000	
Capital Improvement - Seawall	02/14/2018	4,225,000	
Capital Improvement	09/27/2018	1,310,000	
Capital Improvement	10/09/2019	1,190,000	
Capital Improvement Refunding	10/09/2019	<u>9,755,000</u>	
Total General Obligation Bonds Payable			\$ 81,370,000
General Obligation Tax Abatement:			
Spirit Mountain Tax Abatement Bonds	02/23/2012	4,850,000	
GO Tax Abatement (Cirrus)	03/22/2016	<u>6,920,000</u>	11,770,000
Special Assessment Debt with Government Commitment	4 issues	<u>3,125,000</u>	3,125,000
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable	6 issues	<u>14,050,000</u>	<u>14,050,000</u>
Total Governmental Activities Debt			<u>110,315,000</u>
Business-type Activities Debt:			
Revenue and General Obligation Bonds Payable:			
Parking Fund	1 issue	6,175,000	
Priley Drive Parking Facility	1 issue	12,229,869	
Water Fund	3 issues	4,391,000	
Steam Fund	2 issues	5,690,000	
Sewer Fund	6 issues	2,773,999	
Stormwater Fund	1 issue	<u>420,000</u>	
Total Revenue and General Obligation Bonds Payable			<u>31,679,868</u>
Total Business-type Activities Debt			<u>31,679,868</u>
Total Bonds Payable			<u>141,994,868</u>
Deductions Allowable:			
Airpark Improvement	09/01/2004	85,000	
Airport Improvement	05/24/2012	4,895,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	4,850,000	
Airport Improvement	12/18/2013	2,730,000	
Wade Stadium Improvement	10/30/2014	1,820,000	
Spirit Mountain Improvement	10/30/2014	1,815,000	
Airport Improvement	11/05/2015	2,400,000	
Capital Improvement 1/2 & 1/2	11/05/2015	10,420,000	
Duluth Entertainment and Convention Center Authority			
Refunding	03/22/2016	32,630,000	
GO Tax Abatement (Cirrus)	03/22/2016	6,920,000	
Special Assessment		3,125,000	

(continued)

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

12. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Parking Fund		6,175,000	
Priley Drive Parking Facility		12,229,869	
Water Fund		4,391,000	
Steam Fund		5,690,000	
Sewer Fund		2,773,999	
Stormwater Fund		420,000	
Total Deductions Allowable			103,369,868
Net Debt			\$ 38,625,000
Legal Debt Margin for Duluth			
Taxable Market Value (6,534,657,950 X 2%)			\$ 130,693,159

<u>Overlapping Debt to Duluth</u>			
Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 42,690,000	88.27%	\$ 37,681,534
Independent School District 704	25,390,000	6.34%	1,610,705
St. Louis County	136,015,000	38.31%	52,106,131
			\$ 91,398,370

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 2019 the City issued \$9,755,000 General Obligation Capital Improvement Refunding Bonds. The transaction resulted in a net present value savings of \$1,603,081 and a reduction in future debt service payments of \$1,773,978. The proceeds from this issue were used to advance refund the City's Series 2009C General Obligation Capital Improvement Bonds.

The following refunded bonds are scheduled to be recalled on February 1, 2020.

Series	Date	Issue	Balance
2009C	12/17/2009	General Obligation Capital Improvement bonds	\$ 11,905,000

Advance Refunding Bonds

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. LONG-TERM DEBT (continued)

All advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Street Improvement	11/27/2012	6,905,000	1,080,000
General Obligation Improvement	10/30/2014	865,000	180,000
Street Improvement	11/05/2015	2,630,000	1,500,000
Capital Improvement Refunding	10/09/2019	9,755,000	9,755,000
Advance Refunding Bonds:			
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	33,470,000	32,630,000
Total Governmental Activities		<u>\$ 53,625,000</u>	<u>\$ 45,145,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Steam Utility Revenue and General Obligation	11/27/2012	5,475,000	1,675,000
Water Utility Revenue and General Obligation	11/05/2015	515,000	265,000
Sewer Utility Revenue and General Obligation	11/05/2015	1,110,000	665,000
Sewer Utility Revenue and General Obligation	11/05/2015	350,000	180,000
Stormwater Utility Revenue and General Obligation	11/05/2015	790,000	420,000
Advance Refunding Bonds:			
Sewer Utility Revenue and General Obligation	11/29/2011	2,265,000	345,000
Sewer Utility Revenue and General Obligation	11/27/2012	2,000,000	605,000
Parking Improvements	11/27/2012	10,270,000	6,175,000
Total Business-type Activities		<u>\$ 22,775,000</u>	<u>\$ 10,330,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2019, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate and Dates		Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation						
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04	02-01-20	\$ 945,000	\$ 85,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09	02-01-20	7,085,000	755,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-21	2,175,000	485,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11	02-01-22	1,870,000	620,000
Airport Improvement	2.00 to 3.25%	02/01; 08/01	05-24-12	02-01-28	7,650,000	4,895,000
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13	02-01-29	3,400,000	2,730,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13	02-01-24	1,795,000	960,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	1,050,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	1,820,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	1,815,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14	02-01-25	1,115,000	700,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	1,170,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	2,400,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	10,420,000
Duluth Entertainment and Convention						
Center Improvement Refunding	3.00 to 5.00%	02/01; 08/01	03-22-16	02-01-34	33,470,000	32,630,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16	02-01-27	1,135,000	935,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17	02-01-28	1,545,000	1,420,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18	02-01-34	4,450,000	4,225,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18	02-01-29	1,310,000	1,310,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19	02-01-30	1,190,000	1,190,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19	02-01-32	9,755,000	9,755,000
Total General Obligation					<u>102,820,000</u>	<u>81,370,000</u>
General Obligation -Tax Abatement						
Spirit Mountain Tax Abatement Bonds	2.00 to 3.00%	02/01; 08/01	02-23-12	02-01-30	7,055,000	4,850,000
GO Tax Abatement (Cirrus)	1.00 to 3.15%	02/01; 08/01	03-22-16	02-01-32	7,820,000	6,920,000
Total General Obligation - Tax Abatement					<u>14,875,000</u>	<u>11,770,000</u>
Special Assessment Debt with Government						
Commitment						
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	02-01-21	1,985,000	365,000
Street Improvement Refunding	2.00 to 3.00%	02/01; 08/01	11-27-12	02-01-21	6,905,000	1,080,000
General Obligation Improvement Refunding	1.50 to 2.00%	02/01; 08/01	10-30-14	02-01-20	865,000	180,000
Street Improvement Refunding	4.00%	02/01; 08/01	11-05-15	02-01-23	2,630,000	1,500,000
Total Special Assessment Debt with Government Commitment					<u>12,385,000</u>	<u>3,125,000</u>
General Obligation Certificates Payable						
Equipment	1.50 to 2.00%	02/01; 08/01	10-30-14	02-01-20	2,460,000	510,000
Equipment	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-21	3,325,000	1,390,000
Equipment	4.00%	02/01; 08/01	11-09-16	02-01-22	3,565,000	2,240,000
Equipment	3.00 to 4.00%	02/01; 08/01	11-21-17	02-01-23	3,615,000	2,955,000
Equipment	3.00 to 5.00%	02/01; 08/01	09-27-18	02-01-24	3,885,000	3,885,000
Equipment	5.00%	02/01; 08/01	10-09-19	02-01-25	3,070,000	3,070,000
Total General Obligation Certificates Payable					<u>19,920,000</u>	<u>14,050,000</u>
Total Governmental Activities					<u>\$150,000,000</u>	<u>\$110,315,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. LONG-TERM DEBT (continued)

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>	
Business-type Activities:						
Revenue and General Obligation Bonds Payable						
Parking Fund						
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12	02-01-26	\$ 10,270,000	\$ 6,175,000
Priley Drive Parking Facility						
Parking Improvement Tax Increment Refunding	4.00%	04/01; 10/01	05-15-14	04-01-44	11,500,000	12,229,869
Water Fund						
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	196,000	76,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-22	515,000	265,000
Water Utility Revenue and General Obligation Refunding	3.00 to 3.38%	02/01; 08/01	09-27-18	02-01-34	4,050,000	4,050,000
Total Water Fund				<u>4,761,000</u>	<u>4,391,000</u>	
Steam Fund						
Steam Utility Revenue and General Obligation Refunding	1.00 to 2.13%	02/01; 08/01	11-27-12	02-01-22	5,475,000	1,675,000
Steam Utility Revenue and General Obligation Refunding	3.00 to 3.20%	02/01; 08/01	11-05-15	02-01-27	4,015,000	4,015,000
Total Steam Fund				<u>9,490,000</u>	<u>5,690,000</u>	
Sewer Fund						
Sewer Utility Revenue and General Obligation Refunding	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	1,444,000	558,999
Sewer Utility Revenue and General Obligation Refunding	2.00 to 4.00%	02/01; 08/01	12-17-09	02-01-25	905,000	420,000
Sewer Utility Revenue and General Obligation Refunding	1.00 to 3.00%	02/01; 08/01	11-29-11	02-01-20	2,265,000	345,000
Sewer Utility Revenue and General Obligation Refunding	2.00%	02/01; 08/01	11-27-12	02-01-20	2,000,000	605,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-23	1,110,000	665,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-22	350,000	180,000
Total Sewer Fund				<u>8,074,000</u>	<u>2,773,999</u>	
Stormwater Fund						
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-22	790,000	420,000
Total Business-type Activities				<u>\$ 44,885,000</u>	<u>\$ 31,679,868</u>	

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

12. LONG-TERM DEBT (continued)

NOTES PAYABLE BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding	
Governmental Activities:						
Revenue Note						
U.S. Dept. of Housing and Urban Development	5.23 to 5.77%	01/22; 07/22	08-01-05	08-01-25	7,876,000	2,621,000
Total Governmental Activities				<u>\$ 7,876,000</u>	<u>\$ 2,621,000</u>	
Business-type Activities:						
General Obligation:						
Water Fund						
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	1,293,200	538,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-07-10	08-20-25	3,344,131	1,442,000
Public Facilities Authority Note	1.221%	02/20; 08/20	11-18-11	08-20-26	1,221,631	576,000
Public Facilities Authority Note	1.000%	02/20; 08/20	02-25-14	08-20-29	4,778,806	3,140,000
Total Water Fund				<u>10,637,768</u>	<u>5,696,000</u>	
Sewer Fund						
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07	08-20-22	1,973,033	465,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	298,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	931,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	3,753,059	1,587,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	8,504,224	3,540,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11	08-20-21	279,117	55,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-30-11	08-20-21	265,418	57,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11	08-20-21	278,149	61,000
Public Facilities Authority Note	1.000%	02/20; 08/20	09-10-12	08-20-22	476,537	145,000
Public Facilities Authority Note	1.000%	02/20; 08/20	10-29-14	08-20-24	860,847	369,000
Total Sewer Fund				<u>19,601,369</u>	<u>7,508,000</u>	
Total Business-type Activities				<u>\$ 30,239,137</u>	<u>\$ 13,204,000</u>	

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. FUND EQUITY

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2019, are as follows:

	General Fund	Disaster Recovery	Community Investment Trust	General Obligation	Other Governmental Funds	Total Fund Balance
Fund Balances:						
Spendable:						
Restricted for:						
Forfeitures	\$ 216,132	\$ -	\$ -	\$ -	\$ 178,186	\$ 394,318
Capital Projects	-	-	-	-	9,866,648	9,866,648
Community Development	-	-	-	-	880,087	880,087
Employment	-	-	-	-	269,641	269,641
Parks and Recreation	-	-	-	-	1,619,025	1,619,025
Public Access Television	-	-	-	-	604,330	604,330
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	2,407,188	2,407,188
Economic Development	-	-	-	-	866,015	866,015
Library	-	-	-	-	604,085	604,085
Tourism	-	-	-	-	932,313	932,313
Debt Service	-	-	-	14,196,703	6,718,095	20,914,798
Committed for:						
General Government	-	-	-	-	646,615	646,615
Community Investment	-	-	26,871,570	-	-	26,871,570
Energy Program	-	-	-	-	172,360	172,360
Municipal Arts	-	-	-	-	175,869	175,869
Parks and Recreation	-	-	-	-	516,512	516,512
Public Safety	35,958	-	-	-	110,134	146,092
Assigned to:						
General Government	2,282,340	-	-	-	-	2,282,340
Public Safety	614,523	-	-	-	-	614,523
Public Works	8,889	-	-	-	-	8,889
Economic Development	94,148	-	-	-	4,334	98,482
Capital Projects	-	-	-	-	1,937,743	1,937,743
Unassigned	14,437,169	(3,608,514)	-	-	(657,748)	10,170,907
Total Fund Balances	\$17,689,159	\$(3,608,514)	\$26,871,570	\$14,196,703	\$27,851,432	\$83,000,350

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS

DUE TO/FROM OTHER FUNDS

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances at December 31, 2019 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Water Enterprise	\$ 8,531
	Gas Enterprise	13,808
	Steam Enterprise	20,154
	Nonmajor Governmental Funds	346,050
	Nonmajor Enterprise Funds	28,623
	Internal Service Funds	641,417
Water Enterprise	General Fund	2,706
	Nonmajor Governmental Funds	20,252
	Internal Service Funds	20,295
Gas Enterprise	General Fund	1,020
	Nonmajor Governmental Funds	29,394
	Internal Service Funds	24,610
Sewer Enterprise	General Fund	1,392
	Nonmajor Governmental Funds	17,513
	Internal Service Funds	14,098
Steam Enterprise	Nonmajor Governmental Funds	508,343
	Internal Service Funds	247
Nonmajor Governmental Funds	General Fund	125,644
	Water Enterprise	159
	Gas Enterprise	167
	Sewer Enterprise	167
	Nonmajor Governmental Funds	911,697
	Nonmajor Enterprise Funds	355
	Internal Service Funds	14,330
Nonmajor Enterprise Funds	General Fund	14,353
	Steam Enterprise	1,955
	Nonmajor Governmental Funds	10,872
	Internal Service Funds	16,770
Internal Service Funds	General Fund	199
	Nonmajor Governmental Funds	12,063
Total		(1,2,3) <u>\$ 2,807,184</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 2,001,498
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	73,919
	Governmental Activities - Internal Service Funds	731,767
Total		<u>\$ 2,807,184</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2019, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2019.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Spirit Mountain Recreation Area Authority (4)	1,200,000
	Duluth Airport Authority (1,2,3)	92
	Duluth Entertainment and Convention Center Authority (1,2,3)	83
	Duluth Economic Development Authority (1,2,3)	100
Nonmajor Governmental Funds	Duluth Entertainment and Convention Center Authority (1,2,3)	3,994
	Spirit Mountain Recreation Area Authority (1,2,3)	3,941
Parking Enterprise Fund	Duluth Economic Development Authority (1,2,3,5)	257,661
Total Due From Component Units	Duluth Economic Development Authority (1,2,3)	23,701
		<u>\$ 1,489,572</u>
Total Due To Primary Government		\$ 1,488,069
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2019		(1,202,438)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2019		1,203,941
Total Due From Component Units		<u>\$ 1,489,572</u>
Component Unit:	Primary Government:	
Duluth Transit Authority	General Fund	\$ 30
	Water Enterprise Fund	5
Duluth Entertainment and Convention Center Authority	General Fund	597
	Nonmajor Governmental Funds	814,282
Total Due From Primary Government		<u>\$ 814,914</u>
Total Due To Component Units		<u>\$ 814,914</u>

INTERFUND LOAN RECEIVABLES/PAYABLES

Interfund loan balances are a result of temporary interfund financing at year-end to cover deficit cash balances within the various funds. Balances on December 31, 2019 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	\$ 6,389,368
Gas Enterprise Fund	2,510,937
Total	<u>\$ 8,900,305</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

Payable Fund	
Disaster Recovery Fund	\$ 2,651,192
Steam Enterprise Fund	2,510,937
Nonmajor Governmental Funds	665,074
Nonmajor Enterprise Funds	2,609,480
Internal Service Funds	463,622
Total	<u>\$ 8,900,305</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: (1) debt service payments, participation in projects, and reimbursements of expenditures; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2019, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General Fund	Community Investment Trust	(1) \$ 570,067
	Water Enterprise	(1) 138,262
	Gas Enterprise	(1,2) 2,836,118
	Sewer Enterprise	(1) 107,301
	Steam Enterprise	(2) 152,960
	Nonmajor Governmental Funds	(1) 2,793,458
	Nonmajor Enterprise Funds	(1,3) 1,912,541
General Obligation Debt Service Fund	Nonmajor Governmental Funds	(1) 5,001,164
Priley Drive Parking Facility Enterprise Fund	Nonmajor Governmental Funds	(1) 550,711
Water Enterprise	Nonmajor Governmental Funds	(1) 135,000
	Nonmajor Enterprise Funds	(1) 9,300
Gas Enterprise	Nonmajor Enterprise Funds	(1) 14,900
Sewer Enterprise	Nonmajor Enterprise Funds	(1) 7,450
Nonmajor Governmental Funds	General Fund	(1) 765,000
	Gas Enterprise	(1) 75,000
	Nonmajor Governmental Funds	(1) 8,117,524
	Nonmajor Enterprise Funds	(1) 2,000
Nonmajor Enterprise Funds	General Fund	(1) 24,000
	Nonmajor Enterprise Funds	5,600
Total		<u>\$ 23,218,356</u>
Transfers out, reported in:	Statement of Revenues, Expenditures, and Change in Fund Balances:	
	Governmental Funds	\$ 17,956,924
	Statement of Revenues, Expenditures, and Change in Fund Net Position:	
	Business-type Activities - Enterprise Funds	5,261,432
Total		<u>\$ 23,218,356</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

15. PENSION PLANS

PLAN DESCRIPTION

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

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

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

BENEFITS PROVIDED

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

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50% of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00% and maximum of 1.50%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00% post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

15. PENSION PLANS (continued)

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

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

CONTRIBUTIONS

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes, Chapter 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.5% of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.3% of their annual covered salary in 2019.

In 2019, the City was required to contribute the following percentages of annual covered salary:

General Employees Plan - Coordinated Plan Members	7.50%
Police and Fire Plan	16.95%

The Police and Fire Plan member and employer contribution rates increased 0.50% and 0.75%, respectively, from 2018.

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

	2019	2018	2017
General Employees Fund	\$ 2,853,467	\$ 2,697,667	\$ 2,678,076
Police and Fire Fund	4,286,075	3,790,774	3,843,171
Total	<u>\$ 7,139,542</u>	<u>\$ 6,488,441</u>	<u>\$ 6,521,247</u>

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

PENSION COSTS

General Employees Fund

At December 31, 2019, the City reported a liability of \$28,633,531 for its proportionate share of the General Employees Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the City’s proportion was 0.5179%. It was 0.5221% measured as of June 30, 2018. The City recognized pension expense of \$3,208,079 for its proportionate share of the General Employees Plan’s pension expense.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

15. PENSION PLANS (continued)

The City also recognized \$66,650 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

City’s proportionate share of the net pension liability	\$ 28,633,531
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>889,961</u>
Total	<u>\$ 29,523,492</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 819,248	\$ -
Changes in actuarial assumptions	-	2,333,772
Difference between projected and actual investment earnings	-	3,091,333
Changes in proportion	580,544	1,202,562
Contributions paid to PERA subsequent to the measurement date	1,477,817	-
Total	<u>\$ 2,877,609</u>	<u>\$ 6,627,667</u>

The \$1,477,817 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (1,654,531)
2021	(2,983,152)
2022	(636,335)
2023	46,143

Police and Fire Fund

At December 31, 2019, the City reported a liability of \$24,576,314 for its proportionate share of the Police and Fire Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the City’s proportion was 2.3085%. It was 2.1951% measured as of June 30, 2018. The City recognized pension expense of \$3,210,826 for its proportionate share of the Police and Fire Plan’s pension expense.

The City also recognized \$311,646 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until both this and the State Patrol Retirement Plan plan is 90% funded. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

15. PENSION PLANS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,027,537	\$ 3,736,493
Changes in actuarial assumptions	20,469,537	27,588,044
Difference between projected and actual investment earnings	-	4,958,154
Changes in proportion	1,192,859	1,215,789
Contributions paid to PERA subsequent to the measurement date	2,136,984	-
Total	\$ 24,826,917	\$ 37,498,480

The \$2,136,984 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (1,637,318)
2021	(3,436,800)
2022	(9,838,864)
2023	(76,213)
2024	180,648

The total pension expense for all plans recognized by the City for the year ended December 31, 2019, was \$6,418,905.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Inflation and investment assumptions for both plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

15. PENSION PLANS (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50%	5.30%
Fixed income	20.00%	0.75%
Private markets	25.00%	5.90%
Cash equivalents	2.00%	0.00%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.5% in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN ACTUARIAL ASSUMPTIONS

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	6.5%	\$ 47,071,983	6.5%	\$ 53,719,257
Current	7.5%	28,633,531	7.5%	24,576,314
1.0% Increase	8.5%	13,408,923	8.5%	475,574

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

15. PENSION PLANS (continued)

PENSION PLAN FIDUCIARY NET POSITION

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

DEFINED CONTRIBUTION PLAN

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minnesota Statutes, § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0% of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0% of employer contributions and 0.25% of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,285	\$ 6,285
Percentage of covered payroll	5.0%	5.0%

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to PERA. Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly available 2019 annual report.

The Duluth Transit Authority and Duluth Economic Development Authority have no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2019 annual report.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

16. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

As of December 31, 2019, there were 1,128 retirees receiving health benefits from the City's health plan and 845 active employees covered under the plan.

FUNDING POLICY

The City has historically funded these liabilities on a pay-as-you go basis. Union contracts govern the premiums contributed by the City and the retirees. For eligible retirees, the City pays a portion of the premium ranging from 25%-100% depending on the years of service. Retirees pay the remaining portion of the premium. Premiums are paid to the Joint Powers Enterprise Trust which accounts for the activity of the plan. Premiums are intended to cover the cost of providing benefits to retirees on a pay-as-you go basis. For the year ended December 31, 2019, the City contributed \$9,303,050 and retirees contributed \$183,686.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$1,176,686 were made to the irrevocable trust in 2019.

