



2022

Annual Comprehensive Financial Report

CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2022



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2022

**CITY OF DULUTH, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
DECEMBER 31, 2022**

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INTRODUCTORY SECTION



Finance Department

Room 120
411 West First Street
Duluth, Minnesota 55802

 218-730-5350

July 14, 2023

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, 2022.

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 controls for that purpose. The objective of the City's internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement. Absolute assurance is not achievable because the costs of internal controls should not exceed anticipated benefits.

The Minnesota Office of the State Auditor has issued an unmodified opinion on the City of Duluth's financial statements for the year ended December 31, 2022. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

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

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

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

The City Council is required to adopt a final budget before year end. The budget ordinance approved by the Council establishes appropriations for the General Fund. The total of all appropriations within a department are defined as a budget item and form the legal level of budgetary control, as defined in the budget ordinance. The mayor, chief administrative officer, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of 10% of that budget item must be approved by the City Council. The Council may revise the budget at any time by ordinance upon recommendation of the administration.

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering, and aviation. According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's unemployment rate averaged 2.4% in 2022, and was as low as 1.9% in April. The total number of jobs in Duluth reported to the state in 2022 averaged 55,058.

According to DEED, Duluth's aviation industry grew 112% between 2013 and 2018, with key anchors like Cirrus Aircraft, American Precision Avionics, and Greystar Electronics contributing millions to the regional economy, and directly supporting over 1,100 jobs in the Duluth metro area. Cirrus Aircraft is the largest single-engine aircraft manufacturer in their class reporting billings of \$632.9 million in 2021 and \$260 million in the first half of 2022. In late 2022 they announced plans to transform Northwest Airlines maintenance base into a new research and development facility in which they will invest at least \$10 -15 million. They have also promised to maintain the size of their local workforce and bring another additional 80 engineering jobs to the City in the next three years. Cirrus Aircraft's SF50 Vision Jet was awarded the prestigious 2017 Robert J. Collier Trophy for "the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety in air or space vehicles..." and is on display at the Smithsonian's Air and Space Museum in Washington DC.

The Port of Duluth-Superior has been one of the backbones of the region's economy and has been long known as the Great Lakes' "Bulk Cargo Capital." It is the number one tonnage port on the Great Lakes and is the farthest-inland freshwater seaport, with an average of 800 vessel visits a year. The Duluth-Superior port moves an average of 35 million short tons of cargo annually, ranking among the nation's top 20 ports. It is North America's foremost natural resources port and leading mover of iron ore (#1 nationally) and coal (#7 nationally), limestone, and grain (the port's #1 export), in addition to dry & liquid bulk commodities, general cargo, heavy lift, and wind energy components. It is recognized worldwide as the heaviest lift port on the Great Lakes for its expertise in handling wind energy & project cargoes, wood pulp, paper, steel coils, and containerized cargoes. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior, on average, support approximately 7,800 port connected jobs and generate approximately \$504 million in annual income and contributes over \$1.4 billion to the local/regional business economy.

Duluth is located on the southwestern tip of Lake Superior. Lake Superior, the largest of the Great Lakes, is not only an economic engine for the community but is treasured for its picturesque beauty. Duluth has experienced growth in tourism and recreation travel, and has become a top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth attracts over 6.7 million visitors annually, injecting more than \$950 million each year directly into the immediate area. In 2022, the City's tourism revenue increased 11.3% over 2021. Duluth offers a variety of attractions and outdoor activities, including: Canal Park- Duluth's historic waterfront district with its variety of hotels, restaurants, and shops, and home to the famous Aerial Lift Bridge, which is Minnesota's most frequented

tourist attraction; the Lakewalk- a 7.5 mile recreational trail on the shores of Lake Superior; Bayfront Festival Park- a 20 acre waterfront park with a seasonal amphitheater, that hosts outdoor summertime concerts and events, and during the holiday season, the Bentleyville Tour of Lights, America's largest free walk-through holiday light display. Bayfront Festival Park was named the "Best Outdoor Music Venue" in 2014's "Best of Minnesota" poll by the Minneapolis Star Tribune. Duluth is also home to the Great Lakes Aquarium-a \$30 million freshwater aquarium featuring more than 20 exhibits; and, Spirit Mountain Ski and Recreation Area-a year-round recreation area with the Midwest's longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. The City has 129 municipal parks encompassing over 3,264 acres, a public golf course, zoo, and over 150 miles of trails for hikers, bicyclists, and cross-country skiers. Duluth's 104-mile Traverse Mountain Biking Trail system is rated as one of only six "Gold Level" Ride Centers in the world by the International Mountain Bicycling Association (IMBA). Duluth hosts world-class special events such as Grandma's Marathon, the 16th largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. In 2022, Viking Cruise Line began operating their "Undiscovered Great Lakes" 8-day cruise, which visits Duluth, and offers daytime expedition trips to Duluth's various attractions and outdoor experiences, and contributed an estimated \$677,000 in economic impact to the City.

Duluth has been nationally recognized by various publications and was rated by Money magazine as one of the top four Midwestern small cities, based on livability. In 2015, Duluth was voted as America's "Best Town" by an online poll conducted by Outside Magazine. In 2017, Duluth was named as America's fittest City by Fitbit; and, SmartAsset's 2017 edition named Duluth as the least stressed city in America. In 2018, Duluth was recognized by the New York Post as one of the "Best 10 Christmas Cities in America." Indeed.com ranked Duluth #1 in 2018 for "US Cities Where Salaries Go Furthest" based upon high adjusted salaries, low unemployment, and good future prospects. Lake Superior, the City's unique history, premier trails, natural beauty, and quality of life continue to define Duluth as a family friendly vacation destination and place to live.

Located on the shores of Lake Superior, the Duluth Entertainment Convention Center (DECC) is the epicenter of entertainment in Duluth, and offers world-class events spanning conventions, sports, arts and entertainment. The DECC is home to the Duluth Superior Symphony Orchestra, Broadway performances, concerts, home and sports shows, the Minnesota Ballet, UMD Men's and Women's Bulldog Hockey and the *William A. Irvin* ore boat museum. The DECC's facilities include a convention center with 25 meeting rooms and two ballrooms. The facility also has an auditorium, Symphony Hall, and two arenas, the Duluth Arena/Pioneer Hall, and the Amsoil Arena. In addition, the DECC is the proud home of the Duluth Curling Club, and the 2018 Olympic gold medal team. Bayfront Festival Park is under the management of the DECC, and hosts concerts and events, including Bentleyville, Duluth Fourth Fest, Blues Fest, Pride Festival, Tributefest, and All Pints North Brewfest.

The American Institute of Economic Research named the Duluth metropolitan area as one of America's best small metropolitan areas for college students in their "Small Metro category" in its 2012 College Destinations index. The University of Minnesota Duluth (UMD) and the College of St. Scholastica (CSS) are consistently ranked in the top tier of Midwestern universities by U.S. News and World Report's "America's Best Colleges" issue.

- The University of Minnesota Duluth (UMD) is a comprehensive regional university and adds a total annual economic impact on the region of over \$500 million. UMD had fall enrollment of 9,675 students in 2022. Undergraduate students can choose from 16 bachelor's degrees in 87 majors, and 77 minors as well as five certificates. UMD also offers graduate programs in 24 fields, 13 minors, and seven certificates. The University of Minnesota Medical School and the University of Minnesota College of Pharmacy, both have programs on the UMD campus. In addition to offering the EdD, UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs.
- The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider" and in 2014 was named by Money Magazine to the top third of all four-year colleges in the country, based on graduation rates, educational quality, affordability, and alumni earnings. Forbes Magazine named CSS in its "Top Colleges" list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. CSS has 5 academic schools, and offers degrees in 61 undergraduate majors, minors and pre-professionals: 16 masters, and five doctoral programs, with a total 2022 enrollment of 3,512 students.
- Lake Superior College (LSC) is a two-year community and technical college in Duluth and is a member of the Minnesota State College System and has the third lowest college tuition in the State of Minnesota. Lake Superior College was recently ranked among the 20 best community colleges in the nation for quality and

affordability; and, was ranked 41st among “50 Best Community Colleges in the Nation” by College Consensus, an organization that combines all the most reputable college ranking publishers and real student reviews. The college offers pre-baccalaureate majors for students interested in transferring to 4-year educational institutions, as well as more than 90+ certificate, diploma and associate degree programs in career and technical fields. LSC's Continuing Education/Customized Training division collaborates with area businesses and industry to design specialized opportunities for entry-level and advanced education. While courses are typically offered in traditional classroom and lab settings, LSC also offers nearly 200 courses online.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund as of December 31, 2022 is 20.3% of total General Fund expenditures and transfers. In order for the City of Duluth to respond to unforeseen situations, as well as to positively impact the investment credit rating of the City, the City strives to maintain a collectible unassigned General Fund balance between sixteen (16) and eighteen (18) percent of the current year's General Fund operating budget.

Additionally, the City's municipal advisors strongly encourage the City to maintain a minimum balance of 40% of budgeted general fund revenues, using the unassigned General Fund balance and the Community Investment Trust (CIT) fund balance to reach the 40%. It is important to note, while the General Fund balance may have opportunity for growth, the CIT is dependent on market earnings and therefore does not have the opportunity for annual growth.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2022, the Community Investment Fund reported a fund balance of \$26.5 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$31.8 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$84.4 million on December 31, 2022. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare premium costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2022, retiree health care premium costs of \$829,738 were funded by the irrevocable trust. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

MAJOR INITIATIVES

In 2019, the State legislature approved a ½ percent local sales tax increase to fund street improvements. The new tax went into effect on October 1, 2019. The sales tax increase significantly increases the funding available for the City's Street Improvement Program. In 2023, the City is projecting to repair 11.55 miles of roads.

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

The City was awarded approximately \$60 million dollars in Coronavirus State and Local Fiscal Recovery Funds as part of the America Rescue Plan. The City received its final allocation of this payment in May of 2022. The funds will

be used to support improvement in outdoor spaces, leverage an increase in affordable housing units, improve water infrastructure, and contribute to other needs that are important to the City of Duluth.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2021. This was the forty-sixth 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 ACFR, 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 ACFR 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 2022. 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.

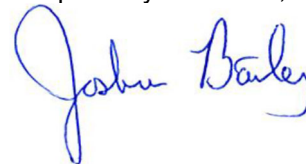
When looking at a report such as this ACFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the ACFR. As the requirements and demands of financial reporting in government increase, so too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

Respectfully submitted,



Jennifer Carlson, CPA
Finance Director

Respectfully submitted,



Joshua Bailey,
City Auditor

ELECTED AND APPOINTED OFFICIALS

CITY OF DULUTH, MINNESOTA

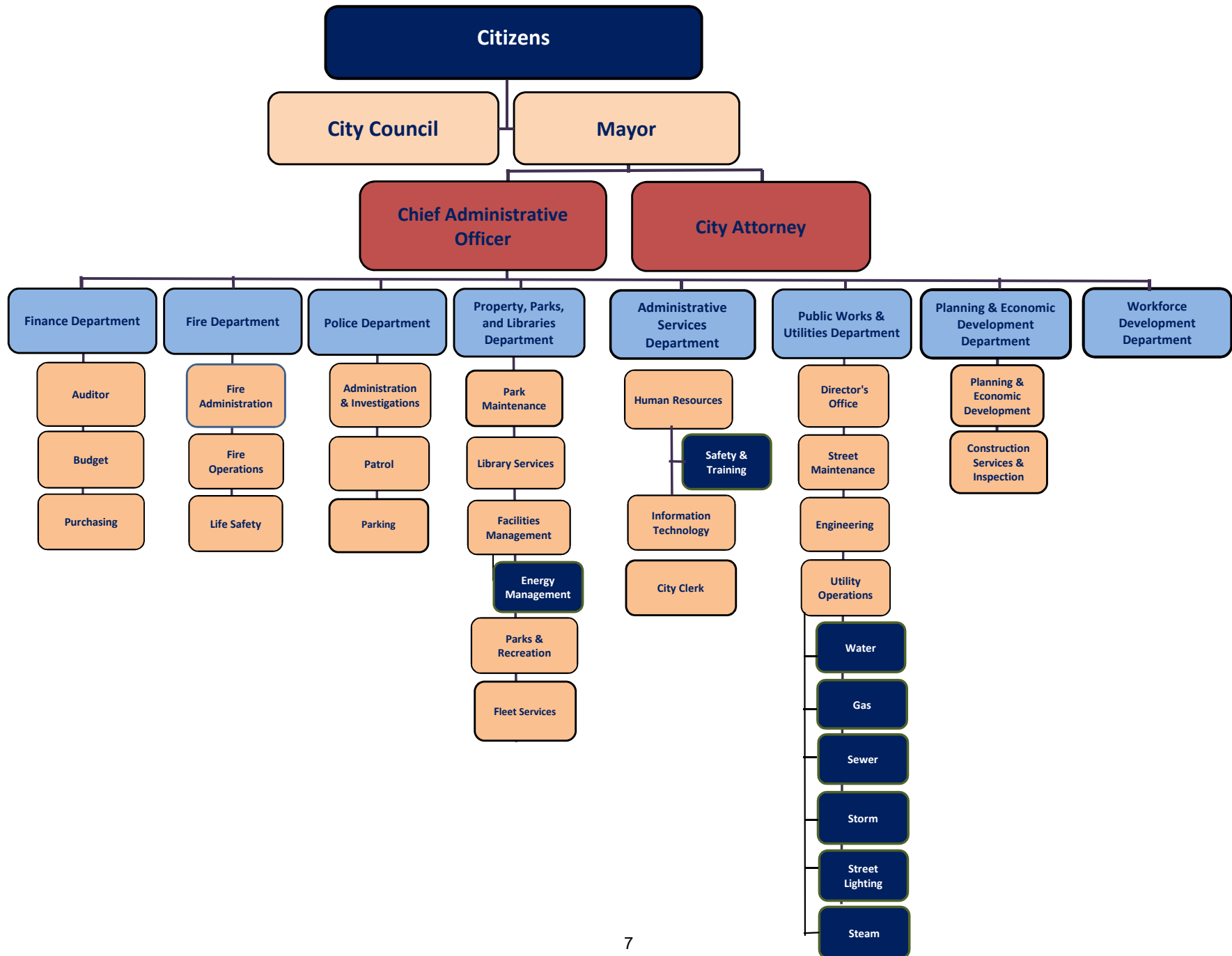
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Emily Larson		2024
City Council		
Azrin Awal	At large	2026
Arik Forsman	At large	2024
Noah Hobbs	At large	2024
Terese Tomanek	At large	2026
Gary Anderson	1	2024
Mike Mayou	2	2026
Roz Randorf	3	2024
Hannah Alstead	4	2026
Janet Kennedy	5	2024

*All terms expire in January

APPOINTED POSITION

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

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Duluth
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

**Independent Auditor's Report**

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

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes of the Spirit Mountain Recreation Area Authority component unit's activities are included as of and for the year ended April 30, 2022.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of December 31, 2022, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Statements and Schedules, Capital and Lease Assets Used in the Operation of Governmental Fund Schedules, Schedule of Changes in Long-Term Debt, Duluth Economic Development Authority financial statements, Duluth JPE Trust financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

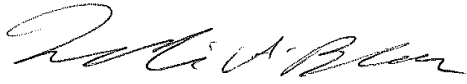
Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023, on our consideration of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on the effectiveness of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Julie A. Blaha", written in a cursive style.

Julie Blaha
State Auditor

July 14, 2023

Management's Discussion and Analysis

CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(unaudited)

The City of Duluth's Finance Department has prepared this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2022, by \$596.9 million; this amount is identified as net position.
- As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$116.5 million.
- Restricted fund balances were \$58.4 million of fund balance or 50.2%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$58.1 million, or 49.8%, are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's Other Post-Employment Benefits (OPEB). As of December 31, 2022, the trust reported net position totaling \$84.4 million.
- As of December 31, 2022, the General Fund's unrestricted, unassigned fund balance was \$21.3 million, or 20.3% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the combining and individual fund statements referred to earlier in connection with nonmajor governmental, nonmajor proprietary, internal service funds, fiduciary funds, and miscellaneous schedules. These schedules and statements follow the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

An additional portion of the City's net position (12.3%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

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	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 229,552	\$ 192,847	\$ 83,118	\$ 63,408	\$ 312,670	\$ 256,255
Capital assets*	339,192	327,141	334,403	325,476	673,595	652,617
Total assets	<u>\$ 568,744</u>	<u>\$ 519,988</u>	<u>\$ 417,521</u>	<u>\$ 388,884</u>	<u>\$ 986,265</u>	<u>\$ 908,872</u>
Deferred outflows of resources	\$ 77,615	\$ 43,343	\$ 10,624	\$ 7,740	\$ 88,239	\$ 51,083
Long-term liabilities outstanding*	\$ 320,772	\$ 226,135	\$ 60,096	\$ 56,181	\$ 380,868	\$ 282,316
Other liabilities	68,730	47,715	14,752	11,554	83,482	59,269
Total liabilities	<u>\$ 389,502</u>	<u>\$ 273,850</u>	<u>\$ 74,848</u>	<u>\$ 67,735</u>	<u>\$ 464,350</u>	<u>\$ 341,585</u>
Deferred inflows of resources	\$ 10,410	\$ 80,016	\$ 2,823	\$ 15,891	\$ 13,233	\$ 95,907
Net position:						
Net investment in capital assets	\$ 285,470	\$ 274,610	\$ 289,769	\$ 278,507	\$ 575,239	\$ 553,117
Restricted	71,315	59,986	2,016	2,560	73,331	62,546
Unrestricted	(110,338)	(125,131)	58,689	31,931	(51,649)	(93,200)
Total net position	<u>\$ 246,447</u>	<u>\$ 209,465</u>	<u>\$ 350,474</u>	<u>\$ 312,998</u>	<u>\$ 596,921</u>	<u>\$ 522,463</u>

* Includes restatement of 2021 amounts for lease assets and lease liability per GASB Statement No. 87.

Overall, the City's net position improved in 2022. The City's total net position increased \$74.5 million, an increase of 14.3%. Net position invested in capital assets increased largely due to the City's utility infrastructure replacement along with construction activity in the City's Regional Exchange District (RED). The Regional Exchange District encompasses the City's primary medical district and has seen significant private investment in the form of new hospital expansions. In addition, the City experienced record sales tax figures in 2022.

In governmental activities, the increase in assets was due to continued investment in capital assets and significant grant proceeds. Capital additions, especially as they relate to the Regional Exchange District, have largely been grant driven which allows the City to improve its capital infrastructure without incurring a large amount of debt to do so. In 2022, the City received its second share of federal funding associated with the US Treasury's Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The City received approximately \$29 million associated with this program to assist the City in dealing with negative impacts associated with the recent pandemic. In governmental activities, the increase in total liabilities of \$115.7 million was largely due to a net OPEB liability increase and more significantly, a net pension liability increase. In addition, unearned revenue increased due to funds being received up-front, associated with the SLFRF program. Both the City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows, and are amortized and expensed over several years in accordance with the Governmental Accounting Standards Board (GASB). Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred outflows and inflows. Negative returns in the stock market and changes in actuarial assumptions were the primary driving force behind the large increase in the City's pension liability. See Notes 13 and 14 of the financial statements for more details on the City's pension and OPEB liabilities.

For business-type activities, the increase in total assets of \$28.6 million is largely due to capital related spending. Improvements to utility infrastructure have been partially funded by grant funds for Steam Utility improvements and other utility improvements. Higher natural gas prices have driven up utility assets as well. Long-term liabilities

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increased due to the pension liability calculation. This increase was partially offset by the pay down of utility related bonds and notes.

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

	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 14,920	\$ 15,691	\$ 120,514	\$ 96,422	\$ 135,434	\$ 112,113
Operating grants and contributions	29,537	16,606	21	-	29,558	16,606
Capital grants and contributions	38,202	17,318	16,064	1,770	54,266	19,088
General revenues:						
Property taxes	41,226	37,906	-	-	41,226	37,906
Other taxes	47,701	41,525	-	-	47,701	41,525
Grants and shared revenues not restricted to specific programs	33,277	32,879	-	-	33,277	32,879
Other	(4,962)	8,338	(425)	(215)	(5,387)	8,123
Total revenues	199,901	170,263	136,174	97,977	336,075	268,240
Expenses:						
General government	34,203	31,459	-	-	34,203	31,459
Public safety	48,452	35,650	-	-	48,452	35,650
Public works	27,916	24,858	-	-	27,916	24,858
Culture and recreation	17,034	16,504	-	-	17,034	16,504
Urban and economic development	33,442	15,130	-	-	33,442	15,130
Interest	3,298	3,612	-	-	3,298	3,612
Water	-	-	11,098	9,055	11,098	9,055
Gas	-	-	47,848	35,255	47,848	35,255
Sewer	-	-	16,745	15,500	16,745	15,500
Stormwater	-	-	3,910	3,259	3,910	3,259
Steam	-	-	11,781	9,168	11,781	9,168
Golf	-	-	1,286	1,276	1,286	1,276
Parking	-	-	3,293	3,402	3,293	3,402
Priley drive parking facility	-	-	1,255	1,222	1,255	1,222
Broadband fiber	-	-	56	-	56	-
Total expenses	164,345	127,213	97,272	78,137	261,617	205,350
Increase (decrease) in net position before transfers	35,556	43,050	38,902	19,840	74,458	62,890
Transfers	1,426	4,513	(1,426)	(4,513)	-	-
Increase in net position	36,982	47,563	37,476	15,327	74,458	62,890
Net position, January 1	209,465	161,902	312,998	297,671	522,463	459,573
Net position, December 31	\$ 246,447	\$ 209,465	\$ 350,474	\$ 312,998	\$ 596,921	\$ 522,463

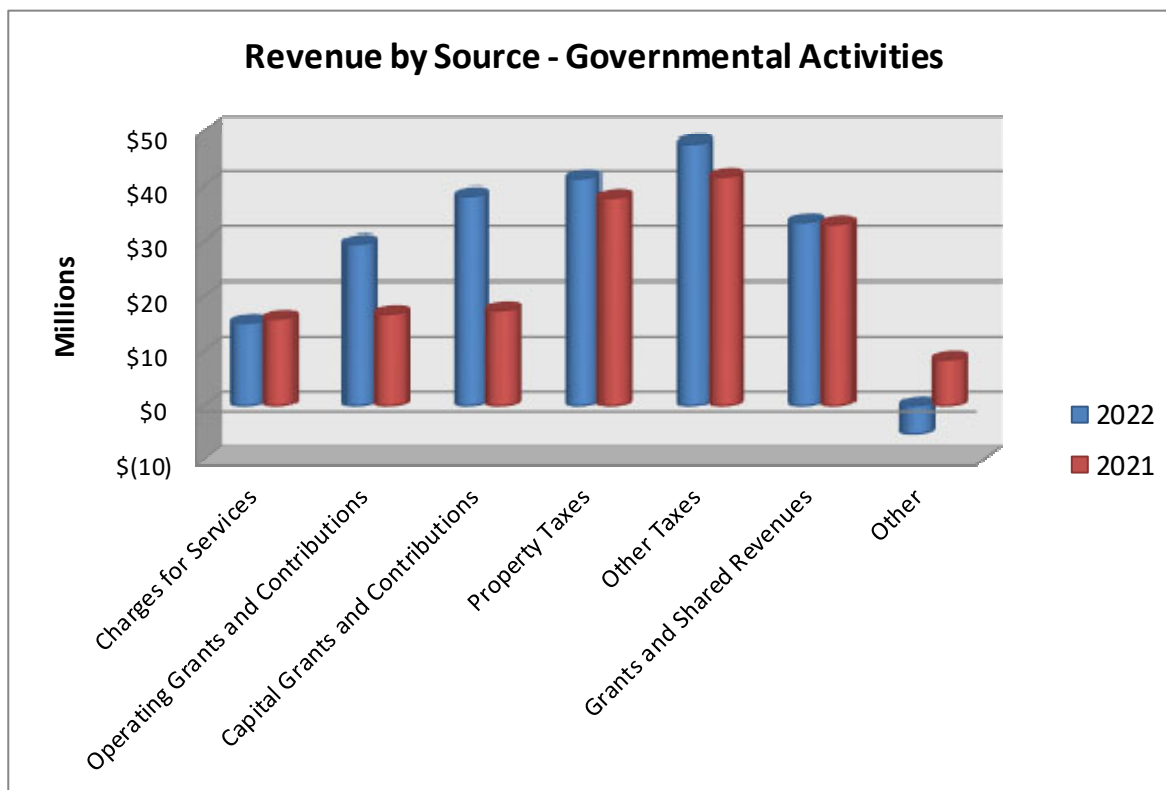
Governmental activities revenue increased by \$29.6 million in 2022. This increase is due to increased sales and property tax revenue, combined with significant grant proceeds. Revenues were negatively impacted by investment returns. Tourism tax related collections continued a strong recovery from the negative impacts of the pandemic in

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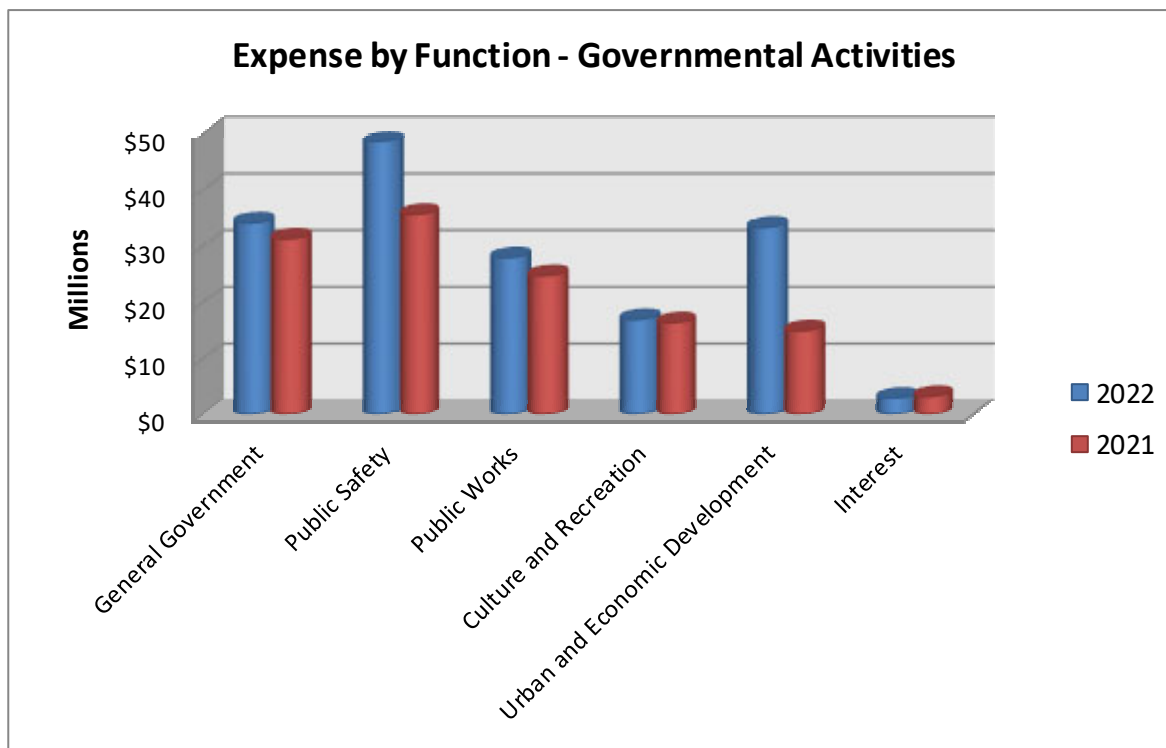
2020. Tourism related sales taxes increased 10.8% over 2021. The City's property tax levy increased 9.9% from 2021 to 2022. This increase provided funding for the City's Housing Trust Fund and increased operational costs. The City recognized significant grant revenue associated with the SLFRF and RED funding mentioned earlier in this narrative. The poor stock market performance in 2022 resulted in a \$5.6 million in investment revenue loss for the Community Investment Trust fund. Business-type activities revenue increased \$38.2 million. The increase in revenue is largely associated with higher natural gas prices which resulted in a substantial increase in natural gas sales from 2021 to 2022. The City's water fund had significant SLFRF funded improvements including water mains and water meters in 2022.

Total expenses increased \$37.1 million for governmental activities. Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements No. 68 (pension liability) and 75 (OPEB liability). These liabilities, and associated deferred outflows and inflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred outflows and inflows and expensed over future years. Further detail on these two items can be found in Notes 13 and 14 of the financial statements. In 2022, the City had significant increased expenditures in urban and economic development. The increase in urban and economic development spending is mainly associated with RED funding used for the development in the City's medical district.

Business-type activities expenses increased \$19.1 million. The majority of the increase was in the Gas fund due to the increased cost of natural gas.



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FUND FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$116.5 million, an increase of \$5.0 million from 2021. Of the total fund balance amount, \$58.1 million, or 49.8%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$31.1 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 85.0% of the committed fund balance. Restricted fund balance of \$58.4 million is primarily composed of funds dedicated to debt service and capital projects.

The General Fund is the main operating fund of the City. At December 31, 2022, fund balance of the General Fund was \$28.8 million, with \$21.3 million, or 73.9% reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 20.3% and total fund balance is 27.5% of total General Fund expenditures. The General Fund's fund balance increased \$3.3 million in 2022. Strong sales tax collections were a large driving force behind the fund balance increase.

The Community Investment Trust Special Revenue fund balance decreased \$6.1 million in 2022. This decrease was due to the performance of the portfolio holdings in a poor year for the stock market.

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The Local Fiscal Recovery Special Revenue fund was established in 2021. The City received over \$58 million combined in 2021 and 2022 related to the US Treasury's Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The funds will be used on a variety of projects such as water related infrastructure, low income housing, and building ventilation improvements.

PROPRIETARY FUNDS

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

	Unrestricted Net Position December 31		Increase (Decrease) Net Position December 31	
	2022	2021	2022	2021
Priley Drive Parking Facility	\$ 499	\$ 466	\$ (272)	\$ (285)
Water	13,997	9,527	11,449	6,561
Gas	13,314	5,819	8,644	2,870
Sewer	10,260	6,764	3,295	5,075
Steam	3,853	(553)	6,898	(1,180)

Unrestricted net position for the major proprietary funds above increased by \$19.9 million from 2021 to 2022. A large portion of this increase was in the Gas fund of \$7.5 million. As mentioned earlier, higher natural gas prices resulted in an increase in natural gas sales from 2021 to 2022. Overall, the change in the total net position for the above funds was an increase of \$30 million. Of particular note, the Steam fund had an increase in total net position of \$6.9 million. There was \$8 million in intergovernmental revenue related to the Regional Exchange District recorded in the Steam fund in 2022. These revenues contributed to the increase in the Steam fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$12.6 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$0.6 million appropriation increase for prior year carryovers;
- \$0.2 million appropriation increase for grants, gifts and donations; and
- \$11.8 million appropriation increase for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$3.1 million. This favorable variance can be attributed to higher than anticipated sales tax revenue and building inspection fees.
- Expenditures and transfers were under budget by \$0.2 million due primarily to savings in personnel costs.

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CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, was \$673.6 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, right-to-use leased assets, roads and bridges, traffic signals, and utility-related infrastructure. In 2022, the City's total investment in capital assets, net of accumulated depreciation, increased by \$21.0 million. Major capital asset additions in 2022 included: 1st Street improvements of \$3.5 million, 21st Avenue East Reconstruction of \$3.3 million, hospital constructed road improvements in the medical district of \$8.0 million, and utility related infrastructure improvements of \$10.5 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2022	2021*	2022	2021
Capital Assets:				
Land and improvements	\$ 22,859	\$ 22,859	\$ 4,649	\$ 4,649
Buildings	35,549	38,918	42,960	44,587
Equipment	5,124	5,247	39,923	35,521
Infrastructure	243,855	233,479	229,757	219,913
Right-to-use assets	4,518	2,275	-	-
Construction in progress	27,287	24,363	17,114	20,806
Total	<u>\$ 339,192</u>	<u>\$ 327,141</u>	<u>\$ 334,403</u>	<u>\$ 325,476</u>

* Includes restatement of 2021 amounts for lease assets per GASB Statement No. 87.

LONG-TERM DEBT

The City had \$133.8 million of bonded debt outstanding as of December 31, 2022. Of this amount, \$100.7 million of debt is backed by the full faith and credit of the City. The City had \$0.2 million of 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 \$33.1 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

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	Balance 12/31/22	Balance 12/31/21
Governmental Activities:		
General Obligation Bonds	\$ 77,220	\$ 81,360
General Obligation Tax Abatement Bonds	9,215	9,695
Special Assessment Debt with Government Commitment	185	645
General Obligation Certificates	14,125	14,185
Total Governmental Activities Bonded Debt	<u>\$ 100,745</u>	<u>\$ 105,885</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 33,098</u>	<u>\$ 36,123</u>

During 2022, the City's total bonded debt decreased by \$8.2 million.

