

The City of Duluth, Minnesota
Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2005

City of Duluth Minnesota

Comprehensive Annual Financial Report
for the Fiscal Year Ending
December 31, 2005



Department of Finance

Genevieve A. Stark, Director
Wayne W. Parson, CPA, City Auditor

Introductory Section

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FRONT COVER:

The Aerial Lift Bridge acts as the gateway to the Duluth harbor. The lift bridge rises to full height of 138 feet in 55 seconds to allow vessels to enter and leave the harbor. The City celebrated the Aerial Lift Bridge centennial in 2005.



CITY OF DULUTH

DEPARTMENT OF FINANCE
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GENEVIEVE A. STARK
Director of Finance

June 19, 2006

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, 2005.

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

The Minnesota Office of the State Auditor has issued an unqualified opinion on the City of Duluth's financial statements for the year ended December 31, 2005. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

Duluth is the seat of St. Louis County, and is the largest city in the northern two-thirds of Minnesota. It is located at the western tip of Lake Superior; the city limits encompass 67 square miles of land and nearly 50 square miles of water. Situated on a hillside along Lake Superior's north shore, Duluth is 23 miles long and eight miles wide at its broadest point. Duluth's population exceeds 85,000 and contributes to a market area of more than 500,000 from northern Minnesota, northwest Wisconsin, the Upper Peninsula of Michigan, and lower Ontario. Duluth and its neighbor, Superior, Wisconsin, share the Great Lakes' largest port and the largest freshwater harbor in the world.

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

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

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

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, and aviation. According to the Minnesota Department of Economic Security, Duluth had 55,974 non-agricultural jobs in December 1995. In December 2005, Duluth had 63,463 non-agricultural jobs. This is the highest December figure in the city's history and just off the all-time monthly high, set in the preceding month.

Duluth also showed improvement in its signature industry, shipping. The Seaway Port Authority of Duluth reports that 1,138 ships used the port last year, an increase of 49 ships from 2004. But more importantly, tonnage carried by those vessels was up, to 41,679,992 tons. This is the largest tonnage figure since 1979. These numbers include 130 foreign-flag vessels, 253 Canadian-flag vessels and 755 U.S.-flag vessels.

Duluth continues to excel in the key industry of tourism. Duluth's efforts in this area resulted in 41 conventions hosted by the Duluth Entertainment Convention Center (DECC) during 2005. Over 33,000 people attended these conventions, placing an estimated \$25 million directly into the Duluth economy. The DECC remains in the top twenty nationwide in terms of convention center business.

According to survey results from the Minnesota Board of Trade and Economic Development and the Minnesota Office of Tourism, visitors to Duluth contribute over \$400 million to the local and regional economy.

Enrollment at Duluth's three institutions of higher learning, the University of Minnesota-Duluth, the College of St. Scholastica, and Lake Superior College, has never been higher. The College of St. Scholastica had to cap enrollment a year ago for the first time in the history of the school. UMD and St. Scholastica are regularly ranked in the top tier of midwestern universities by *U.S. News and World Report*. These schools not only provide well-trained future workers for the region, but also contribute to the economic well-being of the city. Lake Superior College is also seeking bonding money from the state legislature that will allow for a badly needed expansion to that facility.

Increased opportunities for growth also exist during 2006. The City's Housing 1000 initiative, which holds the goal of creating 1,000 new housing units in the city with an emphasis on affordable housing, is well under way. New projects including Village Place, a new Sheraton Hotel and a housing development in the Matterhorn area of Duluth are all having substantial impact. Work also continues on the HOPE-VI project, which is the largest neighborhood redevelopment project in the history of Duluth. When complete, this project will have added over \$100 million in new construction in the city.

LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund (4.6 percent of total general fund expenditures and transfers) does not fall within the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unreserved, undesignated fund balance should fall within the following range of general fund expenditures and transfers; 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum. The City will develop a fund balance recovery initiative to work towards rebuilding unreserved, undesignated fund balance to meet policy requirements during 2006.

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 applied towards the City's Street Improvement Program. 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, 2005, the City Council has approved resolutions authorizing the use of \$12.2 million of future Community Investment Fund revenues for a variety of projects including the creation of affordable housing and the construction of recreational facilities.

MAJOR INITIATIVES

In 2005, the City initiated construction of a parking ramp as part of a development agreement with St. Mary's/Duluth Clinic to construct a medical campus expansion. The medical campus expansion estimated cost is \$75 million and is expected to create 200 additional jobs in the medical field. The medical district expansion will add to Duluth's reputation as a leader in the field of medical care.

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, 2004. This was the thirtieth 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.

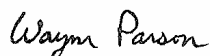
In addition, the City of Duluth also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year 2005. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial 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; we wish to acknowledge the financial analysts in the Finance Department who continue to meet this challenge.

Respectfully submitted,



Genevieve A. Stark
Director of Finance



Wayne W. Parson, CPA
City Auditor

ELECTED AND APPOINTED OFFICIALS
CITY OF DULUTH, MINNESOTA
2005

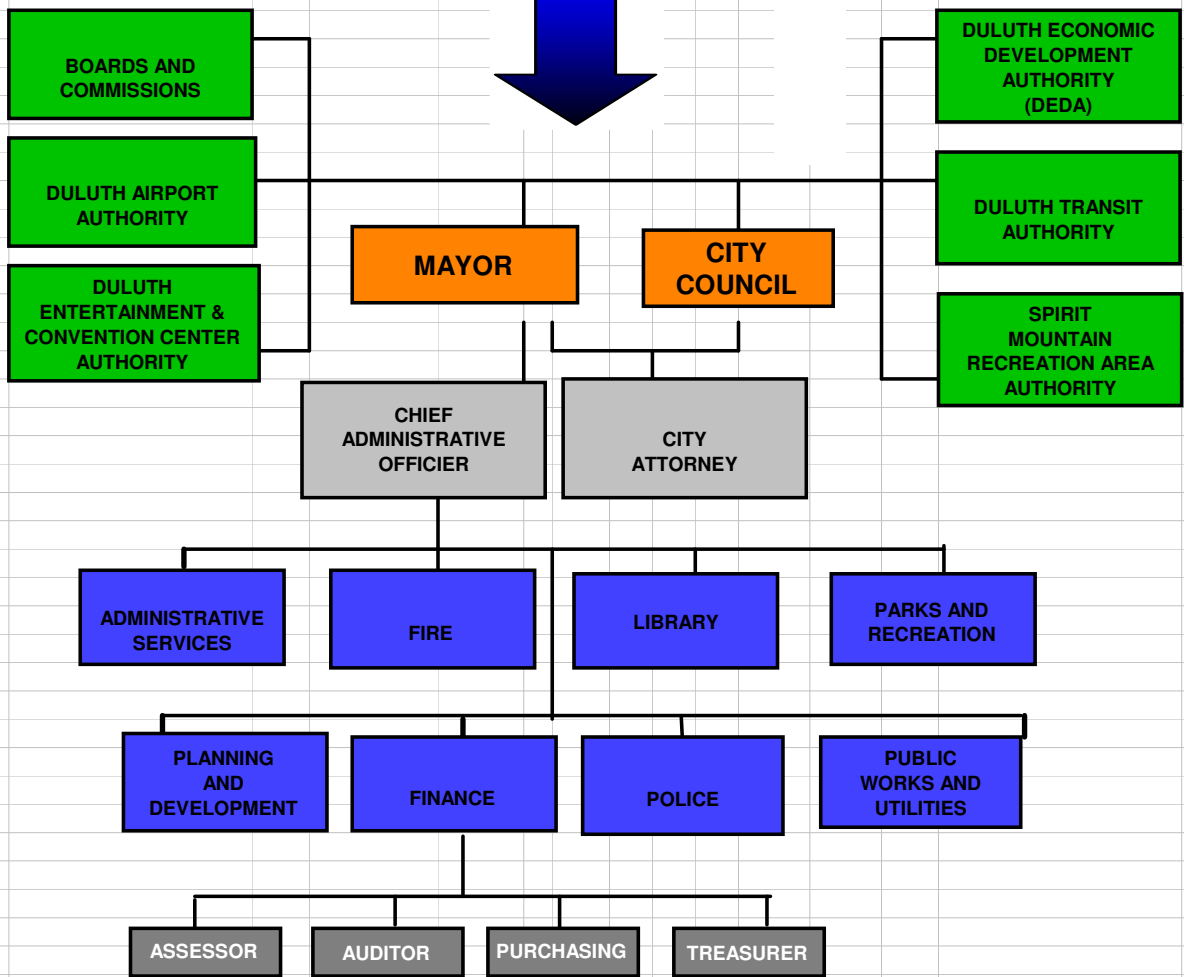
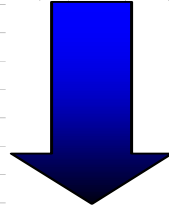
ELECTED POSITIONS	DISTRICT	TERM EXPIRES
Mayor		
Herb W. Bergson, Jr.		2008
City Council		
Timothy Little	At large	2008
Donald P. Ness	At large	2008
Roger Reinert	At large	2010
James Stauber	At large	2010
Laurie Johnson	1	2008
Greg C. Gilbert	2	2010
Russell R. Stewart	3	2008
Garry Krause	4	2010
Russel W. Stover	5	2008

*All terms expire in January

APPOINTED POSITIONS

Chief Administrative Officer	Julio Almanza
Attorney	Bryan Brown
Director, Administrative Services	Mark C. McShane
Director, Finance	Genevieve A. Stark
Director, Parks & Recreation	Carl R. Seehus
Director, Planning	Robert Bruce
Director, Public Libraries	Elizabeth A. Kelly
Director, Public Works and Utilities	Richard J. Larson
Fire Chief	John Strongitharm
Police Chief	Roger J. Waller
Assessor	M. Lynn Duncan
Auditor	Wayne W. Parson
Clerk	Jeffrey J. Cox
Treasurer	Larry A. Jeneson

CITIZENS



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, 2004

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



Charles E. Sledge

President

Jeffrey R. Emswiler

Executive Director

Financial Section



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INDEPENDENT AUDITOR'S REPORT

The Honorable Herb W. Bergson, Jr., Mayor,
and Members of the City Council
City of Duluth, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the years ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2005. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Steam District #2 Enterprise Fund, which statements represent 6.0 percent of the assets and 7.5 percent of the program revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Steam District #2 Enterprise Fund, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Duluth as of December 31, 2005, including the Spirit Mountain Recreation Area Authority as of April 30, 2005, and the respective changes in financial position and cash flows where applicable, thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Governmental Auditing Standards*, we have also issued a report dated May 17, 2006, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


PATRICIA ANDERSON
STATE AUDITOR


GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 17, 2006

Management's Discussion and Analysis (MD & A)

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

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, 2005 to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at December 31, 2005 by \$359.4 million; this amount is identified as net assets. Of this amount, \$81 million is unrestricted and may be used to meet the City's ongoing obligations.
- The City's total net assets increased by \$21.5 million. The increase was the result of the continued accumulation of assets in the Community Investment Fund and a significant increase in the City's investment in capital assets.
- As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$105.1 million, an increase of \$6.4 million compared to 2004. Although \$54.3 million is reported as unreserved-undesignated fund balance, which is considered available for spending at the City's discretion, 99% of that amount is in the Community Investment Fund, which is for the financing of future capital improvements of the City. Any different use of those monies, requires a "super-majority" vote of the City Council, or seven of nine votes.
- As of December 31, 2005, the General Fund's undesignated, unreserved balance was \$3.3 million, or 4.9% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

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, as well as the municipal golf courses.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

The City maintains two different types of proprietary funds. The first type is enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Water, Gas and Sewer funds, all of which are considered to be major funds. Data from the remaining enterprise funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is included in the combining and individual fund section of this report.

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net assets may serve as a useful indicator of the City's financial position. The largest portion of the City's net assets (69 percent) is invested in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The remaining balance of net assets (22 percent) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. At the end of the past two fiscal years, all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities, had positive balances. The following table presents a summary of the City's net assets at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 151,316	\$ 134,414	\$ 41,626	\$ 41,181	\$ 192,942	\$ 175,595
Capital assets	<u>251,479</u>	<u>239,750</u>	<u>136,817</u>	<u>129,387</u>	<u>388,296</u>	<u>369,137</u>
Total assets	<u>\$ 402,795</u>	<u>\$ 374,164</u>	<u>\$ 178,443</u>	<u>\$ 170,568</u>	<u>\$ 581,238</u>	<u>\$ 544,732</u>
Long-term liabilities outstanding	147,859	140,589	45,569	40,761	193,428	181,350
Other liabilities	<u>15,381</u>	<u>11,818</u>	<u>13,065</u>	<u>13,676</u>	<u>28,446</u>	<u>25,494</u>
Total liabilities	<u>\$ 163,240</u>	<u>\$ 152,407</u>	<u>\$ 58,634</u>	<u>\$ 54,437</u>	<u>\$ 221,874</u>	<u>\$ 206,844</u>
Net assets:						
Invested in capital assets net of related debt	155,699	142,891	91,987	87,721	247,686	230,612
Restricted	28,531	30,712	2,182	2,182	30,713	32,894
Unrestricted	<u>55,325</u>	<u>48,154</u>	<u>25,641</u>	<u>26,228</u>	<u>80,966</u>	<u>74,382</u>
Total net assets	<u>\$ 239,555</u>	<u>\$ 221,757</u>	<u>\$ 119,810</u>	<u>\$ 116,131</u>	<u>\$ 359,365</u>	<u>\$ 337,888</u>

The City's net assets grew by \$21.5 million, an increase of 6.4%. This increase was due primarily to an increase in the City's investment in capital assets and an increase in the City's unrestricted net assets. The City's investment in capital assets, net of debt, increased by \$17.1 million and was the result of the City's ongoing street improvement program. The City's unrestricted net assets increase of \$6.6 million was caused primarily by the continued accumulation of assets in the Community Investment Fund.

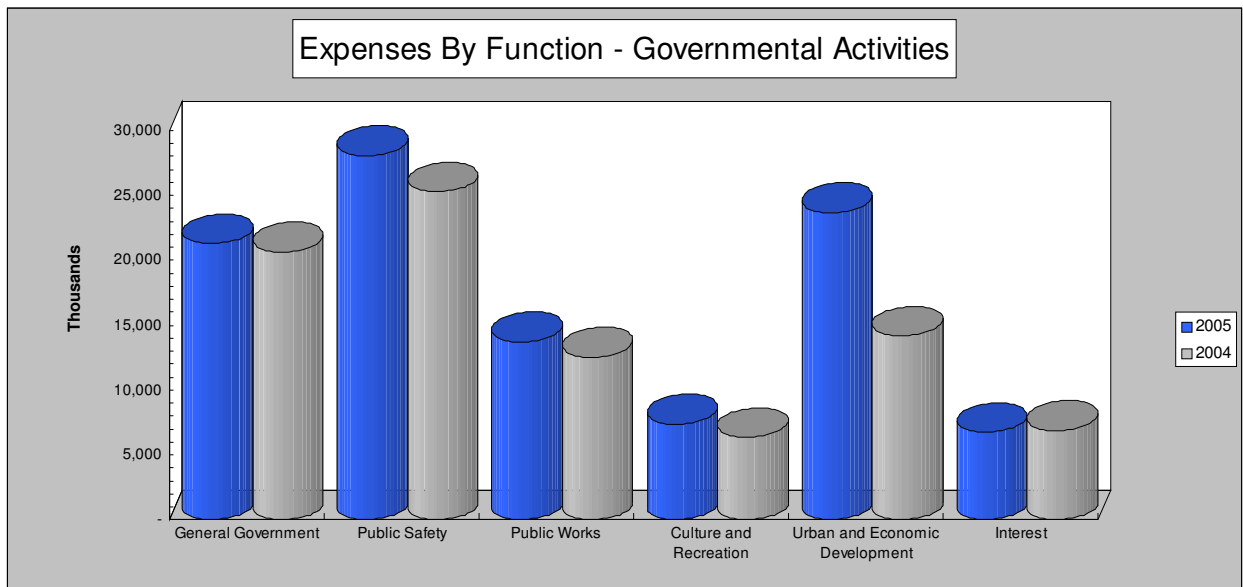
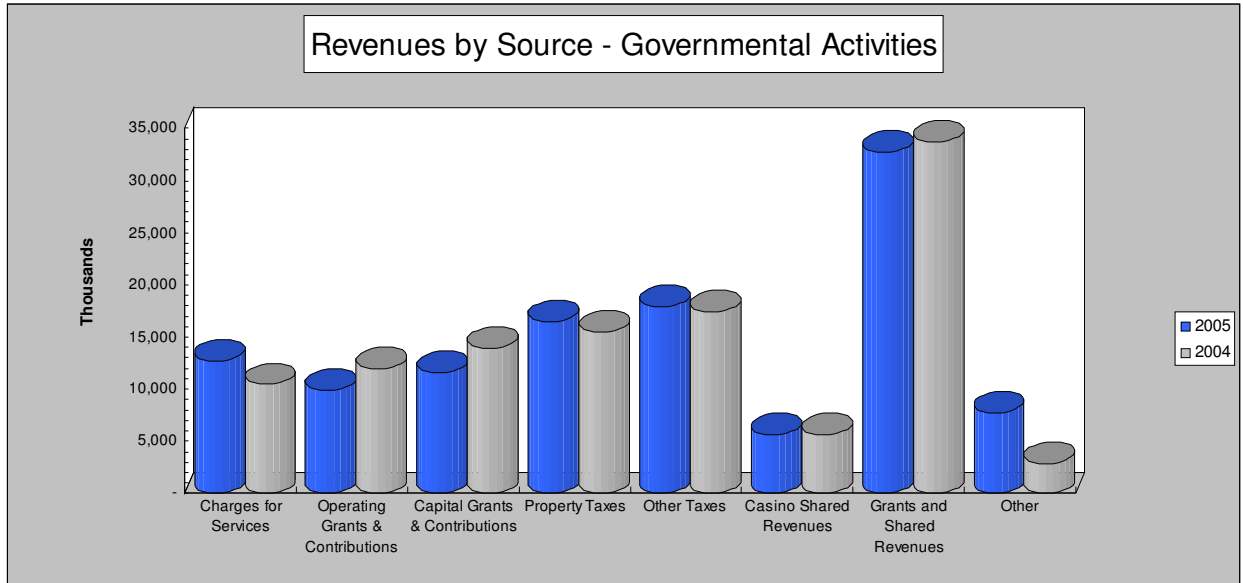
CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	12,711	10,450	95,686	86,691	108,397	97,141
Operating grants and contributions	9,884	11,944	-	-	9,884	11,944
Capital grants and contributions	11,566	13,955	2,179	943	13,745	14,898
General Revenues:						
Property taxes	16,489	15,479	-	-	16,489	15,479
Other taxes	17,910	17,404	-	-	17,910	17,404
Casino shared revenues	5,609	5,654	-	-	5,609	5,654
Grants and shared revenues not restricted to specific programs	32,703	33,699	-	-	32,703	33,699
Other	7,759	2,885	717	597	8,476	3,482
Total revenues	114,631	111,470	98,582	88,231	213,213	199,701
Expenses:						
General government	21,287	20,670	-	-	21,287	20,670
Public safety	28,069	25,286	-	-	28,069	25,286
Public works	13,721	12,580	-	-	13,721	12,580
Culture and recreation	7,401	6,386	-	-	7,401	6,386
Urban and economic development	23,677	14,173	-	-	23,677	14,173
Interest	6,749	6,918	-	-	6,749	6,918
Water	-	-	9,463	8,465	9,463	8,465
Gas	-	-	50,492	41,884	50,492	41,884
Sewer	-	-	13,455	14,611	13,455	14,611
Stormwater	-	-	2,508	2,471	2,508	2,471
Steam District #1	-	-	4,086	3,894	4,086	3,894
Steam District #2	-	-	8,920	8,708	8,920	8,708
Golf	-	-	1,908	1,762	1,908	1,762
Total expenses	100,904	86,013	90,832	81,795	191,736	167,808
Increase in net assets before transfers	13,727	25,457	7,750	6,436	21,477	31,893
Transfers	4,071	3,695	(4,071)	(3,695)	-	-
Increase in net assets	17,798	29,152	3,679	2,741	21,477	31,893
Net assets, January 1, restated	221,757	192,605	116,131	113,390	337,888	305,995
Net assets, December 31	239,555	221,757	119,810	116,131	359,365	337,888

Revenues increased by \$10.4 million for business-type activities, with the majority of the increase occurring in the Gas Enterprise Fund due to increased rates. Governmental activities revenues increased by \$3.2 million due to several factors including increases in fee collections, taxes, and revenues associated with a mixed income housing development project.

Expenses increased by \$9.0 million for business-type activities, with the majority of the increase occurring in the Gas Enterprise Fund due to increased costs of natural gas. Governmental activities expenses increased due to costs associated with a mixed income housing development project.



**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

FUND FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$105.1 million, an increase of \$6.4 million from 2004. Of the total fund balance amount, \$70.4 million, or 67%, is reported as unreserved fund balance, which is available for spending at the City's discretion. Of the unreserved amount, \$16.1 million is already designated for specific purposes, with the largest amount, \$8.0 million, set aside for debt service. Of the \$54.3 million reported as unreserved, undesignated fund balance, 99% of it is in the Community Investment Special Revenue Fund, which is to be used to finance future capital improvements of the City. The remaining \$34.7 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate existing contracts and purchase orders totaling \$18.9 million; 2) to pay \$11.5 million for debt service; and 3) \$4.3 million for a variety of other restricted purposes.

The General Fund is the main operating fund of the City of Duluth. At December 31, 2005, fund balance of the General Fund was \$4.9 million, with \$4.2 million, or 86% reported as unreserved. The undesignated portion of unreserved fund balance was \$3.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated, unreserved fund balance and total fund balance to total fund expenditures. Undesignated, unreserved fund balance is 4.9% and total fund balance is 7.2% of total General Fund expenditures. The fund balance of the General Fund decreased by \$1.1 million during 2005. The decrease is explained by public safety expenditures exceeding the original budget and revenue growth not meeting budget expectations.

The Community Investment Special Revenue fund balance increased by \$4.9 million in 2005, in accordance with the City's policy of retaining the revenues received from the operations of the Fond du Luth Casino for future capital improvement needs, and only transferring the annual investment earnings to the General 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 assets for each of the City's major proprietary funds, as well as the change in net assets for each fund during the past two fiscal years (dollars in thousands):

	Unrestricted Net Assets December 31		Increase (Decrease) Net Assets December 31	
	2005	2004	2005	2004
Water	\$ 4,219	\$ 6,096	\$ 708	\$ 1,228
Gas	12,893	12,117	1,663	93
Sewer	5,639	5,009	2,233	2,312

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$2,146,836 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$400,000 supplemental appropriation for public safety expenditures due to unanticipated salary and benefit settlements, increased overtime, and the hiring of additional police officers and firefighters.
- \$200,000 supplemental appropriation for public works expenditures due to increased fuel and utility costs.
- \$859,179 appropriation increase for prior year carryovers.
- \$146,357 appropriation for grants, gifts and donations.

The increase was possible due to additional anticipated revenues, primarily earnings on investments, and utilization of undesignated fund balance.

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

- Revenues were under budget due to City Council denial of proposed rate increases in license and permit fees.
- Transfers in were under budget due to the Community Investment Fund investment earnings transfer not meeting projections.
- Expenditures were under budget due to delays in planned capital improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City of Duluth's investment in capital assets for its governmental and business-type activities as of December 31, 2005 was \$388.3 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. The City's total investment in capital assets, net of accumulated depreciation, increased by \$15.5 million during 2005. Capital assets related to governmental activities increased by \$8.1 million and was due primarily to the City's ongoing street improvement program. Capital assets related to business-type activities increased by \$7.4 million and was due primarily to replacement of water and sewer lines in Morgan Park and work on a sanitary system overflow storage project. Additional information related to the City's capital assets can be found in Note 6 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Capital Assets:				
Land and improvements	\$ 25,115	\$ 24,646	\$ 856	\$ 853
Buildings	53,800	53,561	18,656	20,050
Equipment	5,880	5,612	15,562	15,864
Infrastructure	137,016	130,304	71,979	71,641
Construction in progress	29,668	29,258	29,764	20,979
Total	<u>\$ 251,479</u>	<u>\$ 243,381</u>	<u>\$ 136,817</u>	<u>\$ 129,387</u>

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

LONG-TERM DEBT

The City of Duluth had \$146.2 million of bonded debt outstanding as of December 31, 2005. Of this amount, \$45.3 million is debt backed by the full faith and credit of the City. \$53.9 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 \$40.3 million outstanding revenue and general obligation bonds if income from various utility 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, 2004 and 2005 (dollars in thousands).

	Balance 12/31/05	Balance 12/31/04
Governmental Activities:		
General Obligation Bonds	\$ 33,813	\$ 26,974
General Obligation Tax Increment Bonds	7,282	4,348
General Obligation Tax Abatement Bonds	310	-
Tax Increment Revenue Bonds	3,919	10,167
Lease Revenue Bonds	1,770	1,890
Special Assessment Debt with Government Commitment	53,919	53,018
General Obligation Certificates	3,915	4,310
Total Governmental Activities Bonded Debt	<u>\$ 104,928</u>	<u>\$ 100,707</u>
Business-type Activities:		
Revenue Bonds	920	1,040
Revenue and General Obligation Bonds	40,340	38,210
Total Business-type Activities Bonded Debt	<u>\$ 41,260</u>	<u>\$ 39,250</u>

During 2005, the City's total debt decreased by \$11 million, or 6.7%. In 2005, the City issued \$17.6 million of general obligation bonds, \$9.6 million special assessment debt with government commitment, \$1.1 million of general obligation certificates, and \$4.8 million utility revenue and general obligation bonds. The City also issued \$.5 million of general obligation notes and \$6.6 million revenue notes. The City has an "Aa3" rating from Moody's Investors Service and an "AA-" rating from Standard and Poors.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$94.9 million, which is significantly higher than the City's net debt of \$29.6 million. Additional information about the City's long-term debt can be found in Note 11 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2006 General Fund budget of \$75,009,400 is \$4.1 million or 5.8% more than the 2005 approved budget. State local government aid (LGA) payments are anticipated to supply 36% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

In the 2003 state legislative session, the Legislature reduced local government aid to cities across the state as part of the solution to the State's \$4 billion budget deficit. For Duluth, that meant a decrease of \$3.7 million in LGA over what had been certified for 2003. This reduction carried over into the 2004 LGA allocation. For 2005 and beyond, the Legislature enacted significant changes to the LGA program. The amount of dollars allocated to the program has been reduced and the Legislature also eliminated the automatic inflationary increase that had been in place since 1993. The greatest change to the program however, was the adoption of a new formula which measures each city's expenditure need based on a number of statistical variables. Once a city's need is calculated, it is compared to a city's ability to pay or revenue raising capacity. Cities that have spending needs that exceed their ability to pay receive a share of

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005**

the LGA distribution. This figure is then compared to ten percent of a city's prior year property tax levy, with the final certified aid amount being the lesser of the two. For Duluth's 2006 allocation, the formula aid was greater than the property tax number, resulting in an increase of \$1.075 million for a total of \$26.73 million.

In 2005, the City contracted with an actuary to calculate its actuarial accrued liability for post employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The actuarial accrued liability was calculated to be \$280 million as of January 1, 2005. GASB Statement No. 45 does not become effective until January 1, 2007. The actuarial accrued liability is driven by a number of factors including plan provisions and the discount rate. The City's administration is currently negotiating changes in plan provisions with its bargaining units that will result in a significant reduction in the actuarial accrued liability. In addition, the City is pursuing legislation that would allow plan assets to be invested in a trust. This trust arrangement will increase the yield on plan assets significantly which impacts the discount rate used by the actuary. The actuary has determined that a one percent increase in the discount rate would reduce the actuarial accrued liability by \$44 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 110,264,738	\$ 10,467,123	\$ 120,731,861	\$ 5,397,466
Assets held by trustee	2,897,375	-	2,897,375	-
Receivables, net	30,615,107	15,726,263	46,341,370	1,130,457
Due from primary government	-	-	-	84,195
Internal balances	(49,762)	49,762	-	-
Due from component units	737,655	-	737,655	-
Due from other governments	4,894,423	1,473,732	6,368,155	489,760
Inventories	207,085	1,781,363	1,988,448	428,948
Prepays	847,216	5,120,068	5,967,284	121,220
Restricted assets:				
Cash and cash equivalents	-	4,623,455	4,623,455	1,557,504
Accounts receivable	-	-	-	107,882
Loans receivable	-	2,058,143	2,058,143	-
Grants receivable	-	-	-	2,642,992
Capital assets:				
Assets held by trustee	-	108,908	108,908	81,502
Deferred charges	902,004	217,206	1,119,210	849,598
Capital assets (Note 6):				
Non-depreciable	54,782,601	30,619,543	85,402,144	26,517,074
Depreciable, net	196,696,605	106,197,750	302,894,355	79,355,418
Total assets	402,795,047	178,443,316	581,238,363	118,764,016
LIABILITIES				
Accounts payable and other short-term liabilities	9,827,122	10,737,072	20,564,194	4,465,010
Accrued interest payable	4,449,177	650,023	5,099,200	73,690
Due to component units	84,195	-	84,195	-
Due to primary government	-	-	-	472,056
Due to other government	149,823	843,621	993,444	48,414
Unearned revenues	870,225	834,067	1,704,292	853,976
Liabilities payable from restricted assets	-	-	-	589,044
Noncurrent liabilities (Note 11):				
Due within one year	15,526,659	3,463,934	18,990,593	1,719,964
Due in more than one year	132,332,661	42,104,982	174,437,643	6,685,639
Total liabilities	163,239,862	58,633,699	221,873,561	14,907,793
NET ASSETS				
Investment in capital assets, net of related debt	155,698,901	91,986,495	247,685,396	99,060,458
Restricted for:				
Debt service	24,303,351	-	24,303,351	81,502
Capital projects	1,493,193	258,063	1,751,256	2,349,080
Special projects	1,895,064	-	1,895,064	-
Loans	744,682	1,923,982	2,668,664	-
Other	95,142	-	95,142	25,000
Unrestricted	55,324,852	25,641,077	80,965,929	2,340,183
Total net assets	\$ 239,555,185	\$ 119,809,617	\$ 359,364,802	\$ 103,856,223

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, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 21,287,443	\$ 1,434,650	\$ 4,513	\$ 20,551
Public safety	28,069,291	2,394,256	917,136	812,512
Public works	13,720,883	724,710	1,164,371	9,485,119
Culture and recreation	7,400,480	856,974	355,238	-
Urban and economic development	23,676,985	7,300,488	7,442,803	1,247,671
Interest	6,749,211	-	-	-
Total governmental activities	<u>100,904,293</u>	<u>12,711,078</u>	<u>9,884,061</u>	<u>11,565,853</u>
Business-type activities:				
Water	9,463,342	10,315,543	-	47,733
Gas	50,491,710	55,339,940	-	15,613
Sewer	13,454,790	14,347,815	-	1,311,212
Stormwater	2,508,496	2,982,846	-	-
Steam district #1	4,085,845	4,416,123	-	-
Steam district #2	8,919,977	6,584,168	-	804,488
Golf	1,908,334	1,699,090	-	-
Total business-type activities	<u>90,832,494</u>	<u>95,685,525</u>	<u>-</u>	<u>2,179,046</u>
Total primary government	<u>\$ 191,736,787</u>	<u>\$ 108,396,603</u>	<u>\$ 9,884,061</u>	<u>\$ 13,744,899</u>
Component units :				
Duluth Entertainment and Convention Center Authority	\$ 9,694,273	\$ 7,108,505	\$ -	\$ -
Duluth Airport Authority	5,283,613	3,198,691	128,129	12,810,373
Duluth Transit Authority	12,256,696	1,861,041	6,431,365	1,200,277
Spirit Mountain Recreation Area Authority	3,792,447	3,757,645	-	225,000
Total component units	<u>\$ 31,027,029</u>	<u>\$ 15,925,882</u>	<u>\$ 6,559,494</u>	<u>\$ 14,235,650</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, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government:				
Governmental activities:				
General government	\$ (19,827,729)	\$ -	\$ (19,827,729)	\$ -
Public safety	(23,945,387)	-	(23,945,387)	-
Public works	(2,346,683)	-	(2,346,683)	-
Culture and recreation	(6,188,268)	-	(6,188,268)	-
Urban and economic development	(7,686,023)	-	(7,686,023)	-
Interest	(6,749,211)	-	(6,749,211)	-
Total governmental activities	(66,743,301)	-	(66,743,301)	-
Business-type activities:				
Water	-	899,934	899,934	-
Gas	-	4,863,843	4,863,843	-
Sewer	-	2,204,237	2,204,237	-
Stormwater	-	474,350	474,350	-
Steam district #1	-	330,278	330,278	-
Steam district #2	-	(1,531,321)	(1,531,321)	-
Golf	-	(209,244)	(209,244)	-
Total business-type activities	-	7,032,077	7,032,077	-
Total primary government	(66,743,301)	7,032,077	(59,711,224)	-
Component units :				
Duluth Entertainment and Convention Center Authority	-	-	-	(2,585,768)
Duluth Airport Authority	-	-	-	10,853,580
Duluth Transit Authority	-	-	-	(2,764,013)
Spirit Mountain Recreation Area Authority	-	-	-	190,198
Total component units	-	-	-	5,693,997
General Revenues:				
Property taxes	16,489,656	-	16,489,656	1,316,900
Market value credit aid	1,260,395	-	1,260,395	-
Sales taxes	15,963,891	-	15,963,891	-
Other taxes	1,945,956	-	1,945,956	-
Casino shared revenues	5,608,777	-	5,608,777	-
Grants and shared revenues not restricted to specific programs	31,443,085	-	31,443,085	2,244,376
Investment income	2,858,882	715,342	3,574,224	144,907
Gain on sale or disposition of capital assets	-	1,834	1,834	-
Miscellaneous	4,900,055	-	4,900,055	251,651
Transfers	4,070,710	(4,070,710)	-	-
Total general revenues and transfers	84,541,407	(3,353,534)	81,187,873	3,957,834
Change in net assets	17,798,106	3,678,543	21,476,649	9,651,831
Net assets - beginning, as restated (Note 1)	221,757,079	116,131,074	337,888,153	94,204,392
Net assets - ending	<u>\$ 239,555,185</u>	<u>\$ 119,809,617</u>	<u>\$ 359,364,802</u>	<u>\$ 103,856,223</u>