INVESTMENTS

Investment policy – The City's OPEB irrevocable trust fund is managed by the City of Duluth. All OPEB funds are invested with the Minnesota State Board of Investment (SBI). It is the policy of the City to pursue an investment strategy that reduces risk through the diversification of the portfolio. The City's target asset allocation as of December 31, 2019 is:

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

Rate of return – For the year ended December 31, 2019, the annual money-weighted return on investments, net of investment expense, was 25.27%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2019, were as follows:

Total OPEB liability	\$ 156,007,515
Plan fiduciary net position	(71,510,666)
City's net OPEB liability	<u>\$ 84,496,849</u>
Plan fiduciary net position as a percentage of the total OPEB liability	45.8%

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/19	\$ 174,016,061	\$ 56,404,693	\$ 117,611,368
Changes for the year:			
Service cost	2,440,931	-	2,440,931
Interest	8,958,475	-	8,958,475
Contributions - employer	-	11,642,994	(11,642,994)
Difference between expected and actual experience	1,391,711	-	1,391,711
Changes in assumptions	(20,030,337)	-	(20,030,337)
Difference between actual and projected earnings	-	10,998,469	(10,998,469)
Projected earnings	-	3,238,009	(3,238,009)
Benefit payments	(10,769,326)	(10,769,326)	-
Administrative expense	-	(4,173)	4,173
Net change	<u>(18,008,546)</u>	<u>15,105,973</u>	<u>(33,114,519)</u>
Balance at 12/31/19	<u>\$ 156,007,515</u>	<u>\$ 71,510,666</u>	<u>\$ 84,496,849</u>

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2019, actuarial valuation, the individual entry age normal as a level percentage of payroll actuarial cost method was used. Market value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.7% investment rate of return which is based on the expected long-term investment returns on plan assets. The price inflation rate was 2.2%. The salary increases rate is based on the 3.5% salary scale. The annual healthcare cost trend rate is 9.0% initially, reduced incrementally to an ultimate rate of 5.0% after ten years.

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

<u>Asset Classes</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	0.9%
Domestic Equity	4.8%
	<u>5.7%</u>

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

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

<u>Single Equivalent Interest Rate (SEIR)</u>	
Long-Term Expected Rate of Return	5.70%
Municipal Bond Index Rate*	3.26%
Administrative Expenses (as a percent of the market Fiscal Year in which Fiduciary Net Position is Projected to be Depleted)	0.01%
Single Equivalent Interest Rate	N/A
	5.70%

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

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

	1% Decrease (4.7%)	Discount Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability (asset)	\$ 103,568,321	\$ 84,496,849	\$ 69,275,923

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

	Healthcare Cost		
	1% Decrease (8.0% decrease to 4.0%)	Trend Rate (9.0% decrease to 5.0%)	1% Increase (10.0% decrease to 6.0%)
Net OPEB liability (asset)	\$ 68,818,052	\$ 84,496,849	\$ 104,068,796

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended December 31, 2019, the City recognized OPEB expenses of \$8,829,530. At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Source	Balances at December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 5,718,821
Changes in actuarial assumptions	-	15,539,230
Difference between expected and economic experience	1,489,259	409,591
Total	<u>\$ 1,489,259</u>	<u>\$ 21,667,642</u>

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

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ (430,422)	\$ 5,782,527
2021	(430,422)	5,782,527
2022	(430,422)	5,782,532
2023	(197,993)	4,320,056

TRUST FUND

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

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

DEFINED CONTRIBUTION OPEB PLAN

In accordance with union bargaining agreements and effective January 1, 2008, the City provided a defined contribution postemployment benefit in the form of a minimum 1.0% contribution of each full-time, permanent, active employee's salary into a postemployment health care savings account known as the Minnesota Health Care Savings Plan administered by the Minnesota State Retirement System. An additional lump sum deposit of up to \$12,000 per employee will be made depending on the union contract and the date of hire.

For the year ended December 31, 2019, the City recognized OPEB expenses of \$449,000.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

17. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following nonmajor enterprise funds: Parking, which accounts for the municipal parking ramps, lots, and meters; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ended December 31, 2019, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Parking</u>	<u>Stormwater</u>
Assets		
Current assets	\$ 3,524,385	\$ 3,770,412
Due from other funds	-	4,978
Capital assets	18,551,916	19,039,271
Noncurrent assets	-	578
Total Assets	<u>22,076,301</u>	<u>22,815,239</u>
Deferred Outflows of Resources	<u>341,798</u>	<u>123,292</u>
Liabilities		
Current liabilities	1,030,138	363,806
Due to other funds	2,134	23,042
Noncurrent liabilities	5,619,396	1,525,446
Total Liabilities	<u>6,651,668</u>	<u>1,912,294</u>
Deferred Inflows of Resources	<u>61,674</u>	<u>633,890</u>
Net Position		
Net investment in capital assets	12,683,991	18,605,640
Unrestricted	3,020,766	1,786,707
Total Net Position	<u>\$ 15,704,757</u>	<u>\$ 20,392,347</u>

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

	<u>Parking</u>	<u>Stormwater</u>
Operating revenues (expenses)		
Charges (pledged against bonds)	\$ 4,097,688	\$ 5,295,838
Depreciation expense	(567,526)	(437,762)
Other operating expenses	(2,642,090)	(3,168,582)
Operating income	<u>888,072</u>	<u>1,689,494</u>
Nonoperating revenues (expenses)		
Investment earnings	37,220	14,030
Intergovernmental revenue	-	29,645
Gain (Loss) on sale of capital assets	-	4,623
Interest expense	(195,235)	(6,363)
Capital contributions	423,701	-
Transfers in	-	5,600
Transfers out	(1,386,300)	(528,241)
Change in net position	<u>(232,542)</u>	<u>1,208,788</u>
Beginning net position	<u>15,937,299</u>	<u>19,183,559</u>
Ending net position	<u>\$ 15,704,757</u>	<u>\$ 20,392,347</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

17. SEGMENT INFORMATION (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking</u>	<u>Stormwater</u>
Net cash provided (used) by		
Operating activities	\$ 1,616,059	\$ 2,021,193
Noncapital financing activities	(1,386,300)	(492,996)
Capital and related financing activities	(652,213)	(1,919,640)
Investing activities	37,220	14,030
Net increase (decrease)	<u>(385,234)</u>	<u>(377,413)</u>
Beginning cash and cash equivalents	3,816,478	1,509,374
Ending cash and cash equivalents	<u>\$ 3,431,244</u>	<u>\$ 1,131,961</u>

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

LAKE SUPERIOR CENTER

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

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

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2019.

RELATED ORGANIZATION

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

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 \$765,749 to the Duluth Housing and Redevelopment Authority in 2019.

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

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

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

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

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

TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2019, follows:

	<u>Maximum Assistance</u>	<u>2019 Tax Rebate</u>
A & L Renaissance	\$ 14,327	\$ 161,271
Augusta Building	\$ 249,034	\$ 72,541
Bluestone Commons	\$ 9,896,864	\$ 363,002
Central Hillside Development, LLP	\$ 201,720	\$ 27,147
Garfield Business Park, LLC	\$ 611,069	\$ 22,425
Harbor Bay	\$ 2,387,978	\$ 258,903
NorShore Theatre, LLC	\$ 1,404,942	\$ 168,500
NorShore Theatre, LLC	\$ 360,080	\$ 100,642
Sherman Associates Hotel/Condominium	\$ 5,000,000	\$ 210,625
Pier B, LLC	\$ 3,460,605	\$ 163,760
Kenwood Village, LLC	\$ 2,862,500	\$ 150,759

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority (DEDA) have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, DEDA nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2019, are as follows:

Entity	Series	Issued	Principal
Health Care Facilities (Aftenro)	2006	\$ 2,620,000	\$ 1,953,285
St. Luke's Hospital	2012	\$ 81,595,000	\$ 69,865,000
Duluth Regional Care Center, Inc	2012A	\$ 1,040,800	\$ 12,860
Benedictine Health Center	2013	\$ 5,750,000	\$ 4,383,352
Benedictine Health Center	2014	\$ 4,000,000	\$ 3,622,881
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 8,617,127
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 5,644,288
Ikonics	2016	\$ 3,415,000	\$ 2,907,187
Cambia Hills	2018	\$ 26,500,000	\$ 26,500,000
Essentia Health	2018A	\$ 682,285,000	\$ 682,285,000
St Luke's Hospital	2018A	\$ 19,750,000	\$ 19,750,000
St Luke's Hospital	2018B	\$ 19,750,000	\$ 19,750,000

19. TAX ABATEMENT

The City has entered into a property tax agreement with a commercial aviation services business for operating a heavy aircraft maintenance, repair, and overhaul facility, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2017 and continues for seven years. 100% of the city property taxes collected are eligible for abatement if employment covenants are met.

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

19. TAX ABATEMENT (continued)

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

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

20. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, the City of Duluth expects reduced revenue in 2020 and an impact on numerous operations. Among major revenue sources, sales taxes, both general and tourism related are expected to be negatively impacted. Property tax collections could also be impacted due to the down turn in the economy. The total impact is not known at this time.

In addition, the Duluth Economic Development Authority (DEDA) will be impacted by the closure of a commercial aviation services business which was leasing DEDA owned property. DEDA does not know the total impact to its operations at this point in time.

Separate financial reports are prepared for the Duluth Transit Authority, Duluth Entertainment and Convention Center Authority, and Duluth Airport Authority. Further information on the COVID-19 impact to these organizations is disclosed in their individual reports as a subsequent event.

Further, although the Spirit Mountain Recreation Area Authority prepares a separate audit report, the impact of COVID-19 is not disclosed in the report due to the report being an April 30, 2019 year-end. The COVID-19 pandemic impacted the end of Spirit Mountain's 2019-2020 ski season and any further information on the impact will be reflected in the upcoming April 30, 2020 financial report.

Required Supplementary
Information

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS AND
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2019**

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

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

SCHEDULE OF INVESTMENT RETURNS

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

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

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

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) TRUST
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2019**

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$11,456,261	\$10,536,980	\$ 9,619,556
Contributions in relation to the actuarially determined contribution	10,222,267	11,678,484	11,642,994
Contribution deficiency (excess)	<u>\$ (1,233,994)</u>	<u>\$ 1,141,504</u>	<u>\$ 2,023,438</u>
 Covered-employee payroll	 \$51,597,031	 \$51,597,031	 \$54,243,818
 Contributions as a percentage of covered-employee payroll	 19.8%	 22.6%	 21.5%

Notes to Schedule:

Valuation date 1/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method Individual Entry Age Normal as a level percentage of payroll

Asset valuation method Market value

Inflation 2.2%

Healthcare cost trend rates 9.0% initially, reduced incrementally to an ultimate rate of 5.0% after ten years

Salary increases 3.5%

Investment rate of return 5.7%

Retirement age Based on actuary's experience with plans of a similar size, plan design, workforce composition, and discussions with the City

Mortality SOA RPH-2014 Adjust to 2006 Total Dataset Headcount-weighted Mortality project with Scale MP-2018

Morbidity Pre-65: 2.75% per year; Post-65: 1.0% per year

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

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES PLAN
DECEMBER 31, 2019**

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

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

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

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA POLICE AND FIRE PLAN
DECEMBER, 31, 2019**

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

Fiscal Year Ending**	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	2.309%	\$ 24,576,314	\$ 24,327,497	101.02%	89.30%
2018	2.195%	\$ 23,397,505	\$ 23,134,636	101.14%	88.80%
2017	2.311%	\$ 31,201,250	\$ 23,723,278	131.52%	85.40%
2016	2.317%	\$ 92,985,242	\$ 22,320,623	416.59%	63.88%
2015	2.268%	\$ 25,769,787	\$ 20,780,650	124.01%	86.61%

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

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

EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

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

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

- The initial healthcare cost trend rate was changed from 10.0% to 9.0%.
- The mortality projection scale was changed from MP-2016 to MP-2018.
- The morbidity rate for those under 65 was changed from 2.5% to 2.75%.

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

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

General Employees Fund

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

General Employees Fund (continued)

2017

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

2016

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

2015

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

Police and Fire Plan

2019

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

2018

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

Police and Fire Plan (continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65% to 60%.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016

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

2015

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

Combining and Individual
Fund Statements and
Schedules

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

SPECIAL REVENUE FUNDS

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

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

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

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

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

Recovery Loan Program – to account for grant monies received from the Minnesota Department of Employment and Economic Development for the establishment of an economic development loan program.

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

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

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

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

SPECIAL REVENUE FUNDS (continued)

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

Special Revenue Funds

	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Assets					
Cash and cash equivalents	\$ -	\$ 1,705,586	\$ 1,736,104	\$ 879,811	\$ 615,402
Receivables, net					
Taxes	-	99,928	-	-	-
Accounts	-	5,967	88,934	115	-
Assessments	-	-	185,269	-	-
Loans	247,396	-	-	-	772,882
Due from other funds	-	-	19,989	600	-
Due from component units	-	-	7,935	-	257,661
Due from other governments	46,862	220,648	80,730	413,636	-
Total Assets	\$ 294,258	\$ 2,032,129	\$ 2,118,961	\$ 1,294,162	\$ 1,645,945
Liabilities					
Accounts payable	70	26,887	5,264	583,502	-
Contracts payable	15,108	177,143	14,331	185,528	-
Due to other funds	-	10,646	5,253	61,840	-
Due to component units	-	-	-	-	-
Interfund loan payable	438,181	-	-	-	-
Due to other governments	-	10,184	7,030	5,436	204,942
Accrued salaries payable	-	24,234	-	-	-
Unearned revenue	-	174	137,471	22,880	-
Total Liabilities	453,359	249,268	169,349	859,186	204,942
Deferred Inflows of Resources					
Unavailable revenue	247,396	236,600	209,639	300,816	574,988
Fund Balances					
Restricted	-	1,546,261	648,356	134,160	866,015
Committed	-	-	1,091,617	-	-
Assigned	-	-	-	-	-
Unassigned	(406,497)	-	-	-	-
Total Fund Balances	(406,497)	1,546,261	1,739,973	134,160	866,015
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 294,258	\$ 2,032,129	\$ 2,118,961	\$ 1,294,162	\$ 1,645,945

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

Special Revenue Funds

	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Tax
Assets					
Cash and cash equivalents	\$ 183,644	\$ 615,890	\$ 11,287	\$ 120,774	\$ 554,827
Receivables, net					
Taxes	-	-	-	-	868,164
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	57,000	-
Due from component units	-	-	-	-	-
Due from other governments	-	-	59,897	-	126,800
Total Assets	\$ 183,644	\$ 615,890	\$ 71,184	\$ 177,774	\$ 1,549,791
Liabilities					
Accounts payable	2,000	11,805	231	946	-
Contracts payable	-	-	63,478	-	60,002
Due to other funds	-	-	3,139	2,218	557,476
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	2,250	-
Unearned revenue	-	-	2	-	-
Total Liabilities	2,000	11,805	66,850	5,414	617,478
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted	-	604,085	-	-	932,313
Committed	181,644	-	-	172,360	-
Assigned	-	-	4,334	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	181,644	604,085	4,334	172,360	932,313
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 183,644	\$ 615,890	\$ 71,184	\$ 177,774	\$ 1,549,791

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

Special Revenue Funds

	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Assets					
Cash and cash equivalents	\$ 72,373	\$ 32,380	\$ 1,087,570	\$ 254,030	\$ -
Receivables, net					
Taxes	391	-	-	-	-
Accounts	-	-	268,689	2	18,286
Assessments	-	-	-	-	-
Loans	-	351,579	2,614,793	-	-
Due from other funds	-	5,187	10,002	7,833	2,683
Due from component units	-	-	-	-	-
Due from other governments	-	119,743	677,338	104,616	26,076
Total Assets	\$ 72,764	\$ 508,889	\$ 4,658,392	\$ 366,481	\$ 47,045
Liabilities					
Accounts payable	-	-	46,115	26,546	-
Contracts payable	-	109,525	629,526	20,451	-
Due to other funds	-	5,772	5,187	11,742	1,574
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	45,459
Due to other governments	-	-	22,198	-	-
Accrued salaries payable	-	-	-	14,277	-
Unearned revenue	-	62,690	153,044	6,049	-
Total Liabilities	-	177,987	856,070	79,065	47,033
Deferred Inflows of Resources					
Unavailable revenue	-	454,137	2,922,235	17,775	2,026
Fund Balances					
Restricted	72,764	-	880,087	269,641	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(123,235)	-	-	(2,014)
Total Fund Balances	72,764	(123,235)	880,087	269,641	(2,014)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 72,764	\$ 508,889	\$ 4,658,392	\$ 366,481	\$ 47,045

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

	Special Revenue Funds			Debt Service Funds	
	Street System Maintenance Utility	Street Improvement Sales Tax	Public Arts	DECC Revenue	Special Assessment Debt Service
Assets					
Cash and cash equivalents	\$ 818,756	\$ -	\$ 175,869	\$ 4,714,094	\$ 208,379
Receivables, net					
Taxes	100,775	1,964,649	-	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	-	516,714
Loans	-	-	-	-	-
Due from other funds	-	-	-	551,179	-
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	-	36,725
Total Assets	\$ 919,531	\$ 1,964,649	\$ 175,869	\$ 5,265,273	\$ 761,818
Liabilities					
Accounts payable	-	-	-	-	-
Contracts payable	65,437	-	-	-	-
Due to other funds	337,987	-	-	-	33,849
Due to component units	-	-	-	814,282	-
Interfund loan payable	-	-	-	-	-
Due to other governments	1,722	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	405,146	-	-	814,282	33,849
Deferred Inflows of Resources					
Unavailable revenue	71,846	-	-	-	516,714
Fund Balances					
Restricted	442,539	1,964,649	-	4,450,991	211,255
Committed	-	-	175,869	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	442,539	1,964,649	175,869	4,450,991	211,255
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 919,531	\$ 1,964,649	\$ 175,869	\$ 5,265,273	\$ 761,818

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		
	<u>Street Improvement Debt Service</u>	<u>Tax Increment</u>	<u>Capital Equipment</u>	<u>Special Assessment</u>	<u>Permanent Improvement</u>
Assets					
Cash and cash equivalents	\$ 2,054,712	\$ 55,432	\$ 2,394,099	\$ -	\$ 3,153,785
Receivables, net					
Taxes	-	-	-	-	10,112
Accounts	-	-	-	-	303,364
Assessments	249,839	-	-	319,004	-
Loans	-	-	-	-	-
Due from other funds	1,137	-	78,031	-	508,343
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	-	840,240
Total Assets	<u>\$ 2,305,688</u>	<u>\$ 55,432</u>	<u>\$ 2,472,130</u>	<u>\$ 319,004</u>	<u>\$ 4,815,844</u>
Liabilities					
Accounts payable	-	-	23,764	-	34,948
Contracts payable	-	-	4,211	-	3,225,933
Due to other funds	-	-	-	-	15,836
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	181,434	-
Due to other governments	-	-	-	-	817,079
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>27,975</u>	<u>181,434</u>	<u>4,093,796</u>
Deferred Inflows of Resources					
Unavailable revenue	249,839	-	-	319,004	701,430
Fund Balances					
Restricted	2,055,849	-	2,444,155	-	20,618
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	55,432	-	(181,434)	-
Total Fund Balances	<u>2,055,849</u>	<u>55,432</u>	<u>2,444,155</u>	<u>(181,434)</u>	<u>20,618</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,305,688</u>	<u>\$ 55,432</u>	<u>\$ 2,472,130</u>	<u>\$ 319,004</u>	<u>\$ 4,815,844</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

	Capital Projects Funds			
	Street Improvement Program	Capital Improvement	Tourism and Recreational Projects	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,096,102	\$ 41,267	\$ 7,614,090	\$ 31,196,263
Receivables, net				
Taxes	-	-	-	3,044,019
Accounts	-	-	-	685,357
Assessments	1,355,572	-	-	2,626,398
Loans	-	-	-	3,986,650
Due from other funds	341,825	272,375	-	1,856,184
Due from component units	-	-	-	265,596
Due from other governments	-	278,955	675,115	3,707,381
Total Assets	\$ 3,793,499	\$ 592,597	\$ 8,289,205	\$ 47,367,848
Liabilities				
Accounts payable	-	84,802	10,617	857,497
Contracts payable	500,184	333,488	579,261	5,983,606
Due to other funds	-	-	-	1,052,519
Due to component units	-	-	-	814,282
Interfund loan payable	-	-	-	665,074
Due to other governments	-	-	53	1,068,644
Accrued salaries payable	-	-	-	40,761
Unearned revenue	-	-	51,475	433,785
Total Liabilities	500,184	418,290	641,406	10,916,168
Deferred Inflows of Resources				
Unavailable revenue	1,355,572	63,389	356,842	8,600,248
Fund Balances				
Restricted	-	110,918	7,290,957	24,945,613
Committed	-	-	-	1,621,490
Assigned	1,937,743	-	-	1,942,077
Unassigned	-	-	-	(657,748)
Total Fund Balances	1,937,743	110,918	7,290,957	27,851,432
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,793,499	\$ 592,597	\$ 8,289,205	\$ 47,367,848

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

Special Revenue Funds

	<u>Lake Superior Zoo</u>	<u>Parks</u>	<u>Special Projects</u>	<u>Police Grant Programs</u>	<u>Recovery Loan Program</u>
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,869,541	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	76,557	37,653	-	-
Intergovernmental revenues	126,863	134,173	736,724	1,748,485	-
Charges for services	982,343	71,955	90,532	-	-
Fines and forfeits	-	-	12,165	142,168	-
Special assessments	-	-	-	-	-
Investment income	-	16,838	16,748	9,026	3,633
Miscellaneous revenues	81,264	114,868	896,571	18,672	-
Total Revenues	<u>1,190,470</u>	<u>3,283,932</u>	<u>1,790,393</u>	<u>1,918,351</u>	<u>3,633</u>
Expenditures					
Current					
General government	-	-	92,686	-	-
Public safety	-	-	703,057	858,581	-
Public works	-	-	-	-	-
Culture and recreation	1,695,975	2,761,040	47,381	-	-
Urban and economic development	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	351,791	324,249	229,814	-
Total Expenditures	<u>1,695,975</u>	<u>3,112,831</u>	<u>1,167,373</u>	<u>1,088,395</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(505,505)</u>	<u>171,101</u>	<u>623,020</u>	<u>829,956</u>	<u>3,633</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	10,000	-	-	-
Transfers out	-	(237,485)	(479,511)	(1,287,301)	-
Total Other Financing Sources (Uses)	<u>510,000</u>	<u>(227,485)</u>	<u>(479,511)</u>	<u>(1,287,301)</u>	<u>-</u>
Net Change in Fund Balances	<u>4,495</u>	<u>(56,384)</u>	<u>143,509</u>	<u>(457,345)</u>	<u>3,633</u>
Fund Balances - January 1, 2019	(410,992)	1,602,645	1,596,464	591,505	862,382
Fund Balances - December 31, 2019	<u>\$ (406,497)</u>	<u>\$ 1,546,261</u>	<u>\$ 1,739,973</u>	<u>\$ 134,160</u>	<u>\$ 866,015</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, 2019**

Special Revenue Funds

	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Tax
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	12,416,044
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	157,317	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	1,875	5,922	77	1,415	5,347
Miscellaneous revenues	47,135	170,386	19,022	27,372	-
Total Revenues	49,010	176,308	176,416	28,787	12,421,391
Expenditures					
Current					
General government	-	-	-	145,490	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	121,708	-	-	-
Urban and economic development	-	-	177,538	-	3,997,418
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	49,700	10,822	-	-	-
Total Expenditures	49,700	132,530	177,538	145,490	3,997,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(690)	43,778	(1,122)	(116,703)	8,423,973
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	135,000	-
Transfers out	-	-	-	-	(8,375,282)
Total Other Financing Sources (Uses)	-	-	-	135,000	(8,375,282)
Net Change in Fund Balances	(690)	43,778	(1,122)	18,297	48,691
Fund Balances - January 1, 2019	182,334	560,307	5,456	154,063	883,622
Fund Balances - December 31, 2019	\$ 181,644	\$ 604,085	\$ 4,334	\$ 172,360	\$ 932,313