In 2022, the City issued \$1.7 million of general obligation bonds and \$3.4 million of general obligation certificates. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$160.1 million, which is significantly higher than the City's net debt of \$37.2 million. Additional information about the City's long-term debt can be found in Note 10 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2023 General Fund budget is \$105.9 million. State local government aid (LGA) payments are anticipated to supply 29.1% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

Since its inception in 1971, state aid has undergone many changes. These changes include modifications to the formula, legislative cuts, and governor unallotments in times of state budget deficits. From 2010 through 2014, local government aid to the City was reduced below the 2009 level. From 2014 through 2019, LGA remained relatively flat. In 2020, the City saw an increase of \$578 thousand and at this time the City's certified LGA amount is \$30.81 million, which is far short of the \$42 million needed to keep up with inflationary adjustments. Currently, there are versions of bills in the State Legislature that would increase the appropriation and update the formula. The City is hopeful these changes will take place, and that the City will see a substantial increase in 2024.

In 2021, the City contracted with an actuary to calculate its annual required contribution for OPEB in accordance with GASB Statement No. 75. For the year ended December 31, 2022, the City made contributions of \$2.4 million to an irrevocable trust and paid out \$11.3 million in retiree claims. As of December 31, 2022, the City's net OPEB liability is \$66.9 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 148,786,460	\$ 36,179,450	\$ 184,965,910	\$ 24,126,881
Investments, at fair value	26,474,776	-	26,474,776	-
Assets held by trustee	14,442,033	-	14,442,033	-
Receivables, net	28,338,890	17,184,247	45,523,137	22,877,499
Due from primary government	-	-	-	1,178,598
Internal balances	(8,087,525)	8,087,525	-	-
Due from component units	114,699	3,592	118,291	-
Due from other governments	19,174,436	2,819,511	21,993,947	2,697,654
Inventories	254,951	3,745,757	4,000,708	769,499
Prepays	53,401	11,346,725	11,400,126	170,360
Restricted assets				
Cash and cash equivalents	-	2,308,593	2,308,593	1,485,559
Accounts receivable	-	-	-	393,627
Loans receivable	-	1,442,940	1,442,940	-
Grants receivable	-	-	-	2,304,477
Planning and development costs	-	-	-	3,469,698
Capital and lease assets (Note 7)				
Non-depreciable	50,146,144	21,763,057	71,909,201	14,370,583
Depreciable, net	289,046,046	312,639,674	601,685,720	232,609,494
Total Assets	568,744,311	417,521,071	986,265,382	306,453,929
Deferred Outflows of Resources				
Deferred pension obligation outflows	73,349,847	4,228,077	77,577,924	3,535,782
Deferred OPEB outflows	2,368,544	6,236,151	8,604,695	656,939
Deferred loss from debt refunding	1,896,404	159,760	2,056,164	-
Total Deferred Outflows of Resources	77,614,795	10,623,988	88,238,783	4,192,721
Liabilities				
Accounts payable and other short-term liabilities	24,854,174	11,709,544	36,563,718	5,187,636
Accrued interest payable	1,577,153	397,760	1,974,913	241
Due to primary government	-	-	-	691,532
Due to component unit	1,122,627	55,971	1,178,598	-
Due to other government	145,320	1,062,246	1,207,566	172,600
Unearned revenues	41,031,027	1,526,731	42,557,758	2,775,453
Noncurrent liabilities				
Due within one year	17,444,924	6,878,584	24,323,508	2,481,266
Due in more than one year	107,068,537	39,083,850	146,152,387	6,879,527
Other postemployment benefits liability	76,335,901	-	76,335,901	4,675,746
Net pension liability	119,922,777	14,133,260	134,056,037	6,016,635
Total Liabilities	389,502,440	74,847,946	464,350,386	28,880,636
Deferred Inflows of Resources				
Lease related	2,012,553	1,461,129	3,473,682	13,667,294
Deferred pension obligation inflows	3,780,169	470,967	4,251,136	2,149,723
Deferred OPEB inflows	4,616,932	890,610	5,507,542	591,462
Total Deferred Inflows of Resources	10,409,654	2,822,706	13,232,360	16,408,479
Net Position				
Net investment in capital assets	285,470,255	289,768,984	575,239,239	238,231,205
Restricted for:				
General government	12,334,136	-	12,334,136	-
Public safety	1,405,623	-	1,405,623	-
Public works	1,548,772	1,543,258	3,092,030	-
Culture and recreation	4,109,043	-	4,109,043	-
Urban and economic development	9,587,140	-	9,587,140	-
Debt service	21,889,708	473,140	22,362,848	-
Capital outlay	20,440,308	-	20,440,308	10,423,948
Unrestricted	(110,337,973)	58,689,025	(51,648,948)	16,702,382
Total Net Position	\$ 246,447,012	\$ 350,474,407	\$ 596,921,419	\$ 265,357,535

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, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 34,202,686	\$ 6,087,871	\$ 3,405,232	\$ 2,300,821
Public safety	48,451,732	2,175,843	5,636,430	658,899
Public works	27,916,257	209,909	6,680,994	16,937,256
Culture and recreation	17,033,986	2,024,906	886,734	9,881,195
Urban and economic development	33,442,251	4,421,476	12,927,644	8,424,217
Interest	3,298,165	-	-	-
Total Governmental Activities	<u>164,345,077</u>	<u>14,920,005</u>	<u>29,537,034</u>	<u>38,202,388</u>
Business-type activities				
Water	11,098,291	16,013,881	-	7,011,073
Gas	47,848,429	59,696,900	-	131,410
Sewer	16,745,422	20,375,543	-	-
Stormwater	3,905,912	7,881,324	20,509	-
Steam	11,781,300	10,828,835	-	8,039,082
Golf	1,286,227	1,247,587	-	-
Parking	3,293,398	3,985,704	-	882,473
Priley Drive parking facility	1,255,506	484,414	-	-
Broadband fiber	55,971	-	-	-
Total Business-type Activities	<u>97,270,456</u>	<u>120,514,188</u>	<u>20,509</u>	<u>16,064,038</u>
Total Primary Government	<u>\$ 261,615,533</u>	<u>\$ 135,434,193</u>	<u>\$ 29,557,543</u>	<u>\$ 54,266,426</u>
Component units				
Duluth Economic Development Authority	\$ 6,572,201	\$ 1,402,900	\$ 1,220,212	\$ -
Duluth Entertainment and Convention Center Authority	16,872,138	9,826,169	625,872	200,000
Duluth Airport Authority	16,585,828	3,826,929	-	14,520,828
Duluth Transit Authority	27,604,308	2,300,685	16,730,254	855,824
Spirit Mountain Recreation Area Authority	5,833,497	6,012,642	-	620,700
Total Component Units	<u>\$ 73,467,972</u>	<u>\$ 23,369,325</u>	<u>\$ 18,576,338</u>	<u>\$ 16,197,352</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, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government				
Governmental activities				
General government	\$ (22,408,762)	\$ -	\$ (22,408,762)	\$ -
Public safety	(39,980,560)	-	(39,980,560)	-
Public works	(4,088,098)	-	(4,088,098)	-
Culture and recreation	(4,241,151)	-	(4,241,151)	-
Urban and economic development	(7,668,914)	-	(7,668,914)	-
Interest	(3,298,165)	-	(3,298,165)	-
Total Governmental Activities	(81,685,650)	-	(81,685,650)	-
Business-type activities				
Water	-	11,926,663	11,926,663	-
Gas	-	11,979,881	11,979,881	-
Sewer	-	3,630,121	3,630,121	-
Stormwater	-	3,995,921	3,995,921	-
Steam	-	7,086,617	7,086,617	-
Golf	-	(38,640)	(38,640)	-
Parking	-	1,574,779	1,574,779	-
Priley Drive parking facility	-	(771,092)	(771,092)	-
Broadband fiber	-	(55,971)	(55,971)	-
Total Business-type Activities	-	39,328,279	39,328,279	-
Total Primary Government	(81,685,650)	39,328,279	(42,357,371)	-
Component units				
Duluth Economic Development Authority	-	-	-	(3,949,089)
Duluth Entertainment and Convention Center Authority	-	-	-	(6,220,097)
Duluth Airport Authority	-	-	-	1,761,929
Duluth Transit Authority	-	-	-	(7,717,545)
Spirit Mountain Recreation Area Authority	-	-	-	799,845
Total Component Units	-	-	-	(15,324,957)
General Revenues				
Property taxes	41,225,632	-	41,225,632	5,034,827
Sales taxes	41,954,810	-	41,954,810	2,232,552
Franchise taxes	4,289,071	-	4,289,071	-
Other taxes	1,457,069	-	1,457,069	-
Grants and shared revenues not restricted to specific programs	33,276,992	-	33,276,992	-
Investment income	(7,481,264)	(465,076)	(7,946,340)	633,120
Gain on sale or disposition of capital assets	-	39,253	39,253	77,750
Miscellaneous	2,519,724	-	2,519,724	4,689,334
Special item - sale of aircraft maintenance facility	-	-	-	(5,245,583)
Transfers	1,426,055	(1,426,055)	-	-
Total General Revenues, Special Item, and Transfers	118,668,089	(1,851,878)	116,816,211	7,422,000
Change in Net Position	36,982,439	37,476,401	74,458,840	(7,902,957)
Net Position - Beginning	209,464,573	312,998,006	522,462,579	273,260,492
Net Position - Ending	\$ 246,447,012	\$ 350,474,407	\$ 596,921,419	\$ 265,357,535

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 25,972,277	\$ 43,150,328	\$ -	\$ 73,564,670	\$142,687,275
Investments, at fair value	-	-	26,474,776	-	26,474,776
Receivables, net					
Taxes	4,508,168	-	-	3,489,821	7,997,989
Accounts	942,320	-	-	294,549	1,236,869
Assessments	639,875	-	-	1,335,119	1,974,994
Loans	1,887,965	-	-	13,848,206	15,736,171
Leases	-	-	-	2,054,978	2,054,978
Due from other funds	537,168	-	-	1,946,592	2,483,760
Due from component units	107,739	-	-	6,960	114,699
Interfund loan receivables	6,028,436	-	-	-	6,028,436
Due from other governments	542,121	-	-	18,632,315	19,174,436
Prepays	-	-	-	3,401	3,401
Total Assets	<u>41,166,069</u>	<u>43,150,328</u>	<u>26,474,776</u>	<u>115,176,611</u>	<u>225,967,784</u>
Liabilities					
Accounts payable	3,497,140	-	-	3,898,522	7,395,662
Contracts payable	513,377	1,012,286	-	12,609,614	14,135,277
Due to other funds	2,172,091	2,617,945	-	2,050,334	6,840,370
Due to component units	5	-	-	1,122,622	1,122,627
Interfund loan payable	-	-	-	3,258,569	3,258,569
Due to other governments	39,317	-	-	80,311	119,628
Accrued salaries payable	2,840,581	-	-	106,373	2,946,954
Unearned revenue	17,583	39,948,519	-	952,340	40,918,442
Total Liabilities	<u>9,080,094</u>	<u>43,578,750</u>	<u>-</u>	<u>24,078,685</u>	<u>76,737,529</u>
Deferred Inflows of Resources					
Unavailable revenue	3,238,011	-	-	27,517,882	30,755,893
Lease related	-	-	-	2,012,553	2,012,553
Total Deferred Inflows of Resources	<u>3,238,011</u>	<u>-</u>	<u>-</u>	<u>29,530,435</u>	<u>32,768,446</u>
Fund Balances					
Restricted	200,387	-	-	58,223,000	58,423,387
Committed	17,999	-	26,474,776	4,643,689	31,136,464
Assigned	7,302,662	-	-	5,104,505	12,407,167
Unassigned	21,326,916	(428,422)	-	(6,403,703)	14,494,791
Total Fund Balances	<u>28,847,964</u>	<u>(428,422)</u>	<u>26,474,776</u>	<u>61,567,491</u>	<u>116,461,809</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 41,166,069</u>	<u>\$ 43,150,328</u>	<u>\$ 26,474,776</u>	<u>\$115,176,611</u>	<u>\$225,967,784</u>

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

CITY OF DULUTH, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Fund Balance-total governmental funds	\$ 116,461,809
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Amounts reported for governmental activities in the statement of net position
are different because:

Capital and lease assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the assets is \$645,366,319, and the accumulated depreciation is \$306,394,325.	338,971,994
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Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	29,997,810
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Deferred outflows of resources and deferred inflows of resources are created as a
result of various differences related to pensions and debt refunding that are not
recognized in the governmental funds.

Deferred pension obligation outflows	72,971,885	
Deferred OPEB outflows	2,368,544	
Deferred loss from debt refunding	1,896,404	
Deferred pension obligation inflows	(3,738,068)	
Deferred OPEB inflows	(4,616,932)	
	68,881,833	68,881,833

Internal service funds are used by management to charge the costs of fleet services, group health insurance, loss control activities, and vacation benefits payable to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position for \$12,759,533 less \$6,776,283 attributed to business-type activities.	5,983,250
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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, notes, and purchase agreements payable	112,730,306	
Leases payable	4,546,968	
Other post employment benefits	76,335,901	
Net pension liability	118,659,356	
Interest accrued on long-term debt	1,577,153	
	(313,849,684)	(313,849,684)

Net position of governmental activities	\$ 246,447,012
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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
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property taxes	\$ 25,311,034	\$ -	\$ -	\$ 15,968,311	\$ 41,279,345
Sales taxes	18,383,455	-	-	23,571,355	41,954,810
Other taxes	5,732,655	-	-	13,485	5,746,140
Licenses and permits	2,220,506	-	-	159,282	2,379,788
Intergovernmental revenues	43,908,125	3,714,358	-	43,051,133	90,673,616
Charges for services	7,275,521	-	-	1,780,485	9,056,006
Fines and forfeits	275,179	-	-	51,440	326,619
Special assessments	486,628	-	-	536,864	1,023,492
Investment income	(328,535)	(524,594)	(5,577,886)	(776,003)	(7,207,018)
Miscellaneous revenues	1,775,530	-	-	6,274,247	8,049,777
Total Revenues	105,040,098	3,189,764	(5,577,886)	90,630,599	193,282,575
Expenditures					
Current					
General government	32,297,659	-	-	1,683,881	33,981,540
Public safety	47,471,169	-	-	2,414,227	49,885,396
Public works	13,825,626	-	-	3,991,615	17,817,241
Culture and recreation	4,450,887	-	-	9,395,784	13,846,671
Urban and economic development	6,585,861	1,150,000	-	26,554,701	34,290,562
Debt service					
Principal retirement	86,930	-	-	10,353,243	10,440,173
Interest and fiscal fees	46,851	-	-	3,808,327	3,855,178
Bond issuance costs	-	-	-	119,588	119,588
Capital outlay	84,265	2,564,359	-	30,701,913	33,350,537
Total Expenditures	104,849,248	3,714,359	-	89,023,279	197,586,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	190,850	(524,595)	(5,577,886)	1,607,320	(4,304,311)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	5,045,000	5,045,000
Lease proceeds	-	-	-	2,507,130	2,507,130
Premium on issuance of bonds	-	-	-	359,784	359,784
Transfers in	9,387,487	-	-	23,785,267	33,172,754
Transfers out	(6,326,581)	-	(527,753)	(24,892,365)	(31,746,699)
Total Other Financing Sources (Uses)	3,060,906	-	(527,753)	6,804,816	9,337,969
Net Change in Fund Balances	3,251,756	(524,595)	(6,105,639)	8,412,136	5,033,658
Fund Balances - January 1, 2022	25,596,208	96,173	32,580,415	53,155,355	111,428,151
Fund Balances - December 31, 2022	\$ 28,847,964	\$ (428,422)	\$ 26,474,776	\$ 61,567,491	\$116,461,809

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, 2022

Net change in fund balances - total governmental funds \$ 5,033,658

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

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

Capital outlay	31,393,825	
Depreciation expense	(19,425,175)	
Excess of capital outlay over depreciation expense		11,968,650

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$3,116,976 from internal funds less \$510,361 attributed to business-type activities is reported with governmental activities. 2,606,615

Bond and lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:
 Bonds and leases issued, including a bond premium of \$359,784 (7,911,914)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:
 Bond, lease, and purchase agreement principal retirement 10,805,904

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues increased by this amount this year. 5,938,084

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	12,951	
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	10,361,223	
Increase in pension obligation and related deferred inflows and deferred outflows	(2,752,186)	
Increase in allowance for doubtful accounts	(36,100)	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	1,126,658	
Total additional expenditures		8,541,442

Change in net position of governmental activities \$ 36,982,439

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, 2022

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis)	Modified Budget
			(Note 2)	Increase
				(Decrease)
Revenues				
Taxes	\$ 43,398,400	\$ 44,334,797	\$ 49,427,144	\$ 5,092,347
Licenses and permits	1,757,900	1,808,406	2,220,506	412,100
Intergovernmental revenues	34,918,500	43,330,769	43,908,125	577,356
Charges for services	6,180,100	6,211,567	7,275,521	1,063,954
Fines and forfeits	379,900	379,900	275,179	(104,721)
Special assessments	496,700	541,327	486,628	(54,699)
Investment income	-	-	(328,535)	(328,535)
Miscellaneous revenues	448,400	1,487,441	1,775,530	288,089
Total Revenues	87,579,900	98,094,207	105,040,098	6,945,891
Expenditures				
Current				
General government	30,848,900	32,614,367	32,425,903	188,464
Public safety	45,513,300	48,121,518	47,809,422	312,096
Public works	13,739,400	14,075,767	14,033,306	42,461
Culture and recreation	5,062,200	4,485,415	4,463,637	21,778
Urban and economic development	3,746,600	6,586,002	6,585,861	141
Debt service				
Principal retirement	-	86,930	86,930	-
Interest and fiscal fees	-	46,851	46,851	-
Total Expenditures	98,910,400	106,016,850	105,451,910	564,940
Excess (Deficiency) of Revenues Over Expenditures	(11,330,500)	(7,922,643)	(411,812)	7,510,831
Other Financing Sources (Uses)				
Transfers in	11,549,500	13,029,845	9,387,487	(3,642,358)
Transfers out	(419,000)	(5,960,777)	(6,326,581)	(365,804)
Fund balance reserves	200,000	200,000	-	(200,000)
Total Other Financing Sources (Uses)	11,330,500	7,269,068	3,060,906	(4,208,162)
Net Change in Fund Balance - Budgetary Basis	-	(653,575)	2,649,094	3,302,669
Net Adjustments to Reflect Operations In Accordance With Generally Accepted Accounting Principles	-	-	602,662	602,662
Net Change in Fund Balance - GAAP Basis	-	(653,575)	3,251,756	\$ 3,905,331
Fund Balance - January 1, 2022	17,689,159	16,550,813	25,596,208	
Fund Balance - December 31, 2022	\$ 17,689,159	\$ 15,897,238	\$ 28,847,964	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Assets				
Current assets				
Cash and cash equivalents	\$ 600,681	\$ 9,148,975	\$ 8,879,031	\$ 6,911,378
Restricted cash and cash equivalents				
Customer deposits	-	-	1,706,810	-
Construction	-	-	-	473,140
Loans	-	-	128,643	-
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	18,006	1,518,482	9,485,650	1,953,987
Restricted loans	-	-	306,795	-
Assessments	-	12,694	-	12,143
Leases	-	-	-	-
Due from other funds	-	2,617,945	-	-
Due from component units	-	-	-	-
Due from other governments	-	465,327	-	187,673
Inventories	-	1,516,629	1,454,608	95,655
Prepays	-	2,514,303	3,744,746	3,171,133
Total current assets	<u>618,687</u>	<u>17,794,355</u>	<u>25,706,283</u>	<u>12,805,109</u>
Noncurrent assets				
Assessments receivable	-	55,479	6,272	61,575
Restricted loans receivable	-	-	1,117,107	-
Leases	-	-	-	-
Capital assets, net	<u>17,352,373</u>	<u>77,082,836</u>	<u>63,666,029</u>	<u>99,350,917</u>
Total noncurrent assets	<u>17,352,373</u>	<u>77,138,315</u>	<u>64,789,408</u>	<u>99,412,492</u>
Total Assets	<u>17,971,060</u>	<u>94,932,670</u>	<u>90,495,691</u>	<u>112,217,601</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	-	-	-
Deferred pension obligation outflows	-	1,201,762	1,670,288	703,969
Deferred OPEB outflows	-	1,928,143	2,594,808	1,114,546
Total Deferred Outflows of Resources	<u>-</u>	<u>3,129,905</u>	<u>4,265,096</u>	<u>1,818,515</u>
Liabilities				
Current liabilities				
Accounts payable	4,947	624,926	5,851,199	83,087
Contracts payable	-	1,211,825	300,226	86,016
Claims payable	-	-	-	-
Notes payable	-	894,000	-	1,185,000
Purchase agreement payable	-	285,684	261,877	246,005
Due to other funds	-	21,218	24,785	19,081
Interfund loan payable	-	-	-	-
Due to other governments	-	34,809	150,150	837,536
Due to component units	-	-	-	-
Accrued interest payable	114,743	73,644	6,208	31,572
Accrued salaries payable	-	171,180	230,362	94,555
Compensated absences	-	315,888	468,883	192,041
Unearned revenue	-	84,158	1,277,264	62,071
Deposits	-	-	1,706,809	-
Revenue bonds payable	<u>232,382</u>	<u>256,000</u>	<u>-</u>	<u>359,000</u>
Total current liabilities	<u>352,072</u>	<u>3,973,332</u>	<u>10,277,763</u>	<u>3,195,964</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Noncurrent liabilities				
Notes payable	-	6,038,179	-	2,083,000
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	-	-	20,291	-
Purchase agreement payable	-	146,915	134,672	126,510
Net pension liability	-	4,017,148	5,583,299	2,353,167
Revenue bonds payable	11,370,814	3,209,015	-	274,981
Total noncurrent liabilities	11,370,814	13,411,257	5,738,262	4,837,658
Total Liabilities	11,722,886	17,384,589	16,016,025	8,033,622
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	133,865	186,054	78,415
Lease related	-	-	-	-
Deferred OPEB inflows	-	294,184	432,177	114,199
Total Deferred Inflows of Resources	-	428,049	618,231	192,614
Net Position				
Net investment in capital assets	5,749,177	66,253,043	63,269,480	95,076,421
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	473,140
Restricted for loans	-	-	1,543,258	-
Unrestricted	498,997	13,996,894	13,313,793	10,260,319
Total Net Position	\$ 6,248,174	\$ 80,249,937	\$ 78,126,531	\$ 105,809,880

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 659,431	\$ 9,979,954	\$ 36,179,450	\$ 6,099,185
Restricted cash and cash equivalents				
Customer deposits	-	-	1,706,810	-
Construction	-	-	473,140	-
Loans	-	-	128,643	-
Restricted assets held by trustee	-	-	-	14,442,033
Receivables, net				
Accounts	1,735,594	831,125	15,542,844	95,973
Restricted loans	-	-	306,795	-
Assessments	-	25,679	50,516	-
Leases	-	273,425	273,425	-
Due from other funds	39,429	1,346,910	4,004,284	516,385
Due from component units	-	3,592	3,592	-
Due from other governments	2,138,845	27,666	2,819,511	-
Inventories	543,625	135,240	3,745,757	254,951
Prepays	20,811	1,895,732	11,346,725	50,000
Total current assets	5,137,735	14,519,323	76,581,492	21,458,527
Noncurrent assets				
Assessments receivable	-	1,090	124,416	-
Restricted loans receivable	19,038	-	1,136,145	-
Leases	-	1,193,046	1,193,046	-
Capital assets, net	38,822,777	38,127,799	334,402,731	220,196
Total noncurrent assets	38,841,815	39,321,935	336,856,338	220,196
Total Assets	43,979,550	53,841,258	413,437,830	21,678,723
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	159,760	159,760	-
Deferred pension obligation outflows	-	652,058	4,228,077	377,962
Deferred OPEB outflows	-	598,654	6,236,151	-
Total Deferred Outflows of Resources	-	1,410,472	10,623,988	377,962
Liabilities				
Current liabilities				
Accounts payable	1,031,385	101,201	7,696,745	282,851
Contracts payable	27,136	34,576	1,659,779	36,633
Claims payable	-	-	-	2,359,030
Notes payable	-	-	2,079,000	-
Purchase agreement payable	-	-	793,566	-
Due to other funds	73,155	21,207	159,446	4,613
Interfund loan payable	-	983,596	983,596	236,272
Due to other governments	38,106	1,645	1,062,246	25,692
Due to component units	-	55,971	55,971	-
Accrued interest payable	133,926	37,667	397,760	-
Accrued salaries payable	-	101,951	598,048	56,797
Compensated absences	-	171,824	1,148,636	3,301,696
Unearned revenue	-	103,238	1,526,731	112,585
Deposits	-	48,163	1,754,972	-
Revenue bonds payable	1,130,000	880,000	2,857,382	-
Total current liabilities	2,433,708	2,541,039	22,773,878	6,416,169

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Noncurrent liabilities				
Notes payable	-	-	8,121,179	-
Claims payable	-	-	-	1,057,738
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	-	20,291	517,723
Purchase agreement payable	-	-	408,097	-
Net pension liability	-	2,179,646	14,133,260	1,263,421
Revenue bonds payable	12,915,444	2,764,029	30,534,283	-
Total noncurrent liabilities	12,915,444	6,493,675	54,767,110	2,838,882
Total Liabilities	15,349,152	9,034,714	77,540,988	9,255,051
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	72,633	470,967	42,101
Lease related	-	1,461,129	1,461,129	-
Deferred OPEB inflows	-	50,050	890,610	-
Total Deferred Inflows of Resources	-	1,583,812	2,822,706	42,101
Net Position				
Net investment in capital assets	24,777,333	34,643,530	289,768,984	220,196
Restricted for health insurance trust	-	-	-	12,334,136
Restricted for special accounts	-	-	473,140	-
Restricted for loans	-	-	1,543,258	-
Unrestricted	3,853,065	9,989,674	51,912,742	205,201
Total Net Position	\$ 28,630,398	\$ 44,633,204	\$ 343,698,124	\$ 12,759,533

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

Net position of business-type activities 6,776,283
\$ 350,474,407

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Operating Revenues				
Sales	\$ -	\$ -	\$ 57,717,174	\$ -
Charges for services	484,414	15,840,690	1,220,636	20,146,542
Fines and forfeits	-	-	-	-
Miscellaneous revenues	-	173,191	759,090	229,001
Total Operating Revenues	<u>484,414</u>	<u>16,013,881</u>	<u>59,696,900</u>	<u>20,375,543</u>
Operating Expenses				
Cost of sales and services	-	-	36,775,067	-
Personal services	-	5,342,658	6,778,916	3,139,138
Supplies	-	1,150,987	953,145	294,013
Utilities	41,666	1,470,795	39,973	153,764
Other services and charges	224,712	1,415,676	1,824,083	10,976,706
Depreciation	520,571	1,820,159	1,590,052	2,181,715
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>786,949</u>	<u>11,200,275</u>	<u>47,961,236</u>	<u>16,745,336</u>
Operating Income (Loss)	<u>(302,535)</u>	<u>4,813,606</u>	<u>11,735,664</u>	<u>3,630,207</u>
Nonoperating Revenues (Expenses)				
Investment income	(7,864)	(119,386)	(124,566)	(89,359)
Intergovernmental revenue	-	-	-	-
Gain (loss) on sale or disposition of capital assets	-	16,988	22,265	-
Interest and fiscal fees	(468,557)	(188,407)	(18,273)	(87,532)
Total Nonoperating Revenues (Expenses)	<u>(476,421)</u>	<u>(290,805)</u>	<u>(120,574)</u>	<u>(176,891)</u>
Income (Loss) Before Contributions and Transfers	(778,956)	4,522,801	11,615,090	3,453,316
Capital contributions	-	7,011,073	131,410	-
Transfers in	506,649	135,000	-	-
Transfers out	-	(220,279)	(3,102,182)	(157,906)
Change in Net Position	(272,307)	11,448,595	8,644,318	3,295,410
Total Net Position - January 1, 2022	<u>6,520,481</u>	<u>68,801,342</u>	<u>69,482,213</u>	<u>102,514,470</u>
Total Net Position - December 31, 2022	<u>\$ 6,248,174</u>	<u>\$ 80,249,937</u>	<u>\$ 78,126,531</u>	<u>\$ 105,809,880</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues				
Sales	\$ -	\$ 292,395	\$ 58,009,569	\$ 2,688,022
Charges for services	10,095,283	11,698,403	59,485,968	29,046,527
Fines and forfeits	-	898,522	898,522	-
Miscellaneous revenues	733,552	225,295	2,120,129	2,881,654
Total Operating Revenues	10,828,835	13,114,615	120,514,188	34,616,203
Operating Expenses				
Cost of sales and services	-	153,457	36,928,524	2,463,048
Personal services	-	3,030,998	18,291,710	6,159,166
Supplies	5,686,409	311,010	8,395,564	42,336
Utilities	407,266	223,353	2,336,817	39,988
Other services and charges	3,763,786	3,553,388	21,758,351	3,208,117
Depreciation	1,631,470	1,110,492	8,854,459	55,955
Medical and insurance	-	-	-	19,260,693
Total Operating Expenses	11,488,931	8,382,698	96,565,425	31,229,303
Operating Income (Loss)	(660,096)	4,731,917	23,948,763	3,386,900
Nonoperating Revenues (Expenses)				
Investment income	(7,145)	(116,756)	(465,076)	(274,246)
Intergovernmental revenue	-	20,509	20,509	-
Gain (loss) on sale or disposition of capital assets	-	-	39,253	4,322
Interest and fiscal fees	(309,150)	(143,473)	(1,215,392)	-
Total Nonoperating Revenues (Expenses)	(316,295)	(239,720)	(1,620,706)	(269,924)
Income (Loss) Before Contributions and Transfers	(976,391)	4,492,197	22,328,057	3,116,976
Capital contributions	8,039,082	882,473	16,064,038	-
Transfers in	-	2,198,997	2,840,646	-
Transfers out	(164,600)	(621,734)	(4,266,701)	-
Change in Net Position	6,898,091	6,951,933	36,966,040	3,116,976
Total Net Position - January 1, 2022	21,732,307	37,681,271	306,732,084	9,642,557
Total Net Position - December 31, 2022	\$ 28,630,398	\$ 44,633,204	\$ 343,698,124	\$ 12,759,533

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

Change in net position	\$ 36,966,040
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	510,361
Change in net position of business-type activities	<u>\$ 37,476,401</u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Cash Flows from Operating Activities				
Cash received from customers	\$ 489,698	\$ 15,862,690	\$ 58,749,191	\$ 20,091,362
Cash paid to suppliers	(277,699)	(3,911,343)	(38,286,988)	(11,323,102)
Cash paid to employees	-	(6,057,854)	(8,092,813)	(3,461,399)
Other operating revenues	-	63,091	58,264	180,086
Net cash provided (used) by operating activities	211,999	5,956,584	12,427,654	5,486,947
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	506,649	135,000	-	-
Transfers to other funds	-	(220,279)	(3,102,182)	(157,906)
Operating grants	-	-	-	-
Interfund financing	-	-	-	-
Net cash provided (used) by noncapital financing activities	506,649	(85,279)	(3,102,182)	(157,906)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	4,487,043	1,358,505	636,193
Issuance of revenue bonds and notes	-	3,009,731	-	-
Principal paid on bonds, notes and purchase agreements	(214,968)	(1,416,687)	(252,227)	(2,016,940)
Interest paid on bonds, notes and purchase agreements	(470,682)	(187,239)	(22,221)	(115,745)
Sale of capital assets	-	16,988	22,265	-
Acquisition or construction of capital assets	-	(10,007,738)	(2,979,731)	(581,610)
Net cash provided (used) by capital and related financing activities	(685,650)	(4,097,902)	(1,873,409)	(2,078,102)
Cash Flows from Investing Activities				
Investment earnings	(7,864)	(119,386)	(124,566)	(89,359)
Net increase (decrease) in cash and cash equivalents	25,134	1,654,017	7,327,497	3,161,580
Cash and cash equivalents - January 1, 2022	575,547	7,494,958	3,386,987	4,222,938
Cash and cash equivalents - December 31, 2022	<u>\$ 600,681</u>	<u>\$ 9,148,975</u>	<u>\$ 10,714,484</u>	<u>\$ 7,384,518</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ (302,535)</u>	<u>\$ 4,813,606</u>	<u>\$ 11,735,664</u>	<u>\$ 3,630,207</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	520,571	1,820,159	1,590,052	2,181,715
Change in assets and liabilities:				
Decrease (increase) in receivables	5,284	(77,284)	(1,291,554)	(87,849)
Decrease (increase) in inventories	-	(246,721)	(204,561)	(7,973)
Decrease (increase) in prepaids	-	2,491,220	2,720,583	1,829,233
Decrease (increase) in deferred pension obligation outflows	-	326,790	562,396	220,107
Decrease (increase) in OPEB outflows	-	(1,275,717)	(1,644,349)	(861,370)
Increase (decrease) in payables	(11,321)	423,338	2,095,654	102,755
Increase (decrease) in unearned revenues	-	11,851	242,833	13,148
Increase (decrease) in lease inflows	-	-	-	-
Increase (decrease) in deferred pension obligation inflows	-	(1,930,990)	(2,829,985)	(1,169,880)
Increase (decrease) in pension liability	-	1,878,415	2,459,352	1,060,210
Increase (decrease) in OPEB inflows	-	(2,278,083)	(3,008,431)	(1,423,356)
Total adjustments	514,534	1,142,978	691,990	1,856,740
Net cash provided (used) by operating activities	<u>\$ 211,999</u>	<u>\$ 5,956,584</u>	<u>\$ 12,427,654</u>	<u>\$ 5,486,947</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, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities				
Cash received from customers	\$ 10,378,646	\$ 12,822,623	\$ 118,394,210	\$ 35,864,332
Cash paid to suppliers	(9,735,855)	(4,180,968)	(67,715,955)	(24,917,425)
Cash paid to employees	-	(3,090,767)	(20,702,833)	(5,970,327)
Other operating revenues	14,432	198,374	514,247	85,994
Net cash provided (used) by operating activities	657,223	5,749,262	30,489,669	5,062,574
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	2,198,997	2,840,646	-
Transfers to other funds	(164,600)	(1,960,351)	(5,605,318)	-
Operating grants	-	4,943	4,943	-
Interfund financing	-	131,150	131,150	338
Net cash provided (used) by noncapital financing activities	(164,600)	374,739	(2,628,579)	338
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	5,900,237	891,102	13,273,080	-
Issuance of revenue bonds and notes	-	-	3,009,731	-
Principal paid on bonds, notes and purchase agreements	(1,060,000)	(1,005,000)	(5,965,822)	-
Interest paid on bonds, notes and purchase agreements	(337,580)	(103,006)	(1,236,473)	-
Sale of capital assets	-	-	39,253	4,322
Acquisition or construction of capital assets	(4,509,743)	(762,895)	(18,841,717)	(139,024)
Net cash provided (used) by capital and related financing activities	(7,086)	(979,799)	(9,721,948)	(134,702)
Cash Flows from Investing Activities				
Investment earnings	(7,145)	(116,756)	(465,076)	(274,246)
Net increase (decrease) in cash and cash equivalents	478,392	5,027,446	17,674,066	4,653,964
Cash and cash equivalents - January 1, 2022	181,039	4,952,508	20,813,977	15,887,254
Cash and cash equivalents - December 31, 2022	\$ 659,431	\$ 9,979,954	\$ 38,488,043	\$ 20,541,218
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (660,096)	\$ 4,731,917	\$ 23,948,763	\$ 3,386,900
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,631,470	1,110,492	8,854,459	55,955
Change in assets and liabilities:				
Decrease (increase) in receivables	(402,701)	(1,597,751)	(3,451,855)	1,482,997
Decrease (increase) in inventories	6,884	(19,256)	(471,627)	13,648
Decrease (increase) in prepaids	(20,811)	1,108,678	8,128,903	-
Decrease (increase) in deferred pension obligation outflows	-	221,551	1,330,844	110,655
Decrease (increase) in OPEB outflows	-	(484,769)	(4,266,205)	-
Increase (decrease) in payables	102,477	92,261	2,805,164	36,999
Increase (decrease) in unearned revenues	-	56,028	323,860	13,616
Increase (decrease) in lease inflows	-	1,461,129	1,461,129	-
Increase (decrease) in deferred pension obligation inflows	-	(1,107,489)	(7,038,344)	(617,950)
Increase (decrease) in pension liability	-	957,301	6,355,278	579,754
Increase (decrease) in OPEB inflows	-	(780,830)	(7,490,700)	-
Total adjustments	1,317,319	1,017,345	6,540,906	1,675,674
Net cash provided (used) by operating activities	\$ 657,223	\$ 5,749,262	\$ 30,489,669	\$ 5,062,574

(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, 2022**

Noncash Investing, Capital and Financing Activities

Water

Capital contributions are reported net of timing differences totaling (\$2,524,030) due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$1,227,095 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$636,193 due to receivables.