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

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Community Development	Community Investment	Special Assessment Debt Service
ASSETS				
Cash and cash equivalents	\$ 1,381,804	\$ 84,488	\$ 51,834,910	\$ 122,974
Assets held by trustee	489,162	-	-	-
Receivables, net:				
Taxes	1,449,426	-	-	-
Accounts	264,923	1,521	1,382,297	-
Assessments	871,514	-	-	6,811,221
Loans	249,788	6,823,520	-	-
Grants	-	-	-	-
Accrued interest	188,198	74,001	687,224	-
Deposits	-	-	-	-
Due from other funds	1,535,422	15,401	-	-
Due from component units	182,365	-	-	-
Interfund loan receivable	1,854,180	-	-	-
Due from other governments	851,825	774,378	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 9,318,607</u>	<u>\$ 7,773,309</u>	<u>\$ 53,904,431</u>	<u>\$ 6,934,195</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,370,689	\$ 9,828	\$ -	\$ 902
Contracts payable	190,567	1,406,814	-	-
Due to other funds	686,104	5,965	213,187	-
Due to component units	-	-	-	-
Interfund loan payable	-	-	-	-
Loans payable	-	-	-	-
Due to other governments	83,533	2,200	-	-
Accrued salaries payable	841,150	7,537	-	-
Deferred revenue	1,271,582	6,871,856	-	6,801,193
Total liabilities	<u>4,443,625</u>	<u>8,304,200</u>	<u>213,187</u>	<u>6,802,095</u>
Fund balances:				
Reserved for:				
Encumbrances	121,625	-	-	-
Debt service	-	-	-	-
Special accounts	529,093	-	-	-
Unreserved:				
Designated for, reported in:				
Debt service	-	-	-	132,100
Capital improvements	262,988	-	-	-
Special accounts	623,052	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Undesignated, reported in:				
General fund	3,338,224	-	-	-
Special revenue funds	-	(530,891)	53,691,244	-
Capital project funds	-	-	-	-
Total fund balances	<u>4,874,982</u>	<u>(530,891)</u>	<u>53,691,244</u>	<u>132,100</u>
Total liabilities and fund balances	<u>\$ 9,318,607</u>	<u>\$ 7,773,309</u>	<u>\$ 53,904,431</u>	<u>\$ 6,934,195</u>

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	Street Improvement Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,905,422	\$ 38,806,662	\$ 100,136,260
Assets held by trustee	-	2,408,213	2,897,375
Receivables, net:			
Taxes	-	1,030,280	2,479,706
Accounts	-	215,521	1,864,262
Assessments	3,891,326	-	11,574,061
Loans	-	4,488,696	11,562,004
Grants	-	2,120,103	2,120,103
Accrued interest	-	-	949,423
Deposits	-	250,000	250,000
Due from other funds	-	3,830,383	5,381,206
Due from component units	-	-	182,365
Interfund loan receivable	-	-	1,854,180
Due from other governments	-	3,268,220	4,894,423
Prepays	-	847,216	847,216
Total assets	<u>\$ 11,796,748</u>	<u>\$ 57,265,294</u>	<u>\$ 146,992,584</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 12,956	\$ 501,560	\$ 1,895,935
Contracts payable	-	3,899,882	5,497,263
Due to other funds	24,135	4,741,104	5,670,495
Due to component units	-	84,195	84,195
Interfund loan payable	-	1,163,005	1,163,005
Loans payable	-	1,400,000	1,400,000
Due to other governments	-	57,417	143,150
Accrued salaries payable	-	30,209	878,896
Deferred revenue	3,886,815	6,270,169	25,101,615
Total liabilities	<u>3,923,906</u>	<u>18,147,541</u>	<u>41,834,554</u>
Fund balances:			
Reserved for:			
Encumbrances	-	18,784,778	18,906,403
Debt service	-	11,487,012	11,487,012
Special accounts	-	3,807,195	4,336,288
Unreserved:			
Designated for, reported in:			
Debt service	7,872,842	-	8,004,942
Capital improvements	-	-	262,988
Special accounts	-	-	623,052
Special revenue funds	-	3,001,363	3,001,363
Debt service funds	-	1,475,506	1,475,506
Capital project funds	-	2,756,632	2,756,632
Undesignated, reported in:			
General fund	-	-	3,338,224
Special revenue funds	-	5,215,272	58,375,625
Capital project funds	-	(7,410,005)	(7,410,005)
Total fund balances	<u>7,872,842</u>	<u>39,117,753</u>	<u>105,158,030</u>
Total liabilities and fund balances	<u>\$ 11,796,748</u>	<u>\$ 57,265,294</u>	<u>\$ 146,992,584</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 ASSETS
DECEMBER 31, 2005

Fund Balance--total governmental funds	\$ 105,158,030
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets is \$361,256,969, and the accumulated depreciation is \$110,264,524.	250,992,445
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	23,933,224
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Internal service funds are used by management to charge the costs of fleet services, group health insurance, loss control activities, and vacation benefits payable to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets for \$4,800,378 less \$907,326 attributed to business-type activities.	3,893,052
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds and Notes payable, net of issuance costs	111,978,982	
Revenue pledge	15,625,000	
PERA police and fire pension liability	12,526,523	
Interest accrued on long-term debt	<u>4,425,766</u>	
		(144,556,271)

Other assets that are not available to pay for current period expenditures, and therefore, are not reported in the funds.	<u>134,705</u>
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Net assets of governmental activities	<u><u>\$ 239,555,185</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General Fund</u>	<u>Community Development</u>	<u>Community Investment</u>	<u>Special Assessment Debt Service</u>
REVENUES				
Taxes:				
Property taxes	\$ 5,792,831	\$ -	\$ -	\$ -
Sales taxes	10,937,730	-	-	-
Other taxes	1,925,545	-	-	-
Licenses and permits	853,927	-	-	-
Intergovernmental revenues	33,867,322	3,225,364	-	-
Charges for services	7,856,559	-	-	-
Fines and forfeits	1,002,752	-	-	-
Special assessments	366,748	-	-	1,617,008
Investment income	436,669	3,526	1,336,322	212
Miscellaneous revenues	481,418	292,799	5,608,777	5,264
	<u>63,521,501</u>	<u>3,521,689</u>	<u>6,945,099</u>	<u>1,622,484</u>
EXPENDITURES				
Current:				
General government	19,682,993	-	90,000	-
Public safety	30,930,058	-	-	-
Public works	9,449,911	-	-	-
Culture and recreation	6,473,050	-	-	-
Urban and economic development	551,419	10,635,565	-	-
Debt service:				
Principal retirement	281,530	-	-	1,392,700
Interest and fiscal fees	138,262	56,140	-	386,673
Revenue pledge	-	-	-	-
Bond issuance costs	-	-	-	2,594
Capital outlay	-	-	-	-
	<u>67,507,223</u>	<u>10,691,705</u>	<u>90,000</u>	<u>1,781,967</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(3,985,722)</u>	<u>(7,170,016)</u>	<u>6,855,099</u>	<u>(159,483)</u>
OTHER FINANCING SOURCES (USES)				
Sale of bonds	-	-	-	200,000
Premium on sale of bonds	-	-	-	3,570
Loan proceeds	-	6,594,000	-	-
Payment to refunded bond escrow agent	-	-	-	(302,212)
Transfers in	7,898,607	5,046	-	15,239
Transfers out	(5,053,445)	(111,694)	(1,968,187)	-
	<u>2,845,162</u>	<u>6,487,352</u>	<u>(1,968,187)</u>	<u>(83,403)</u>
Total other financing sources (uses)				
Net change in fund balance	(1,140,560)	(682,664)	4,886,912	(242,886)
Fund balance - January 1, 2005	<u>6,015,542</u>	<u>151,773</u>	<u>48,804,332</u>	<u>374,986</u>
Fund balance - December 31, 2005	<u>\$ 4,874,982</u>	<u>\$ (530,891)</u>	<u>\$ 53,691,244</u>	<u>\$ 132,100</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Street Improvement Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ -	\$ 10,528,582	\$ 16,321,413
Sales taxes	-	5,026,161	15,963,891
Other taxes	-	20,411	1,945,956
Licenses and permits	-	-	853,927
Intergovernmental revenues	-	12,170,665	49,263,351
Charges for services	-	113,018	7,969,577
Fines and forfeits	-	-	1,002,752
Special assessments	1,254,053	-	3,237,809
Investment income	176,472	621,585	2,574,786
Miscellaneous revenues	-	5,703,054	12,091,312
	<u>1,430,525</u>	<u>34,183,476</u>	<u>111,224,774</u>
EXPENDITURES			
Current:			
General government	-	112,280	19,885,273
Public safety	-	589,596	31,519,654
Public works	-	529,260	9,979,171
Culture and recreation	-	240,182	6,713,232
Urban and economic development	-	8,641,490	19,828,474
Debt service:			
Principal retirement	3,308,600	11,973,819	16,956,649
Interest and fiscal fees	1,741,091	2,718,352	5,040,518
Revenue pledge	-	2,612,545	2,612,545
Bond issuance costs	36,331	368,848	407,773
Capital outlay	-	23,478,917	23,478,917
	<u>5,086,022</u>	<u>51,265,289</u>	<u>136,422,206</u>
Total expenditures			
	<u>5,086,022</u>	<u>51,265,289</u>	<u>136,422,206</u>
Excess (deficiency) of revenues over expenditures	<u>(3,655,497)</u>	<u>(17,081,813)</u>	<u>(25,197,432)</u>
OTHER FINANCING SOURCES (USES)			
Sale of bonds	2,820,000	25,245,000	28,265,000
Premium on sale of bonds	50,333	143,464	197,367
Loan proceeds	-	-	6,594,000
Payment to refunded bond escrow agent	(3,770,316)	(3,617,889)	(7,690,417)
Transfers in	3,774,169	7,720,468	19,413,529
Transfers out	<u>(136,025)</u>	<u>(7,893,324)</u>	<u>(15,162,675)</u>
Total other financing sources (uses)	<u>2,738,161</u>	<u>21,597,719</u>	<u>31,616,804</u>
Net change in fund balance	(917,336)	4,515,906	6,419,372
Fund balance - January 1, 2005	<u>8,790,178</u>	<u>34,601,847</u>	<u>98,738,658</u>
Fund balance - December 31, 2005	<u>\$ 7,872,842</u>	<u>\$ 39,117,753</u>	<u>\$ 105,158,030</u>

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

CITY OF DULUTH, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds \$ 6,419,372

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	21,273,367	
Depreciation expense	(8,934,964)	
Excess of capital outlay over depreciation expense		12,338,403

Miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and other disposals) decreased net assets.		(588,265)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$331,362 from internal funds less \$75,718 attributed to business-type activities is reported with governmental activities.		255,644
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Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

Bonds issued, including a bond premium of \$130,497 less issuance costs of \$325,562.	28,393,935	
Refunding bonds, including a bond premium of \$66,870 less issuance costs of \$82,211.	6,254,659	
Total bond proceeds		(34,648,594)

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

Bond principal retirement	18,350,119	
Capital lease payments	165,550	
PERA police and fire liability	2,543,264	
Payments to the bond refunding agent	7,480,000	
Total long-term debt repayment		28,538,933

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

4,694,532

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	806,472	
Amortization of deferred amounts:		
for bond premiums	86,073	
for bond issuance costs	(62,842)	
on refundings	(41,622)	
Total additional expenditures		788,081

Change in net assets of governmental activities		<u>\$ 17,798,106</u>
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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, 2005

	Budgeted Amounts		Actual Amounts
	Original	Final	(Budgetary Basis) (Note 2)
REVENUES			
Taxes	\$ 19,255,500	\$ 19,255,500	\$ 18,656,106
Licenses and permits	1,191,000	1,191,000	853,927
Intergovernmental revenues	32,957,200	33,042,069	33,867,322
Charges for services	7,661,000	7,712,337	7,856,559
Fines and forfeits	1,082,000	1,096,804	1,002,752
Special assessments	129,000	394,000	366,748
Investment income	1,150,000	1,750,000	436,669
Miscellaneous revenues	591,700	737,171	481,418
Total revenues	64,017,400	65,178,881	63,521,501
EXPENDITURES			
Current:			
General government	20,126,400	19,973,071	19,694,193
Public safety	29,084,000	30,974,312	30,937,508
Public works	9,225,200	9,450,405	9,449,911
Culture and recreation	6,428,200	6,472,932	6,473,050
Urban and economic development	549,900	697,400	654,394
Debt service:			
Capital lease obligation - principal	285,600	294,500	281,530
Capital lease obligation - interest	127,200	127,202	138,262
Total expenditures	65,826,500	67,989,822	67,628,848
Excess (deficiency) of revenues over expenditures	(1,809,100)	(2,810,941)	(4,107,347)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,879,100	7,005,276	7,898,607
Transfers out	(5,070,000)	(5,053,514)	(5,053,445)
Total other financing sources (uses)	1,809,100	1,951,762	2,845,162
Net change in fund balance - budgetary basis	-	(859,179)	(1,262,185)
Net adjustments to reflect operations in accordance with generally accepted accounting principles			121,625
Net change in fund balance - GAAP basis	-	(859,179)	(1,140,560)
Fund balance - January 1, 2005	6,015,542	6,015,542	6,015,542
Fund balance - December 31, 2005	\$ 6,015,542	\$ 5,156,363	\$ 4,874,982

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		
	Water	Gas	Sewer
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,563,015	\$ 2,225,978	\$ 4,039,233
Restricted cash and cash equivalents:			
Customer deposits	72,159	774,158	-
Construction	-	-	1,243,213
Loans	-	2,274,372	-
Restricted assets held by trustee	-	-	-
Receivables, net:			
Accounts	834,912	11,023,500	1,180,209
Restricted loans	-	219,430	-
Assessments	201,808	23,593	21,126
Due from other funds	58,371	49,666	110,445
Due from component units	-	-	-
Due from other governments	2,001	441	1,178,380
Inventories	692,621	843,183	-
Prepays	-	5,060,605	-
Total current assets	<u>4,424,887</u>	<u>22,494,926</u>	<u>7,772,606</u>
Capital assets, net	<u>35,688,594</u>	<u>39,263,982</u>	<u>36,342,014</u>
Noncurrent assets:			
Assessments receivable	680,166	115,666	176,780
Due from other governments	-	-	-
Restricted loans receivable	-	2,058,143	-
Issuance costs	8,159	-	70,485
Planning and development costs	-	-	-
Total other assets	<u>688,325</u>	<u>2,173,809</u>	<u>247,265</u>
Total noncurrent assets	<u>36,376,919</u>	<u>41,437,791</u>	<u>36,589,279</u>
Total assets	<u>40,801,806</u>	<u>63,932,717</u>	<u>44,361,885</u>
LIABILITIES			
Current liabilities:			
Accounts payable	150,776	7,286,360	84,688
Contracts payable	43,361	104,701	768,590
Claims payable	-	-	-
Notes payable	204,124	-	84,876
Leases payable	-	-	-
Due to other funds	338,502	80,759	154,145
Interfund loan payable	-	-	-
Due to other governments	86,502	159,313	557,078
Accrued interest payable	126,533	221,941	206,202
Accrued salaries payable	66,763	78,633	36,767
Unearned revenue	13,136	811,393	-
Deposits	10,000	774,158	-
Revenue bonds payable	951,000	825,000	973,000
Total current liabilities	<u>1,990,697</u>	<u>10,342,258</u>	<u>2,865,346</u>
Noncurrent liabilities:			
Notes payable	2,376,587	-	1,124,433
Claims payable	-	-	-
Compensated absences	309,806	386,422	182,888
Leases payable	-	-	-
Revenue bonds payable	5,034,000	12,675,000	14,536,000
Less unamortized bond discount	(100,985)	(167,539)	(173,109)
Total noncurrent liabilities	<u>7,619,408</u>	<u>12,893,883</u>	<u>15,670,212</u>
Total liabilities	<u>9,610,105</u>	<u>23,236,141</u>	<u>18,535,558</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,972,668	25,879,965	20,186,053
Restricted for special accounts	-	-	1,588
Restricted for loans	-	1,923,982	-
Unrestricted	<u>4,219,033</u>	<u>12,892,629</u>	<u>5,638,686</u>
Total net assets	<u>\$ 31,191,701</u>	<u>\$ 40,696,576</u>	<u>\$ 25,826,327</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Total Enterprise Funds	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,638,897	\$ 10,467,123	\$ 10,128,478
Restricted cash and cash equivalents:			
Customer deposits	-	846,317	-
Construction	259,553	1,502,766	-
Loans	-	2,274,372	-
Restricted assets held by trustee	108,908	108,908	-
Receivables, net:			
Accounts	1,249,073	14,287,694	6,738
Restricted loans	-	219,430	-
Assessments	-	246,527	-
Due from other funds	174,836	393,318	824,514
Due from component units	-	-	555,290
Due from other governments	267,910	1,448,732	-
Inventories	245,559	1,781,363	207,085
Prepays	59,463	5,120,068	-
Total current assets	<u>4,004,199</u>	<u>38,696,618</u>	<u>11,722,105</u>
Capital assets, net	<u>25,522,703</u>	<u>136,817,293</u>	<u>486,761</u>
Noncurrent assets:			
Assessments receivable	-	972,612	-
Due from other governments	25,000	25,000	-
Restricted loans receivable	-	2,058,143	-
Issuance costs	63,562	142,206	-
Planning and development costs	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total other assets	<u>163,562</u>	<u>3,272,961</u>	<u>-</u>
Total noncurrent assets	<u>25,686,265</u>	<u>140,090,254</u>	<u>486,761</u>
Total assets	<u>29,690,464</u>	<u>178,786,872</u>	<u>12,208,866</u>
LIABILITIES			
Current liabilities:			
Accounts payable	810,601	8,332,425	131,443
Contracts payable	493,713	1,410,365	-
Claims payable	-	-	1,793,605
Notes payable	8,190	297,190	-
Leases payable	36,744	36,744	30,329
Due to other funds	163,112	736,518	192,025
Interfund loan payable	514,364	514,364	176,811
Due to other governments	40,728	843,621	6,673
Accrued interest payable	95,347	650,023	23,411
Accrued salaries payable	27,961	210,124	23,585
Unearned revenue	9,538	834,067	27,729
Deposits	-	784,158	-
Revenue bonds payable	<u>381,000</u>	<u>3,130,000</u>	<u>-</u>
Total current liabilities	<u>2,581,298</u>	<u>17,779,599</u>	<u>2,405,611</u>
Noncurrent liabilities:			
Notes payable	25,413	3,526,433	-
Claims payable	-	-	1,206,312
Compensated absences	137,609	1,016,725	3,566,626
Leases payable	-	-	229,939
Revenue bonds payable	5,885,000	38,130,000	-
Less unamortized bond discount	<u>(126,543)</u>	<u>(568,176)</u>	<u>-</u>
Total noncurrent liabilities	<u>5,921,479</u>	<u>42,104,982</u>	<u>5,002,877</u>
Total liabilities	<u>8,502,777</u>	<u>59,884,581</u>	<u>7,408,488</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,947,809	91,986,495	226,493
Restricted for special accounts	256,475	258,063	-
Restricted for loans	-	1,923,982	-
Unrestricted	<u>1,983,403</u>	<u>24,733,751</u>	<u>4,573,885</u>
Total net assets	<u>\$ 21,187,687</u>	<u>118,902,291</u>	<u>\$ 4,800,378</u>
Amounts reported for business-type activities in the statement of net assets are different because:			
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>907,326</u>	
Net assets of business-type activities		<u>\$ 119,809,617</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		
	Water	Gas	Sewer
OPERATING REVENUES			
Sales	\$ -	\$ 54,441,936	\$ -
Charges for services	10,115,376	569,883	14,287,614
Miscellaneous revenues	167,424	316,439	56,060
Total operating revenues	10,282,800	55,328,258	14,343,674
OPERATING EXPENSES			
Cost of sales and services	-	41,122,097	-
Personal services	4,661,055	5,408,088	2,559,737
Supplies	684,774	496,733	247,030
Utilities	960,929	56,195	82,861
Other services and charges	1,715,456	1,877,162	9,430,421
Amortization	11,156	-	11,988
Depreciation	1,063,447	956,700	616,340
Medical and insurance claims	-	-	-
Total operating expenses	9,096,817	49,916,975	12,948,377
Operating income	1,185,983	5,411,283	1,395,297
NONOPERATING REVENUES (EXPENSES)			
Investment income	167,345	314,477	162,351
Gain (Loss) on sale or disposition of capital assets	(52,112)	(48,055)	1,834
Interest expense	(340,199)	(548,648)	(520,435)
Intergovernmental revenue	32,743	11,682	4,141
Total non-operating revenue (expenses)	(192,223)	(270,544)	(352,109)
Income before contributions and transfers	993,760	5,140,739	1,043,188
Capital contributions	47,733	15,613	1,311,212
Transfers in	-	-	-
Transfers out	(333,368)	(3,493,764)	(121,745)
Change in net assets	708,125	1,662,588	2,232,655
Total net assets - January 1, 2005	30,483,576	39,033,988	23,593,672
Total net assets - December 31, 2005	\$ 31,191,701	\$ 40,696,576	\$ 25,826,327

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Fund
	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES			
Sales	\$ 442,672	\$ 54,884,608	\$ 797,802
Charges for services	15,107,744	40,080,617	22,771,215
Miscellaneous revenues	101,605	641,528	474,631
Total operating revenues	15,652,021	95,606,753	24,043,648
OPERATING EXPENSES			
Cost of sales and services	240,998	41,363,095	741,089
Personal services	1,851,138	14,480,018	5,178,062
Supplies	2,691,878	4,120,415	671,793
Utilities	1,311,584	2,411,569	-
Other services and charges	7,817,079	20,840,118	2,132,384
Amortization	36,376	59,520	-
Depreciation	3,208,088	5,844,575	31,815
Medical and insurance claims	-	-	14,963,179
Total operating expenses	17,157,141	89,119,310	23,718,322
Operating income	(1,505,120)	6,487,443	325,326
NONOPERATING REVENUES (EXPENSES)			
Investment income	71,169	715,342	200,924
Gain (Loss) on sale or disposition of capital assets	(22,076)	(120,409)	-
Interest expense	(257,377)	(1,666,659)	(14,744)
Intergovernmental revenue	30,206	78,772	-
Total non-operating revenue (expenses)	(178,078)	(992,954)	186,180
Income before contributions and transfers	(1,683,198)	5,494,489	511,506
Capital contributions	804,488	2,179,046	-
Transfers in	31,116	31,116	-
Transfers out	(152,949)	(4,101,826)	(180,144)
Change in net assets	(1,000,543)	3,602,825	331,362
Total net assets - January 1, 2005	22,188,230	115,299,466	4,469,016
Total net assets - December 31, 2005	\$ 21,187,687	\$ 118,902,291	\$ 4,800,378
Amounts reported in business-type activities in the statement of activities are different because:			
Change in net assets		\$ 3,602,825	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		75,718	
Change in net assets of business-type activities		\$ 3,678,543	

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, 2005**

	Business-type Activities - Enterprise Funds		
	Water	Gas	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 10,043,138	\$ 53,208,106	\$ 14,314,983
Cash paid to suppliers	(3,366,534)	(44,320,862)	(9,784,989)
Cash paid to employees	(4,648,417)	(5,392,036)	(2,537,965)
Other operating revenues	115,756	42,754	15,027
Net cash provided (used) by operating activities	<u>2,143,943</u>	<u>3,537,962</u>	<u>2,007,056</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(630,408)	(3,461,556)	(136,396)
Operating grants	32,743	11,682	4,141
Interfund financing	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(597,665)</u>	<u>(3,449,874)</u>	<u>(132,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	-	-	672,252
Interest received on capital	-	-	-
Issuance of revenue bonds and notes	410,216	-	3,671,410
Principal paid on bonds, notes and capitalized leases	(1,127,560)	(757,000)	(815,785)
Interest paid on bonds, notes and capitalized leases	(325,818)	(544,805)	(451,397)
Transfer to trustee debt service account	-	-	-
Payment of bond issuance costs	-	-	(57,903)
Special assessments received	318,983	55,419	31,984
Sale of capital assets	194,043	206,057	1,834
Acquisition or construction of capital assets	(3,190,256)	(1,353,855)	(6,926,069)
Net cash provided (used) by capital and related financing activities	<u>(3,720,392)</u>	<u>(2,394,184)</u>	<u>(3,873,674)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment interest	<u>111,024</u>	<u>306,194</u>	<u>153,948</u>
Net increase (decrease) in cash and cash equivalents	(2,063,090)	(1,999,902)	(1,844,925)
Cash and cash equivalents - January 1, 2005	<u>4,698,264</u>	<u>7,274,410</u>	<u>7,127,371</u>
Cash and cash equivalents - December 31, 2005	<u>\$ 2,635,174</u>	<u>\$ 5,274,508</u>	<u>\$ 5,282,446</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	<u>\$ 1,185,983</u>	<u>\$ 5,411,283</u>	<u>\$ 1,395,297</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,074,603	956,700	628,328
Change in assets and liabilities:			
Decrease (increase) in receivables	(81,795)	(2,306,797)	(32,110)
Decrease (increase) in inventory	(43,924)	(147,347)	-
Decrease (increase) in prepaid items	-	(2,152,988)	-
Increase (decrease) in payables	6,827	2,116,088	15,541
Increase (decrease) in deferred revenues	2,249	(338,977)	-
Total adjustments	<u>957,960</u>	<u>(1,873,321)</u>	<u>611,759</u>
Net cash provided (used) by operating activities	<u>\$ 2,143,943</u>	<u>\$ 3,537,962</u>	<u>\$ 2,007,056</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, 2005**

	Business-type Activities - Enterprise Funds		Governmental Activities - Internal Service Fund
	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 15,010,461	\$ 92,576,688	\$ 24,092,036
Cash paid to suppliers	(11,923,915)	(69,396,300)	(19,317,921)
Cash paid to employees	(1,846,790)	(14,425,208)	(4,461,073)
Other operating revenues	11,704	185,241	8,630
Net cash provided (used) by operating activities	1,251,460	8,940,421	321,672
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(152,949)	(4,381,309)	(82,280)
Operating grants	30,206	78,772	-
Interfund financing	206,890	206,890	31,995
Net cash provided (used) by noncapital financing activities	84,147	(4,095,647)	(50,285)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	804,488	1,476,740	-
Interest received on capital	930	930	-
Issuance of revenue bonds and notes	1,250,000	5,331,626	-
Principal paid on bonds, notes and capitalized leases	(266,460)	(2,966,805)	(33,133)
Interest paid on bonds, notes and capitalized leases	(171,280)	(1,493,300)	(14,261)
Transfer to trustee debt service account	(145,262)	(145,262)	-
Payment of bond issuance costs	(23,618)	(81,521)	-
Special assessments received	-	406,386	-
Sale of capital assets	-	401,934	-
Acquisition or construction of capital assets	(3,441,341)	(14,911,521)	(6,172)
Net cash provided (used) by capital and related financing activities	(1,992,543)	(11,980,793)	(53,566)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment interest	65,102	636,268	200,924
Net increase (decrease) in cash and cash equivalents	(591,834)	(6,499,751)	418,745
Cash and cash equivalents - January 1, 2005	2,490,284	21,590,329	9,709,733
Cash and cash equivalents - December 31, 2005	\$ 1,898,450	\$ 15,090,578	\$ 10,128,478
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	\$ (1,505,120)	\$ 6,487,443	\$ 325,326
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,244,464	5,904,095	31,815
Change in assets and liabilities:			
Decrease (increase) in receivables	(517,359)	(2,938,061)	67,710
Decrease (increase) in inventory	(80,119)	(271,390)	(44,921)
Decrease (increase) in prepaid items	20,212	(2,132,776)	-
Increase (decrease) in payables	194,771	2,333,227	(58,258)
Increase (decrease) in deferred revenues	(105,389)	(442,117)	-
Total adjustments	2,756,580	2,452,978	(3,654)
Net cash provided (used) by operating activities	\$ 1,251,460	\$ 8,940,421	\$ 321,672

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2005**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 752,687
Receivables:	
Taxes	921
Loans	2,935,219
Other assets	<u>349,544</u>
Total assets	<u><u>\$ 4,038,371</u></u>
LIABILITIES	
Accounts payable	\$ 31,418
Due to other governments	45,022
Due to agency	<u>3,961,931</u>
Total liabilities	<u><u>\$ 4,038,371</u></u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2005

	Duluth Entertainment & Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
ASSETS					
Cash and cash equivalents	\$ 191,856	\$ 1,540,208	\$ 2,942,773	\$ 722,629	\$ 5,397,466
Receivables, net					
Accounts	275,107	487,478	245,386	63,408	1,071,379
Grants	-	59,078	-	-	59,078
Due from primary government	84,195	-	-	-	84,195
Due from other governments	-	-	489,760	-	489,760
Inventories	160,165	54,984	168,807	44,992	428,948
Prepays	24,139	59,615	15,873	21,593	121,220
Deferred charges	15,581	774,411	-	59,606	849,598
Restricted assets:					
Cash and cash equivalents	543,743	759,281	-	254,480	1,557,504
Accounts receivable	48,225	59,657	-	-	107,882
Grants receivable	-	2,642,992	-	-	2,642,992
Assets held by trustee	81,502	-	-	-	81,502
Capital assets, net:					
Non-depreciable	930,601	22,834,242	222,367	2,529,864	26,517,074
Depreciable	40,608,231	22,788,247	13,700,960	2,257,980	79,355,418
Total assets	<u>42,963,345</u>	<u>52,060,193</u>	<u>17,785,926</u>	<u>5,954,552</u>	<u>118,764,016</u>
LIABILITIES					
Accounts payable and other short-term liabilities	557,659	155,872	502,464	111,170	1,327,165
Contracts payable	-	3,137,845	-	-	3,137,845
Accrued interest payable	35,394	7,274	-	31,022	73,690
Due to primary government	-	335,636	-	136,420	472,056
Due to other government	-	45,561	-	2,853	48,414
Deferred revenue	170,835	468,761	55,569	158,811	853,976
Deposits	589,044	-	-	-	589,044
Non-current liabilities:					
Due within one year	875,212	40,289	455,792	348,671	1,719,964
Due in more than one year	4,255,032	669,617	-	1,760,990	6,685,639
Total liabilities	<u>6,483,176</u>	<u>4,860,855</u>	<u>1,013,825</u>	<u>2,549,937</u>	<u>14,907,793</u>
NET ASSETS					
Invested in capital assets, net of related debt	36,551,350	45,622,489	13,923,327	2,963,292	99,060,458
Restricted for:					
Debt service	81,502	-	-	-	81,502
Capital projects	-	-	2,094,600	254,480	2,349,080
Other	-	-	-	25,000	25,000
Unrestricted	<u>(152,683)</u>	<u>1,576,849</u>	<u>754,174</u>	<u>161,843</u>	<u>2,340,183</u>
Total net assets	<u>\$ 36,480,169</u>	<u>\$ 47,199,338</u>	<u>\$ 16,772,101</u>	<u>\$ 3,404,615</u>	<u>\$ 103,856,223</u>

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, 2005**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Entertainment & Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	\$ 9,694,273	\$ 7,108,505	\$ -	\$ -
Duluth Airport Authority				
Business-type activities:				
Airport facility	5,283,613	3,198,691	128,129	12,810,373
Duluth Transit Authority				
Business-type activities:				
Public transportation	12,256,696	1,861,041	6,431,365	1,200,277
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	3,792,447	3,757,645	-	225,000
Total component units	<u>\$ 31,027,029</u>	<u>\$ 15,925,882</u>	<u>\$ 6,559,494</u>	<u>\$ 14,235,650</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, 2005

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>				
	<u>Duluth Entertainment & Convention Center Authority</u>	<u>Duluth Airport Authority</u>	<u>Duluth Transit Authority</u>	<u>Spirit Mountain Recreation Area Authority</u>	<u>Totals</u>
Duluth Entertainment & Convention Center Authority					
Business-type activities:					
Entertainment and convention facility	\$ (2,585,768)	\$ -	\$ -	\$ -	\$ (2,585,768)
Duluth Airport Authority					
Business-type activities:					
Airport facility	-	10,853,580	-	-	10,853,580
Duluth Transit Authority					
Business-type activities:					
Public transportation	-	-	(2,764,013)	-	(2,764,013)
Spirit Mountain Recreation Area Authority					
Business-type activities:					
Ski hill operations	-	-	-	190,198	190,198
Total component units					<u>5,693,997</u>
General revenues:					
Property taxes	-	-	1,316,900	-	1,316,900
Grants and shared revenues not restricted to specific programs	789,303	-	1,455,073	-	2,244,376
Investment income	3,047	68,435	66,799	6,626	144,907
Miscellaneous	236,275	-	-	15,376	251,651
Total general revenues and transfers	<u>1,028,625</u>	<u>68,435</u>	<u>2,838,772</u>	<u>22,002</u>	<u>3,957,834</u>
Change in net assets	(1,557,143)	10,922,015	74,759	212,200	9,651,831
Net assets - beginning	<u>38,037,312</u>	<u>36,277,323</u>	<u>16,697,342</u>	<u>3,192,415</u>	<u>94,204,392</u>
Net assets - ending	<u>\$ 36,480,169</u>	<u>\$ 47,199,338</u>	<u>\$ 16,772,101</u>	<u>\$ 3,404,615</u>	<u>\$ 103,856,223</u>

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

Notes to the Financial Statements

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Guide to Notes

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

BLENDED COMPONENT UNIT

Effective March 22, 2004, the Duluth City Council became the governing board of the Duluth Economic Development Authority (DEDA). Although legally separate, DEDA, is in substance, part of City operations. Previously, DEDA was reported as a discretely presented component unit of the City. DEDA funds are reported as governmental funds.

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

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

Duluth Airport Authority
Duluth International Airport
Duluth, MN 55811

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

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year, except for property taxes, which are considered available if collected within 60 days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The **Community Development Special Revenue Fund** accounts 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.

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

The **Special Assessment Debt Service Fund** accounts for the resources accumulated and payments made for the principal and interest on long-term special assessment debt.