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds				
	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	10,977	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	445,508	2,862,030	2,313,541	339,811
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	644	100	31,364	2,428	-
Miscellaneous revenues	-	-	144,645	260,171	-
Total Revenues	11,621	445,608	3,038,039	2,576,140	339,811
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	541,284	2,791,872	2,563,753	324,228
Debt service					
Principal retirement	-	-	15,000	-	-
Interest and fiscal fees	-	-	100,178	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	-	-	-	-
Total Expenditures	-	541,284	2,907,050	2,563,753	324,228
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,621	(95,676)	130,989	12,387	15,583
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(2,500)	-	(17,590)
Total Other Financing Sources (Uses)	-	-	(2,500)	-	(17,590)
Net Change in Fund Balances	11,621	(95,676)	128,489	12,387	(2,007)
Fund Balances - January 1, 2019	61,143	(27,559)	751,598	257,254	(7)
Fund Balances - December 31, 2019	\$ 72,764	\$ (123,235)	\$ 880,087	\$ 269,641	\$ (2,014)

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds			Debt Service Funds	
	Street System Maintenance Utility	Street Improvement Sales Tax	Public Arts	DECC Revenue	Special Assessment Debt Service
Revenues					
Taxes					
Property taxes	\$ 2,977,220	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	1,998,250	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	238,370
Investment income	7,447	-	1,715	45,277	4,319
Miscellaneous revenues	4,767	-	-	-	-
Total Revenues	2,989,434	1,998,250	1,715	45,277	242,689
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	707,815	33,601	-	-	-
Culture and recreation	-	-	8,765	-	-
Urban and economic development	-	-	-	814,282	-
Debt service					
Principal retirement	-	-	-	-	530,000
Interest and fiscal fees	-	-	-	-	26,760
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	-	-	-	-
Total Expenditures	707,815	33,601	8,765	814,282	556,760
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,281,619	1,964,649	(7,050)	(769,005)	(314,071)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	50,000	-	15,000	3,883,440	-
Transfers out	(2,630,585)	-	-	(2,838,775)	-
Total Other Financing Sources (Uses)	(2,580,585)	-	15,000	1,044,665	-
Net Change in Fund Balances	(298,966)	1,964,649	7,950	275,660	(314,071)
Fund Balances - January 1, 2019	741,505	-	167,919	4,175,331	525,326
Fund Balances - December 31, 2019	\$ 442,539	\$ 1,964,649	\$ 175,869	\$ 4,450,991	\$ 211,255

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Debt Service Funds		Capital Projects Funds		
	Street Improvement Debt Service	Tax Increment	Capital Equipment	Special Assessment	Permanent Improvement
Revenues					
Taxes					
Property taxes	\$ -	\$ 611,902	\$ -	\$ -	\$ 278,055
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	8,275,427
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	139,046	-	-	38,114	-
Investment income	25,803	-	71,627	-	20,645
Miscellaneous revenues	-	-	5,999	-	235,820
Total Revenues	164,849	611,902	77,626	38,114	8,809,947
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	3,836,622
Culture and recreation	-	-	-	-	-
Urban and economic development	-	500	-	-	-
Debt service					
Principal retirement	1,510,000	-	-	-	-
Interest and fiscal fees	118,000	-	-	-	-
Bond issuance costs	-	-	41,719	-	-
Capital outlay					
Capital outlay	-	-	4,400,924	-	7,667,047
Total Expenditures	1,628,000	500	4,442,643	-	11,503,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,463,151)	611,402	(4,365,017)	38,114	(2,693,722)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	3,070,000	-	-
Premium on issuance of bonds	-	-	371,475	-	-
Transfers in	727,456	-	-	-	1,533,603
Transfers out	-	(555,970)	(4,205)	-	(50,000)
Total Other Financing Sources (Uses)	727,456	(555,970)	3,437,270	-	1,483,603
Net Change in Fund Balances	(735,695)	55,432	(927,747)	38,114	(1,210,119)
Fund Balances - January 1, 2019	2,791,544	-	3,371,902	(219,548)	1,230,737
Fund Balances - December 31, 2019	\$ 2,055,849	\$ 55,432	\$ 2,444,155	\$ (181,434)	\$ 20,618

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Capital Projects Funds</u>			
	<u>Street Improvement Program</u>	<u>Capital Improvement</u>	<u>Tourism and Recreational Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 6,736,718
Sales taxes	-	-	-	14,414,294
Other taxes	-	-	-	10,977
Licenses and permits	-	-	-	114,210
Intergovernmental revenues	-	349,685	378,482	17,868,046
Charges for services	-	-	-	1,144,830
Fines and forfeits	-	-	-	154,333
Special assessments	699,836	-	-	1,115,366
Investment income	18,839	13,221	265,213	569,523
Miscellaneous revenues	-	137,573	225,000	2,389,265
Total Revenues	<u>718,675</u>	<u>500,479</u>	<u>868,695</u>	<u>44,517,562</u>
Expenditures				
Current				
General government	-	1,588,649	-	1,826,825
Public safety	-	272,170	-	1,833,808
Public works	371,816	-	-	4,949,854
Culture and recreation	-	805,725	156,668	5,597,262
Urban and economic development	-	-	-	11,210,875
Debt service				
Principal retirement	-	-	-	2,055,000
Interest and fiscal fees	-	-	-	244,938
Bond issuance costs	-	40,740	-	82,459
Capital outlay				
Capital outlay	479,727	1,070,054	1,992,261	16,576,389
Total Expenditures	<u>851,543</u>	<u>3,777,338</u>	<u>2,148,929</u>	<u>44,377,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(132,868)</u>	<u>(3,276,859)</u>	<u>(1,280,234)</u>	<u>140,152</u>
Other Financing Sources (Uses)				
Issuance of bonds	-	1,190,000	-	4,260,000
Premium on issuance of bonds	-	246,507	-	617,982
Transfers in	384,526	1,518,903	191,596	8,959,524
Transfers out	-	(18,750)	(99,903)	(16,597,857)
Total Other Financing Sources (Uses)	<u>384,526</u>	<u>2,936,660</u>	<u>91,693</u>	<u>(2,760,351)</u>
Net Change in Fund Balances	<u>251,658</u>	<u>(340,199)</u>	<u>(1,188,541)</u>	<u>(2,620,199)</u>
Fund Balances - January 1, 2019	1,686,085	451,117	8,479,498	30,471,631
Fund Balances - December 31, 2019	<u>\$ 1,937,743</u>	<u>\$ 110,918</u>	<u>\$ 7,290,957</u>	<u>\$ 27,851,432</u>

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Taxes:				
General property				
Current	\$ 19,195,600	\$ 19,195,600	\$ 19,040,025	\$ (155,575)
Delinquent	150,000	150,000	175,067	25,067
Mobile home	59,700	59,700	80,747	21,047
Forfeited tax sale apportionment	19,400	19,400	7,482	(11,918)
Franchise	3,946,700	3,946,700	3,534,434	(412,266)
Sales taxes	13,686,700	13,686,700	14,453,054	766,354
Charitable gambling	20,000	20,000	3,898	(16,102)
Other	83,700	83,700	303,734	220,034
Total Taxes	37,161,800	37,161,800	37,598,441	436,641
Licenses and Permits:				
Liquor and non-intoxicating liquor	509,000	509,000	570,730	61,730
Health	25,000	25,000	31,458	6,458
Police protective	32,500	32,500	34,395	1,895
Amusement	1,000	1,000	1,261	261
Manufacturing and merchandising	38,600	38,600	46,389	7,789
Other	1,192,300	1,192,300	1,303,314	111,014
Total Licenses and Permits	1,798,400	1,798,400	1,987,547	189,147
Intergovernmental revenues:				
Shared revenues				
Local government aid	29,668,600	29,668,600	29,668,565	(35)
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,820,000	1,820,000	2,124,504	304,504
PERA contribution	-	378,296	378,296	-
State grants				
Minnesota Library Information Network	5,000	5,000	4,536	(464)
Cross country ski trail	11,000	11,000	6,600	(4,400)
Snowmobile trail	13,900	13,900	16,097	2,197
Post training reimbursement	142,000	142,000	146,144	4,144
Bulletproof vests	-	10,996	13,338	2,342
Market value credit	-	-	236	236
MSA street maintenance Allotment	1,533,400	1,533,400	1,533,400	-
Federal grants				
Bulletproof Vest Partnership Program	-	11,121	11,121	-
Other grants				
St. Louis County	138,400	138,400	138,411	11
Payments in lieu of taxes -				
Housing and Redevelopment Authority	57,400	57,400	66,939	9,539
Independent School District #709	253,400	253,400	278,940	25,540
Total Intergovernmental Revenues	33,767,500	34,167,913	34,511,555	343,642

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Charges for Services:				
Departmental fees and services				
Fire	6,400	6,400	4,200	(2,200)
Police	75,400	75,400	73,690	(1,710)
Engineering	363,000	363,000	164,399	(198,601)
Building inspection services	3,317,600	3,317,600	3,513,072	195,472
Attorney services	4,000	4,000	5,275	1,275
Information technology services	6,300	6,300	22,886	16,586
Grant administration services	69,000	69,000	73,648	4,648
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	60,600	60,600	85,670	25,070
Other services	-	-	105	105
Departmental sales				
Copier and microfilm prints	26,800	26,800	17,457	(9,343)
Print and plan sales	100	100	15	(85)
Book sales	100	100	-	(100)
Share of general expenses				
Stormwater	134,400	134,400	134,400	-
Sewer	208,200	208,200	208,200	-
Steam	55,600	55,600	55,600	-
Duluth Entertainment and Convention Center Authority	13,800	13,800	13,800	-
Duluth Transit Authority	10,300	10,300	10,300	-
Duluth Airport Authority	45,200	45,200	45,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	817,100	817,100	817,100	-
Fleet Services	145,500	145,500	145,500	-
Golf	16,100	16,100	16,100	-
Group Health	353,300	353,300	371,315	18,015
Self-Insurance	563,200	563,200	563,200	-
Spirit Mountain Recreation Area Authority	26,200	26,200	26,200	-
Parking	138,600	138,600	138,600	-
Street Lighting	55,100	55,100	55,100	-
410 West First Street Ramp	17,200	17,200	17,200	-
Total Charges for Services	6,959,100	6,959,100	7,008,232	49,132
Fines and Forfeits:				
Library fines	68,000	68,000	38,510	(29,490)
Parking fines	21,600	21,600	77,714	56,114
Court fees	427,200	427,200	350,971	(76,229)
License penalties	2,000	2,000	10,351	8,351
Felony forfeitures	-	-	67,050	67,050
Total Fines and Forfeits	518,800	518,800	544,596	25,796

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Special Assessments	433,900	529,146	498,962	(30,184)
Investment Income:				
Fair value adjustment	-	-	83,511	83,511
Miscellaneous Revenues:				
Commission and concessions	10,000	10,000	11,934	1,934
Payments in lieu of taxes	16,000	16,000	-	(16,000)
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	4,994	4,994
Rent and lease	79,800	79,800	82,921	3,121
Damage claims	-	-	270	270
Sale of equipment	-	6,350	69,254	62,904
Sale of scrap	6,000	6,000	5,760	(240)
Surcharge retainage	1,400	1,400	1,649	249
Refunds and reimbursements	137,900	589,835	678,090	88,255
Gifts and donations	-	20,991	26,072	5,081
Interest temporary loans	-	-	4,144	4,144
Miscellaneous sales and services	72,900	104,900	121,990	17,090
Total Miscellaneous Revenues	474,000	985,276	1,157,078	171,802
Total Revenues	81,113,500	82,120,435	83,389,922	1,269,487
Other Financing Sources:				
Transfers in:				
Parks Fund	-	37,500	37,500	-
Special Projects	233,100	340,767	344,511	3,744
Duluth Police Grant Programs	964,200	1,286,421	1,287,301	880
Community Investment Trust	425,000	425,000	570,067	145,067
Tourism Taxes	1,085,000	1,085,000	1,101,297	16,297
Senior Programs	-	-	17,590	17,590
Tax Increment	-	-	5,259	5,259
Parking Fund	1,386,300	1,386,300	1,386,300	-
Water	221,700	221,700	138,262	(83,438)
Gas	2,857,500	2,857,500	2,836,118	(21,382)
Sewer	159,400	159,400	107,301	(52,099)
Stormwater	547,100	547,100	526,241	(20,859)
Steam	152,800	152,800	152,960	160
Total Other Financing Sources	8,032,100	8,499,488	8,510,707	11,219
Total Revenues and Other Financing Sources	<u>\$ 89,145,600</u>	<u>\$ 90,619,923</u>	<u>\$ 91,900,629</u>	<u>\$ 1,280,706</u>
Reconciliation:				
Original budget as approved by Duluth City Council		\$ 89,145,600		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		421,240		
Ordinance allowable		<u>1,053,083</u>		
Total adjustments		<u>1,474,323</u>		
Modified budget as reported above		<u>\$ 90,619,923</u>		

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
Legislative and Executive							
City Council							
Personal services - salaries	\$ 124,200	\$ 124,200		\$ 124,200	\$ -	\$ 124,200	\$ -
Personal services - benefits	11,600	11,600		9,247	-	9,247	2,353
Other expenditures	68,700	68,700		56,188	-	56,188	12,512
Total City Council	204,500	204,500		189,635	-	189,635	14,865
Mayor's Office							
Personal services - salaries	420,000	492,222	1	460,670	-	460,670	31,552
Personal services - benefits	193,500	206,814	1	251,139	-	251,139	(44,325)
Other expenditures	14,600	20,490	1,4	18,509	-	18,509	1,981
Total Mayor's Office	628,100	719,526		730,318	-	730,318	(10,792)
Chief Administrative Officer							
Personal services - salaries	241,300	202,950	1	232,294	-	232,294	(29,344)
Personal services - benefits	113,600	106,932	1	89,875	-	89,875	17,057
Other expenditures	10,600	10,600		12,740	-	12,740	(2,140)
Total Chief Administrative Officer	365,500	320,482		334,909	-	334,909	(14,427)
Attorney and Human Rights							
Personal services - salaries	1,732,400	1,718,650	1	1,664,608	-	1,664,608	54,042
Personal services - benefits	576,700	576,700		585,319	-	585,319	(8,619)
Other expenditures	41,100	73,690	1,2	71,393	-	71,393	2,297
Total Attorney and Human Rights	2,350,200	2,369,040		2,321,320	-	2,321,320	47,720
Total Legislative and Executive	3,548,300	3,613,548		3,576,182	-	3,576,182	37,366
Public Administration							
Human Resources							
Personal services - salaries	791,800	751,800	1	748,606	-	748,606	3,194
Personal services - benefits	348,400	348,400		325,731	-	325,731	22,669
Other expenditures	74,500	74,500		65,677	-	65,677	8,823
Total Human Resources	1,214,700	1,174,700		1,140,014	-	1,140,014	34,686
Information Technology							
Personal services - salaries	1,658,800	1,805,130	1	1,819,375	-	1,819,375	(14,245)
Personal services - benefits	695,800	755,642	1	769,509	-	769,509	(13,867)
Other expenditures	935,100	910,617	1,2	857,746	27,439	885,185	25,432
Total Information Technology	3,289,700	3,471,389		3,446,630	27,439	3,474,069	(2,680)
Clerk							
Personal services - salaries	603,900	583,900	1	574,592	-	574,592	9,308
Personal services - benefits	234,800	223,800	1	222,716	-	222,716	1,084
Other expenditures	52,500	84,500	4	79,313	-	79,313	5,187
Total Clerk	891,200	892,200		876,621	-	876,621	15,579
Park Maintenance							
Personal services - salaries	1,728,100	1,626,600	1,4	1,602,810	-	1,602,810	23,790
Personal services - benefits	691,100	684,100	1	661,013	-	661,013	23,087
Other expenditures	926,700	876,700	1	873,556	-	873,556	3,144
Total Park Maintenance	3,345,900	3,187,400		3,137,379	-	3,137,379	50,021

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Public Administration (continued)							
Library Services							
Personal services - salaries	2,866,000	2,781,000	1	2,779,771	-	2,779,771	1,229
Personal services - benefits	1,140,300	1,140,300		1,127,164	-	1,127,164	13,136
Other expenditures	717,500	717,500		708,577	-	708,577	8,923
Total Library Services	4,723,800	4,638,800		4,615,512	-	4,615,512	23,288
Facilities Management							
Personal services - salaries	1,649,200	1,649,200		1,659,151	-	1,659,151	(9,951)
Personal services - benefits	777,900	777,900		788,625	-	788,625	(10,725)
Other expenditures	2,216,700	2,091,700	1	2,091,767	-	2,091,767	(67)
Total Facilities Management	4,643,800	4,518,800		4,539,543	-	4,539,543	(20,743)
Total Public Administration	18,109,100	17,883,289		17,755,699	27,439	17,783,138	100,151
Finance							
Budget							
Personal services - salaries	304,200	304,200		351,533	-	351,533	(47,333)
Personal services - benefits	130,500	130,500		128,115	-	128,115	2,385
Other expenditures	27,100	27,100		25,678	-	25,678	1,422
Total Budget	461,800	461,800		505,326	-	505,326	(43,526)
Auditor							
Personal services - salaries	789,900	789,900		704,911	-	704,911	84,989
Personal services - benefits	354,400	325,900	1	301,148	-	301,148	24,752
Other expenditures	325,100	325,100		313,260	-	313,260	11,840
Total Auditor	1,469,400	1,440,900		1,319,319	-	1,319,319	121,581
Purchasing							
Personal services - salaries	153,200	153,200		155,115	-	155,115	(1,915)
Personal services - benefits	87,500	87,500		74,596	-	74,596	12,904
Other expenditures	5,700	5,700		4,513	-	4,513	1,187
Total Purchasing	246,400	246,400		234,224	-	234,224	12,176
Treasurer							
Personal services - salaries	441,300	441,300		427,274	-	427,274	14,026
Personal services - benefits	217,800	217,800		196,069	-	196,069	21,731
Other expenditures	14,000	14,000		7,270	-	7,270	6,730
Total Treasurer	673,100	673,100		630,613	-	630,613	42,487
Total Finance	2,850,700	2,822,200		2,689,482	-	2,689,482	132,718

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
Planning and Construction Services							
Planning and Development							
Personal services - salaries	557,500	681,662	1	618,263	-	618,263	63,399
Personal services - benefits	230,800	275,130	1	239,920	-	239,920	35,210
Other expenditures	56,400	106,890	1,2,3	66,247	27,000	93,247	13,643
Total Planning and Development	844,700	1,063,682		924,430	27,000	951,430	112,252
Construction Services and Inspection							
Personal services - salaries	1,372,100	1,319,951	1	1,315,951	-	1,315,951	4,000
Personal services - benefits	624,100	591,400	1	540,031	-	540,031	51,369
Other expenditures	147,300	172,304	2	164,368	15,000	179,368	(7,064)
Capital outlay	-	52,149		-	52,148	52,148	1
Total Construction Services and Inspection	2,143,500	2,135,804		2,020,350	67,148	2,087,498	48,306
Total Planning and Construction Services	2,988,200	3,199,486		2,944,780	94,148	3,038,928	160,558
Business and Community Development							
Personal services - salaries	466,200	303,688	1	270,057	-	270,057	33,631
Personal services - benefits	188,000	137,002	1	103,668	-	103,668	33,334
Other expenditures	18,300	18,300		13,207	-	13,207	5,093
Total Business and Community Development	672,500	458,990		386,932	-	386,932	72,058
Fire							
Administration							
Personal services - salaries	355,600	445,708	1	420,153	-	420,153	25,555
Personal services - benefits	128,900	170,192	1	158,825	-	158,825	11,367
Other expenditures	59,000	60,309	4	48,290	-	48,290	12,019
Total Administration	543,500	676,209		627,268	-	627,268	48,941
Operations							
Personal services - salaries	10,888,700	10,889,992	1,3,4	10,940,651	-	10,940,651	(50,659)
Personal services - benefits	4,662,000	4,669,270	4	4,721,057	-	4,721,057	(51,787)
Other expenditures	673,300	690,350	3,4	670,727	15,045	685,772	4,578
Total Operations	16,224,000	16,249,612		16,332,435	15,045	16,347,480	(97,868)
Life Safety							
Personal services - salaries	784,000	784,000		773,703	-	773,703	10,297
Personal services - benefits	382,300	382,300		362,972	-	362,972	19,328
Other expenditures	58,700	70,625	2,3	66,102	-	66,102	4,523
Total Life Safety	1,225,000	1,236,925		1,202,777	-	1,202,777	34,148
Total Fire	17,992,500	18,162,746		18,162,480	15,045	18,177,525	(14,779)

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
Police							
Administration and Investigation							
Personal services - salaries	14,890,400	15,148,723	1,3,4	15,212,349	-	15,212,349	(63,626)
Personal services - benefits	6,501,600	6,417,488	1	6,566,281	-	6,566,281	(148,793)
Other expenditures	1,265,600	1,393,517	1,2,3,4	1,339,399	13,360	1,352,759	40,758
Total Administration and Investigation	22,657,600	22,959,728		23,118,029	13,360	23,131,389	(171,661)
Police Special Accounts							
Other expenditures	92,000	220,701	2	62,307	11,925	74,232	146,469
Total Police	22,749,600	23,180,429		23,180,336	25,285	23,205,621	(25,192)
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	76,000	76,000		76,838	-	76,838	(838)
Personal services - benefits	27,000	27,000		27,979	-	27,979	(979)
Other expenditures	800	1,538	1	1,479	-	1,479	59
Total Public Works Director's Office	103,800	104,538		106,296	-	106,296	(1,758)
Street Maintenance							
Personal services - salaries	2,782,200	2,867,200	1	2,928,813	-	2,928,813	(61,613)
Personal services - benefits	1,211,000	1,211,000		1,268,267	-	1,268,267	(57,267)
Other expenditures	3,563,500	3,938,500	1,4	3,887,958	-	3,887,958	50,542
Total Street Maintenance	7,556,700	8,016,700		8,085,038	-	8,085,038	(68,338)
Engineering							
Personal services - salaries	1,263,800	1,263,800		1,273,706	-	1,273,706	(9,906)
Personal services - benefits	474,800	474,800		464,899	-	464,899	9,901
Other expenditures	148,300	156,150	1,2	84,099	8,889	92,988	63,162
Capital Outlay	-	635	1	635	-	635	-
Total Engineering	1,886,900	1,895,385		1,823,339	8,889	1,832,228	63,157
Total Public Works and Utilities	9,547,400	10,016,623		10,014,673	8,889	10,023,562	(6,939)