Steam

Capital contributions are reported net of timing differences totaling (\$2,138,845) due to receivables.

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Other Postemployment Benefits Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	\$ 195,412	\$ 2,525,522
Receivables		
Loans	-	590,194
Accounts receivable	1,217,130	-
Investments, at fair value		
Fixed income pool	17,967,244	-
Equity pool	64,979,782	-
	<hr/>	<hr/>
Total Assets	84,359,568	3,115,716
	<hr/>	<hr/>
Liabilities		
Contracts payable	-	3,357
	<hr/>	<hr/>
Total Liabilities	-	3,357
	<hr/>	<hr/>
Net Position		
Restricted for		
Postemployment benefits other than pensions	84,359,568	-
Other organizations	-	3,112,359
	<hr/>	<hr/>
Total Net Position	\$ 84,359,568	\$ 3,112,359
	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Other Postemployment Benefits Trust Fund	Custodial Fund
Additions		
Employer contributions	\$ 12,908,989	\$ -
Investment earnings		
Interest and dividends	1,631,747	18,251
Net increase (decrease) in fair value of investments	(18,764,302)	(28,911)
Less investment expenses	(6,574)	-
Grants	-	1,500,000
Interest on loans	-	32,563
Other reimbursements	-	3,000
Total Additions	<u>(4,230,140)</u>	<u>1,524,903</u>
Deductions		
Benefits	11,323,522	-
Legal services	-	14,461
Professional services	-	10,785
Uncollectible accounts	-	25,000
Grants & awards	-	16,493
Other services and charges	-	56,167
Board meeting expense	-	391
Total Deductions	<u>11,323,522</u>	<u>123,297</u>
Change in net position	(15,553,662)	1,401,606
Net Position - January 1, 2022	<u>99,913,230</u>	<u>1,710,753</u>
Net Position - December 31, 2022	<u><u>\$ 84,359,568</u></u>	<u><u>\$ 3,112,359</u></u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2022

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Assets						
Cash and cash equivalents	\$ 6,034,943	\$ 2,719,001	\$ 7,949,225	\$ 5,162,179	\$ 2,261,533	\$ 24,126,881
Receivables, net						
Taxes	4,707	-	-	17,771	-	22,478
Accounts	30,449	849,562	512,783	566,409	137,622	2,096,825
Loans	6,775,582	-	-	-	-	6,775,582
Grants	-	-	13,000	-	-	13,000
Leases	1,566,746	9,855,296	2,329,827	217,745	-	13,969,614
Due from primary government	55,971	1,122,622	-	5	-	1,178,598
Due from other governments	-	-	-	2,697,654	-	2,697,654
Inventories	-	186,100	48,433	466,735	68,231	769,499
Prepays	-	20,085	75,728	14,396	60,151	170,360
Restricted assets						
Cash and cash equivalents	-	1,360,046	125,513	-	-	1,485,559
Accounts receivable	-	319,663	73,964	-	-	393,627
Grants receivable	-	-	2,304,477	-	-	2,304,477
Planning and development costs	-	-	3,469,698	-	-	3,469,698
Capital assets, net						
Non-depreciable	4,207,191	1,704,474	5,476,237	222,367	2,760,314	14,370,583
Depreciable	1,595,196	69,443,645	109,507,098	38,982,850	13,080,705	232,609,494
Total Assets	<u>20,270,785</u>	<u>87,580,494</u>	<u>131,885,983</u>	<u>48,348,111</u>	<u>18,368,556</u>	<u>306,453,929</u>
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	2,406,406	524,632	-	604,744	3,535,782
Deferred OPEB outflows	-	363,442	293,497	-	-	656,939
Total Deferred Outflows of Resources	<u>-</u>	<u>2,769,848</u>	<u>818,129</u>	<u>-</u>	<u>604,744</u>	<u>4,192,721</u>
Liabilities						
Accounts payable and other						
short-term liabilities	67,081	938,889	602,693	1,933,813	220,989	3,763,465
Contracts payable	54,251	51	510,154	-	-	564,456
Accrued interest payable	-	-	-	-	241	241
Due to primary government	3,592	14,617	82	-	673,241	691,532
Due to other government	698	39,735	-	91,941	40,226	172,600
Unearned revenues	-	1,161,622	241,227	136,203	1,236,401	2,775,453
Deposits	-	859,715	-	-	-	859,715
Non-current liabilities						
Due within one year	16,897	367,382	1,056,146	642,841	398,000	2,481,266
Due in more than one year	1,549,848	644,621	4,285,205	1,149	398,704	6,879,527
Other postemployment benefits liability	-	1,224,663	3,451,083	-	-	4,675,746
Net pension liability	-	3,587,775	1,647,368	-	781,492	6,016,635
Total Liabilities	<u>1,692,367</u>	<u>8,839,070</u>	<u>11,793,958</u>	<u>2,805,947</u>	<u>3,749,294</u>	<u>28,880,636</u>
Deferred Inflows of Resources						
Deferred pension obligation inflows	-	1,124,897	23,745	-	1,001,081	2,149,723
Deferred OPEB inflows	-	514,642	76,820	-	-	591,462
Lease related	1,595,197	9,573,101	2,300,124	198,872	-	13,667,294
Total Deferred Inflows of Resources	<u>1,595,197</u>	<u>11,212,640</u>	<u>2,400,689</u>	<u>198,872</u>	<u>1,001,081</u>	<u>16,408,479</u>
Net Position						
Net investment in capital assets	4,043,142	70,448,120	109,378,182	39,203,331	15,158,430	238,231,205
Restricted for						
Capital projects	5,038,161	-	-	5,385,787	-	10,423,948
Unrestricted	<u>7,901,918</u>	<u>(149,488)</u>	<u>9,131,283</u>	<u>754,174</u>	<u>(935,505)</u>	<u>16,702,382</u>
Total Net Position	<u>\$16,983,221</u>	<u>\$ 70,298,632</u>	<u>\$118,509,465</u>	<u>\$45,343,292</u>	<u>\$14,222,925</u>	<u>\$265,357,535</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, 2022**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Economic Development Authority				
Governmental activities				
Economic development	\$ 6,572,201	\$ 1,402,900	\$ 1,220,212	\$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities				
Entertainment and convention facility	16,872,138	9,826,169	625,872	200,000
Duluth Airport Authority				
Business-type activities				
Airport facility	16,585,828	3,826,929	-	14,520,828
Duluth Transit Authority				
Business-type activities				
Public transportation	27,604,308	2,300,685	16,730,254	855,824
Spirit Mountain Recreation Area Authority				
Business-type activities				
Ski hill operations	5,833,497	6,012,642	-	620,700
Total Component Units	<u>\$ 73,467,972</u>	<u>\$ 23,369,325</u>	<u>\$ 18,576,338</u>	<u>\$ 16,197,352</u>
				(continued)

(continued)

CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Totals
	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	
Duluth Economic Development Authority						
Governmental activities						
Economic development	\$ (3,949,089)	\$ -	\$ -	\$ -	\$ -	\$ (3,949,089)
Duluth Entertainment and Convention Center Authority						
Business-type activities						
Entertainment and convention facility	-	(6,220,097)	-	-	-	(6,220,097)
Duluth Airport Authority						
Business-type activities						
Airport facility	-	-	1,761,929	-	-	1,761,929
Duluth Transit Authority						
Business-type activities						
Public transportation	-	-	-	(7,717,545)	-	(7,717,545)
Spirit Mountain Recreation Area Authority						
Business-type activities						
Ski hill operations	-	-	-	-	799,845	799,845
Total Component Units						(15,324,957)
General Revenues						
Property taxes	3,365,578	-	-	1,669,249	-	5,034,827
Sales taxes	-	2,232,552	-	-	-	2,232,552
Investment income	18,002	345,759	174,895	88,838	5,626	633,120
Gain (loss) on sale of capital assets	-	3,300	(9,027)	-	83,477	77,750
Miscellaneous	227,637	1,403,401	2,471,771	136,669	449,856	4,689,334
Special item - sale of aircraft maintenance facility	(5,245,583)	-	-	-	-	(5,245,583)
Total General Revenues and Special Item	(1,634,366)	3,985,012	2,637,639	1,894,756	538,959	7,422,000
Change in Net Position	(5,583,455)	(2,235,085)	4,399,568	(5,822,789)	1,338,804	(7,902,957)
Net Position - Beginning	22,566,676	72,533,717	114,109,897	51,166,081	12,884,121	273,260,492
Net Position - Ending	\$ 16,983,221	\$ 70,298,632	\$ 118,509,465	\$ 45,343,292	\$ 14,222,925	\$ 265,357,535

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

Notes to the Financial Statements

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

Duluth Entertainment and Convention Center Authority
350 Harbor Drive
Duluth, MN 55802

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
Local Fiscal Recovery Funds	This fund accounts for the City's award of Coronavirus State and Local Fiscal Recovery Funds (SLFRF). This funding provides support to the City in its response to and recovery from the COVID-19 public health emergency.
Community Investment Trust Fund	This fund accounts for the City's share of revenues that were received from the operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General Fund.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2022. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

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

RECEIVABLES AND PAYABLES

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

Amounts due from individuals, organizations, or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and 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 deferred to indicate they are not available to finance expenditures of the current fiscal period.

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES / UNEARNED REVENUE

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

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

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

INVENTORIES AND PREPAID ITEMS

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or lease term:

<u>Assets</u>	<u>Years</u>
Buildings	10-75
Equipment	5-40
Infrastructure	10-80
Right-to-use Land, Buildings, and Equipment	5-46

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 the bargaining unit, varying amounts of vacation may be accumulated and carried over to the succeeding year.

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statements of net position. Bond premiums and discounts are amortized over the life of the bonds.

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

FUND EQUITY

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

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

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

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

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

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

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2022, 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PENSIONS

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

CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2022, the City adopted new accounting guidance by implementing the provisions of Government Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the basic financial statements by increasing the beginning balance of the right to use capital assets and the beginning balance of the lease liability by \$2,275,011. Beginning capital assets and purchase agreement payable were increased by \$1,188,626 for an item previously recorded as an operating lease. Additionally, the City restated the beginning balances of leases receivable and deferred inflows of resources by \$3,840,695.

The Duluth Economic Development Authority (DEDA) implemented GASB 87 as well. The implementation of this statement resulted in changing the presentation of the basic financial statements by increasing the beginning balance of the right to use capital assets and the beginning balance of the lease liability by \$1,630,645. Additionally, DEDA restated the beginning balances of leases receivable and deferred inflows of resources by \$1,630,645. DEDA has a lessor arrangement associated with its lessee obligations which accounts for these two dollar amounts being identical.

Information on the impact of GASB 87 on the Duluth Entertainment and Convention Center Authority, Duluth Transit Authority, and Duluth Airport Authority can be found in the separately issued reports for those entities.

Due to having a April 30, 2022 year-end, GASB 87 has not yet been implemented for Spirit Mountain Recreation Area Authority.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2022. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The Local Fiscal Recovery fund had a deficit net position of \$428,422 at the end of the current fiscal year due to change in fair value of investments. This will be eliminated upon holding pooled investments to maturity or a change in market interest rates.

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$3,570,666, Home Investment Partnerships Program - \$26,606, and Senior Employment - \$736. These deficits will be eliminated upon receipt of the grant funds. The Lake Superior Zoo deficit fund balance of \$34,816 will be eliminated through operational changes and efficiencies.

The following capital project funds had a deficit fund balance at the end of the current fiscal year: Regional Exchange District - \$2,770,879 which will be eliminated through future grant proceeds.

The following internal service funds had a deficit net position at the end of the current fiscal year: Employee Vacation Compensation - \$35,641 due to change in fair value of investments. This will be eliminated upon holding pooled investments to maturity or a change in market interest rates, Fleet Services - \$620,793 which will be eliminated through future charges.

The Golf enterprise fund had a deficit net position of \$1,338,702 at the end of the current fiscal year which will be eliminated through operational changes and efficiencies.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position

Governmental Activities

Cash and cash equivalents	\$ 148,786,460
Investments, at fair value	26,474,776
Assets held by trustee	14,442,033

Business-type Activities

Cash and cash equivalents	36,179,450
Cash and cash equivalents - restricted assets	2,308,593

Discrete Component Units

Cash and cash equivalents	24,126,881
Cash and cash equivalents - restricted assets	1,485,559

Statement of Fiduciary Net Position

Cash and cash equivalents	2,720,934
Investments, at fair value	82,947,026

Total Cash and Investments

\$ 339,471,712

DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2022, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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

8) agreements or contracts for:

- (1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.07, subdivision 7;
- (2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.05;
- (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. DEPOSITS AND INVESTMENTS (continued)

(4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

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

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, 2022, the City had the following investments:

Investment Type	Fair Value	Less than 1 year	1-5 years	Over 5 Years
U.S. Government Agency Securities	\$ 172,677,455	\$ 158,390,571	\$ 14,286,884	\$ -
Negotiable Certificates of Deposit	18,653,005	6,603,981	12,049,024	-
Municipal Bonds	17,300,723	1,985,740	13,313,790	2,001,193
Commercial Paper	3,150,502	3,150,502	-	-
Mutual Funds	122,959,410	122,959,410	-	-
Total Investments	334,741,095	\$ 293,090,204	\$ 39,649,698	\$ 2,001,193
Deposits	4,730,617			
Total Deposits and Investments	<u>\$ 339,471,712</u>			

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

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

The City's exposure to credit risk as of December 31, 2022, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 8,196,531
AA+	152,398,231
AA	4,546,289
AA-	434,521
A+	484,930
 <u>Moody's Rating</u>	
Aaa	36,925,885
Aa2	438,950
Aa3	90,449
P-1	3,150,502

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. DEPOSITS AND INVESTMENTS (continued)

<u>Not Rated</u>	
Mutual Funds	109,421,802
Negotiable Certificates of Deposit	18,653,005
Total	<u>\$ 334,741,095</u>

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2022, none of the City's investments were subject to custodial credit risk.

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 110,982,690
United States Treasury	\$ 33,478,791

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

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

At December 31, 2022, the City of Duluth had the following recurring fair value measurements.

Investments By Fair Value Level	12/31/2022	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
U.S. Government Agency Securities	\$ 172,677,455	\$ 33,478,791	\$ 139,198,664	\$ -
Negotiable Certificates of Deposit	18,653,005	-	18,653,005	-
Municipal Bonds	17,300,723	-	17,300,723	-
Commercial Paper	3,150,502	-	3,150,502	-
Total Investments by Fair Value	<u>\$ 211,781,685</u>	<u>\$ 33,478,791</u>	<u>\$ 178,302,894</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	<u>13,537,608</u>			
Total Investments by Fair Value and Measured at NAV	225,319,293			
Deposits	4,730,617			
State Board of Investment Funds	109,421,802			
Total Deposits and Investments	<u>\$ 339,471,712</u>			

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. DEPOSITS AND INVESTMENTS (continued)

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

The City holds \$64,979,782 in the Internal Equity Pool and \$17,967,244 in the Internal Fixed Pool, with the State Board of Investment, an external investment pool, related to the City's Other Postemployment Benefits Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute § 353.95, the City may only redeem these funds for the use of postemployment benefits. The City invests in this pool due to the increased investment authority, historical rates of return on investments, and the reduction of the postemployment benefit liability recorded in its financial statements.

The City also holds \$20,579,578 in the Internal Equity Pool and \$5,895,198 in the Internal Fixed Pool with the State Board of Investment, an external investment pool, related to the City's Community Investment Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. The City invests in this pool, in accordance with Minnesota Statute § 11A.235, due to the increased investment authority and historical rates of return on investments.

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 45 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2022, was 98.7%.

5. RECEIVABLES

Receivables as of December 31, 2022 for the City's governmental and business-type activities are below.

	Gross Receivable	Allowance	Net Receivable	Not expected to be collected within one year
Governmental Activities				
Taxes receivable	\$ 8,264,582	\$ (266,593)	\$ 7,997,989	\$ -
Accounts receivable	1,353,339	(20,497)	1,332,842	-
Assessments receivable	1,974,994	-	1,974,994	1,578,039
Loans receivable	15,736,171	(758,084)	14,978,087	13,538,087
Leases receivable	2,054,978	-	2,054,978	1,646,078
Due from component units	114,699	-	114,699	-
Due from other governments	19,174,436	-	19,174,436	-
Total Governmental Activities	\$ 48,673,199	\$ (1,045,174)	\$ 47,628,025	\$ 16,762,204
Business-type Activities				
Accounts receivable	\$ 16,538,725	\$ (995,881)	\$ 15,542,844	\$ -
Loans receivable	1,459,545	(16,605)	1,442,940	1,136,145
Assessments receivable	174,932	-	174,932	124,416
Leases receivable	1,466,471	-	1,466,471	1,193,046
Due from component units	3,592	-	3,592	-
Due from other governments	2,819,511	-	2,819,511	-
Total Business-type Activities	\$ 22,462,776	\$ (1,012,486)	\$ 21,450,290	\$ 2,453,607

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following schedule shows the detail of deferred inflows of resources at December 31, 2022:

General	
Assessments	\$ 639,874
Grants	163,660
Loans	1,887,965
Other unavailable revenue	43,636
Taxes	502,876
Nonmajor	
Assessments	1,335,118
Grants	11,563,347
Leases	2,012,553
Loans	14,257,710
Other unavailable revenue	28,622
Taxes	333,085
Total for Governmental Funds	<u>\$ 32,768,446</u>

7. CAPITAL AND LEASE ASSETS

Capital and lease asset activity for the year ended December 31, 2022, was as follows:

<u>PRIMARY GOVERNMENT</u>	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,859,321	\$ -	\$ -	\$ 22,859,321
Construction in progress	24,362,811	27,652,913	24,728,901	27,286,823
Total capital assets, not being depreciated	<u>47,222,132</u>	<u>27,652,913</u>	<u>24,728,901</u>	<u>50,146,144</u>
Capital assets, being depreciated/amortized:				
Buildings	97,891,836	641,661	460,215	98,073,282
Equipment	46,330,991	3,326,396	3,920,054	45,737,333
Infrastructure	425,748,531	22,563,676	-	448,312,207
Right-to-use	2,275,011	2,507,130	-	4,782,141
Total capital assets being depreciated/ amortized	<u>572,246,369</u>	<u>29,038,863</u>	<u>4,380,269</u>	<u>596,904,963</u>
Less accumulated depreciation/amortization for:				
Buildings	58,973,534	3,665,525	115,054	62,524,005
Equipment	41,083,743	3,364,799	3,835,189	40,613,353
Infrastructure	192,270,753	12,186,585	-	204,457,338
Right-to-use	-	264,221	-	264,221
Total accumulated depreciation/amortization	<u>292,328,030</u>	<u>19,481,130</u>	<u>3,950,243</u>	<u>307,858,917</u>
Total capital assets, being depreciated/ amortized, net	<u>279,918,339</u>	<u>9,557,733</u>	<u>430,026</u>	<u>289,046,046</u>
Governmental activities capital and lease assets, net	<u>\$327,140,471</u>	<u>\$ 37,210,646</u>	<u>\$25,158,927</u>	<u>\$339,192,190</u>

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. CAPITAL AND LEASE ASSETS (continued)

	Beginning Balance*	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ -	\$ -	\$ 4,649,458
Construction in progress	20,805,743	16,854,496	20,546,640	17,113,599
Total capital assets, not being depreciated	<u>25,455,201</u>	<u>16,854,496</u>	<u>20,546,640</u>	<u>21,763,057</u>
Capital assets, being depreciated:				
Buildings	83,354,293	20,435	-	83,374,728
Equipment	69,663,548	7,313,321	563,632	76,413,237
Infrastructure	294,835,910	14,176,352	-	309,012,262
Total capital assets, being depreciated	<u>447,853,751</u>	<u>21,510,108</u>	<u>563,632</u>	<u>468,800,227</u>
Less accumulated depreciation for:				
Buildings	38,767,010	1,648,102	-	40,415,112
Equipment	34,143,046	2,911,102	563,632	36,490,516
Infrastructure	74,922,451	4,332,474	-	79,254,925
Total accumulated depreciation**	<u>147,832,507</u>	<u>8,891,678</u>	<u>563,632</u>	<u>156,160,553</u>
Total capital assets, being depreciated, net	<u>300,021,244</u>	<u>12,618,430</u>	<u>-</u>	<u>312,639,674</u>
Business-type activities capital assets, net	<u>\$325,476,445</u>	<u>\$ 29,472,926</u>	<u>\$20,546,640</u>	<u>\$334,402,731</u>

* The beginning balance has been restated due to the implementation of GASB 87.

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

Governmental activities:	
General government	\$ 1,569,721
Public safety	2,526,269
Public works, including depreciation of general infrastructure assets	11,454,462
Culture and recreation	3,611,181
Urban and economic development	263,542
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	55,955
Total depreciation/amortization expense - governmental activities	<u>\$19,481,130</u>
Business-type activities:	
Parking	\$ 567,934
Priley Drive Parking Facility	520,571
Water	1,820,159
Gas	1,590,052
Sewer	2,181,715
Golf	89,029
Stormwater	453,529
Steam	1,631,470
Total depreciation expense - business-type activities	<u>\$ 8,854,459</u>

** Accumulated depreciation on assets transferred from governmental activities to business-type activities was \$37,219.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. CAPITAL AND LEASE ASSETS (continued)

<u>COMPONENT UNITS</u>	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 10,872,949	\$ 201,288	\$ -	\$ 11,074,237
Construction in progress	455,770	14,016,920	11,176,344	3,296,346
Total capital assets, not being depreciated	11,328,719	14,218,208	11,176,344	14,370,583
Capital assets, being depreciated/amortized:				
Buildings	328,587,992	264,475	27,292,991	301,559,476
Equipment	92,307,719	1,117,900	4,148,264	89,277,355
Infrastructure	148,865,209	9,868,821	-	158,734,030
Right-to-use	1,633,966	-	-	1,633,966
Other	1,055,140	48,338	-	1,103,478
Total capital assets being depreciated/ amortized	572,450,026	11,299,534	31,441,255	552,308,305
Less accumulated depreciation/amortization for:				
Buildings	159,584,751	9,762,195	22,041,907	147,305,039
Equipment	63,650,953	5,028,085	4,141,024	64,538,014
Infrastructure	100,140,152	6,932,040	-	107,072,192
Right-to-use	738	36,187	-	36,925
Other	698,378	48,263	-	746,641
Total accumulated depreciation/amortization	324,074,972	21,806,770	26,182,931	319,698,811
Total capital assets, being depreciated/ amortized, net	248,375,054	(10,507,236)	5,258,324	232,609,494
Component units capital and lease assets, net	<u>\$259,703,773</u>	<u>\$ 3,710,972</u>	<u>\$16,434,668</u>	<u>\$246,980,077</u>

* The beginning balance has been restated due to the implementation of GASB 87.

Depreciation/amortization expense was charged to component units as follows:

Duluth Economic Development Authority	\$ 675,495
Duluth Entertainment and Convention Center Authority	3,418,215
Duluth Airport Authority	10,356,321
Duluth Transit Authority	6,262,405
Spirit Mountain Recreation Area Authority	1,094,334
Total depreciation expense - component units	<u>\$21,806,770</u>

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2022, the City had construction commitments of approximately \$10,097,620 for various utility improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

At December 31, 2022, the City had purchase commitments represented by open encumbrances. These are included as part of fund balance as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,424,531
Local Fiscal Recovery	9,676,513
Other Governmental Funds	59,712,327
Total Purchase Commitments	<u>\$ 70,813,371</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. PURCHASE AND CONSTRUCTION COMMITMENTS (continued)

DISASTER DAMAGE REPAIR COMMITMENTS

The City incurred significant damage to its shoreline infrastructure due to three unprecedented storm surges in October 2017, April 2018, and again in October 2018. Since that time, an additional storm damaged Duluth's shoreline in November 2022. The City submitted requests for federal and state aid for repair and mitigation work which is estimated to be \$35 million as of December 31, 2022.

9. RISK MANAGEMENT

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

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

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

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

Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$85,000 for various claims and cases which are considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making a liability estimate. The amount of these estimated liabilities is not reflected in the financial statements. Changes in the balances of the self-insurance fund's liability during 2021 and 2022 were as follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

9. RISK MANAGEMENT (continued)

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2021	\$ 1,082,775	1,211,258	806,515	\$ 1,487,518
2022	\$ 1,487,518	16,748	229,978	\$ 1,274,288

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental of Minnesota and Medica an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from Medica. The stop-loss policy has an individual limit of \$500,000 and an aggregate limit of 120% of projected claims for the year. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2021 and 2022 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2021	\$ 1,330,592	15,312,014	14,739,199	\$ 1,903,407
2022	\$ 1,903,407	14,902,165	14,663,092	\$ 2,142,480

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2022, follows:

	Balance 01/01/22*	Additions	Deletions	Balance 12/31/22	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 81,360,000	\$ 1,685,000	\$ 5,825,000	\$ 77,220,000	\$ 6,500,000
General Obligation - Tax Abatement	9,695,000	-	480,000	9,215,000	930,000
Special Assessment Debt with Government Commitment	645,000	-	460,000	185,000	185,000
General Obligation Certificates	14,185,000	3,360,000	3,420,000	14,125,000	3,455,000
Add Deferred Amounts:					
For Bond Premiums	9,358,285	359,784	1,126,658	8,591,411	-
Revenue Notes	2,591,000	-	20,000	2,571,000	20,000
Leases	2,275,011	2,507,130	235,173	4,546,968	328,467
Purchase Agreement	1,188,626	-	365,731	822,895	365,731
Compensated Absences	3,712,270	3,302,553	3,195,404	3,819,419	3,301,696
Claims and Judgments	3,390,925	14,918,913	14,893,070	3,416,768	2,359,030
Total Governmental Long-Term Liabilities	\$ 128,401,117	\$ 26,133,380	\$ 30,021,036	\$ 124,513,461	\$ 17,444,924
Business-Type Activities					
Bonds Payable					
Revenue and General Obligation Bonds	\$ 36,123,164	\$ -	\$ 3,024,968	\$ 33,098,196	\$ 2,857,382
Add Deferred Amounts For Bond Premiums	329,031	-	35,562	293,469	-
General Obligation Public Facilities Authority Notes	8,932,000	3,444,710	2,176,531	10,200,179	2,079,000
Purchase Agreement	1,965,986	-	764,323	1,201,663	793,566
Compensated Absences	1,053,226	1,328,500	1,212,799	1,168,927	1,148,636
Total Business-Type Long-Term Liabilities	\$ 48,403,407	\$ 4,773,210	\$ 7,214,183	\$ 45,962,434	\$ 6,878,584
Component Unit Activities					
Duluth Economic Development Authority					
Leases	\$ 1,630,645	\$ -	\$ 63,900	\$ 1,566,745	\$ 16,897
Duluth Entertainment and Convention Center Authority					
Purchase Agreement	-	700,000	-	700,000	55,379
Compensated Absences	96,342	238,275	22,614	312,003	312,003
Duluth Transit Authority					
Leases	2,602		716	1,886	737
Compensated Absences	618,270	642,104	618,270	642,104	642,104
Duluth Airport Authority					
Loans Payable	6,015,000	-	920,000	5,095,000	930,000
Compensated Absences	122,227	111,650	107,731	126,146	126,146
Unearned Revenue	146,531	-	26,326	120,205	-
Spirit Mountain Recreation Area Authority					
Leases	902,184	-	219,595	682,589	283,885
Compensated Absences	101,520	114,115	101,520	114,115	114,115
Total Component Unit Long-Term Liabilities	\$ 9,635,321	\$ 1,806,144	\$ 2,080,672	\$ 9,360,793	\$ 2,481,266

*The beginning balance includes a restatement for GASB 87.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 2,883,755	\$ 6,500,000	\$ 548,550	\$ 3,455,000	\$ 190,564	\$ 930,000
2024	2,706,887	6,930,000	432,100	3,430,000	177,118	950,000
2025	2,503,444	7,065,000	283,825	2,745,000	161,673	965,000
2026	2,272,183	7,245,000	167,525	2,160,000	144,112	985,000
2027	2,007,997	6,625,000	77,125	1,585,000	124,228	1,005,000
2028-2032	5,827,302	32,815,000	18,750	750,000	270,057	4,380,000
2033-2037	481,003	10,040,000	-	-	-	-
Total	<u>\$ 18,682,571</u>	<u>\$ 77,220,000</u>	<u>\$ 1,527,875</u>	<u>\$ 14,125,000</u>	<u>\$ 1,067,752</u>	<u>\$ 9,215,000</u>

United States Department of Housing and Urban Development Revenue Notes

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

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

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2023	\$ 70,349	\$ 20,000
2024	69,825	30,000
2025	69,025	2,521,000
Total	<u>\$ 209,199</u>	<u>\$ 2,571,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$185,000 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

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

Year Ending December 31	Special Assessment Bonds	
	Interest	Principal
2023	\$ 3,700	\$ 185,000

Leases

Per GASB Statement No. 87, a lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City, as a lessee, has entered into lease agreements involving land, equipment and facility space. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City recognized zero in variable payments within its lease arrangements as the lessee. Payments that are fixed in substance are included in the measurement of the lease liability presented in the table below. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

As of December 31, 2022, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, as follows:

Governmental Activities

Year Ending December 31	Interest	Principal
2023	\$ 132,525	\$ 328,467
2024	122,444	346,467
2025	111,811	365,257
2026	100,605	384,864
2027	88,799	363,684
2028-2032	273,346	1,642,083
2033-2037	120,789	656,148
2038-2042	58,434	100,846
2043-2047	50,828	52,299
2048-2052	42,498	60,629
2053-2057	32,842	70,285
2058-2062	21,647	81,480
2063-2067	8,669	94,459
Present Value of Minimum Leased Payments	<u>\$ 1,165,237</u>	<u>\$ 4,546,968</u>

Purchase Agreement

The City has a purchase agreement for 20 motor graders for street maintenance. As of December 31, 2022, there is a remaining term of 27 months. The City makes monthly payments of \$30,478 associated with the purchase agreement.