The **Street Improvement Program Debt Service Fund** accounts for the resources accumulated and payments made for the principal and interest on long-term special assessment debt related to the City's street improvement program.

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

The assets represent funds held for debt service reserves.

RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
RECEIVABLES

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

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

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

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

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

INVENTORIES AND PREPAID ITEMS

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
INVENTORIES AND PREPAID ITEMS (continued)

The inventory of the Duluth Transit Authority component unit consists of materials, supplies, and diesel fuel, and is based on perpetual records and priced using the moving average method. Gasoline inventory is based on perpetual records 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. Such purchases begin June 1 for the coming heating season and must be removed from storage by April 30 of the following year. The Duluth Economic Development Authority has a prepaid lease agreement for space rental which is being amortized over 15 years.

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

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

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

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

Sick leave is recorded as an expenditure or expense when paid. Employees are granted from 18 to 120 days of sick leave each year, depending on their union bargaining unit. Employees are not compensated for unused sick leave. Any contingent liability for unused sick leave has not been determined and is not recognized in the financial statements. Retired employees are given a credit toward health insurance deductibles based on sick leave usage. This is described in further detail in Note 15 - Other Postemployment Benefits.

LONG-TERM OBLIGATIONS

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

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

FUND EQUITY

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
RESTATEMENTS AND RECLASSIFICATIONS

As of January 1, 2005, the City determined that amounts pertaining to certain improvements capitalized in the City's Enterprise Funds were also incorrectly reported as capital assets in the Statement of Net Assets – Governmental Activities. This restatement had the following impact on previously reported balances:

<u>Statement of Activities</u>	<u>Governmental Activities</u>
Net Assets, January 1, 2005, as previously reported	\$ 225,387,701
Capital asset overstatement	<u>(3,630,622)</u>
Net Assets, January 1, 2005, restated	<u>\$ 221,757,079</u>

<u>Governmental Activities</u>	<u>Capital Assets (net)</u>
Balance January 1, 2005, as previously reported	\$ 243,381,212
Capital asset overstatement	<u>(3,630,622)</u>
Balance January 1, 2005, restated	<u>\$ 239,750,590</u>

In addition, several account balances were reclassified for the year ended December 31, 2004, 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
BUDGETARY INFORMATION

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

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

The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The Mayor, Chief Administrative Officer, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of ten percent of that budget item must be approved by the City Council. The budget ordinance allows the budget to be increased for reimbursements received for damages or repairs to city property or work done for others and not anticipated in the original budget; it also allows for grants accepted by City Council resolution to

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
BUDGETARY INFORMATION (continued)

be added to the budget. Finally, the budget ordinance requires that use of the General Fund's fund balance that has been designated in a prior year, must be approved by the Council if used for a purpose other than what had been specified. The Council may revise the budget at any time by ordinance upon recommendation of the Administration.

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

DEFICIT FUND EQUITY

The Permanent Improvement, Special Assessment, and Street Improvement Program Capital Projects Funds had deficit fund balances of \$289,515; \$203,171; and \$391,519, respectively, at December 31, 2005. These deficits are a result of deferring grant revenues not considered available and expenditures for projects to be bonded in the future. The Community Development, DEDA Operating, and Housing Investment Special Revenue Funds had deficit fund balances of \$530,891; \$524,496; and \$150,000, respectively, at December 31, 2005. These deficits are expected to be eliminated by future grants, transfers and loan proceeds. The Self Insurance Internal Service Fund had negative assets of \$1,253,709 at December 31, 2005 due to an unusual amount of claims.

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, 2005; an auditor's report on compliance and internal accounting control will be issued at a later date.

3. DEPOSITS AND INVESTMENTS

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

Government-wide statement of net assets	
Governmental Activities	
Cash and cash equivalents	\$ 110,264,738
Assets held by trustee	2,897,375
Business-type activities	
Cash and cash equivalents	10,467,123
Cash and cash equivalents - restricted assets	4,623,455
Assets held by trustee	108,908
Discrete Component Units	
Cash and cash equivalents	5,397,466
Cash and cash equivalents - restricted assets	1,557,504
Assets held by trustee	81,502
Statement of fiduciary net assets	
Cash and cash equivalents	752,687
Total Cash and Investments	<u>\$ 136,150,758</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

3. DEPOSITS AND INVESTMENTS (continued)
DEPOSITS

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2005; \$74,637 of the City's bank balance of \$7,238,161 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 74,637</u>
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INVESTMENTS

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

- 1) governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities defined in Minnesota Statutes Section 118A.04 Subd. 6), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- 2) any security which is a (1) general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; (2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and (3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- 3) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- 4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.
- 5) in general obligation temporary bonds of the same governmental entity issued under Minnesota Statutes Sections 429.091, Subd. 7, 469.178, Subd. 5, or 475.61, Subd. 6.

3. DEPOSITS AND INVESTMENTS
INVESTMENTS (continued)

- 6) repurchase agreements consisting of collateral allowable in Minnesota Statutes Section 118A.04, and reverse repurchase agreements may be entered into with any of the following entities:
 - (1) a financial institution qualified as a "depository" of public funds of the government entity;
 - (2) any other financial institution which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;
 - (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
 - (4) a securities broker-dealer licensed pursuant to chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.Reverse agreements may only be entered into for a period of 90 days or less and only to meet short-term cash flow needs. In no event may reverse repurchase agreements be entered into for the purpose of generating cash for investments, except as stated in Minnesota Statutes Section 118A.05, Subd. 3.
- 7) securities lending agreements, including custody agreements, may be entered into with a financial institution meeting the qualifications of Minnesota Statutes Section 118A.05, Subd. 2, clause (1) or (2), and having its principal executive office in Minnesota. Securities lending transactions may be entered into with entities meeting the qualifications of Minnesota Statutes Section 118A.05, Subd. 2 and the collateral for such transactions shall be restricted to the securities described in Minnesota Statutes Section 118A.04 and 118A.05.
- 8) agreements or contracts for:
 - (1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes Sections 118A.04 and 118A.05, Subd. 2;
 - (2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in Minnesota Statutes Section 118A.04 and 118A.05;
 - (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or
 - (4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.
- 9) agreements or contracts for guaranteed investment contract may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be down-graded below "A", the government entity must have withdrawal rights.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

3. DEPOSITS AND INVESTMENTS
INVESTMENTS (continued)

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

At December 31, 2005 the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>
U.S. Government Agency Securities	\$ 72,776,540	\$ 8,290,690	\$ 37,390,199	\$ 27,095,651
Commercial Paper	56,515,107	56,515,107		
Negotiable Certificates of Deposit	481,790	481,790		
Mutual Funds	2,668,449	2,668,449		
 Total Investments	 \$ 132,441,886	 \$ 67,956,036	 \$ 37,390,199	 \$ 27,095,651
 Deposits	 \$ 3,708,872			
 Total Deposits and Investments*	 \$ 136,150,758			

* 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, 2005 is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 72,776,540
A1+	17,027,007
A1	29,522,224
 <u>Moody's Rating</u>	
Aaa	2,668,449
P1	9,965,876
 Total	 \$ 131,960,096

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, 2005 none of the City's investments were subject to custodial credit risk.

Concentration of Credit Risk. The concentration of credit risk is the risk of loss that may be caused by the city's investment in a single issuer. It is the City's policy that U.S. Government and agency securities can be held without limit. 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	\$ 46,325,638
Federal National Mortgage Association	20,606,673

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2005 was 97.9%.

5. RECEIVABLES

Receivables, net of uncollectible amounts, are reported in the governmental, proprietary, and fiduciary financial statements for goods and services, taxes, assessments, loans, grants and interest. The amount of delinquent assessments included for the current fiscal year is \$1,050,178. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2005 are as follows:

Water	\$ 124,330
Gas	599,054
Sewer	82,185
Stormwater	2,273
Steam District #1	<u>2,139</u>
Total Uncollectibles	<u>\$ 809,981</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The following schedule shows the detail of deferred revenue at December 31, 2005:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes	\$ 743,418	\$ -
Grants	2,458,193	479,082
Assessments	11,914,160	-
Loans	8,085,240	345,337
Deposits	-	18,077
Other	<u>1,058,108</u>	<u>-</u>
Total for Governmental Funds	<u>\$ 24,259,119</u>	<u>\$ 842,496</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

6. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2005 was as follows:

Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 24,646,378	\$ 899,500	\$ 431,149	\$ 25,114,729
Construction in progress	25,627,040	20,305,007	16,264,175	29,667,872
Total capital assets, not being depreciated	<u>\$ 50,273,418</u>	<u>\$ 21,204,507</u>	<u>\$ 16,695,324</u>	<u>\$ 54,782,601</u>
Capital assets, being depreciated:				
Buildings	84,169,066	2,629,691	131,928	86,666,829
Equipment	18,888,689	1,632,771	446,192	20,075,268
Infrastructure	188,555,544	12,076,745	-	200,632,289
Total capital assets being depreciated	<u>\$ 291,613,299</u>	<u>\$ 16,339,207</u>	<u>\$ 578,120</u>	<u>\$ 307,374,386</u>
Less accumulated depreciation for:				
Buildings	30,608,063	2,258,416	-	32,866,479
Equipment	13,276,252	1,344,098	425,125	14,195,225
Infrastructure	58,251,812	5,364,265	-	63,616,077
Total accumulated depreciation	<u>\$ 102,136,127</u>	<u>\$ 8,966,779</u>	<u>\$ 425,125</u>	<u>\$ 110,677,781</u>
Total capital assets, being depreciated, net	<u>\$ 189,477,172</u>	<u>\$ 7,372,428</u>	<u>\$ 152,995</u>	<u>\$ 196,696,605</u>
Governmental activities capital assets, net	<u>\$ 239,750,590</u>	<u>\$ 28,576,935</u>	<u>\$ 16,848,319</u>	<u>\$ 251,479,206</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	853,473	2,000	-	855,473
Construction in progress	20,978,982	11,773,023	2,987,935	29,764,070
Total capital assets, not being depreciated	<u>\$ 21,832,455</u>	<u>\$ 11,775,023</u>	<u>\$ 2,987,935</u>	<u>\$ 30,619,543</u>
Capital assets, being depreciated:				
Buildings	34,942,353	-	946,917	33,995,436
Equipment	63,069,585	3,047,275	835,976	65,280,884
Infrastructure	101,322,882	2,127,638	-	103,450,520
Total capital assets, being depreciated	<u>\$ 199,334,820</u>	<u>\$ 5,174,913</u>	<u>\$ 1,782,893</u>	<u>\$ 202,726,840</u>
Less accumulated depreciation for:				
Buildings	14,892,647	901,630	455,277	15,339,000
Equipment	47,205,583	3,154,023	640,736	49,718,870
Infrastructure	29,682,298	1,788,922	-	31,471,220
Total accumulated depreciation	<u>\$ 91,780,528</u>	<u>\$ 5,844,575</u>	<u>\$ 1,096,013</u>	<u>\$ 96,529,090</u>
Total capital assets, being depreciated, net	<u>\$ 107,554,292</u>	<u>\$ (669,662)</u>	<u>\$ 686,880</u>	<u>\$ 106,197,750</u>
Business-type activities capital assets, net	<u>\$ 129,386,747</u>	<u>\$ 11,105,361</u>	<u>\$ 3,674,815</u>	<u>\$ 136,817,293</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

6. CAPITAL ASSETS (continued)

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

Governmental activities:		
General government	\$	894,678
Public safety		597,088
Public works, including depreciation of general infrastructure assets		5,546,319
Culture and recreation		835,148
Urban and economic development		1,061,731
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets.		<u>31,815</u>
Total depreciation expense - governmental activities	\$	<u>8,966,779</u>
Business-type activities:		
Water	\$	1,063,447
Gas		956,700
Sewer		616,340
Stormwater		240,002
Steam #1		449,835
Steam #2		2,306,745
Golf		<u>211,506</u>
Total depreciation expense - business-type activities	\$	<u>5,844,575</u>

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 5,747,754	\$ 37,788	\$ -	\$ 5,785,542
Construction in progress	<u>8,159,312</u>	<u>13,784,857</u>	<u>1,212,637</u>	<u>20,731,532</u>
Total capital assets, not being depreciated	<u>\$ 13,907,066</u>	<u>\$ 13,822,645</u>	<u>\$ 1,212,637</u>	<u>\$ 26,517,074</u>
Capital assets, being depreciated:				
Buildings	94,838,046	773,269	-	95,611,315
Equipment	41,181,577	1,825,114	180,457	42,826,234
Infrastructure	37,540,807	211,617	-	37,752,424
Other	<u>547,515</u>	<u>-</u>	<u>15,728</u>	<u>531,787</u>
Total capital assets being depreciated	<u>\$ 174,107,945</u>	<u>\$ 2,810,000</u>	<u>\$ 196,185</u>	<u>\$ 176,721,760</u>
Less accumulated depreciation for:				
Buildings	39,760,083	2,737,418	3,800	42,493,701
Equipment	28,309,558	2,489,640	84,788	30,714,410
Infrastructure	22,402,775	1,435,409	-	23,838,184
Other	<u>294,210</u>	<u>24,537</u>	<u>(1,300)</u>	<u>320,047</u>
Total accumulated depreciation	<u>\$ 90,766,626</u>	<u>\$ 6,687,004</u>	<u>\$ 87,288</u>	<u>\$ 97,366,342</u>
Total capital assets, being depreciated, net	<u>\$ 83,341,319</u>	<u>\$ (3,877,004)</u>	<u>\$ 108,897</u>	<u>\$ 79,355,418</u>
Component unit capital assets, net	<u>\$ 97,248,385</u>	<u>\$ 9,945,641</u>	<u>\$ 1,321,534</u>	<u>\$ 105,872,492</u>

Depreciation expense was charged to component units as follows:

Duluth Airport Authority	\$	2,091,247
Duluth Entertainment and Convention Center Authority		2,064,084
Duluth Transit Authority		2,099,965
Spirit Mountain Recreation Area Authority		<u>431,708</u>
Total Depreciation expense - component units	\$	<u>6,687,004</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

7. COMMITMENTS
CONSTRUCTION COMMITMENTS

At December 31, 2005, the City had construction commitments of approximately \$10,072,458 for various projects and street improvements. The Duluth Airport Authority component unit had construction commitments of \$4,971,760 for airport improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

8. RISK MANAGEMENT

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

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

The self-insurance for workers' compensation covers up to \$760,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Ch. 176, in excess of the \$760,000 retention limit.

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 4%. In addition, the City Attorney estimated settlements to be \$714,746 for various claims and cases which he considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making his liability estimate. The amount of these estimated liabilities is not reflected in the financial statements. Changes in the balances of the Self-Insurance Fund's liability during 2004 and 2005 were as follows:

	<u>Liability</u> <u>January 1</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>December 31</u>
2004	\$ 1,314,498	\$ 2,601,945	\$ 2,434,333	\$ 1,482,110
2005	1,482,110	2,273,497	2,075,631	1,679,976

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

8. RISK MANAGEMENT (continued)

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental Plan of Minnesota and Blue Cross Blue Shield of Minnesota an administrative fee to process dental and medical claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from Blue Cross Blue Shield of Minnesota. The stop-loss policy has an individual limit of \$200,000 and an aggregate limit of 125% of projected claims for the year. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2004 and 2005 were as follows:

	<u>Liability</u> <u>January 1</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>December 31</u>
2004	\$ 989,612	\$ 12,279,217	\$ 12,146,023	\$ 1,122,806
2005	1,122,806	13,797,444	13,600,309	1,319,941

9. LEASE OBLIGATIONS
OPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities, and equipment. The following is a summary of the approximate operating lease expense for 2005:

<u>Type of Property</u>	<u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
Police garage	\$ 29,540	\$ -
Land and right-of-way	31,269	-
Buildings	318,633	-
Equipment	137,811	2,040
Total rental expenses	<u>\$ 517,253</u>	<u>\$ 2,040</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, 2005:

<u>Year Ending December 31</u>	<u>Governmental</u> <u>Activities</u>
2006	\$ 64,118
2007	63,951
2008	63,951
2009	63,951
2010	63,951
2011-2015	435,158
2016-2020	354,241
2021-2025	176,053
2026-2030	147,700
2031	29,540
Total minimum payments required	<u>\$ 1,462,614</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$587,858 at December 31, 2005.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

9. LEASE OBLIGATIONS (continued)
CAPITAL LEASES

Capitalized leases for the City of Duluth and its component units at December 31, 2005, consist of the following capital assets shown at original cost as summarized below:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ 750,000	\$ -	\$ 1,744,334
Equipment	-	159,972	717,904
Total	750,000	159,972	2,462,238
Less: Accumulated amortization	(291,667)	(79,986)	(808,200)
Capital assets, net	<u>\$ 458,333</u>	<u>\$ 79,986</u>	<u>\$ 1,654,038</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2006	\$ 50,127	\$ 38,203	\$ 394,467
2007	50,127	-	297,356
2008	50,127	-	261,730
2009	50,127	-	182,527
2010	50,127	-	155,000
2011-2015	75,192	-	775,000
2016-2020	-	-	30,413
Total minimum lease payments	325,827	38,203	2,096,493
Less: Imputed interest	(65,559)	(1,459)	(408,972)
Present value of minimum lease payments	<u>\$ 260,268</u>	<u>\$ 36,744</u>	<u>\$ 1,687,521</u>

10. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2005 follows:

	<u>Balance 01/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
Governmental Activities:				
Loans Payable	\$ -	\$ 1,400,000	\$ -	\$ 1,400,000
Tax and Aid Certificates	-	13,000,000	13,000,000	-
Total Governmental Activities Short-term Debt	<u>\$ -</u>	<u>\$ 14,400,000</u>	<u>\$ 13,000,000</u>	<u>\$ 1,400,000</u>

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

General Obligation Tax and Aid Anticipation Certificates were issued to fund governmental activities in anticipation of collection of taxes levied and state aids receivable for the City's General Fund. The obligations were general obligations of the City for which the City pledged its full faith and taxing power. The certificates matured on December 30, 2005.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Long-term liability activity for the year ended December 31, 2005 follows:

	Balance 01/01/05	Additions	Deletions	Balance 12/31/05	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 26,974,400	\$ 13,369,200	\$ 6,530,700	\$ 33,812,900	\$ 2,268,700
General Obligation Bonds - Tax Increment	4,348,000	3,920,800	986,000	7,282,800	902,000
General Obligation - Tax Abatement	-	310,000	-	310,000	-
Tax Increment Revenue Bonds	10,167,491	-	6,248,078	3,919,413	1,375,925
Lease Revenue Bonds	1,890,000	-	120,000	1,770,000	130,000
Special Assessment Debt with Government Commitment	53,017,600	9,555,000	8,653,300	53,919,300	4,299,300
General Obligation Certificates	4,310,000	1,110,000	1,505,000	3,915,000	1,305,000
Add deferred amounts:					
For Bond Premium	60,656	197,367	86,073	171,950	-
Tax Increment Revenue Notes	1,069,665	-	209,042	860,623	215,580
Revenue Notes	-	6,594,000	-	6,594,000	Note 1
General Obligation Notes	348,000	-	23,000	325,000	24,000
Tax Increment Revenue Pledge	6,945,000	-	525,000	6,420,000	160,000
Revenue Pledge	10,235,000	-	1,030,000	9,205,000	260,000
Capital Leases	458,951	-	198,683	260,268	33,108
Compensated Absences	3,370,397	3,384,826	3,188,597	3,566,626	-
Claims and Judgments	2,604,916	16,070,941	15,675,940	2,999,917	1,793,605
PERA Police and Fire Pension Liability	15,069,787	-	2,543,264	12,526,523	2,759,441
Total Governmental Activity Long-Term Liabilities	\$ 140,869,863	\$ 54,512,134	\$ 47,522,677	\$ 147,859,320	\$ 15,526,659
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 1,040,000	\$ -	\$ 120,000	\$ 920,000	\$ 120,000
Revenue and General Obligation Bonds	38,210,000	4,765,000	2,635,000	40,340,000	3,010,000
Less deferred amounts:					
For Issuance Discounts	(674,211)	(115,174)	(221,209)	(568,176)	-
General Obligation Notes	3,593,825	471,540	275,345	3,790,020	289,000
Leases Payable	79,688	-	42,944	36,744	36,744
Loans	47,119	-	13,516	33,603	8,190
Compensated Absences	964,790	864,926	812,991	1,016,725	-
Total Business-Type Activity Long-Term Liabilities	\$ 43,261,211	\$ 5,986,292	\$ 3,678,587	\$ 45,568,916	\$ 3,463,934
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Bonds Payable					
General Obligation Bonds	\$ 4,800,000	\$ -	\$ 605,000	\$ 4,195,000	\$ 630,000
Less deferred amounts:					
For Issuance Discounts	(20,780)	-	(5,035)	(15,745)	-
On Refunding	(593,069)	-	(85,752)	(507,317)	-
Capital Leases	1,302,131	130,278	116,865	1,315,544	158,454
Compensated Absences	89,842	142,762	89,842	142,762	86,758
Duluth Transit Authority					
Compensated Absences	450,616	455,792	450,616	455,792	455,792
Claims Payable	4,988	-	4,988	-	-
Duluth Airport Authority					
Notes Payable	-	497,379	-	497,379	-
Compensated Absences	39,847	40,289	39,847	40,289	40,289
Deferred Revenue	203,472	-	31,234	172,238	-
Spirit Mountain Recreation Authority					
Revenue Bond Payable	1,646,750	-	152,594	1,494,156	145,283
Less deferred amounts:					
For Issuance Discounts	(33,261)	-	(19,006)	(14,255)	-
Capital Leases	516,620	-	144,643	371,977	152,117
Due to Primary Government	-	206,512	-	206,512	-
Compensated Absences	50,116	51,271	50,116	51,271	51,271
Total Component Unit Activities Long-Term Liabilities	\$ 8,457,272	\$ 1,524,283	\$ 1,575,952	\$ 8,405,603	\$ 1,719,964

Note 1: Payment schedule will be determined on the Conversion Date, the conversion date is expected to be 8/1/2006

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

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

Annual debt service requirements to maturity for general obligation debt follows:

	General Obligation Bonds		General Obligation Tax Increment		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2006	\$ 951,713	\$ 2,268,700	\$ 554,973	\$ 902,000	\$ 127,083	\$ 1,305,000	\$ 10,022	\$ -
2007	1,064,105	2,863,000	600,980	927,000	85,587	1,110,000	12,230	-
2008	1,181,839	3,262,071	320,020	1,162,929	51,363	745,000	12,230	-
2009	1,115,559	3,308,707	224,736	201,293	28,062	515,000	12,230	-
2010	980,086	3,337,275	214,405	212,725	9,600	240,000	12,230	-
2011-2015	3,189,469	11,088,411	891,960	1,236,589	-	-	49,838	125,000
2016-2020	1,453,851	3,838,135	595,074	1,041,865	-	-	23,185	150,000
2021-2025	639,816	3,105,686	270,985	1,309,314	-	-	752	35,000
2026-2030	20,375	740,915	7,950	289,085	-	-	-	-
Total	\$ 10,596,813	\$ 33,812,900	\$ 3,681,083	\$ 7,282,800	\$ 301,695	\$ 3,915,000	\$ 132,717	\$ 310,000

Tax Increment Revenue Bond and Notes

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

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

Year Ending 31-Dec	Duluth Economic Development Tax Increment Revenue Bonds		Duluth Economic Development Tax Increment Revenue Notes	
	Interest	Principal	Interest	Principal
2006	\$ 595,825	\$ 1,375,925	\$ 59,233	\$ 215,580
2007	665,164	1,303,486	41,325	315,043
2008	625,547	1,065,002	18,253	120,000
2009	12,400	40,000	10,545	50,000
2010	9,000	45,000	7,553	55,000
2011-2015	7,200	90,000	5,841	105,000
Total	\$ 1,915,136	\$ 3,919,413	\$ 142,750	\$ 860,623

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Governmental Activities Long-Term Debt (continued)

Lease Revenue Bond

During 1995, \$2,720,000 lease revenue bonds were issued for the development of a community center facility. The \$1,770,000 outstanding bonds are limited to lease revenue and are not a general obligation of the City.

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

Year Ending 31-Dec	Lease Revenue Bonds	
	Interest	Principal
2006	\$ 119,170	\$ 130,000
2007	110,980	135,000
2008	102,340	145,000
2009	92,480	155,000
2010	81,940	165,000
2011-2015	206,720	1,040,000
Total	<u>\$ 713,630</u>	<u>\$ 1,770,000</u>

United States Department of Housing and Urban Development Revenue Notes

During 2005, \$6,594,000 revenue notes were issued for the Fifth Street redevelopment project. Repayment of the notes shall be from tax credit equity participation amounts, surplus cash, tax savings, anticipated TIF, interest reserve account and additional funds previously paid by the developer and held by the City. The repayment schedule will be determined on the conversion date which is expected to be August 1, 2006.

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$53,919,300 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Governmental Activities Long-Term Debt (continued)

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

Year Ending December 31	Special Assessment Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal
2006	\$ 2,086,445	\$ 4,299,300	\$ 3,250	\$ 24,000
2007	1,980,695	4,945,000	3,010	24,000
2008	1,796,467	4,875,000	2,770	24,000
2009	1,610,812	4,715,000	2,530	24,000
2010	1,419,401	4,900,000	2,290	24,000
2011-2015	4,294,093	20,040,000	7,750	126,000
2016-2020	938,148	9,770,000	1,590	79,000
2021-2025	7,971	375,000	-	-
Total	\$ 14,134,032	\$ 53,919,300	\$ 23,190	\$ 325,000

Other Debt

The City pledged certain franchise fees to pay revenue bonds issued by the State of Minnesota which were secured by the State's full faith and credit. The revenue bonds were issued to finance the construction and equipping of an aircraft maintenance facility at the Duluth International Airport. The City has a \$9,205,000 outstanding revenue pledge debt to the State which is not considered a general obligation debt of the City.

The tax increment revenue pledge was made to fund the debt service requirements on revenue bonds issued by the State of Minnesota. The revenue bonds were issued to finance the construction and equipping of an aircraft maintenance facility at Duluth International Airport. Tax increments generated by the project are pledged for repayment of principal and interest on the State-issued revenue bonds. The \$6,420,000 outstanding tax increment revenue pledge is not a general obligation of the City.

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

The State of Minnesota merged the police and fire consolidation pension accounts into the PERA Police and Fire Fund and established a ten-year fixed amortization payment for unfunded liabilities. The General Fund will pay \$3,824,196 each year, which will be partially funded by the State's amortization aid program.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

Revenue Bonds

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

General Obligation Public Facilities Authority Revenue Notes

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

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

Year Ending 31-Dec	Revenue and General Obligation Bonds		Revenue Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal	Interest	Principal
2006	\$ 1,511,113	\$ 3,010,000	\$ 29,195	\$ 120,000	\$ 72,356	\$ 289,000
2007	1,442,086	3,370,000	26,435	125,000	79,450	224,336
2008	1,323,506	3,125,000	23,185	125,000	73,676	266,300
2009	1,214,344	2,855,000	19,435	130,000	67,740	272,389
2010	1,111,110	2,790,000	15,210	135,000	61,657	277,477
2011-2015	3,945,525	13,835,000	16,130	285,000	212,035	1,485,655
2016-2020	1,075,875	10,545,000	-	-	44,430	974,863
2021-2025	42,962	810,000	-	-	-	-
Total	<u>\$ 11,666,521</u>	<u>\$ 40,340,000</u>	<u>\$ 129,590</u>	<u>\$ 920,000</u>	<u>\$ 611,344</u>	<u>\$ 3,790,020</u>

The Steam District #1 Enterprise Fund has two loans for storefront renovations.

Component Unit Long-Term Debt

Spirit Mountain Recreation Area Authority

Revenue Bonds

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Component Unit Long-Term Debt

Spirit Mountain Recreation Area Authority (continued)

The annual requirements to service the debt follow:

<u>Fiscal Year</u> <u>Ended April 30</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 65,463	\$ 159,538
2007	58,202	166,798
2008	50,612	174,388
2009	42,676	182,324
2010	34,379	190,621
2011-2015	49,495	620,487
Total	<u>\$ 300,827</u>	<u>\$ 1,494,156</u>

Duluth Entertainment and Convention Center Authority

General Obligation Bonds

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

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

<u>Year Ending</u> <u>December 31</u>	<u>General Obligation</u> <u>Refunding Revenue Bonds</u>	
	<u>Interest</u>	<u>Principal</u>
2006	\$ 170,275	\$ 630,000
2007	145,075	655,000
2008	118,875	685,000
2009	91,475	710,000
2010	63,075	740,000
2011-2015	32,550	775,000
Total	<u>\$ 621,325</u>	<u>\$ 4,195,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Component Unit Long-Term Debt (continued)

Duluth Airport Authority

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority's fixed base operator. The principal of the note is \$497,379; payable in semi-annual payments on June 1 and December 1 each year; commencing June 1, 2007 and until final maturity on June 1, 2019 with an annual interest rate of 8.85 percent.

The annual requirements to service the debt follow:

Year Ended 31-Dec	Airport Facility Revenue Note	
	Interest	Principal
2006	\$ -	\$ -
2007	60,000	-
2008	75,000	-
2009	52,830	22,170
2010	41,327	33,673
2011-2015	155,048	219,952
2016-2019	40,916	221,584
Total	<u>\$ 425,121</u>	<u>\$ 497,379</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

11. LONG-TERM DEBT (continued)
DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS
December 31, 2005

	Issue Date	Amount Outstanding	Total
Governmental Activities:			
General Obligation Bonds Payable -			
Duluth Transit Authority	09-01-97	\$ 185,000	
Street Overlay (26%) Refunding	12-01-97	50,700	
Street Overlay (60%) Refunding	05-01-98	225,000	
West Michigan Street Improvements	12-01-98	1,185,000	
Duluth Entertainment & Convention Center Authority	02-01-99	5,365,000	
Parking Improvement Tax Increment	06-01-99	230,000	
Technology Village Parking Ramp			
Tax Increment (72%)	06-01-99	2,010,000	
Great Lakes Aquarium	12-01-99	1,480,000	
Bayfront Festival Park	04-01-01	2,060,000	
Duluth Transit Authority	09-01-01	435,000	
Airport Improvement G.O. Bonds	02-01-02	3,070,000	
Leif Erickson Park Tax Increment (80%) Refunding	09-01-02	268,000	
Duluth Entertainment & Convention Center Authority Refunding	03-01-03	1,755,000	
Bayfront Festival Park	12-01-03	380,000	
G. O. Improvement	03-01-04	800,000	
Airpark Improvement	09-01-04	945,000	
Capital Improvement	06-01-05	1,255,000	
Medical District (69%)	12-16-05	8,864,200	
Lake Superior Center Refunding	12-19-05	1,765,000	
Zoo Refunding Issue	12-19-05	1,485,000	
Total General Obligation Bonds Payable			\$ 33,812,900
General Obligation Tax Increment			
Canal Park Tax Increment Refunding	09-01-97	825,000	
Great Lakes Aquarium Tax Increment	05-01-99	1,695,000	
Technology Village Parking Ramp Tax Increment (28%)	06-01-99	775,000	
Leif Erickson Park Tax Increment Refunding (20%)	09-01-02	67,000	
Medical District Tax Increment (31%)	12-16-05	3,920,800	
Total General Obligation - Tax Increment Bonds Payable			7,282,800
General Obligation Tax Abatement			
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	
Total General Obligation - Tax Abatement Bonds Payable			310,000
Revenue Bonds Payable -			
Tax Increment Revenue Bonds -			
Cirrus Tax Increment Revenue	03-01-94	295,000	
Tax Increment Revenue Refunding	04-15-98	1,099,854	
Tax Increment Revenue Refunding	05-04-99	2,524,559	
Lease Revenue Bonds	05-01-95	1,770,000	
Total Revenue Bonds Payable			5,689,413
Special Assessment Debt with Government Commitment	24 issues		53,919,300
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	5 issues		3,915,000
Total Governmental Activities Debt			104,929,413
Business-type Activities Debt:			
Revenue Bonds Payable:			
Golf Fund	1 issue	1,040,000	\$ 920,000
Revenue and General Obligation Bonds Payable:			
Water Fund	6 issues	5,985,000	
Gas Fund	4 issues	13,500,000	
Steam District #1	5 issues	4,070,000	
Sewer Fund	10 issues	15,509,000	
Stormwater Fund	1 issue	1,276,000	
Total Revenue and General Obligation Bonds Payable			40,340,000
Total Business-type Activities Debt			41,260,000
Total Bonds Payable			\$ 146,189,413

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

11. LONG-TERM DEBT
DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS (continued)
December 31, 2005

	Issue Date	Amount Outstanding	Total
Deductions Allowable:			
Technology Village Parking Ramp			
Tax Increment (72%)	06-01-99	2,010,000	
Bayfront Festival Park	04-01-01	2,060,000	
Airport Improvement G.O. Bonds	02-01-02	3,070,000	
Airpark Improvement	09-01-04	945,000	
Canal Park Tax Increment Refunding	09-01-97	825,000	
Great Lakes Aquarium Tax Increment	05-01-99	1,695,000	
Technology Village Parking Ramp Tax Increment (28%)	06-01-99	775,000	
Leif Erickson Park Tax Increment Refunding (20%)	09-01-02	67,000	
Medical District Tax Increment	12-16-05	3,920,800	
Lake Walk Homes Tax Abatement Bonds	10-01-05	310,000	
Cirrus Tax Increment Revenue	03-01-94	295,000	
Tax Increment Revenue Refunding	04-15-98	1,099,854	
Tax Increment Revenue Refunding	05-04-99	2,524,559	
Lease Revenue Bond	05-01-95	1,770,000	
Special Assessment		53,919,300	
Golf Fund	12-14-04	920,000	
Water Fund		5,985,000	
Gas Fund		13,500,000	
Steam District #1		4,070,000	
Sewer Fund		15,509,000	
Stormwater Fund		1,276,000	
Total Deductions Allowable			116,546,513
Net Debt			\$ 29,642,900
Legal Debt Margin for Duluth			
Taxable Market Value (\$ 4,742,773,200 X 2%)			\$ 94,855,464

Overlapping Debt to Duluth

Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 32,110,000	93.30%	\$ 29,958,630
Independent School District 704	12,675,000	6.20%	785,850
St. Louis County	46,560,761	37.90%	17,646,528
Western Lake Superior Sanitary District	58,634,072	74.09%	43,441,984
			\$ 91,832,992

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 2005 the City issued \$3,020,000 in General Obligation Improvement Refunding Bonds with the obligations to be paid by special assessments and from Interest earnings on community trust funds. The transaction resulted in a net present value savings of \$110,836. The City also issued \$1,485,000 in Zoo Refunding bonds with the obligations to be paid by property tax collections. The transaction resulted in a net present value savings of \$38,065. An escrow account was established from the proceeds and 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. All current refunded debt is fully defeased.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

11. LONG-TERM DEBT
REFUNDING BOND ISSUES

Current Refunding Bonds (continued)

The following refunded bonds are scheduled to be recalled February 1, 2006:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
1997A	9/1/97	G.O. Improvement	\$ 3,975,000
1997E	9/1/97	Zoo	1,690,000

All other current refunded bonds have been paid in full.