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
Transfers and Other Functions:							
Business improvement district	300,000	395,246	4	399,582	-	399,582	(4,336)
Public access television	182,000	182,000		182,000	-	182,000	-
State sales tax administration	120,000	120,000		97,389	-	97,389	22,611
Capital program	-	2,075,000	2	1,500,806	574,193	2,074,999	1
Benefits administration	100,000	195,958	1,4	196,815	1,216	198,031	(2,073)
Retiree insurance	7,399,100	7,717,261	4	7,720,589	-	7,720,589	(3,328)
Self-insurance	1,400,000	1,400,000		1,400,000	-	1,400,000	-
PERA contribution	-	378,296	4	378,296	-	378,296	-
Transfers and accruals	500,000	500,000		-	-	-	500,000
Other functions	686,200	642,753	1,2	511,194	3,685	514,879	127,874
Total Transfers and Other Functions	<u>10,687,300</u>	<u>13,606,514</u>		<u>12,386,671</u>	<u>579,094</u>	<u>12,965,765</u>	<u>640,749</u>
Total Expenditures and encumbrances	<u>\$ 89,145,600</u>	<u>\$ 92,943,825</u>		<u>\$ 91,097,235</u>	<u>\$ 749,900</u>	<u>\$ 91,847,135</u>	<u>\$ 1,096,690</u>
Reconciliation:							
Original budget as approved by Duluth City Council	\$ 89,145,600						
Adjustments made in accordance with Budget Ordinance							
Note 1	-	Departmental transfers made in accordance with budget ordinance.					
Note 2	2,323,902	Encumbrance, contract, reserve, or designation carryovers from prior year.					
Note 3	421,240	Grants, gifts, and donations in accordance with budget ordinance.					
Note 4	1,053,083	Other allowable additions made in accordance with budget ordinance.					
Total adjustments	<u>3,798,225</u>						
Modified budget as reported above	<u>\$ 92,943,825</u>						

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government:						
Legislative and Executive						
City Council	\$ 124,200	\$ 9,247	\$ 56,188	\$ -	\$ -	\$ 189,635
Mayor's Office	460,670	251,139	18,509	-	-	730,318
Chief Administrative Officer	232,294	89,875	12,740	-	-	334,909
Attorney and Human Rights	1,664,608	585,319	71,393	-	-	2,321,320
Total Legislative and Executive	2,481,772	935,580	158,830	-	-	3,576,182
Public Administration						
Human Resources	748,606	325,731	65,677	-	-	1,140,014
Information Technology	1,819,375	769,509	857,746	-	-	3,446,630
Clerk	574,592	222,716	79,313	-	-	876,621
Facilities Management	1,659,151	788,625	2,067,767	-	24,000	4,539,543
Other Functions	-	1,015,531	1,517,634	800,806	757,000	4,090,971
Total Public Administration	4,801,724	3,122,112	4,588,137	800,806	781,000	14,093,779
Finance						
Budget	351,533	128,115	25,678	-	-	505,326
Auditor	704,911	301,148	313,260	-	-	1,319,319
Purchasing	155,115	74,596	4,513	-	-	234,224
Treasurer	427,274	196,069	7,270	-	-	630,613
Total Finance	1,638,833	699,928	350,721	-	-	2,689,482
Benefits						
Flexible Benefits	-	196,815	-	-	-	196,815
Retiree Insurance	-	7,720,589	-	-	-	7,720,589
PERA Contribution	-	24,368	-	-	-	24,368
Total Benefits	-	7,941,772	-	-	-	7,941,772
Total General Government	8,922,329	12,699,392	5,097,688	800,806	781,000	28,301,215
Public Safety:						
Fire						
Administration	420,153	158,825	48,290	-	-	627,268
Operations	10,940,651	4,721,057	670,727	-	-	16,332,435
Life Safety	773,703	362,972	66,102	-	-	1,202,777
Total Fire	12,134,507	5,242,854	785,119	-	-	18,162,480
Police						
Administration and Investigation	15,212,349	6,566,281	1,339,399	-	-	23,118,029
Police Special Accounts	-	-	62,307	-	-	62,307
Total Police	15,212,349	6,566,281	1,401,706	-	-	23,180,336
Benefits						
PERA Contribution	-	318,051	-	-	-	318,051
Total Public Safety	27,346,856	12,127,186	2,186,825	-	-	41,660,867

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works:						
Public Administration						
Park Maintenance	1,602,810	661,013	865,556	-	8,000	3,137,379
Public Works						
Public Works Director Office	76,838	27,979	1,479	-	-	106,296
Street Maintenance	2,928,813	1,268,267	3,887,958	-	-	8,085,038
Engineering	1,273,706	464,899	84,099	635	-	1,823,339
Total Public Works	4,279,357	1,761,145	3,973,536	635	-	10,014,673
Benefits						
PERA Contribution	-	16,286	-	-	-	16,286
Total Public Works	5,882,167	2,438,444	4,839,092	635	8,000	13,168,338
Culture and Recreation:						
Public Administration						
Library Services	2,779,771	1,127,164	708,577	-	-	4,615,512
Benefits						
PERA Contribution	-	9,942	-	-	-	9,942
Total Culture and Recreation	2,779,771	1,137,106	708,577	-	-	4,625,454
Urban and Economic Development:						
Planning and Construction Services						
Planning and Development	618,263	239,920	66,247	-	-	924,430
Construction Services and Inspection	1,315,951	540,031	164,368	-	-	2,020,350
Total Planning and Construction Services	1,934,214	779,951	230,615	-	-	2,944,780
Business and Community Development						
Business and Community Development	270,057	103,668	13,207	-	-	386,932
Benefits						
PERA Contribution	-	9,649	-	-	-	9,649
Total Urban and Economic Development	2,204,271	893,268	243,822	-	-	3,341,361
Total Expenditures/Transfers Out	\$ 47,135,394	\$ 29,295,396	\$ 13,076,004	\$ 801,441	\$ 789,000	\$ 91,097,235

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2019**

ENTERPRISE FUNDS

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

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2019**

	Golf	Parking	Stormwater	Street Lighting	Total Nonmajor Enterprise Funds
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 3,431,244	\$ 1,131,961	\$ 1,124,601	\$ 5,687,806
Restricted cash and cash equivalents					
Receivables, net					
Accounts	-	69,440	510,466	98,961	678,867
Assessments	-	-	26,931	-	26,931
Due from other funds	-	-	4,978	24,000	28,978
Due from component units	-	23,701	-	-	23,701
Due from other governments	-	-	-	27,870	27,870
Inventories	39,459	-	94,458	-	133,917
Prepays	2,400	-	2,006,596	-	2,008,996
Total current assets	<u>41,859</u>	<u>3,524,385</u>	<u>3,775,390</u>	<u>1,275,432</u>	<u>8,617,066</u>
Noncurrent assets					
Assessments receivable	-	-	578	-	578
Capital assets, net	1,356,722	18,551,916	19,039,271	3,821,884	42,769,793
Total noncurrent assets	<u>1,356,722</u>	<u>18,551,916</u>	<u>19,039,849</u>	<u>3,821,884</u>	<u>42,770,371</u>
Total Assets	<u>1,398,581</u>	<u>22,076,301</u>	<u>22,815,239</u>	<u>5,097,316</u>	<u>51,387,437</u>
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	315,020	-	-	315,020
Deferred pension obligation outflows	-	26,778	123,292	29,547	179,617
Total Deferred Outflows of Resources	<u>-</u>	<u>341,798</u>	<u>123,292</u>	<u>29,547</u>	<u>494,637</u>
Liabilities					
Current liabilities					
Accounts payable	6,460	6,777	21,126	48,097	82,460
Contracts payable	-	84,521	19,097	50,274	153,892
Due to other funds	-	2,134	23,042	18,774	43,950
Interfund loan payable	1,059,480	-	-	-	1,059,480
Due to other governments	1,869	-	521	-	2,390
Accrued interest payable	-	59,052	5,204	-	64,256
Accrued salaries payable	1,901	16,245	49,178	11,171	78,495
Compensated absences	-	24,313	121,906	12,349	158,568
Unearned revenue	49,329	9,230	11,774	2,495	72,828
Deposits	56,804	-	-	-	56,804
Revenue bonds payable	-	830,000	135,000	-	965,000
Total current liabilities	<u>1,175,843</u>	<u>1,032,272</u>	<u>386,848</u>	<u>143,160</u>	<u>2,738,123</u>
Noncurrent liabilities					
Loans payable	12,481	-	-	-	12,481
Interfund loan payable	1,550,000	-	-	-	1,550,000
Pension liability	-	266,451	1,226,815	294,009	1,787,275
Revenue bonds payable	-	5,352,945	298,631	-	5,651,576
Total noncurrent liabilities	<u>1,562,481</u>	<u>5,619,396</u>	<u>1,525,446</u>	<u>294,009</u>	<u>9,001,332</u>
Total Liabilities	<u>2,738,324</u>	<u>6,651,668</u>	<u>1,912,294</u>	<u>437,169</u>	<u>11,739,455</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	-	61,674	283,965	68,053	413,692
Deferred OPEB inflows	-	-	349,925	-	349,925
Total Deferred Inflows of Resources	<u>-</u>	<u>61,674</u>	<u>633,890</u>	<u>68,053</u>	<u>763,617</u>
Net Position					
Net investment in capital assets	1,344,241	12,683,991	18,605,640	3,821,884	36,455,756
Unrestricted	(2,683,984)	3,020,766	1,786,707	799,757	2,923,246
Total Net Position	<u>\$ (1,339,743)</u>	<u>\$ 15,704,757</u>	<u>\$ 20,392,347</u>	<u>\$ 4,621,641</u>	<u>\$ 39,379,002</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Golf</u>	<u>Parking</u>	<u>Stormwater</u>	<u>Street Lighting</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues					
Sales	\$ 446,891	\$ -	\$ -	\$ -	\$ 446,891
Charges for services	1,024,327	2,938,417	5,255,575	829,058	10,047,377
Fines and forfeits	-	947,382	-	-	947,382
Miscellaneous revenues	11,131	211,889	40,263	48,956	312,239
Total Operating Revenues	<u>1,482,349</u>	<u>4,097,688</u>	<u>5,295,838</u>	<u>878,014</u>	<u>11,753,889</u>
Operating Expenses					
Cost of sales and services	196,811	-	-	-	196,811
Personal services	-	779,910	2,279,481	506,895	3,566,286
Supplies	-	26,966	254,273	234,066	515,305
Utilities	-	126,331	20,433	549,014	695,778
Other services and charges	1,481,736	1,708,883	614,395	254,470	4,059,484
Depreciation	92,642	567,526	437,762	291,651	1,389,581
Total Operating Expenses	<u>1,771,189</u>	<u>3,209,616</u>	<u>3,606,344</u>	<u>1,836,096</u>	<u>10,423,245</u>
Operating Income (Loss)	<u>(288,840)</u>	<u>888,072</u>	<u>1,689,494</u>	<u>(958,082)</u>	<u>1,330,644</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	-	1,301,757	1,301,757
Investment income	-	37,220	14,030	15,624	66,874
Intergovernmental revenue	-	-	29,645	-	29,645
Gain (loss) on sale or disposition of capital assets	-	-	4,623	-	4,623
Interest and fiscal fees	-	(195,235)	(6,363)	-	(201,598)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(158,015)</u>	<u>41,935</u>	<u>1,317,381</u>	<u>1,201,301</u>
Income (Loss) Before Contributions and Transfers	<u>(288,840)</u>	<u>730,057</u>	<u>1,731,429</u>	<u>359,299</u>	<u>2,531,945</u>
Capital contributions	-	423,701	-	-	423,701
Transfers in	-	-	5,600	24,000	29,600
Transfers out	-	(1,386,300)	(528,241)	(37,250)	(1,951,791)
Change in Net Position	<u>(288,840)</u>	<u>(232,542)</u>	<u>1,208,788</u>	<u>346,049</u>	<u>1,033,455</u>
Total Net Position - January 1, 2019	<u>(1,050,903)</u>	<u>15,937,299</u>	<u>19,183,559</u>	<u>4,275,592</u>	<u>38,345,547</u>
Total Net Position - December 31, 2019	<u>\$ (1,339,743)</u>	<u>\$ 15,704,757</u>	<u>\$ 20,392,347</u>	<u>\$ 4,621,641</u>	<u>\$ 39,379,002</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Golf	Parking	Stormwater	Street Lighting	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,500,870	\$ 3,924,977	\$ 5,265,636	\$ 913,612	\$ 11,605,095
Cash paid to suppliers	(1,697,233)	(1,804,743)	(918,488)	(1,023,988)	(5,444,452)
Cash paid to employees	-	(716,064)	(2,353,790)	(530,999)	(3,600,853)
Other operating revenues	-	211,889	27,835	43,460	283,184
Net cash provided (used) by operating activities	(196,363)	1,616,059	2,021,193	(597,915)	2,842,974
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	5,600	-	5,600
Transfers to other funds	-	(1,386,300)	(528,241)	(37,250)	(1,951,791)
Property taxes	-	-	-	1,288,928	1,288,928
Operating Grants	-	-	29,645	-	29,645
Interfund financing	246,367	-	-	-	246,367
Net cash provided (used) by noncapital financing activities	246,367	(1,386,300)	(492,996)	1,251,678	(381,251)
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	-	400,000	-	-	400,000
Principal paid on bonds, notes and capitalized leases	(50,004)	(810,000)	(130,000)	-	(990,004)
Interest paid on bonds, notes and capitalized leases	-	(151,546)	(13,959)	-	(165,505)
Acquisition or construction of capital assets	-	(90,667)	(1,775,681)	(1,287,413)	(3,153,761)
Net cash provided (used) by capital and related financing activities	(50,004)	(652,213)	(1,919,640)	(1,287,413)	(3,909,270)
Cash Flows from Investing Activities					
Investment earnings	-	37,220	14,030	15,624	66,874
Net increase (decrease) in cash and cash equivalents	-	(385,234)	(377,413)	(618,026)	(1,380,673)
Cash and cash equivalents - January 1, 2019	-	3,816,478	1,509,374	1,742,627	7,068,479
Cash and cash equivalents - December 31, 2019	\$ -	\$ 3,431,244	\$ 1,131,961	\$ 1,124,601	\$ 5,687,806
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (288,840)	\$ 888,072	\$ 1,689,494	\$ (958,082)	\$ 1,330,644
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	92,642	567,526	437,762	291,651	1,389,581
Change in assets and liabilities:					
Decrease (increase) in receivables	821	38,955	11,687	81,241	132,704
Decrease (increase) in inventories	(10,668)	-	13,413	-	2,745
Decrease (increase) in prepaids	1,200	-	(765,777)	-	(764,577)
Decrease (increase) in deferred pension obligation outflows	-	18,349	130,226	38,468	187,043
Decrease (increase) in OPEB outflows	-	-	256,905	-	256,905
Increase (decrease) in payables	(9,218)	56,132	(33,003)	10,848	24,759
Increase (decrease) in unearned revenues	17,700	223	200	(99)	18,024
Increase (decrease) in deferred pension obligation inflows	-	(6,500)	(99,022)	(34,697)	(140,219)
Increase (decrease) in OPEB inflows	-	-	349,925	-	349,925
Increase (decrease) in pension liability	-	53,302	29,383	(27,245)	55,440
Total adjustments	92,477	727,987	331,699	360,167	1,512,330
Net cash provided (used) by operating activities	\$ (196,363)	\$ 1,616,059	\$ 2,021,193	\$ (597,915)	\$ 2,842,974

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
DECEMBER 31, 2019**

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 1,178,325	\$ -	\$ 3,025,978	\$ -	\$ 4,204,303
Restricted cash and cash equivalents					
Restricted assets held by trustee	-	7,935,383	-	-	7,935,383
Receivables, net					
Accounts	-	69,767	-	411	70,178
Due from other funds	200,000	-	60,037	471,730	731,767
Inventories	-	-	-	178,064	178,064
Prepays	50,000	-	-	-	50,000
Total current assets	<u>1,428,325</u>	<u>8,005,150</u>	<u>3,086,015</u>	<u>650,205</u>	<u>13,169,695</u>
Noncurrent assets					
Capital assets, net	-	-	-	198,538	198,538
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,538</u>	<u>198,538</u>
Total Assets	<u>1,428,325</u>	<u>8,005,150</u>	<u>3,086,015</u>	<u>848,743</u>	<u>13,368,233</u>
Deferred Outflows of Resources					
Deferred pension obligation outflows	<u>7,285</u>	<u>-</u>	<u>-</u>	<u>85,675</u>	<u>92,960</u>
Liabilities					
Current liabilities					
Accounts payable	1,715	720	-	205,093	207,528
Contracts payable	-	-	-	215	215
Claims payable	248,841	2,646,416	-	-	2,895,257
Due to other funds	-	-	12,063	199	12,262
Interfund loan payable	-	10,940	-	452,682	463,622
Due to other governments	15,561	-	-	-	15,561
Accrued salaries payable	3,043	-	-	32,884	35,927
Compensated absences	5,208	-	3,064,562	93,601	3,163,371
Unearned revenue	-	108,505	-	-	108,505
Total current liabilities	<u>274,368</u>	<u>2,766,581</u>	<u>3,076,625</u>	<u>784,674</u>	<u>6,902,248</u>
Noncurrent liabilities					
Claims payable	830,395	-	-	-	830,395
Pension liability	72,493	-	-	852,501	924,994
Total noncurrent liabilities	<u>902,888</u>	<u>-</u>	<u>-</u>	<u>852,501</u>	<u>1,755,389</u>
Total Liabilities	<u>1,177,256</u>	<u>2,766,581</u>	<u>3,076,625</u>	<u>1,637,175</u>	<u>8,657,637</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	<u>16,780</u>	<u>-</u>	<u>-</u>	<u>197,324</u>	<u>214,104</u>
Net Position					
Net investment in capital assets	-	-	-	198,538	198,538
Restricted for health insurance trust	-	5,238,569	-	-	5,238,569
Unrestricted	241,574	-	9,390	(1,098,619)	(847,655)
Total Net Position	<u>\$ 241,574</u>	<u>\$ 5,238,569</u>	<u>\$ 9,390</u>	<u>\$ (900,081)</u>	<u>\$ 4,589,452</u>

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,465,355	\$ 2,465,355
Charges for services	1,799,590	18,193,852	3,302,964	2,051,598	25,348,004
Miscellaneous revenues	101,243	1,016,231	-	1,755	1,119,229
Total Operating Revenues	1,900,833	19,210,083	3,302,964	4,518,708	28,932,588
Operating Expenses					
Cost of sales and services	-	-	-	2,148,694	2,148,694
Personal services	846,622	-	3,302,964	1,725,263	5,874,849
Supplies	4,001	-	-	40,551	44,552
Utilities	-	-	-	33,803	33,803
Other services and charges	1,111,149	1,830,565	-	500,470	3,442,184
Depreciation	-	-	-	64,038	64,038
Medical and insurance	622,933	17,464,732	-	-	18,087,665
Total Operating Expenses	2,584,705	19,295,297	3,302,964	4,512,819	29,695,785
Operating Income (Loss)	(683,872)	(85,214)	-	5,889	(763,197)
Nonoperating Revenues (Expenses)					
Investment income	17,215	198,078	30,016	-	245,309
Intergovernmental revenue	-	-	-	5,835	5,835
Total Nonoperating Revenues (Expenses)	17,215	198,078	30,016	5,835	251,144
Change in Net Position	(666,657)	112,864	30,016	11,724	(512,053)
Total Net Position - January 1, 2019	908,231	5,125,705	(20,626)	(911,805)	5,101,505
Total Net Position - December 31, 2019	\$ 241,574	\$ 5,238,569	\$ 9,390	\$ (900,081)	\$ 4,589,452

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Self- Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,707,833	\$ 19,332,886	\$ 3,288,562	\$ 4,340,588	\$ 28,669,869
Cash paid to suppliers	(1,850,549)	(18,339,336)	-	(2,649,687)	(22,839,572)
Cash paid to employees	(843,538)	-	(3,254,990)	(1,670,923)	(5,769,451)
Other operating revenues	-	-	-	1,755	1,755
Net cash provided (used) by operating activities	<u>(986,254)</u>	<u>993,550</u>	<u>33,572</u>	<u>21,733</u>	<u>62,601</u>
Cash Flows from Noncapital Financing Activities					
Operating grants	-	-	-	5,835	5,835
Interfund financing	-	(3,498)	-	(27,568)	(31,066)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(3,498)</u>	<u>-</u>	<u>(21,733)</u>	<u>(25,231)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities					
Investment earnings	17,215	198,078	30,016	-	245,309
Net increase (decrease) in cash and cash equivalents	(969,039)	1,188,130	63,588	-	282,679
Cash and cash equivalents - January 1, 2019	2,147,364	6,747,253	2,962,390	-	11,857,007
Cash and cash equivalents - December 31, 2019	<u>\$ 1,178,325</u>	<u>\$ 7,935,383</u>	<u>\$ 3,025,978</u>	<u>\$ -</u>	<u>\$ 12,139,686</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (683,872)	\$ (85,214)	\$ -	\$ 5,889	\$ (763,197)
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	64,038	64,038
Change in assets and liabilities:					
Decrease (increase) in receivables	(193,000)	14,298	(12,554)	(146,783)	(338,039)
Decrease (increase) in inventories	-	-	-	(2,781)	(2,781)
Decrease (increase) in deferred pension obligation outflows	7,965	108,505	-	89,896	206,366
Increase (decrease) in payables	(111,549)	955,961	46,126	56,148	946,686
Increase (decrease) in deferred pension obligation inflows	(6,259)	-	-	(67,909)	(74,168)
Increase (decrease) in pension liability	461	-	-	23,235	23,696
Total adjustments	<u>(302,382)</u>	<u>1,078,764</u>	<u>33,572</u>	<u>15,844</u>	<u>825,798</u>
Net cash provided (used) by operating activities	<u>\$ (986,254)</u>	<u>\$ 993,550</u>	<u>\$ 33,572</u>	<u>\$ 21,733</u>	<u>\$ 62,601</u>

Fiduciary Funds

**CITY OF DULUTH, MINNESOTA
FIDUCIARY FUNDS
AGENCY FUNDS
DECEMBER 31, 2019**

AGENCY FUNDS

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

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance 01/01/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/19</u>
<u>DULUTH 1200 FUND</u>				
Assets				
Cash and cash equivalents	\$ 2,698,525	\$ 240,136	\$ 258,792	\$ 2,679,869
Loans receivable	330,489	205,003	136,588	398,904
Total Assets	<u>\$ 3,029,014</u>	<u>\$ 445,139</u>	<u>\$ 395,380</u>	<u>\$ 3,078,773</u>
Liabilities				
Accounts payable	\$ 920	\$ 226,472	\$ 220,453	\$ 6,939
Due to agency	3,028,094	107,387	63,647	3,071,834
Total Liabilities	<u>\$ 3,029,014</u>	<u>\$ 333,859</u>	<u>\$ 284,100</u>	<u>\$ 3,078,773</u>

Supplementary Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2019**

Governmental Funds Capital Assets:

Land and land improvements	\$	22,859,321
Buildings		90,194,027
Equipment		41,843,558
Infrastructure		368,690,129
Construction in Progress		<u>23,477,572</u>

Total Governmental Funds Capital Assets \$ 547,064,607

Investments in Governmental Funds Capital Assets:

General fund	\$	10,247,286
Special revenue fund		31,014,835
Capital projects fund		503,834,386
Donations		<u>1,968,100</u>