The payments remaining on this agreement are shown in the table below:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

Governmental Activities

Year Ending December 31	Principal
2023	\$ 365,731
2024	365,731
2025	91,433
Total	<u>\$ 822,895</u>

Other Debt

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2023	\$ 972,427	\$ 2,857,382	\$ 113,463	\$ 2,079,000
2024	893,392	2,840,173	93,951	2,105,000
2025	813,375	2,788,512	67,474	1,797,000
2026	733,365	2,787,389	46,610	581,000
2027	664,489	1,901,828	40,602	500,000
2028-2032	2,744,116	6,116,979	136,900	1,571,000
2033-2037	1,810,542	6,021,206	80,139	965,000
2038-2042	909,689	5,586,001	30,742	602,179
2043-2047	43,975	2,198,726	-	-
Total	<u>\$ 9,585,370</u>	<u>\$ 33,098,196</u>	<u>\$ 609,881</u>	<u>\$ 10,200,179</u>

Purchase Agreement

The City has a purchase agreement for an automated meter reading system with a final payment in February 2024.

Business-Type Activities

Year Ending December 31	Interest	Principal
2023	\$ 38,095	\$ 793,566
2024	7,733	408,097
Total	<u>\$ 45,828</u>	<u>\$ 1,201,663</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

The City issued \$3,400,000 General Obligation Airport Improvement Bonds, dated December 18, 2013, on behalf of the Authority. Proceeds of the bonds will be used to provide funding for completion of the parking ramp facilities. The Authority entered into a loan agreement with the City requiring the Authority to make loan payments to the City to fund debt payments on the bonds.

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

The City issued \$2,845,000 General Obligation Airport Refunding Bonds, dated November 3, 2021, on behalf of the Authority. Proceeds of the bonds refunded the Series 2012 bonds. The Authority entered into a loan agreement with the City requiring the Authority to make loan payments to the City to fund debt payments on the bonds.

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities			
General Obligation Bonds Payable			
Airport Improvement	12/18/2013	\$ 2,015,000	
Capital Improvement	12/18/2013	405,000	
Capital Improvement - Lakewalk	12/18/2013	775,000	
Wade Stadium Improvement	10/30/2014	1,385,000	
Spirit Mountain Improvement	10/30/2014	1,530,000	
Capital Improvement	10/30/2014	360,000	
Capital Improvement	11/05/2015	685,000	
Airport Improvement	11/05/2015	1,875,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	8,380,000	
Duluth Entertainment and Convention Center Improvement			
Refunding	03/22/2016	29,395,000	
Capital Improvement	11/09/2016	625,000	
Capital Improvement	11/21/2017	985,000	
Capital Improvement - Seawall	02/14/2018	3,525,000	
Capital Improvement	10/17/2018	995,000	
Capital Improvement	10/09/2019	1,010,000	
Capital Improvement Refunding	10/09/2019	8,625,000	
Capital Improvement	10/21/2020	1,510,000	
Capital Improvement - Lakewalk	10/21/2020	3,930,000	
State Aid Street Improvement	10/21/2020	3,190,000	
Capital Improvement	11/03/2021	1,490,000	
Airport Improvement - Refunding	11/03/2021	2,845,000	
Capital Improvement	11/01/2022	1,685,000	
Total General Obligation Bonds Payable			77,220,000
General Obligation Tax Abatement			
GO Tax Abatement (Cirrus)	03/22/2016	5,510,000	
GO Tax Abatement Refunding	11/03/2021	<u>3,705,000</u>	
Total General Obligation Tax Abatement			9,215,000

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Special Assessment Debt with Government Commitment	1 issue	185,000	185,000
General Long-Term Debt Certificates Payable General Obligation Certificates Payable	6 issues	14,125,000	14,125,000
Total Governmental Activities Debt			<u>\$ 100,745,000</u>
Business-type Activities Debt			
Revenue and General Obligation Bonds Payable			
Parking Fund	1 issue	\$ 3,640,000	
Priley Drive Parking Facility	1 issue	11,603,196	
Water Fund	2 issues	3,437,000	
Steam Fund	2 issues	13,790,000	
Sewer Fund	3 issues	628,000	
Total Revenue and General Obligation Bonds Payable			33,098,196
Total Business-type Activities Debt			<u>\$ 33,098,196</u>
Total Bonds Payable			<u>\$ 133,843,196</u>
Deductions Allowable			
Airport Improvement	12/18/2013	\$ 2,015,000	
Wade Stadium Improvement	10/30/2014	1,385,000	
Spirit Mountain Improvement	10/30/2014	1,530,000	
Airport Improvement	11/05/2015	1,875,000	
Capital Improvement 1/2 & 1/2	11/05/2015	8,380,000	
Duluth Entertainment and Convention Center Authority Refunding	03/22/2016	29,395,000	
GO Tax Abatement (Cirrus)	03/22/2016	5,510,000	
Capital Improvement - Seawall	02/14/2018	3,525,000	
Street Improvement	10/21/2020	3,190,000	
Airport Improvement Refunding	11/03/2021	2,845,000	
GO Tax Abatement Refunding	11/03/2021	3,705,000	
Special Assessment		185,000	
Parking Fund		3,640,000	
Priley Drive Parking Facility		11,603,196	
Water Fund		3,437,000	
Steam Fund		13,790,000	
Sewer Fund		628,000	
Total Deductions Allowable			96,638,196
Net Debt			<u>\$ 37,205,000</u>
Legal Debt Margin for Duluth Taxable Market Value (8,003,417,400 X 2%)			<u>\$ 160,068,348</u>

<u>Overlapping Debt to Duluth</u>			
Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 69,967,602	88.38%	\$ 61,840,671
Independent School District 704	21,370,000	8.00%	1,710,235
St. Louis County	145,425,000	39.41%	57,307,203
			<u>\$ 120,858,109</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

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.

Advance Refunding Bonds

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

All advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities			
Current Refunding Bonds			
Street Improvement	11/05/2015	\$ 2,630,000	\$ 185,000
Capital Improvement Refunding	10/09/2019	9,755,000	8,625,000
Airport Improvement Refunding	11/03/2021	2,845,000	2,845,000
GO Tax Abatement Refunding	11/03/2021	3,705,000	3,705,000
Advance Refunding Bonds			
Duluth Entertainment and Convention Center	03/22/2016	33,470,000	29,395,000
Improvement Refunding			
Total Governmental Activities		<u>\$ 52,405,000</u>	<u>\$ 44,755,000</u>
Business-type Activities			
Current Refunding Bonds			
Sewer Utility Revenue and General Obligation	11/05/2015	\$ 1,110,000	\$ 175,000
Advance Refunding Bonds			
Parking Improvements	11/27/2012	10,270,000	3,640,000
Total Business-type Activities		<u>\$ 11,380,000</u>	<u>\$ 3,815,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2022, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities					
General Obligation Bonds Payable					
General Obligation					
Airport Improvement	1.55 to 4.38% 02/01; 08/01	12-18-13	02-01-29	\$ 3,400,000	\$ 2,015,000
Capital Improvement	2.00 to 3.00% 02/01; 08/01	12-18-13	02-01-24	1,795,000	405,000
Capital Improvement - Lakewalk	2.50 to 4.00% 02/01; 08/01	12-18-13	02-01-29	1,460,000	775,000
Wade Stadium Improvement	3.00 to 3.70% 02/01; 08/01	10-30-14	02-01-30	2,330,000	1,385,000
Spirit Mountain Improvement	2.00 to 3.40% 02/01; 08/01	10-30-14	02-01-35	2,150,000	1,530,000
Capital Improvement	2.00 to 2.50% 02/01; 08/01	10-30-14	02-01-25	1,115,000	360,000
Capital Improvement	2.00 to 3.00% 02/01; 08/01	11-05-15	02-01-26	1,615,000	685,000
Airport Improvement	3.00 to 3.70% 02/01; 08/01	11-05-15	02-01-31	2,855,000	1,875,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80% 02/01; 08/01	11-05-15	02-01-32	13,520,000	8,380,000
Duluth Entertainment and					
Convention Center Improvement	3.00 to 5.00% 02/01; 08/01	03-22-16	02-01-34	33,470,000	29,395,000
Capital Improvement	4.00% 02/01; 08/01	11-09-16	02-01-27	1,135,000	625,000
Capital Improvement	3.00% 02/01; 08/01	11-21-17	02-01-28	1,545,000	985,000
Capital Improvement - Seawall	3.00% 02/01; 08/01	02-14-18	02-01-34	4,450,000	3,525,000
Capital Improvement	5.00% 02/01; 08/01	10-17-18	02-01-29	1,310,000	995,000
Capital Improvement	5.00% 02/01; 08/01	10-09-19	02-01-30	1,190,000	1,010,000
Capital Improvement Refunding	5.00% 02/01; 08/01	10-09-19	02-01-32	9,755,000	8,625,000
Capital Improvement	3.00% 02/01; 08/01	10-21-20	02-01-31	1,640,000	1,510,000
Capital Improvement - Lakewalk	2.00% 02/01; 08/01	10-21-20	02-01-36	4,150,000	3,930,000
State Aid Street Improvement	1.50% 02/01; 08/01	10-21-20	02-01-26	3,945,000	3,190,000
Capital Improvement	5.00% 02/01; 08/01	11-03-21	02-01-32	1,490,000	1,490,000
Airport Improvement Refunding	0.25 to 1.75% 02/01; 08/01	11-03-21	02-01-28	2,845,000	2,845,000
Capital Improvement	5.00% 02/01; 08/01	11-01-22	02-01-33	1,685,000	1,685,000
Total General Obligation				<u>98,850,000</u>	<u>77,220,000</u>
General Obligation -Tax Abatement					
GO Tax Abatement (Cirrus)	1.00 to 3.15% 02/01; 08/01	03-22-16	02-01-32	7,820,000	5,510,000
GO Tax Abatement Refunding	0.25 to 1.75% 02/01; 08/01	11-03-21	02-01-30	3,705,000	3,705,000
Total General Obligation - Tax Abatement				<u>11,525,000</u>	<u>9,215,000</u>
Special Assessment Debt with					
Government Commitment					
Street Improvement Refunding	4.00% 02/01; 08/01	11-05-15	02-01-23	2,630,000	185,000
Total Special Assessment Debt with					
Government Commitment				<u>2,630,000</u>	<u>185,000</u>
General Obligation Certificates Payable					
Equipment	3.00 to 4.00% 02/01; 08/01	11-21-17	02-01-23	3,615,000	780,000
Equipment	3.00 to 5.00% 02/01; 08/01	10-17-18	02-01-24	3,885,000	1,650,000
Equipment	5.00% 02/01; 08/01	10-09-19	02-01-25	3,070,000	1,960,000
Equipment	4.00% 02/01; 08/01	10-21-20	02-01-26	2,960,000	2,440,000
Equipment	5.00% 02/01; 08/01	11-03-21	02-01-27	3,935,000	3,935,000
Equipment	5.00% 02/01; 08/01	11-01-22	02-01-28	3,360,000	3,360,000
Total General Obligation Certificates Payable				<u>20,825,000</u>	<u>14,125,000</u>
Total Governmental Activities				<u>\$133,830,000</u>	<u>\$100,745,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. LONG-TERM DEBT (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Business-type Activities					
Revenue and General Obligation					
Bonds Payable					
Parking Fund					
Parking Improvement Tax					
Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12 02-01-26	\$ 10,270,000	\$ 3,640,000
Priley Drive Parking Facility					
Parking Improvement Tax					
Increment	4.00%	04/01; 10/01	05-15-14 04-01-44	11,500,000	11,603,196
Water Fund					
Water Utility Revenue and General					
Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	196,000	32,000
Water Utility Revenue and General					
Obligation	3.00 to 3.38%	02/01; 08/01	10-17-18 02-01-34	4,050,000	3,405,000
Total Water Fund				4,246,000	3,437,000
Steam Fund					
Steam Utility Revenue and General					
Obligation	3.00 to 3.20%	02/01; 08/01	11-05-15 02-01-27	4,015,000	3,670,000
Steam Utility Revenue and General					
Obligation	2.00 to 2.40%	02/01; 08/01	10-21-20 02-01-41	10,495,000	10,120,000
Total Steam Fund				14,510,000	13,790,000
Sewer Fund					
Sewer Utility Revenue and General					
Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	1,444,000	233,000
Sewer Utility Revenue and General					
Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	220,000
Sewer Utility Revenue and General					
Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-23	1,110,000	175,000
Total Sewer Fund				3,459,000	628,000
Total Business-type Activities				\$ 43,985,000	\$ 33,098,196

NOTES PAYABLE BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities					
Revenue Note					
U.S. Dept. of Housing and Urban					
Development	2.54 to 2.74%	01/22; 07/22	03-28-19 08-01-25	\$ 2,636,000	\$ 2,571,000
Total Governmental Activities				\$ 2,636,000	\$ 2,571,000

Business-type Activities					
General Obligation					
Water Fund					
Public Facilities Authority Note	1.258%	02/20; 08/20	09-14-10 08-20-25	\$ 1,293,200	\$ 274,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-14-10 08-20-25	3,344,131	733,000
Public Facilities Authority Note	1.221%	02/20; 08/20	11-29-11 08-20-26	1,221,631	336,000
Public Facilities Authority Note	1.000%	02/20; 08/20	03-24-14 08-20-29	4,778,806	2,231,000
Public Facilities Authority Note	1.003%	02/20; 08/20	01-24-22 08-20-42	3,444,710	3,358,179
Total Water Fund				14,082,478	6,932,179
Sewer Fund					
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09 08-20-24	796,835	123,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09 08-20-24	2,414,150	384,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	3,753,059	808,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	8,504,224	1,803,000
Public Facilities Authority Note	1.000%	02/20; 08/20	10-29-14 08-20-24	860,847	150,000
Total Sewer Fund				16,329,115	3,268,000
Total Business-type Activities				\$ 30,411,593	\$ 10,200,179

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. FUND EQUITY

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2022 are as follows:

	General Fund	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Fund Balance
Fund Balances:					
Spendable:					
Restricted for:					
Forfeitures	\$ 200,387	\$ -	\$ -	\$ 215,629	\$ 416,016
Capital Projects	-	-	-	13,071,930	13,071,930
Community Development	-	-	-	1,187,763	1,187,763
Employment	-	-	-	732,819	732,819
Parks and Recreation	-	-	-	2,553,174	2,553,174
Public Access Television	-	-	-	679,855	679,855
Public Safety	-	-	-	485,354	485,354
Public Works	-	-	-	13,476,092	13,476,092
Economic Development	-	-	-	616,607	616,607
Library	-	-	-	790,408	790,408
Tourism	-	-	-	2,714,963	2,714,963
Debt Service	-	-	-	21,698,406	21,698,406
Committed for:					
General Government	-	-	-	444,382	444,382
Community Development	-	-	-	2,832,444	2,832,444
Community Investment	-	-	26,474,776	-	26,474,776
Energy Program	-	-	-	187,412	187,412
Municipal Arts	-	-	-	151,184	151,184
Parks and Recreation	-	-	-	299,209	299,209
Public Safety	17,999	-	-	729,058	747,057
Assigned to:					
General Government	6,829,969	-	-	-	6,829,969
Energy Program	-	-	-	1,629,728	1,629,728
Parks and Recreation	12,750	-	-	-	12,750
Public Safety	300,993	-	-	-	300,993
Public Works	158,950	-	-	-	158,950
Economic Development	-	-	-	1,028,845	1,028,845
Capital Projects	-	-	-	2,445,932	2,445,932
Unassigned	21,326,916	(428,422)	-	(6,403,703)	14,494,791
Total Fund Balances	<u>\$28,847,964</u>	<u>\$ (428,422)</u>	<u>\$26,474,776</u>	<u>\$ 61,567,491</u>	<u>\$ 116,461,809</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS

DUE TO/FROM OTHER FUNDS

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances at December 31, 2022 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Steam Enterprise	36,374
	Nonmajor Governmental Funds	384,757
	Nonmajor Enterprise Funds	1,346,700
	Internal Service Funds	404,260
Local Fiscal Recovery Funds	Water Enterprise	2,617,945
Water Enterprise	Internal Service Funds	21,218
Gas Enterprise	Internal Service Funds	24,785
Sewer Enterprise	Internal Service Funds	19,081
Steam Enterprise	Nonmajor Governmental Funds	72,960
	Internal Service Funds	195
Nonmajor Governmental Funds	General Fund	535,010
	Nonmajor Governmental Funds	1,486,420
	Nonmajor Enterprise Funds	210
	Internal Service Funds	28,694
Nonmajor Enterprise Funds	Steam Enterprise	3,055
	Internal Service Funds	18,152
Internal Service Funds	General Fund	2,158
	Nonmajor Governmental Funds	2,455
Total		(1,2,3) <u>\$ 7,004,429</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 2,483,760
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	4,004,284
	Governmental Activities - Internal Service Funds	516,385
Total		<u>\$ 7,004,429</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2022, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2022.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Spirit Mountain Recreation Area Authority (4)	\$ 100,000
	Duluth Airport Authority (1,2,3)	82
	Duluth Entertainment and Convention Center Authority (1,2,3)	7,657
Nonmajor Governmental Funds	Duluth Entertainment and Convention Center Authority (1,2,3)	6,960
Nonmajor Enterprise Funds	Duluth Economic Development Authority (1,2,3)	3,592
Total Due From Component Units		<u>\$ 118,291</u>
Total Due To Primary Government		\$ 691,532
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2022		(673,241)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2022		100,000
Total Due From Component Units		<u>\$ 118,291</u>
Component Unit:	Primary Government:	
Duluth Economic Development Authority	Nonmajor Enterprise Funds	\$ 55,971
Duluth Transit Authority	General Fund	5
Duluth Entertainment and Convention Center Authority	Nonmajor Governmental Funds	1,122,622
Total Due From Primary Government		<u>\$ 1,178,598</u>
Total Due To Component Units		<u>\$ 1,178,598</u>

INTERFUND LOAN RECEIVABLES/PAYABLES

Interfund loan balances are a result of temporary interfund financing at year-end to cover deficit cash balances within the various funds. Balances on December 31, 2022 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 6,028,436</u>
<u>Payable Fund</u>	
Nonmajor Governmental Funds	3,258,569
Nonmajor Enterprise Funds	2,533,595
Internal Service Funds	236,272
Total	<u>\$ 6,028,436</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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: (1) debt service payments, participation in projects, and reimbursements of expenditures; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2022, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General Fund	Community Investment Trust	(3) \$ 527,753
	Water Enterprise	(1,3) 219,850
	Gas Enterprise	(1,2,3) 3,026,876
	Sewer Enterprise	(1,3) 157,600
	Steam Enterprise	(2) 164,600
	Nonmajor Governmental Funds	(1,3) 4,669,258
	Nonmajor Enterprise Funds	(1,3) 621,550
Priley Drive Parking Facility Enterprise Fund	Nonmajor Governmental Funds	(1) 506,649
Water Enterprise	Nonmajor Governmental Funds	(1) 135,000
Nonmajor Governmental Funds	General Fund	(1,3) 4,127,584
	Water Enterprise	(3) 429
	Gas Enterprise	(3) 75,306
	Sewer Enterprise	(3) 306
	Nonmajor Governmental Funds	(1,3) 19,581,458
	Nonmajor Enterprise Funds	(3) 184
Nonmajor Enterprise Funds	General Fund	(3) 2,198,997
Total		<u>\$ 36,013,400</u>
Transfers out, reported in:	Statement of Revenues, Expenditures, and Changes in Fund Balances:	
	Governmental Funds	\$ 31,746,699
	Statement of Revenues, Expenditures, and Changes in Fund Net Position:	
	Business-type Activities - Enterprise Funds	4,266,701
Total		<u>\$ 36,013,400</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost-sharing, multiple-employer retirement plans.

These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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

BENEFITS PROVIDED

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

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

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

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

CONTRIBUTIONS

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes, Chapter 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

In 2022, the City and members were required to contribute the following percentages of annual covered salary:

	Member Required Contribution	Employer Required Contribution
General Employees Plan - Coordinated Plan Members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%

The City's contributions for the year ended December 31, 2022, to the pension plans were:

General Employees Fund	\$ 2,979,965
Police and Fire Fund	4,702,484

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

PENSION COSTS

General Employees Plan

At December 31, 2022, the City reported a liability of \$41,097,051 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the City's proportion was 0.5189%. It was 0.5203% measured as of June 30, 2021. The City recognized pension expense of \$5,541,261 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The City recognized an additional \$180,027 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

City's proportionate share of the net pension liability	\$ 41,097,051
State of Minnesota's proportionate share of the net pension liability associated with the City	1,204,814
Total	<u>\$ 42,301,865</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 343,273	\$ 441,983
Changes in actuarial assumptions	9,325,344	175,203
Difference between projected and actual investment earnings	742,819	-
Changes in proportion	359,371	752,304
Contributions paid to PERA subsequent to the measurement date	1,523,702	-
Total	<u>\$ 12,294,509</u>	<u>\$ 1,369,490</u>

The \$1,523,702 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2023	3,606,316
2024	3,417,129
2025	(1,338,742)
2026	3,716,614

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

Police and Fire Fund

At December 31, 2022, the City reported a liability of \$92,958,986 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the City's proportion was 2.1362%. It was 2.0496% measured as of June 30, 2021. The City recognized pension expense of \$5,793,638 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$9 million by October 1 of each year until full funding is reached, or July 1, 2048, whichever is earlier. The City recognized an additional \$787,714 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

City's proportionate share of the net pension liability	\$ 92,958,986
State of Minnesota's proportionate share of the net pension liability associated with the City	4,060,926
Total	<u>\$ 97,019,912</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90% funded, or until the State Patrol Plan is 90% funded, whichever occurs later. The City also recognized \$192,256 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,629,437	\$ -
Changes in actuarial assumptions	53,934,707	587,155
Difference between projected and actual investment earnings	2,412,967	-
Changes in proportion	959,958	2,294,491
Contributions paid to PERA subsequent to the measurement date	2,346,346	-
Total	<u>\$ 65,283,415</u>	<u>\$ 2,881,646</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

The \$2,346,346 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2023	11,504,234
2024	11,761,094
2025	10,302,635
2026	18,641,667
2027	7,845,793

The total pension expense for all plans recognized by the City for the year ended December 31, 2022, was \$11,334,899.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per year	2.25% per year
Active member payroll growth	3.00% per year	3.00% per year
Investment rate of return	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire Plan, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25% for the General Employees Plan per year through December 31, 2054, and 1.5% per year thereafter. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% as set by state statute.

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. For both plans a review of inflation and investment assumptions dated July 12, 2022 was utilized.

The long-term expected rate of return on pension plan investments is 6.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.5% for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69%, based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index". An equivalent single discount rate of 5.4% for the Police and Fire Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits to the point of asset depletion and 3.69% thereafter.

CHANGES IN ACTUARIAL ASSUMPTIONS

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

PENSION LIABILITY SENSITIVITY

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. PENSION PLANS (continued)

	The City's Proportionate Sensitivity Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	5.5%	\$ 64,914,945	4.4%	\$ 140,681,502
Current	6.5%	41,097,051	5.4%	92,958,986
1.0% Increase	7.5%	21,562,703	6.4%	54,378,189

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

DEFINED CONTRIBUTION PLAN

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

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2022, were:

	Employee	Employer
Contribution amount	\$ 4,875	\$ 4,875
Percentage of covered payroll	5.0%	5.0%

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to PERA. Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. Detailed information concerning each component unit's pension plan is presented in its publicly available 2022 annual report.

The Duluth Economic Development Authority has no employees. Information on the Duluth Transit Authority's pension is presented in its publicly available 2022 annual report.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

As of December 31, 2022, there were 1,054 retirees receiving health benefits from the City's health plan and 895 active employees covered under the plan.

FUNDING POLICY

The City has historically funded these liabilities on a pay-as-you go basis. Union contracts govern the premiums contributed by the City and the retirees. For eligible retirees, the City pays a portion of the premium ranging from 25%-100% depending on the years of service. Retirees pay the remaining portion of the premium. Premiums are paid to the Joint Powers Enterprise Trust which accounts for the activity of the plan. Premiums are intended to cover the cost of providing benefits to retirees on a pay-as-you go basis. For the year ended December 31, 2022, the City contributed \$9,829,738 and retirees contributed \$221,315.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$2,415,205 were made to the irrevocable trust in 2022.

INVESTMENTS

Investment policy – The City's OPEB irrevocable trust fund is managed by the City of Duluth. All OPEB funds are invested with the Minnesota State Board of Investment (SBI). It is the policy of the City to pursue an investment strategy that reduces risk through the diversification of the portfolio. The City's target asset allocation as of December 31, 2022 is:

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

Rate of return – For the year ended December 31, 2022, the annual money-weighted return on investments, net of investment expense, was (17.30)%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2022, were as follows:

Total OPEB liability	\$ 151,294,204
Plan fiduciary net position	(84,359,568)
City's net OPEB liability	<u>\$ 66,934,636</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.76%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of \$76,335,901 and the business-type activities report a prepaid asset of \$9,401,265.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/22	\$ 149,476,336	\$ 99,913,230	\$ 49,563,106
Changes for the year:			
Service cost	1,971,187	-	1,971,187
Interest	8,263,004	-	8,263,004
Contributions - employer	-	12,908,989	(12,908,989)
Difference between expected and actual experience	820,051	-	820,051
Changes in assumptions	2,087,148	-	2,087,148
Difference between actual and projected earnings	-	(22,837,472)	22,837,472
Projected earnings	-	5,704,917	(5,704,917)
Benefit payments	(11,323,522)	(11,323,522)	-
Administrative expense	-	(6,574)	6,574
Net change	1,817,868	(15,553,662)	17,371,530
Balance at 12/31/22	<u>\$ 151,294,204</u>	<u>\$ 84,359,568</u>	<u>\$ 66,934,636</u>

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2021, actuarial valuation, the individual entry age normal as a level percentage of payroll actuarial cost method was used. Fair value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.70% investment rate of return which is based on the expected long-term investment returns on plan assets. The price inflation rate was 2.20%. The salary increases rate is based on the 3.50% salary scale. The annual healthcare cost trend rate is 8.00% initially, reduced incrementally to an ultimate rate of 5.00% after eight years.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

Mortality rates were based on the Pub-2010 Headcount-weighted Mortality. The mortality assumptions include a margin for future mortality improvements using Scale MP-2021 projected fully-generationally from the central year of data, 2010.

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

Asset Classes	Long-Term Expected Real Rate of Return
Domestic Fixed Income	0.80%
Domestic Equity	4.70%
Expected Real Rate of Return	3.50%
Inflation Rate	2.20%
Total Investment Rate of Return	5.70%

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

For purposes of calculating the discount rate, it is assumed that all future Employer contributions will be equal to the projected net retiree benefit payments, consistent with the Employer's substantive historical 'pay-as-you-go' funding policy.

Single Equivalent Interest Rate (SEIR)	
Long-Term Expected Rate of Return	5.70%
S&P Municipal Bond 20-Year High-Grade Rate Index	4.31%
Administrative Expenses Paid from the Trust	0.01%
Fiscal Year in which Fiduciary Net Position is Projected	N/A
Single Equivalent Interest Rate	5.70%

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

	1% Decrease (4.7%)	Discount Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability (asset)	\$ 84,000,257	\$ 66,934,636	\$ 55,678,941

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

	1% Decrease (7.0% decrease to 4.0%)	Healthcare Cost Trend Rate (8.0% decrease to 5.0%)	1% Increase (9.0% decrease to 6.0%)
Net OPEB liability (asset)	\$ 52,902,267	\$ 66,934,636	\$ 87,292,424

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

For the year ended December 31, 2022, the City recognized OPEB expenses of \$13,611,271. At December 31, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ 5,497,157	\$ -
Changes in actuarial assumptions	-	5,507,542
Difference between expected and actual economic experience	3,107,538	-
Total	<u>\$ 8,604,695</u>	<u>\$ 5,507,542</u>

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

Year Ended December 31	OPEB Expense Amount
2023	\$ (4,008,083)
2024	113,982
2025	2,095,007
2026	4,896,247

TRUST FUND

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

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

DEFINED CONTRIBUTION OPEB PLAN

In accordance with union bargaining agreements and effective January 1, 2008, the City provided a defined contribution postemployment benefit in the form of a minimum 1.00% contribution of each full-time, permanent, active employee's salary into a postemployment health care savings account known as the Minnesota Health Care Savings Plan administered by the Minnesota State Retirement System. An additional lump sum deposit of up to \$12,000 per employee will be made depending on the union contract and the date of hire.

For the year ended December 31, 2022, the City recognized OPEB expenses of \$481,000.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

15. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following nonmajor enterprise funds: Parking, which accounts for the municipal parking ramps, lots, and meters; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ended December 31, 2022, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Parking</u>	<u>Stormwater</u>
Assets		
Current assets	\$ 2,479,915	\$ 8,729,574
Due from other funds	1,346,700	210
Capital assets	16,937,439	19,938,771
Noncurrent assets	<u>1,193,046</u>	<u>1,090</u>
Total Assets	<u>21,957,100</u>	<u>28,669,645</u>
Deferred Outflows of Resources	<u>273,681</u>	<u>1,136,791</u>
Liabilities		
Current liabilities	1,006,542	371,464
Due to other funds	4,849	16,358
Noncurrent liabilities	<u>3,144,835</u>	<u>1,798,840</u>
Total Liabilities	<u>4,156,226</u>	<u>2,186,662</u>
Deferred Inflows of Resources	<u>1,473,819</u>	<u>109,993</u>
Net Position		
Net investment in capital assets	13,453,170	19,938,771
Unrestricted	<u>3,147,566</u>	<u>7,571,010</u>
Total Net Position	<u>\$ 16,600,736</u>	<u>\$ 27,509,781</u>

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

	<u>Parking</u>	<u>Stormwater</u>
Operating Revenues (Expenses)		
Charges (pledged against bonds)	\$ 3,985,704	\$ 7,881,324
Depreciation expense	(567,934)	(453,529)
Other operating expenses	<u>(2,581,799)</u>	<u>(3,437,238)</u>
Operating Income	<u>835,971</u>	<u>3,990,557</u>
Nonoperating Revenues (Expenses)		
Investment earnings	(28,138)	(69,581)
Intergovernmental revenue	-	20,509
Interest expense	(143,665)	192
Capital contributions	882,473	-
Transfers in	262,600	-
Transfers out	<u>(76,200)</u>	<u>(545,534)</u>
Change in Net Position	<u>1,733,041</u>	<u>3,396,143</u>
Beginning Net Position	<u>14,867,695</u>	<u>24,113,638</u>
Ending Net Position	<u>\$ 16,600,736</u>	<u>\$ 27,509,781</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

15. SEGMENT INFORMATION (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking</u>	<u>Stormwater</u>
Net Cash Provided (Used) by		
Operating activities	\$ 1,446,096	\$ 4,275,282
Noncapital financing activities	(1,152,217)	(540,591)
Capital and related financing activities	(65,400)	(755,365)
Investing activities	(28,138)	(69,581)
Net Increase (Decrease)	200,341	2,909,745
Beginning Cash and Cash Equivalents	1,976,507	2,976,001
Ending Cash and Cash Equivalents	<u>\$ 2,176,848</u>	<u>\$ 5,885,746</u>

16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

LAKE SUPERIOR CENTER

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

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

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2022.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

RELATED ORGANIZATION

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

Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$4,265,458 to the Duluth Housing and Redevelopment Authority in 2022.