Advance Refunding Bonds

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

In 2005 the City issued \$1,765,000 in General Obligation refunding bonds to refund the Lake Superior Center bonds; the obligations will be paid from tourism tax. The transaction resulted in a net present value savings of \$95,859.

The following refunded bonds are scheduled to be recalled February 1, 2007:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
1996B	7/15/96	Lake Superior Center	\$ 1,815,000

All other advance refunded bonds have been paid in full.

Crossover Advance Refunding Bonds

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental activities:			
Current Refunding Bonds:			
Tax Increment Revenue Bond	05-04-99	\$ 8,001,533	\$ 2,524,559
General Obligation Tax Increment	09-01-02	127,000	67,000
General Obligation Tax Increment	09-01-02	508,000	268,000
General Obligation Improvement	09-01-02	1,080,000	525,000
Zoo General Obligation	12-19-05	1,485,000	1,485,000
General Obligation Improvement	12-19-05	3,020,000	3,020,000
Advance Refunding Bonds:			
Canal Park Tax Increment Bond	09-01-97	3,040,000	825,000
General Obligation Improvement	12-01-97	2,455,000	195,000
Tax Increment Revenue Bond	04-15-98	4,149,906	1,099,854
Duluth Entertainment and Convention Center Authority	03-01-03	2,405,000	1,755,000
Street Improvement (1994)	03-01-03	818,000	590,000
Street Improvement (1995)	03-01-03	3,118,400	2,249,200
General Obligation and Improvement	03-01-03	583,600	420,800
Lake Superior Center General Obligation	12-19-05	1,765,000	1,765,000
Crossover Advance Refunding Bonds:			
General Obligation Improvement	05-01-98	<u>2,660,000</u>	<u>935,000</u>
Total Governmental activities		\$ <u>35,216,439</u>	\$ <u>17,724,413</u>
Business-type Activities:			
Current Refunding Bonds:			
Golf Course	12-04-04	\$ 1,040,000	\$ 920,000
Advance Refunding Bonds:			
Water Utility Revenue and G.O.	09-01-97	2,455,000	845,000
Water Utility Revenue and G.O.	03-01-03	625,000	455,000
Sewer Utility Revenue and G.O.	03-01-03	1,240,000	915,000
Crossover Advance Refunding Bonds:			
Water Utility Revenue and G.O.	05-01-98	1,955,000	695,000
Sewer Utility Revenue and G.O.	05-01-98	<u>530,000</u>	<u>220,000</u>
Total Business-type Activities		\$ <u>7,845,000</u>	\$ <u>4,050,000</u>
Component Unit Activities:			
Duluth Entertainment and Convention Center Authority			
Advance Refunding:			
General Obligation DECC Refunding	04-01-01	\$ <u>6,970,000</u>	\$ <u>4,195,000</u>
		Total	\$ <u>25,969,413</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Bonds, certificates, and notes payable at December 31, 2005, are comprised of the following individual issues:

	Interest Rate and Dates		Issue Date	Final Maturity	Authorized and Issued	Outstanding
BONDS AND CERTIFICATES BY ISSUE						
Governmental Activities:						
General Obligation Bonds Payable -						
General Obligation						
Duluth Transit Authority	4.55 to 4.85%	02/01; 8/01	09-01-97	02-01-08	\$ 525,000	\$ 185,000
Street Overlay (26%) Refunding	4.00 to 4.50%	02/01; 8/01	12-01-97	02-01-06	406,900	50,700
Street Overlay (60%) Refunding	4.10 to 4.55%	02/01; 8/01	05-01-98	02-01-08	639,000	225,000
West Michigan Street Improvements	3.40 to 4.70%	02/01; 8/01	12-01-98	02-01-14	1,745,000	1,185,000
Duluth Entertainment and Convention Center Authority	3.00 to 4.45%	02/01; 8/01	02-01-99	08-01-14	8,000,000	5,365,000
Parking Improvement Tax Increment	4.25 to 5.00%	02/01; 8/01	06-01-99	02-01-15	310,000	230,000
Technology Village Parking Ramp Tax Increment (72%)	4.25 to 5.00%	02/01; 8/01	06-01-99	02-01-15	2,590,000	2,010,000
Great Lakes Aquarium	4.50 to 4.88%	02/01; 8/01	12-01-99	02-01-10	2,475,000	1,480,000
Bayfront Festival Park	3.50 to 4.25%	02/01; 8/01	04-01-01	02-01-11	3,135,000	2,060,000
Duluth Transit Authority	2.65 to 4.10%	02/01; 8/01	09-01-01	02-01-11	615,000	435,000
Airport Improvement	4.00 to 6.25%	02/01; 8/01	02-01-02	02-01-17	3,400,000	3,070,000
Leif Erickson Park Tax Increment Refunding (80%)	2.00 to 3.25%	02/01; 8/01	09-01-02	02-01-08	508,000	268,000
Duluth Entertainment & Convention Center Authority Refund	2.00 to 3.10%	02/01; 8/01	03-01-03	02-01-10	2,405,000	1,755,000
Bayfront Festival Park Improvement	2.00 to 3.60%	02/01; 8/01	12-01-03	02-12-12	425,000	380,000
Improvement	2.00 to 3.40%	02/01; 8/01	03-01-04	02-01-14	800,000	800,000
Airpark Improvement	2.00 to 4.20%	02/01; 8/01	09-01-04	02-01-20	945,000	945,000
Capital Improvement	2.80 to 3.70%	02/01; 8/01	06-01-05	02-01-15	1,255,000	1,255,000
Medical District (69%)	5.25 to 5.50%	02/01; 8/01	12-16-05	02-01-26	8,864,200	8,864,200
Lake Superior Center Refunding	3.25 to 4.00%	02/01; 8/01	12-19-05	02-01-17	1,765,000	1,765,000
Zoo Refunding Issue	3.20 to 4.00%	02/01; 8/01	12-19-05	02-01-12	1,485,000	1,485,000
Total General Obligation					\$ 42,293,100	\$ 33,812,900
General Obligation - Tax Increment						
Canal Park Tax Increment Refunding	3.60 to 4.75%	02/01; 8/01	09-01-97	02-01-08	\$ 3,040,000	\$ 825,000
Great Lakes Aquarium Tax Increment	3.30 to 4.20%	02/01; 8/01	05-01-99	02-01-08	4,530,000	1,695,000
Technology Village Parking Ramp Tax Increment (28%)	4.25 to 5.00%	02/01; 8/01	06-01-99	02-01-15	1,000,000	775,000
Leif Erickson Park Tax Increment Refunding (20%)	2.00 to 3.25%	02/01; 8/01	09-01-02	02-01-08	127,000	67,000
Medical District Tax Increment (31%)	5.25 to 5.50%	02/01; 8/01	12-16-05	02-01-26	3,920,800	3,920,800
Total General Obligation - Tax Increment					\$ 12,617,800	\$ 7,282,800
General Obligation - Tax Abatement						
Lake Walk Homes Tax Abatement Bonds	3.60 to 4.30 %	02/01; 8/01	10-01-05	02-01-21	\$ 310,000	\$ 310,000
Total General Obligation - Tax Abatement					\$ 310,000	\$ 310,000
Total General Obligation Bonds Payable					\$ 55,220,900	\$ 41,405,700
Revenue Bonds Payable -						
Tax Increment Revenue Bonds Payable -						
Cirrus Tax Increment Revenue	7.00 to 8.00%	02/01; 8/01	03-01-94	02-01-12	\$ 645,000	\$ 295,000
Tax Increment Revenue Refunding	3.75 to 4.90%	02/01; 8/01	04-15-98	08-01-08	4,149,906	1,099,854
Tax Increment Revenue Refunding	4.30 to 5.20%	02/01; 8/01	05-04-99	08-01-08	8,001,533	2,524,559
Total Tax Increment Revenue Bonds Payable					\$ 12,796,439	\$ 3,919,413
Lease Revenue Bonds Payable -						
Artspace Community Center	5.00 to 6.80%	02/01; 8/01	05-01-95	08-01-14	\$ 2,720,000	\$ 1,770,000
Total Revenue Bonds Payable					\$ 15,516,439	\$ 5,689,413
Special Assessment Debt with Government Commitment -						
Street Improvement	4.60 to 5.45%	02/01; 8/01	07-15-96	02-01-12	\$ 5,650,000	\$ 3,205,000
Street Overlay (74%) Refunding	4.00 to 4.50%	02/01; 8/01	12-01-97	02-01-06	1,158,100	144,300
Street Overlay (40%) Refunding	4.10 to 4.55%	02/01; 8/01	05-01-98	02-01-08	426,000	150,000
General Obligation Improvement Refunding	4.20 to 4.45%	02/01; 8/01	05-01-98	02-01-07	1,595,000	560,000
General Obligation Improvement	3.40 to 4.80%	02/01; 8/01	12-01-98	02-01-15	1,005,000	735,000
Street Improvement	4.38 to 4.88%	02/01; 8/01	08-01-98	02-01-14	6,790,000	4,290,000
Street Improvement	4.00 to 5.00%	02/01; 8/01	06-01-99	02-01-15	6,675,000	4,680,000
General Obligation Improvement	4.50 to 5.25%	02/01; 8/01	12-01-99	02-01-15	1,220,000	910,000
Street Improvement	4.50 to 5.35%	02/01; 8/01	09-01-00	02-01-16	5,410,000	4,060,000
General Obligation Improvement	3.30 to 4.85%	02/01; 8/01	04-01-01	02-01-16	1,405,000	1,105,000
Street Improvement	3.50 to 4.70%	02/01; 8/01	09-01-01	02-01-17	4,800,000	3,925,000
Street Improvement	2.50 to 4.45%	02/01; 8/01	09-01-02	02-01-18	3,860,000	3,375,000
General Obligation Improvement Refunding	2.25 to 3.15%	02/01; 8/01	09-01-02	02-01-08	1,080,000	525,000
General Obligation Improvement	3.50 to 4.55%	02/01; 8/01	12-01-02	02-01-18	2,220,000	2,000,000
Street Improvement Refunding	2.00 to 3.10%	02/01; 8/01	03-01-03	02-01-10	3,118,400	2,249,200
Street Improvement Refunding	2.00 to 3.10%	02/01; 8/01	03-01-03	02-01-10	818,000	590,000
General Obligation Improvement Refunding	2.00 to 3.10%	02/01; 8/01	03-01-03	02-01-10	583,600	420,800
Street Improvement	2.00 to 4.50%	02/01; 8/01	09-01-03	02-01-19	5,035,000	4,740,000
General Obligation Improvement	2.50 to 4.20%	02/01; 8/01	12-01-03	02-01-19	2,010,000	1,915,000
Street Improvement	2.25 to 4.63%	02/01; 8/01	09-01-04	02-01-20	4,785,000	4,785,000
General Obligation Improvement	3.50 to 4.00%	02/01; 8/01	06-01-05	02-01-20	2,275,000	2,275,000
Street Improvement	3.50 to 4.25%	02/01; 8/01	10-01-05	02-01-21	4,260,000	4,260,000
General Obligation Improvement Refunding	4.00%	02/01; 8/01	12-19-05	02-01-08	200,000	200,000
Street Improvement Refunding	4.00%	02/01; 8/01	12-19-05	02-01-12	2,820,000	2,820,000
Total Special Assessment Debt with Government Commitment					\$ 69,199,100	\$ 53,919,300
						(continued)

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Bonds, certificates, and notes payable at December 31, 2005, are comprised of the following individual issues:

	Interest Rate and Dates		Issue Date		Final Maturity	Authorized and Issued	Outstanding
BONDS AND CERTIFICATES BY ISSUE (continued)							
Governmental Activities (continued):							
General Obligation Certificates Payable -							
Equipment	3.00 to 3.65%	6/20; 12/20	12-20-01	12-20-06	\$	1,075,000	\$ 230,000
Equipment	2.50 to 3.00%	6/19; 12/19	12-19-02	12-19-07		1,780,000	745,000
Equipment	2.00 to 2.50%	6/19; 12/19	12-19-03	12-19-08		1,200,000	735,000
Equipment	3.00 to 3.25%	6/20; 12/20	02-20-04	12-20-09		1,355,000	1,095,000
Equipment	4.00%	06/19; 12/19	12-19-05	12-19-10		1,110,000	1,110,000
						<u>\$ 6,520,000</u>	<u>\$ 3,915,000</u>
Total General Obligation Certificates Payable							
Total Governmental Activities Bonds and Certificates Payable						<u>\$ 146,456,439</u>	<u>\$ 104,929,413</u>
Business-type Activities:							
Revenue Bonds Payable -							
Golf Fund -							
Revenue Recreation Facility Refunding	2.00 to 3.80%	06/01; 12/01	12-04-04	12-01-12	\$	1,040,000	\$ 920,000
Revenue and General Obligation Bonds Payable -							
Water Fund -							
Water Utility Revenue and General Obligation Refunding	4.00 to 4.80%	02/01; 8/01	09-01-97	02-01-08	\$	2,455,000	\$ 845,000
Water Utility Revenue and General Obligation Refunding	4.20 to 4.45%	02/01; 8/01	05-01-98	02-01-07		1,955,000	695,000
Water Utility Revenue and General Obligation	4.40 to 5.25%	02/01; 8/01	12-01-00	02-01-16		1,530,000	1,230,000
Water Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 8/01	09-01-02	02-01-18		1,690,000	1,515,000
Water Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 8/01	12-01-02	12-01-18		1,385,000	1,245,000
Water Utility Revenue and General Obligation	2.00 to 3.25%	02/01; 8/01	03-01-03	02-01-10		625,000	455,000
						<u>\$ 9,640,000</u>	<u>\$ 5,985,000</u>
Total Water Fund							
Gas Fund -							
Gas Utility Revenue and General Obligation	4.00 to 4.75%	02/01; 8/01	12-01-01	02-01-17	\$	5,300,000	\$ 4,495,000
Gas Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 8/01	09-01-02	02-01-18		2,132,000	1,910,000
Gas Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 8/01	12-01-02	02-01-18		1,425,000	1,285,000
Gas Utility Revenue and General Obligation	2.50 to 4.20%	02/01; 8/01	12-01-03	02-02-19		6,090,000	5,810,000
						<u>\$ 14,947,000</u>	<u>\$ 13,500,000</u>
Total Gas Fund							
Steam District # 1 Fund -							
Steam Utility Revenue and General Obligation	3.40 to 4.30%	02/01; 8/01	12-01-98	02-01-09	\$	310,000	\$ 140,000
Steam Utility Revenue and General Obligation	5.25 to 5.50%	02/01; 8/01	12-01-00	02-01-11		325,000	215,000
Steam Utility Revenue and General Obligation	4.30 to 4.50%	02/01; 8/01	02-01-02	02-01-12		345,000	260,000
Steam Utility Revenue and General Obligation	2.25 to 4.75%	02/01; 8/01	09-01-03	02-01-23		2,250,000	2,205,000
Steam Utility Revenue and General Obligation	2.80 to 4.15%	02/01; 8/01	06-01-05	02-01-20		1,250,000	1,250,000
						<u>\$ 4,480,000</u>	<u>\$ 4,070,000</u>
Total Steam District # 1 Fund							
Sewer Fund -							
Sewer Utility Revenue and General Obligation Refunding	4.15 to 4.55%	02/01; 8/01	05-01-98	02-01-08	\$	530,000	\$ 220,000
Sewer Utility Revenue and General Obligation	3.40 to 4.30%	02/01; 8/01	12-01-98	02-01-09		1,080,000	490,000
Sewer Utility Revenue and General Obligation	4.50 to 5.25%	02/01; 8/01	12-01-99	02-01-15		1,745,000	1,305,000
Sewer Utility Revenue and General Obligation	4.40 to 5.25%	02/01; 8/01	12-01-00	02-01-16		570,000	460,000
Sewer Utility Revenue and General Obligation	4.00 to 4.75%	02/01; 8/01	12-01-01	02-01-17		1,330,000	1,125,000
Sewer Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 8/01	09-01-02	02-01-18		2,003,000	1,794,000
Sewer Utility Revenue and General Obligation	3.25 to 4.55%	02/01; 8/01	12-01-02	02-01-18		1,825,000	1,640,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.25%	02/01; 8/01	03-01-03	02-01-10		1,240,000	915,000
Sewer Utility Revenue and General Obligation	3.00 to 4.20%	02/01; 8/01	12-01-04	02-01-20		4,045,000	4,045,000
Sewer Utility Revenue and General Obligation	3.50 to 4.30%	02/01; 8/01	12-19-05	02-01-21		3,515,000	3,515,000
						<u>\$ 17,883,000</u>	<u>\$ 15,509,000</u>
Total Sewer Fund							
Stormwater Fund -							
Stormwater Utility Revenue and General Obligation	2.50 to 4.45%	02/01; 8/01	09-01-02	02-01-18	\$	1,425,000	\$ 1,276,000
						<u>\$ 48,375,000</u>	<u>\$ 40,340,000</u>
Total Revenue and General Obligation Bonds Payable							
Total Business-type Activities Bonds Payable						<u>\$ 49,415,000</u>	<u>\$ 41,260,000</u>
Component Units:							
Spirit Mountain Recreation Area							
Revenue Bonds Payable -							
Spirit Mountain Recreation Area	4.50 to 4.50%	06/01; 12/01	03-31-03	12-01-12	\$	1,646,750	\$ 1,494,156
Duluth Entertainment and Convention Center Authority							
General Obligation Bonds Payable -							
Duluth Entertainment and Convention Center Refunding	3.50 to 4.20%	06/01; 12/01	04-01-01	02-01-11	\$	6,970,000	\$ 4,195,000
						<u>\$ 8,616,750</u>	<u>\$ 5,689,156</u>
Total Component Units Bonds Payable							
							(continued)

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Bonds, certificates, and notes payable at December 31, 2005, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>		<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
NOTES PAYABLE BY ISSUE						
Governmental Activities:						
General Obligation						
Public Facilities Authority Note	1.00%	02/20; 8/20	07-24-02	08-20-18	\$ 364,195	\$ 325,000
Revenue Note						
U.S. Dept. of Housing and Urban Development		Note 1	08-01-05	08-01-25	\$ 6,594,000	\$ 6,594,000
Tax Increment Revenue						
Canal Park Tax Increment	8.00%	02/01; 8/01	12-01-91	02-01-08	\$ 325,000	\$ 160,000
Cirrus Tax Increment Taxable	8.75%	02/01; 8/01	03-06-97	08-01-07	885,000	370,623
Fremont Tax Increment Limited Revenue	5.70%	02/01; 8/01	07-01-97	02-01-12	650,000	330,000
Total Tax Increment Revenue					\$ 1,860,000	\$ 860,623
Total Governmental Activities					\$ 8,818,195	\$ 7,779,623
Business-type Activities:						
General Obligation:						
Water Fund -						
Public Facilities Authority Note	2.819%	02/20; 8/20	08-25-03	08-20-18	\$ 870,000	\$ 785,691
Public Facilities Authority Note*	2.530%	02/20; 8/20	07-02-04	08-20-18	1,955,251	1,795,020
Total Water Fund					\$ 2,825,251	\$ 2,580,711
Sewer Fund -						
Public Facilities Authority Note	2.819%	02/20; 8/20	08-25-03	08-20-18	\$ 100,000	\$ 90,309
Public Facilities Authority Note	1.340%	02/20; 8/20	10-17-03	08-20-18	1,179,115	1,119,000
Total Sewer Fund					\$ 1,279,115	\$ 1,209,309
Total Business-type Activities					\$ 4,104,366	\$ 3,790,020
Component Units:						
Duluth Airport Authority						
Revenue Note	8.85%	06/01;12/01	11-01-05	06-01-19	\$ 497,379	\$ 497,379

* Total face value \$ 2,485,231; only \$1,955,251 has been issued as of 12/31/05.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Due To/From Other Funds results from the time lag between the dates interfund goods or services are provided or reimbursable expenditures occur and when the payment between funds is made. Balances at December 31, 2005 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Water Enterprise	\$ 3,257
	Gas Enterprise	3,257
	Sewer Enterprise	1,834
	Nonmajor Governmental Funds	85,135
	Nonmajor Enterprise Funds	676
	Internal Service Funds	591,945
Community Development	General	655
	Internal Service Funds	5,310
Community Investment Trust	General	213,187
Street Improvement Debt Service	Nonmajor Governmental Funds	24,135
Nonmajor Governmental Funds	General	1,125,261
	Community Development	15,401
	Water Enterprise	46,999
	Gas Enterprise	12,237
	Sewer Enterprise	108,551
	Other Nonmajor Governmental Funds	3,389,478
	Nonmajor Enterprise Funds	36,677
	Internal Service Funds	6,500
Water Enterprise	General	28,000
	Nonmajor Governmental Funds	242,839
	Internal Service Funds	67,663
Gas Enterprise	General	36,400
	Nonmajor Governmental Funds	5,000
	Internal Service Funds	39,359
Sewer Enterprise	General	23,000
	Nonmajor Governmental Funds	83,796
	Internal Service Funds	47,349
Nonmajor Enterprise Funds	General	11,900
	Other Nonmajor Enterprise Funds	137,453
	Internal Service Funds	13,759
Internal Service Funds	General	97,019
	Water Enterprise	8,115
	Gas Enterprise	34,172
	Sewer Enterprise	60
	Nonmajor Enterprise Funds	30
	Other Internal Service Funds	52,629
	Total	\$ 6,599,038
Due from other funds, reported in	Balance Sheet - Governmental	\$ 5,381,206
	Statement of Net Assets- Proprietary Funds:	
	Business-type Activities - Enterprise Funds	393,318
	Governmental Activities- Internal Service Funds	824,514
	Total	\$ 6,599,038

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Due To/From primary government and component units results from the time lag between the dates goods or services are provided and when payment is made. Balances as shown below are reported on the Government-wide Statement of Net Assets. Balances are at December 31, 2005, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2005.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government: General Fund	Component Unit: Duluth Airport Authority Spirit Mountain Recreation Area Authority	\$ 43,399 138,966
Internal Service Funds	Duluth Area Airport Authority Spirit Mountain Recreation Area Authority	292,237 263,053
Total Due from Component Units		<u>\$ 737,655</u>
Due to Primary Government: Current Liability Non-Current Liability		\$ 472,056 206,512
Total Due to Primary Government		<u>678,568</u>
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2005		(342,932)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2005		<u>402,019</u>
		<u>\$ 737,655</u>
Component Unit: Duluth Entertainment and Convention Center Authority	Primary Government: Nonmajor Governmental Funds	\$ 84,195
Total Due from Primary Government		<u>\$ 84,195</u>
Total Due to Component Units		<u>\$ 84,195</u>

INTERFUND LOAN RECEIVABLES/PAYABLES

These balances are a result of temporary interfund financing at year-end. Balances at December 31, 2005 are:

<u>Receivable Fund</u>	<u>Amount</u>
General	<u>\$ 1,854,180</u>
<u>Payable Fund</u>	
Permanent Improvement Capital Projects	\$ 93,461
Nonmajor Governmental Funds	1,069,544
Nonmajor Enterprise Funds	514,364
Internal Service Funds	<u>176,811</u>
Total	<u>\$ 1,854,180</u>

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: payments in lieu of taxes, debt service payments, participation in projects, reimbursement of expenditures, and revenue recognition for investment earnings in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interfund transfers for the year ended December 31, 2005 are as follows:

Transfer to, reported in fund:	Transfer from, reported in fund:	Amount
General	Community Investment Trust	\$ 1,968,187
	Street Improvement Debt Service	136,025
	Water Enterprise	91,772
	Gas Enterprise	3,404,959
	Sewer Enterprise	111,698
	Nonmajor Governmental Funds	1,877,076
	Nonmajor Enterprise Funds	128,746
	Internal Service Funds	180,144
Community Development	Nonmajor Governmental Funds	5,046
Special Assessment Debt Service	Nonmajor Governmental Funds	15,239
Street Improvement Debt Service	General	3,533,400
	Community Development	15,769
	Nonmajor Governmental Funds	225,000
Nonmajor Governmental Funds	General	1,520,045
	Community Development	95,925
	Water Enterprise	241,596
	Gas Enterprise	88,805
	Sewer Enterprise	10,047
	Other Nonmajor Governmental Funds	5,739,847
	Nonmajor Enterprise Funds	24,203
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	31,116
	Total	<u>\$ 19,444,645</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and	
	Changes in Fund Balance:	
	Governmental Funds	\$ 15,162,675
	Statement of Revenues, Expenses, and	
	Changes in Fund Net Assets:	
	Business-type Activities - Enterprise Funds	4,101,826
	Governmental Activities - Internal Service Funds	180,144
	Total	<u>\$ 19,444,645</u>

13. PENSION PLANS
PLAN DESCRIPTION

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

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

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

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

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

13. PENSION PLANS (continued)
FUNDING POLICY

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

	<u>2005 Statutory Rates</u>		<u>2006 Statutory Rates</u>	
	<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>
Public Employees Retirement Fund				
Basic Members	9.10%	11.78%	9.10%	11.78%
Coordinated Members	5.10%	5.53%	5.50%	6.00%
Public Employees Police and Fire Fund	6.20%	9.30%	7.00%	10.50%

The City's contributions for the years ending December 31, 2005, 2004, and 2003 for the Public Employees Retirement Fund and Public Employees Police and Fire Fund were:
(Dollar amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Public Employees Retirement Fund	\$ 1,743	\$ 1,656	\$ 1,628
Public Employees Police and Fire Fund	<u>5,486</u>	<u>5,421</u>	<u>5,426</u>
Totals	<u>\$ 7,229</u>	<u>\$ 7,077</u>	<u>\$ 7,054</u>

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

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to the Public Employees Retirement Association of Minnesota (PERA). Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly-available 2005 annual report.

The Duluth Transit Authority has no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2005 annual report.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

14. SEGMENT INFORMATION

The City issued revenue bonds for each of the following non-major enterprise funds: the Stormwater Utility, which operates the stormwater sewer collection system; Steam District #1, the plant which generates and distributes steam to major users in the greater downtown area; and the Golf Fund, which operates the city's two municipal 27-hole golf courses. Summary financial information for each of these funds for fiscal year ending December 31, 2005 is presented below.

	Stormwater	Steam District #1	Golf
CONDENSED STATEMENT OF NET ASSETS			
Assets			
Current assets	\$ 1,223,553	\$ 1,478,098	\$ 149,713
Due from other funds	5,591	138,129	31,116
Capital assets	8,251,044	5,295,093	2,219,344
Noncurrent assets	75,000	48,093	40,469
Total assets	9,555,188	6,959,413	2,440,642
Liabilities			
Current liabilities	405,442	645,247	701,014
Due to other funds	23,149	210	2,300
Noncurrent liabilities	1,285,268	3,853,249	782,962
Total liabilities	1,713,859	4,498,706	1,486,276
Net assets			
Invested in capital assets, net of related debt	6,726,715	1,145,337	1,318,535
Restricted for loans	-	-	106,475
Unrestricted	1,114,614	1,315,370	(470,644)
Total net assets	\$ 7,841,329	\$ 2,460,707	\$ 954,366
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues (expenses)			
Charges (pledged against bonds)	\$ 2,952,640	\$ 4,416,123	\$ 1,699,090
Depreciation expense	(240,002)	(449,835)	(211,506)
Other Operating expenses	(2,232,765)	(3,491,603)	(1,633,529)
Operating income	479,873	474,685	(145,945)
Nonoperating revenues (expenses)			
Investment earnings	59,531	5,571	5,137
Intergovernmental	30,206	-	-
Interest Expense	(49,906)	(144,394)	(63,077)
Transfers in	-	-	31,116
Transfers out	(64,933)	(88,016)	-
Change in net assets	454,771	247,846	(172,769)
Beginning net assets	7,386,558	2,212,861	1,127,135
Ending net assets	\$ 7,841,329	\$ 2,460,707	\$ 954,366
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by			
Operating activities	\$ 399,497	\$ 634,079	\$ 50,763
Noncapital financing activities	(34,727)	(88,016)	206,890
Capital and related financing activities	(1,427,655)	(308,165)	(257,653)
Investing activities	59,531	5,571	-
Net increase (decrease)	(1,003,354)	243,469	-
Beginning cash and cash equivalents	1,941,279	399,005	-
Ending cash and cash equivalents	\$ 937,925	\$ 642,474	\$ -

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES
LAKE SUPERIOR CENTER

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

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

LITIGATION

The City, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation; it is expected that the final settlement of these matters will not materially affect the financial statements of the City.

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and is 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, 2005.

OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 13, the City provides postemployment health care benefits and term life insurance coverage in accordance with various union contracts. City employees qualified to receive these postemployment benefits have retired on or after January 1, 1983, and receive retirement or disability benefits from the Public Employees Retirement Association. Currently, 798 retirees meet the eligibility requirements.

The City pays 100% of medical claims and hospitalization costs, subject to an annual \$650 deductible. The \$650 deductible may be waived for the retiree only, based on the employee's sick leave usage while employed. Supervisory employees have a deductible for claimed dependents only. Premiums are paid by the City for the life of the retiree or the surviving spouse. Premiums contributed to the Group Health Internal Service Fund for retiree benefits from the participating funds were at \$6,313,493 in 2005 and \$5,957,206 in 2004. Expenses for health care benefits are recognized as reported claims are paid and include a provision for estimated claims, incurred but not yet reported to the City. Life insurance expenses are recognized when premiums are paid. During the year, expenses of \$6,683,831 for postemployment health care benefits and \$43,137 for life insurance coverage were recognized. There was a \$770,714 increase in health expenses from the previous year. Seventeen City retirees, who retired prior to January 1, 1983, are paying their own medical premiums with no deductible.

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES
OTHER POSTEMPLOYMENT BENEFITS (continued)

In 2005, the City contracted with an actuary to calculate its actuarial accrued liability for post employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The actuarial accrued liability was \$279,934,736 as of January 1, 2005. GASB Statement No. 45 does not become effective until January 1, 2007 and provides for prospective implementation – that is, the City's net OPEB obligation will be zero as of January 1, 2007.

JOINT VENTURE

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

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2005, is:

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

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City of Duluth with its own rights and powers. Although the Mayor of the City of Duluth appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City of Duluth. Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,290,032 to the Duluth Housing and Redevelopment Authority in 2005.

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

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2005, follows:

- Augusta Building - \$268,321
- Fifth Street Redevelopment - \$594,000
- Hampton Inn - \$171,709
- Inn on the Lake - \$162,746
- Ramsey Townhouses - \$1,485,000
- Sherman Associates Hotel/Condominium - \$5,000,000
- Spirit Bay - \$134,768
- Accessible Space, Inc. - annual payment not to exceed 100% of captured tax increment. The maximum tax increment financing available is \$149,999.
- Fitgers on the Lake - annual payment not to exceed \$16,000 of captured tax increment
- Irving School Project - annual payment not to exceed 100% of captured tax increment
- Jefferson Square - annual payment not to exceed 20% of captured tax increment

CITY OF DULUTH, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)
CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2005, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal Outstanding</u>
Duluth Radisson Hotel	1995A	\$ 8,470,000	\$ 5,790,000
St. Mary's Medical Center	2004	140,400,000	138,985,000
	1993C	45,795,000	33,225,000
Miller Dwan Medical Center	1997	20,000,000	15,800,000
ECUMEN	1998	11,750,000	9,625,000
Aftenro Home	2000	2,575,000	2,490,000
Residential Services	2000B	576,421	430,310
	2000C	330,919	247,009
Center for Alcohol & Drug Treatment	2000A	2,600,000	2,281,447
St. Luke's Hospital	2002	55,000,000	53,085,000
Merritt School LLC	2004	660,000	631,581
Miller Hill 47 Limited Partnership	2004	2,000,000	1,957,899

NORTHWEST MAINTENANCE FACILITY

The City has included in its long-term debt, revenue pledges made to the State of Minnesota for repayment of certain State issued revenue bonds (See Note 11). The State bonds were issued to finance the construction of an aircraft maintenance facility at Duluth International Airport. The facility is owned by DEDA and is leased to Northwest Airlines (NWA). In addition to lease payments to the State, NWA pays property taxes to St Louis County which is passed through as tax increments to the City and pledged towards bond repayment. In addition, the City has pledged future state aids towards bond repayment if revenue pledges are insufficient.

NWA filed for bankruptcy on September 14, 2005 and did not make their property tax payment due on October 15, 2005. The amount of tax increment collections generated by the aircraft maintenance facility in the future is unknown. The annual debt service payments financed by tax increments is approximately \$560,000.

16. SUBSEQUENT EVENTS
TAX AND AID ANTICIPATION CERTIFICATES

Pursuant to the authority contained in Sections 55 through 59 of the Charter, the City sold \$13,000,000 of General Obligation Tax and Aid Anticipation Certificates dated February 23, 2006. The taxes levied in 2005 and collectible in 2006, are pledged for the payment of these certificates due December 30, 2006. The proceeds of the sale will be used to improve the cash flow requirements of the General Fund during 2006.

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Combining and Individual Fund Information

Governmental Funds

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (continued)

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

St. Louis Bay Tax Increment - to account for accumulation of resources for, and payment of, tax increment bonds funded by the St. Louis Bay Tax Increment District.

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

CAPITAL PROJECTS FUNDS

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

Permanent Improvement - to account for improvements which are financed by sources other than special assessments.