Total Governmental Funds Capital Assets \$ 547,064,607

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

**CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2019**

Function and Activity	Land and Land Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	487,215	-	-	487,215
Management Information Systems	-	-	3,944,264	-	-	3,944,264
Facilities Management	1,636,325	15,948,728	2,110,421	22,175,049	24,963	41,895,486
Finance	-	-	346,749	-	-	346,749
Total General Government	1,636,325	15,948,728	6,894,968	22,175,049	24,963	46,680,033
Public Safety						
Fire	83,006	3,114,984	12,535,607	-	835,368	16,568,965
Police	2,000	16,627,233	5,233,043	562,251	542,563	22,967,090
Total Public Safety	85,006	19,742,217	17,768,650	562,251	1,377,931	39,536,055
Public Works						
Street Construction	-	-	-	335,496,648	15,667,444	351,164,092
Maintenance Operations	54,435	1,258,641	15,183,482	60,403	-	16,556,961
Engineering	5,145,615	2,316,896	324,893	3,553,552	-	11,340,956
Total Public Works	5,200,049	3,575,537	15,508,375	339,110,603	15,667,444	379,062,009
Culture and Recreation						
Libraries	51,585	7,545,987	154,981	-	-	7,752,554
Parks and Recreation	12,839,443	42,284,527	880,381	6,842,226	6,407,234	69,253,812
Total Culture and Recreation	12,891,028	49,830,515	1,035,363	6,842,226	6,407,234	77,006,365
Urban and Economic Development						
Planning and Construction Services	3,046,913	1,097,030	636,203	-	-	4,780,145
Total Governmental Funds Capital Assets	\$ 22,859,321	\$ 90,194,027	\$ 41,843,558	\$ 368,690,129	\$ 23,477,572	\$ 547,064,607

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

**CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2019**

Function and Activity	Governmental Funds Capital Assets 01/01/19	Additions	Deductions	Governmental Funds Capital Assets 12/31/19
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	487,215	-	-	487,215
Management Information Systems	3,910,055	34,210	-	3,944,264
Facilities Management	40,751,490	8,966,500	7,822,504	41,895,486
Finance	346,749	-	-	346,749
Total General Government	45,501,827	9,000,710	7,822,504	46,680,033
Public Safety				
Fire	14,615,733	1,953,232	-	16,568,965
Police	22,113,826	1,019,882	166,618	22,967,090
Total Public Safety	36,729,559	2,973,114	166,618	39,536,055
Public Works				
Street Construction	342,911,667	18,309,158	10,056,734	351,164,092
Maintenance Operations	15,504,336	1,074,242	21,617	16,556,961
Engineering	11,243,698	97,258	-	11,340,956
Total Public Works	369,659,702	19,480,658	10,078,351	379,062,008
Culture and Recreation				
Libraries	7,752,554	-	-	7,752,554
Parks and Recreation	66,840,358	3,613,205	1,199,752	69,253,812
Total Culture and Recreation	74,592,912	3,613,205	1,199,752	77,006,365
Urban and Economic Development				
Planning and Construction Services	4,686,724	114,414	20,993	4,780,145
Total Governmental Funds Capital Assets	\$ 531,170,724	\$ 35,182,101	\$ 19,288,218	\$ 547,064,607

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2019**

	<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 - Levy Funded				
Aerial Lift Bridge Improvement	\$ 1,475,000	08/07/2008	02/01/2019	\$ 170,000
Capital Improvement	7,085,000	12/17/2009	02/01/2020	1,660,000
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	02/01/2032	11,905,000
Capital Improvement	2,175,000	11/23/2010	02/01/2021	715,000
Capital Improvement	1,870,000	11/29/2011	02/01/2022	815,000
Capital Improvement	1,795,000	12/18/2013	02/01/2024	1,135,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	1,135,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	810,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	1,325,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	1,035,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	1,545,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	1,310,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	-
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	-
Total General Obligation - Levy Funded				<u>\$ 23,560,000</u>
General Obligation - Funded by Other Sources				
Airpark Improvement	\$ 945,000	09/01/2004	02/01/2020	\$ 165,000
Airport Improvement	7,650,000	05/24/2012	02/01/2028	5,380,000
Airport Improvement	3,400,000	12/18/2013	02/01/2029	2,955,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,960,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,905,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	2,565,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	11,075,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	33,470,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	4,450,000
Total General Obligation - Funded by Other Sources				<u>\$ 63,925,000</u>
General Obligation - Tax Abatement				
Spirit Mountain Tax Abatement Bonds	\$ 7,055,000	02/23/2012	02/01/2030	\$ 5,235,000
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	7,370,000
Total General Obligation - Tax Abatement				<u>\$ 12,605,000</u>
Total General Obligation Bonds Payable				<u>\$ 100,090,000</u>
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 1,985,000	09/07/2006	02/01/2021	\$ 535,000
General Obligation Improvement Refunding	1,205,000	11/23/2010	02/01/2019	92,600
General Obligation Improvement Refunding	1,135,000	11/23/2010	02/01/2019	87,400
Street Improvement Refunding	6,905,000	11/27/2012	02/01/2021	2,190,000
General Obligation Improvement Refunding	865,000	10/30/2014	02/01/2020	360,000
Street Improvement Refunding	2,630,000	11/05/2015	02/01/2023	1,900,000
Total Special Assessment Debt with Government Commitment				<u>\$ 5,165,000</u>
General Obligation Certificates Payable				
Equipment	\$ 3,835,000	12/18/2013	02/01/2019	\$ 800,000
Equipment	2,460,000	10/30/2014	02/01/2020	1,010,000
Equipment	3,325,000	11/05/2015	02/01/2021	2,055,000
Equipment	3,565,000	11/09/2016	02/01/2022	2,930,000
Equipment	3,615,000	11/21/2017	02/01/2023	3,615,000
Equipment	3,885,000	10/17/2018	02/01/2024	3,885,000
Equipment	3,070,000	10/09/2019	02/01/2025	-
Total General Obligation Certificates Payable				<u>\$ 14,295,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 119,550,000</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2019**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2020</u>	<u>Interest Due in 2020</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Aerial Lift Bridge Improvement	\$ -	\$ 170,000	\$ -	\$ -	\$ -
Capital Improvement	-	905,000	755,000	755,000	15,100
Capital Improvement - Law Enforcement Center	-	11,905,000	-	-	-
Capital Improvement	-	230,000	485,000	240,000	10,950
Capital Improvement	-	195,000	620,000	200,000	15,600
Capital Improvement	-	175,000	960,000	180,000	26,100
Capital Improvement - Lakewalk	-	85,000	1,050,000	90,000	37,362
Capital Improvement	-	110,000	700,000	110,000	14,262
Capital Improvement	-	155,000	1,170,000	160,000	23,769
Capital Improvement	-	100,000	935,000	100,000	35,400
Capital Improvement	-	125,000	1,420,000	140,000	40,500
Capital Improvement	-	-	1,310,000	90,000	63,250
Capital Improvement	1,190,000	-	1,190,000	-	48,261
Capital Improvement Refunding	9,755,000	-	9,755,000	-	395,619
Total General Obligation - Levy Funded	\$ 10,945,000	\$ 14,155,000	\$ 20,350,000	\$ 2,065,000	\$ 726,173
General Obligation - Funded by Other Sources					
Airpark Improvement	\$ -	\$ 80,000	\$ 85,000	\$ 85,000	\$ 1,785
Airport Improvement	-	485,000	4,895,000	490,000	126,981
Airport Improvement	-	225,000	2,730,000	230,000	102,111
Wade Stadium Improvement	-	140,000	1,820,000	140,000	57,525
Spirit Mountain Improvement	-	90,000	1,815,000	95,000	52,650
Airport Improvement	-	165,000	2,400,000	170,000	74,838
Capital Improvement - 1/2 & 1/2	-	655,000	10,420,000	665,000	331,970
Duluth Entertainment and Convention Center Improvement Refunding	-	840,000	32,630,000	955,000	1,446,775
Capital Improvement - Seawall	-	225,000	4,225,000	225,000	123,375
Total General Obligation - Funded by Other Sources	\$ -	\$ 2,905,000	\$ 61,020,000	\$ 3,055,000	\$ 2,318,010
General Obligation - Tax Abatement					
Spirit Mountain Tax Abatement Bonds	\$ -	\$ 385,000	\$ 4,850,000	\$ 395,000	\$ 119,869
GO Tax Abatement (Cirrus)	-	450,000	6,920,000	460,000	178,425
Total General Obligation - Tax Abatement	\$ -	\$ 835,000	\$ 11,770,000	\$ 855,000	\$ 298,294
Total General Obligation Bonds Payable	\$ 10,945,000	\$ 17,895,000	\$ 93,140,000	\$ 5,975,000	\$ 3,342,477
Special Assessment Debt with Government Commitment					
General Obligation Improvement	\$ -	\$ 170,000	\$ 365,000	\$ 180,000	\$ 11,000
General Obligation Improvement Refunding	-	92,600	-	-	-
General Obligation Improvement Refunding	-	87,400	-	-	-
Street Improvement Refunding	-	1,110,000	1,080,000	725,000	21,525
General Obligation Improvement Refunding	-	180,000	180,000	180,000	1,800
Street Improvement Refunding	-	400,000	1,500,000	420,000	51,600
Total Special Assessment Debt with Government Commitment	\$ -	\$ 2,040,000	\$ 3,125,000	\$ 1,505,000	\$ 85,925
General Obligation Certificates Payable					
Equipment	\$ -	\$ 800,000	\$ -	\$ -	\$ -
Equipment	-	500,000	510,000	510,000	5,100
Equipment	-	665,000	1,390,000	685,000	31,425
Equipment	-	690,000	2,240,000	720,000	75,200
Equipment	-	660,000	2,955,000	700,000	92,900
Equipment	-	-	3,885,000	695,000	139,125
Equipment	3,070,000	-	3,070,000	-	124,506
Total General Obligation Certificates Payable	\$ 3,070,000	\$ 3,315,000	\$ 14,050,000	\$ 3,310,000	\$ 468,256
Total Governmental Activities Bonds and Certificates Payable	\$ 14,015,000	\$ 23,250,000	\$ 110,315,000	\$ 10,790,000	\$ 3,896,658

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2019**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment Refunding	\$ 10,270,000	11/27/2012	02/01/2026	\$ 6,985,000
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	\$ 11,500,000	05/15/2014	04/01/2044	\$ 12,447,475
Water Fund				
Water Utility Revenue and General Obligation	\$ 196,000	02/19/2009	02/01/2024	\$ 90,000
Water Utility Revenue and General Obligation Refunding	515,000	11/05/2015	02/01/2022	350,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	4,050,000
Total Water Fund				<u>\$ 4,490,000</u>
Gas Fund				
Gas Utility Revenue and General Obligation Refunding	\$ 3,125,000	11/29/2011	02/01/2019	\$ 505,000
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	\$ 5,475,000	11/27/2012	02/01/2022	\$ 2,330,000
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	4,015,000
Total Steam Fund				<u>\$ 6,345,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 1,444,000	02/19/2009	02/01/2024	\$ 660,000
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	480,000
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	02/01/2020	680,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	02/01/2020	895,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/05/2015	02/01/2023	820,000
Sewer Utility Revenue and General Obligation Refunding	350,000	11/05/2015	02/01/2022	240,000
Total Sewer Fund				<u>\$ 3,775,000</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation Refunding	790,000	11/05/2015	02/01/2022	\$ 550,000
Total Business-type Activities Bonds Payable				<u>\$ 35,097,475</u> (continued)

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2019**

	Issued	Retired	Dec 31 Balance	Principal Due in 2020	Interest Due in 2020
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	\$ -	\$ 810,000	\$ 6,175,000	\$ 830,000	\$ 134,669
Priley Drive Parking Facility					
Parking Improvement Tax Increment	\$ -	\$ 217,606	\$ 12,229,869	\$ 219,731	\$ 486,938
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 14,000	\$ 76,000	\$ 14,000	\$ 2,612
Water Utility Revenue and General Obligation Refunding	-	85,000	265,000	85,000	6,675
Water Utility Revenue and General Obligation	-	-	4,050,000	185,000	121,962
Total Water Fund	\$ -	\$ 99,000	\$ 4,391,000	\$ 284,000	\$ 131,249
Gas Fund					
Gas Utility Revenue and General Obligation Refunding	\$ -	\$ 505,000	\$ -	\$ -	\$ -
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	\$ -	\$ 655,000	\$ 1,675,000	\$ 665,000	\$ 27,068
Steam Utility Revenue and General Obligation	-	-	4,015,000	-	122,388
Total Steam Fund	\$ -	\$ 655,000	\$ 5,690,000	\$ 665,000	\$ 149,456
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 101,001	\$ 558,999	\$ 105,999	\$ 19,150
Sewer Utility Revenue and General Obligation	-	60,000	420,000	65,000	15,500
Sewer Utility Revenue and General Obligation Refunding	-	335,000	345,000	345,000	5,175
Sewer Utility Revenue and General Obligation Refunding	-	290,000	605,000	300,000	9,100
Sewer Utility Revenue and General Obligation Refunding	-	155,000	665,000	160,000	17,550
Sewer Utility Revenue and General Obligation Refunding	-	60,000	180,000	60,000	4,500
Total Sewer Fund	\$ -	\$ 1,001,001	\$ 2,773,999	\$ 1,035,999	\$ 70,975
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	\$ -	\$ 130,000	\$ 420,000	\$ 135,000	\$ 10,575
Total Business-type Activities Bonds Payable	\$ -	\$ 3,417,607	\$ 31,679,868	\$ 3,169,730	\$ 983,862

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2019**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	08/01/2005	08/01/2025	\$ 2,636,000
U.S. Dept. of Housing and Urban Development	3,636,000	03/28/2019	08/01/2025	<u>-</u>
Total Governmental Activities				<u>\$ 2,636,000</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 1,668,813	10/28/2009	08/20/2019	\$ 174,000
Public Facilities Authority Note	1,293,200	07/28/2010	08/20/2025	624,000
Public Facilities Authority Note	3,344,131	12/07/2010	08/20/2025	1,673,000
Public Facilities Authority Note	1,221,631	11/18/2011	08/20/2026	654,000
Public Facilities Authority Note	4,778,806	02/25/2014	08/20/2029	<u>3,437,000</u>
Total Water Fund				<u>\$ 6,562,000</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 1,973,033	07/12/2007	08/20/2022	\$ 616,000
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	354,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	1,106,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	1,840,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	4,105,000
Public Facilities Authority Note	279,117	11/18/2011	08/20/2021	82,000
Public Facilities Authority Note	265,418	11/30/2011	08/20/2021	85,000
Public Facilities Authority Note	278,149	11/18/2011	08/20/2021	91,000
Public Facilities Authority Note	476,537	09/10/2012	08/20/2022	192,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>441,000</u>
Total Sewer Fund				<u>\$ 8,912,000</u>
Total Business-type Activities				<u>\$ 15,474,000</u>
Component Unit:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/01/2005	06/01/2019	<u>\$ 35,911</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2019**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2020</u>	<u>Interest Due in 2020</u>
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 2,636,000	\$ -	\$ -	\$ -
U.S. Dept. of Housing and Urban Development	2,636,000	15,000	2,621,000	15,000	71,626
Total Governmental Activities	\$ 2,636,000	\$ 2,651,000	\$ 2,621,000	\$ 15,000	\$ 71,626
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 174,000	\$ -	\$ -	\$ -
Public Facilities Authority Note	-	86,000	538,000	87,000	6,768
Public Facilities Authority Note	-	231,000	1,442,000	234,000	15,516
Public Facilities Authority Note	-	78,000	576,000	79,000	7,033
Public Facilities Authority Note	-	297,000	3,140,000	300,000	31,400
Total Water Fund	\$ -	\$ 866,000	\$ 5,696,000	\$ 700,000	\$ 60,717
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 151,000	\$ 465,000	\$ 153,000	\$ 5,348
Public Facilities Authority Note	-	56,000	298,000	57,000	5,868
Public Facilities Authority Note	-	175,000	931,000	179,000	18,778
Public Facilities Authority Note	-	253,000	1,587,000	256,000	19,964
Public Facilities Authority Note	-	565,000	3,540,000	572,000	44,533
Public Facilities Authority Note	-	27,000	55,000	27,000	550
Public Facilities Authority Note	-	28,000	57,000	28,000	570
Public Facilities Authority Note	-	30,000	61,000	31,000	610
Public Facilities Authority Note	-	47,000	145,000	48,000	1,450
Public Facilities Authority Note	-	72,000	369,000	72,000	3,690
Total Sewer Fund	\$ -	\$ 1,404,000	\$ 7,508,000	\$1,423,000	\$ 101,361
Total Business-type Activities	\$ -	\$ 2,270,000	\$13,204,000	\$2,123,000	\$ 162,078
Component Unit:					
Duluth Airport Authority					
Revenue Note	\$ -	\$ 35,911	\$ -	\$ -	\$ -

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 3,390,659	\$ 177,391	\$ 914,875	\$ 2,562,249	\$ 7,045,174
Taxes receivable, net	-	-	120,187	-	120,187
Accounts receivable, net	33,012	-	-	-	33,012
Loans receivable, net	758,603	3,563,981	-	3,714,696	8,037,280
Due from other funds	104,822	-	-	761,511	866,333
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 4,479,596</u>	<u>\$ 3,741,372</u>	<u>\$ 1,035,062</u>	<u>\$ 7,038,456</u>	<u>\$ 16,294,486</u>
Liabilities					
Accounts payable	\$ 45,062	\$ -	\$ 200,703	\$ -	\$ 245,765
Contracts payable	170,664	-	-	-	170,664
Due to other funds	-	-	765,473	100,860	866,333
Due to primary government	257,761	-	23,701	-	281,462
Due to other governments	-	-	-	-	-
Total Liabilities	<u>473,487</u>	<u>-</u>	<u>989,877</u>	<u>100,860</u>	<u>1,564,224</u>
Deferred Inflows of Resources					
Unavailable revenue	758,603	3,563,766	38,194	3,714,696	8,075,259
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	6,991	3,222,900	3,229,891
Assigned	-	177,606	-	-	177,606
Unassigned	3,055,006	-	-	-	3,055,006
Total Fund Balances	<u>3,247,506</u>	<u>177,606</u>	<u>6,991</u>	<u>3,222,900</u>	<u>6,655,003</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,479,596</u>	<u>\$ 3,741,372</u>	<u>\$ 1,035,062</u>	<u>\$ 7,038,456</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	11,564,495
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	7,668,481
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	195
Net position of governmental activities	<u>\$ 25,888,174</u>

**CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 2,874,258	\$ -	\$ 2,874,258
Intergovernmental revenues					
State of Minnesota grants	5,648	-	-	-	5,648
Charges for services					
Parking meters	575,544	-	-	-	575,544
Building rent	407,249	-	-	-	407,249
Other	33,516	-	-	-	33,516
Miscellaneous revenues					
Earnings on investments	135,297	2,771	22,973	38,978	200,019
Interest	-	3,790	-	-	3,790
Other	870,541	69,464	-	-	940,005
Total Revenues	<u>2,027,795</u>	<u>76,025</u>	<u>2,897,231</u>	<u>38,978</u>	<u>5,040,029</u>
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	-	5,000	5,000
Economic development projects	1,786,013	-	434,654	-	2,220,667
Capital outlay					
Urban and economic development					
Land	51,305	-	-	-	51,305
Debt service					
Principal retirement	-	-	561,978	-	561,978
Interest and fiscal fees	-	-	1,139,576	-	1,139,576
Total Expenditures	<u>1,837,318</u>	<u>-</u>	<u>2,136,208</u>	<u>5,000</u>	<u>3,978,526</u>
Excess of Revenues Over (Under) Expenditures	<u>190,477</u>	<u>76,025</u>	<u>761,023</u>	<u>33,978</u>	<u>1,061,503</u>
Other Financing Sources (Uses)					
Transfers in					
DEDA Capital Projects	100,860	-	-	-	100,860
DEDA Debt Service	-	-	-	761,511	761,511
Total Transfers In	<u>100,860</u>	<u>-</u>	<u>-</u>	<u>761,511</u>	<u>862,371</u>
Transfers out					
DEDA General Operating	-	-	-	(100,860)	(100,860)
DEDA Capital Projects	-	-	(761,511)	-	(761,511)
Total Transfers Out	<u>-</u>	<u>-</u>	<u>(761,511)</u>	<u>(100,860)</u>	<u>(862,371)</u>
Total Other Financing Sources (Uses)	<u>100,860</u>	<u>-</u>	<u>(761,511)</u>	<u>660,651</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>291,337</u>	<u>76,025</u>	<u>(488)</u>	<u>694,629</u>	<u>1,061,503</u>
Fund Balances					
Fund Balance - January 1, 2019	<u>2,956,169</u>	<u>101,581</u>	<u>7,479</u>	<u>2,528,271</u>	<u>5,593,500</u>
Fund Balance - December 31, 2019	<u>\$ 3,247,506</u>	<u>\$ 177,606</u>	<u>\$ 6,991</u>	<u>\$ 3,222,900</u>	<u>\$ 6,655,003</u>

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNITS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds	\$ 1,061,503
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(905,604)
In the statement of activities, only the loss on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.	(1,128,940)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues provide current financial resources to governmental funds but do not have any effect on net position. This amount is the net effect of these differences.	(26,072)
Change in net position of governmental activities	<u>\$ (999,113)</u>

**DULUTH JPE TRUST
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Health Fund	Dental Fund	JPE Trust Total
Assets			
Investments:			
Money market	\$ 2,073,082	\$ 164,367	\$ 2,237,449
US government treasury securities	5,223,791	175,016	5,398,807
US government agency securities	273,161	25,966	299,127
Receivables:			
Other	53,985	15,782	69,767
Total assets	<u>\$ 7,624,019</u>	<u>\$ 381,131</u>	<u>\$ 8,005,150</u>
Liabilities			
Claims payable	\$ 2,506,225	\$ 140,191	\$ 2,646,416
Accounts payable	11,660	-	11,660
Premiums received in advance	104,930	3,575	108,505
Total liabilities	<u>\$ 2,622,815</u>	<u>\$ 143,766</u>	<u>\$ 2,766,581</u>
Net Position			
Held in trust	<u>\$ 5,001,204</u>	<u>\$ 237,365</u>	<u>\$ 5,238,569</u>