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

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

A summary of the financial information of the Minneapolis-Duluth/Superior Passenger Rail Alliance for the Government-wide financial statements for December 31, 2021 (the most recent available) was:

Total Assets	\$	56,498
Total Liabilities		11,789
Total Net Position		44,709
Total Revenues		95,450
Total Expenditures		97,076
Change in Net Position	\$	(1,626)

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

TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2022, follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

	Maximum Assistance	2022 Tax Rebate
Bluestone Commons	\$ 9,896,864	\$ 745,575
Board of Trade Housing, Three D I, LLC	\$ 1,800,000	\$ 4,865
Central Hillside Development, LLP	\$ 140,672	\$ 37,431
Garfield Business Park, LLC	\$ 611,069	\$ 62,650
Harbor Bay	\$ 1,862,857	\$ 327,094
Kenwood Village, LLC	\$ 2,733,226	\$ 259,884
NorShore Theatre, LLC	\$ 885,577	\$ 177,789
NorShore Theatre, LLC	\$ -	\$ 120,387
Pier B, LLC	\$ 3,311,111	\$ 237,010
Sherman Associates Hotel/Condominium	\$ 4,987,337	\$ 222,236
Superior St. Apts., Duluth Lincoln Park1, LLC	\$ 2,350,000	\$ 169

CONDUIT DEBT OBLIGATIONS

The City and the Duluth Economic Development Authority (DEDA) have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, DEDA, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2022, are as follows:

Entity	Series	Issued	Principal
Benedictine Health Center	2021A	\$ 73,405,000	\$ 70,925,000
Benedictine Health Center	2021B	\$ 19,300,000	\$ 18,280,626
Benedictine Health Center	2021C	\$ 19,000,000	\$ 17,986,032
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 7,784,128
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 5,043,422
Ikonics	2016	\$ 3,415,000	\$ 2,450,250
Essentia Health	2018A	\$ 682,285,000	\$ 682,285,000
Essentia Health	2020C	\$ 116,955,000	\$ 89,385,000
Essentia Health	2020D	\$ 65,000,000	\$ 62,230,000
St. Luke's Hospital	2018A	\$ 19,750,000	\$ 18,574,211
St. Luke's Hospital	2018B	\$ 19,750,000	\$ 18,574,211
St. Luke's Hospital	2021A	\$ 14,725,000	\$ 14,725,000
St. Luke's Hospital	2022A	\$ 49,000,000	\$ 49,000,000
St. Luke's Hospital	2022B	\$ 76,110,000	\$ 76,110,000

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

17. TAX ABATEMENT

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2018 and continues for fifteen years. The City's abatement will not exceed \$18,358 per year and a total aggregate amount of \$250,000.

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

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

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

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

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

The City has entered into a property tax agreement with a corporation related to an industrial development, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2023 and continues for ten years. The City's abatement will not exceed a total aggregate amount of \$600,000.

18. SPECIAL ITEM

The Duluth Economic Development Authority (DEDA) sold an aircraft maintenance facility to a local aircraft manufacturer in September of 2022. This sale resulted in a book loss on disposal of \$5,245,583.

Required Supplementary Information

CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS AND
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2022

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

	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	\$ 2,933,971	\$ 2,952,513	\$ 2,440,931	\$ 2,366,072	\$ 1,902,658	\$ 1,971,187
Interest	9,412,409	9,609,404	8,958,475	8,662,683	8,192,883	8,263,004
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)	(11,323,522)
Changes in assumptions	-	-	(20,030,337)	-	(9,102,651)	2,087,148
Difference in expected vs. actual experience	-	-	1,391,711	-	4,178,987	820,051
Net change in total OPEB liability	2,599,084	1,416,008	(18,008,546)	601,443	(7,132,622)	1,817,868
Total OPEB liability - beginning	170,000,969	172,600,053	174,016,061	156,007,515	156,608,958	149,476,336
Total OPEB liability - ending (a)	<u>\$172,600,053</u>	<u>\$174,016,061</u>	<u>\$156,007,515</u>	<u>\$156,608,958</u>	<u>\$149,476,336</u>	<u>\$151,294,204</u>
Plan fiduciary net position						
Contributions - employer	\$ 10,222,267	\$ 11,678,484	\$ 11,642,994	\$ 10,287,850	\$ 12,041,435	\$ 12,908,989
Net investment income	8,178,671	(1,841,168)	14,236,478	11,308,704	17,506,485	(17,132,555)
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)	(11,323,522)
Administrative expense	-	(3,853)	(4,173)	(4,724)	(5,375)	(6,574)
Net change in plan fiduciary net position	8,653,642	(1,312,446)	15,105,973	11,164,518	17,238,046	(15,553,662)
Plan fiduciary net position - beginning	49,063,497	57,717,139	56,404,693	71,510,666	82,675,184	99,913,230
Plan fiduciary net position - ending (b)	<u>\$ 57,717,139</u>	<u>\$ 56,404,693</u>	<u>\$ 71,510,666</u>	<u>\$ 82,675,184</u>	<u>\$ 99,913,230</u>	<u>\$ 84,359,568</u>
City's net OPEB liability - ending (a-b)	\$114,882,914	\$117,611,368	\$ 84,496,849	\$ 73,933,774	\$ 49,563,106	\$ 66,934,636
Plan fiduciary net position as a percentage of the total OPEB liability	33.44%	32.41%	45.84%	52.79%	66.84%	55.76%
Covered-employee payroll	\$ 51,597,031	\$ 51,597,031	\$ 54,243,818	\$ 56,142,352	\$ 56,855,329	\$ 58,845,266
City's net OPEB liability as a percentage of covered-employee payroll	222.7%	227.9%	155.8%	131.7%	87.2%	113.7%

SCHEDULE OF INVESTMENT RETURNS

	2017	2018	2019	2020	2021	2022
Annual money-weighted rate of return, net of investment expense	16.68%	-3.20%	24.48%	15.24%	20.99%	-17.30%

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

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

CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2022

	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$11,456,261	\$10,536,980	\$ 9,619,556	\$10,050,122	\$ 9,944,016	\$ 10,196,577
Contributions in relation to the actuarially determined contribution	10,222,267	11,678,484	11,642,994	10,287,850	12,041,435	11,346,528
Contribution deficiency (excess)	<u>\$ (1,233,994)</u>	<u>\$ 1,141,504</u>	<u>\$ 2,023,438</u>	<u>\$ 237,728</u>	<u>\$ 2,097,419</u>	<u>\$ 1,149,951</u>
Covered-employee payroll	\$51,597,031	\$51,597,031	\$54,243,818	\$56,142,352	\$ 56,855,329	\$ 58,845,266
Contributions as a percentage of covered-employee payroll	19.8%	22.6%	21.5%	18.3%	21.2%	19.3%

Notes to Schedule:

Valuation date 1/1/2021

Methods and assumptions used to determine contribution rates:

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

Asset valuation method Fair value

Inflation 2.2%

Healthcare cost trend rates 8.0% initially, reduced incrementally to an ultimate rate of 5.0% after eight years

Salary increases 3.5%

Investment rate of return 5.7%

Retirement age Based on an experience analysis of the plan's past experience, the actuary's experience with plans of a similar size, plan design, and retiree contribution level

Mortality Pub-2010 Headcount-weighted Mortality with Scale MP-2021

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

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

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES PLAN
DECEMBER 31, 2022

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.5189%	\$ 41,097,051	\$ 1,204,814	\$ 42,301,865	\$ 38,868,133	105.73%	76.70%
2021	0.5203%	\$ 22,219,141	\$ 678,414	\$ 22,897,555	\$ 37,454,800	59.32%	87.00%
2020	0.5439%	\$ 32,609,291	\$ 1,005,605	\$ 33,614,896	\$ 38,794,227	84.06%	79.10%
2019	0.5179%	\$ 28,633,531	\$ 889,961	\$ 29,523,492	\$ 36,654,573	78.12%	80.20%
2018	0.5221%	\$ 28,963,967	\$ 950,024	\$ 29,913,991	\$ 35,092,853	82.54%	79.50%
2017	0.5543%	\$ 35,388,146	\$ 444,931	\$ 35,833,077	\$ 35,707,680	99.11%	75.90%
2016	0.5257%	\$ 42,684,233	\$ 557,508	\$ 43,241,741	\$ 32,622,333	130.84%	68.91%
2015	0.5499%	\$ 28,498,672	\$ -	\$ 28,498,672	\$ 32,321,183	88.17%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS)

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	\$ 2,979,965	\$ 2,979,965	\$ -	\$ 39,732,867	7.50%
2021	\$ 2,887,146	\$ 2,887,146	\$ -	\$ 38,495,280	7.50%
2020	\$ 2,812,381	\$ 2,812,381	\$ -	\$ 37,500,813	7.50%
2019	\$ 2,853,467	\$ 2,853,467	\$ -	\$ 38,046,227	7.50%
2018	\$ 2,697,667	\$ 2,697,667	\$ -	\$ 35,968,893	7.50%
2017	\$ 2,678,076	\$ 2,678,076	\$ -	\$ 34,694,027	7.72%
2016	\$ 2,446,675	\$ 2,446,675	\$ -	\$ 33,753,187	7.25%
2015	\$ 2,514,167	\$ 2,514,167	\$ -	\$ 33,522,227	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The City's year-end is December 31.

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA POLICE AND FIRE PLAN
DECEMBER, 31, 2022

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

Measur ement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	2.136%	\$ 92,958,986	\$ 4,060,926	\$ 97,019,912	\$ 26,509,190	350.67%	70.50%
2021	2.050%	\$ 15,820,739	\$ 711,275	\$ 16,532,014	\$ 24,782,302	63.84%	93.70%
2020	2.239%	\$ 29,508,461	\$ 695,185	\$ 30,203,646	\$ 25,263,315	116.80%	87.20%
2019	2.309%	\$ 24,576,314	N/A	\$ 24,576,314	\$ 24,327,497	101.02%	89.30%
2018	2.195%	\$ 23,397,505	N/A	\$ 23,397,505	\$ 23,134,636	101.14%	88.80%
2017	2.311%	\$ 31,201,250	N/A	\$ 31,201,250	\$ 23,723,278	131.52%	85.40%
2016	2.317%	\$ 92,985,242	N/A	\$ 92,985,242	\$ 22,320,623	416.59%	63.88%
2015	2.268%	\$ 25,769,787	N/A	\$ 25,769,787	\$ 20,780,650	124.01%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS)

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	\$ 4,702,484	\$ 4,702,484	\$ -	\$ 26,567,706	17.70%
2021	\$ 4,289,374	\$ 4,289,374	\$ -	\$ 24,233,751	17.70%
2020	\$ 4,475,263	\$ 4,475,263	\$ -	\$ 25,283,972	17.70%
2019	\$ 4,286,075	\$ 4,286,075	\$ -	\$ 25,286,578	16.95%
2018	\$ 3,790,774	\$ 3,790,774	\$ -	\$ 23,399,840	16.20%
2017	\$ 3,843,171	\$ 3,843,171	\$ -	\$ 22,831,389	16.83%
2016	\$ 3,615,941	\$ 3,615,941	\$ -	\$ 22,874,383	15.81%
2015	\$ 3,557,651	\$ 3,557,651	\$ -	\$ 21,960,809	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The City's year-end is December 31.

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

See Note 14 in the notes to the financial statements for additional information regarding the City's other postemployment benefits.

EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

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

The following changes were reflected in the valuation performed on behalf of the OPEB Trust Fund as of January 1, 2021:

- The initial healthcare cost trend rate was changed from 9.00% to 8.00%.
- The mortality rate basis was changed from RPH-2014 to Pub-2010 and the projection scale was changed from MP-2018 to MP-2021.

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

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

General Employees Fund

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50% to 6.50%.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP 2020.

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

General Employees Fund (continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP- 2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

General Employees Fund (continued)

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The state's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016

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

Police and Fire Plan

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50% to 6.50%.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

2020

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Police and Fire Plan (continued)

2019

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

2018

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

2017

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

2016

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

Combining and Individual Fund Statements and Schedules

G o v e r n m e n t a l F u n d s

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

SPECIAL REVENUE FUNDS

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

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

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

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

Opioid Remediation – to account for funds received from national opioid settlements dedicated to addressing the opioid epidemic.

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.

Disaster Recovery – to account for grant and aid monies associated with federal and state declared disasters.

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

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

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

SPECIAL REVENUE FUNDS (continued)

Housing Trust Fund – to account for monies dedicated to assisting with gaps in the housing financing market with the goal of increasing housing stock, removing blight, and increasing affordable housing.

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

CAPITAL PROJECTS FUNDS (continued)

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Police Grant Programs
Assets					
Cash and cash equivalents	\$ 94,511	\$ 2,692,874	\$ 2,175,688	\$ 495,640	\$ 267,850
Receivables, net					
Taxes	-	102,828	-	-	-
Accounts	-	296	77,920	-	1,756
Assessments	-	-	406,271	-	-
Loans	-	-	-	-	-
Leases	-	-	1,367,108	-	-
Due from other funds	-	-	43,783	-	-
Due from component units	-	-	6,960	-	-
Due from other governments	-	128,701	83,194	-	657,060
Prepays	-	-	-	-	-
Total Assets	94,511	2,924,699	4,160,924	495,640	926,666
Liabilities					
Accounts payable	-	65,525	14,519	-	172,395
Contracts payable	129,257	165,867	13,939	-	125,466
Due to other funds	-	8,153	32,118	-	344,832
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	70	1,355	15,204	-	26,369
Accrued salaries payable	-	43,809	11,828	-	-
Unearned revenue	-	-	264,583	-	-
Total Liabilities	129,327	284,709	352,191	-	669,062
Deferred Inflows of Resources					
Unavailable revenue	-	128,774	447,172	-	65,798
Lease related	-	-	1,328,545	-	-
Total Deferred Inflows of Resources	-	128,774	1,775,717	-	65,798
Fund Balances					
Restricted	-	2,511,216	698,881	495,640	191,806
Committed	-	-	1,334,135	-	-
Assigned	-	-	-	-	-
Unassigned	(34,816)	-	-	-	-
Total Fund Balances	(34,816)	2,511,216	2,033,016	495,640	191,806
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 94,511	\$ 2,924,699	\$ 4,160,924	\$ 495,640	\$ 926,666

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds				
	Disaster Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Economic Development
Assets					
Cash and cash equivalents	\$ -	\$ 862,589	\$ 144,909	\$ 800,784	\$ 1,028,845
Receivables, net					
Taxes	-	-	-	-	-
Accounts	-	-	-	786	-
Assessments	-	-	-	-	-
Loans	-	580,484	-	-	630,932
Leases	-	-	-	-	-
Due from other funds	1,045	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governments	4,667,837	3,000,000	-	-	-
Prepays	-	-	-	-	-
Total Assets	4,668,882	4,443,073	144,909	801,570	1,659,777
Liabilities					
Accounts payable	-	3,242,000	2,000	6,091	-
Contracts payable	48,444	-	4,395	5,071	-
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	3,208,988	-	-	-	-
Due to other governments	-	9,478	-	-	-
Accrued salaries payable	3,404	-	-	-	-
Unearned revenue	606,130	-	-	-	-
Total Liabilities	3,866,966	3,251,478	6,395	11,162	-
Deferred Inflows of Resources					
Unavailable revenue	4,372,582	574,988	-	-	630,932
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	4,372,582	574,988	-	-	630,932
Fund Balances					
Restricted	-	616,607	-	790,408	-
Committed	-	-	138,514	-	-
Assigned	-	-	-	-	1,028,845
Unassigned	(3,570,666)	-	-	-	-
Total Fund Balances	(3,570,666)	616,607	138,514	790,408	1,028,845
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,668,882	\$ 4,443,073	\$ 144,909	\$ 801,570	\$ 1,659,777

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds				
	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program	Community Development
Assets					
Cash and cash equivalents	\$ 1,831,558	\$ 2,688,121	\$ 36,279	\$ -	\$ 1,278,111
Receivables, net					
Taxes	-	958,994	190	-	-
Accounts	-	-	-	-	198,834
Assessments	-	-	-	-	-
Loans	-	-	-	406,997	2,614,793
Leases	180,880	-	-	-	-
Due from other funds	-	-	-	-	11,863
Due from component units	-	-	-	-	-
Due from other governments	-	155,674	-	91,076	1,505,190
Prepays	-	-	-	-	-
Total Assets	<u>2,012,438</u>	<u>3,802,789</u>	<u>36,469</u>	<u>498,073</u>	<u>5,608,791</u>
Liabilities					
Accounts payable	6,858	1,854	-	-	4,327
Contracts payable	1,772	142,707	-	84,293	1,338,503
Due to other funds	2,400	943,265	-	6,688	95,260
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	19,918	-
Due to other governments	-	-	-	-	17,380
Accrued salaries payable	3,388	-	-	-	-
Unearned revenue	-	-	-	-	40,044
Total Liabilities	<u>14,418</u>	<u>1,087,826</u>	<u>-</u>	<u>110,899</u>	<u>1,495,514</u>
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	413,780	2,925,514
Lease related	180,880	-	-	-	-
Total Deferred Inflows of Resources	<u>180,880</u>	<u>-</u>	<u>-</u>	<u>413,780</u>	<u>2,925,514</u>
Fund Balances					
Restricted	-	2,714,963	36,469	-	1,187,763
Committed	187,412	-	-	-	-
Assigned	1,629,728	-	-	-	-
Unassigned	-	-	-	(26,606)	-
Total Fund Balances	<u>1,817,140</u>	<u>2,714,963</u>	<u>36,469</u>	<u>(26,606)</u>	<u>1,187,763</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,012,438</u>	<u>\$ 3,802,789</u>	<u>\$ 36,469</u>	<u>\$ 498,073</u>	<u>\$ 5,608,791</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds				
	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility	Street Improvement Sales Tax
Assets					
Cash and cash equivalents	\$ 3,828,706	\$ 569,291	\$ -	\$ 4,465,287	\$ 6,073,068
Receivables, net					
Taxes	6,971	-	-	88,576	1,979,302
Accounts	-	14,911	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Leases	-	506,990	-	-	-
Due from other funds	-	-	2,032	-	-
Due from component units	-	-	-	-	-
Due from other governments	415,000	630,645	23,496	-	-
Prepays	-	-	3,401	-	-
Total Assets	4,250,677	1,721,837	28,929	4,553,863	8,052,370
Liabilities					
Accounts payable	-	68,832	-	72,997	-
Contracts payable	1,000,000	137,221	-	-	-
Due to other funds	-	7,351	-	50,000	500,000
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	29,663	-	-
Due to other governments	-	7,846	-	-	-
Accrued salaries payable	-	35,716	-	-	-
Unearned revenue	-	2,153	-	-	-
Total Liabilities	1,000,000	259,119	29,663	122,997	500,000
Deferred Inflows of Resources					
Unavailable revenue	418,233	226,771	2	55,916	-
Lease related	-	503,128	-	-	-
Total Deferred Inflows of Resources	418,233	729,899	2	55,916	-
Fund Balances					
Restricted	-	732,819	-	4,374,950	7,552,370
Committed	2,832,444	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(736)	-	-
Total Fund Balances	2,832,444	732,819	(736)	4,374,950	7,552,370
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,250,677	\$ 1,721,837	\$ 28,929	\$ 4,553,863	\$ 8,052,370

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue Funds		Debt Service Funds		
	Street Lighting	Public Arts	DECC Revenue	General Obligation	Special Assessment Debt Service
Assets					
Cash and cash equivalents	\$ 1,788,292	\$ 151,184	\$ 5,223,677	\$ 16,212,315	\$ 14,078
Receivables, net					
Taxes	78,844	-	-	263,589	-
Accounts	46	-	-	-	-
Assessments	-	-	-	-	121,470
Loans	-	-	-	9,615,000	-
Leases	-	-	-	-	-
Due from other funds	-	-	618,831	289,071	-
Due from component units	-	-	-	-	-
Due from other governments	10,009	-	-	-	51,176
Prepays	-	-	-	-	-
Total Assets	1,877,191	151,184	5,842,508	26,379,975	186,724
Liabilities					
Accounts payable	114,018	-	-	-	-
Contracts payable	141,588	-	-	-	-
Due to other funds	16,279	-	-	-	43,988
Due to component units	-	-	1,122,622	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	2,609	-	-	-	-
Accrued salaries payable	8,228	-	-	-	-
Unearned revenue	400	-	-	-	-
Total Liabilities	283,122	-	1,122,622	-	43,988
Deferred Inflows of Resources					
Unavailable revenue	45,297	-	-	9,774,919	121,470
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	45,297	-	-	9,774,919	121,470
Fund Balances					
Restricted	1,548,772	-	4,719,886	16,605,056	21,266
Committed	-	151,184	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	1,548,772	151,184	4,719,886	16,605,056	21,266
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,877,191	\$ 151,184	\$ 5,842,508	\$ 26,379,975	\$ 186,724

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Debt Service Funds		Capital Projects Funds		
	Street Improvement Debt Service	Tax Increment	Capital Equipment	Permanent Improvement	Street Improvement Program
Assets					
Cash and cash equivalents	\$ 122,655	\$ 227,712	\$ 3,294,256	\$ 263,299	\$ 5,041,579
Receivables, net					
Taxes	-	-	-	10,527	-
Accounts	-	-	-	-	-
Assessments	69,832	-	-	-	737,546
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Due from other funds	1,831	-	353,605	550,000	74,531
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	4,297,302	-
Prepays	-	-	-	-	-
Total Assets	194,318	227,712	3,647,861	5,121,128	5,853,656
Liabilities					
Accounts payable	-	-	27,678	39,836	1,530
Contracts payable	-	-	41,381	502,164	329,261
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	-	-	69,059	542,000	330,791
Deferred Inflows of Resources					
Unavailable revenue	69,832	-	-	3,592,401	737,546
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	69,832	-	-	3,592,401	737,546
Fund Balances					
Restricted	124,486	227,712	3,578,802	986,727	2,339,387
Committed	-	-	-	-	-
Assigned	-	-	-	-	2,445,932
Unassigned	-	-	-	-	-
Total Fund Balances	124,486	227,712	3,578,802	986,727	4,785,319
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 194,318	\$ 227,712	\$ 3,647,861	\$ 5,121,128	\$ 5,853,656

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Capital Projects Funds			
	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,963,514	\$ 4,624,255	\$ 5,303,743	\$ 73,564,670
Receivables, net				
Taxes	-	-	-	3,489,821
Accounts	-	-	-	294,549
Assessments	-	-	-	1,335,119
Loans	-	-	-	13,848,206
Leases	-	-	-	2,054,978
Due from other funds	-	-	-	1,946,592
Due from component units	-	-	-	6,960
Due from other governments	-	197,735	2,718,220	18,632,315
Prepays	-	-	-	3,401
Total Assets	1,963,514	4,821,990	8,021,963	115,176,611
Liabilities				
Accounts payable	56,899	1,163	-	3,898,522
Contracts payable	301,356	22,307	8,074,622	12,609,614
Due to other funds	-	-	-	2,050,334
Due to component units	-	-	-	1,122,622
Interfund loan payable	-	-	-	3,258,569
Due to other governments	-	-	-	80,311
Accrued salaries payable	-	-	-	106,373
Unearned revenue	-	39,030	-	952,340
Total Liabilities	358,255	62,500	8,074,622	24,078,685
Deferred Inflows of Resources				
Unavailable revenue	-	197,735	2,718,220	27,517,882
Lease related	-	-	-	2,012,553
Total Deferred Inflows of Resources	-	197,735	2,718,220	29,530,435
Fund Balances				
Restricted	1,605,259	4,561,755	-	58,223,000
Committed	-	-	-	4,643,689
Assigned	-	-	-	5,104,505
Unassigned	-	-	(2,770,879)	(6,403,703)
Total Fund Balances	1,605,259	4,561,755	(2,770,879)	61,567,491
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,963,514	\$ 4,821,990	\$ 8,021,963	\$ 115,176,611

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Police Grant Programs
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,877,311	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	113,710	45,572	-	-
Intergovernmental revenues	330,000	1,421,370	644,581	-	3,003,429
Charges for services	1,508,423	95,997	175,003	-	-
Fines and forfeits	-	-	754	-	50,686
Special assessments	-	-	-	-	-
Investment income	(938)	(35,098)	(29,388)	(3,797)	(3,445)
Miscellaneous revenues	135,570	1,030,898	976,465	499,437	3,000
Total Revenues	1,973,055	5,504,188	1,812,987	495,640	3,053,670
Expenditures					
Current					
General government	-	-	178,376	-	-
Public safety	-	-	821,066	-	1,253,693
Public works	-	-	-	-	-
Culture and recreation	2,826,762	3,209,288	247,447	-	-
Urban and economic development	-	-	46,256	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	1,584,097	2,236	-	216,116
Total Expenditures	2,826,762	4,793,385	1,295,381	-	1,469,809
Excess (Deficiency) of Revenues Over (Under) Expenditures	(853,707)	710,803	517,606	495,640	1,583,861
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	2,296,025	1,321	-	-
Transfers out	-	(1,869,815)	(612,973)	-	(1,805,935)
Total Other Financing Sources (Uses)	510,000	426,210	(611,652)	-	(1,805,935)
Net Change in Fund Balances	(343,707)	1,137,013	(94,046)	495,640	(222,074)
Fund Balances - January 1, 2022	308,891	1,374,203	2,127,062	-	413,880
Fund Balances - December 31, 2022	\$ (34,816)	\$ 2,511,216	\$ 2,033,016	\$ 495,640	\$ 191,806

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds				
	Disaster Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Economic Development
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	6,109,807	3,550,000	-	-	367,663
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	(11,449)	(2,130)	(10,613)	(12,246)
Miscellaneous revenues	12,981	-	51,880	216,602	454,522
Total Revenues	6,122,788	3,538,551	49,750	205,989	809,939
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	239,517	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	2,467,963	-	30,784	149,786	-
Urban and economic development	-	3,788,934	-	-	368,513
Debt service					
Principal retirement	-	-	-	-	20,625
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	87,895	59,312	-
Total Expenditures	2,707,480	3,788,934	118,679	209,098	389,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,415,308	(250,383)	(68,929)	(3,109)	420,801
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	300,000	-	-	-	-
Transfers out	(1,017,000)	-	-	(10,000)	-
Total Other Financing Sources (Uses)	(717,000)	-	-	(10,000)	-
Net Change in Fund Balances	2,698,308	(250,383)	(68,929)	(13,109)	420,801
Fund Balances - January 1, 2022	(6,268,974)	866,990	207,443	803,517	608,044
Fund Balances - December 31, 2022	\$ (3,570,666)	\$ 616,607	\$ 138,514	\$ 790,408	\$ 1,028,845

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds				
	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program	Community Development
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	13,786,350	-	-	-
Other taxes	-	-	13,485	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	456,477	4,232,458
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(18,800)	(36,597)	(477)	(582)	5,649
Miscellaneous revenues	17,425	-	-	-	286,847
Total Revenues	(1,375)	13,749,753	13,008	455,895	4,524,954
Expenditures					
Current					
General government	212,200	-	-	-	-
Public safety	-	-	11,985	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	4,550,687	-	458,475	4,413,089
Debt service					
Principal retirement	-	-	-	-	20,000
Interest and fiscal fees	-	-	-	-	70,858
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	212,200	4,550,687	11,985	458,475	4,503,947
Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,575)	9,199,066	1,023	(2,580)	21,007
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	226,000	-	-	-	-
Transfers out	(338,525)	(9,650,354)	-	-	(13,078)
Total Other Financing Sources (Uses)	(112,525)	(9,650,354)	-	-	(13,078)
Net Change in Fund Balances	(326,100)	(451,288)	1,023	(2,580)	7,929
Fund Balances - January 1, 2022	2,143,240	3,166,251	35,446	(24,026)	1,179,834
Fund Balances - December 31, 2022	\$ 1,817,140	\$ 2,714,963	\$ 36,469	\$ (26,606)	\$ 1,187,763

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds				
	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility	Street Improvement Sales Tax
Revenues					
Taxes					
Property taxes	\$ 289,003	\$ -	\$ -	\$ 2,285,495	\$ -
Sales taxes	-	-	-	-	9,785,005
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	3,004,063	332,571	6,700	-
Charges for services	800	79	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(51,262)	(6,227)	-	(38,855)	(67,552)
Miscellaneous revenues	-	226,629	-	1,061	-
Total Revenues	238,541	3,224,544	332,571	2,254,401	9,717,453
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	843,880	52,977
Culture and recreation	-	-	-	-	-
Urban and economic development	1,419,345	3,271,706	313,739	-	-
Debt service					
Principal retirement	-	85,979	-	41,639	-
Interest and fiscal fees	-	22,649	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	2,310,715	-	196,415	1,002,338
Total Expenditures	1,419,345	5,691,049	313,739	1,081,934	1,055,315
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,180,804)	(2,466,505)	18,832	1,172,467	8,662,138
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Lease proceeds	-	2,310,715	-	196,415	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	586,889	-	-	-
Transfers out	-	-	(14,909)	(439,092)	(4,899,090)
Total Other Financing Sources (Uses)	-	2,897,604	(14,909)	(242,677)	(4,899,090)
Net Change in Fund Balances	(1,180,804)	431,099	3,923	929,790	3,763,048
Fund Balances - January 1, 2022	4,013,248	301,720	(4,659)	3,445,160	3,789,322
Fund Balances - December 31, 2022	\$ 2,832,444	\$ 732,819	\$ (736)	\$ 4,374,950	\$ 7,552,370

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds		Debt Service Funds		
	Street Lighting	Public Arts	DECC Revenue	General Obligation	Special Assessment Debt Service
Revenues					
Taxes					
Property taxes	\$ 2,422,365	\$ -	\$ -	\$ 7,252,870	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	827,850	-
Charges for services	183	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	57,752
Investment income	(24,670)	(2,019)	(67,830)	(210,038)	(140)
Miscellaneous revenues	50,554	8,468	-	2,064,933	-
Total Revenues	2,448,432	6,449	(67,830)	9,935,615	57,612
Expenditures					
Current					
General government	-	-	-	557,267	-
Public safety	-	-	-	-	-
Public works	1,924,969	-	-	-	-
Culture and recreation	-	10,075	-	-	-
Urban and economic development	-	-	1,122,622	-	-
Debt service					
Principal retirement	-	-	-	9,725,000	-
Interest and fiscal fees	-	-	-	3,696,982	238
Bond issuance costs	-	-	-	13,674	-
Capital outlay	118,205	-	-	-	-
Total Expenditures	2,043,174	10,075	1,122,622	13,992,923	238
Excess (Deficiency) of Revenues Over (Under) Expenditures	405,258	(3,626)	(1,190,452)	(4,057,308)	57,374
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	4,327,308	5,431,546	-
Transfers out	(592,159)	-	(2,937,425)	-	-
Total Other Financing Sources (Uses)	(592,159)	-	1,389,883	5,431,546	-
Net Change in Fund Balances	(186,901)	(3,626)	199,431	1,374,238	57,374
Fund Balances - January 1, 2022	1,735,673	154,810	4,520,455	15,230,818	(36,108)
Fund Balances - December 31, 2022	\$ 1,548,772	\$ 151,184	\$ 4,719,886	\$ 16,605,056	\$ 21,266

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Debt Service Funds		Capital Projects Funds		
	Street Improvement Debt Service	Tax Increment	Capital Equipment	Permanent Improvement	Street Improvement Program
Revenues					
Taxes					
Property taxes	\$ -	\$ 562,943	\$ -	\$ 278,324	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	2,316,008	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	28,530	-	-	-	450,582
Investment income	(3,117)	-	(15,497)	(10,905)	(64,308)
Miscellaneous revenues	-	-	-	-	-
Total Revenues	<u>25,413</u>	<u>562,943</u>	<u>(15,497)</u>	<u>2,583,427</u>	<u>386,274</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	280,318	889,471
Culture and recreation	-	-	-	-	-
Urban and economic development	-	499	-	-	-
Debt service					
Principal retirement	460,000	-	-	-	-
Interest and fiscal fees	17,600	-	-	-	-
Bond issuance costs	-	-	62,211	-	-
Capital outlay	-	-	3,352,507	5,390,561	2,967,482
Total Expenditures	<u>477,600</u>	<u>499</u>	<u>3,414,718</u>	<u>5,670,879</u>	<u>3,856,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(452,187)</u>	<u>562,444</u>	<u>(3,430,215)</u>	<u>(3,087,452)</u>	<u>(3,470,679)</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	3,360,000	-	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	201,503	-	-
Transfers in	-	-	350,000	3,559,279	3,318,861
Transfers out	-	(506,649)	-	-	(11,998)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(506,649)</u>	<u>3,911,503</u>	<u>3,559,279</u>	<u>3,306,863</u>
Net Change in Fund Balances	<u>(452,187)</u>	<u>55,795</u>	<u>481,288</u>	<u>471,827</u>	<u>(163,816)</u>
Fund Balances - January 1, 2022	<u>576,673</u>	<u>171,917</u>	<u>3,097,514</u>	<u>514,900</u>	<u>4,949,135</u>
Fund Balances - December 31, 2022	<u>\$ 124,486</u>	<u>\$ 227,712</u>	<u>\$ 3,578,802</u>	<u>\$ 986,727</u>	<u>\$ 4,785,319</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital Projects Funds			
	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 15,968,311
Sales taxes	-	-	-	23,571,355
Other taxes	-	-	-	13,485
Licenses and permits	-	-	-	159,282
Intergovernmental revenues	-	694,078	15,754,078	43,051,133
Charges for services	-	-	-	1,780,485
Fines and forfeits	-	-	-	51,440
Special assessments	-	-	-	536,864
Investment income	(15,062)	14,049	(52,659)	(776,003)
Miscellaneous revenues	173,500	63,475	-	6,274,247
Total Revenues	158,438	771,602	15,701,419	90,630,599
Expenditures				
Current				
General government	736,038	-	-	1,683,881
Public safety	87,966	-	-	2,414,227
Public works	-	-	-	3,991,615
Culture and recreation	290,943	162,736	-	9,395,784
Urban and economic development	-	-	6,800,836	26,554,701
Debt service				
Principal retirement	-	-	-	10,353,243
Interest and fiscal fees	-	-	-	3,808,327
Bond issuance costs	43,703	-	-	119,588
Capital outlay	1,248,549	690,777	11,474,708	30,701,913
Total Expenditures	2,407,199	853,513	18,275,544	89,023,279
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,248,761)	(81,911)	(2,574,125)	1,607,320
Other Financing Sources (Uses)				
Issuance of bonds	1,685,000	-	-	5,045,000
Lease proceeds	-	-	-	2,507,130
Premium on issuance of bonds	158,281	-	-	359,784
Transfers in	1,069,644	1,808,394	-	23,785,267
Transfers out	-	(5,000)	(168,363)	(24,892,365)
Total Other Financing Sources (Uses)	2,912,925	1,803,394	(168,363)	6,804,816
Net Change in Fund Balances	664,164	1,721,483	(2,742,488)	8,412,136
Fund Balances - January 1, 2022	941,095	2,840,272	(28,391)	53,155,355
Fund Balances - December 31, 2022	\$ 1,605,259	\$ 4,561,755	\$ (2,770,879)	\$ 61,567,491