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue Funds				
	Home Investment Partnership Program	Workforce Development	Senior Employment	Senior Nutrition	Special Projects
ASSETS					
Cash and cash equivalents	\$ -	\$ 296,655	\$ -	\$ -	\$ 306,889
Assets held by trustee	-	-	-	-	-
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	231	3,892	-	4,288	2,000
Loans	177,572	-	-	-	-
Grants	-	-	92,408	-	-
Deposits	-	-	-	-	-
Due from other funds	-	-	6,657	57,318	22,457
Due from other governments	76,031	248,815	-	37,823	25,239
Prepays	-	-	-	-	-
Total assets	<u>\$ 253,834</u>	<u>\$ 549,362</u>	<u>\$ 99,065</u>	<u>\$ 99,429</u>	<u>\$ 356,585</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 22,475	\$ -	\$ 33,681	\$ 19,020
Contracts payable	22,046	3,200	-	-	-
Due to other funds	12,853	7,169	-	-	4,380
Due to component units	-	-	-	-	-
Interfund loan payable	24,985	-	94,904	62,809	-
Loans payable	-	-	-	-	-
Due to other governments	231	410	27	37	1,655
Accrued salaries payable	-	22,407	4,134	2,902	-
Deferred revenue	193,719	-	-	-	-
Total liabilities	<u>253,834</u>	<u>55,661</u>	<u>99,065</u>	<u>99,429</u>	<u>25,055</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	-	-	-	-
Special accounts	-	466,852	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	331,530
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	26,849	-	-	-
Capital project funds	-	-	-	-	-
Total fund balances	<u>-</u>	<u>493,701</u>	<u>-</u>	<u>-</u>	<u>331,530</u>
Total liabilities and fund balances	<u>\$ 253,834</u>	<u>\$ 549,362</u>	<u>\$ 99,065</u>	<u>\$ 99,429</u>	<u>\$ 356,585</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue Funds				
	Police Grant Programs	Housing Investment	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 84,972	\$ 134,834	\$ 1,103,825
Assets held by trustee	-	-	-	-	-
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	87,710	-	-
Grants	1,062,695	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	1,269	-	622,000	-	-
Due from other governments	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 1,063,964</u>	<u>\$ -</u>	<u>\$ 794,682</u>	<u>\$ 134,834</u>	<u>\$ 1,103,825</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,919	\$ 50,000	\$ -	\$ -	\$ 33,992
Contracts payable	20,085	-	-	-	-
Due to other funds	201,569	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	781,664	100,000	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	3,419	-	50,000	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	16,906	-	37,710	-	-
Total liabilities	<u>1,048,562</u>	<u>150,000</u>	<u>87,710</u>	<u>-</u>	<u>33,992</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Debt service	-	-	-	-	-
Special accounts	15,402	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	1,069,833
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	(150,000)	706,972	134,834	-
Capital project funds	-	-	-	-	-
Total fund balances	<u>15,402</u>	<u>(150,000)</u>	<u>706,972</u>	<u>134,834</u>	<u>1,069,833</u>
Total liabilities and fund balances	<u>\$ 1,063,964</u>	<u>\$ -</u>	<u>\$ 794,682</u>	<u>\$ 134,834</u>	<u>\$ 1,103,825</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue Funds				
	Capital Equipment	Economic Development	Energy Management	Tourism Tax	Public Facility and Programs
ASSETS					
Cash and cash equivalents	\$ 1,126,548	\$ 90,495	\$ 275,898	\$ 1,180,334	\$ 78,820
Assets held by trustee	-	-	-	-	-
Receivables, net:					
Taxes	-	-	-	358,866	920
Accounts	-	7,706	-	-	-
Loans	-	298,306	-	-	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	-	-	-	589	-
Due from other governments	-	-	-	-	-
Prepays	-	-	-	-	-
Total assets	\$ 1,126,548	\$ 396,507	\$ 275,898	\$ 1,539,789	\$ 79,740
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 167,317	\$ 15,541	\$ 5,900	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other funds	21,617	-	-	31,116	-
Due to component units	-	-	-	84,195	-
Interfund loan payable	-	-	-	-	-
Loans payable	-	-	-	-	-
Due to other governments	1,638	-	-	-	-
Accrued salaries payable	-	-	766	-	-
Deferred revenue	-	298,306	-	-	-
Total liabilities	190,572	313,847	6,666	115,311	-
Fund balances:					
Reserved for:					
Encumbrances	478,090	20,000	-	-	-
Debt service	-	-	-	1,004,366	-
Special accounts	-	-	-	226,536	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	457,886	62,660	269,232	193,576	79,740
Capital project funds	-	-	-	-	-
Total fund balances	935,976	82,660	269,232	1,424,478	79,740
Total liabilities and fund balances	\$ 1,126,548	\$ 396,507	\$ 275,898	\$ 1,539,789	\$ 79,740

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue Funds			Debt Service Funds	
	DEDA Operating	DEDA NWA Maint. Facility	DEDA Loan Programs	General Obligation	Transit Bond
ASSETS					
Cash and cash equivalents	\$ 1,609,602	\$ 683,359	\$ 5,355,544	\$ 5,239,933	\$ 266,960
Assets held by trustee	-	2,408,213	-	-	-
Receivables, net:					
Taxes	-	-	-	162,756	7,788
Accounts	3,925	-	-	-	-
Loans	1,978	-	2,206,671	-	-
Grants	-	-	-	965,000	-
Deposits	-	-	250,000	-	-
Due from other funds	102,958	-	-	754,086	-
Due from other governments	555,744	-	-	-	-
Prepays	-	-	-	-	-
Total assets	\$ 2,274,207	\$ 3,091,572	\$ 7,812,215	\$ 7,121,775	\$ 274,748
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,824	\$ -	\$ -	\$ 16,623	\$ -
Contracts payable	750,438	-	-	-	-
Due to other funds	642,463	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Loans payable	1,400,000	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	1,978	732,213	-	1,086,309	6,027
Total liabilities	2,798,703	732,213	-	1,102,932	6,027
Fund balances:					
Reserved for:					
Encumbrances	32,619	-	-	-	-
Debt service	-	2,167,989	228,030	4,674,410	137,648
Special accounts	-	-	2,184,917	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	1,600,000	-	-
Debt service funds	-	-	-	1,344,433	131,073
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	(557,115)	191,370	3,799,268	-	-
Capital project funds	-	-	-	-	-
Total fund balances	(524,496)	2,359,359	7,812,215	6,018,843	268,721
Total liabilities and fund balances	\$ 2,274,207	\$ 3,091,572	\$ 7,812,215	\$ 7,121,775	\$ 274,748

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Debt Service Funds		Capital Project Funds		
	St. Louis Bay Tax Increment	DEDA Debt Service	Permanent Improvement	Special Assessment	Street Improvement Program
ASSETS					
Cash and cash equivalents	\$ -	\$ 4,481,879	\$ -	\$ 241,023	\$ 62,665
Assets held by trustee	-	-	-	-	-
Receivables, net:					
Taxes	15,326	469,237	15,387	-	-
Accounts	-	193,364	-	-	-
Loans	-	30,998	-	-	-
Grants	-	-	-	-	-
Deposits	-	-	-	-	-
Due from other funds	-	-	240,464	502,770	67,055
Due from other governments	-	-	1,970,163	354,405	-
Prepays	-	-	-	-	-
Total assets	<u>\$ 15,326</u>	<u>\$ 5,175,478</u>	<u>\$ 2,226,014</u>	<u>\$ 1,098,198</u>	<u>\$ 129,720</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,144	\$ -	\$ 14,265	\$ 92	\$ 19,613
Contracts payable	-	-	448,342	485,680	331,299
Due to other funds	-	1,452,216	454,517	486,243	170,327
Due to component units	-	-	-	-	-
Interfund loan payable	5,182	-	93,461	-	-
Loans payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	-	448,693	1,504,944	329,354	-
Total liabilities	<u>15,326</u>	<u>1,900,909</u>	<u>2,515,529</u>	<u>1,301,369</u>	<u>521,239</u>
Fund balances:					
Reserved for:					
Encumbrances	-	-	5,400,034	1,967,939	557,560
Debt service	-	3,274,569	-	-	-
Special accounts	-	-	-	-	-
Unreserved:					
Designated for, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	(5,689,549)	(2,171,110)	(949,079)
Total fund balances	<u>-</u>	<u>3,274,569</u>	<u>(289,515)</u>	<u>(203,171)</u>	<u>(391,519)</u>
Total liabilities and fund balances	<u>\$ 15,326</u>	<u>\$ 5,175,478</u>	<u>\$ 2,226,014</u>	<u>\$ 1,098,198</u>	<u>\$ 129,720</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Capital Project Funds			Total Nonmajor Governmental Funds
	Capital Improvements	Medical District Expansion	DEDA Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 2,423,070	\$ 12,818,499	\$ 944,858	\$ 38,806,662
Assets held by trustee	-	-	-	2,408,213
Receivables, net:				
Taxes	-	-	-	1,030,280
Accounts	-	-	115	215,521
Loans	-	-	1,685,461	4,488,696
Grants	-	-	-	2,120,103
Deposits	-	-	-	250,000
Due from other funds	-	-	1,452,760	3,830,383
Due from other governments	-	-	-	3,268,220
Prepays	-	-	847,216	847,216
Total assets	\$ 2,423,070	\$ 12,818,499	\$ 4,930,410	\$ 57,265,294
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 18,820	\$ 32,834	\$ 12,500	\$ 501,560
Contracts payable	296,404	1,370,812	171,576	3,899,882
Due to other funds	-	754,086	502,548	4,741,104
Due to component units	-	-	-	84,195
Interfund loan payable	-	-	-	1,163,005
Loans payable	-	-	-	1,400,000
Due to other governments	-	-	-	57,417
Accrued salaries payable	-	-	-	30,209
Deferred revenue	-	-	1,614,010	6,270,169
Total liabilities	315,224	2,157,732	2,300,634	18,147,541
Fund balances:				
Reserved for:				
Encumbrances	164,176	10,025,375	138,985	18,784,778
Debt service	-	-	-	11,487,012
Special accounts	-	-	913,488	3,807,195
Unreserved:				
Designated for, reported in:				
Special revenue funds	-	-	-	3,001,363
Debt service funds	-	-	-	1,475,506
Capital project funds	1,943,670	635,392	177,570	2,756,632
Undesignated, reported in:				
Special revenue funds	-	-	-	5,215,272
Capital project funds	-	-	1,399,733	(7,410,005)
Total fund balances	2,107,846	10,660,767	2,629,776	39,117,753
Total liabilities and fund balances	\$ 2,423,070	\$ 12,818,499	\$ 4,930,410	\$ 57,265,294

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Home Investment Partnership Program	Workforce Development	Senior Employment	Senior Nutrition	Special Projects
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	817,085	1,895,039	350,860	269,209	205,865
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous revenues	-	4,045	-	226,261	225,359
Total revenues	817,085	1,899,084	350,860	495,470	431,224
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	94,563
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	182,241
Urban and economic development	817,085	1,901,774	350,860	548,144	119,417
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Revenue pledge	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	817,085	1,901,774	350,860	548,144	396,221
Excess (deficiency) of revenues over expenditures	-	(2,690)	-	(52,674)	35,003
OTHER FINANCING SOURCES (USES)					
Sale of bonds	-	-	-	-	-
Premium on sale of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	52,674	-
Transfers out	-	-	-	-	(3,652)
Total other financing sources (uses)	-	-	-	52,674	(3,652)
Net change in fund balance	-	(2,690)	-	-	31,351
Fund balance - January 1, 2005	-	496,391	-	-	300,179
Fund balance - December 31, 2005	\$ -	\$ 493,701	\$ -	\$ -	\$ 331,530

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Police Grant Programs	Housing Investment	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	1,405,333	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	196	-	-	860	6,447
Miscellaneous revenues	52,263	-	84,176	23,677	61,872
Total revenues	1,457,792	-	84,176	24,537	68,319
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	495,033	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	57,941
Urban and economic development	-	150,000	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Revenue pledge	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	546,683	-	-	-	52,253
Total expenditures	1,041,716	150,000	-	-	110,194
Excess (deficiency) of revenues over expenditures	416,076	(150,000)	84,176	24,537	(41,875)
OTHER FINANCING SOURCES (USES)					
Sale of bonds	-	-	-	-	-
Premium on sale of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(274,177)	-	-	-	-
Total other financing sources (uses)	(274,177)	-	-	-	-
Net change in fund balance	141,899	(150,000)	84,176	24,537	(41,875)
Fund balance - January 1, 2005	(126,497)	-	622,796	110,297	1,111,708
Fund balance - December 31, 2005	\$ 15,402	\$ (150,000)	\$ 706,972	\$ 134,834	\$ 1,069,833

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds				
	Capital Equipment	Economic Development	Energy Management	Tourism Tax	Public Facility and Programs
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	5,026,161	-
Other taxes	-	-	-	-	20,411
Intergovernmental revenues	-	-	8,250	-	-
Charges for services	-	-	-	-	-
Investment income	5,014	-	-	72,058	477
Miscellaneous revenues	-	222,772	13,619	1,446	-
Total revenues	5,014	222,772	21,869	5,099,665	20,888
EXPENDITURES					
Current:					
General government	-	-	112,280	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	452,758	-	2,645,903	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Revenue pledge	-	-	-	-	-
Bond issuance costs	20,761	-	-	-	-
Capital outlay	1,267,090	-	-	-	-
Total expenditures	1,287,851	452,758	112,280	2,645,903	-
Excess (deficiency) of revenues over expenditures	(1,282,837)	(229,986)	(90,411)	2,453,762	20,888
OTHER FINANCING SOURCES (USES)					
Sale of bonds	1,110,000	-	-	-	-
Premium on sale of bonds	19,639	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	283,041	75,000	-	-
Transfers out	-	-	-	(2,715,969)	-
Total other financing sources (uses)	1,129,639	283,041	75,000	(2,715,969)	-
Net change in fund balance	(153,198)	53,055	(15,411)	(262,207)	20,888
Fund balance - January 1, 2005	1,089,174	29,605	284,643	1,686,685	58,852
Fund balance - December 31, 2005	\$ 935,976	\$ 82,660	\$ 269,232	\$ 1,424,478	\$ 79,740

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue Funds			Debt Service Funds	
	DEDA Operating	DEDA NWA Maint. Facility	DEDA Loan Programs	General Obligation	Transit Bond
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ 3,314,027	\$ 140,383
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	609,913	-	-	408,435	17,223
Charges for services	13,482	-	-	-	-
Investment income	4,375	5,413	137,249	71,607	-
Miscellaneous revenues	995,359	1,427,040	89,440	824,052	-
Total revenues	1,623,129	1,432,453	226,689	4,618,121	157,606
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	1,116,920	-	37,500	-	-
Debt service:					
Principal retirement	-	-	-	5,361,700	155,000
Interest and fiscal fees	-	-	-	1,762,956	28,706
Revenue pledge	-	2,612,545	-	-	-
Bond issuance costs	-	-	-	60,209	-
Capital outlay	1,576,540	-	-	-	-
Total expenditures	2,693,460	2,612,545	37,500	7,184,865	183,706
Excess (deficiency) of revenues over expenditures	(1,070,331)	(1,180,092)	189,189	(2,566,744)	(26,100)
OTHER FINANCING SOURCES (USES)					
Sale of bonds	-	-	-	3,250,000	-
Premium on sale of bonds	-	-	-	90,930	-
Payment to refunded bond escrow agent	-	-	-	(3,617,889)	-
Transfers in	100,000	1,036,554	-	3,565,865	-
Transfers out	(3,829)	-	(99,981)	(311,846)	-
Total other financing sources (uses)	96,171	1,036,554	(99,981)	2,977,060	-
Net change in fund balance	(974,160)	(143,538)	89,208	410,316	(26,100)
Fund balance - January 1, 2005	449,664	2,502,897	7,723,007	5,608,527	294,821
Fund balance - December 31, 2005	\$ (524,496)	\$ 2,359,359	\$ 7,812,215	\$ 6,018,843	\$ 268,721

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Debt Service Funds		Capital Project Funds		
	St. Louis Bay Tax Increment	DEDA Debt Service	Permanent Improvement	Special Assessment	Street Improvement Program
REVENUES					
Taxes:					
Property taxes	\$ 1,137,235	\$ 5,653,123	\$ 283,814	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	89,215	3,962,432	1,951,255	-
Charges for services	-	-	-	-	-
Investment income	51,814	86,176	-	583	31,778
Miscellaneous revenues	229,989	202,602	36,837	333,113	31,002
Total revenues	1,419,038	6,031,116	4,283,083	2,284,951	62,780
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	527,488	-	1,772
Culture and recreation	-	-	-	-	-
Urban and economic development	-	1,678	-	-	-
Debt service:					
Principal retirement	4,800,000	1,657,119	-	-	-
Interest and fiscal fees	104,516	822,174	-	-	-
Revenue pledge	-	-	-	-	-
Bond issuance costs	-	-	-	20,543	69,543
Capital outlay	-	-	4,309,022	5,855,546	4,319,673
Total expenditures	4,904,516	2,480,971	4,836,510	5,876,089	4,390,988
Excess (deficiency) of revenues over expenditures	(3,485,478)	3,550,145	(553,427)	(3,591,138)	(4,328,208)
OTHER FINANCING SOURCES (USES)					
Sale of bonds	-	-	-	2,275,000	4,260,000
Premium on sale of bonds	-	-	-	-	32,167
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	304,193	400,000	138,845
Transfers out	-	(2,728,033)	-	(42,920)	(31,778)
Total other financing sources (uses)	-	(2,728,033)	304,193	2,632,080	4,399,234
Net change in fund balance	(3,485,478)	822,112	(249,234)	(959,058)	71,026
Fund balance - January 1, 2005	3,485,478	2,452,457	(40,281)	755,887	(462,545)
Fund balance - December 31, 2005	\$ -	\$ 3,274,569	\$ (289,515)	\$ (203,171)	\$ (391,519)

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Capital Project Funds			Total
	Capital	Medical	DEDA	Nonmajor
	Improvements	District	Capital	Governmental
		Expansion	Projects	Funds
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ 10,528,582
Sales taxes	-	-	-	5,026,161
Other taxes	-	-	-	20,411
Intergovernmental revenues	20,551	-	160,000	12,170,665
Charges for services	-	-	99,536	113,018
Investment income	42,467	63,275	41,796	621,585
Miscellaneous revenues	500,100	-	118,030	5,703,054
Total revenues	563,118	63,275	419,362	34,183,476
EXPENDITURES				
Current:				
General government	-	-	-	112,280
Public safety	-	-	-	589,596
Public works	-	-	-	529,260
Culture and recreation	-	-	-	240,182
Urban and economic development	-	2,259	497,192	8,641,490
Debt service:				
Principal retirement	-	-	-	11,973,819
Interest and fiscal fees	-	-	-	2,718,352
Revenue pledge	-	-	-	2,612,545
Bond issuance costs	40,555	157,237	-	368,848
Capital outlay	1,020,764	3,154,636	1,376,710	23,478,917
Total expenditures	1,061,319	3,314,132	1,873,902	51,265,289
Excess (deficiency) of revenues over expenditures	(498,201)	(3,250,857)	(1,454,540)	(17,081,813)
OTHER FINANCING SOURCES (USES)				
Sale of bonds	1,565,000	12,785,000	-	25,245,000
Premium on sale of bonds	380	348	-	143,464
Payment to refunded bond escrow agent	-	-	-	(3,617,889)
Transfers in	365,000	-	1,399,296	7,720,468
Transfers out	(42,467)	(817,361)	(821,311)	(7,893,324)
Total other financing sources (uses)	1,887,913	11,967,987	577,985	21,597,719
Net change in fund balance	1,389,712	8,717,130	(876,555)	4,515,906
Fund balance - January 1, 2005	718,134	1,943,637	3,506,331	34,601,847
Fund balance - December 31, 2005	\$ 2,107,846	\$ 10,660,767	\$ 2,629,776	\$ 39,117,753

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES-ESTIMATED AND ACTUAL
GENERAL FUND
Year Ended December 31, 2005

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Taxes:				
General property -				
Current	\$ 6,360,500	\$ 6,360,500	\$ 5,664,642	\$ (695,858)
Delinquent	150,000	150,000	92,736	(57,264)
Mobile home	40,000	40,000	35,451	(4,549)
Forfeited tax sale apportionment	50,000	50,000	62,949	12,949
Franchise	1,760,000	1,760,000	1,767,402	7,402
Sales	10,775,000	10,775,000	10,937,731	162,731
Charitable gambling	100,000	100,000	94,515	(5,485)
Other	20,000	20,000	680	(19,320)
Total Taxes	19,255,500	19,255,500	18,656,106	(599,394)
Licenses and permits:				
Liquor and non-intoxicating liquor	361,800	361,800	312,737	(49,063)
Health	15,900	15,900	19,446	3,546
Police protective	27,800	27,800	24,964	(2,836)
Amusement	16,800	16,800	19,646	2,846
Manufacturing and merchandising	45,200	45,200	39,167	(6,033)
Other	723,500	723,500	437,967	(285,533)
Total Licenses and Permits	1,191,000	1,191,000	853,927	(337,073)
Intergovernmental revenues:				
Federal grants -				
Bulletproof Vest Partnership Program	-	13,158	22,614	9,456
Homeland Security Grant	-	24,048	24,048	-
Seat Belt and Consumption Enforcement	30,000	40,852	25,563	(15,289)
State grants -				
Local governmental aid	25,653,900	25,653,900	25,653,880	(20)
Market value credit	-	-	710,595	710,595
PERA aid	125,000	125,000	124,428	(572)
Amortization aid	3,824,200	3,824,200	3,824,196	(4)
Insurance premium	1,704,900	1,704,900	1,806,339	101,439
Snowmobile trail	6,000	6,000	10,467	4,467
Post training reimbursement	58,000	58,000	47,586	(10,414)
MSA Maintenance allotment	1,115,800	1,115,800	1,148,904	33,104
Criminal Investigations	-	5,000	5,000	-
Lake Superior Zoo	124,000	124,000	129,000	5,000
HAZMAT Regional Response Team	-	30,811	16,343	(14,468)
Other local grants -				
Payments in lieu of taxes				
Housing and Redevelopment Authority	35,000	35,000	34,342	(658)
St. Louis County	129,400	129,400	131,017	1,617
Independent School District #709	151,000	151,000	151,000	-
Other		1,000	2,000	1,000
Total Intergovernmental Revenues	32,957,200	33,042,069	33,867,322	825,253

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES-ESTIMATED AND ACTUAL
GENERAL FUND
Year Ended December 31, 2005

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Charges for services:				
Departmental fees and services -				
Fire	\$ 5,800	\$ 5,800	\$ 4,200	\$ (1,600)
Police	69,000	110,412	77,760	(32,652)
Parks and recreation	454,200	454,200	413,710	(40,490)
Engineering services	550,000	550,000	507,601	(42,399)
Building inspection services	1,723,800	1,723,800	1,879,848	156,048
MIS services	1,800	1,800	6,633	4,833
Grant administration services	60,000	60,000	31,174	(28,826)
Hydrant maintenance services	31,000	31,000	30,000	(1,000)
Assessment fees	166,000	166,000	161,750	(4,250)
Parking meters	525,000	525,000	546,788	21,788
Municipal parking lots	248,800	248,800	211,153	(37,647)
Tech Village parking ramp	400,000	400,000	397,809	(2,191)
Casino parking ramp	532,200	532,200	594,714	62,514
Other services	6,200	6,200	3,402	(2,798)
Departmental sales -				
Copier and microfilm prints	40,400	40,400	28,569	(11,831)
Print and plan sales	16,000	16,000	19,553	3,553
Book sales	200	200	262	62
Miscellaneous sales and services	150,500	160,425	155,733	(4,692)
Share of general expenses -				
Duluth Airport Authority	41,100	41,100	43,400	2,300
Water and Gas	1,170,800	1,170,800	1,235,204	64,404
Sewer	417,800	417,800	440,800	23,000
Stormwater	174,100	174,100	183,700	9,600
Steam District #1	13,000	13,000	13,000	-
Duluth Entertainment & Convention Center	37,000	37,000	17,700	(19,300)
Duluth Transit Authority	16,100	16,100	17,000	900
Golf	41,600	41,600	43,900	2,300
Duluth Economic Development Authority	208,000	208,000	217,996	9,996
Fleet Services	57,200	57,200	60,300	3,100
Group Health	154,700	154,700	163,200	8,500
Self Insurance	292,900	292,900	309,000	16,100
Spirit Mountain Recreation Area Authority	55,800	55,800	40,700	(15,100)
Total Charges for Services	<u>7,661,000</u>	<u>7,712,337</u>	<u>7,856,559</u>	<u>144,222</u>
Fines and forfeits:				
Library fines	100,000	100,000	100,085	85
Parking fines	550,000	550,000	506,863	(43,137)
Court fines	430,000	430,000	371,929	(58,071)
License penalties	2,000	2,000	6,750	4,750
Felony forfeitures	-	14,804	16,975	2,171
Other Fines	-	-	150	150
Total Fines and Forfeits	<u>1,082,000</u>	<u>1,096,804</u>	<u>1,002,752</u>	<u>(94,052)</u>
Special Assessments:	<u>129,000</u>	<u>394,000</u>	<u>366,748</u>	<u>(27,252)</u>
Investment Income:	<u>1,150,000</u>	<u>1,750,000</u>	<u>436,669</u>	<u>(1,313,331)</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES-ESTIMATED AND ACTUAL
GENERAL FUND
Year Ended December 31, 2005

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Miscellaneous revenues:				
Commission and concessions	\$ 7,000	\$ 7,000	\$ 12,601	\$ 5,601
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	3,349	3,349	-
Rent and lease	47,500	47,500	76,076	28,576
Damage claims	3,000	27,415	26,451	(964)
Sale of equipment	50,000	50,000	79,831	29,831
Sale of land	30,000	30,000	82,821	52,821
Sale of scrap	1,500	1,500	1,707	207
Surcharge retainage	1,200	1,200	1,222	22
Refunds and reimbursements	435,500	491,719	109,736	(381,983)
Gifts and donations	-	61,488	71,538	10,050
Total Miscellaneous Revenues	591,700	737,171	481,418	(255,753)
Total Revenues	64,017,400	65,178,881	63,521,501	(1,657,380)
Other Financing Sources:				
Operating transfers in:				
Police Grant Programs	66,000	192,176	274,177	82,001
Community Investment	2,450,000	2,450,000	1,968,187	(481,813)
Tourism Tax	1,117,500	1,117,500	1,188,969	71,469
Special Projects	-	-	3,652	3,652
Medical District Expansion	-	-	63,275	63,275
General Obligation Debt Service	-	-	71,607	71,607
DEDA Debt Service	-	-	67,946	67,946
DEDA Capital Project	-	-	33,224	33,224
Building Renovation	-	-	99,981	99,981
Capital Improvement	-	-	42,467	42,467
Street Improvement	-	-	31,778	31,778
Street Improvement Debt Service	-	-	136,025	136,025
Group Health	-	-	82,280	82,280
Vacation Compensation	-	-	97,864	97,864
Gas	3,165,600	3,165,600	3,404,959	239,359
Water	-	-	91,772	91,772
Sewer	-	-	111,698	111,698
Stormwater	-	-	48,418	48,418
Steam District #1	80,000	80,000	80,328	328
Total Other Financing Sources	6,879,100	7,005,276	7,898,607	893,331
Total Revenues and Other Financing Sources	\$ 70,896,500	\$ 72,184,157	\$ 71,420,108	\$ (764,049)
Reconciliation:				
Original budget as approved by Duluth City Council		\$ 70,896,500		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts and donations		146,357		
Ordinance allowable		1,141,300		
Total adjustments		1,287,657		
Modified budget as reported above		\$ 72,184,157		

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2005**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
GENERAL GOVERNMENT:							
Legislative and Executive							
City Council							
Personal services - salaries	\$ 90,000	\$ 94,100		\$ 94,070	\$ -	\$ 94,070	\$ 30
Personal services - benefits	11,900	9,718		9,718	-	9,718	-
Other expenditures	46,000	37,670		37,670	-	37,670	-
	147,900	141,488	1	141,458	-	141,458	30
Mayor							
Personal services - salaries	127,800	128,782		128,781	-	128,781	1
Personal services - benefits	32,900	32,585		32,584	-	32,584	1
Other expenditures	9,200	13,350		13,347	-	13,347	3
	169,900	174,717	1	174,712	-	174,712	5
Administrative Assistant							
Personal services - salaries	339,500	359,163		359,162	-	359,162	1
Personal services - benefits	77,500	66,592		66,591	-	66,591	1
Other expenditures	8,000	4,623		4,622	-	4,622	1
	425,000	430,378	1	430,375	-	430,375	3
City Attorney							
Personal services - salaries	1,021,000	1,003,116		1,003,114	-	1,003,114	2
Personal services - benefits	226,700	217,396		217,393	-	217,393	3
Other expenditures	24,500	37,764		37,756	-	37,756	8
Capital outlay	8,000	4,793		4,793	-	4,793	-
	1,280,200	1,263,069	1	1,263,056	-	1,263,056	13
Human Rights Office							
Personal services - salaries	102,600	111,810		111,807	-	111,807	3
Personal services - benefits	30,200	30,356		30,355	-	30,355	1
Other expenditures	17,500	5,603		5,603	-	5,603	-
	150,300	147,769	1	147,765	-	147,765	4
Total Legislative and Executive	2,173,300	2,157,421		2,157,366	-	2,157,366	55
Administrative Services							
Human Resources							
Personal services - salaries	470,300	444,736		444,734	-	444,734	2
Personal services - benefits	124,800	115,196		115,191	-	115,191	5
Other expenditures	31,200	30,220		30,219	-	30,219	1
	626,300	590,152	1	590,144	-	590,144	8
Budget and Operations Analysis							
Personal services - salaries	180,600	185,988		185,987	-	185,987	1
Personal services - benefits	43,300	46,515		46,513	-	46,513	2
Other expenditures	4,000	3,881		3,881	-	3,881	-
	227,900	236,384	1	236,381	-	236,381	3
Clerk							
Personal services - salaries	393,700	373,736		373,726	-	373,726	10
Personal services - benefits	98,900	93,690		93,688	-	93,688	2
Other expenditures	46,300	36,564		36,564	-	36,564	-
	538,900	503,990	1	503,978	-	503,978	12
Management Information Systems							
Personal services - salaries	847,900	774,408		774,407	-	774,407	1
Personal services - benefits	224,000	194,514		194,513	-	194,513	1
Other expenditures	261,800	220,337		220,334	-	220,334	3
	1,333,700	1,189,259	1	1,189,254	-	1,189,254	5

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2005**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
GENERAL GOVERNMENT: (continued)							
Administrative Services (continued)							
Facilities Management							
Personal services - salaries	\$ 1,275,600	\$ 1,316,270		\$ 1,316,266	\$ -	\$ 1,316,266	\$ 4
Personal services - benefits	366,400	365,210		365,207	-	365,207	3
Other expenditures	2,623,100	2,678,448		2,678,278	-	2,678,278	170
	4,265,100	4,359,928	1	4,359,751	-	4,359,751	177
Architect							
Personal services - salaries	154,500	157,571		157,570	-	157,570	1
Personal services - benefits	33,200	33,410		33,408	-	33,408	2
Other expenditures	6,300	3,981		3,981	-	3,981	-
	194,000	194,962	1	194,959	-	194,959	3
Total Administrative Services	7,185,900	7,074,675		7,074,467	-	7,074,467	208
Department of Finance							
Assessor							
Personal services - salaries	609,500	614,116		614,114	-	614,114	2
Personal services - benefits	160,000	159,064		159,062	-	159,062	2
Other expenditures	25,400	18,850		18,849	-	18,849	1
	794,900	792,030	1	792,025	-	792,025	5
Auditor							
Personal services - salaries	938,100	927,114		927,112	-	927,112	2
Personal services - benefits	239,600	220,998		220,996	-	220,996	2
Other expenditures	80,000	77,512		77,511	-	77,511	1
	1,257,700	1,225,624	1	1,225,619	-	1,225,619	5
Purchasing							
Personal services - salaries	224,100	313,550		313,549	-	313,549	1
Personal services - benefits	59,400	62,812		62,810	-	62,810	2
Other expenditures	11,000	10,313		10,313	-	10,313	-
Capital outlay	-	1,100		1,042	-	1,042	58
	294,500	387,775	1	387,714	-	387,714	61
Treasurer							
Personal services - salaries	277,100	279,884		279,881	-	279,881	3
Personal services - benefits	69,100	69,365		69,363	-	69,363	2
Other expenditures	6,400	8,039		8,034	-	8,034	5
	352,600	357,288	1	357,278	-	357,278	10
Total Finance	2,699,700	2,762,717		2,762,636	-	2,762,636	81
TOTAL GENERAL GOVERNMENT	12,058,900	11,994,813		11,994,469	-	11,994,469	344
PUBLIC SAFETY:							
Fire Department							
Fire Administration							
Personal services - salaries	272,200	312,273		312,272	-	312,272	1
Personal services - benefits	102,500	103,297		103,294	-	103,294	3
Other expenditures	39,900	31,393		31,388	-	31,388	5
	414,600	446,963	1,3	446,954	-	446,954	9
Firefighting Operations							
Personal services - salaries	7,578,500	8,167,139		8,167,119	-	8,167,119	20
Personal services - benefits	4,618,100	4,649,430		4,649,429	-	4,649,429	1
Other expenditures	319,000	276,545		276,541	-	276,541	4
	12,515,600	13,093,114	1,4	13,093,089	-	13,093,089	25