DULUTH JPE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Additions			
Health premiums:			
Active employees	\$ 17,974,857	\$ -	\$ 17,974,857
Inactive employees	9,747,580	-	9,747,580
Dental premiums	-	937,722	937,722
Refunds and reimbursements:			
Prescription drug rebates	888,170	-	888,170
Health Partners shared savings	127,544	-	127,544
Miscellaneous	517	-	517
Investment earnings	190,240	7,838	198,078
Total additions	<u>28,928,908</u>	<u>945,560</u>	<u>29,874,468</u>
Deductions			
Medical and drug claims:			
Active employees	16,133,864	-	16,133,864
Inactive employees	7,030,070	-	7,030,070
Medical insurance - medicare supplement	3,867,749	-	3,867,749
Dental claims	-	899,356	899,356
Administrative fees:			
Health Partners	805,922	-	805,922
Delta Dental	-	63,743	63,743
City of Duluth	371,315	-	371,315
Trust services	18,998	917	19,915
Consulting services	101,355	-	101,355
Wellness activities	70,124	-	70,124
Patient centered outcomes research fee	3,902	-	3,902
Stop loss insurance	391,290	-	391,290
Miscellaneous	2,999	-	2,999
Total deductions	<u>28,797,588</u>	<u>964,016</u>	<u>29,761,604</u>
Change in Net Position	131,320	(18,456)	112,864
Net Position - January 1, 2019	<u>4,869,884</u>	<u>255,821</u>	<u>5,125,705</u>
Net Position - December 31, 2019	<u>\$ 5,001,204</u>	<u>\$ 237,365</u>	<u>\$ 5,238,569</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:						
State of Minnesota						
Local Government Aid	\$29,668,565	\$ -	\$ -	\$ -	\$ -	\$29,668,565
MSA Street Construction Allotment	-	-	-	5,256,980	-	5,256,980
MSA Street Maintenance Allotment	1,533,400	-	-	-	-	1,533,400
PERA Aid	124,428	-	-	-	54,402	178,830
PERA Contribution	378,296	-	-	-	-	378,296
Insurance Premium	2,124,504	-	-	-	-	2,124,504
Total Shared Revenue	33,829,193	-	-	5,256,980	54,402	39,140,575
State Grants:						
State of Minnesota, Department of						
Agriculture						
Noxious Weed and Invasive Plants	-	13,600	-	-	-	13,600
Commerce						
Auto Theft Prevention Program	-	31,040	-	-	-	31,040
Education						
Minnesota Library Information Network	4,536	-	-	-	-	4,536
Employment and Economic Development						
Dislocated Workers	-	120,449	-	-	-	120,449
Duluth Lake Superior Zoo Project	-	-	-	318,273	-	318,273
Women's Economic Security Act	-	112,896	-	-	-	112,896
Workforce Housing Development Program	-	60,000	-	-	-	60,000
Youth Program	-	471,400	-	-	-	471,400
Employment and Economic Development Total	-	764,745	-	318,273	-	1,083,018
Minnesota Pollution Control Agency						
Minnesota Slip Dock Wall Reconstruction and SS William Irvin Removal	-	-	-	215,566	-	215,566
Natural Resources						
Cross Country Ski Trails	6,600	-	-	-	-	6,600
Lake Superior Zoo	-	126,863	-	-	-	126,863
Mud Lake Comparative Analysis	-	-	-	5,000	-	5,000
Rural Fire Grant Project	-	2,450	-	-	-	2,450
Snowmobile Trails	16,097	-	-	-	-	16,097
Natural Resources Total	22,697	129,313	-	5,000	-	157,010
Peace Officers Board						
Post Training Reimbursement	146,144	-	-	-	-	146,144
Public Safety						
Bulletproof Vests	13,338	-	-	-	-	13,338
Community Justice Reinvestment Grant	-	92,465	-	-	-	92,465
Crime Victim Services	-	14,923	-	-	-	14,923
Firefighter Education Reimbursement	-	44,333	-	-	-	44,333
HAZMAT Regional Response Team	-	210,194	-	-	-	210,194
Minnesota Board of Firefighters Training & Education	-	6,474	-	-	-	6,474
State of Minnesota Disaster Funds	-	928,362	-	-	-	928,362
Violent Crime Enforcement Team	-	324,584	-	-	-	324,584
Public Safety Total	13,338	1,621,335	-	-	-	1,634,673

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Revenue						
Market Value Credit	236	-	-	-	-	236
Transportation						
Corridor Investment	-	-	-	133,993	-	133,993
Utility Design Engineering Services Agreement	-	-	-	-	30,982	30,982
Transportation Total	-	-	-	133,993	30,982	164,975
Total State Grants	186,951	2,560,033	-	672,832	30,982	3,450,798
Other Grants:						
St. Louis County						
Job Training Services	-	878,298	-	-	-	878,298
Other	138,411	10,000	-	-	-	148,411
St. Louis County Total	138,411	888,298	-	-	-	1,026,709
Duluth Seaway Port Authority	-	-	-	1,150,401	-	1,150,401
Duluth Transit Authority	-	106,753	-	-	-	106,753
Housing and Redevelopment Authority	66,939	473,095	-	-	-	540,034
Independent School District #709	278,940	-	-	-	-	278,940
Total Other Grants	484,290	1,468,146	-	1,150,401	-	3,102,837
Federal Grants:						
Federal, Department of						
Agriculture						
Cooperative Forestry Assistance	-	6,750	-	-	-	6,750
Urban and Community Forestry Program	-	27,139	-	-	-	27,139
Agriculture Total	-	33,889	-	-	-	33,889
Commerce						
Coastal Zone Management Grant	-	10,000	-	7,647	-	17,647
Education						
Rehabilitation Services Vocational Rehabilitation Grants to States	-	29,618	-	-	-	29,618
Environmental Protection Agency						
Brownfields Assessment and Cleanup Cooperative	-	157,317	-	-	-	157,317
Great Lakes Program	-	73,434	-	-	29,645	103,079
Environmental Protection Agency Total	-	230,751	-	-	29,645	260,396
Homeland Security						
Assistance to Firefighters Grant	-	61,403	-	-	-	61,403
Emergency Management Performance Grants	-	20,000	-	-	-	20,000
FEMA Disaster Assistance	-	1,528,084	-	-	-	1,528,084
Port Security Grant Program	-	308,584	-	-	-	308,584
Operation Stonegarden Grant Program	-	27,630	-	-	-	27,630
Homeland Security Total	-	1,945,701	-	-	-	1,945,701

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Housing and Urban Development						
Community Development Block Grant	-	2,335,602	-	-	-	2,335,602
Emergency Solutions Grant Program	-	153,876	-	-	-	153,876
Home Investment Partnerships Program	-	445,508	-	-	-	445,508
Housing and Urban Development Total	-	2,934,986	-	-	-	2,934,986
Justice						
Bulletproof Vest Partnership Program	11,121	-	-	-	-	11,121
Comprehensive Opioid Abuse Site-Based Program	-	80,688	-	-	-	80,688
Crime Victim Services	-	56,946	-	-	-	56,946
Edward Bryne Memorial Formula Grant	-	35,389	-	-	-	35,389
Grants to Encourage Arrest Policies	-	101,763	-	-	-	101,763
Minneapolis Child Exploitation and Human Trafficking Task Force	-	1,719	-	-	-	1,719
National Sexual Assault Kit Initiative	-	386,957	-	-	-	386,957
Public Safety Partnership and Community Policing Grants	-	72,078	-	-	-	72,078
Justice Total	11,121	735,540	-	-	-	746,661
Labor						
WIA Dislocated Workers Formula Grant	-	98,252	-	-	-	98,252
Senior Community Service Employment Workforce Investment Act	-	339,811	-	-	-	339,811
Workforce Investment Act	-	602,628	-	-	-	602,628
Labor Total	-	1,040,691	-	-	-	1,040,691
Transportation						
Federal Highway Assistance	-	-	-	134,119	-	134,119
Highway Planning and Construction	-	-	-	1,734,053	-	1,734,053
Interagency Hazardous Materials Public Sector	-	6,417	-	-	-	6,417
NHTSA: DWI Officers	-	96,792	-	-	-	96,792
Recreational Trails Program	-	-	-	47,562	-	47,562
Toward Zero Deaths Law Enforcement Grant	-	228,334	-	-	-	228,334
Transportation Total	-	331,543	-	1,915,734	-	2,247,277
Total Federal Grants	11,121	7,292,719	-	1,923,381	29,645	9,256,866
Other Federal:						
Treasury						
Build America Interest Rebate	-	-	223,993	-	-	223,993
Total Intergovernmental Revenue	\$34,511,555	\$11,320,898	\$ 223,993	\$9,003,594	\$ 115,029	\$55,175,069

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Cooperative Forestry Assistance		10.664	\$ 6,750	\$ -
Passed Through Minnesota Department of Natural Resources Urban and Community Forestry Program	140175	10.675	42,064	-
Passed Through Minnesota Department of Agriculture Forest Health Protection	JPA-133100	10.680	65,000	-
Total U.S. Department of Agriculture			\$ 113,814	\$ -
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	16-306A	11.419	\$ 73,177	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants (Total expenditures for CDBG - Entitlement Grants Cluster \$2,510,955)		14.218	\$ 2,510,955	\$ 2,000,792
Emergency Solutions Grant Program		14.231	163,741	150,151
Home Investment Partnerships Program		14.239	540,469	509,933
Total U.S. Department of Housing and Urban Development			\$ 3,215,165	\$ 2,660,876
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	\$ 134,087	\$ -
Bulletproof Vest Partnership Program		16.607	7,627	-
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grant 16.710 \$72,687)		16.710	609	-
Edward Byrne Memorial Justice Assistance Grant Program		16.738	47,012	-
National Sexual Assault Kit Initiative		16.833	470,859	-
Comprehensive Opioid Abuse Site-Based Program		16.838	134,473	-
Passed through the Minnesota Department of Public Safety Crime Victim Assistance A-CVSP-2018-DULUTHAO-00031		16.575	71,395	-
Public Safety Partnership and Community Policing Grants 167077 (Total Public Safety Partnership and Community Policing Grant 16.710 \$72,687)		16.710	72,078	-
Total U.S. Department of Justice			\$ 938,140	\$ -
U.S. Department of Labor				
Passed Through Senior Service America, Inc. Senior Community Service Employment Program 116 (Total Senior Community Service Employment Program 17.235 \$341,818)		17.235	\$ 202,793	\$ -
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program 0045100		17.235	36,881	-
Senior Community Service Employment Program 9045100		17.235	44,329	-
Senior Community Service Employment Program 9045101 (Total Senior Community Service Employment Program 17.235 \$341,818)		17.235	57,815	-
WIOA Cluster				
WIA Adult Program 6043101		17.258	5,593	-
WIA Adult Program 7043100		17.258	27,341	-
WIA Adult Program 8043100		17.258	221,091	-
WIA Adult Program 9043100		17.258	1,036	-
Total CFDA # 17.258			255,061	-

(continued)

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
(U.S. Department of Labor)				
WIA Youth Activities	7043600	17.259	34,052	-
WIA Youth Activities	8043600	17.259	238,147	-
WIA Youth Activities	9043600	17.259	80,440	-
Total CFDA # 17.259			<u>352,639</u>	<u>-</u>
WIA Dislocated Worker Formula Grants	6048001	17.278	9,504	-
WIA Dislocated Worker Formula Grants	7048000	17.278	12,110	-
WIA Dislocated Worker Formula Grants	8048000	17.278	50,286	-
WIA Dislocated Worker Formula Grants	9048000	17.278	18,064	-
Total CFDA # 17.278 (Total expenditures for WIOA Cluster \$697,664)			<u>89,964</u>	<u>-</u>
Total U.S. Department of Labor			<u>\$ 1,039,482</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	1029940	20.205	\$ 1,875,440	\$ -
Highway Planning and Construction	99887	20.205	14,620	-
Total CFDA # 20.205			<u>1,890,060</u>	<u>-</u>
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster				
Recreational Trails Program	TRAL023	20.219	28,461	-
(Total expenditures for Highway Planning and Construction Cluster \$1,918,521)				
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC19-2019-DULUTHPD-037	20.600	26,129	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC-19-2019-DULUTHPD-037	20.608	137,971	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC-20-2020-DULUTHPD-082	20.608	38,841	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR19-2019-DULUTHPD-003	20.608	16,813	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR20-2020-DULUTHPD-008	20.608	48,038	-
Total CFDA # 20.608			<u>241,663</u>	<u>-</u>
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC-19-2019-DULUTHPD-037	20.616	17,549	-
National Priority Safety Programs	A-ENFRC-20-2020-DULUTHPD-082	20.616	7,844	-
National Priority Safety Programs	A-OFFICR19-2019-DULUTHPD-003	20.616	8,281	-
National Priority Safety Programs	A-OFFICR20-2020-DULUTHPD-008	20.616	23,660	-
Total CFDA # 20.616 (Total expenditures for Highway Safety Cluster \$83,463)			<u>57,334</u>	<u>-</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants				
	A-HMEP-2017-DULUTHFD-012	20.703	6,417	-
Total U.S. Department of Transportation			<u>\$ 2,250,064</u>	<u>\$ -</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of the Treasury				
Direct				
Equitable Sharing		21.016	\$ 204,425	\$ -
U.S. Environmental Protection Agency				
Direct				
Great Lakes Program		66.469	\$ 103,079	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	151,992	-
Total U.S. Environmental Protection Agency			\$ 255,071	\$ -
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development				
Rehabilitation Services Vocational Rehabilitation Grants to States	7047300	84.126	\$ 29,618	\$ -
U.S. Department of Homeland Security				
Direct				
Assistance to Firefighters Grant		97.044	\$ 61,403	\$ -
Port Security Grant Program		97.056	308,584	-
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4069-DR-MN	97.036	37,210	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4414-DR-MN	97.036	90,891	-
Total CFDA # 97.036			128,101	-
Emergency Management Performance Grants	A-EMPG-2017-DULUTHCI-00022	97.042	20,000	-
Passed Through St. Louis County, Minnesota Homeland Security Grant Program	A-OPSG-2017-STLOUICO-008	97.067	27,630	-
Total U.S. Department of Homeland Security			\$ 545,718	\$ -
Total Federal Awards			\$ 8,664,674	\$ 2,660,876

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Duluth. It does not include \$11,882,956 and \$3,110,945 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 9,256,866
Expenditures of Revolving Loan Fund	
Community Development Block Grants	130,820
Expenditures of Equitable Sharing Funds	204,425
Police Task Force Agreements	
Minneapolis Child Exploitation and Human Trafficking Task Force	(1,719)
Grants received more than 45 days after year-end, unavailable in 2019	
Urban and Community Forestry Program	21,016
Brownfields Assessment and Cleanup Cooperative Agreements	226
Coastal Zone Management Administration Awards	55,530
Community Development Block Grants	206,610
Comprehensive Opioid Abuse Site-Based Program	54,877
Crime Victim Assistance	14,449
Disaster Grants - Public Assistance	527,370
Edward Bryne Memorial Justice Assistance Grant Program	6,623
Emergency Solutions Grant Program	18,859
Forest Health Protection	65,000
Grants to Encourage Arrest Policies and Enforcement	
of Protection Orders Program	32,324
Highway Planning and Construction	390,784
Home Investment Partnerships Program	102,558
National Sexual Assault Kit Initiative	98,326
Public Safety Partnership and Community Policing Grants	609
Senior Community Service Employment Program	2,026
WIA Adult Program	6,153

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Unavailable in 2018, recognized as revenue in 2019	
Urban and Community Forestry Program	(6,091)
Brownfields Assessment and Cleanup Cooperative Agreements	(5,551)
Bulletproof Vest Partnership Program	(3,494)
Community Development Block Grants	(157,102)
Disaster Grants - Public Assistance	(1,927,353)
Emergency Solutions Grant Program	(8,994)
Highway Planning and Construction	(368,896)
Home Investment Partnerships Program	(7,597)
Recreational Trails Program	(19,101)
Senior Community Service Employment Program	(18)
WIA Dislocated Worker Formula Grant	(8,288)
WIA Adult Program	(1,081)
WIOA Dislocated Worker Formula Grants	(6)
WIA Youth Activities	(7)
Timing Differences Between Expenditures and Related Reimbursements	<u>(15,479)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 8,664,674</u>

STATISTICAL
SECTION

STATISTICAL SECTION

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

Guide to Statistical Section

Financial Trends - Pages 156-162

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 164-166

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

Debt Capacity - Pages 167-171

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information - Page 172

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 173-178

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities					
Net investment in capital assets	\$ 197,355,610	\$ 213,619,166	\$ 209,484,876	\$ 210,631,129	\$ 235,177,972
Restricted	22,294,675	43,113,335	36,781,284	40,778,013	46,063,716
Unrestricted *	<u>9,970,184</u>	<u>(22,596,696)</u>	<u>(21,202,511)</u>	<u>(27,519,849)</u>	<u>(45,926,755)</u>
Total governmental activities net position	<u>\$ 229,620,469</u>	<u>\$ 234,135,805</u>	<u>\$ 225,063,649</u>	<u>\$ 223,889,293</u>	<u>\$ 235,314,933</u>
Business-type activities					
Net investment in capital assets	\$ 136,180,485	\$ 150,333,747	\$ 158,415,070	\$ 168,290,764	\$ 182,656,056
Restricted	2,108,171	1,998,139	1,864,068	1,877,950	2,881,659
Unrestricted *	<u>22,771,757</u>	<u>21,865,404</u>	<u>24,618,744</u>	<u>26,878,191</u>	<u>28,779,936</u>
Total business-type activities net position	<u>\$ 161,060,413</u>	<u>\$ 174,197,290</u>	<u>\$ 184,897,882</u>	<u>\$ 197,046,905</u>	<u>\$ 214,317,651</u>
Primary government					
Net investment in capital assets	333,536,095	363,952,913	367,899,946	378,921,893	417,834,028
Restricted	24,402,846	45,111,474	38,645,352	42,655,963	48,945,375
Unrestricted *	<u>32,741,941</u>	<u>(731,292)</u>	<u>3,416,233</u>	<u>(641,658)</u>	<u>(17,146,819)</u>
Total primary government net position	<u>\$ 390,680,882</u>	<u>\$ 408,333,095</u>	<u>\$ 409,961,531</u>	<u>\$ 420,936,198</u>	<u>\$ 449,632,584</u>

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities					
Net investment in capital assets	\$ 242,346,774	\$ 242,875,012	\$ 245,733,061	\$ 249,612,707	\$ 251,585,123
Restricted	43,143,639	45,703,757	46,203,035	42,919,978	42,703,389
Unrestricted *	<u>(100,062,238)</u>	<u>(113,329,374)</u>	<u>(117,374,039)</u>	<u>(181,539,392)</u>	<u>(170,622,157)</u>
Total governmental activities net position	<u>\$ 185,428,175</u>	<u>\$ 175,249,395</u>	<u>\$ 174,562,057</u>	<u>\$ 110,993,293</u>	<u>\$ 123,666,355</u>
Business-type activities					
Net investment in capital assets	\$ 204,789,234	\$ 218,517,664	\$ 227,778,536	\$ 240,473,773	\$ 253,270,775
Restricted	2,892,969	2,072,379	2,119,974	2,114,827	2,091,941
Unrestricted *	<u>14,843,438</u>	<u>11,153,671</u>	<u>13,766,078</u>	<u>11,262,947</u>	<u>17,689,259</u>
Total business-type activities net position	<u>\$ 222,525,641</u>	<u>\$ 231,743,714</u>	<u>\$ 243,664,588</u>	<u>\$ 253,851,547</u>	<u>\$ 273,051,975</u>
Primary government					
Net investment in capital assets	447,136,008	461,392,676	473,511,597	490,086,480	504,855,898
Restricted	46,036,608	47,776,136	48,323,009	45,034,805	44,795,330
Unrestricted *	<u>(85,218,800)</u>	<u>(102,175,703)</u>	<u>(103,607,961)</u>	<u>(170,276,445)</u>	<u>(152,932,898)</u>
Total primary government net position	<u>\$ 407,953,816</u>	<u>\$ 406,993,109</u>	<u>\$ 418,226,645</u>	<u>\$ 364,844,840</u>	<u>\$ 396,718,330</u>

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

Source: Statement of Net Position

Unaudited

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses					
Governmental activities:					
General government	\$ 36,014,153	\$ 38,577,305	\$ 40,761,298	\$ 24,455,977	\$ 27,045,420
Public safety	38,100,958	37,895,850	38,190,780	39,860,955	40,104,416
Public works	13,657,626	9,040,308	12,320,891	26,286,454	21,622,112
Culture and recreation	25,434,289	7,986,366	15,125,570	11,872,741	11,584,949
Urban and economic development	14,549,117	15,446,838	13,275,120	14,922,283	14,294,290
Interest	<u>5,409,679</u>	<u>4,692,654</u>	<u>4,907,447</u>	<u>4,535,639</u>	<u>4,338,915</u>
Total governmental activities expenses	<u>133,165,822</u>	<u>113,639,321</u>	<u>124,581,106</u>	<u>121,934,049</u>	<u>118,990,102</u>
Business-type activities:					
Water	10,810,875	11,218,488	10,243,435	11,015,475	11,255,835
Gas	35,800,001	36,217,536	30,351,746	35,174,140	49,131,965
Sewer	16,259,669	17,291,803	18,216,008	17,882,780	16,963,128
Stormwater	3,333,875	3,474,137	3,447,389	3,581,689	3,701,827
Steam	6,258,368	6,974,162	7,083,477	7,692,984	7,254,245
Golf	2,006,633	2,056,166	2,192,560	2,059,673	2,020,655
Parking	1,957,414	1,939,941	2,923,741	2,901,617	2,701,445
Priley drive parking facility	-	-	-	-	-
Street lighting	<u>1,557,525</u>	<u>1,480,674</u>	<u>1,583,897</u>	<u>1,545,598</u>	<u>1,910,875</u>
Total business-type activities expenses	<u>77,984,360</u>	<u>80,652,907</u>	<u>76,042,253</u>	<u>81,853,956</u>	<u>94,939,975</u>
Total primary government expenses	<u>\$ 211,150,182</u>	<u>\$ 194,292,228</u>	<u>\$ 200,623,359</u>	<u>\$ 203,788,005</u>	<u>\$ 213,930,077</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,619,911	\$ 4,673,037	\$ 4,415,328	\$ 4,675,590	\$ 5,018,181
Public safety	3,330,905	2,975,998	2,925,524	1,948,070	1,501,647
Public works	369,068	370,237	394,422	111,061	1,320,130
Culture and recreation	1,297,370	1,273,472	1,082,261	1,332,448	1,299,671
Urban and economic development	280,880	310,839	347,895	2,816,814	3,383,810
Operating grants and contributions	14,164,865	15,685,467	13,668,138	13,309,497	11,487,629
Capital grants and contributions	<u>17,075,628</u>	<u>13,067,199</u>	<u>12,230,295</u>	<u>17,878,748</u>	<u>19,388,699</u>
Total governmental activities program revenues	<u>41,138,627</u>	<u>38,356,249</u>	<u>35,063,863</u>	<u>42,072,228</u>	<u>43,399,767</u>
Business-type activities:					
Charges for services:					
Water	12,024,675	11,743,510	13,911,617	14,866,657	14,529,002
Gas	39,882,397	41,415,145	34,071,373	40,587,986	58,291,132
Sewer	20,347,330	20,040,992	20,350,506	20,535,669	19,493,753
Stormwater	4,730,608	4,632,541	4,798,166	4,750,421	4,624,063
Steam	6,617,346	7,169,021	7,239,203	7,858,968	6,820,043
Golf	1,967,401	1,872,577	1,926,929	1,738,980	1,734,534
Parking	2,563,215	2,567,703	3,185,152	3,777,759	4,207,977
Priley drive parking facility	-	-	-	-	-
Street lighting	1,270,118	1,894,038	2,272,395	2,147,449	2,146,270
Operating grants and contributions	-	-	-	60,699	76,493
Capital grants and contributions	<u>9,104,643</u>	<u>5,135,700</u>	<u>3,366,852</u>	<u>2,812,199</u>	<u>4,597,404</u>
Total business-type activities program revenues	<u>98,507,733</u>	<u>96,471,227</u>	<u>91,122,193</u>	<u>99,136,787</u>	<u>116,520,671</u>
Total primary government program revenues	<u>\$ 139,646,360</u>	<u>\$ 134,827,476</u>	<u>\$ 126,186,056</u>	<u>\$ 141,209,015</u>	<u>\$ 159,920,438</u>