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Taxes				
General property				
Current	\$ 25,237,800	\$ 25,237,800	\$ 25,068,316	\$ (169,484)
Delinquent	150,000	150,000	147,579	(2,421)
Mobile home	64,700	64,700	95,139	30,439
Forfeited tax sale apportionment	10,000	10,000	38,094	28,094
Franchise	3,327,200	3,327,200	4,289,071	961,871
Sales taxes	14,500,000	14,500,000	18,383,455	3,883,455
Charitable gambling	20,000	20,000	38,355	18,355
Other	88,700	1,025,097	1,367,135	342,038
Total Taxes	43,398,400	44,334,797	49,427,144	5,092,347
Licenses and Permits				
Liquor and non-intoxicating liquor	426,200	426,200	455,039	28,839
Health	22,500	22,500	27,161	4,661
Police protective	30,600	30,600	41,238	10,638
Amusement	-	-	611	611
Manufacturing and merchandising	38,600	38,600	22,530	(16,070)
Other	1,240,000	1,290,506	1,673,927	383,421
Total Licenses and Permits	1,757,900	1,808,406	2,220,506	412,100
Intergovernmental revenues				
Shared revenues				
Local government aid	30,671,600	30,671,600	30,671,679	79
Insurance premium	2,170,800	2,170,800	2,605,093	434,293
PERA contribution	-	1,159,997	1,159,997	-
State grants				
Minnesota Library Information Network	4,000	4,000	4,096	96
Cross country ski trail	11,000	11,000	11,000	-
Post training reimbursement	151,800	151,800	147,148	(4,652)
Historic Preservation Fund	-	14,327	14,328	1
Legacy Endowment Fund	-	20,138	20,138	-
Market value credit	-	-	220	220
MSA street maintenance allotment	1,533,400	1,533,400	1,525,839	(7,561)
Federal grants				
Bulletproof Vest Partnership Program	16,000	16,000	12,579	(3,421)
COVID-19 Grant	-	7,217,807	7,217,808	1
Other grants				
St. Louis County	138,400	138,400	138,411	11
Payments in lieu of taxes -				
Housing and Redevelopment Authority	65,000	65,000	76,214	11,214
Independent School District #709	156,500	156,500	303,575	147,075
Total Intergovernmental Revenues	34,918,500	43,330,769	43,908,125	577,356

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Charges for Services				
Departmental fees and services				
Fire	4,200	4,200	4,200	-
Police	60,400	60,400	62,831	2,431
Engineering	300,000	300,000	19,028	(280,972)
Building inspection services	2,427,600	2,459,067	3,672,948	1,213,881
Attorney services	7,500	7,500	38,978	31,478
Information technology services	18,300	18,300	93,463	75,163
Grant administration services	69,000	69,000	83,542	14,542
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	70,600	70,600	61,437	(9,163)
Other services	-	-	45	45
Departmental sales				
Copier and microfilm prints	19,500	19,500	12,973	(6,527)
Print and plan sales	100	100	10	(90)
Book sales	100	100	-	(100)
Share of general expenses				
Stormwater	196,800	196,800	196,800	-
Sewer	238,200	238,200	238,200	-
Steam	53,200	53,200	53,200	-
Duluth Entertainment and Convention Center Authority	21,000	21,000	13,800	(7,200)
Duluth Transit Authority	10,300	10,300	10,300	-
Duluth Airport Authority	45,200	45,200	45,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	876,400	876,400	876,400	-
Fleet Services	146,200	146,200	146,200	-
Golf	16,100	16,100	-	(16,100)
Group Health	353,300	353,300	399,866	46,566
Self-Insurance	666,900	666,900	666,900	-
Spirit Mountain Recreation Area Authority	26,200	26,200	26,200	-
Parking	116,300	116,300	116,300	-
Priley Drive Parking Facility	6,700	6,700	6,700	-
Total Charges for Services	6,180,100	6,211,567	7,275,521	1,063,954
Fines and Forfeits				
Parking fines	43,400	43,400	-	(43,400)
Court fines	335,000	335,000	230,416	(104,584)
Administrative fines	-	-	29,863	29,863
License penalties	1,500	1,500	85	(1,415)
Felony forfeitures	-	-	14,815	14,815
Total Fines and Forfeits	379,900	379,900	275,179	(104,721)
Special Assessments	496,700	541,327	486,628	(54,699)

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Investment Income				
Fair value adjustment	-	-	(328,535)	(328,535)
Miscellaneous Revenues				
Concessions & commissions	12,000	12,000	-	(12,000)
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	7,303	7,303
Rent and lease	88,100	88,100	91,107	3,007
Sale of equipment	-	-	126,099	126,099
Sale of land	-	-	5,610	5,610
Sale of scrap	5,000	5,000	4,487	(513)
Surcharge retainage	1,400	1,400	1,873	473
Refunds and reimbursements	117,000	1,125,985	1,253,592	127,607
Gifts and donations	-	7,500	7,500	-
Miscellaneous sales and services	74,900	97,456	127,959	30,503
Total Miscellaneous Revenues	448,400	1,487,441	1,775,530	288,089
Total Revenues	87,579,900	98,094,207	105,040,098	6,945,891
Other Financing Sources				
Transfers in:				
Special Projects	178,900	442,864	477,973	35,109
Disaster Recovery Fund	-	1,017,000	1,017,000	-
Local Fiscal Recovery Funds	2,551,600	2,551,600	-	(2,551,600)
Duluth Police Grant Programs	1,641,700	1,741,081	1,805,935	64,854
Library Special Accounts	-	-	10,000	10,000
Community Investment Trust	425,000	425,000	527,753	102,753
Tourism Taxes	1,195,000	1,295,000	1,330,363	35,363
Workforce Development	-	-	13,078	13,078
Senior Programs	-	-	14,909	14,909
Parking Fund	1,422,900	1,422,900	76,200	(1,346,700)
Water	219,850	219,850	219,850	-
Gas	3,057,650	3,057,650	3,026,876	(30,774)
Sewer	157,550	157,550	157,600	50
Stormwater	545,350	545,350	545,350	-
Steam	154,000	154,000	164,600	10,600
Total Other Financing Sources	11,549,500	13,029,845	9,387,487	(3,642,358)
Fund Balance Reserves				
Public Works	200,000	200,000	-	(200,000)
Total Revenues and Other Financing Sources	\$ 99,329,400	\$ 111,324,052	\$ 114,427,585	\$ 3,103,533
Reconciliation				
Original budget as approved by Duluth City Council		\$ 99,329,400		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		181,692		
Ordinance allowable		11,812,960		
Total adjustments		11,994,652		
Modified budget as reported above		\$ 111,324,052		

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
Legislative and Executive							
City Council							
Personal services - salaries	\$ 124,200	\$ 120,800	1	\$ 120,750	\$ -	\$ 120,750	\$ 50
Personal services - benefits	11,600	9,300	1	9,237	-	9,237	63
Other expenditures	70,700	63,100	1	57,972	4,550	62,522	578
Total City Council	206,500	193,200		187,959	4,550	192,509	691
Mayor's Office							
Personal services - salaries	535,200	516,600	1	516,598	-	516,598	2
Personal services - benefits	264,300	233,500	1	233,476	-	233,476	24
Other expenditures	24,200	19,696	1,4	19,632	-	19,632	64
Total Mayor's Office	823,700	769,796		769,706	-	769,706	90
Chief Administrative Officer							
Personal services - salaries	323,300	330,250	1	330,241	-	330,241	9
Personal services - benefits	137,600	123,601	1	123,600	-	123,600	1
Other expenditures	20,600	24,724	1,3	24,668	-	24,668	56
Total Chief Administrative Officer	481,500	478,575		478,509	-	478,509	66
Attorney and Human Rights							
Personal services - salaries	1,627,600	1,775,300	1	1,775,245	-	1,775,245	55
Personal services - benefits	650,000	654,200	1	654,147	-	654,147	53
Other expenditures	41,100	45,500	1	44,767	-	44,767	733
Total Attorney and Human Rights	2,318,700	2,475,000		2,474,159	-	2,474,159	841
Total Legislative and Executive	3,830,400	3,916,571		3,910,333	4,550	3,914,883	1,688
Property, Parks and Libraries							
Park Maintenance							
Personal services - salaries	1,730,500	1,629,500	1	1,629,466	-	1,629,466	34
Personal services - benefits	684,400	654,300	1	654,218	-	654,218	82
Other expenditures	884,600	900,900	1	900,901	-	900,901	(1)
Total Park Maintenance	3,299,500	3,184,700		3,184,585	-	3,184,585	115
Library Services							
Personal services - salaries	2,938,800	2,624,987	1	2,624,974	-	2,624,974	13
Personal services - benefits	1,368,200	1,098,050	1	1,098,013	-	1,098,013	37
Other expenditures	755,200	879,171	1,2	866,469	12,750	879,219	(48)
Total Library Services	5,062,200	4,602,208		4,589,456	12,750	4,602,206	2
Facilities Management							
Personal services - salaries	1,994,600	1,900,400	1	1,900,355	-	1,900,355	45
Personal services - benefits	823,100	772,200	1	772,158	-	772,158	42
Other expenditures	2,441,800	2,865,137	1,3,4	2,848,667	17,230	2,865,897	(760)
Total Facilities Management	5,259,500	5,537,737		5,521,180	17,230	5,538,410	(673)
Total Property, Parks and Libraries	13,621,200	13,324,645		13,295,221	29,980	13,325,201	(556)
(continued)							

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
Administrative Services							
Human Resources							
Personal services - salaries	822,000	781,200	1	781,156	-	781,156	44
Personal services - benefits	341,800	316,700	1	316,690	-	316,690	10
Other expenditures	74,500	100,600	1,2	97,972	-	97,972	2,628
Total Human Resources	1,238,300	1,198,500		1,195,818	-	1,195,818	2,682
Information Technology							
Personal services - salaries	1,910,200	1,952,846	1	1,952,841	-	1,952,841	5
Personal services - benefits	801,300	817,396	1	817,334	-	817,334	62
Other expenditures	971,100	996,286	1,2	965,409	26,131	991,540	4,746
Total Information Technology	3,682,600	3,766,528		3,735,584	26,131	3,761,715	4,813
Clerk							
Personal services - salaries	596,000	585,732	1,4	585,723	-	585,723	9
Personal services - benefits	222,600	227,300	1	227,278	-	227,278	22
Other expenditures	55,700	19,300	1	19,283	-	19,283	17
Total Clerk	874,300	832,332		832,284	-	832,284	48
Total Administrative Services	5,795,200	5,797,360		5,763,686	26,131	5,789,817	7,543
Finance							
Budget							
Personal services - salaries	670,500	656,750	1	656,743	-	656,743	7
Personal services - benefits	242,800	260,585	1	260,581	-	260,581	4
Other expenditures	37,100	79,161	1	79,162	-	79,162	(1)
Total Budget	950,400	996,496		996,486	-	996,486	10
Auditor							
Personal services - salaries	665,300	710,065	1	710,013	-	710,013	52
Personal services - benefits	271,900	264,100	1	264,067	-	264,067	33
Other expenditures	304,100	295,300	1	295,248	-	295,248	52
Total Auditor	1,241,300	1,269,465		1,269,328	-	1,269,328	137
Purchasing							
Personal services - salaries	408,000	372,700	1	372,640	-	372,640	60
Personal services - benefits	200,600	189,000	1	188,945	-	188,945	55
Other expenditures	14,200	3,858	1	3,858	-	3,858	-
Total Purchasing	622,800	565,558		565,443	-	565,443	115
Total Finance	2,814,500	2,831,519		2,831,257	-	2,831,257	262

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Planning and Construction Services							
Planning and Development							
Personal services - salaries	1,049,100	1,068,899	1,4	1,068,884	-	1,068,884	15
Personal services - benefits	407,400	436,900	1	436,897	-	436,897	3
Other expenditures	66,900	95,665	1,3,4	95,624	-	95,624	41
Total Planning and Development	1,523,400	1,601,464		1,601,405	-	1,601,405	59
Construction Services and Inspection							
Personal services - salaries	1,460,800	1,437,200	1	1,437,161	-	1,437,161	39
Personal services - benefits	617,700	619,855	1	619,812	-	619,812	43
Other expenditures	144,700	233,822	1,2,4	233,822	-	233,822	-
Total Construction Services and Inspection	2,223,200	2,290,877		2,290,795	-	2,290,795	82
Total Planning and Construction Services	3,746,600	3,892,341		3,892,200	-	3,892,200	141
Fire							
Administration							
Personal services - salaries	505,000	566,800	1	566,775	-	566,775	25
Personal services - benefits	204,500	232,500	1	232,490	-	232,490	10
Other expenditures	59,000	59,000		59,002	-	59,002	(2)
Total Administration	768,500	858,300		858,267	-	858,267	33
Operations							
Personal services - salaries	11,046,500	12,086,480	1,4	12,085,920	-	12,085,920	560
Personal services - benefits	5,225,400	5,282,671	1,4	5,282,627	-	5,282,627	44
Other expenditures	739,400	819,413	1,3	818,188	-	818,188	1,225
Total Operations	17,011,300	18,188,564		18,186,735	-	18,186,735	1,829
Life Safety							
Personal services - salaries	861,800	877,907	1,4	877,889	-	877,889	18
Personal services - benefits	374,100	368,899	1,4	368,800	-	368,800	99
Other expenditures	91,000	91,725	1,4	91,650	-	91,650	75
Total Life Safety	1,326,900	1,338,531		1,338,339	-	1,338,339	192
Total Fire	19,106,700	20,385,395		20,383,341	-	20,383,341	2,054
Police							
Administration and Investigation							
Personal services - salaries	17,158,200	17,080,580	1,3,4	16,955,303	-	16,955,303	125,277
Personal services - benefits	7,742,600	7,218,100	1	7,217,835	-	7,217,835	265
Other expenditures	1,354,000	1,921,557	1,2	1,734,133	300,993	2,035,126	(113,569)
Total Administration and Investigation	26,254,800	26,220,237		25,907,271	300,993	26,208,264	11,973
Police Special Accounts							
Other expenditures	151,800	518,855	1,2,4	295,201	-	295,201	223,654
Capital Outlay	-	-		37,260	-	37,260	(37,260)
Total Police Special Accounts	151,800	518,855		332,461	-	332,461	186,394
Total Police	26,406,600	26,739,092		26,239,732	300,993	26,540,725	198,367

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	61,300	67,600	1	65,478	-	65,478	2,122
Personal services - benefits	27,400	27,400		27,179	-	27,179	221
Other expenditures	900	900		446	-	446	454
Total Public Works Director's Office	<u>89,600</u>	<u>95,900</u>		<u>93,103</u>	<u>-</u>	<u>93,103</u>	<u>2,797</u>
Street Maintenance							
Personal services - salaries	2,958,000	3,066,700	1	3,066,618	-	3,066,618	82
Personal services - benefits	1,364,800	1,324,100	1	1,324,033	-	1,324,033	67
Other expenditures	4,002,600	4,212,818	1,2,3	4,089,580	138,165	4,227,745	(14,927)
Capital outlay	-	48,730	2	48,730	-	48,730	-
Total Street Maintenance	<u>8,325,400</u>	<u>8,652,348</u>		<u>8,528,961</u>	<u>138,165</u>	<u>8,667,126</u>	<u>(14,778)</u>
Engineering							
Personal services - salaries	1,326,800	1,358,200	1	1,348,905	-	1,348,905	9,295
Personal services - benefits	560,300	592,400	1	592,355	-	592,355	45
Other expenditures	137,800	148,197	1,2	137,125	20,785	157,910	(9,713)
Total Engineering	<u>2,024,900</u>	<u>2,098,797</u>		<u>2,078,385</u>	<u>20,785</u>	<u>2,099,170</u>	<u>(373)</u>
Total Public Works and Utilities	<u>10,439,900</u>	<u>10,847,045</u>		<u>10,700,449</u>	<u>158,950</u>	<u>10,859,399</u>	<u>(12,354)</u>
Transfers and Other Functions							
Business improvement district	370,000	414,627	4	414,627	-	414,627	-
Public access television	182,000	182,000		182,000	-	182,000	-
State sales tax administration	120,000	120,000		119,999	-	119,999	1
Parking fine administration	-	51,700	1,2	38,700	13,000	51,700	-
Capital program	47,000	1,500	1	1,499	-	1,499	1
Benefits administration	123,000	176,587	1,4	158,775	15,900	174,675	1,912
Retiree insurance	7,399,100	8,576,938	1,4	8,576,865	-	8,576,865	73
Self insurance	3,236,000	3,236,000		3,236,000	-	3,236,000	-
PERA contribution	500,000	1,159,997	1,4	1,159,997	-	1,159,997	-
Transfers and accruals	250,000	8,805,504	1,4	8,805,504	-	8,805,504	-
Other functions	1,341,200	1,518,806	1,2	1,465,644	53,158	1,518,802	4
Total Transfers and Other Functions	<u>13,568,300</u>	<u>24,243,659</u>		<u>24,159,610</u>	<u>82,058</u>	<u>24,241,668</u>	<u>1,991</u>
Total Expenditures and Encumbrances	<u>\$ 99,329,400</u>	<u>\$ 111,977,627</u>		<u>\$ 111,175,829</u>	<u>\$ 602,662</u>	<u>\$ 111,778,491</u>	<u>\$ 199,136</u>
Reconciliation							
Original budget as approved by Duluth City Council	<u>\$ 99,329,400</u>						
Adjustments made in accordance with Budget Ordinance							
Note 1	-			Departmental transfers made in accordance with budget ordinance.			
Note 2	653,575			Encumbrance, contract, reserve, or designation carryovers from prior year.			
Note 3	181,692			Grants, gifts, and donations in accordance with budget ordinance.			
Note 4	11,812,960			Other allowable additions made in accordance with budget ordinance.			
Total adjustments	<u>12,648,227</u>						
Modified budget as reported above	<u><u>\$ 111,977,627</u></u>						

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government						
Legislative and Executive						
City Council	\$ 120,750	\$ 9,237	\$ 57,972	\$ -	\$ -	\$ 187,959
Mayor's Office	516,598	233,476	19,632	-	-	769,706
Chief Administrative Officer	330,241	123,600	24,668	-	-	478,509
Attorney and Human Rights	1,775,245	654,147	44,767	-	-	2,474,159
Total Legislative and Executive	2,742,834	1,020,460	147,039	-	-	3,910,333
Property, Parks and Libraries						
Facilities Management	1,900,355	772,158	2,825,767	-	22,900	5,521,180
Other Functions	-	2,736,000	2,758,023	(1,725)	6,107,435	11,599,733
Total Property, Parks and Libraries	1,900,355	3,508,158	5,583,790	(1,725)	6,130,335	17,120,913
Administrative Services						
Human Resources	781,156	316,690	97,972	-	-	1,195,818
Information Technology	1,952,841	817,334	965,409	-	-	3,735,584
Clerk	585,723	227,278	19,283	-	-	832,284
Total Administrative Services	3,319,720	1,361,302	1,082,664	-	-	5,763,686
Finance						
Budget	656,743	260,581	79,162	-	-	996,486
Auditor	710,013	264,067	295,248	-	-	1,269,328
Purchasing	372,640	188,945	3,858	-	-	565,443
Total Finance	1,739,396	713,593	378,268	-	-	2,831,257
Benefits						
Benefits Administration	-	40,112	118,181	-	482	158,775
Retiree Insurance	-	8,576,865	-	-	-	8,576,865
PERA Contribution	-	64,922	-	-	-	64,922
Total Benefits	-	8,681,899	118,181	-	482	8,800,562
Total General Government	9,702,305	15,285,412	7,309,942	(1,725)	6,130,817	38,426,751
Public Safety						
Fire						
Administration	566,775	232,490	55,466	-	3,536	858,267
Operations	12,085,920	5,282,627	818,188	-	-	18,186,735
Life Safety	877,889	368,800	91,650	-	-	1,338,339
Total Fire	13,530,584	5,883,917	965,304	-	3,536	20,383,341
Police						
Administration and Investigation	16,955,303	7,217,835	1,625,994	-	108,139	25,907,271
Police Special Accounts	-	-	295,201	37,260	-	332,461
Total Police	16,955,303	7,217,835	1,921,195	37,260	108,139	26,239,732
Benefits						
PERA Contribution	-	997,031	-	-	-	997,031
Total Public Safety	30,485,887	14,098,783	2,886,499	37,260	111,675	47,620,104

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works						
Property, Parks and Libraries						
Park Maintenance	1,629,466	654,218	885,066	-	15,835	3,184,585
Public Works						
Public Works Director's Office	65,478	27,179	446	-	-	93,103
Street Maintenance	3,066,618	1,324,033	4,089,580	48,730	-	8,528,961
Engineering	1,348,905	592,355	98,260	-	38,865	2,078,385
Total Public Works	4,481,001	1,943,567	4,188,286	48,730	38,865	10,700,449
Benefits						
PERA Contribution	-	44,022	-	-	-	44,022
Total Public Works	6,110,467	2,641,807	5,073,352	48,730	54,700	13,929,056
Culture and Recreation						
Property, Parks and Libraries						
Library Services	2,624,974	1,098,013	703,299	-	29,389	4,455,675
Benefits						
PERA Contribution	-	24,601	-	-	-	24,601
Total Culture and Recreation	2,624,974	1,122,614	703,299	-	29,389	4,480,276
Urban and Economic Development						
Planning and Construction Services						
Planning and Development	1,068,884	436,897	95,624	-	-	1,601,405
Construction Services and Inspection	1,437,161	619,812	233,822	-	-	2,290,795
Other Functions	-	-	2,664,240	-	-	2,664,240
Total Planning and Construction Services	2,506,045	1,056,709	2,993,686	-	-	6,556,440
Benefits						
PERA Contribution	-	29,421	-	-	-	29,421
Total Urban and Economic Development	2,506,045	1,086,130	2,993,686	-	-	6,585,861
Debt Service						
Principal retirement	-	-	86,930	-	-	86,930
Interest and fiscal fees	-	-	46,851	-	-	46,851
Total Debt Service	-	-	133,781	-	-	133,781
Total Expenditures/Transfers Out	<u>\$ 51,429,678</u>	<u>\$ 34,234,746</u>	<u>\$ 19,100,559</u>	<u>\$ 84,265</u>	<u>\$ 6,326,581</u>	<u>\$ 111,175,829</u>

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2022**

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.

Broadband Fiber – to account for the construction of City broadband fiber infrastructure, and for the operations and maintenance of it.

Golf – to account for the operations of City municipal golf courses.

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2022

	Golf	Parking	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 2,176,848	\$ 5,885,746	\$ 1,917,360	\$ 9,979,954
Receivables, net					
Accounts	7,083	26,050	797,992	-	831,125
Assessments	-	-	25,679	-	25,679
Leases	-	273,425	-	-	273,425
Due from other funds	-	1,346,700	210	-	1,346,910
Due from component units	-	3,592	-	-	3,592
Due from other governments	-	-	27,666	-	27,666
Inventories	33,447	-	101,793	-	135,240
Prepays	5,034	-	1,890,698	-	1,895,732
Total current assets	45,564	3,826,615	8,729,784	1,917,360	14,519,323
Noncurrent assets					
Assessments receivable	-	-	1,090	-	1,090
Leases	-	1,193,046	-	-	1,193,046
Capital assets, net	1,251,589	16,937,439	19,938,771	-	38,127,799
Total noncurrent assets	1,251,589	18,130,485	19,939,861	-	39,321,935
Total Assets	1,297,153	21,957,100	28,669,645	1,917,360	53,841,258
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	159,760	-	-	159,760
Deferred pension obligation outflows	-	113,921	538,137	-	652,058
Deferred OPEB outflows	-	-	598,654	-	598,654
Total Deferred Outflows of Resources	-	273,681	1,136,791	-	1,410,472
Liabilities					
Current liabilities					
Accounts payable	23,745	38,107	39,349	-	101,201
Contracts payable	-	9,779	24,797	-	34,576
Due to other funds	-	4,849	16,358	-	21,207
Interfund loan payable	983,596	-	-	-	983,596
Due to other governments	21	-	1,624	-	1,645
Due to component units	-	-	-	55,971	55,971
Accrued interest payable	-	37,667	-	-	37,667
Accrued salaries payable	10,769	18,224	72,958	-	101,951
Compensated absences	-	22,765	149,059	-	171,824
Unearned revenue	19,561	-	83,677	-	103,238
Deposits	48,163	-	-	-	48,163
Revenue bonds payable	-	880,000	-	-	880,000
Total current liabilities	1,085,855	1,011,391	387,822	55,971	2,541,039
Noncurrent liabilities					
Interfund loan payable	1,550,000	-	-	-	1,550,000
Net pension liability	-	380,806	1,798,840	-	2,179,646
Revenue bonds payable	-	2,764,029	-	-	2,764,029
Total noncurrent liabilities	1,550,000	3,144,835	1,798,840	-	6,493,675
Total Liabilities	2,635,855	4,156,226	2,186,662	55,971	9,034,714
Deferred Inflows of Resources					
Deferred pension obligation inflows	-	12,690	59,943	-	72,633
Lease related	-	1,461,129	-	-	1,461,129
Deferred OPEB inflows	-	-	50,050	-	50,050
Total Deferred Inflows of Resources	-	1,473,819	109,993	-	1,583,812
Net Position					
Net investment in capital assets	1,251,589	13,453,170	19,938,771	-	34,643,530
Unrestricted	(2,590,291)	3,147,566	7,571,010	1,861,389	9,989,674
Total Net Position	\$ (1,338,702)	\$ 16,600,736	\$ 27,509,781	\$ 1,861,389	\$ 44,633,204

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Golf	Parking	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Operating Revenues					
Sales	\$ 292,395	\$ -	\$ -	\$ -	\$ 292,395
Charges for services	949,636	2,928,919	7,819,848	-	11,698,403
Fines and forfeits	-	898,522	-	-	898,522
Miscellaneous revenues	5,556	158,263	61,476	-	225,295
Total Operating Revenues	<u>1,247,587</u>	<u>3,985,704</u>	<u>7,881,324</u>	<u>-</u>	<u>13,114,615</u>
Operating Expenses					
Cost of sales and services	153,457	-	-	-	153,457
Personal services	-	610,167	2,420,831	-	3,030,998
Supplies	-	53,404	257,606	-	311,010
Utilities	-	196,345	27,008	-	223,353
Other services and charges	1,043,741	1,721,883	731,793	55,971	3,553,388
Depreciation	89,029	567,934	453,529	-	1,110,492
Total Operating Expenses	<u>1,286,227</u>	<u>3,149,733</u>	<u>3,890,767</u>	<u>55,971</u>	<u>8,382,698</u>
Operating Income (Loss)	<u>(38,640)</u>	<u>835,971</u>	<u>3,990,557</u>	<u>(55,971)</u>	<u>4,731,917</u>
Nonoperating Revenues (Expenses)					
Investment income	-	(28,138)	(69,581)	(19,037)	(116,756)
Intergovernmental revenue	-	-	20,509	-	20,509
Interest and fiscal fees	-	(143,665)	192	-	(143,473)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(171,803)</u>	<u>(48,880)</u>	<u>(19,037)</u>	<u>(239,720)</u>
Income (Loss) Before Contributions and Transfers	<u>(38,640)</u>	<u>664,168</u>	<u>3,941,677</u>	<u>(75,008)</u>	<u>4,492,197</u>
Capital contributions	-	882,473	-	-	882,473
Transfers in	-	262,600	-	1,936,397	2,198,997
Transfers out	-	(76,200)	(545,534)	-	(621,734)
Change in Net Position	<u>(38,640)</u>	<u>1,733,041</u>	<u>3,396,143</u>	<u>1,861,389</u>	<u>6,951,933</u>
Total Net Position - January 1, 2022	<u>(1,300,062)</u>	<u>14,867,695</u>	<u>24,113,638</u>	<u>-</u>	<u>37,681,271</u>
Total Net Position - December 31, 2022	<u>\$ (1,338,702)</u>	<u>\$ 16,600,736</u>	<u>\$ 27,509,781</u>	<u>\$ 1,861,389</u>	<u>\$ 44,633,204</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Golf	Parking	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,242,927	\$ 3,824,080	\$ 7,755,616	\$ -	\$ 12,822,623
Cash paid to suppliers	(1,215,043)	(1,967,115)	(998,810)	-	(4,180,968)
Cash paid to employees	-	(569,132)	(2,521,635)	-	(3,090,767)
Other operating revenues	-	158,263	40,111	-	198,374
Net cash provided (used) by operating activities	27,884	1,446,096	4,275,282	-	5,749,262
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	262,600	-	1,936,397	2,198,997
Transfers to other funds	-	(1,414,817)	(545,534)	-	(1,960,351)
Operating grants	-	-	4,943	-	4,943
Interfund financing	131,150	-	-	-	131,150
Net cash provided (used) by noncapital financing activities	131,150	(1,152,217)	(540,591)	1,936,397	374,739
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	-	895,431	(4,329)	-	891,102
Principal paid on bonds, notes and purchase agreements	-	(860,000)	(145,000)	-	(1,005,000)
Interest paid on bonds, notes and purchase agreements	-	(100,831)	(2,175)	-	(103,006)
Acquisition or construction of capital assets	(159,034)	-	(603,861)	-	(762,895)
Net cash provided (used) by capital and related financing activities	(159,034)	(65,400)	(755,365)	-	(979,799)
Cash Flows from Investing Activities					
Investment earnings	-	(28,138)	(69,581)	(19,037)	(116,756)
Net increase (decrease) in cash and cash equivalents	-	200,341	2,909,745	1,917,360	5,027,446
Cash and cash equivalents - January 1, 2022	-	1,976,507	2,976,001	-	4,952,508
Cash and cash equivalents - December 31, 2022	\$ -	\$ 2,176,848	\$ 5,885,746	\$ 1,917,360	\$ 9,979,954
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (38,640)	\$ 835,971	\$ 3,990,557	\$ (55,971)	\$ 4,731,917
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	89,029	567,934	453,529	-	1,110,492
Change in assets and liabilities:					
Decrease (increase) in receivables	(7,083)	(1,464,490)	(126,178)	-	(1,597,751)
Decrease (increase) in inventories	(7,450)	-	(11,806)	-	(19,256)
Decrease (increase) in prepaids	(642)	-	1,109,320	-	1,108,678
Decrease (increase) in deferred pension obligation outflows	-	27,186	194,365	-	221,551
Decrease (increase) in OPEB outflows	-	-	(484,769)	-	(484,769)
Increase (decrease) in payables	(9,753)	12,922	33,121	55,971	92,261
Increase (decrease) in unearned revenues	2,423	-	53,605	-	56,028
Increase (decrease) in lease inflows	-	1,461,129	-	-	1,461,129
Increase (decrease) in deferred pension obligation inflows	-	(177,926)	(929,563)	-	(1,107,489)
Increase (decrease) in pension liability	-	183,370	773,931	-	957,301
Increase (decrease) in OPEB inflows	-	-	(780,830)	-	(780,830)
Total adjustments	66,524	610,125	284,725	55,971	1,017,345
Net cash provided (used) by operating activities	\$ 27,884	\$ 1,446,096	\$ 4,275,282	\$ -	\$ 5,749,262