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2005**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
PUBLIC SAFETY: (continued)							
Fire Department (continued)							
Fire Prevention							
Personal services - salaries	\$ 292,700	\$ 313,068		\$ 313,066	\$ -	\$ 313,066	\$ 2
Personal services - benefits	150,000	150,961		150,939	-	150,939	22
Other expenditures	49,100	41,382		40,293	-	40,293	1,089
	491,800	505,411	1,2	504,298	-	504,298	1,113
Building Inspection							
Personal services - salaries	1,190,400	1,165,204		1,165,192	-	1,165,192	12
Personal services - benefits	334,400	319,405		319,398	-	319,398	7
Other expenditures	126,300	119,953		112,500	7,450	119,950	3
	1,651,100	1,604,562	1	1,597,090	7,450	1,604,540	22
HAZMAT							
Other expenditures	-	21,970	1,2,3	5,131	-	5,131	16,839
Total Fire	15,073,100	15,672,020		15,646,562	7,450	15,654,012	18,008
Police Department							
Administration							
Personal services - salaries	3,161,700	3,367,363		3,367,353	-	3,367,353	10
Personal services - benefits	968,100	991,491		991,488	-	991,488	3
Other expenditures	719,400	1,042,630		1,042,628	-	1,042,628	2
Capital outlay	-	-		-	-	-	-
	4,849,200	5,401,484	1,4	5,401,469	-	5,401,469	15
Operations Division							
Personal services - salaries	6,844,000	7,419,604		7,419,593	-	7,419,593	11
Personal services - benefits	2,251,700	2,291,335		2,291,325	-	2,291,325	10
Other expenditures	54,000	90,747		90,747	-	90,747	-
Capital outlay	-	-		-	-	-	-
	9,149,700	9,801,686	1,3,4	9,801,665	-	9,801,665	21
Special Accounts							
Other expenditures	-	96,122	1,2,3,4	63,320	-	63,320	32,802
Total Police	13,998,900	15,299,292		15,266,454	-	15,266,454	32,838
TOTAL PUBLIC SAFETY	29,072,000	30,971,312		30,913,016	7,450	30,920,466	50,846
PUBLIC WORKS:							
Public Works and Utilities							
Director's Office							
Personal services - salaries	45,700	34,423		34,421	-	34,421	2
Personal services - benefits	10,700	7,677		7,675	-	7,675	2
Other expenditures	2,300	832		832	-	832	-
	58,700	42,932	1	42,928	-	42,928	4
Maintenance Division							
Personal services - salaries	3,009,300	2,972,904		2,972,747	-	2,972,747	157
Personal services - benefits	811,900	788,001		787,987	-	787,987	14
Other expenditures	2,985,600	3,198,806		3,198,540	-	3,198,540	266
	6,806,800	6,959,711	1,4	6,959,274	-	6,959,274	437
Bridge Division							
Personal services - salaries	498,700	504,174		504,172	-	504,172	2
Personal services - benefits	148,000	137,828		137,826	-	137,826	2
Other expenditures	44,300	46,217		46,214	-	46,214	3
	691,000	688,219	1	688,212	-	688,212	7

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2005**

	Budget			Actual			
	Original	Modified	Note	Expended	Encumbered	Totals	Favorable (Unfavorable)
PUBLIC WORKS: (continued)							
Public Works and Utilities (continued)							
Engineering							
Personal services - salaries	\$ 1,191,100	\$ 1,223,803		\$ 1,223,799	\$ -	\$ 1,223,799	\$ 4
Personal services - benefits	313,200	320,872		320,870	-	320,870	2
Other expenditures	164,400	214,868		214,828		214,828	40
	1,668,700	1,759,543	1,2,4	1,759,497	-	1,759,497	46
TOTAL PUBLIC WORKS	9,225,200	9,450,405		9,449,911	-	9,449,911	494
CULTURE AND RECREATION:							
Library Department							
Library Services							
Personal services - salaries	2,538,000	2,560,909		2,560,908	-	2,560,908	1
Personal services - benefits	713,000	707,100		707,030	-	707,030	70
Other expenditures	114,500	120,213		120,212	-	120,212	1
Capital outlay	285,000	316,919		316,919	-	316,919	-
	3,650,500	3,705,141	1,4	3,705,069	-	3,705,069	72
Buildings and Equipment							
Personal services - salaries	151,600	150,693		150,691	-	150,691	2
Personal services - benefits	53,300	52,181		52,179	-	52,179	2
Other expenditures	23,100	28,792		28,791	-	28,791	1
	228,000	231,666	1	231,661	-	231,661	5
Total Library	3,878,500	3,936,807		3,936,730	-	3,936,730	77
Parks and Recreation Department							
Recreation and Senior Services							
Personal services - salaries	1,047,000	975,050		975,049	-	975,049	1
Personal services - benefits	261,000	219,205		219,204	-	219,204	1
Other expenditures	207,200	132,695		132,695	-	132,695	-
	1,515,200	1,326,950	1	1,326,948	-	1,326,948	2
Zoo							
Personal services - salaries	591,700	613,138		613,131	-	613,131	7
Personal services - benefits	162,400	165,625		165,622	-	165,622	3
Other expenditures	280,400	320,412		320,411	-	320,411	1
	1,034,500	1,099,175	1	1,099,164	-	1,099,164	11
Total Parks and Recreation	2,549,700	2,426,125		2,426,112	-	2,426,112	13
TOTAL CULTURE AND RECREATION	6,428,200	6,362,932		6,362,842	-	6,362,842	90
URBAN AND ECONOMIC DEVELOPMENT:							
Department Planning and Development							
Urban Development							
Personal services - salaries	337,700	337,373		337,371	-	337,371	2
Personal services - benefits	82,200	86,917		86,916	-	86,916	1
Other expenditures	130,000	273,110		127,132	102,975	230,107	43,003
Total Planning and Development	549,900	697,400	1,2,3	551,419	102,975	654,394	43,006
TOTAL URBAN AND ECONOMIC DEVELOPMENT	549,900	697,400		551,419	102,975	654,394	43,006

(continued)

**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended December 31, 2005**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
TRANSFERS:							
Capital improvements/lease purchase	\$ 258,900	\$ 267,900	1,4	\$ 267,878	\$ -	\$ 267,878	\$ 22
Capital maintenance/equipment	950,000	1,086,962	1,2	823,971	-	823,971	262,991
Civil Defense	12,000	3,000	1	2,917	-	2,917	83
Auditing services	98,600	81,576	1	81,576	-	81,576	-
Other functions	1,081,500	1,025,810	1,2,3,4	1,012,017	11,200	1,023,217	2,593
Parking improvement debt	31,000	31,000		30,944	-	30,944	56
Flexible benefits	13,000	11,250	1	10,814	-	10,814	436
Airbus Construction	875,000	875,000		875,000	-	875,000	-
Energy Program	153,900	153,902	1	153,901	-	153,901	1
Federal Programs	80,000	52,674	1	52,674	-	52,674	-
Street improvement debt	3,533,400	3,533,400		3,533,400	-	3,533,400	-
Self Insurance	1,200,000	1,200,000		1,200,000	-	1,200,000	-
Retiree insurance	5,175,000	5,244,000	1	5,243,919	-	5,243,919	81
Transfers and accruals	100,000	-	1	-	-	-	-
TOTAL TRANSFERS	13,562,300	13,566,474		13,289,011	11,200	13,300,211	266,263
TOTAL EXPENDITURES AND ENCUMBRANCES	\$ 70,896,500	\$ 73,043,336		\$ 72,560,668	\$ 121,625	\$ 72,682,293	\$ 361,043

RECONCILIATION:

Original budget as approved by Duluth City Council	\$ 70,896,500	
Adjustments made in accordance with Budget Ordinance		
Note 1	-	Departmental transfers made in accordance with budget ordinance
Note 2	859,179	Encumbrance, contract, reserve or designation carryovers from prior year
Note 3	146,357	Grants, gifts and donations in accordance with budget ordinance
Note 4	1,141,300	Other allowable additions made in accordance with budget ordinance
Total adjustments	2,146,836	
Modified budget as reported above	\$ 73,043,336	

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
Year Ended December 31, 2005

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
GENERAL GOVERNMENT:						
Legislative and Executive						
City Council	\$ 94,070	\$ 9,718	\$ 37,670	\$ -	\$ -	\$ 141,458
Mayor	128,781	32,584	13,347	-	-	174,712
Administrative Assistant	359,162	66,591	4,622	-	-	430,375
City Attorney	1,003,114	217,393	37,756	4,793	-	1,263,056
Human Rights	111,807	30,355	5,603	-	-	147,765
Total Legislative and Executive	1,696,934	356,641	98,998	4,793	-	2,157,366
Department of Administrative Services						
Human Resources	444,734	115,191	30,219	-	-	590,144
Budget and Operations Analysis	185,987	46,513	3,881	-	-	236,381
Clerk	373,726	93,688	36,564	-	-	503,978
Management Information Systems	774,407	194,513	220,334	76,338	-	1,265,592
Other Functions	-	-	2,345,887	-	-	2,345,887
Facilities Management	1,316,266	365,207	2,417,652	190,616	-	4,289,741
Architect	157,570	33,408	3,981	-	-	194,959
Total Administrative Services	3,252,690	848,520	5,058,518	266,954	-	9,426,682
Department of Finance						
Assessor	614,114	159,062	18,849	-	-	792,025
Auditor	927,112	220,996	159,087	-	-	1,307,195
Purchasing	313,549	62,810	10,313	1,042	-	387,714
Treasurer	279,881	69,363	8,034	-	-	357,278
Total Finance	2,134,656	512,231	196,283	1,042	-	2,844,212
Benefits						
Flexible benefits	-	10,814	-	-	-	10,814
Unemployment insurance	-	-	-	-	-	-
Retiree insurance	-	5,243,919	-	-	-	5,243,919
Total Benefits	-	5,254,733	-	-	-	5,254,733
TOTAL GENERAL GOVERNMENT	7,084,280	6,972,125	5,353,799	272,789	-	19,682,993
PUBLIC SAFETY:						
Fire Department						
Fire Administration	312,272	103,294	31,388	-	-	446,954
Firefighting Operations	8,167,119	4,649,429	276,541	14,125	-	13,107,214
Fire Prevention	313,066	150,939	40,293	-	-	504,298
Building Inspection	1,165,192	319,398	112,500	-	-	1,597,090
HAZMAT	-	-	5,131	-	-	5,131
Total Fire	9,957,649	5,223,060	465,853	14,125	-	15,660,687

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
Year Ended December 31, 2005

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
PUBLIC SAFETY: (continued)						
Police Department						
Administration	\$ 3,367,353	\$ 991,488	\$ 1,042,628	\$ -	\$ -	\$ 5,401,469
Operations Division	7,419,593	2,291,325	90,747	-	-	9,801,665
Special Accounts	-	-	40,168	23,152	-	63,320
Total Police	10,786,946	3,282,813	1,173,543	23,152	-	15,266,454
Civil Defense	-	-	2,917	-	-	2,917
TOTAL PUBLIC SAFETY	20,744,595	8,505,873	1,642,313	37,277	-	30,930,058
PUBLIC WORKS:						
Public Works Department						
Director's Office	34,421	7,675	832	-	-	42,928
Maintenance Division	2,972,747	787,987	3,198,540	-	-	6,959,274
Bridge Division	504,172	137,826	46,214	-	-	688,212
Engineering	1,223,799	320,870	214,828	-	-	1,759,497
TOTAL PUBLIC WORKS	4,735,139	1,254,358	3,460,414	-	-	9,449,911
CULTURE AND RECREATION:						
Library Department						
Library Services	2,560,908	707,030	120,212	316,919	-	3,705,069
Buildings and Equipment	150,691	52,179	28,791	-	-	231,661
Total Library Department	2,711,599	759,209	149,003	316,919	-	3,936,730
Parks and Recreation Department						
Recreation and Senior Services	975,049	219,204	132,695	110,208	-	1,437,156
Zoo	613,131	165,622	320,411	-	-	1,099,164
Total Parks and Recreation	1,588,180	384,826	453,106	110,208	-	2,536,320
TOTAL CULTURE AND RECREATION	4,299,779	1,144,035	602,109	427,127	-	6,473,050
URBAN AND ECONOMIC DEVELOPMENT:						
Planning and Development						
Urban Development	337,371	86,916	127,132	-	-	551,419
TOTAL URBAN AND ECONOMIC DEVELOPMENT	337,371	86,916	127,132	-	-	551,419

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
Year Ended December 31, 2005

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
TRANSFERS:						
DEDA-Northwest Maintenance Facility	\$ -	\$ -	\$ -	\$ -	875,000	\$ 875,000
Senior Nutrition	-	-	-	-	52,674	52,674
Street Improvement Program Debt Service	-	-	-	-	3,533,400	3,533,400
General Obligation	-	-	-	-	291,658	291,658
Permanent Improvements	-	-	-	-	10,713	10,713
Capital Improvements	-	-	-	-	290,000	290,000
TOTAL TRANSFERS	-	-	-	-	5,053,445	5,053,445
DEBT SERVICE:						
Capital lease obligation - principal	-	-	-	281,530	-	281,530
Capital lease obligation - interest	-	-	-	138,262	-	138,262
TOTAL DEBT SERVICE	-	-	-	419,792	-	419,792
TOTAL EXPENDITURES	<u>\$ 37,201,164</u>	<u>\$ 17,963,307</u>	<u>\$ 11,185,767</u>	<u>\$ 1,156,985</u>	<u>\$ 5,053,445</u>	<u>\$ 72,560,668</u>

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Proprietary Funds

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

Stormwater Utility - to account for the operation and maintenance of the stormwater sewer collection system.

Steam District #1 - to account for the generation and distribution of steam.

Steam District #2 - to account for the operations of the Hibbard Steam Plant.

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2005**

	Stormwater	Steam District #1	Steam District #2	Golf	Total Nonmajor Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 937,925	\$ 382,921	\$ 318,051	\$ -	\$ 1,638,897
Restricted cash and cash equivalents:					
Construction	-	259,553	-	-	259,553
Restricted assets held by trustee	-	-	-	108,908	108,908
Accounts Receivable, net	17,718	629,393	600,485	1,477	1,249,073
Due from other funds	5,591	138,129	-	31,116	174,836
Due from other governments	267,910	-	-	-	267,910
Inventories	-	206,231	-	39,328	245,559
Prepays	-	-	59,463	-	59,463
Total current assets	<u>1,229,144</u>	<u>1,616,227</u>	<u>977,999</u>	<u>180,829</u>	<u>4,004,199</u>
Capital assets, net	<u>8,251,044</u>	<u>5,295,093</u>	<u>9,757,222</u>	<u>2,219,344</u>	<u>25,522,703</u>
Noncurrent assets:					
Due from other governments	-	25,000	-	-	25,000
Issuance costs	-	23,093	-	40,469	63,562
Planning and development costs	75,000	-	-	-	75,000
Total other assets	<u>75,000</u>	<u>48,093</u>	<u>-</u>	<u>40,469</u>	<u>163,562</u>
Total noncurrent assets	<u>8,326,044</u>	<u>5,343,186</u>	<u>9,757,222</u>	<u>2,259,813</u>	<u>25,686,265</u>
Total assets	<u>9,555,188</u>	<u>6,959,413</u>	<u>10,735,221</u>	<u>2,440,642</u>	<u>29,690,464</u>
LIABILITIES					
Current liabilities:					
Accounts payable	22,509	116,999	666,483	4,610	810,601
Contracts payable	261,773	231,940	-	-	493,713
Notes payable	-	8,190	-	-	8,190
Leases payable	-	-	-	36,744	36,744
Due to other funds	23,149	210	137,453	2,300	163,112
Interfund loan payable	-	-	-	514,364	514,364
Due to other governments	2,039	31,200	-	7,489	40,728
Accrued interest payable	20,266	71,918	-	3,163	95,347
Accrued salaries payable	22,855	-	-	5,106	27,961
Unearned revenue	-	-	-	9,538	9,538
Revenue bonds payable	76,000	185,000	-	120,000	381,000
Total current liabilities	<u>428,591</u>	<u>645,457</u>	<u>803,936</u>	<u>703,314</u>	<u>2,581,298</u>
Noncurrent liabilities:					
Notes payable	-	25,413	-	-	25,413
Compensated absences	98,712	-	-	38,897	137,609
Revenue bonds payable	1,200,000	3,885,000	-	800,000	5,885,000
Less unamortized bond discount	(13,444)	(57,164)	-	(55,935)	(126,543)
Total noncurrent liabilities	<u>1,285,268</u>	<u>3,853,249</u>	<u>-</u>	<u>782,962</u>	<u>5,921,479</u>
Total liabilities	<u>1,713,859</u>	<u>4,498,706</u>	<u>803,936</u>	<u>1,486,276</u>	<u>8,502,777</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,726,715	1,145,337	9,757,222	1,318,535	18,947,809
Restricted for special accounts	-	-	150,000	106,475	256,475
Unrestricted	<u>1,114,614</u>	<u>1,315,370</u>	<u>24,063</u>	<u>(470,644)</u>	<u>1,983,403</u>
Total net assets	<u>\$ 7,841,329</u>	<u>\$ 2,460,707</u>	<u>\$ 9,931,285</u>	<u>\$ 954,366</u>	<u>\$ 21,187,687</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Stormwater</u>	<u>Steam Dist #1</u>	<u>Steam Dist. #2</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ -	\$ 442,672	\$ 442,672
Charges for services	2,937,074	4,330,444	6,584,168	1,256,058	15,107,744
Miscellaneous revenues	15,566	85,679	-	360	101,605
Total operating revenues	<u>2,952,640</u>	<u>4,416,123</u>	<u>6,584,168</u>	<u>1,699,090</u>	<u>15,652,021</u>
OPERATING EXPENSES					
Cost of sales and services	-	-	-	240,998	240,998
Personal services	1,416,820	-	-	434,318	1,851,138
Supplies	134,453	1,523,777	868,751	164,897	2,691,878
Utilities	13,888	260,213	952,865	84,618	1,311,584
Other services and charges	637,604	1,707,088	4,769,540	702,847	7,817,079
Amortization	30,000	525	-	5,851	36,376
Depreciation	240,002	449,835	2,306,745	211,506	3,208,088
Total operating expenses	<u>2,472,767</u>	<u>3,941,438</u>	<u>8,897,901</u>	<u>1,845,035</u>	<u>17,157,141</u>
Operating income	<u>479,873</u>	<u>474,685</u>	<u>(2,313,733)</u>	<u>(145,945)</u>	<u>(1,505,120)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	59,531	5,571	930	5,137	71,169
Gain (Loss) on sale or disposition of capital assets	-	-	(22,076)	-	(22,076)
Interest expense	(49,906)	(144,394)	-	(63,077)	(257,377)
Intergovernmental revenue	30,206	-	-	-	30,206
Total non-operating revenue (expenses)	<u>39,831</u>	<u>(138,823)</u>	<u>(21,146)</u>	<u>(57,940)</u>	<u>(178,078)</u>
Income before contributions and transfers	519,704	335,862	(2,334,879)	(203,885)	(1,683,198)
Capital contributions	-	-	804,488	-	804,488
Transfers in	-	-	-	31,116	31,116
Transfers out	<u>(64,933)</u>	<u>(88,016)</u>	<u>-</u>	<u>-</u>	<u>(152,949)</u>
Change in net assets	454,771	247,846	(1,530,391)	(172,769)	(1,000,543)
Total net assets - January 1, 2005	<u>7,386,558</u>	<u>2,212,861</u>	<u>11,461,676</u>	<u>1,127,135</u>	<u>22,188,230</u>
Total net assets - December 31, 2005	<u>\$ 7,841,329</u>	<u>\$ 2,460,707</u>	<u>\$ 9,931,285</u>	<u>\$ 954,366</u>	<u>\$ 21,187,687</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Stormwater	Steam District #1	Steam District #2	Golf	Total Non-major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,581,195	\$ 4,157,179	\$ 6,565,296	\$ 1,706,791	\$ 15,010,461
Cash paid to suppliers	(769,951)	(3,528,394)	(6,398,175)	(1,227,395)	(11,923,915)
Cash paid to employees	(1,417,797)	-	-	(428,993)	(1,846,790)
Other operating revenues	6,050	5,294	-	360	11,704
Net cash provided (used) by operating activities	399,497	634,079	167,121	50,763	1,251,460
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(64,933)	(88,016)	-	-	(152,949)
Operating grants	30,206	-	-	-	30,206
Interfund financing	-	-	-	206,890	206,890
Net cash provided (used) by noncapital financing activities	(34,727)	(88,016)	-	206,890	84,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants and contributions	-	-	804,488	-	804,488
Interest received on capital	-	-	930	-	930
Issuance of revenue bonds and notes	-	1,250,000	-	-	1,250,000
Principal paid on bonds, notes and capitalized leases	(75,000)	(148,516)	-	(42,944)	(266,460)
Interest paid on bonds, notes and capitalized leases	(49,575)	(118,166)	-	(3,539)	(171,280)
Transfer to trustee debt service account	-	-	-	(145,262)	(145,262)
Payment of bond issuance costs	-	(23,618)	-	-	(23,618)
Acquisition or construction of capital assets	(1,303,080)	(1,267,865)	(804,488)	(65,908)	(3,441,341)
Net cash provided (used) by capital and related financing activities	(1,427,655)	(308,165)	930	(257,653)	(1,992,543)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment interest	59,531	5,571	-	-	65,102
Net increase (decrease) in cash and cash equivalents	(1,003,354)	243,469	168,051	-	(591,834)
Cash and cash equivalents - January 1, 2005	1,941,279	399,005	150,000	-	2,490,284
Cash and cash equivalents - December 31, 2005	<u>\$ 937,925</u>	<u>\$ 642,474</u>	<u>\$ 318,051</u>	<u>\$ -</u>	<u>\$ 1,898,450</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	<u>\$ 479,873</u>	<u>\$ 474,685</u>	<u>\$ (2,313,733)</u>	<u>\$ (145,945)</u>	<u>\$ (1,505,120)</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	270,002	450,360	2,306,745	217,357	3,244,464
Change in assets and liabilities:					
Decrease (increase) in receivables	(252,637)	(253,911)	(18,872)	8,061	(517,359)
Decrease (increase) in inventory	-	(40,791)	-	(39,328)	(80,119)
Decrease (increase) in prepaid items	-	24,390	(4,178)	-	20,212
Increase (decrease) in payables	7,648	(20,654)	197,159	10,618	194,771
Increase (decrease) in deferred revenues	(105,389)	-	-	-	(105,389)
Total adjustments	(80,376)	159,394	2,480,854	196,708	2,756,580
Net cash provided (used) by operating activities	<u>\$ 399,497</u>	<u>\$ 634,079</u>	<u>\$ 167,121</u>	<u>\$ 50,763</u>	<u>\$ 1,251,460</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Golf

The trustee debt service account paid \$120,000 and \$31,595 for principal and interest payments, respectively, and earned \$5,137 in interest.

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2005

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 111,331	\$ 6,995,678	\$ -	\$ 3,021,469	\$ 10,128,478
Accounts receivable, net	1,580	5,158	-	-	6,738
Due from other funds	110,453	554	325,812	387,695	824,514
Due from component units	434,607	120,683	-	-	555,290
Inventories	-	-	207,085	-	207,085
Total current assets	<u>657,971</u>	<u>7,122,073</u>	<u>532,897</u>	<u>3,409,164</u>	<u>11,722,105</u>
Capital assets, net	<u>-</u>	<u>-</u>	<u>486,761</u>	<u>-</u>	<u>486,761</u>
Total assets	<u>657,971</u>	<u>7,122,073</u>	<u>1,019,658</u>	<u>3,409,164</u>	<u>12,208,866</u>
LIABILITIES					
Current liabilities:					
Accounts payable	3,067	-	128,376	-	131,443
Claims payable	473,664	1,319,941	-	-	1,793,605
Leases payable	-	-	30,329	-	30,329
Due to other funds	180,425	8,500	3,100	-	192,025
Interfund loan payable	-	-	176,811	-	176,811
Due to other governments	-	-	6,673	-	6,673
Accrued interest payable	20,483	-	2,928	-	23,411
Accrued salaries payable	-	-	23,585	-	23,585
Unearned revenue	27,729	-	-	-	27,729
Total current liabilities	<u>705,368</u>	<u>1,328,441</u>	<u>371,802</u>	<u>-</u>	<u>2,405,611</u>
Noncurrent liabilities:					
Claims payable	1,206,312	-	-	-	1,206,312
Compensated absences	-	-	157,462	3,409,164	3,566,626
Leases payable	-	-	229,939	-	229,939
Total noncurrent liabilities	<u>1,206,312</u>	<u>-</u>	<u>387,401</u>	<u>3,409,164</u>	<u>5,002,877</u>
Total liabilities	<u>1,911,680</u>	<u>1,328,441</u>	<u>759,203</u>	<u>3,409,164</u>	<u>7,408,488</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	226,493	-	226,493
Unrestricted	<u>(1,253,709)</u>	<u>5,793,632</u>	<u>33,962</u>	<u>-</u>	<u>4,573,885</u>
Total net assets	<u>\$ (1,253,709)</u>	<u>\$ 5,793,632</u>	<u>\$ 260,455</u>	<u>\$ -</u>	<u>\$ 4,800,378</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ 797,802	\$ -	\$ 797,802
Charges for services	2,110,158	15,090,857	2,251,021	3,319,179	22,771,215
Miscellaneous revenues	252,851	213,150	8,630	-	474,631
Total operating revenues	2,363,009	15,304,007	3,057,453	3,319,179	24,043,648
OPERATING EXPENSES					
Cost of sales and services	-	-	741,089	-	741,089
Personal services	516,618	-	1,342,265	3,319,179	5,178,062
Supplies	1,368	-	670,425	-	671,793
Other services and charges	567,496	1,272,353	292,535	-	2,132,384
Depreciation	-	-	31,815	-	31,815
Medical and insurance claims	1,601,266	13,361,913	-	-	14,963,179
Total operating expenses	2,686,748	14,634,266	3,078,129	3,319,179	23,718,322
Operating income	(323,739)	669,741	(20,676)	-	325,326
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	103,060	-	97,864	200,924
Interest expense	-	-	(14,744)	-	(14,744)
Total non-operating revenue (expenses)	-	103,060	(14,744)	97,864	186,180
Income before transfers	(323,739)	772,801	(35,420)	97,864	511,506
Transfers out	-	(82,280)	-	(97,864)	(180,144)
Change in net assets	(323,739)	690,521	(35,420)	-	331,362
Total net assets - January 1, 2005	(929,970)	5,103,111	295,875	-	4,469,016
Total net assets - December 31, 2005	\$ (1,253,709)	\$ 5,793,632	\$ 260,455	\$ -	\$ 4,800,378

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,890,715	\$ 15,183,309	\$ 3,004,965	\$ 3,013,047	\$ 24,092,036
Cash paid to suppliers	(3,030,256)	(14,516,718)	(1,770,947)	-	(19,317,921)
Cash paid to employees	-	-	(1,318,941)	(3,142,132)	(4,461,073)
Other operating revenues	-	-	8,630	-	8,630
Net cash provided (used) by operating activities	(139,541)	666,591	(76,293)	(129,085)	321,672
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	(82,280)	-	-	(82,280)
Interfund financing	-	-	129,859	(97,864)	31,995
Net cash provided (used) by noncapital	-	(82,280)	129,859	(97,864)	(50,285)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds, notes and capitalized leases	-	-	(33,133)	-	(33,133)
Interest paid on bonds, notes and capitalized leases	-	-	(14,261)	-	(14,261)
Acquisition or construction of capital assets	-	-	(6,172)	-	(6,172)
Net cash provided (used) by capital and related financing activities	-	-	(53,566)	-	(53,566)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment interest	-	103,060	-	97,864	200,924
Net increase (decrease) in cash and cash equivalents	(139,541)	687,371	-	(129,085)	418,745
Cash and cash equivalents - January 1, 2005	250,872	6,308,307	-	3,150,554	9,709,733
Cash and cash equivalents - December 31, 2005	\$ 111,331	\$ 6,995,678	\$ -	\$ 3,021,469	\$ 10,128,478
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (323,739)	\$ 669,741	\$ (20,676)	\$ -	\$ 325,326
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	-	31,815	-	31,815
Change in assets and liabilities:					
Decrease (increase) in receivables	527,706	(120,698)	(43,858)	(295,440)	67,710
Decrease (increase) in inventory	-	-	(44,921)	-	(44,921)
Increase (decrease) in payables	(343,508)	117,548	1,347	166,355	(58,258)
Total adjustments	184,198	(3,150)	(55,617)	(129,085)	(3,654)
Net cash provided (used) by operating activities	\$ (139,541)	\$ 666,591	\$ (76,293)	\$ (129,085)	\$ 321,672

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Fiduciary Funds

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

Sister Cities Commission - to account for gifts, donations and other revenues secured by the Commission to establish and promote relationships with Duluth's Sister Cities.

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

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

	Balance 01/01/05	Additions	Deductions	Balance 12/31/05
<u>DULUTH 1200 FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 1,417,676	\$ 937,336	\$ 1,745,806	\$ 609,206
Loans receivable	2,069,801	1,549,802	684,384	2,935,219
Other assets	349,524	2,070	2,050	349,544
Total assets	<u>\$ 3,837,001</u>	<u>\$ 2,489,208</u>	<u>\$ 2,432,240</u>	<u>\$ 3,893,969</u>
LIABILITIES				
Accounts payable	\$ 2,108	\$ 167,308	\$ 145,416	\$ 24,000
Due to agency	3,834,893	75,426	40,350	3,869,969
Total liabilities	<u>\$ 3,837,001</u>	<u>\$ 242,734</u>	<u>\$ 185,766</u>	<u>\$ 3,893,969</u>
<u>DULUTH PUBLIC ARTS</u>				
ASSETS				
Cash and cash equivalents	\$ 89,964	\$ 95,867	\$ 149,202	\$ 36,629
Due from other governments	2,500	2,500	5,000	-
Total assets	<u>\$ 92,464</u>	<u>\$ 98,367</u>	<u>\$ 154,202</u>	<u>\$ 36,629</u>
LIABILITIES				
Accounts payable	\$ 1,792	\$ 153,422	\$ 148,768	\$ 6,446
Due to other governments	80	1,005	80	1,005
Due to agency	90,592	81,179	142,593	29,178
Total liabilities	<u>\$ 92,464</u>	<u>\$ 235,606</u>	<u>\$ 291,441</u>	<u>\$ 36,629</u>
<u>SISTER CITIES COMMISSION</u>				
ASSETS				
Cash and cash equivalents	\$ 61,898	\$ 53,807	\$ 51,949	\$ 63,756
Due from other governments	2,967	2,967	5,934	-
Total assets	<u>\$ 64,865</u>	<u>\$ 56,774</u>	<u>\$ 57,883</u>	<u>\$ 63,756</u>
LIABILITIES				
Accounts payable	\$ 334	\$ 31,558	\$ 30,920	\$ 972
Due to agency	64,531	51,440	53,187	62,784
Total liabilities	<u>\$ 64,865</u>	<u>\$ 82,998</u>	<u>\$ 84,107</u>	<u>\$ 63,756</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2005

	Balance 01/01/05	Additions	Deductions	Balance 12/31/05
<u>SEAWAY PORT AUTHORITY</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 448,610	\$ 405,514	\$ 43,096
Taxes receivable	1,641	276	996	921
Total assets	<u>\$ 1,641</u>	<u>\$ 448,886</u>	<u>\$ 406,510</u>	<u>\$ 44,017</u>
LIABILITIES				
Due to other governments	<u>\$ 1,641</u>	<u>\$ 853,968</u>	<u>\$ 811,592</u>	<u>\$ 44,017</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 1,569,538	\$ 1,535,620	\$ 2,352,471	\$ 752,687
Taxes receivable	1,641	276	996	921
Loans receivable	2,069,801	1,549,802	684,384	2,935,219
Due from other governments	5,467	5,467	10,934	-
Other assets	349,524	2,070	2,050	349,544
Total assets	<u>\$ 3,995,971</u>	<u>\$ 3,093,235</u>	<u>\$ 3,050,835</u>	<u>\$ 4,038,371</u>
LIABILITIES				
Accounts payable	\$ 4,234	\$ 352,288	\$ 325,104	\$ 31,418
Due to other governments	1,721	854,973	811,672	45,022
Due to agency	3,990,016	208,045	236,130	3,961,931
Total liabilities	<u>\$ 3,995,971</u>	<u>\$ 1,415,306</u>	<u>\$ 1,372,906</u>	<u>\$ 4,038,371</u>

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Supplementary Information

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE*
December 31, 2005

Governmental funds capital assets:

Land	\$ 25,114,729
Buildings and structures	85,916,829
Equipment	19,925,251
Infrastructure	200,632,289
Construction in Progress	<u>29,667,872</u>

Total governmental funds capital assets	\$ <u>361,256,970</u>
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Investments in governmental funds capital assets by source:

General fund	\$ 17,373,418
Special revenue fund	18,759,094
Capital projects fund	323,517,478
Donations	<u>1,606,980</u>

Total governmental funds capital assets	\$ <u>361,256,970</u>
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** This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.*

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
December 31, 2005

	Land	Buildings and Structures	Equipment	Infrastructure	Construction in Progress	Total
Function and Activity						
General Government						
Legislative and Executive	\$ -	\$ -	\$ 22,960	\$ -	\$ -	\$ 22,960
Planning and Development	3,077,959	27,164,440	2,710,745	-	-	32,953,144
Finance	1,029,500	-	265,664	-	-	1,295,164
Administrative Services	-	-	1,045,588	-	-	1,045,588
Facilities Management	3,559,462	22,669,420	389,246	7,881,577	2,255,136	36,754,841
Total General Government	<u>7,666,921</u>	<u>49,833,860</u>	<u>4,434,203</u>	<u>7,881,577</u>	<u>2,255,136</u>	<u>72,071,697</u>
Public Safety						
Police	2,000	441,213	2,785,002	-	90,130	3,318,345
Fire	83,006	2,559,291	4,399,022	-	-	7,041,319
Total Public Safety	<u>85,006</u>	<u>3,000,504</u>	<u>7,184,024</u>	<u>-</u>	<u>90,130</u>	<u>10,359,664</u>
Public Works						
Street and Park Maintenance	5,200,050	2,465,570	6,420,164	191,507,709	26,992,365	232,585,858
Engineering	-	-	1,000,424	-	-	1,000,424
Total Public Works	<u>5,200,050</u>	<u>2,465,570</u>	<u>7,420,588</u>	<u>191,507,709</u>	<u>26,992,365</u>	<u>233,586,282</u>
Culture and Recreation						
Libraries	51,585	9,154,041	388,410	-	-	9,594,036
Parks and Recreation	12,111,167	21,462,854	498,026	1,243,003	330,241	35,645,291
Total Culture and Recreation	<u>12,162,752</u>	<u>30,616,895</u>	<u>886,436</u>	<u>1,243,003</u>	<u>330,241</u>	<u>45,239,327</u>
Total Governmental Funds Capital Assets	<u>\$ 25,114,729</u>	<u>\$ 85,916,829</u>	<u>\$ 19,925,251</u>	<u>\$ 200,632,289</u>	<u>\$ 29,667,872</u>	<u>\$ 361,256,970</u>