(continued)

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net (expense)/revenue					
Governmental activities	\$ (92,027,195)	\$ (75,283,072)	\$ (89,517,243)	\$ (79,861,821)	\$ (75,590,335)
Business-type activities	<u>20,523,373</u>	<u>15,818,320</u>	<u>15,079,940</u>	<u>17,282,831</u>	<u>21,580,696</u>
Total primary government net expense	<u>\$ (71,503,822)</u>	<u>\$ (59,464,752)</u>	<u>\$ (74,437,303)</u>	<u>\$ (62,578,990)</u>	<u>\$ (54,009,639)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 16,001,873	\$ 16,718,385	\$ 21,379,384	\$ 21,924,954	\$ 22,146,676
Market value credit aid	33,675	34,071	9,759	-	-
Sales taxes	19,252,407	20,071,454	20,888,940	20,388,588	22,031,014
Franchise taxes	1,917,379	1,922,796	1,928,149	1,958,297	2,013,126
Other taxes	97,549	159,416	141,927	134,580	622,015
Casino shared revenues	6,258,727	2,096,800	579,478	-	-
Grants and shared revenues not restricted to specific programs	29,130,992	29,154,013	29,148,898	29,401,345	30,995,305
Investment income	2,307,506	2,934,301	506,168	(1,632,312)	2,148,194
Gain on sale or disposition of capital assets	19,174	169,695	19,124	550,473	54,776
Miscellaneous	13,584	1,157,996	1,172,063	2,694,159	1,996,119
Extraordinary items	-	-	-	-	-
Transfers	<u>4,552,145</u>	<u>5,379,481</u>	<u>4,671,197</u>	<u>4,714,434</u>	<u>5,008,750</u>
Total governmental activities	<u>79,585,011</u>	<u>79,798,408</u>	<u>80,445,087</u>	<u>80,134,518</u>	<u>87,015,975</u>
Business-type activities:					
General Revenues:					
Property taxes	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	-	48,567	51,272	48,566	48,566
Investment income	282,545	349,471	184,954	33,206	468,471
Gain on sale or disposition of capital assets	7,256	-	55,623	(4,983)	58,974
Miscellaneous	-	2,300,000	-	69,099	122,789
Transfers	<u>(4,552,145)</u>	<u>(5,379,481)</u>	<u>(4,671,197)</u>	<u>(4,714,434)</u>	<u>(5,008,750)</u>
Total business-type activities	<u>(4,262,344)</u>	<u>(2,681,443)</u>	<u>(4,379,348)</u>	<u>(4,568,546)</u>	<u>(4,309,950)</u>
Total primary government	<u>\$ 75,322,667</u>	<u>\$ 77,116,965</u>	<u>\$ 76,065,739</u>	<u>\$ 75,565,972</u>	<u>\$ 82,706,025</u>
Change in Net Position					
Governmental activities	\$ (12,442,184)	\$ 4,515,336	\$ (9,072,156)	\$ 272,697	\$ 11,425,640
Business-type activities	<u>16,261,029</u>	<u>13,136,877</u>	<u>10,700,592</u>	<u>12,714,285</u>	<u>17,270,746</u>
Total primary government	<u>\$ 3,818,845</u>	<u>\$ 17,652,213</u>	<u>\$ 1,628,436</u>	<u>\$ 12,986,982</u>	<u>\$ 28,696,386</u>

Source: Statement of Activities

(continued)

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

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Expenses					
Governmental activities:					
General government	\$ 26,652,865	\$ 28,487,636	\$ 29,490,639	\$ 31,093,037	\$ 31,839,444
Public safety	40,798,398	55,526,260	47,268,796	43,352,480	42,180,828
Public works	22,230,628	25,219,128	23,999,112	24,997,278	27,785,208
Culture and recreation	18,319,587	10,407,695	12,497,000	13,169,901	16,261,444
Urban and economic development	14,265,141	17,688,597	15,406,291	13,664,386	14,244,055
Interest	<u>4,619,216</u>	<u>4,543,299</u>	<u>3,951,480</u>	<u>4,025,051</u>	<u>3,909,623</u>
Total governmental activities expenses	<u>126,885,835</u>	<u>141,872,615</u>	<u>132,613,318</u>	<u>130,302,133</u>	<u>136,220,602</u>
Business-type activities:					
Water	10,187,477	10,997,029	11,159,899	11,268,976	10,814,241
Gas	29,262,281	27,526,208	31,537,930	33,160,799	31,777,159
Sewer	16,284,112	16,034,063	16,018,954	16,835,052	16,259,666
Stormwater	3,764,611	4,208,833	3,564,421	3,430,458	3,571,577
Steam	7,666,582	8,364,984	8,298,624	8,185,310	8,350,276
Golf	2,309,016	2,068,650	1,940,477	1,853,157	1,771,189
Parking	2,550,028	2,630,605	2,748,883	2,980,182	3,404,851
410 West First Street ramp	-	768,011	1,266,511	1,254,483	1,249,348
Street lighting	<u>1,914,331</u>	<u>2,307,565</u>	<u>2,123,129</u>	<u>1,909,552</u>	<u>1,836,048</u>
Total business-type activities expenses	<u>73,938,438</u>	<u>74,905,948</u>	<u>78,658,828</u>	<u>80,877,969</u>	<u>79,034,355</u>
Total primary government expenses	<u>\$ 200,824,273</u>	<u>\$ 216,778,563</u>	<u>\$ 211,272,146</u>	<u>\$ 211,180,102</u>	<u>\$ 215,254,957</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,854,823	\$ 4,934,248	\$ 5,706,995	\$ 5,869,145	\$ 5,978,363
Public safety	1,562,794	1,698,161	2,869,629	2,023,574	2,115,004
Public works	2,801,089	2,723,412	56,549	82,235	138,436
Culture and recreation	1,310,840	1,182,738	1,247,455	1,270,730	1,328,289
Urban and economic development	3,095,554	2,655,700	2,183,548	2,682,020	3,872,703
Operating grants and contributions	10,096,446	12,402,217	11,758,737	12,019,093	12,289,736
Capital grants and contributions	<u>19,174,980</u>	<u>15,968,844</u>	<u>11,096,107</u>	<u>12,912,987</u>	<u>12,733,125</u>
Total governmental activities program revenues	<u>42,896,526</u>	<u>41,565,320</u>	<u>34,919,020</u>	<u>36,859,784</u>	<u>38,455,656</u>
Business-type activities:					
Charges for services:					
Water	14,426,316	14,479,884	14,428,987	14,910,171	15,142,128
Gas	35,495,409	31,209,095	36,122,015	39,182,666	39,886,073
Sewer	19,973,712	19,527,000	19,538,573	19,709,102	19,615,365
Stormwater	4,754,516	5,243,461	5,298,272	5,283,440	5,295,794
Steam	6,725,164	7,064,402	7,712,154	7,880,094	8,091,177
Golf	1,931,016	1,822,938	1,730,447	1,692,369	1,482,349
Parking	4,516,797	4,552,144	4,060,636	3,740,640	4,095,285
West Superior Street parking facility	-	339,417	446,597	457,088	452,308
Street lighting	1,922,930	1,501,926	1,399,669	1,390,572	835,761
Operating grants and contributions	-	164,101	104,170	-	60,628
Capital grants and contributions	<u>8,380,978</u>	<u>2,251,332</u>	<u>2,832,186</u>	<u>5,602,821</u>	<u>6,133,857</u>
Total business-type activities program revenues	<u>98,126,838</u>	<u>88,155,700</u>	<u>93,673,706</u>	<u>99,848,963</u>	<u>101,090,725</u>
Total primary government program revenues	<u>\$ 141,023,364</u>	<u>\$ 129,721,020</u>	<u>\$ 128,592,726</u>	<u>\$ 136,708,747</u>	<u>\$ 139,546,381</u>

(continued)

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

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net (expense)/revenue					
Governmental activities	\$ (83,989,309)	\$ (100,307,295)	\$ (97,694,298)	\$ (93,442,349)	\$ (97,764,946)
Business-type activities	<u>24,188,400</u>	<u>13,249,752</u>	<u>15,014,878</u>	<u>18,970,994</u>	<u>22,056,370</u>
Total primary government net expense	<u>\$ (59,800,909)</u>	<u>\$ (87,057,543)</u>	<u>\$ (82,679,420)</u>	<u>\$ (74,471,355)</u>	<u>\$ (75,708,576)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 22,405,560	\$ 23,587,371	\$ 27,596,775	\$ 30,265,657	\$ 32,995,611
Market value credit aid	-	-	-	-	-
Sales taxes	24,305,293	24,585,124	25,188,254	26,267,168	28,867,348
Franchise taxes	2,008,194	1,998,457	3,883,316	3,997,060	3,534,435
Other taxes	255,491	198,546	204,587	254,096	326,091
Casino shared revenues	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	31,232,887	31,345,365	31,420,457	31,810,084	31,917,733
Investment income	328,502	1,805,404	3,571,853	(440,856)	6,611,326
Gain on sale or disposition of capital assets	-	-	-	-	-
Miscellaneous	1,323,545	1,726,300	997,006	1,689,582	1,670,993
Extraordinary items	(13,264,958)	-	-	-	-
Transfers	<u>6,336,860</u>	<u>4,881,948</u>	<u>4,144,712</u>	<u>4,354,903</u>	<u>4,514,471</u>
Total governmental activities	<u>74,931,374</u>	<u>90,128,515</u>	<u>97,006,960</u>	<u>98,197,694</u>	<u>110,438,008</u>
Business-type activities:					
General Revenues:					
Property taxes	220,293	647,013	756,037	751,231	1,301,757
Grants and shared revenues not restricted to specific programs	48,566	48,566	59,826	48,567	48,566
Investment income	124,243	99,045	86,837	43,383	235,864
Gain on sale or disposition of capital assets	79,246	2,220	57,913	81,868	26,962
Miscellaneous	56,606	53,425	90,095	61,272	45,380
Transfers	<u>(6,336,860)</u>	<u>(4,881,948)</u>	<u>(4,144,712)</u>	<u>(4,354,903)</u>	<u>(4,514,471)</u>
Total business-type activities	<u>(5,807,906)</u>	<u>(4,031,679)</u>	<u>(3,094,004)</u>	<u>(3,368,582)</u>	<u>(2,855,942)</u>
Total primary government	<u>\$ 69,123,468</u>	<u>\$ 86,096,836</u>	<u>\$ 93,912,956</u>	<u>\$ 94,829,112</u>	<u>\$ 107,582,066</u>
Change in Net Position					
Governmental activities	\$ (9,057,935)	\$ (10,178,780)	\$ (687,338)	\$ 4,755,345	\$ 12,673,062
Business-type activities	<u>18,380,494</u>	<u>9,218,073</u>	<u>11,920,874</u>	<u>15,602,412</u>	<u>19,200,428</u>
Total primary government	<u>\$ 9,322,559</u>	<u>\$ (960,707)</u>	<u>\$ 11,233,536</u>	<u>\$ 20,357,757</u>	<u>\$ 31,873,490</u>

Unaudited

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

	Fiscal Year				
	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund					
Reserved	\$ 368,134	\$ -	\$ -	\$ -	\$ -
Unreserved	5,579,282	-	-	-	-
Nonspendable*	-	138,012	431,795	414,309	258,535
Restricted*	-	120,766	97,811	75,741	91,324
Committed*	-	-	9,067	13,454	13,129
Assigned*	-	332,997	583,777	821,114	1,634,029
Unassigned*	-	<u>7,664,417</u>	<u>7,587,726</u>	<u>7,746,042</u>	<u>9,320,545</u>
Total general fund	<u>\$ 5,947,416</u>	<u>\$ 8,256,192</u>	<u>\$ 8,710,176</u>	<u>\$ 9,070,660</u>	<u>\$ 11,317,562</u>
All other governmental funds					
Reserved	\$ 22,178,725	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	38,712,371	-	-	-	-
Debt service funds	13,496,346	-	-	-	-
Capital projects funds	10,263,175	-	-	-	-
Restricted*	-	36,801,571	29,787,935	31,790,209	31,233,325
Committed*	-	144,721	294,971	18,095,100	19,705,618
Assigned*	-	27,983,067	23,258,693	576,094	445,627
Unassigned*	-	<u>(255,786)</u>	<u>(2,995,479)</u>	<u>(5,512,643)</u>	<u>(4,232,523)</u>
Total all other governmental funds	<u>\$ 84,650,617</u>	<u>\$ 64,673,573</u>	<u>\$ 50,346,120</u>	<u>\$ 44,948,760</u>	<u>\$ 47,152,047</u>

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable*	-	-	-	-	-
Restricted*	95,801	85,776	99,766	184,891	216,132
Committed*	21,781	32,075	36,242	41,996	35,958
Assigned*	2,132,059	1,616,063	2,280,311	3,236,770	2,999,900
Unassigned*	<u>11,624,121</u>	<u>11,634,076</u>	<u>13,190,484</u>	<u>13,422,108</u>	<u>14,437,169</u>
Total general fund	<u>\$ 13,873,762</u>	<u>\$ 13,367,990</u>	<u>\$ 15,606,803</u>	<u>\$ 16,885,765</u>	<u>\$ 17,689,159</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted*	44,269,018	45,235,185	42,708,250	41,801,543	39,142,316
Committed*	19,846,164	21,707,282	24,583,093	23,357,054	28,493,060
Assigned*	389,344	824,467	1,209,071	1,691,541	1,942,077
Unassigned*	<u>(8,155,193)</u>	<u>(2,101,580)</u>	<u>(1,981,450)</u>	<u>(3,130,083)</u>	<u>(4,266,262)</u>
Total all other governmental funds	<u>\$ 56,349,333</u>	<u>\$ 65,665,354</u>	<u>\$ 66,518,964</u>	<u>\$ 63,720,055</u>	<u>\$ 65,311,191</u>

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

Source: Balance Sheet - Governmental Funds

Unaudited

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues					
Taxes:					
Property taxes	\$ 15,953,934	\$ 16,581,461	\$ 21,336,285	\$ 21,913,489	\$ 22,118,257
Sales taxes	19,252,407	20,071,454	20,888,940	20,388,588	22,031,014
Other taxes	2,014,928	2,082,212	2,070,076	2,092,877	2,635,141
Licenses and permits	1,182,044	1,407,951	1,625,826	1,863,333	1,737,068
Intergovernmental revenues	55,756,919	56,211,950	49,469,851	55,451,614	57,455,627
Charges for services	6,902,683	6,453,510	5,891,728	6,441,338	7,987,527
Fines and forfeits	1,791,604	1,579,021	1,075,167	699,846	709,213
Special assessments	2,741,754	2,837,628	2,884,597	2,328,821	2,458,912
Investment income	2,051,772	2,669,071	430,056	(1,675,875)	2,022,447
Miscellaneous revenues	<u>3,285,276</u>	<u>3,956,649</u>	<u>4,124,685</u>	<u>4,521,654</u>	<u>4,304,525</u>
Total revenues	<u>110,933,321</u>	<u>113,850,907</u>	<u>109,797,211</u>	<u>114,025,685</u>	<u>123,459,731</u>
Expenditures					
General government	32,628,277	33,469,098	34,625,147	22,290,793	23,174,447
Public safety	33,901,872	34,606,780	36,476,109	35,035,481	35,512,569
Public works	7,164,216	2,081,437	6,046,513	19,397,379	12,536,734
Culture and recreation	6,570,834	6,865,686	7,761,926	9,469,074	9,645,981
Urban and economic development	14,177,365	15,251,986	20,203,006	17,762,959	13,858,327
Debt service					
Principal retirement	10,254,000	11,395,000	13,045,000	8,655,000	11,350,000
Interest and fiscal fees	5,441,345	4,989,456	5,097,486	4,673,854	4,600,843
Bond issuance costs	140,135	80,184	280,600	203,741	223,753
Capital outlay	<u>37,344,799</u>	<u>33,452,857</u>	<u>23,247,154</u>	<u>17,169,385</u>	<u>21,355,037</u>
Total expenditures	<u>147,622,843</u>	<u>142,192,484</u>	<u>146,782,941</u>	<u>134,657,666</u>	<u>132,257,691</u>
Excess of revenues over (under) expenditures	<u>(36,689,522)</u>	<u>(28,341,577)</u>	<u>(36,985,730)</u>	<u>(20,631,981)</u>	<u>(8,797,960)</u>
Other financing sources (uses)					
Issuance of bonds	4,470,000	4,965,000	17,980,000	10,490,000	8,055,000
Proceeds from refundings	4,190,000	-	6,905,000	-	865,000
Premium on issuance of bonds	109,851	138,232	868,419	271,507	153,373
Payment to refunded bond escrow agent	(4,155,250)	-	(7,363,043)	-	(865,000)
Transfers in	26,903,985	23,957,020	19,166,548	16,753,906	16,540,403
Transfers out	<u>(22,207,637)</u>	<u>(18,386,943)</u>	<u>(14,444,663)</u>	<u>(11,988,958)</u>	<u>(11,500,627)</u>
Total other financing sources (uses)	<u>9,310,949</u>	<u>10,673,309</u>	<u>23,112,261</u>	<u>15,526,455</u>	<u>13,248,149</u>
Net change in fund balances	<u>\$ (27,378,573)</u>	<u>\$ (17,668,268)</u>	<u>\$ (13,873,469)</u>	<u>\$ (5,105,526)</u>	<u>\$ 4,450,189</u>
Debt service as a percentage of noncapital expenditures	12.3%	14.8%	14.0%	11.4%	14.1%

General Governmental includes Capital Projects Fund.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues					
Taxes:					
Property taxes	\$ 22,549,109	\$ 23,671,256	\$ 27,606,911	\$ 30,318,865	\$ 32,966,193
Sales taxes	24,305,293	24,585,124	25,188,254	26,267,167	28,867,348
Other taxes	2,263,685	2,197,003	4,087,903	4,251,157	3,860,525
Licenses and permits	1,783,741	1,786,472	1,759,507	2,053,375	2,101,757
Intergovernmental revenues	55,941,414	60,343,948	51,353,893	56,877,087	55,060,040
Charges for services	9,289,681	8,510,151	6,171,005	6,576,669	8,153,062
Fines and forfeits	652,033	719,928	1,906,404	604,357	698,929
Special assessments	1,983,776	2,095,202	1,752,933	1,605,337	1,614,328
Investment income	230,692	1,740,987	3,527,779	(559,148)	6,366,017
Miscellaneous revenues	<u>5,326,755</u>	<u>5,980,771</u>	<u>4,809,871</u>	<u>6,138,325</u>	<u>5,436,730</u>
Total revenues	<u>124,326,179</u>	<u>131,630,842</u>	<u>128,164,460</u>	<u>134,133,191</u>	<u>145,124,929</u>
Expenditures					
General government	24,004,445	24,378,741	24,722,755	28,330,883	28,605,112
Public safety	37,150,741	38,524,220	39,263,288	41,552,331	43,494,675
Public works	14,388,357	14,515,792	13,194,918	15,226,399	18,109,557
Culture and recreation	15,954,443	9,117,853	9,779,866	10,530,034	13,815,699
Urban and economic development	16,906,657	24,913,908	15,022,941	13,637,293	14,552,236
Debt service					
Principal retirement	10,501,000	9,531,000	13,271,000	11,172,000	11,360,000
Interest and fiscal fees	4,577,976	4,422,939	4,603,199	4,487,446	4,751,307
Bond issuance costs	361,424	595,689	91,522	163,704	176,372
Capital outlay	<u>16,962,641</u>	<u>15,016,363</u>	<u>14,753,506</u>	<u>25,106,738</u>	<u>17,377,830</u>
Total expenditures	<u>140,807,684</u>	<u>141,016,505</u>	<u>134,702,995</u>	<u>150,206,828</u>	<u>152,242,788</u>
Excess of revenues over (under) expenditures	<u>(16,481,505)</u>	<u>(9,385,663)</u>	<u>(6,538,535)</u>	<u>(16,073,637)</u>	<u>(7,117,859)</u>
Other financing sources (uses)					
Issuance of bonds	21,315,000	12,520,000	5,160,000	9,645,000	4,260,000
Proceeds from refundings	2,630,000	33,470,000	-	-	9,755,000
Premium on issuance of bonds	799,031	7,185,320	326,247	553,787	2,832,464
Payment to refunded bond escrow agent	(2,845,900)	(39,861,356)	-	-	(11,849,546)
Transfers in	19,136,245	22,385,436	21,369,040	21,752,295	22,471,395
Transfers out	<u>(12,799,385)</u>	<u>(17,503,488)</u>	<u>(17,224,328)</u>	<u>(17,397,392)</u>	<u>(17,956,924)</u>
Total other financing sources (uses)	<u>28,234,991</u>	<u>18,195,912</u>	<u>9,630,959</u>	<u>14,553,690</u>	<u>9,512,389</u>
Net change in fund balances	<u>\$ 11,753,486</u>	<u>\$ 8,810,249</u>	<u>\$ 3,092,424</u>	<u>\$ (1,519,947)</u>	<u>\$ 2,394,530</u>
Debt service as a percentage of noncapital expenditures	12.1%	11.0%	14.7%	12.4%	11.8%

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
2010	4,545,577,900	46,457,611	1,041,761,700	19,131,580
2011	4,391,758,200	44,888,003	1,026,682,900	18,853,813
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612
2016	4,561,213,000	42,373,863	1,202,773,500	22,169,916
2017	4,694,140,900	44,079,263	1,297,252,450	23,998,224
2018	4,662,466,600	45,369,851	1,423,489,056	26,075,238
2019	4,888,714,700	47,913,563	1,504,708,550	27,222,464

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2010	30,139,300	307,525	78,621,200	1,447,720
2011	28,363,500	284,857	84,724,000	1,551,297
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608
2015	33,827,800	276,580	105,380,900	1,937,051
2016	33,899,000	271,921	105,806,200	1,961,029
2017	33,802,700	271,921	99,447,550	1,815,452
2018	33,771,200	271,796	104,460,500	1,919,504
2019	33,371,800	272,762	107,862,900	1,932,529

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	
	Estimated Market Value	Tax Capacity		Tax Rate
	2010	5,696,100,100	67,344,436	1.18%
2011	5,531,528,600	65,577,970	1.19%	0.27956
2012	5,569,039,800	61,532,873	1.10%	0.31597
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,164,860	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094