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2022

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 2,458,195	\$ 51,252	\$ 3,589,738	\$ -	\$ 6,099,185
Restricted assets held by trustee	-	14,442,033	-	-	14,442,033
Receivables, net					
Accounts	-	95,973	-	-	95,973
Due from other funds	-	-	90,203	426,182	516,385
Inventories	-	-	-	254,951	254,951
Prepays	50,000	-	-	-	50,000
Total current assets	2,508,195	14,589,258	3,679,941	681,133	21,458,527
Noncurrent assets					
Capital assets, net	-	-	-	220,196	220,196
Total noncurrent assets	-	-	-	220,196	220,196
Total Assets	2,508,195	14,589,258	3,679,941	901,329	21,678,723
Deferred Outflows of Resources					
Deferred pension obligation outflows	32,187	-	-	345,775	377,962
Liabilities					
Current liabilities					
Accounts payable	1,445	57	-	281,349	282,851
Contracts payable	36,610	-	-	23	36,633
Claims payable	216,550	2,142,480	-	-	2,359,030
Due to other funds	-	-	2,455	2,158	4,613
Interfund loan payable	-	-	-	236,272	236,272
Due to other governments	25,657	-	-	35	25,692
Accrued salaries payable	4,777	-	-	52,020	56,797
Compensated absences	4,597	-	3,195,404	101,695	3,301,696
Unearned revenue	-	112,585	-	-	112,585
Total current liabilities	289,636	2,255,122	3,197,859	673,552	6,416,169
Noncurrent liabilities					
Claims payable	1,057,738	-	-	-	1,057,738
Compensated absences	-	-	517,723	-	517,723
Net pension liability	107,592	-	-	1,155,829	1,263,421
Total noncurrent liabilities	1,165,330	-	517,723	1,155,829	2,838,882
Total Liabilities	1,454,966	2,255,122	3,715,582	1,829,381	9,255,051
Deferred Inflows of Resources					
Deferred pension obligation inflows	3,585	-	-	38,516	42,101
Net Position					
Net investment in capital assets	-	-	-	220,196	220,196
Restricted for health insurance trust	-	12,334,136	-	-	12,334,136
Unrestricted	1,081,831	-	(35,641)	(840,989)	205,201
Total Net Position	\$ 1,081,831	\$ 12,334,136	\$ (35,641)	\$ (620,793)	\$ 12,759,533

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,688,022	\$ 2,688,022
Charges for services	3,800,400	19,851,559	3,195,404	2,199,164	29,046,527
Miscellaneous revenues	799,801	1,995,864	-	85,989	2,881,654
Total Operating Revenues	<u>4,600,201</u>	<u>21,847,423</u>	<u>3,195,404</u>	<u>4,973,175</u>	<u>34,616,203</u>
Operating Expenses					
Cost of sales and services	-	-	-	2,463,048	2,463,048
Personal services	1,167,717	-	3,195,404	1,796,045	6,159,166
Supplies	3,755	-	-	38,581	42,336
Utilities	-	-	-	39,988	39,988
Other services and charges	1,615,403	1,048,495	-	544,219	3,208,117
Depreciation	-	-	-	55,955	55,955
Medical and insurance	244,376	19,016,317	-	-	19,260,693
Total Operating Expenses	<u>3,031,251</u>	<u>20,064,812</u>	<u>3,195,404</u>	<u>4,937,836</u>	<u>31,229,303</u>
Operating Income (Loss)	<u>1,568,950</u>	<u>1,782,611</u>	<u>-</u>	<u>35,339</u>	<u>3,386,900</u>
Nonoperating Revenues (Expenses)					
Investment income	(29,332)	(196,786)	(48,128)	-	(274,246)
Gain (loss) on sale or disposition of capital assets	-	-	-	4,322	4,322
Total Nonoperating Revenues (Expenses)	<u>(29,332)</u>	<u>(196,786)</u>	<u>(48,128)</u>	<u>4,322</u>	<u>(269,924)</u>
Change in Net Position	1,539,618	1,585,825	(48,128)	39,661	3,116,976
Total Net Position - January 1, 2022	<u>(457,787)</u>	<u>10,748,311</u>	<u>12,487</u>	<u>(660,454)</u>	<u>9,642,557</u>
Total Net Position - December 31, 2022	<u>\$ 1,081,831</u>	<u>\$ 12,334,136</u>	<u>\$ (35,641)</u>	<u>\$ (620,793)</u>	<u>\$ 12,759,533</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 4,600,201	\$ 23,498,680	\$ 2,962,987	\$ 4,802,464	\$ 35,864,332
Cash paid to suppliers	(2,136,054)	(19,825,732)	-	(2,955,639)	(24,917,425)
Cash paid to employees	(1,164,218)	-	(3,107,654)	(1,698,455)	(5,970,327)
Other operating revenues	-	-	-	85,994	85,994
Net cash provided (used) by operating activities	1,299,929	3,672,948	(144,667)	234,364	5,062,574
Cash Flows from Noncapital Financing Activities					
Interfund financing	100,000	-	-	(99,662)	338
Net cash provided (used) by noncapital financing activities	100,000	-	-	(99,662)	338
Cash Flows from Capital and Related Financing Activities					
Sale of capital assets	-	-	-	4,322	4,322
Acquisition or construction of capital assets	-	-	-	(139,024)	(139,024)
Net cash provided (used) by capital and related financing activities	-	-	-	(134,702)	(134,702)
Cash Flows from Investing Activities					
Investment earnings	(29,332)	(196,786)	(48,128)	-	(274,246)
Net increase (decrease) in cash and cash equivalents	1,370,597	3,476,162	(192,795)	-	4,653,964
Cash and cash equivalents - January 1, 2022	1,087,598	11,017,123	3,782,533	-	15,887,254
Cash and cash equivalents - December 31, 2022	\$ 2,458,195	\$ 14,493,285	\$ 3,589,738	\$ -	\$ 20,541,218
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ 1,568,950	\$ 1,782,611	\$ -	\$ 35,339	\$ 3,386,900
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	55,955	55,955
Change in assets and liabilities:					
Decrease (increase) in receivables	-	1,637,641	(67,769)	(86,875)	1,482,997
Decrease (increase) in inventories	-	-	-	13,648	13,648
Decrease (increase) in deferred pension obligation outflows	9,106	-	-	101,549	110,655
Increase (decrease) in payables	(275,748)	239,080	(76,898)	150,565	36,999
Increase (decrease) in unearned revenues	-	13,616	-	-	13,616
Increase (decrease) in deferred pension obligation inflows	(52,195)	-	-	(565,755)	(617,950)
Increase (decrease) in pension liability	49,816	-	-	529,938	579,754
Total adjustments	(269,021)	1,890,337	(144,667)	199,025	1,675,674
Net cash provided (used) by operating activities	\$ 1,299,929	\$ 3,672,948	\$ (144,667)	\$ 234,364	\$ 5,062,574

Custodial Funds

**CITY OF DULUTH, MINNESOTA
CUSTODIAL FUNDS
DECEMBER 31, 2022**

CUSTODIAL FUNDS

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

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2022**

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 2,525,522
Loans receivable	590,194
Total Assets	<u>3,115,716</u>
Liabilities	
Contracts payable	<u>3,357</u>
Total Liabilities	<u>3,357</u>
Net Position	
Restricted for	
Other organizations	<u>\$ 3,112,359</u>

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Custodial Fund
Additions	
Grants	\$ 1,500,000
Investment earnings	
Interest earnings	18,251
Net increase (decrease) in fair value of investments	(28,911)
Interest on loans	32,563
Other reimbursements	<u>3,000</u>
Total Additions	<u>1,524,903</u>
Deductions	
Legal services	14,461
Professional services	10,785
Uncollectible accounts	25,000
Grants & awards	16,493
Other services and charges	56,167
Board meeting expense	<u>391</u>
Total Deductions	<u>123,297</u>
Change in Net position	1,401,606
Net Position - January 1, 2022	<u>1,710,753</u>
Net Position - December 31, 2022	<u>\$ 3,112,359</u>

Supplementary Information

CITY OF DULUTH, MINNESOTA
CAPITAL AND LEASE ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE*
DECEMBER 31, 2022

Governmental Funds Capital Assets:

Land and land improvements	\$	22,859,321
Buildings		97,184,775
Equipment		44,941,051
Infrastructure		448,312,207
Construction in progress		27,286,823
Right-to-use		4,782,141
		<hr/>

Total Governmental Funds Capital Assets	\$	645,366,318
		<hr/> <hr/>

Investments in Governmental Funds Capital Assets:

General fund	\$	22,979,869
Special revenue fund		51,379,217
Capital projects fund		569,064,660
Donations		1,942,572
		<hr/>

Total Governmental Funds Capital Assets	\$	645,366,318
		<hr/> <hr/>

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

CITY OF DULUTH, MINNESOTA
CAPITAL AND LEASE ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2022

	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Right-to-use	Total
Function and Activity							
General Government							
Legislative and Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Administration	-	-	471,207	-	-	-	471,207
Management	-	-	1,936,422	-	-	-	1,936,422
Information Systems	-	-	-	-	-	-	-
Facilities Management	1,636,324	15,645,233	2,306,966	22,175,049	3,201,945	-	44,965,517
Finance	-	-	346,749	-	-	-	346,749
Total General Government	1,636,324	15,645,233	5,061,344	22,175,049	3,201,945	-	47,719,895
Public Safety							
Fire	83,006	3,114,984	12,934,258	-	635,000	-	16,767,248
Police	2,000	16,627,233	6,699,862	562,251	-	-	23,891,346
Total Public Safety	85,006	19,742,217	19,634,120	562,251	635,000	-	40,658,594
Public Works							
Street Construction	-	-	-	386,852,654	15,776,542	-	402,629,196
Maintenance	-	-	-	-	-	-	-
Operations	54,435	1,307,371	17,710,993	60,403	-	196,415	19,329,617
Engineering	5,145,615	3,203,413	301,296	4,047,531	-	-	12,697,855
Street Lights	-	-	546,361	6,845,060	-	-	7,391,421
Total Public Works	5,200,050	4,510,784	18,558,650	397,805,648	15,776,542	196,415	442,048,089
Culture and Recreation							
Libraries	51,585	7,545,988	186,115	-	-	1,748,678	9,532,366
Parks and Recreation	12,839,443	48,643,523	855,507	27,769,259	6,992,274	-	97,100,006
Total Culture and Recreation	12,891,028	56,189,511	1,041,622	27,769,259	6,992,274	1,748,678	106,632,372
Urban and Economic Development							
Planning and Construction Services	3,046,913	1,097,030	645,315	-	681,062	526,333	5,996,653
Workforce Development	-	-	-	-	-	2,310,715	2,310,715
Total Urban and Economic Development	3,046,913	1,097,030	645,315	-	681,062	2,837,048	8,307,368
Total Governmental Funds							
Capital Assets	\$ 22,859,321	\$ 97,184,775	\$ 44,941,051	\$ 448,312,207	\$ 27,286,823	\$ 4,782,141	\$ 645,366,318

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

CITY OF DULUTH, MINNESOTA
CAPITAL AND LEASE ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2022

Function and Activity	Governmental Funds Capital Assets 1/1/2022**	Additions	Deductions	Governmental Funds Capital Assets 12/31/22
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ 6,319	\$ -
Public Administration	487,215	-	16,008	471,207
Management Information Systems	4,252,683	15,677	2,331,938	1,936,422
Facilities Management	42,514,696	2,972,922	522,101	44,965,517
Finance	346,749	-	-	346,749
Total General Government	47,607,662	2,988,599	2,876,366	47,719,895
Public Safety				
Fire	16,741,444	368,872	343,068	16,767,248
Police	24,184,854	354,895	648,403	23,891,346
Total Public Safety	40,926,298	723,767	991,471	40,658,594
Public Works				
Street Construction	381,283,488	21,345,708	-	402,629,196
Maintenance Operations	18,749,661	1,005,222	425,266	19,329,617
Engineering	11,674,086	1,023,769	-	12,697,855
Street Lights	7,377,525	13,896	-	7,391,421
Total Public Works	419,084,760	23,388,595	425,266	442,048,089
Culture and Recreation				
Libraries	9,501,232	59,312	28,178	9,532,366
Parks and Recreation	95,264,669	1,835,337	-	97,100,006
Total Culture and Recreation	104,765,901	1,894,649	28,178	106,632,372
Urban and Economic Development				
Planning and Construction Services	5,557,744	438,909	-	5,996,653
Workforce Development	-	2,310,715	-	2,310,715
Total Urban and Economic Development	5,557,744	2,749,624	-	8,307,368
Total Governmental Funds Capital Assets	\$ 617,942,365	\$ 31,745,234	\$ 4,321,281	\$ 645,366,318

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

** Balance restated due to implementation of GASB 87.

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation - Levy Funded				
Capital Improvement	\$ 1,870,000	11/29/2011	02/01/2022	\$ 215,000
Capital Improvement	1,795,000	12/18/2013	02/01/2024	595,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	870,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	475,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	850,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	735,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	1,135,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	1,110,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	1,110,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	9,280,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	1,640,000
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	4,150,000
Capital Improvement	1,490,000	11/03/2021	02/01/2032	1,490,000
Capital Improvement	1,685,000	11/01/2022	02/01/2033	-
Total General Obligation - Levy Funded				23,655,000
General Obligation - Funded by Other Sources				
Airport Improvement	3,400,000	12/18/2013	02/01/2029	2,260,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,535,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,625,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	2,055,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	9,075,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	30,600,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	3,765,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	3,945,000
Airport Improvement Refunding	2,845,000	11/03/2021	02/01/2028	2,845,000
Total General Obligation - Funded by Other Sources				57,705,000
General Obligation - Tax Abatement				
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	5,990,000
GO Tax Abatement Refunding	3,705,000	11/03/2021	02/01/2030	3,705,000
Total General Obligation - Tax Abatement				9,695,000
Total General Obligation Bonds Payable				91,055,000
Special Assessment Debt with Government Commitment				
Street Improvement Refunding	2,630,000	11/05/2015	02/01/2023	645,000
General Obligation Certificates Payable				
Equipment	3,565,000	11/09/2016	02/01/2022	775,000
Equipment	3,615,000	11/21/2017	02/01/2023	1,530,000
Equipment	3,885,000	10/17/2018	02/01/2024	2,435,000
Equipment	3,070,000	10/09/2019	02/01/2025	2,550,000
Equipment	2,960,000	10/21/2020	02/01/2026	2,960,000
Equipment	3,935,000	11/03/2021	02/01/2027	3,935,000
Equipment	3,360,000	11/01/2022	02/01/2028	-
Total General Obligation Certificates Payable				14,185,000
Total Governmental Activities Bonds and Certificates Payable				\$ 105,885,000
				(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2023</u>	<u>Interest Due in 2023</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Capital Improvement	\$ -	\$ 215,000	\$ -	\$ -	\$ -
Capital Improvement	-	190,000	405,000	200,000	9,150
Capital Improvement - Lakewalk	-	95,000	775,000	100,000	28,238
Capital Improvement	-	115,000	360,000	115,000	7,269
Capital Improvement	-	165,000	685,000	165,000	14,019
Capital Improvement	-	110,000	625,000	115,000	22,700
Capital Improvement	-	150,000	985,000	155,000	27,225
Capital Improvement	-	115,000	995,000	120,000	46,750
Capital Improvement	-	100,000	1,010,000	105,000	47,875
Capital Improvement Refunding	-	655,000	8,625,000	685,000	414,125
Capital Improvement	-	130,000	1,510,000	150,000	43,050
Capital Improvement - Lakewalk	-	220,000	3,930,000	245,000	76,150
Capital Improvement	-	-	1,490,000	100,000	72,000
Capital Improvement	1,685,000	-	1,685,000	-	63,188
Total General Obligation - Levy Funded	<u>1,685,000</u>	<u>2,260,000</u>	<u>23,080,000</u>	<u>2,255,000</u>	<u>871,739</u>
General Obligation - Funded by Other Sources					
Airport Improvement	-	245,000	2,015,000	255,000	78,225
Wade Stadium Improvement	-	150,000	1,385,000	155,000	44,250
Spirit Mountain Improvement	-	95,000	1,530,000	100,000	46,775
Airport Improvement	-	180,000	1,875,000	185,000	58,862
Capital Improvement - 1/2 & 1/2	-	695,000	8,380,000	715,000	270,020
Duluth Entertainment and Convention Center Improvement Refunding	-	1,205,000	29,395,000	1,340,000	1,343,950
Capital Improvement - Seawall	-	240,000	3,525,000	250,000	102,000
Street Improvement	-	755,000	3,190,000	780,000	42,000
Airport Improvement Refunding	-	-	2,845,000	465,000	25,934
Total General Obligation - Funded by Other Sources	<u>-</u>	<u>3,565,000</u>	<u>54,140,000</u>	<u>4,245,000</u>	<u>2,012,016</u>
General Obligation - Tax Abatement					
GO Tax Abatement (Cirrus)	-	480,000	5,510,000	490,000	149,116
GO Tax Abatement Refunding	-	-	3,705,000	440,000	41,448
Total General Obligation - Tax Abatement	<u>-</u>	<u>480,000</u>	<u>9,215,000</u>	<u>930,000</u>	<u>190,564</u>
Total General Obligation Bonds Payable	<u>1,685,000</u>	<u>6,305,000</u>	<u>86,435,000</u>	<u>7,430,000</u>	<u>3,074,319</u>
Special Assessment Debt with Government Commitment					
Street Improvement Refunding	-	460,000	185,000	185,000	3,700
General Obligation Certificates Payable					
Equipment	-	775,000	-	-	-
Equipment	-	750,000	780,000	780,000	11,700
Equipment	-	785,000	1,650,000	805,000	62,375
Equipment	-	590,000	1,960,000	620,000	82,500
Equipment	-	520,000	2,440,000	575,000	86,100
Equipment	-	-	3,935,000	675,000	179,875
Equipment	3,360,000	-	3,360,000	-	126,000
Total General Obligation Certificates Payable	<u>3,360,000</u>	<u>3,420,000</u>	<u>14,125,000</u>	<u>3,455,000</u>	<u>548,550</u>
Total Governmental Activities Bonds and Certificates Payable	<u>\$ 5,045,000</u>	<u>\$ 10,185,000</u>	<u>\$ 100,745,000</u>	<u>\$ 11,070,000</u>	<u>\$ 3,626,569</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment Refunding	\$ 10,270,000	11/27/2012	02/01/2026	<u>\$ 4,500,000</u>
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	11,500,000	05/15/2014	04/01/2044	<u>11,818,164</u>
Water Fund				
Water Utility Revenue and General Obligation	196,000	02/19/2009	02/01/2024	47,000
Water Utility Revenue and General Obligation Refunding	515,000	11/05/2015	02/01/2022	90,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	<u>3,640,000</u>
Total Water Fund				<u>3,777,000</u>
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	5,475,000	11/27/2012	02/01/2022	440,000
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	3,915,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	<u>10,495,000</u>
Total Steam Fund				<u>14,850,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	1,444,000	02/19/2009	02/01/2024	343,000
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	290,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/05/2015	02/01/2023	340,000
Sewer Utility Revenue and General Obligation Refunding	350,000	11/05/2015	02/01/2022	<u>60,000</u>
Total Sewer Fund				<u>1,033,000</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation Refunding	790,000	11/05/2015	02/01/2022	<u>145,000</u>
Total Business-type Activities Bonds Payable				<u>\$ 36,123,164</u>
				(continued)

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Issued	Retired	Dec 31 Balance	Principal Due in 2023	Interest Due in 2023
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	\$ -	\$ 860,000	\$ 3,640,000	\$ 880,000	\$ 81,294
Priley Drive Parking Facility					
Parking Improvement Tax Increment	-	214,968	11,603,196	232,382	461,827
Water Fund					
Water Utility Revenue and General Obligation	-	15,000	32,000	16,000	960
Water Utility Revenue and General Obligation Refunding	-	90,000	-	-	-
Water Utility Revenue and General Obligation	-	235,000	3,405,000	240,000	101,788
Total Water Fund	-	340,000	3,437,000	256,000	102,748
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	-	440,000	-	-	-
Steam Utility Revenue and General Obligation	-	245,000	3,670,000	690,000	101,688
Steam Utility Revenue and General Obligation	-	375,000	10,120,000	440,000	207,805
Total Steam Fund	-	1,060,000	13,790,000	1,130,000	309,493
Sewer Fund					
Sewer Utility Revenue and General Obligation	-	110,000	233,000	114,000	7,040
Sewer Utility Revenue and General Obligation	-	70,000	220,000	70,000	7,400
Sewer Utility Revenue and General Obligation Refunding	-	165,000	175,000	175,000	2,625
Sewer Utility Revenue and General Obligation Refunding	-	60,000	-	-	-
Total Sewer Fund	-	405,000	628,000	359,000	17,065
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	-	145,000	-	-	-
Total Business-type Activities Bonds Payable	\$ -	\$ 3,024,968	\$ 33,098,196	\$ 2,857,382	\$ 972,427

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 2,636,000	03/28/2019	08/01/2025	<u>\$ 2,591,000</u>
Total Governmental Activities				<u>2,591,000</u>
Business-type Activities:				
General Obligation				
Water Fund				
Public Facilities Authority Note	1,293,200	09/14/2010	08/20/2025	363,000
Public Facilities Authority Note	3,344,131	12/14/2010	08/20/2025	972,000
Public Facilities Authority Note	1,221,631	11/29/2011	08/20/2026	417,000
Public Facilities Authority Note	4,778,806	03/24/2014	08/20/2029	2,537,000
Public Facilities Authority Note (Note 1)	3,857,531	01/24/2022	08/20/2042	<u>-</u>
Total Water Fund				<u>4,289,000</u>
Sewer Fund				
Public Facilities Authority Note	1,973,033	07/12/2007	08/20/2022	157,000
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	183,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	570,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	1,071,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	2,389,000
Public Facilities Authority Note	476,537	09/10/2012	08/20/2022	49,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>224,000</u>
Total Sewer Fund				<u>4,643,000</u>
Total Business-type Activities				<u>\$ 8,932,000</u> (continued)

Note 1: Only \$3,444,710 has been drawn on the Public Facilities Authority Note dated 01/24/2022.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2023</u>	<u>Interest Due in 2023</u>
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 20,000	\$ 2,571,000	\$ 20,000	\$ 70,349
Total Governmental Activities	<u>-</u>	<u>20,000</u>	<u>2,571,000</u>	<u>20,000</u>	<u>70,349</u>
Business-type Activities:					
General Obligation					
Water Fund					
Public Facilities Authority Note	-	89,000	274,000	90,000	3,447
Public Facilities Authority Note	-	239,000	733,000	242,000	7,887
Public Facilities Authority Note	-	81,000	336,000	82,000	4,103
Public Facilities Authority Note	-	306,000	2,231,000	309,000	22,310
Public Facilities Authority Note	<u>3,444,710</u>	<u>86,531</u>	<u>3,358,179</u>	<u>171,000</u>	<u>31,202</u>
Total Water Fund	<u>3,444,710</u>	<u>801,531</u>	<u>6,932,179</u>	<u>894,000</u>	<u>68,949</u>
Sewer Fund					
Public Facilities Authority Note	-	157,000	-	-	-
Public Facilities Authority Note	-	60,000	123,000	61,000	2,422
Public Facilities Authority Note	-	186,000	384,000	190,000	7,745
Public Facilities Authority Note	-	263,000	808,000	266,000	10,165
Public Facilities Authority Note	-	586,000	1,803,000	593,000	22,682
Public Facilities Authority Note	-	49,000	-	-	-
Public Facilities Authority Note	<u>-</u>	<u>74,000</u>	<u>150,000</u>	<u>75,000</u>	<u>1,500</u>
Total Sewer Fund	<u>-</u>	<u>1,375,000</u>	<u>3,268,000</u>	<u>1,185,000</u>	<u>44,514</u>
Total Business-type Activities	<u>\$ 3,444,710</u>	<u>\$ 2,176,531</u>	<u>\$ 10,200,179</u>	<u>\$ 2,079,000</u>	<u>\$ 113,463</u>

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Operating	Loan Programs	Debt Service	Capital Projects	Total
Assets					
Cash and cash equivalents	\$ 3,612,133	\$ 475,682	\$ 7,606	\$ 1,939,522	\$ 6,034,943
Taxes receivable, net	-	-	4,707	-	4,707
Accounts receivable, net	30,331	-	-	-	30,331
Loans receivable, net	400,000	3,285,664	-	3,560,814	7,246,478
Leases Receivable	1,566,746	-	-	-	1,566,746
Due from primary government	55,971	-	-	-	55,971
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	5,857,681	3,761,346	12,313	5,500,336	15,131,676
Liabilities					
Accounts payable	67,081	-	-	-	67,081
Contracts payable	54,251	-	-	-	54,251
Due to primary government	698	-	3,592	-	4,290
Total Liabilities	122,030	-	3,592	-	125,622
Deferred Inflows of Resources					
Unavailable revenue	400,000	3,285,664	1,117	3,560,814	7,247,595
Lease Related	1,595,197	-	-	-	1,595,197
Total Deferred Inflows	1,995,197	3,285,664	1,117	3,560,814	8,842,792
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	7,604	1,939,522	1,947,126
Assigned	-	475,682	-	-	475,682
Unassigned	3,547,954	-	-	-	3,547,954
Total Fund Balances	3,740,454	475,682	7,604	1,939,522	6,163,262
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,857,681	\$ 3,761,346	\$ 12,313	\$ 5,500,336	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	5,609,887
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	6,776,699
Leases payable are not due and payable in the current period, and therefore are not reported in the funds.	(1,566,745)
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	118
Net position of governmental activities	\$ 16,983,221

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Operating	Loan Programs	Debt Service	Capital Projects	Total
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 3,366,170	\$ -	\$ 3,366,170
Intergovernmental revenues					
City of Duluth	1,220,212	-	-	-	1,220,212
Charges for services					
Parking meters	653,468	-	-	-	653,468
Building rent	559,157	-	-	-	559,157
Other	190,275	-	-	-	190,275
Miscellaneous revenues					
Earnings on investments	(29,099)	7,349	11,123	28,629	18,002
Interest	-	2,151	-	-	2,151
Loan principal repayments	-	93,275	-	-	93,275
Other	221,503	-	-	-	221,503
Total Revenues	2,815,516	102,775	3,377,293	28,629	6,324,213
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	6,077	-	6,077
Economic development projects	2,584,832	-	882,473	-	3,467,305
Capital outlay					
Land	201,288	-	-	-	201,288
Debt service					
Principal retirement	63,900	-	721,802	-	785,702
Interest and fiscal fees	-	-	1,471,519	-	1,471,519
Total Expenditures	2,850,020	-	3,081,871	-	5,931,891
Excess of Revenues Over (Under) Expenditures	(34,504)	102,775	295,422	28,629	392,322
Other Financing Sources (Uses)					
Transfers in					
DEDA Capital Projects	138,997	-	-	-	138,997
DEDA Debt Service	-	-	-	291,318	291,318
Total Transfers In	138,997	-	-	291,318	430,315
Transfers out					
DEDA General Operating	-	-	-	(138,997)	(138,997)
DEDA Capital Projects	-	-	(291,318)	-	(291,318)
Total Transfers Out	-	-	(291,318)	(138,997)	(430,315)
Total Other Financing Sources (Uses)	138,997	-	(291,318)	152,321	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	104,493	102,775	4,104	180,950	392,322
Fund Balances					
Fund Balance - January 1, 2022	3,635,961	372,907	3,500	1,758,572	5,770,940
Fund Balance - December 31, 2022	<u>\$ 3,740,454</u>	<u>\$ 475,682</u>	<u>\$ 7,604</u>	<u>\$ 1,939,522</u>	<u>\$ 6,163,262</u>

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNITS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net change in fund balances - total governmental funds	\$	392,322
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(474,207)
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In the statement of activities, the loss on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.	(5,245,583)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues provide current financial resources to governmental funds but do not have any effect on net position. This amount is the net effect of these differences.	(319,887)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:	
Lease principal retirement	63,900

Change in net position of governmental activities	\$	<u>(5,583,455)</u>
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DULUTH JPE TRUST
SCHEDULE OF NET POSITION
DECEMBER 31, 2022

	Health Fund	Dental Fund	JPE Trust Total
Assets			
Cash	\$ 25,521	\$ 25,731	\$ 51,252
Investments			
Money market	3,651,583	152,995	3,804,578
U.S. government treasury securities	9,646,182	444,332	10,090,514
U.S. government agency securities	497,419	49,522	546,941
Receivables			
Other	92,132	3,841	95,973
Total Assets	<u>13,912,837</u>	<u>676,421</u>	<u>14,589,258</u>
Liabilities			
Claims payable	2,023,080	119,400	2,142,480
Accounts payable	57	-	57
Premiums received in advance	109,043	3,542	112,585
Total Liabilities	<u>2,132,180</u>	<u>122,942</u>	<u>2,255,122</u>
Net Position			
Held in Trust	<u>\$ 11,780,657</u>	<u>\$ 553,479</u>	<u>\$ 12,334,136</u>

DULUTH JPE TRUST
SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

	Health Fund	Dental Fund	JPE Trust Total
Additions			
Health premiums			
Active employees	\$ 18,897,797	\$ -	\$ 18,897,797
Inactive employees	10,379,117	-	10,379,117
Dental premiums	-	1,068,429	1,068,429
Refunds and reimbursements			
Stop loss reimbursements	501,504	-	501,504
Prescription drug rebates	1,132,634	-	1,132,634
Health Partners outpatient surgery refunds	23,899	-	23,899
Medica aggregate reimbursement	305,290	-	305,290
Miscellaneous	32,537	-	32,537
Investment earnings	(191,839)	(4,947)	(196,786)
Total Additions	<u>31,080,939</u>	<u>1,063,482</u>	<u>32,144,421</u>
Deductions			
Medical and drug claims			
Active employees	16,676,575	-	16,676,575
Inactive employees	7,775,675	-	7,775,675
Medical insurance - medicare supplement	4,108,446	-	4,108,446
Dental claims	-	949,405	949,405
Administrative fees			
Delta Dental	-	66,872	66,872
City of Duluth	399,866	-	399,866
Trust services	33,608	1,676	35,284
Consulting services	111,173	-	111,173
Wellness activities	61,675	-	61,675
Patient centered outcomes research fee	5,873	-	5,873
Stop loss insurance	367,752	-	367,752
Total Deductions	<u>29,540,643</u>	<u>1,017,953</u>	<u>30,558,596</u>
Change in Net Position	1,540,296	45,529	1,585,825
Net Position - January 1, 2022	<u>10,240,361</u>	<u>507,950</u>	<u>10,748,311</u>
Net Position - December 31, 2022	<u>\$ 11,780,657</u>	<u>\$ 553,479</u>	<u>\$ 12,334,136</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:					
State of Minnesota					
Insurance Premium	\$ 2,605,093	\$ -	\$ -	\$ -	\$ 2,605,093
Local Government Aid	30,671,679	-	-	-	30,671,679
MSA Street Maintenance Allotment	1,525,839	-	-	-	1,525,839
PERA Contribution	1,159,997	-	-	-	1,159,997
Total Shared Revenue	35,962,608	-	-	-	35,962,608
State Grants:					
State of Minnesota, Department of					
Commerce					
Auto Theft Prevention Program	-	76,264	-	-	76,264
Education					
Minnesota Library Information Network	4,096	-	-	-	4,096
Employment and Economic Development					
Dislocated Workers	-	193,870	-	-	193,870
Duluth Lake Superior Zoo Project	-	-	500	-	500
Duluth Regional Exchange District Project	-	-	15,754,078	-	15,754,078
Minnesota Investment Fund Grant	-	3,550,000	-	-	3,550,000
Pathways to Prosperity	-	485,449	-	-	485,449
VRC Office Support	-	28,712	-	-	28,712
Youth Program	-	257,100	-	-	257,100
Employment and Economic Development Total	-	4,515,131	15,754,578	-	20,269,709
Historical Society					
Large Legacy Grant	-	168,000	-	-	168,000
Human Services					
Supplemental Nutrition Assistance Program	-	66,014	-	-	66,014
Labor and Industry					
Safety Grant Project	-	6,700	-	-	6,700
Natural Resources					
Conservation Partners Legacy Grant Program	-	47,885	-	-	47,885
Cross City Snowmobile Grant-In-Aid	-	17,906	-	-	17,906
Cross Country Ski Trail	11,000	-	-	-	11,000
Duluth Traverse Legacy Project	-	-	587,721	-	587,721
Greater Minnesota Reg Parks and Trails Commission	-	1,293,975	-	-	1,293,975
Lake Superior Zoo	-	330,000	-	-	330,000
Preparing for Emerald Ash Borer (EAB)	-	9,240	-	-	9,240
Natural Resources Total	11,000	1,699,006	587,721	-	2,297,727
Peace Officers Board					
Post Training Reimbursement	147,148	-	-	-	147,148
Pollution Control Agency					
Duluth Stormwater Resiliency Plan	-	-	-	20,509	20,509
Public Safety					
Financial Crimes Task Force	-	1,650	-	-	1,650
Firefighter Education Reimbursement	-	48,115	-	-	48,115
HAZMAT Regional Response Team	-	488,383	-	-	488,383
State of Minnesota Disaster Funds	-	4,289,270	-	-	4,289,270
Violent Crime Enforcement Team	-	404,254	-	-	404,254
Public Safety Total	-	5,231,672	-	-	5,231,672