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

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
Year Ended December 31, 2005

Function and Activity	Governmental Funds Capital Assets 01/01/05	Additions	Deductions	Governmental Funds Capital Assets 12/31/05
General Government				
Legislative and Executive	\$ 22,960	\$ -	\$ -	\$ 22,960
Planning and Development	33,433,900	-	480,756	32,953,144
Finance	370,221	924,943	-	1,295,164
Administrative Services	915,045	130,543	-	1,045,588
Facilities Management	34,576,527	2,276,753	98,439	36,754,841
Total General Government	<u>69,318,653</u>	<u>3,332,239</u>	<u>579,195</u>	<u>72,071,697</u>
Public Safety				
Police	2,447,336	886,834	15,825	3,318,345
Fire	7,126,892	-	85,573	7,041,319
Total Public Safety	<u>9,574,228</u>	<u>886,834</u>	<u>101,398</u>	<u>10,359,664</u>
Public Works				
Street and Park Maintenance	216,212,301	29,908,135	13,534,578	232,585,858
Engineering	1,017,039	22,238	38,853	1,000,424
Total Public Works	<u>217,229,340</u>	<u>29,930,373</u>	<u>13,573,431</u>	<u>233,586,282</u>
Culture and Recreation				
Libraries	9,573,960	20,076	-	9,594,036
Parks and Recreation	35,296,690	3,441,165	3,092,564	35,645,291
Total Culture and Recreation	<u>44,870,650</u>	<u>3,461,241</u>	<u>3,092,564</u>	<u>45,239,327</u>
Total Governmental Funds Capital Assets	<u>\$ 340,992,871</u>	<u>\$ 37,610,687</u>	<u>\$ 17,346,588</u>	<u>\$ 361,256,970</u>

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

CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
December 31, 2005

	<u>Issued</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Governmental Activities:				
General Obligation Bonds Payable -				
General Obligation				
Great Lakes Aquarium	\$ 2,495,000	07/15/96	02/01/17	\$ 1,915,000
Bayfront Project Tax Increment (80%)	1,028,000	12/01/96	02/01/08	440,000
Zoo Refunding	3,285,000	09/01/97	02/01/12	1,920,000
Duluth Transit Authority	525,000	09/01/97	02/01/08	240,000
Street Overlay (26%) Refunding	406,900	12/01/97	02/01/06	101,400
Street Overlay (60%) Refunding	639,000	05/01/98	02/01/08	306,000
West Michigan Street Improvements	1,745,000	12/01/98	02/01/14	1,290,000
Duluth Entertainment and Convention Center Authority	8,000,000	02/01/99	08/01/14	5,845,000
Parking Improvement Tax Increment	310,000	06/01/99	02/01/15	250,000
Technology Village Parking Ramp Tax Increment (72%)	2,590,000	06/01/99	02/01/15	2,165,000
Duluth Transit Authority	180,000	06/01/99	02/01/05	40,000
Great Lakes Aquarium	2,475,000	12/01/99	02/01/10	1,740,000
Bayfront Festival Park	3,135,000	04/01/01	02/01/11	2,385,000
Duluth Transit Authority	615,000	09/01/01	02/01/11	495,000
Airport Improvement	3,400,000	02/01/02	02/01/17	3,240,000
Leif Erickson Park Tax Increment (80%) Refunding	508,000	09/01/02	02/01/08	352,000
Duluth Entertainment and Convention Center Authority Refunding	2,405,000	03/01/03	02/01/10	2,080,000
Bayfront Festival Park Improvement	425,000	12/01/03	02/01/12	425,000
Improvement	800,000	03/01/04	02/01/14	800,000
Airpark Improvement	945,000	09/01/04	02/01/20	945,000
Capital Improvement	1,255,000	06/01/05	02/01/15	-
Medical District (69%)	8,864,200	12/16/05	02/01/26	-
Lake Superior Center Refunding	1,765,000	12/19/05	02/01/17	-
Zoo Refunding Issue	1,485,000	12/19/05	02/01/12	-
Total General Obligation				\$ 26,974,400
General Obligation - Tax Increment				
Bayfront Project Tax Increment (20%)	\$ 257,000	12/01/96	02/01/08	\$ 110,000
Canal Park Tax Increment Refunding	3,040,000	09/01/97	02/01/08	1,100,000
Great Lakes Aquarium Tax Increment	4,530,000	05/01/99	02/01/08	2,215,000
Technology Village Parking Ramp Tax Increment (28%)	1,000,000	06/01/99	02/01/15	835,000
Leif Erickson Park Tax Increment (20%) Refunding	127,000	09/01/02	02/01/08	88,000
Medical District Tax Increment (31%)	3,920,800	12/16/05	02/01/26	-
Total General Obligation Tax Increment				\$ 4,348,000
General Obligation - Tax Abatement				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/01/05	02/01/21	\$ -
Total General Obligation Bonds Payable				\$ 31,322,400
Revenue Bonds Payable -				
Tax Increment Revenue Bonds Payable -				
St. Louis Bay Tax Increment	\$ 29,300,000	12/01/85	09/01/10	\$ 4,800,000
Cirrus Tax Increment Revenue	645,000	03/01/94	02/01/12	330,000
Tax Increment Revenue Refunding	4,149,906	04/15/98	08/01/08	1,525,209
Tax Increment Revenue Refunding	8,001,533	05/04/99	08/01/08	3,512,282
Total Tax Increment Revenue Bonds Payable				\$ 10,167,491
Lease Revenue Bonds Payable -				
Artspace Community Center	\$ 2,720,000	05/01/95	08/01/14	\$ 1,890,000
Total Revenue Bonds Payable				\$ 12,057,491
Special Assessment Debt with Government Commitment -				
Street Improvement	\$ 5,650,000	07/15/96	02/01/12	\$ 3,570,000
Street Improvement	6,020,000	09/01/97	02/01/12	4,115,000
General Obligation Improvement	830,000	09/01/97	02/01/08	380,000
Street Overlay (74%) Refunding	1,158,100	12/01/97	02/01/06	288,600
General Obligation Improvement Refunding	890,000	12/01/97	02/01/05	120,000
Street Overlay (40%) Refunding	426,000	05/01/98	02/01/08	204,000
General Obligation Improvement Refunding	1,595,000	05/01/98	02/01/07	835,000
General Obligation Improvement	1,005,000	12/01/98	02/01/15	795,000
Street Improvement	6,790,000	08/01/98	02/01/14	4,670,000
Street Improvement	6,675,000	06/01/99	02/01/15	5,135,000
General Obligation Improvement	1,220,000	12/01/99	02/02/15	980,000
Street Improvement	5,410,000	09/01/00	02/01/16	4,430,000
General Obligation Improvement	1,405,000	04/01/01	02/01/16	1,180,000
Street Improvement	4,800,000	09/01/01	02/01/16	4,190,000
Street Improvement	3,860,000	09/01/02	02/01/18	3,575,000
General Obligation Improvement Refunding	1,080,000	09/01/02	02/01/08	710,000
General Obligation Improvement	2,220,000	12/01/02	02/01/18	2,120,000
Street Improvement Refunding	3,118,400	03/01/03	02/01/10	2,683,800
Street Improvement Refunding	818,000	03/01/03	02/01/10	704,000
General Obligation Improvement Refunding	583,600	03/01/03	02/01/10	502,200
Street Improvement	5,035,000	09/01/03	02/01/19	5,035,000
General Obligation Improvement	2,010,000	12/01/03	02/01/19	2,010,000
Street Improvement	4,785,000	09/01/04	02/01/20	4,785,000
General Obligation Improvement	2,275,000	06/01/05	02/01/20	-
Street Improvement	4,260,000	10/01/05	02/01/21	-
General Obligation Improvement Refunding	200,000	12/19/05	02/01/08	-
Street Improvement Refunding	2,820,000	12/19/05	02/01/12	-
Total Special Assessment Debt with Government Commitment				\$ 53,017,600

(Continued)

CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
December 31, 2005

	2005			2006	
	Issued	Retired	Dec 31 Balance	Principal Due in 2006	Interest Due in 2006
Governmental Activities:					
General Obligation Bonds Payable -					
General Obligation					
Great Lakes Aquarium	\$ -	\$ 1,915,000	\$ -	\$ -	\$ -
Bayfront Project Tax Increment (80%)	-	440,000	-	-	-
Zoo Refunding	-	1,920,000	-	-	-
Duluth Transit Authority	-	55,000	185,000	60,000	7,413
Street Overlay (26%) Refunding	-	50,700	50,700	50,700	1,141
Street Overlay (60%) Refunding	-	81,000	225,000	75,000	8,400
West Michigan Street Improvements	-	105,000	1,185,000	110,000	49,413
Duluth Entertainment and Convention Center Authority	-	480,000	5,365,000	500,000	212,988
Parking Improvement Tax Increment	-	20,000	230,000	20,000	10,509
Technology Village Parking Ramp Tax Increment (72%)	-	155,000	2,010,000	165,000	92,038
Duluth Transit Authority	-	40,000	-	-	-
Great Lakes Aquarium	-	260,000	1,480,000	270,000	64,322
Bayfront Festival Park	-	325,000	2,060,000	180,000	80,406
Duluth Transit Authority	-	60,000	435,000	65,000	15,385
Airport Improvement	-	170,000	3,070,000	180,000	174,728
Leif Erickson Park Tax Increment (80%) Refunding	-	84,000	268,000	88,000	6,840
Duluth Entertainment and Convention Center Authority Refunding	-	325,000	1,755,000	330,000	44,245
Bayfront Festival Park Improvement	-	45,000	380,000	50,000	10,555
Improvement	-	-	800,000	80,000	20,208
Airpark Improvement	-	-	945,000	45,000	33,478
Capital Improvement	1,255,000	-	1,255,000	-	47,865
Medical District (69%)	8,864,200	-	8,864,200	-	-
Lake Superior Center Refunding	1,765,000	-	1,765,000	-	40,267
Zoo Refunding Issue	1,485,000	-	1,485,000	-	31,516
Total General Obligation	\$ 13,369,200	\$ 6,530,700	\$ 33,812,900	\$ 2,268,700	\$ 951,717
General Obligation - Tax Increment					
Bayfront Project Tax Increment (20%)	\$ -	\$ 110,000	\$ -	\$ -	\$ -
Canal Park Tax Increment Refunding	-	275,000	825,000	275,000	32,588
Great Lakes Aquarium Tax Increment	-	520,000	1,695,000	540,000	59,163
Technology Village Parking Ramp Tax Increment (28%)	-	60,000	775,000	65,000	35,459
Leif Erickson Park Tax Increment (20%) Refunding	-	21,000	67,000	22,000	1,710
Medical District Tax Increment (31%)	3,920,800	-	3,920,800	-	426,055
Total General Obligation Tax Increment	\$ 3,920,800	\$ 986,000	\$ 7,282,800	\$ 902,000	\$ 554,975
General Obligation - Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	\$ -	\$ 310,000	\$ -	\$ 10,022
Total General Obligation Bonds Payable	\$ 17,600,000	\$ 7,516,700	\$ 41,405,700	\$ 3,170,700	\$ 1,516,714
Revenue Bonds Payable -					
Tax Increment Revenue Bonds Payable -					
St. Louis Bay Tax Increment	\$ -	\$ 4,800,000	\$ -	\$ -	\$ -
Cirrus Tax Increment Revenue	-	35,000	295,000	40,000	21,750
Tax Increment Revenue Refunding	-	425,355	1,099,854	404,454	185,546
Tax Increment Revenue Refunding	-	987,723	2,524,559	931,471	388,529
Total Tax Increment Revenue Bonds Payable	\$ -	\$ 6,248,078	\$ 3,919,413	\$ 1,375,925	\$ 595,825
Lease Revenue Bonds Payable -					
Artspace Community Center	\$ -	\$ 120,000	\$ 1,770,000	\$ 130,000	\$ 119,170
Total Revenue Bonds Payable	\$ -	\$ 6,368,078	\$ 5,689,413	\$ 1,505,925	\$ 714,995
Special Assessment Debt with Government Commitment -					
Street Improvement	\$ -	\$ 365,000	\$ 3,205,000	\$ 385,000	\$ 159,572
Street Improvement	-	4,115,000	-	-	-
General Obligation Improvement	-	380,000	-	-	-
Street Overlay (74%) Refunding	-	144,300	144,300	144,300	3,247
General Obligation Improvement Refunding	-	120,000	-	-	-
Street Overlay (40%) Refunding	-	54,000	150,000	50,000	5,600
General Obligation Improvement Refunding	-	275,000	560,000	280,000	18,620
General Obligation Improvement	-	60,000	735,000	60,000	31,080
Street Improvement	-	380,000	4,290,000	395,000	191,171
Street Improvement	-	455,000	4,680,000	385,000	214,379
General Obligation Improvement	-	70,000	910,000	70,000	44,163
Street Improvement	-	370,000	4,060,000	385,000	192,496
General Obligation Improvement	-	75,000	1,105,000	80,000	46,734
Street Improvement	-	265,000	3,925,000	270,000	159,336
Street Improvement	-	200,000	3,375,000	205,000	125,346
General Obligation Improvement Refunding	-	185,000	525,000	180,000	12,855
General Obligation Improvement	-	120,000	2,000,000	120,000	79,665
Street Improvement Refunding	-	434,600	2,249,200	438,100	56,398
Street Improvement Refunding	-	114,000	590,000	114,900	14,795
General Obligation Improvement Refunding	-	81,400	420,800	82,000	10,551
Street Improvement	-	295,000	4,740,000	265,000	171,061
General Obligation Improvement	-	95,000	1,915,000	110,000	67,090
Street Improvement	-	-	4,785,000	280,000	170,935
General Obligation Improvement	2,275,000	-	2,275,000	-	100,494
Street Improvement	4,260,000	-	4,260,000	-	136,367
General Obligation Improvement Refunding	200,000	-	200,000	-	5,215
Street Improvement Refunding	2,820,000	-	2,820,000	-	69,278
Total Special Assessment Debt with Government Commitment	\$ 9,555,000	\$ 8,653,300	\$ 53,919,300	\$ 4,299,300	\$ 2,086,448

CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
December 31, 2005

	Issued	Issue Date	Final Maturity	Jan 1 Balance
Government Activities (Continued):				
General Obligation Certificates Payable -				
Equipment	\$ 1,985,000	12/20/00	12/20/05	\$ 435,000
Equipment	1,075,000	12/20/01	12/20/06	450,000
Equipment	1,780,000	12/19/02	12/19/07	1,100,000
Equipment	1,200,000	12/19/03	12/19/08	970,000
Equipment	1,355,000	12/20/04	12/20/09	1,355,000
Equipment	1,110,000	12/19/05	12/19/10	-
Total General Obligation Certificates Payable				\$ 4,310,000
Total Governmental Activities Bonds and Certificates Payable				\$ 100,707,491
Business-type Activities:				
Revenue Bonds Payable -				
Golf Fund -				
Revenue Recreation Facility Refunding	\$ 1,040,000	12/14/04	12/01/12	\$ 1,040,000
Revenue and General Obligation Bonds Payable- Water Fund -				
Water Utility Revenue and General Obligation Refunding	\$ 2,455,000	09/01/97	02/01/08	\$ 1,100,000
Water Utility Revenue and General Obligation Refunding	1,955,000	05/01/98	02/01/07	1,025,000
Water Utility Revenue and General Obligation	1,530,000	12/01/00	02/01/16	1,315,000
Water Utility Revenue and General Obligation	1,690,000	09/01/02	02/01/18	1,603,000
Water Utility Revenue and General Obligation	1,385,000	12/01/02	02/01/18	1,320,000
Water Utility Revenue and General Obligation Refunding	625,000	03/01/03	02/01/10	540,000
Total Water Fund				\$ 6,903,000
Gas Fund -				
Gas Utility Revenue and General Obligation	\$ 5,300,000	12/01/01	02/01/17	\$ 4,785,000
Gas Utility Revenue and General Obligation	2,132,000	09/01/02	02/01/18	2,022,000
Gas Utility Revenue and General Obligation	1,425,000	12/01/02	02/01/18	1,360,000
Gas Utility Revenue and General Obligation	6,090,000	12/01/03	02/02/19	6,090,000
Total Gas Fund				\$ 14,257,000
Steam District #1 Fund -				
Steam Utility Revenue and General Obligation	\$ 310,000	12/01/98	02/01/09	\$ 170,000
Steam Utility Revenue and General Obligation	325,000	12/01/00	02/01/11	245,000
Steam Utility Revenue and General Obligation	345,000	12/01/02	02/01/12	290,000
Steam Utility Revenue and General Obligation	2,250,000	09/01/03	02/01/23	2,250,000
Steam Utility Revenue and General Obligation	1,250,000	06/01/05	02/01/20	-
Total Steam District # 1 Fund				\$ 2,955,000
Sewer Fund -				
Sewer Utility Revenue and General Obligation Refunding	\$ 530,000	05/01/98	02/01/08	\$ 285,000
Sewer Utility Revenue and General Obligation	1,080,000	12/01/98	02/01/09	600,000
Sewer Utility Revenue and General Obligation	1,745,000	12/01/99	02/01/15	1,405,000
Sewer Utility Revenue and General Obligation	570,000	12/01/00	02/01/16	490,000
Sewer Utility Revenue and General Obligation	1,330,000	12/01/01	02/01/17	1,200,000
Sewer Utility Revenue and General Obligation	2,003,000	09/01/02	02/01/18	1,899,000
Sewer Utility Revenue and General Obligation	1,825,000	12/01/02	02/01/18	1,740,000
Sewer Utility Revenue and General Obligation Refunding	1,240,000	03/01/03	02/01/10	1,080,000
Sewer Utility Revenue and General Obligation	4,045,000	12/01/04	02/01/20	4,045,000
Sewer Utility Revenue and General Obligation	3,515,000	12/19/05	02/01/21	-
Total Sewer Fund				\$ 12,744,000
Stormwater Fund:				
Stormwater Utility Revenue	\$ 1,425,000	09/01/02	02/01/18	\$ 1,351,000
Total Revenue and General Obligation Bonds Payable				\$ 38,210,000
Total Business-type Activities Bonds Payable				\$ 39,250,000
Component Units:				
Spirit Mountain Recreation Area				
Revenue Bonds Payable				
Spirit Mountain Recreation Area	\$ 1,646,750	03/31/03	12/01/12	\$ 1,646,750
Duluth Entertainment and Convention Center Authority				
General Obligation Bonds Payable -				
Duluth Entertainment and Convention Center Refunding	\$ 6,970,000	04/01/01	02/01/11	\$ 4,800,000
Total Component Units Bonds Payable				\$ 6,446,750

CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
December 31, 2005

	2005			2006	
	Issued	Retired	Dec 31 Balance	Principal Due in 2006	Interest Due in 2006
Government Activities (Continued):					
General Obligation Certificates Payable -					
Equipment	\$ -	\$ 435,000	\$ -	\$ -	\$ -
Equipment	-	220,000	230,000	230,000	8,395
Equipment	-	355,000	745,000	365,000	22,350
Equipment	-	235,000	735,000	240,000	18,375
Equipment	-	260,000	1,095,000	265,000	33,563
Equipment	1,110,000	-	1,110,000	205,000	44,400
Total General Obligation Certificates Payable	\$ 1,110,000	\$ 1,505,000	\$ 3,915,000	\$ 1,305,000	\$ 127,083
Total Governmental Activities Bonds and Certificates Payable	\$ 28,265,000	\$ 24,043,078	\$ 104,929,413	\$ 10,280,925	\$ 4,445,240
Business-type Activities:					
Revenue Bonds Payable -					
Golf Fund -					
Revenue Recreation Facility Refunding	\$ -	\$ 120,000	\$ 920,000	\$ 120,000	\$ 29,195
Revenue and General Obligation Bonds Payable-					
Water Fund -					
Water Utility Revenue and General Obligation Refunding	\$ -	\$ 255,000	\$ 845,000	\$ 270,000	\$ 33,665
Water Utility Revenue and General Obligation Refunding	-	330,000	695,000	340,000	23,278
Water Utility Revenue and General Obligation	-	85,000	1,230,000	85,000	58,469
Water Utility Revenue and General Obligation	-	88,000	1,515,000	91,000	56,503
Water Utility Revenue and General Obligation	-	75,000	1,245,000	80,000	48,130
Water Utility Revenue and General Obligation Refunding	-	85,000	455,000	85,000	11,513
Total Water Fund	\$ -	\$ 918,000	\$ 5,985,000	\$ 951,000	\$ 231,558
Gas Fund -					
Gas Utility Revenue and General Obligation	\$ -	\$ 290,000	\$ 4,495,000	\$ 300,000	\$ 194,698
Gas Utility Revenue and General Obligation	-	112,000	1,910,000	115,000	71,210
Gas Utility Revenue and General Obligation	-	75,000	1,285,000	80,000	49,765
Gas Utility Revenue and General Obligation	-	280,000	5,810,000	330,000	203,693
Total Gas Fund	\$ -	\$ 757,000	\$ 13,500,000	\$ 825,000	\$ 519,366
Steam District #1 Fund -					
Steam Utility Revenue and General Obligation	\$ -	\$ 30,000	\$ 140,000	\$ 35,000	\$ 5,119
Steam Utility Revenue and General Obligation	-	30,000	215,000	30,000	10,919
Steam Utility Revenue and General Obligation	-	30,000	260,000	30,000	10,665
Steam Utility Revenue and General Obligation	-	45,000	2,205,000	90,000	86,225
Steam Utility Revenue and General Obligation	1,250,000	-	1,250,000	-	52,290
Total Steam District # 1 Fund	\$ 1,250,000	\$ 135,000	\$ 4,070,000	\$ 185,000	\$ 165,218
Sewer Fund -					
Sewer Utility Revenue and General Obligation Refunding	\$ -	\$ 65,000	\$ 220,000	\$ 70,000	\$ 8,290
Sewer Utility Revenue and General Obligation	-	110,000	490,000	115,000	18,089
Sewer Utility Revenue and General Obligation	-	100,000	1,305,000	105,000	63,436
Sewer Utility Revenue and General Obligation	-	30,000	460,000	30,000	21,918
Sewer Utility Revenue and General Obligation	-	75,000	1,125,000	75,000	48,722
Sewer Utility Revenue and General Obligation	-	105,000	1,794,000	108,000	66,882
Sewer Utility Revenue and General Obligation	-	100,000	1,640,000	100,000	63,535
Sewer Utility Revenue and General Obligation Refunding	-	165,000	915,000	175,000	23,113
Sewer Utility Revenue and General Obligation	-	-	4,045,000	195,000	148,635
Sewer Utility Revenue and General Obligation	3,515,000	-	3,515,000	-	84,764
Total Sewer Fund	\$ 3,515,000	\$ 750,000	\$ 15,509,000	\$ 973,000	\$ 547,384
Stormwater Fund:					
Stormwater Utility Revenue	\$ -	\$ 75,000	\$ 1,276,000	\$ 76,000	\$ 47,592
Total Revenue and General Obligation Bonds Payable	\$ 4,765,000	\$ 2,635,000	\$ 40,340,000	\$ 3,010,000	\$ 1,511,118
Total Business-type Activities Bonds Payable	\$ 4,765,000	\$ 2,755,000	\$ 41,260,000	\$ 3,130,000	\$ 1,540,313
Component Units:					
Spirit Mountain Recreation Area					
Revenue Bonds Payable					
Spirit Mountain Recreation Area	\$ -	\$ 152,594	\$ 1,494,156	\$ 159,537	\$ 65,463
Duluth Entertainment and Convention Center Authority					
General Obligation Bonds Payable -					
Duluth Entertainment and Convention Center Refunding	\$ -	\$ 605,000	\$ 4,195,000	\$ 630,000	\$ 170,275
Total Component Units Bonds Payable	\$ -	\$ 757,594	\$ 5,689,156	\$ 789,537	\$ 235,738

CITY OF DULUTH
SCHEDULE OF NOTES PAYABLE
December 31, 2005

	<u>Issued</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
General Obligation				
Public Facilities Authority Note	\$ 364,195	08/08/02	08/20/18	<u>\$ 348,000</u>
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 6,594,000	08/01/05	08/01/25	<u>\$ -</u>
Tax Increment Revenue				
Canal Park Tax Increment	\$ 325,000	12/01/91	02/01/08	\$ 200,000
Cirrus Tax Increment Taxable	1,041,778	03/06/97	08/01/07	499,665
Fremont Tax Increment Limited Revenue	650,000	07/01/97	02/01/12	370,000
Total Tax Increment Revenue				<u>\$ 1,069,665</u>
Total Governmental Activities				<u>\$ 1,417,665</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 870,000	08/25/03	08/20/18	\$ 835,021
Public Facilities Authority Note*	1,955,251	07/02/04	08/20/18	<u>1,570,978</u>
Total Water Fund				<u>\$ 2,405,999</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 100,000	08/25/03	08/20/18	\$ 95,979
Public Facilities Authority Note	1,179,115	12/12/03	08/20/18	<u>1,091,847</u>
Total Sewer Fund				<u>\$ 1,187,826</u>
Total Business-type Activities				<u>\$ 3,593,825</u>
Component Units:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/01/05	06/01/19	<u>\$ -</u>

* Total face Value \$ 2,485,231; only \$ 1,955,251 has been issued as of 12/31/05
Note 1: The payment schedule will be determined on the conversion date; the date of conversion is expected to be 8/1/2006.

CITY OF DULUTH
SCHEDULE OF NOTES PAYABLE
December 31, 2005

December 31, 2005	2005			2006	
	Issued	Retired	Principal Outstanding 12/31/2005	Principal Due in 2006	Interest Due in 2006
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	\$ -	\$ 23,000	\$ 325,000	\$ 24,000	\$ 3,250
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ 6,594,000	\$ -	\$ 6,594,000	Note 1	
Tax Increment Revenue					
Canal Park Tax Increment	\$ -	\$ 40,000	\$ 160,000	\$ 40,000	\$ 12,000
Cirrus Tax Increment Taxable	-	129,042	370,623	140,580	29,420
Fremont Tax Increment Limited Revenue	-	40,000	330,000	35,000	17,813
Total Tax Increment Revenue	\$ -	\$ 209,042	\$ 860,623	\$ 215,580	\$ 59,233
Total Governmental Activities	\$ 6,594,000	\$ 232,042	\$ 7,779,623	\$ 239,580	\$ 62,483
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 49,330	\$ 785,691	\$ 51,124	\$ 22,149
Public Facilities Authority Note*	384,272	160,230	1,795,020	153,000	42,851
Total Water Fund	\$ 384,272	\$ 209,560	\$ 2,580,711	\$ 204,124	\$ 65,000
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 5,670	\$ 90,309	\$ 5,876	\$ 2,546
Public Facilities Authority Note	87,268	60,115	1,119,000	79,000	14,579
Total Sewer Fund	\$ 87,268	\$ 65,785	\$ 1,209,309	\$ 84,876	\$ 17,125
Total Business-type Activities	\$ 471,540	\$ 275,345	\$ 3,790,020	\$ 289,000	\$ 82,125
Component Units:					
Duluth Airport Authority					
Revenue Note	\$ 497,379	\$ -	\$ 497,379	\$ -	\$ -

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
Year Ended December 31, 2005

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Totals
SHARED REVENUE:						
State of Minnesota						
Local Government Aid	\$ 25,653,880	\$ -	\$ -	\$ -	\$ -	\$ 25,653,880
PERA Aid	124,428	-	-	-	48,566	172,994
Amortization Aid	3,824,196	-	-	-	-	3,824,196
Insurance Premium	1,806,339	-	-	-	-	1,806,339
TOTAL SHARED REVENUE	31,408,843	-	-	-	48,566	31,457,409
STATE GRANTS:						
State of Minnesota, Department of						
Commerce						
Petro Fund	-	3,084	-	-	-	3,084
Employment and Economic Development						
Contamination Cleanup and Investigation	-	109,913	-	-	-	109,913
Minnesota Investment Fund - Cirrus Design	-	500,000	-	-	-	500,000
Public Facilities Authority - WIF Grant	-	-	-	-	495,179	495,179
Youth Program	-	117,144	-	-	-	117,144
Job Partnership	-	14,748	-	-	-	14,748
Dislocated Workers	-	228,648	-	-	-	228,648
Employment and Economic Development Total	-	970,453	-	-	495,179	1,465,632
Human Services						
Senior Nutrition	-	51,533	-	-	-	51,533
Natural Resources						
Snowmobile Trail	10,467	-	-	-	-	10,467
Lake Superior Zoo	129,000	-	-	-	-	129,000
Hartley Nature Center	-	-	-	12,619	-	12,619
Natural Resources Total	139,467	-	-	12,619	-	152,086
Peace Officers Board						
Post Training Reimbursement	47,586	-	-	-	-	47,586
Public Safety						
Crime Victims Emergency Fund	-	3,000	-	-	-	3,000
Auto Theft Prevention	-	119,941	-	-	-	119,941
Gang Strike Force	-	123,400	-	-	-	123,400
Criminal Investigations	5,000	-	-	-	-	5,000
HAZMAT Regional Response Team	16,343	-	-	-	-	16,343
Public Safety Total	21,343	246,341	-	-	-	267,684
Revenue						
Market Value Credit	710,595	-	514,873	34,927	-	1,260,395
Transportation						
MSA Street Maintenance Allotment	1,148,904	-	-	-	-	1,148,904
MSA Street Construction Allotment	-	-	-	2,462,326	-	2,462,326
Municipal Turnback	-	-	-	2,929,151	-	2,929,151
Bridge Bonding	-	-	-	412,091	-	412,091
Transportation Total	1,148,904	-	-	5,803,568	-	6,952,472
TOTAL STATE GRANTS	\$ 2,067,895	\$ 1,271,411	\$ 514,873	\$ 5,851,114	\$ 495,179	\$ 10,200,472

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
Year Ended December 31, 2005

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Totals
FEDERAL GRANTS:						
Federal, Department of						
Agriculture						
Soil and Water Conservation	\$ -	\$ 9,150	\$ -	\$ -	\$ -	\$ 9,150
Commerce						
Coastal Zone Management Administration Awards	-	97,000	-	-	30,206	127,206
Environmental Protection Agency						
Great Lakes Program	-	1,389	-	-	-	1,389
Brownfield Assessment and Cleanup	-	1,587	-	-	-	1,587
Environmental Education Grant	-	8,250	-	-	-	8,250
Environmental Protection Agency Total	-	11,226	-	-	-	11,226
Health and Human Services						
Senior Nutrition Program	-	217,676	-	-	-	217,676
Homeland Security						
Homeland Security Grant Program	-	869,279	-	-	-	869,279
Assistance to Firefighter's Grant	24,048	21,427	-	-	-	45,475
Homeland Security Total	24,048	890,706	-	-	-	914,754
Housing and Urban Development						
Community Development Block Grant	-	3,111,507	-	-	-	3,111,507
HOME Investment Partnership	-	817,085	-	-	-	817,085
Emergency Shelter	-	110,773	-	-	-	110,773
Housing and Urban Development Total	-	4,039,365	-	-	-	4,039,365
Justice						
Local Law Enforcement Block Grant	-	28,360	-	-	-	28,360
Grants to Encourage Arrest Policies	-	239,383	-	-	-	239,383
Bulletproof Vest Partnership Program	22,614	-	-	-	-	22,614
Enforcing Underage Drinking Laws Program	6,000	-	-	-	-	6,000
State and Community Highway Safety	14,061	-	-	-	-	14,061
Alcohol Traffic Safety & Drunken Driving Prevention	5,502	-	-	-	-	5,502
Edward Byrne Memorial Formula Grant Program	-	81,737	-	-	-	81,737
Justice Total	48,177	349,480	-	-	-	397,657
Labor						
Senior Community Service Employment Program	-	350,860	-	-	-	350,860
Employment Service/Wagner-Peysar Funded Activit	-	1,235	-	-	-	1,235
Dislocated Workers	-	75,523	-	-	-	75,523
Workforce Investment Act	-	376,126	-	-	-	376,126
Labor Total	-	803,744	-	-	-	803,744
Transportation						
Recreational Trails Program	-	15,545	-	-	-	15,545
Highway Planning and Construction	-	-	-	83,124	-	83,124
Transportation Total	-	15,545	-	83,124	-	98,669
TOTAL FEDERAL GRANTS	72,225	6,433,892	-	83,124	30,206	6,619,447
OTHER:						
St. Louis County						
Job Training Services	-	1,081,615	-	-	-	1,081,615
Other	131,017	-	-	-	-	131,017
St. Louis County Total	131,017	1,081,615	-	-	-	1,212,632
Housing and Redevelopment Authority - PILT	34,342	-	-	-	-	34,342
Duluth Transit Authority - Grand Avenue Project	-	-	-	160,000	-	160,000
WLSSD - Sewer Lift Station Improvements	-	-	-	-	730,167	730,167
Independent School District #709	151,000	-	-	-	-	151,000
Other	2,000	-	-	-	-	2,000
TOTAL OTHER	318,359	1,081,615	-	160,000	730,167	2,290,141
TOTAL INTERGOVERNMENTAL REVENUE	\$ 33,867,322	\$ 8,786,918	\$ 514,873	\$ 6,094,238	\$ 1,304,118	\$ 50,567,469

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
December 31, 2005**

	Special Revenue Funds			
	Operating	Building Renovation Loan	Old Downtown Loan	District Storefront Loan
ASSETS				
Cash and cash equivalents	\$ 1,609,602	\$ 4,493,033	\$ 211,899	\$ 650,612
Assets held by trustee	-	-	-	-
Taxes receivable, net	-	-	-	-
Accounts receivable, net	3,925	-	-	-
Loans receivable, net	1,978	1,560,918	107,830	537,923
Deposits receivable	-	250,000	-	-
Due from other funds	102,958	-	-	-
Due from other governments	555,744	-	-	-
Prepays	-	-	-	-
TOTAL ASSETS	\$ 2,274,207	\$ 6,303,951	\$ 319,729	\$ 1,188,535
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,824	\$ -	\$ -	\$ -
Contracts payable	750,438	-	-	-
Loans Payable	1,400,000	-	-	-
Due to other funds	642,463	-	-	-
Deferred revenues	1,978	-	-	-
Total Liabilities	2,798,703	-	-	-
FUND BALANCES:				
Reserved for:				
Encumbrances	32,619	-	-	-
Debt service	-	-	-	228,030
Noncurrent loans receivable	-	1,357,988	102,281	474,648
City debt	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	250,000	-	-
Unreserved - designated for capital projects	-	-	-	-
Unreserved - designated for loans	-	850,000	-	-
Unreserved - designated for new loan fund	-	750,000	-	-
Unreserved - undesignated, reported in:				
Special revenue funds	(557,115)	3,095,963	217,448	485,857
Capital project funds	-	-	-	-
Total Fund Balances	(524,496)	6,303,951	319,729	1,188,535
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,274,207	\$ 6,303,951	\$ 319,729	\$ 1,188,535