Unaudited

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

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

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2010	0.18050	0.08281	0.26331	0.20971	0.55365	0.05654	1.08321
2011	0.18686	0.09270	0.27956	0.23373	0.56011	0.05829	1.13169
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290
2016	0.24322	0.09056	0.33378	0.31825	0.61443	0.06193	1.32839
2017	0.28416	0.09152	0.37568	0.29516	0.65056	0.06049	1.38189
2018	0.30848	0.08853	0.39701	0.28598	0.65286	0.06040	1.39625
2019	0.33397	0.08697	0.42094	0.31427	0.65174	0.06028	1.44723

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

Source: St. Louis County web site

Unaudited

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

Taxpayer	Type of Business	2019			2010		
		Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Minnesota Power	Electric utility	153,774,500	1	2.35%	114,158,700	1	2.00%
Essentia Health	Healthcare & hospital	115,671,400	2	1.77%	49,824,500	3	0.87%
Simon Property, Inc.	Shopping mall	52,790,900	3	0.81%	55,091,800	2	0.97%
D M & I R Railroad	Railroad	42,025,200	4	0.64%			
Ascena Retail Group	Lease administration	32,860,900	5	0.50%			
Hall Equities Group	Real estate development	26,337,600	6	0.40%			
Sherman Associates	Real estate development	25,949,100	7	0.40%	39,617,300	4	0.70%
Burlington Northern	Railroad	21,021,600	8	0.32%			
St. Luke's Hospital	Healthcare & hospital	18,299,000	9	0.28%			
NewPage (StoraEnso)	Paper mill	18,100,000	10	0.28%	22,445,100	6	0.39%
IRET Properties	Property management				24,705,900	5	0.43%
ZMC Hotels	Hotels				16,357,300	7	0.29%
US Bank	Bank & office building				12,313,000	8	0.22%
Tech Village	Office & tech building				11,744,700	9	0.21%
Centro Properties Group	Real estate investment				10,829,100	10	0.19%
		<u>\$ 506,830,200</u>		<u>7.75%</u>	<u>\$ 357,087,400</u>		<u>6.27%</u>

Source: St. Louis County Assessor

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
AND NET CAPACITY OF REAL PROPERTY BY CATEGORY 2019**

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

Fiscal Year Ended December 31	Net Tax (1) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2010	16,050,825	15,531,833	96.8%	411,885	15,943,718	99.3%
2011	16,648,242	16,102,214	96.7%	382,016	16,484,230	99.0%
2012	21,403,582	20,835,227	97.3%	408,253	21,243,480	99.3%
2013	21,966,088	21,396,584	97.4%	448,327	21,844,911	99.4%
2014	22,040,149	21,498,351	97.5%	329,017	21,827,368	99.0%
2015	22,686,100	22,310,465	98.3%	292,098	22,602,563	99.6%
2016	24,233,053	23,842,607	98.4%	226,410	24,069,017	99.3%
2017	28,039,466	27,593,516	98.4%	189,492	27,783,008	99.1%
2018	30,649,272	30,083,315	98.2%	187,276	30,270,591	98.8%
2019	33,804,643	33,259,823	98.4%	-	33,259,823	98.4%

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

Unaudited

**NET CAPACITY OF REAL PROPERTY BY CATEGORY
TAXES PAYABLE IN 2019**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 29,826,457	39.70%
Non-Homestead Residential	18,087,106	24.07%
Commercial/Industrial	24,358,410	32.42%
Agricultural	16,088	0.02%
Public Utility	1,499,120	2.00%
Railroad	1,097,670	1.46%
Seasonal/Recreational	251,176	0.33%
Total	<u>\$ 75,136,027</u>	<u>100.00%</u>

Unaudited

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

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

Governmental Activities							
Fiscal Year		General Obligation Bonds	General Obligation Tax Abatement Bonds	Lease Revenue Bonds	Special	Deferred Amount for Bond Premium	
					Assessment Debt with Government Commitment		General Obligation Certificates
2010	**	75,449	310	860	36,011	8,920	989
2011		74,561	285	715	29,569	10,275	938
2012		76,927	7,315	565	23,943	11,300	1,612
2013		80,754	7,290	415	20,901	12,625	1,579
2014		82,936	6,705	-	16,814	12,340	1,419
2015		97,340	6,350	-	13,080	12,670	1,910
2016		91,300	13,805	-	10,765	13,250	8,418
2017		86,615	13,435	-	7,320	13,670	7,917
2018		87,485	12,605	-	5,165	14,295	7,648
2019		81,370	11,770	-	3,125	14,050	9,605

Governmental Activities			Business Activities			
Fiscal Year		Revenue and General Obligation Notes	Capital Leases	Revenue Bonds	Deferred	
					Revenue and General Obligation Bonds	Amount for Bond Discounts/Premiums
2010	**	3,171	70	285	47,900	67
2011		3,086	24	145	44,005	127
2012		2,996	-	-	41,045	608
2013		2,896	-	-	37,305	505
2014		2,791	-	-	44,343	401
2015		2,735	110	-	42,760	496
2016		2,704	75	-	39,222	377
2017		2,673	38	-	34,927	270
2018		2,636	-	-	35,097	223
2019		2,621	-	-	31,680	167

Business Activities						
Fiscal Year		General Obligation Notes	Capital Leases	Total	Percentage	Per Capita*
				Primary Government	of Personal Income*	
2010	**	10,766	8,725	193,523	8.56%	2,243
2011		20,562	8,672	192,964	8.30%	2,237
2012		23,084	8,041	197,436	8.34%	2,290
2013		21,904	7,385	193,559	7.71%	2,247
2014		24,581	6,704	199,034	7.64%	2,308
2015		23,034	5,995	206,480	7.47%	2,398
2016		20,519	5,385	205,820	7.60%	2,385
2017		18,048	4,752	189,665	6.85%	2,204
2018		15,474	4,094	184,722	6.38%	2,151
2019		13,204	3,411	171,003	5.76%	1,997

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

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

Unaudited

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

**RATIOS OF NET GENERAL OBLIGATION BONDED DEBT
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Tax Capacity	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Percent of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2010*	86,265	67,344,436	84,679,118	19,144,190	65,534,928	97.31%	759.69
2011	86,277	65,577,970	86,059,378	18,629,920	67,429,458	102.82%	781.55
2012	86,200	61,532,873	97,154,314	17,742,090	79,412,224	129.06%	921.26
2013	86,128	61,948,785	102,247,605	19,802,762	82,444,843	133.09%	957.24
2014	86,238	62,430,044	103,399,159	22,948,537	80,450,622	128.87%	932.89
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,164,860	121,637,268	7,639,067	113,998,201	162.47%	1,324.54
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21

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

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

Unaudited

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019**

Governmental Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$42,690,000	88.27%	\$ 37,681,534
Independent School District 704	25,390,000	6.34%	1,610,705
St. Louis County	136,015,000	38.31%	52,106,131
Subtotal, overlapping debt			91,398,370
City of Duluth direct debt			112,936,000
Total direct and overlapping debt			<u>\$ 204,334,370</u>

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

Unaudited

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxable market value	\$ 5,696,100,100	\$ 5,531,528,600	\$ 5,569,039,800	\$ 5,473,015,800	\$ 5,584,098,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 113,922,002</u>	<u>\$ 110,630,572</u>	<u>\$ 111,380,796</u>	<u>\$ 109,460,316</u>	<u>\$ 111,681,972</u>
Debt applicable to limit:					
Total bonds payable	\$ 169,735,000	\$ 159,554,999	\$ 161,095,000	\$ 159,290,002	\$ 163,138,242
Less: Deductions allowable	<u>(128,955,882)</u>	<u>(117,723,976)</u>	<u>(123,073,029)</u>	<u>(118,746,296)</u>	<u>(123,892,674)</u>
Total net debt applicable to limit	<u>\$ 40,779,118</u>	<u>\$ 41,831,023</u>	<u>\$ 38,021,971</u>	<u>\$ 40,543,706</u>	<u>\$ 39,245,568</u>
Total net debt applicable to the limit as a percentage of debt limit	35.80%	37.81%	34.14%	37.04%	35.14%

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxable market value	\$ 5,725,483,100	\$ 5,903,691,700	\$ 6,124,643,600	\$ 6,224,187,356	\$ 6,534,657,950
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 114,509,662</u>	<u>\$ 118,073,834</u>	<u>\$ 122,492,872</u>	<u>\$ 124,483,747</u>	<u>\$ 130,693,159</u>
Debt applicable to limit:					
Total bonds payable	\$ 172,200,045	\$ 168,342,029	\$ 155,967,007	\$ 154,647,475	\$ 141,994,868
Less: Deductions allowable	<u>(133,220,045)</u>	<u>(129,827,029)</u>	<u>(117,767,007)</u>	<u>(112,342,475)</u>	<u>(103,369,868)</u>
Total net debt applicable to limit	<u>\$ 38,980,000</u>	<u>\$ 38,515,000</u>	<u>\$ 38,200,000</u>	<u>\$ 42,305,000</u>	<u>\$ 38,625,000</u>
Total net debt applicable to the limit as a percentage of debt limit	34.04%	32.62%	31.19%	33.98%	29.55%

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>							
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,371	511,622	9.82
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
2016	14,494,396	9,008,318	5,486,078	336,473	27,326	363,799	15.08
2017	14,443,317	9,286,000	5,157,317	348,851	17,833	366,684	14.06
2018	14,891,148	9,255,377	5,635,771	99,000	110,307	209,307	26.93
2019	15,190,186	8,928,974	6,261,212	284,000	131,249	415,249	15.08
<u>GAS REVENUE BOND (3)</u>							
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,104	1,059,076	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,767,073	25,294,510	6,472,563	902,931	55,294	958,225	6.75
2017	36,217,772	29,677,464	6,540,308	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<u>SEWER REVENUE BOND</u>							
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,941	257,061	1,764,002	2.77
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,515	1,356,771	4.52
2016	20,670,314	13,608,142	7,062,172	1,357,475	159,416	1,516,891	4.66
2017	19,543,095	13,717,618	5,825,477	1,289,599	127,358	1,416,957	4.11
2018	19,715,390	14,511,632	5,203,758	1,001,000	98,648	1,099,648	4.73
2019	19,650,585	13,971,291	5,679,294	1,035,999	70,975	1,106,974	5.13
<u>STORMWATER REVENUE BOND</u>							
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15
2016	5,253,324	3,670,639	1,582,685	228,121	24,001	252,122	6.28
2017	5,293,060	3,141,177	2,151,883	241,549	18,184	259,733	8.28
2018	5,280,978	2,989,079	2,291,899	130,000	13,900	143,900	15.93
2019	5,309,868	3,168,582	2,141,286	135,000	10,575	145,575	14.71

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>STEAM REVENUE BOND</u>							
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
2015	6,728,330	6,230,054	498,276	635,000	151,946	786,946	0.63
2016	7,069,377	6,896,627	172,750	635,000	177,553	812,553	0.21
2017	7,712,154	6,845,368	866,786	650,000	170,315	820,315	1.06
2018	7,883,080	6,761,475	1,121,605	655,000	161,013	816,013	1.37
2019	8,091,177	6,722,623	1,368,554	665,000	149,456	814,456	1.68
<u>GOLF REVENUE BOND (4)</u>							
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<u>PARKING REVENUE BOND</u>							
2010	2,610,111	789,126	1,820,985	790,000	657,056	1,447,056	1.26
2011	2,645,997	800,256	1,845,741	825,000	620,263	1,445,263	1.28
2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,694	1,331,694	1.73
2015	4,513,311	1,789,669	2,723,642	780,000	186,819	966,819	2.82
2016	4,563,427	1,850,051	2,713,376	785,000	178,994	963,994	2.81
2017	4,054,780	1,971,083	2,083,697	795,000	167,119	962,119	2.17
2018	3,743,709	2,208,341	1,535,368	810,000	151,069	961,069	1.60
2019	4,134,908	2,642,090	1,492,818	830,000	134,669	964,669	1.55

Notes:

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

Unaudited

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

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2010	86,265	2,260,614,999	26,205	8,780	7.6%
2011	86,277	2,324,435,029	26,942	8,815	7.1%
2012	86,200	2,368,110,337	27,472	8,686	6.0%
2013	86,128	2,510,223,601	29,145	8,517	5.4%
2014	86,238	2,605,207,475	30,210	8,517	4.8%
2015	86,110	2,763,072,824	32,088	8,353	3.4%
2016	86,293	2,709,298,125	31,396	8,115	4.1%
2017	86,066	2,770,709,396	32,193	8,067	3.8%
2018	85,884	2,893,707,377	33,693	8,515	2.9%
2019	85,618	2,970,783,850 *	34,698	8,229	3.0%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

The unemployment rates were provided by the Minnesota Department of Employment and Economic Development.

* Estimate

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2019</u>			<u>2010</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Essentia Health (SMDC)	Healthcare / hospital	6,569	1	11.14%	4,693	1	8.06%
St. Luke's Hospital	Healthcare / hospital	2,348	2	3.98%	1,515	4	2.60%
St. Louis County	Government	1,847	3	3.13%	1,301	7	2.23%
University of Minnesota - Duluth	Education	1,635	4	2.77%	1,700	2	2.92%
Independent School District No. 709	Education	1,426	5	2.42%	1,426	5	2.45%
Allete (Minnesota Power)	Electric utility	1,314	6	2.23%	1,419	6	2.44%
Duluth Air National Guard Base	Military	1,068	7	1.81%	1,068	8	1.83%
Cirrus Design	Aviation	1,000	8	1.70%			
United Health Care	Insurance	999	9	1.69%	1,634	3	2.81%
City of Duluth	Government	867	10	1.47%	871	9	1.50%
US Government	Government				850	10	1.46%
		<u>19,073</u>		<u>32.34%</u>	<u>16,477</u>		<u>28.30%</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				
	2010	2011	2012	2013	2014
General government	114.40	113.90	115.90	125.75	127.65
Public safety					
Police	187.00	185.00	185.00	178.50	178.50
Fire	140.00	140.00	138.00	141.00	142.00
Public works	123.80	118.60	106.60	87.10	85.90
Culture and recreation					
Parks and recreation	7.50	7.50	9.00	10.00	10.00
Library	43.50	43.50	48.50	49.00	49.00
Urban and economic development	59.00	62.50	61.50	60.25	59.53
Water & Gas	124.80	128.20	131.00	133.00	132.60
Sewer	38.40	38.40	39.20	40.20	39.33
Stormwater	24.20	24.20	26.00	26.00	25.52
Parking	4.00	3.00	3.00	8.00	8.00
Street lighting	4.00	5.00	5.00	5.00	5.10
Total	870.60	869.80	868.70	863.80	863.13

Function:	Full-time Equivalent Employees as of December 31				
	2015	2016	2017	2018	2019
General government	131.65	132.40	133.00	126.50	131.65
Public safety					
Police	178.50	180.50	184.14	182.14	182.14
Fire	143.00	144.50	146.50	146.50	146.50
Public works	85.05	86.25	86.50	82.95	83.95
Culture and recreation					
Parks and recreation	9.75	11.75	11.95	11.70	11.70
Library	46.50	46.50	46.70	46.70	46.70
Urban and economic development	55.50	54.05	54.05	50.64	57.64
Water & Gas	128.65	129.15	134.75	134.75	135.45
Sewer	36.93	35.80	33.15	34.65	33.05
Stormwater	26.87	27.30	25.85	23.15	24.05
Parking	8.00	9.00	9.00	9.00	9.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	855.50	862.30	870.69	853.78	866.93

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police					
Criminal offences	10,540	11,278	9,924	10,828	9,472
Cleared by arrest	4,436	4,231	3,785	4,473	4,070
Traffic violations	5,241	9,746	9,499	11,152	9,307
Parking violations	56,292	51,991	46,492	51,361	55,097
Fire					
Number of calls answered	8,484	9,262	9,857	10,816	11,114
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,026	1,700	2,325	2,054	2,030
Estimated cost of construction during year	\$ 238,186,019	\$ 173,357,959	\$ 104,841,877	\$ 137,097,967	\$ 182,409,369
Culture and recreation					
Parks and recreation department					
Participation in special events	48,896	15,436	18,129	40,045	30,749
Participation in recreation	31,905	39,839	35,681	27,393	28,304
Zoo regular customers	102,986	93,705	71,842	58,306	65,270
Library					
Registered borrowers	46,592	47,965	50,171	50,491	48,147
Items in collection	620,101	463,418	457,999	467,050	456,753
Items loaned	929,161	902,221	953,270	959,432	923,063
Library visits	380,982	376,817	460,918	484,917	492,106
Internet uses	62,379	66,394	89,070	106,662	118,825
Reference/research questions answered	80,678	79,443	90,155	84,838	89,232
Water					
Meters in service	30,317	29,069	28,082	28,051	28,131
Average number of gallons treated per month	481,950,833	461,125,000	468,170,000	433,795,000	433,676,667
Water pumped - million cubic feet	773.10	739.80	756.10	695.90	695.74
Water sold - million cubic feet	665.50	589.60	644.40	605.95	591.00
Daily average consumption in gallons	15,844,958	15,160,274	13,206,643	12,418,716	14,257,863
Gas					
Meters in service	26,668	26,693	27,542	27,452	26,585
MMBTU sold	4,617,923	5,184,800	4,528,009	5,355,988	5,679,683
Sewer					
Number of service connections	28,845	28,845	27,250	27,956	27,956
Daily average treatment in gallons	14,859,000	13,284,575	12,137,000	12,843,000	14,257,000
Stormwater					
Cleaning storm sewer pipe (in feet)	14,734	14,750	230,165	31,658	2,700
Steam					
Steam sold (in 1,000 lbs)	403,085	409,295	379,257	394,762	300,669
Golf					
Season passes	823	810	803	695	644
Daily tickets	32,252	32,101	35,121	31,401	28,860
Carts	10,670	12,553	14,751	14,019	15,056
Rounds played	79,430	75,480	84,740	63,196	60,172

Sources: Various government departments

(continued)

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

Function:	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police					
Criminal offences	10,262	10,447	10,561	10,437	10,890
Cleared by arrest	4,081	4,062	3,802	3,267	3,518
Traffic violations	8,525	6,819	5,196	5,421	4,568
Parking violations	50,647	55,226	34,437	31,934	42,684
Fire					
Number of calls answered	12,231	12,799	13,239	13,255	13,698
Number of inspections conducted	1,200	1,200	7,490	7,367	8,382
Public works					
Construction permits:					
Permits issued	1,896	2,085	2,071	1,861	2,188
Estimated cost of construction during year	\$ 160,884,495	\$ 108,815,274	\$ 92,039,794	\$ 115,349,614	\$ 203,247,704
Culture and recreation					
Parks and recreation department					
Participation in special events	23,122	49,125	67,300	62,925	68,725
Participation in recreation	22,586	31,555	25,210	27,197	44,373
Zoo regular customers	64,071	76,316	81,538	78,439	79,128
Library					
Registered borrowers	47,086	45,424	42,674	51,636	52,178
Items in collection	444,790	435,385	424,304	419,907	346,516
Items loaned	927,389	848,293	871,704	847,237	868,740
Library visits	474,982	461,403	475,363	426,082	437,668
Internet uses	109,965	92,656	90,489	81,685	70,338
Reference/research questions answered	77,896	59,321	71,253	59,579	65,702
Water					
Meters in service	28,134	28,134	28,243	28,345	28,422
Average number of gallons treated per month	431,616,667	415,642,500	408,434,167	388,512,500	374,256,680
Water pumped - million cubic feet	692.4	666.8	655.2	623.3	600.4
Water sold - million cubic feet	589.8	565.6	568.4	561.9	527.6
Daily average consumption in gallons	14,190,136	11,590,274	11,648,560	12,773,013	12,307,089
Gas					
Meters in service	26,896	28,540	28,712	28,957	29,234
MMBTU sold	4,885,371	4,770,804	5,218,978	5,063,708	5,984,783
Sewer					
Number of service connections	27,963	27,985	27,993	28,030	28,075
Daily average treatment in gallons	13,000,530	13,729,690	14,355,390	12,093,510	14,111,340
Stormwater					
Cleaning storm sewer pipe (in feet)	3,330	20,017	107,965	125,776	82,597
Steam					
Steam sold (in 1,000 lbs)	332,830	313,408	305,465	345,262	350,306
Golf					
Season passes	795	731	436	462	307
Daily tickets	46,700	38,894	34,358	39,661	33,223
Carts	42,606	39,846	28,555	25,048	21,079
Rounds played	81,082	75,544	67,657	60,988	51,402

Sources: Various government departments

Unaudited

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

Function:	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police					
Patrol units	96	94	93	93	93
Fire					
Fire stations	9	9	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	469.00	470.23	470.43	470.49	472.51
Miles of streets - unpaved	48.02	48.02	48.02	47.96	47.96
Miles of sidewalk	277.00	409.00	409.90	410.98	410.98
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,930
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	127	127	128	128	128
Park acreage	15,255	15,255	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	17	19
Community clubs/field houses operated	22	22	21	21	19
Number of athletic fields	57	57	57	57	57
Number of hiking trails	13	14	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	424.10	426.30	426.74	428.30	429.50
Number of hydrants	2,535	2,583	2,597	2,671	2,677
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	512.40	511.00	520.00	527.00	534.70
Sewer					
Miles of sanitary sewers	392.00	382.00	406.20	398.00	402.00
Stormwater					
Miles of storm sewers	431.00	431.00	431.00	443.00	435.00
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

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

Function:	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police					
Patrol units	93	97	102	123	120
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	473.80	475.77	475.74	475.77	475.77
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	410.98	411.08	352.00	352.13	352.13
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,940	3,930	3,809	3,809
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	128	129	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	19	17	17	17	17
Community clubs/field houses operated	19	19	19	18	17
Number of athletic fields	57	48	48	48	48
Number of hiking trails	14	14	14	14	25
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	430.40	428.30	428.40	429.40	432.50
Number of hydrants	2,688	2,699	2,708	2,717	2,738
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	534.10	538.20	544.40	548.10	5,511.00
Sewer					
Miles of sanitary sewers	395.30	397.60	398.80	398.10	398.10
Stormwater					
Miles of storm sewers	398.07	404.56	412.00	413.00	413.00
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	690	510	515	471	516
Number of conventions	49	46	45	51	45
Duluth Airport Authority					
Number of passengers	306,330	295,212	322,208	313,839	310,893
Duluth Transit Authority					
Number of buses	66	66	66	66	67
Number of routes	18	19	20	19	19
Number of passengers	3,171,087	3,264,479	3,278,682	3,195,020	3,107,305
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	144,579	155,450	130,013	136,990	140,017
Season passes	7,728	7,835	6,915	6,773	6,728

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	519	506	510	494	515
Number of conventions	52	47	45	46	47
Duluth Airport Authority					
Number of passengers	266,500	251,459	244,839	275,969	313,980
Duluth Transit Authority					
Number of buses	66	67	67	75	75
Number of routes	19	20	23	23	23
Number of passengers	2,850,000	2,804,000	2,786,000	2,760,000	2,645,306
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	95,401	89,483	78,739	46,963	101,340
Season passes	5,697	4,275	3,386	4,970	6,756

Unaudited



Photo by Chris Lee