(continued)

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
December 31, 2005**

	Special Revenue Fund			
	Northwest Maintenance Facility	Debt Service	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 683,359	\$ 4,481,879	\$ 944,858	\$ 13,075,242
Assets held by trustee	2,408,213	-	-	2,408,213
Taxes receivable, net	-	469,237	-	469,237
Accounts receivable, net	-	193,364	115	197,404
Loans receivable, net	-	30,998	1,685,461	3,925,108
Deposits receivable	-	-	-	250,000
Due from other funds	-	-	1,452,760	1,555,718
Due from other governments	-	-	-	555,744
Prepays	-	-	847,216	847,216
TOTAL ASSETS	\$ 3,091,572	\$ 5,175,478	\$ 4,930,410	\$ 23,283,882
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 12,500	\$ 16,324
Contracts payable	-	-	171,576	922,014
Loans Payable	-	-	-	1,400,000
Due to other funds	-	1,452,216	502,548	2,597,227
Deferred revenues	732,213	448,693	1,614,010	2,796,894
Total Liabilities	732,213	1,900,909	2,300,634	7,732,459
FUND BALANCES:				
Reserved for:				
Encumbrances	-	-	138,985	171,604
Debt service	679,813	3,274,569	-	4,182,412
Noncurrent loans receivable	-	-	66,272	2,001,189
City debt	1,488,176	-	-	1,488,176
Prepaid items	-	-	847,216	847,216
Deposits	-	-	-	250,000
Unreserved - designated for capital projects	-	-	177,570	177,570
Unreserved - designated for loans	-	-	-	850,000
Unreserved - designated for new loan fund	-	-	-	750,000
Unreserved - undesignated, reported in:				
Special revenue funds	191,370	-	-	3,433,523
Capital project funds	-	-	1,399,733	1,399,733
Total Fund Balances	2,359,359	3,274,569	2,629,776	15,551,423
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,091,572	\$ 5,175,478	\$ 4,930,410	\$ 23,283,882

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Special Revenue Funds			
	Operating	Building Renovation	Old Downtown	District Storefront
REVENUES:				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Market value credit aid	-	-	-	-
State of Minnesota	609,913	-	-	-
Other	-	-	-	-
Charges for services				
Parking meters	13,482	-	-	-
Miscellaneous revenues				
Earnings on investments	4,375	131,555	1,269	4,425
Interest	218	53,651	3,330	17,584
Bond fees	238,865	-	-	-
Land sales	691,140	-	-	-
Developer contributions	-	-	-	-
Other	65,136	14,875	-	-
Total Revenues	<u>1,623,129</u>	<u>200,081</u>	<u>4,599</u>	<u>22,009</u>
EXPENDITURES:				
Current				
Urban and economic development				
Other services and charges	469,197	-	-	-
Economic development projects	647,723	-	37,500	-
Capital Outlay				
Urban and economic development				
Improvements other than buildings	1,576,540	-	-	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal fees	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>2,693,460</u>	<u>-</u>	<u>37,500</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,070,331)</u>	<u>200,081</u>	<u>(32,901)</u>	<u>22,009</u>
OTHER FINANCING SOURCES/USES:				
Operating transfer in				
DEDA Debt Service	-	-	-	-
DEDA Capital Projects	100,000	-	-	-
General Fund	-	-	-	-
Total Operating Transfer In	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating transfers out				
DEDA Operating	-	-	-	-
DEDA Capital Projects	-	-	-	-
DEDA Northwest Maintenance Facility	-	-	-	-
General Fund	-	(99,981)	-	-
G.O. Debt Service Fund	-	-	-	-
Economic Development Fund	-	-	-	-
Community Development Fund	-	-	-	-
Permanent Improvement Fund	(3,829)	-	-	-
Special Assessment Fund	-	-	-	-
Total Operating Transfers Out	<u>(3,829)</u>	<u>(99,981)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>96,171</u>	<u>(99,981)</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(974,160)</u>	<u>100,100</u>	<u>(32,901)</u>	<u>22,009</u>
FUND BALANCES:				
Beginning of the year	449,664	6,203,851	352,630	1,166,526
End of the year	<u>\$ (524,496)</u>	<u>\$ 6,303,951</u>	<u>\$ 319,729</u>	<u>\$ 1,188,535</u>

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Special Revenue Fund			
	Northwest Maintenance Facility	Debt Service	Capital Projects	Total
REVENUES:				
Taxes				
Tax increments	\$ -	\$ 5,653,123	\$ -	\$ 5,653,123
Intergovernmental revenues				
Market value credit aid	-	89,215	-	89,215
State of Minnesota	-	-	-	609,913
Other	-	-	160,000	160,000
Charges for services				
Parking meters	-	-	99,536	113,018
Miscellaneous revenues				
Earnings on investments	5,413	86,176	41,796	275,009
Interest	85,201	-	5,172	165,156
Bond fees	-	-	-	238,865
Land sales	-	-	53,925	745,065
Developer contributions	186,839	193,364	-	380,203
Other	1,155,000	9,238	58,933	1,303,182
Total Revenues	1,432,453	6,031,116	419,362	9,732,749
EXPENDITURES:				
Current				
Urban and economic development				
Other services and charges	-	1,678	381,657	852,532
Economic development projects	-	-	115,535	800,758
Capital Outlay				
Urban and economic development				
Improvements other than buildings	-	-	1,376,710	2,953,250
Debt Service				
Principal retirement	-	1,657,119	-	1,657,119
Interest and fiscal fees	-	598,387	-	598,387
Other	2,612,545	223,787	-	2,836,332
Total Expenditures	2,612,545	2,480,971	1,873,902	9,698,378
Excess of Revenues Over (Under) Expenditures	(1,180,092)	3,550,145	(1,454,540)	34,371
OTHER FINANCING SOURCES/USES:				
Operating transfer in				
DEDA Debt Service	161,554	-	1,399,296	1,560,850
DEDA Capital Projects	-	-	-	100,000
General Fund	875,000	-	-	875,000
Total Operating Transfer In	1,036,554	-	1,399,296	2,535,850
Operating transfers out				
DEDA Operating	-	-	(100,000)	(100,000)
DEDA Capital Projects	-	(1,399,296)	-	(1,399,296)
DEDA Northwest Maintenance Facility	-	(161,554)	-	(161,554)
General Fund	-	(67,946)	(33,224)	(201,151)
G.O. Debt Service Fund	-	(1,099,237)	-	(1,099,237)
Economic Development Fund	-	-	(283,041)	(283,041)
Community Development Fund	-	-	(5,046)	(5,046)
Permanent Improvement Fund	-	-	-	(3,829)
Special Assessment Fund	-	-	(400,000)	(400,000)
Total Operating Transfers Out	-	(2,728,033)	(821,311)	(3,653,154)
Total Other Financing Sources (Uses)	1,036,554	(2,728,033)	577,985	(1,117,304)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(143,538)	822,112	(876,555)	(1,082,933)
FUND BALANCES:				
Beginning of the year	2,502,897	2,452,457	3,506,331	16,634,356
End of the year	\$ 2,359,359	\$ 3,274,569	\$ 2,629,776	\$ 15,551,423

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Statistical Section

**CITY OF DULUTH, MINNESOTA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST FISCAL YEARS**

TABLE 1

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Urban Economic Development</u>	<u>Interest</u>	<u>Water</u>
2002*	\$ 19,163,984	\$ 26,045,849	\$ 16,485,742	\$ 8,541,853	\$ 13,939,868	\$ 6,855,458	\$ 9,734,767
2003	18,164,487	25,163,652	14,061,511	7,493,744	11,081,790	6,046,179	8,945,765
2004	20,669,584	25,285,634	12,580,602	6,385,653	14,173,566	6,917,787	8,465,593
2005	21,287,443	28,069,291	13,720,883	7,400,480	23,676,985	6,749,211	9,463,342

	<u>Gas</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Steam District #1</u>	<u>Steam District #2</u>	<u>Golf</u>	<u>Total</u>
2002*	\$ 36,290,401	\$ 15,355,339	\$ 2,227,108	\$ 3,399,206	\$ 7,917,186	\$ 1,756,201	\$ 167,712,962
2003	38,806,370	15,240,922	2,354,872	3,597,759	8,497,270	1,754,734	161,209,055
2004	41,883,691	14,610,838	2,470,513	3,893,705	8,677,762	1,762,485	167,777,413
2005	50,491,710	13,454,790	2,508,496	4,085,845	8,919,977	1,908,334	191,736,787

* This table was developed with the implementation of Governmental Accounting Standards Board Statement No. 34. Years prior to 2001 were not restated, and therefore are not available.

Unaudited

**GOVERNMENT-WIDE REVENUES
LAST FISCAL YEAR**

TABLE 2

<u>Fiscal Year</u>	<u>Program Revenues</u>			<u>General Revenues</u>				<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Grants and Shared Revenue Not Restricted to Specific Programs</u>	<u>Unrestricted Investment Income</u>	<u>Miscellaneous</u>	
2002*	\$ 85,923,425	\$ 14,328,781	\$ 17,885,399	\$ 27,152,478	\$ 35,095,985	\$ 4,124,914	\$ 6,349,444	\$ 190,860,426
2003	90,970,541	11,580,360	12,836,608	27,605,359	32,840,817	1,412,926	6,379,199	183,625,810
2004	97,141,195	11,944,143	14,898,978	34,078,601	32,502,413	2,728,809	6,376,247	199,670,386
2005	108,396,603	9,884,061	13,744,899	35,659,898	31,443,085	3,574,224	10,510,666	213,213,436

* This table was developed with the implementation of Governmental Accounting Standards Board Statement No. 34. Years prior to 2001 were not restated, and therefore are not available.

Unaudited

**CITY OF DULUTH, MINNESOTA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
General, Special Revenue, Debt Service and Capital Projects Funds
LAST TEN FISCAL YEARS**

TABLE 3

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Urban Economic Development</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
1996	\$ 10,394,240	\$ 23,450,070	\$ 13,570,643	\$ 4,336,857	\$ 8,082,724	\$ 9,620,130	\$ 0	\$ 69,454,664
1997	10,196,670	23,091,149	12,284,197	4,577,348	7,742,871	11,329,176	0	69,221,411
1998	12,532,047	24,663,727	12,958,911	5,143,559	9,198,092	11,175,446	0	75,671,782
1999	13,157,644	22,650,966	13,407,985	6,154,401	8,790,075	12,963,206	0	77,124,277
2000	17,656,305	26,570,500	9,645,063	6,685,159	8,696,340	14,365,687	0	83,619,054
2001	17,735,834	29,470,733	10,025,300	7,603,662	9,546,880	15,439,901	0	89,822,310
2002*	19,124,773	29,423,941	9,833,899	7,395,397	12,565,206	14,895,868	23,186,154	116,425,238
2003	19,040,102	28,861,649	9,618,124	6,919,311	12,005,724	15,435,359	18,671,264	110,551,533
2004**	19,574,200	29,082,948	9,947,392	6,945,317	15,511,249	18,649,204	17,010,131	116,720,441
2005	19,885,273	31,519,654	9,979,171	6,713,232	19,828,474	25,017,485	23,478,917	136,422,206

* Implementation of Governmental Accounting Standards Board Statement No. 34 in 2002, General Governmental includes Capital Projects Fund.

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

Unaudited

GENERAL GOVERNMENTAL REVENUES BY SOURCE
General, Special Revenue, Debt Service and Capital Projects Funds
LAST TEN FISCAL YEARS

TABLE 4

Fiscal Year	Tax Revenues			Licenses & Permits	Intergovernmental	Charges for Services	Fines & Forfeits	Misc.	Total
	General Property	City Sales	Other						
1996	\$ 10,544,430	\$ 8,579,595	\$ 4,171,054	\$ 461,211	\$ 36,304,402	\$ 4,381,287	\$ 985,385	\$ 11,065,753	\$ 76,493,117
1997	11,435,864	8,984,984	4,307,226	475,164	37,420,361	4,831,657	964,047	12,096,293	80,515,596
1998	10,402,118	9,426,505	4,966,878	478,421	41,636,886	4,873,979	975,635	12,524,509	85,284,931
1999	10,480,823	10,286,689	5,715,068	506,255	39,819,934	5,987,971	1,099,323	12,247,963	86,144,026
2000	10,577,249	10,191,355	6,194,436	513,534	41,611,058	5,510,166	1,130,118	15,937,643	91,665,559
2001	11,263,520	10,666,664	6,386,661	624,432	43,848,145	5,190,480	1,074,390	15,895,794	94,950,086
2002*	9,955,083	15,350,586	1,873,578	609,550	57,238,945	5,831,871	947,610	15,643,363	107,450,586
2003	10,514,386	14,903,251	683,080	658,314	54,781,689	6,091,850	994,710	14,854,269	103,481,549
2004**	15,936,795	15,478,954	1,924,690	680,953	51,643,301	6,549,128	1,083,084	17,315,636	110,612,541
2005	16,321,413	15,963,891	1,945,956	853,927	49,263,351	7,969,577	1,002,752	17,903,907	111,224,774

* Implementation of Governmental Accounting Standards Board Statement No. 34 in 2002, General Governmental includes Capital Projects Fund.
 ** Effective 2004, the Duluth City Council became the governing board of Duluth Economic Development Authority.

Unaudited

CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collected as Percent of Current Levy	Current Delinquent Taxes	Delinquent Taxes as Percent of Current Levy
1996	\$ 7,910,691	\$ 7,658,537	96.8%	\$ 202,239	\$ 7,860,776	99.4%	\$ 252,154	3.2%
1997	8,138,791	7,854,817	96.5%	186,916	8,041,733	98.8%	283,974	3.5%
1998	8,281,291	7,935,851	95.8%	196,949	8,132,800	98.2%	345,440	4.2%
1999	8,666,391	8,402,586	97.0%	346,412	8,748,998	101.0%	263,805	3.0%
2000	8,795,700	8,560,631	97.3%	251,223	8,811,854	100.2%	235,069	2.7%
2001	9,658,700	9,440,473	97.7%	214,156	9,654,629	99.96%	218,227	2.3%
2002	9,038,100	8,889,198	98.4%	215,341	9,104,539	100.7%	148,902	1.6%
2003	9,679,200	9,511,986	98.3%	152,763	9,664,749	99.9%	167,214	1.7%
2004	10,153,500	9,872,757	97.2%	170,663	10,043,420	98.9%	280,743	2.8%
2005	10,730,400	10,507,463	97.9%	150,396	10,657,859	99.3%	222,937	2.1%

Unaudited

ASSESSED AND ESTIMATED TAXABLE MARKET VALUE OF PROPERTY
LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year	Real Property		Personal Property		Total		Percentage of Total Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	
1996	\$ 39,160,165	\$ 2,080,397,700	\$ 2,404,952	\$ 52,622,500	\$ 41,565,117	\$ 2,133,020,200	1.9%
1997	39,845,861	2,287,824,000	1,961,008	49,556,600	41,806,869	2,337,380,600	1.8%
1998	37,868,469	2,369,160,700	1,719,414	49,648,300	39,587,883	2,418,809,000	1.6%
1999	38,079,562	2,458,440,000	1,702,237	51,207,000	39,781,799	2,509,647,000	1.6%
2000	42,098,922	2,623,576,400	1,725,964	51,427,200	43,824,886	2,675,003,600	1.6%
2001*	34,430,679	2,846,103,400	1,060,795	53,666,700	35,491,474	2,899,770,100	1.2%
2002	36,808,493	3,108,977,000	1,058,434	53,499,800	37,866,927	3,162,476,800	1.2%
2003	42,636,464	3,579,613,600	1,098,241	55,541,000	43,734,705	3,635,154,600	1.2%
2004	50,143,966	4,212,279,500	1,119,805	56,656,000	51,263,771	4,268,935,500	1.2%
2005	55,126,050	4,676,207,400	1,306,503	66,565,800	56,432,553	4,742,773,200	1.2%

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

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX RATES AND TAX LEVIES - ALL DIRECT AND OVERLAPPING
GOVERNMENTAL UNITS (EXCLUDING EXEMPT PROPERTY REIMBURSEMENT
FROM THE STATE OF MINNESOTA)
LAST TEN FISCAL YEARS**

TABLE 7

<u>Fiscal Year</u>	<u>City</u>	<u>Schools</u>	<u>County</u>	<u>Special</u>	<u>Total</u>
<u>TAX RATES *</u>					
1996	0.22730	0.56910	0.57410	0.01310	1.38360
1997	0.21916	0.52890	0.55170	0.02570	1.32546
1998	0.23789	0.49932	0.60070	0.01418	1.35209
1999	0.26063	0.50771	0.64718	0.01532	1.43084
2000	0.26126	0.48290	0.66028	0.01630	1.42074
2001	0.26405	0.46084	0.65924	0.01778	1.40191
2002	0.28976	0.18180	0.87363	0.04860	1.39379
2003	0.29027	0.14816	0.81464	0.05631	1.30938
2004	0.26866	0.11778	0.77282	0.06810	1.22736
2005	0.24215	0.11405	0.67545	0.06902	1.10067

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

<u>TAX LEVIES</u>					
1996	\$ 7,910,691	\$ 19,794,543	\$ 20,002,448	\$ 456,268	\$ 48,163,950
1997	8,138,791	19,631,615	20,504,065	955,989	49,230,460
1998	8,281,291	17,376,205	20,928,968	493,610	47,080,074
1999	8,666,391	16,905,582	21,551,675	509,737	47,633,385
2000	8,795,700	16,252,342	22,245,754	548,745	47,842,541
2001	9,658,700	20,012,662	28,727,914	784,595	59,183,871
2002	9,038,100	6,495,327	31,018,790	1,761,782	48,313,999
2003	9,679,200	5,048,900	27,200,101	1,950,799	43,879,000
2004	10,153,500	4,413,875	29,362,729	2,581,737	46,511,841
2005	10,730,400	4,997,036	29,994,678	3,057,068	48,779,182

Unaudited

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

TABLE 8

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Assessments Collected</u>	<u>Total Outstanding Assessments</u>
1996	\$ 1,029,247	\$ 1,208,251	\$ 7,742,544
1997	1,708,730	1,453,581	8,026,568
1998	2,668,613	1,637,756	9,161,738
1999	2,300,996	2,134,311	9,298,755
2000	1,954,584	2,018,695	8,926,461
2001	2,149,797	1,943,409	9,316,401
2002	1,914,846	2,860,602	8,443,092
2003	1,602,014	2,105,138	8,063,185
2004	5,029,227	2,208,339	10,767,457
2005	2,278,355	2,368,440	10,702,547

Unaudited

CITY OF DULUTH, MINNESOTA
PERCENTAGE OF NET GENERAL OBLIGATION BONDED DEBT TO
TAX CAPACITY RATE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

TABLE 9

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
1996	85,511	\$ 41,565,117	\$ 18,221,400	\$ 2,766,391	\$ 15,455,009	37.18%	180.74
1997	85,225	41,806,869	18,185,900	2,301,076	15,884,824	38.00%	186.39
1998	85,249	39,587,883	19,552,900	3,053,890	16,499,010	41.68%	193.54
1999	84,691	39,781,799	31,930,500	3,345,682	28,584,818	71.85%	337.52
2000	86,918	43,824,886	30,460,500	3,445,454	27,015,046	61.64%	310.81
2001	86,125	35,491,474	34,157,800	3,623,861	30,533,939	86.03%	354.53
2002	86,044	37,866,927	35,268,100	1,881,129	33,386,971	88.17%	388.02
2003	86,082	43,734,705	32,798,400	4,880,479	27,917,921	63.83%	324.32
2004*	85,782	51,263,771	35,632,400	5,903,348	29,729,052	57.99%	346.57
2005	86,918	56,432,553	45,320,700	6,287,564	39,033,136	69.17%	449.08

Note: Gross bonded debt consists of general long-term debt bonds payable as reported on the Combined Balance Sheet.

Specifically excluded are special assessment and enterprise bond issues for which the City is contingently liable.

Tax increment revenue bonds are not included.

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

Unaudited

CITY OF DULUTH, MINNESOTA
PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
General, Special Revenue, Debt Service and Capital Projects Funds
LAST TEN FISCAL YEARS

TABLE 10

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Percentage of Debt Service to General Governmental Expenditures</u>
1996	\$ 2,336,500	\$ 929,300	\$ 3,265,800	\$ 69,454,664	4.70%
1997	2,640,000	1,243,626	3,883,626	69,221,411	5.61%
1998	3,007,000	1,174,023	4,181,023	75,671,782	5.53%
1999	3,822,400	1,411,357	5,233,757	77,124,277	6.79%
2000	3,455,000	1,497,565	4,952,565	83,619,054	5.92%
2001	3,717,700	1,455,041	5,172,741	89,822,310	5.76%
2002	4,085,700	1,509,486	5,595,186	116,425,238	4.81%
2003	4,776,700	1,802,266	6,578,966	110,551,533	5.95%
2004	5,018,000	1,697,389	6,715,389	116,720,441	5.75%
2005	5,516,700	1,783,572	7,300,272	136,422,206	5.35%

* Capital Projects Funds were not included prior to 2002, the year Governmental Accounting Standards Board Statement No. 34 was first implemented.

Unaudited

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

TABLE 11

Fiscal Year			Net Revenue Available for Debt Service	Debt Service Requirements			Coverage						
	Gross Revenue (1)	Direct Operating Expenses (2)		Principal	Interest	Total							
<u>WATER REVENUE BOND</u>													
1996	\$	6,875,817	\$	5,879,508	\$	996,309	\$	700,000	\$	407,040	\$	1,107,040	0.90
1997		8,021,377		5,678,645		2,342,732		585,000		325,834		910,834	2.57
1998		8,191,660		6,100,744		2,090,916		565,000		410,754		975,754	2.14
1999		7,889,933		6,179,369		1,710,564		515,000		362,239		877,239	1.95
2000		7,863,335		6,373,536		1,489,799	*	2,450,000		326,440		2,776,440	0.54
2001		8,409,390		6,609,669		1,799,721		650,000		264,633		914,633	1.97
2002		9,787,215		6,601,830		3,185,385		685,000		328,420		1,013,420	3.14
2003		9,841,217		7,318,249		2,522,968		882,000		304,781		1,186,781	2.13
2004		10,041,273		7,165,410		2,875,863		918,000		269,155		1,187,155	2.42
2005		10,450,145		8,033,370		2,416,775		1,002,124		253,705		1,255,829	1.92
* \$ 1,910,000 was provded from funds held in escrow.													
<u>GAS REVENUE BOND</u>													
2001	\$	41,036,149	\$	39,003,580	\$	2,032,569	\$	0	\$	155,865	\$	155,865	13.04
2002		38,394,277		33,626,427		4,767,850		235,000		338,116		573,116	8.32
2003		42,313,867		37,357,082		4,956,785		455,000		493,552		948,552	5.23
2004		45,272,089		40,575,751		4,696,338		757,000		544,805		1,301,805	3.61
2005		55,642,735		48,960,275		6,682,460		825,000		519,365		1,344,365	4.97
<u>SEWER REVENUE BOND</u>													
1996	\$	13,243,047	\$	11,518,812	\$	1,724,235	\$	780,000	\$	294,109	\$	1,074,109	1.61
1997		13,950,842		12,585,110		1,365,732		810,000		257,657		1,067,657	1.28
1998		14,164,851		14,250,391		-85,540		1,245,000		279,903		1,524,903	-0.06
1999		14,363,703		13,494,549		869,154		715,000		279,637		994,637	0.87
2000		14,898,053		13,425,754		1,472,299		875,000		291,510		1,166,510	1.26
2001		15,553,393		13,908,314		1,645,079		825,000		301,776		1,126,776	1.46
2002		16,560,152		13,815,859		2,744,293		925,000		396,905		1,321,905	2.08
2003		16,913,297		14,380,362		2,532,935		714,000		365,128		1,079,128	2.35
2004		16,407,422		13,705,780		2,701,642		750,000		441,383		1,191,383	2.27
2005		14,506,025		12,332,037		2,173,988		1,057,876		564,507		1,622,383	1.34

(continued)

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

TABLE 11
(continued)

Fiscal Year	Gross Revenue (1)		Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage					
					Principal	Interest	Total						
<u>STORMWATER REVENUE BOND</u>													
2002	\$	2,774,284	\$	1,869,425	\$	904,859	\$	0	\$	47,999	\$	47,999	18.85
2003		2,861,113		2,147,125		713,988		74,000		51,437		125,437	5.69
2004		2,904,664		2,220,714		683,950		75,000		49,575		124,575	5.49
2005		3,012,171		2,232,765		779,406		76,000		47,592		123,592	6.31
<u>STEAM DISTRICT #1 REVENUE BOND</u>													
1996	\$	3,291,437	\$	2,771,159	\$	520,278	\$	190,000	\$	74,720	\$	264,720	1.97
1997		3,168,977		2,815,583		353,394		195,000		64,900		259,900	1.36
1998		2,866,971		2,589,815		277,156		200,000		62,612		262,612	1.06
1999		2,910,592		2,682,859		227,733		230,000		55,266		285,266	0.80
2000		3,118,008		2,737,336		380,672		235,000		54,422		289,422	1.32
2001		3,223,089		2,976,532		246,557		270,000		46,261		316,261	0.78
2002		3,548,873		3,008,319		540,554		300,000		45,309		345,309	1.57
2003		3,686,289		3,225,286		461,003		90,000		115,822		205,822	2.24
2004		4,021,712		3,373,137		648,575		135,000		118,620		253,620	2.56
2005		4,421,694		3,491,603		930,091		185,000		165,218		350,218	2.66
<u>GOLF REVENUE BOND</u>													
1996	\$	1,180,693	\$	886,385	\$	294,308	\$	200,000	\$	187,243	\$	387,243	0.76
1997		1,320,831		1,032,807		288,024		215,000		175,443		390,443	0.74
1998		1,518,541		1,123,075		395,466		225,000		162,758		387,758	1.02
1999		1,428,238		1,063,938		364,300		240,000		149,483		389,483	0.94
2000		1,634,898		1,220,726		414,172		250,000		135,323		385,323	1.07
2001		1,564,975		1,274,932		290,043		255,000		120,573		375,573	0.77
2002		1,487,619		1,392,197		95,422		265,000		105,528		370,528	0.26
2003		1,572,912		1,411,583		161,329		275,000		89,893		364,893	0.44
2004		1,735,653		1,441,402		294,251		120,000		31,595		151,595	1.94
2005		1,704,227		1,633,529		70,698		120,000		29,195		149,195	0.47

Notes:

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

Unaudited

**CITY OF DULUTH, MINNESOTA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE 12

<u>Fiscal Year</u>	<u>Population</u>	<u>Effective Buying Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1996	85,511	25,035	13,738	5.5%
1997	85,225	26,224	13,134	4.5%
1998	85,249	27,430	12,885	3.5%
1999	84,691	28,418	12,528	3.6%
2000	86,918	25,558	12,166	4.3%
2001	86,125	29,218	12,464	4.1%
2002	86,044	33,731	12,555	4.2%
2003	86,082	31,163	12,321	5.3%
2004	85,782	37,849	11,979	5.4%
2005	86,918	n/a	11,123	4.8%

Sources: The unemployment rates were provided by the Minnesota Department of Economic Security.
The effective buying income was provided by TVB Research Central (www.tvb.org).

The school enrollment figures were provided by the Duluth School District.
The population figures are estimates of the State Demographer.

Unaudited

**PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS**

TABLE 13

<u>Fiscal Year</u>	<u>Residential Construction (1)</u>		<u>Non-Residential Construction (1)</u>		<u>Property Value (2)</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Apt / Comm / Ind</u>	<u>Residential</u>
1996	167	\$ 6,689,643	303	\$ 12,800,847	\$ 687,362,600	\$ 1,445,657,600
1997	130	9,387,176	357	14,347,342	756,726,405	1,580,654,195
1998	150	11,696,929	307	10,887,897	763,263,626	1,655,545,374
1999	291	18,282,474	305	62,534,795	799,032,925	1,710,614,075
2000	166	9,425,229	310	25,299,582	835,573,800	1,822,898,700
2001	105	17,615,469	339	10,302,806	940,009,858	1,959,760,242
2002	233	26,916,604	331	28,025,559	994,619,763	2,167,857,037
2003	162	23,898,699	324	28,061,984	1,189,513,319	2,445,641,281
2004	385	48,002,711	295	80,197,242	1,437,720,042	2,831,215,458
2005	249	31,240,542	271	30,346,756	1,589,781,544	3,152,991,656

Sources: (1) Building Inspection Division, City of Duluth
(2) Assessor's Office, City of Duluth

Unaudited

<u>Taxpayer *</u>	<u>Type of Business</u>	<u>2005 Estimated Market ** Valuation</u>	<u>Percentage of Total Estimated Market ** Valuation</u>
Minnesota Power	Electric utility	\$ 80,981,600	1.71%
StoraEnso North America	Paper mill	46,313,600	0.98%
Simon Property, Inc.	Shopping mall	40,899,200	0.86%
Duluth Clinic LTD	Medical center	19,890,100	0.42%
IRET Properties	Property management	15,593,100	0.33%
Northwest Air	Airbus maintenance	14,823,100	0.31%
Tech Village	Office/Tech building	10,166,700	0.21%
Bradley Operating Limited	Strip mall	10,312,300	0.22%
JMM Limited Partnership	Retail/hotel	9,593,800	0.20%
Menard Inc	Retail	<u>8,918,800</u>	<u>0.19%</u>
		<u>\$ 257,492,300</u>	<u>5.43%</u>

* "Taxpayer" is an aggregate of all properties under one fee ownership.

** Estimated market valuation includes both real and personal property, net of tax increment.

Unaudited

**CITY OF DULUTH, MINNESOTA
PRINCIPAL EMPLOYERS
December 31, 2005**

TABLE 15

Employer	Type of Business	Employees
St. Mary's Med Center/Duluth Clinic/Miller Dwan	Healthcare/hospital	5,236
University of Minnesota-Duluth	Education	1,700
I.S.D. No. 709	Education	1,533
St. Louis County	Government	1,376
St Lukes Hospital	Healthcare/hospital	1,312
City of Duluth/Authorities	Government	920
Cirrus Design	Aviation	825
Minnesota Power	Electric utility	659
College of St. Scholastica	Education	521
StoraEnso North America	Paper mill	280
Advanstar	Publishing	260
Fond DuLuth Casino	Gaming casino	227
		<u>14,849</u>

Source: City of Duluth
Business Development Office

Unaudited

**CITY OF DULUTH, MINNESOTA
MISCELLANEOUS STATISTICAL DATA
DECEMBER 31, 2005**

TABLE 16

Date of Incorporation	1887
Form of Government	Mayor/Council
Number of employees (excluding police and fire)	643
Area in square miles	67.29

**CITY OF DULUTH FACILITIES AND SERVICES PROVIDED BY:
PRIMARY GOVERNMENT -**

Public Safety -

Fire Department -

Number of stations	9
Number of employees	134
Number of calls answered	7,345
Number of inspections conducted	1,200

Police department -

Number of employees	167
Number of violations:	
Criminal offenses	9,659
Traffic violations	3,752
Parking violations	66,555
Adult and juvenile arrests	3,329

Public Works -

Miles of streets and alleys -

Streets - paved	469.20
Streets - unpaved	77.31
Sidewalks	381.33

Number of street lights -

Ornamental lamps (no.of bulbs)	3,712
Overhead street lamps	3,727

Construction permits -

Permits issued in 2005	2,400
Estimated cost of construction during 2005	\$121,160,329

Sewage System -

Miles of sanitary sewers	408.00
Miles of storm sewers	349.00
Number of service connections	28,840
Daily average treatment in gallons	14,580,000
Maximum daily capacity of treatment plant in gallons	134,972,000

Culture and recreation -

Parks and Recreation Department -

Number of parks	129
Park acreage	11,862
Number of ski hills	2
Number of municipal golf courses	2
Number of municipal tennis courts	9
Community clubs/field houses operated	27
Number of athletic fields	70

Library Department -

Libraries/branches	3
Registered borrowers	49,011
Cataloged items in collection	354,480
Items loaned	969,186
Reference/research questions answered	226,222

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CITY OF DULUTH FACILITIES AND SERVICES PROVIDED BY:

PRIMARY GOVERNMENT (continued) -

Department of Water and Gas -

Water Fund -

Number of hydrants	2,363
Average number of gallons treated per month	514,360,000
Miles of water mains	408.22
Meters in service	27,809
Daily average consumption in gallons	16,910,466
Maximum daily capacity of plant in gallons	32,000,000

Gas Fund -

MMBTU sold	4,777,330
Miles of gas mains	488.3
Meters in service	25,085

COMPONENT UNITS -

Duluth Entertainment and Convention Center (DECC) -

Number of events	545
Number of conventions	43

Duluth Airport Authority -

Number of passengers	305,750
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Duluth Transit Authority -

Number of buses	72
Number of routes	29
Number of passengers	2,709,249
Service area (square miles)	143

**FACILITIES AND SERVICES NOT INCLUDED IN THE CITY OF DULUTH
 REPORTING ENTITY:**

Education -

Duluth Public Schools -

Number of elementary schools	12
Number of elementary school teachers	300
Number of elementary school students	4,103
Number of middle schools	4
Number of middle school teachers	173
Number of middle school students	2,297
Number of high schools	3
Number of high school teachers	185
Number of high school students	3,434
Number of alternative schools	9
Number of alternative school teachers	55
Number of alternative school students	389
Number of specialized teachers	0
Number of adult basic education students	900

Other -

Number of community colleges/technical schools	1
Number of universities	2

Health care -

Number of hospitals	2
Number of patient beds	734
Number of bassinets (neonatal intensive care)	66

Unaudited

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