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Revenue					
Market Value Credit	220	-	-	-	220
Transportation					
Local Road Improvement	-	-	1,187,500	-	1,187,500
MNDOT - Twin Ports Interchange Liaison	-	65,552	-	-	65,552
MSA Street Construction Allotment	-	-	937,219	-	937,219
MSA Street Maintenance Allotment	-	-	47,850	-	47,850
Transportation Total	-	65,552	2,172,569	-	2,238,121
Total State Grants	162,464	11,828,339	18,514,868	20,509	30,526,180
Other Grants:					
St. Louis County					
Greater Minnesota Transportation Sales and Use					
Tax	-	-	850,198	-	850,198
Job Training Services	-	962,920	-	-	962,920
Other	138,411	-	80,857	-	219,268
St. Louis County Total	138,411	962,920	931,055	-	2,032,386
Duluth Transit Authority	-	120,357	-	-	120,357
Housing and Redevelopment Authority	76,214	439,980	-	-	516,194
Independent School District #709	303,575	-	-	-	303,575
Other	20,138	4,992	-	-	25,130
Total Other Grants	538,338	1,528,249	931,055	-	2,997,642
Federal Grants:					
Federal, Department of					
Commerce					
Coastal Zone Management Grant	-	2,272	-	-	2,272
Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	-	25,380	-	-	25,380
Environmental Protection Agency					
Brownfields Assessment and Cleanup	-	45,860	-	-	45,860
Community-Wide Assessment Grant	-	321,803	-	-	321,803
Great Lakes Program	-	50,092	-	-	50,092
Environmental Protection Agency Total	-	417,755	-	-	417,755
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	-	268,614	-	-	268,614
Health and Human Services					
Temporary Assistance for Needy Families	-	15,278	-	-	15,278
Homeland Security					
Emergency Management Performance Grants	-	20,000	-	-	20,000
FEMA Disaster Assistance	-	805,599	-	-	805,599
Flood Hazard Mitigation	-	1,014,938	-	-	1,014,938
Port Security Grant Program	-	2,036	-	-	2,036
Operation Stonegarden Grant Program	-	61,220	-	-	61,220
Homeland Security Total	-	1,903,793	-	-	1,903,793
Housing and Urban Development					
Community Development Block Grant	-	2,555,656	-	-	2,555,656
Emergency Solutions Grant Program	-	1,160,622	-	-	1,160,622
Home Investment Partnerships Program	-	456,477	-	-	456,477
Housing and Urban Development Total	-	4,172,755	-	-	4,172,755
Interior					
Historic Preservation Fund Grants-In-Aid	14,328	-	-	-	14,328
Outdoor Recreation, Development and Acquisition	-	-	25,000	-	25,000
Interior Total	14,328	-	25,000	-	39,328

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Justice					
Bulletproof Vest Partnership Program	12,579	-	-	-	12,579
Comprehensive Opioid Abuse Site-Based		685,192			685,192
Crime Victim Assistance	-	81,463	-	-	81,463
Edward Byrne Memorial Formula Grant	-	33,834	-	-	33,834
Grants to Encourage Arrest Policies	-	161,076	-	-	161,076
Internet Crimes Against Children Program	-	20,486	-	-	20,486
Minneapolis Child Exploitation and Human Trafficking Task Force	-	13,529	-	-	13,529
National Sexual Assault Kit Initiative	-	706,172	-	-	706,172
Public Safety Partnership and Community Policing Grants	-	178,455	-	-	178,455
US Marshals Service	-	6,672	-	-	6,672
Justice Total	12,579	1,886,879	-	-	1,899,458
Labor					
Senior Community Service Employment	-	332,571	-	-	332,571
WIA Dislocated Workers Formula Grant	-	71,623	-	-	71,623
WIOA National Emergency Grants	-	242,458	-	-	242,458
Workforce Investment Act	-	580,654	-	-	580,654
Labor Total	-	1,227,306	-	-	1,227,306
Transportation					
Highway Planning and Construction	-	-	121,091	-	121,091
Interagency Hazardous Materials Public Sector	-	4,584	-	-	4,584
MNDOT Highway Planning & Construction-CDL Licensing	-	4,061	-	-	4,061
NHTSA: DWI Officers	-	86,743	-	-	86,743
Toward Zero Deaths Law Enforcement Grant	-	81,428	-	-	81,428
Transportation Total	-	176,816	121,091	-	297,907
Treasury					
Coronavirus State and Local Fiscal Recovery Funds	7,217,808	3,714,358	-	-	10,932,166
Homeland Security Investigations	-	5,683	-	-	5,683
Treasury Total	7,217,808	3,720,041	-	-	10,937,849
Total Federal Grants	7,244,715	13,816,889	146,091	-	21,207,695
Total Intergovernmental Revenue	\$43,908,125	\$ 27,173,477	\$ 19,592,014	\$ 20,509	\$90,694,125

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	22-306A-02	11.419	\$ 2,272	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants		14.218	\$ 2,799,926	\$ 1,940,848
COVID-19 - Community Development Block Grants/Entitlement Grants		14.218	303,288	238,141
(Total expenditures for CDBG - Entitlement Grants Cluster \$3,103,214)				
Emergency Solutions Grant Program		14.231	196,303	102,475
COVID-19 - Emergency Solutions Grant Program		14.231	977,968	895,430
(Total Emergency Solutions Grant Program 14.231 \$1,174,271)				
Home Investment Partnerships Program		14.239	458,475	389,412
Total U.S. Department of Housing and Urban Development			\$ 4,735,960	\$ 3,566,306
U.S. Department of the Interior				
Passed Through Minnesota Historical Society Historic Preservation Fund Grants-In-Aid	214201/300-11838	15.904	\$ 14,328	\$ -
Outdoor Recreation Acquisition, Development and Planning	LW27-01416	15.916	177,938	-
Total U.S. Department of Interior			\$ 192,266	\$ -
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	\$ 161,076	\$ -
Bulletproof Vest Partnership Program		16.607	22,899	-
Public Safety Partnership and Community Policing Grants		16.710	13,412	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$138,951)				
Edward Byrne Memorial Justice Assistance Grant Program		16.738	33,834	-
National Sexual Assault Kit Initiative		16.833	722,270	-
Comprehensive Opioid Abuse Site-Based Program		16.838	686,131	-
Passed through the Minnesota Department of Public Safety				
Missing Children's Assistance	152986	16.543	20,486	-
Crime Victim Assistance	A-CVS-2022-DULUTHAO-024	16.575	81,463	-
Public Safety Partnership and Community Policing Grants	167077	16.710	125,539	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$138,951)				
Total U.S. Department of Justice			\$ 1,867,110	\$ -
U.S. Department of Labor				
Passed Through Senior Service America, Inc. Senior Community Service Employment Program	116	17.235	\$ 238,630	\$ -
(Total Senior Community Service Employment Program 17.235 \$328,648)				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	1045101	17.235	57,262	-
Senior Community Service Employment Program	2045101	17.235	32,756	-
(Total Senior Community Service Employment Program 17.235 \$328,648)				
WIOA Cluster				
WIA Adult Program	0043100	17.258	13,759	-
WIA Adult Program	1043100	17.258	152,792	-
WIA Adult Program	2043100	17.258	56,188	-
WIA Adult Program	9043101	17.258	3,640	-
Total ALN # 17.258			226,379	-
(Total expenditures for WIOA Cluster \$652,678)				
				(continued)

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
(U.S. Department of Labor)				
WIOA Cluster				
WIA Youth Activities	0043600	17.259	9,790	-
WIA Youth Activities	1043600	17.259	270,547	-
WIA Youth Activities	2043600	17.259	74,360	-
Total ALN # 17.259			354,697	-
(Total expenditures for WIOA Cluster \$652,678)				
COVID-19 WIA National Emergency Grants	1040100	17.277	123,585	-
WIA National Emergency Grants	1043000	17.277	119,473	-
Total ALN # 17.277			243,058	-
WIOA Cluster				
WIA Dislocated Worker Formula Grants	0048000	17.278	11,947	-
WIA Dislocated Worker Formula Grants	1048000	17.278	41,556	-
WIA Dislocated Worker Formula Grants	2048000	17.278	16,310	-
WIA Dislocated Worker Formula Grants	9048001	17.278	1,789	-
Total ALN # 17.278			71,602	-
(Total expenditures for WIOA Cluster \$652,678)				
Total U.S. Department of Labor			\$ 1,224,384	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	OJT 8820 (221)	20.205	\$ 3,461	\$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC22-2022-DULUTHPD-064	20.600	23,256	-
(Total expenditures for Highway Safety Cluster \$70,827)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC23-2023-DULUTHPD-024	20.608	18,366	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC22-2022-DULUTHPD-064	20.608	24,816	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR22-2022-DULUTHPD-0018	20.608	54,162	-
Total ALN # 20.608			97,344	-
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC22-2022-DULUTHPD-064	20.616	14,990	-
National Priority Safety Programs	A-OFFICR22-2022-DULUTHPD-0018	20.616	32,581	-
Total ALN # 20.616			47,571	-
(Total expenditures for Highway Safety Cluster \$70,827)				
Interagency Hazardous Materials Public Sector Training and Planning Grants	A-HMEP-2020-DULUTHFD-011	20.703	10,771	-
Total U.S. Department of Transportation			\$ 182,403	\$ -
U.S. Department of the Treasury				
Direct				
Equitable Sharing		21.016	\$ 162,650	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027	17,895,159	-
Total U.S. Department of the Treasury			\$ 18,057,809	\$ -
U.S. Environmental Protection Agency				
Direct				
Great Lakes Program		66.469	\$ 70,842	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	367,663	-

(continued)

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
(U.S. Environmental Protection Agency)				
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund (DWSRF) Cluster Capitalization Grants for Drinking Water State Revolving Funds	MPFA-DWRF-L-024-FY22	66.468	3,016,231	-
Total U.S. Environmental Protection Agency			\$ 3,454,736	\$ -
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development				
Rehabilitation Services - Vocational Rehabilitation Grants to States	166894 PR 59596	84.126	\$ 4,958	\$ -
Rehabilitation Services - Vocational Rehabilitation Grants to States	214048 PR 59596	84.126	5,093	-
Total ALN # 84.126			\$ 10,051	\$ -
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	2047400	93.558	\$ 13,000	\$ -
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	\$ 196,843	\$ -
U.S. Department of Homeland Security				
Direct				
Port Security Grant Program		97.056	\$ 1,011	\$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4414-DR-MN	97.036	2,736,567	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4531-DR-MN	97.036	656,863	-
Total ALN # 97.036			3,393,430	-
Hazard Mitigation Grant	FEMA-4414-2DR-MN	97.039	168,766	-
Hazard Mitigation Grant	FEMA-4414-3DR-MN	97.039	846,172	-
Total ALN # 97.039			1,014,938	-
Emergency Management Performance Grants	A-EMPG-2021-DULUTHCI-022	97.042	22,519	-
Passed Through St. Louis County, Minnesota				
Homeland Security Grant Program	OPSG OO MN-St. Louis FY 19	97.067	8,557	-
Homeland Security Grant Program	OPSG OO MN-St. Louis FY 20	97.067	52,663	-
Total ALN # 97.067			61,220	-
Total U.S. Department of Homeland Security			\$ 4,493,118	\$ -
Total Federal Awards			\$ 34,429,952	\$ 3,566,306

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Duluth. It does not include \$13,513,309, \$375,872, and \$2,165,878 in federal awards expended by the Duluth Airport Authority, Duluth Entertainment and Convention Center Authority, and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 of the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 21,207,695
Expenditures of Equitable Sharing Funds	162,650
Expenditures of Revolving Loan Fund	
Community Development Block Grants	422,378
Police Task Force Agreements	
Homeland Security Investigations	(5,683)
Minneapolis Child Exploitation and Human Trafficking Task Force	(13,529)
United States Marshals Service	(6,672)
Grants received more than 45 days after year-end, unavailable in 2022	
Bulletproof Vest Partnership Program	10,320
Community Development Block Grants	156,510
Community Development Block Grants - CARES Act Funding	28,792
Disaster Grants - Public Assistance	3,279,436
Edward Byrne Memorial Justice Assistance Grant Program	37,306
Emergency Management Performance Grants	2,519
Emergency Solutions Grant Program	3,150
Emergency Solutions Grant Program - CARES Act Funding	11,262
Great Lakes Program	20,750
High Intensity Drug Trafficking Areas Program	248
Home Investment Partnerships Program	6,783
Interagency Hazardous Materials Public Sector Training and Planning Grants	6,187
Outdoor Recreation Acquisition, Development and Planning	177,938
Public Safety Partnership and Community Policing Grants	1,548
Senior Community Service Employment Program	2
Temporary Assistance for Needy Families	2,918
WIA Adult Program	16
WIA National Emergency Grants	1,223
WIA/WIOA Dislocated Worker Formula Grant	5
WIA Youth Program	675
	(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Unavailable in 2021, recognized as revenue in 2022	
Bulletproof Vest Partnership Program	(17,221)
Community Development Block Grants	(66,881)
Community Development Block Grants - CARES Act Funding	(7,194)
Comprehensive Opioid Abuse Site-Based Program	(3,600)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(691,605)
Edward Byrne Memorial Justice Assistance Grant Program	(37,306)
Emergency Solutions Grant Program	(3,192)
Emergency Solutions Grant Program - CARES Act Funding	(5,260)
High Intensity Drug Trafficking Areas Program	(72,019)
Highway Planning and Construction	(121,691)
Home Investment Partnerships Program	(4,785)
National Sexual Assault Kit Initiative	(452)
Outdoor Recreation Acquisition, Development and Planning	(25,000)
Port Security Grant Program	(1,025)
Public Safety Partnership and Community Policing Grants	(41,623)
Rehabilitation Services Vocational Rehabilitation Grants to States	(188)
Senior Community Service Employment Program	(3,925)
Temporary Assistance for Needy Families	(5,196)
WIA Adult Program	(54)
WIA National Emergency Grants	(623)
WIA/WIOA Dislocated Worker Formula Grant	(26)
WIA Youth Activities	(215)
Capital grants received in enterprise funds	
Capitalization Grants for Drinking Water State Revolving Funds	3,016,231
Timing Differences Between Expenditures and Related Reimbursements	45,382
Capital Contributions	
Coronavirus State and Local Fiscal Recovery Funds	6,962,993
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 34,429,952</u>

STATISTICAL SECTION

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

Guide to Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 to 4
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 to 9
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	10 to 14
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	15 to 16
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	17 to 20

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

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

Table 1

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities					
Net investment in capital assets	\$ 210,631,129	\$ 235,177,972	\$ 242,346,774	\$ 242,875,012	\$ 245,733,061
Restricted	40,778,013	46,063,716	43,143,639	45,703,757	46,203,035
Unrestricted *	<u>(27,519,849)</u>	<u>(45,926,755)</u>	<u>(100,062,238)</u>	<u>(113,329,374)</u>	<u>(117,374,039)</u>
Total Governmental Activities Net Position	<u>223,889,293</u>	<u>235,314,933</u>	<u>185,428,175</u>	<u>175,249,395</u>	<u>174,562,057</u>
Business-type Activities					
Net investment in capital assets	168,290,764	182,656,056	204,789,234	218,517,664	227,778,536
Restricted	1,877,950	2,881,659	2,892,969	2,072,379	2,119,974
Unrestricted *	<u>26,878,191</u>	<u>28,779,936</u>	<u>14,843,438</u>	<u>11,153,671</u>	<u>13,766,078</u>
Total Business-type Activities Net Position	<u>197,046,905</u>	<u>214,317,651</u>	<u>222,525,641</u>	<u>231,743,714</u>	<u>243,664,588</u>
Primary Government					
Net investment in capital assets	378,921,893	417,834,028	447,136,008	461,392,676	473,511,597
Restricted	42,655,963	48,945,375	46,036,608	47,776,136	48,323,009
Unrestricted *	<u>(641,658)</u>	<u>(17,146,819)</u>	<u>(85,218,800)</u>	<u>(102,175,703)</u>	<u>(103,607,961)</u>
Total Primary Government Net Position	<u>\$ 420,936,198</u>	<u>\$ 449,632,584</u>	<u>\$ 407,953,816</u>	<u>\$ 406,993,109</u>	<u>\$ 418,226,645</u>
	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental Activities					
Net investment in capital assets	\$ 249,612,707	\$ 251,585,123	\$ 269,467,267	\$ 274,609,405	\$ 285,470,255
Restricted	42,919,978	42,703,389	57,116,401	59,985,927	71,314,730
Unrestricted *	<u>(181,539,392)</u>	<u>(170,622,157)</u>	<u>(154,052,891)</u>	<u>(125,130,759)</u>	<u>(110,337,973)</u>
Total Governmental Activities Net Position	<u>110,993,293</u>	<u>123,666,355</u>	<u>172,530,777</u>	<u>209,464,573</u>	<u>246,447,012</u>
Business-type Activities					
Net investment in capital assets	240,473,773	253,270,775	272,754,726	278,507,370	289,768,984
Restricted	2,114,827	2,091,941	2,462,396	2,560,175	2,016,398
Unrestricted *	<u>11,262,947</u>	<u>17,689,259</u>	<u>22,453,868</u>	<u>31,930,461</u>	<u>58,689,025</u>
Total Business-type Activities Net Position	<u>253,851,547</u>	<u>273,051,975</u>	<u>297,670,990</u>	<u>312,998,006</u>	<u>350,474,407</u>
Primary Government					
Net investment in capital assets	490,086,480	504,855,898	542,221,993	553,116,775	575,239,239
Restricted	45,034,805	44,795,330	59,578,797	62,546,102	73,331,128
Unrestricted *	<u>(170,276,445)</u>	<u>(152,932,898)</u>	<u>(131,599,023)</u>	<u>(93,200,298)</u>	<u>(51,648,948)</u>
Total Primary Government Net Position	<u>\$ 364,844,840</u>	<u>\$ 396,718,330</u>	<u>\$ 470,201,767</u>	<u>\$ 522,462,579</u>	<u>\$ 596,921,419</u>

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

Source: Statement of Net Position

Unaudited

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

Table 2

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses					
Governmental Activities					
General government	\$ 24,455,977	\$ 27,045,420	\$ 26,652,865	\$ 28,487,636	\$ 29,490,639
Public safety	39,860,955	40,104,416	40,798,398	55,526,260	47,268,796
Public works	26,286,454	21,622,112	22,230,628	25,219,128	23,999,112
Culture and recreation	11,872,741	11,584,949	18,319,587	10,407,695	12,497,000
Urban and economic development	14,922,283	14,294,290	14,265,141	17,688,597	15,406,291
Interest	<u>4,535,639</u>	<u>4,338,915</u>	<u>4,619,216</u>	<u>4,543,299</u>	<u>3,951,480</u>
Total Governmental Activities Expenses	<u>121,934,049</u>	<u>118,990,102</u>	<u>126,885,835</u>	<u>141,872,615</u>	<u>132,613,318</u>
Business-type Activities					
Water	11,015,475	11,255,835	10,187,477	10,997,029	11,159,899
Gas	35,174,140	49,131,965	29,262,281	27,526,208	31,537,930
Sewer	17,882,780	16,963,128	16,284,112	16,034,063	16,018,954
Stormwater	3,581,689	3,701,827	3,764,611	4,208,833	3,564,421
Steam	7,692,984	7,254,245	7,666,582	8,364,984	8,298,624
Golf	2,059,673	2,020,655	2,309,016	2,068,650	1,940,477
Parking	2,901,617	2,701,445	2,550,028	2,630,605	2,748,883
Priley Drive parking facility	-	-	-	768,011	1,266,511
Street lighting	1,545,598	1,910,875	1,914,331	2,307,565	2,123,129
Broadband fiber	-	-	-	-	-
Total Business-type Activities Expenses	<u>81,853,956</u>	<u>94,939,975</u>	<u>73,938,438</u>	<u>74,905,948</u>	<u>78,658,828</u>
Total Primary Government Expenses	<u>\$ 203,788,005</u>	<u>\$ 213,930,077</u>	<u>\$ 200,824,273</u>	<u>\$ 216,778,563</u>	<u>\$ 211,272,146</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 4,675,590	\$ 5,018,181	\$ 4,854,823	\$ 4,934,248	\$ 5,706,995
Public safety	1,948,070	1,501,647	1,562,794	1,698,161	2,869,629
Public works	111,061	1,320,130	2,801,089	2,723,412	56,549
Culture and recreation	1,332,448	1,299,671	1,310,840	1,182,738	1,247,455
Urban and economic development	2,816,814	3,383,810	3,095,554	2,655,700	2,183,548
Operating grants and contributions	13,309,497	11,487,629	10,096,446	12,402,217	11,758,737
Capital grants and contributions	<u>17,878,748</u>	<u>19,388,699</u>	<u>19,174,980</u>	<u>15,968,844</u>	<u>11,096,107</u>
Total Governmental Activities Program Revenues	<u>42,072,228</u>	<u>43,399,767</u>	<u>42,896,526</u>	<u>41,565,320</u>	<u>34,919,020</u>
Business-type Activities					
Charges for services					
Water	14,866,657	14,529,002	14,426,316	14,479,884	14,428,987
Gas	40,587,986	58,291,132	35,495,409	31,209,095	36,122,015
Sewer	20,535,669	19,493,753	19,973,712	19,527,000	19,538,573
Stormwater	4,750,421	4,624,063	4,754,516	5,243,461	5,298,272
Steam	7,858,968	6,820,043	6,725,164	7,064,402	7,712,154
Golf	1,738,980	1,734,534	1,931,016	1,822,938	1,730,447
Parking	3,777,759	4,207,977	4,516,797	4,552,144	4,060,636
Priley Drive parking facility	-	-	-	339,417	446,597
Street lighting	2,147,449	2,146,270	1,922,930	1,501,926	1,399,669
Operating grants and contributions	60,699	76,493	-	164,101	104,170
Capital grants and contributions	<u>2,812,199</u>	<u>4,597,404</u>	<u>8,380,978</u>	<u>2,251,332</u>	<u>2,832,186</u>
Total Business-type Activities Program Revenues	<u>99,136,787</u>	<u>116,520,671</u>	<u>98,126,838</u>	<u>88,155,700</u>	<u>93,673,706</u>
Total Primary Government Program Revenues	<u>\$ 141,209,015</u>	<u>\$ 159,920,438</u>	<u>\$ 141,023,364</u>	<u>\$ 129,721,020</u>	<u>\$ 128,592,726</u>

(continued)

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

Table 2

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (79,861,821)	\$ (75,590,335)	\$ (83,989,309)	\$ (100,307,295)	\$ (97,694,298)
Business-type Activities	<u>17,282,831</u>	<u>21,580,696</u>	<u>24,188,400</u>	<u>13,249,752</u>	<u>15,014,878</u>
Total Primary Government Net Expense	<u>\$ (62,578,990)</u>	<u>\$ (54,009,639)</u>	<u>\$ (59,800,909)</u>	<u>\$ (87,057,543)</u>	<u>\$ (82,679,420)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	\$ 21,924,954	\$ 22,146,676	\$ 22,405,560	\$ 23,587,371	\$ 27,596,775
Sales taxes	20,388,588	22,031,014	24,305,293	24,585,124	25,188,254
Franchise taxes	1,958,297	2,013,126	2,008,194	1,998,457	3,883,316
Other taxes	134,580	622,015	255,491	198,546	204,587
Grants and shared revenues not restricted to specific programs	29,401,345	30,995,305	31,232,887	31,345,365	31,420,457
Investment income	(1,632,312)	2,148,194	328,502	1,805,404	3,571,853
Gain on sale or disposition of capital assets	550,473	54,776	-	-	-
Miscellaneous	2,694,159	1,996,119	1,323,545	1,726,300	997,006
Extraordinary items	-	-	(13,264,958)	-	-
Special item - reduction of Spirit Mountain loan	-	-	-	-	-
Transfers	<u>4,714,434</u>	<u>5,008,750</u>	<u>6,336,860</u>	<u>4,881,948</u>	<u>4,144,712</u>
Total Governmental Activities	<u>80,134,518</u>	<u>87,015,975</u>	<u>74,931,374</u>	<u>90,128,515</u>	<u>97,006,960</u>
Business-type Activities					
General Revenues					
Property taxes	-	-	220,293	647,013	756,037
Grants and shared revenues not restricted to specific programs	48,566	48,566	48,566	48,566	59,826
Investment income	33,206	468,471	124,243	99,045	86,837
Gain on sale or disposition of capital assets	(4,983)	58,974	79,246	2,220	57,913
Miscellaneous	69,099	122,789	56,606	53,425	90,095
Transfers	<u>(4,714,434)</u>	<u>(5,008,750)</u>	<u>(6,336,860)</u>	<u>(4,881,948)</u>	<u>(4,144,712)</u>
Total Business-type Activities	<u>(4,568,546)</u>	<u>(4,309,950)</u>	<u>(5,807,906)</u>	<u>(4,031,679)</u>	<u>(3,094,004)</u>
Total Primary Government	<u>\$ 75,565,972</u>	<u>\$ 82,706,025</u>	<u>\$ 69,123,468</u>	<u>\$ 86,096,836</u>	<u>\$ 93,912,956</u>
Change in Net Position					
Governmental Activities	\$ 272,697	\$ 11,425,640	\$ (9,057,935)	\$ (10,178,780)	\$ (687,338)
Business-type Activities	<u>12,714,285</u>	<u>17,270,746</u>	<u>18,380,494</u>	<u>9,218,073</u>	<u>11,920,874</u>
Total Primary Government	<u>\$ 12,986,982</u>	<u>\$ 28,696,386</u>	<u>\$ 9,322,559</u>	<u>\$ (960,707)</u>	<u>\$ 11,233,536</u>

(continued)

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

Table 2

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses					
Governmental Activities					
General government	\$ 31,093,037	\$ 31,839,444	\$ 31,745,911	\$ 31,458,665	\$ 34,202,686
Public safety	43,352,480	42,180,828	42,104,761	35,650,206	48,451,732
Public works	24,997,278	27,785,208	26,885,812	24,858,279	27,916,257
Culture and recreation	13,169,901	16,261,444	10,419,424	16,503,956	17,033,986
Urban and economic development	13,664,386	14,244,055	11,374,651	15,130,262	33,442,251
Interest	<u>4,025,051</u>	<u>3,909,623</u>	<u>3,397,730</u>	<u>3,611,430</u>	<u>3,298,165</u>
Total Governmental Activities Expenses	<u>130,302,133</u>	<u>136,220,602</u>	<u>125,928,289</u>	<u>127,212,798</u>	<u>164,345,077</u>
Business-type Activities					
Water	11,268,976	10,814,241	9,701,506	9,054,609	11,098,291
Gas	33,160,799	31,777,159	29,784,236	35,254,902	47,848,429
Sewer	16,835,052	16,259,666	16,219,816	15,500,002	16,745,422
Stormwater	3,430,458	3,571,577	3,523,521	3,259,324	3,905,912
Steam	8,185,310	8,350,276	8,296,062	9,167,833	11,781,300
Golf	1,853,157	1,771,189	1,270,959	1,275,995	1,286,227
Parking	2,980,182	3,404,851	2,923,925	3,401,867	3,293,398
Priley Drive parking facility	1,254,483	1,249,348	1,231,195	1,222,210	1,255,506
Street lighting	1,909,552	1,836,048	-	-	-
Broadband fiber	-	-	-	-	55,971
Total Business-type Activities Expenses	<u>80,877,969</u>	<u>79,034,355</u>	<u>72,951,220</u>	<u>78,136,742</u>	<u>97,270,456</u>
Total Primary Government Expenses	<u>\$ 211,180,102</u>	<u>\$ 215,254,957</u>	<u>\$ 198,879,509</u>	<u>\$ 205,349,540</u>	<u>\$ 261,615,533</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 5,869,145	\$ 5,978,363	\$ 5,732,214	\$ 5,693,386	\$ 6,087,871
Public safety	2,023,574	2,115,004	1,794,884	2,185,593	2,175,843
Public works	82,235	138,436	336,908	229,532	209,909
Culture and recreation	1,270,730	1,328,289	853,276	2,051,782	2,024,906
Urban and economic development	2,682,020	3,872,703	3,836,466	5,530,373	4,421,476
Operating grants and contributions	12,019,093	12,289,736	19,698,868	16,606,625	29,537,034
Capital grants and contributions	<u>12,912,987</u>	<u>12,733,125</u>	<u>24,938,476</u>	<u>17,317,782</u>	<u>38,202,388</u>
Total Governmental Activities Program Revenues	<u>36,859,784</u>	<u>38,455,656</u>	<u>57,191,092</u>	<u>49,615,073</u>	<u>82,659,427</u>
Business-type Activities					
Charges for services					
Water	14,910,171	15,142,128	15,099,895	15,920,408	16,013,881
Gas	39,182,666	39,886,073	36,549,373	41,070,876	59,696,900
Sewer	19,709,102	19,615,365	19,164,926	19,836,926	20,375,543
Stormwater	5,283,440	5,295,794	5,400,293	6,298,247	7,881,324
Steam	7,880,094	8,091,177	7,606,029	8,229,505	10,828,835
Golf	1,692,369	1,482,349	1,083,096	1,378,539	1,247,587
Parking	3,740,640	4,095,285	2,906,751	3,253,133	3,985,704
Priley Drive parking facility	457,088	452,308	398,812	434,544	484,414
Street lighting	1,390,572	835,761	-	-	-
Operating grants and contributions	-	60,628	-	-	20,509
Capital grants and contributions	<u>5,602,821</u>	<u>6,133,857</u>	<u>16,948,855</u>	<u>1,770,109</u>	<u>16,064,038</u>
Total Business-type Activities Program Revenues	<u>99,848,963</u>	<u>101,090,725</u>	<u>105,158,030</u>	<u>98,192,287</u>	<u>136,598,735</u>
Total Primary Government Program Revenues	<u>\$ 136,708,747</u>	<u>\$ 139,546,381</u>	<u>\$ 162,349,122</u>	<u>\$ 147,807,360</u>	<u>\$ 219,258,162</u>

(continued)

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

Table 2

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (93,442,349)	\$ (97,764,946)	\$ (68,737,197)	\$ (77,597,725)	\$ (81,685,650)
Business-type Activities	<u>18,970,994</u>	<u>22,056,370</u>	<u>32,206,810</u>	<u>20,055,545</u>	<u>39,328,279</u>
Total Primary Government Net Expense	<u>\$ (74,471,355)</u>	<u>\$ (75,708,576)</u>	<u>\$ (36,530,387)</u>	<u>\$ (57,542,180)</u>	<u>\$ (42,357,371)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	\$ 30,265,657	\$ 32,995,611	\$ 37,075,587	\$ 37,905,624	\$ 41,225,632
Sales taxes	26,267,168	28,867,348	29,475,871	37,516,898	41,954,810
Franchise taxes	3,997,060	3,534,435	3,586,792	3,639,703	4,289,071
Other taxes	254,096	326,091	393,442	367,909	1,457,069
Grants and shared revenues not restricted to specific programs	31,810,084	31,917,733	32,535,525	32,879,084	33,276,992
Investment income	(440,856)	6,611,326	5,222,490	6,094,046	(7,481,264)
Gain on sale or disposition of capital assets	-	-	-	-	-
Miscellaneous	1,689,582	1,670,993	2,335,463	2,244,648	2,519,724
Extraordinary items	-	-	-	-	-
Special item - reduction of Spirit Mountain loan	-	-	(900,000)	-	-
Transfers	<u>4,354,903</u>	<u>4,514,471</u>	<u>3,242,459</u>	<u>4,512,811</u>	<u>1,426,055</u>
Total Governmental Activities	<u>98,197,694</u>	<u>110,438,008</u>	<u>112,967,629</u>	<u>125,160,723</u>	<u>118,668,089</u>
Business-type Activities					
General Revenues					
Property taxes	751,231	1,301,757	-	-	-
Grants and shared revenues not restricted to specific programs	48,567	48,566	-	-	-
Investment income	43,383	235,864	237,420	(225,528)	(465,076)
Gain on sale or disposition of capital assets	81,868	26,962	30,790	3,026	39,253
Miscellaneous	61,272	45,380	8,095	6,784	-
Transfers	<u>(4,354,903)</u>	<u>(4,514,471)</u>	<u>(3,242,459)</u>	<u>(4,512,811)</u>	<u>(1,426,055)</u>
Total Business-type Activities	<u>(3,368,582)</u>	<u>(2,855,942)</u>	<u>(2,966,154)</u>	<u>(4,728,529)</u>	<u>(1,851,878)</u>
Total Primary Government	<u>\$ 94,829,112</u>	<u>\$ 107,582,066</u>	<u>\$ 110,001,475</u>	<u>\$ 120,432,194</u>	<u>\$ 116,816,211</u>
Change in Net Position					
Governmental Activities	\$ 4,755,345	\$ 12,673,062	\$ 44,230,432	\$ 47,562,998	\$ 36,982,439
Business-type Activities	<u>15,602,412</u>	<u>19,200,428</u>	<u>29,240,656</u>	<u>15,327,016</u>	<u>37,476,401</u>
Total Primary Government	<u>\$ 20,357,757</u>	<u>\$ 31,873,490</u>	<u>\$ 73,471,088</u>	<u>\$ 62,890,014</u>	<u>\$ 74,458,840</u>

Source: Statement of Activities

Unaudited

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

Table 3

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund					
Nonspendable	\$ 414,309	\$ 258,535	\$ -	\$ -	\$ -
Restricted	75,741	91,324	95,801	85,776	99,766
Committed	13,454	13,129	21,781	32,075	36,242
Assigned	821,114	1,634,029	2,132,059	1,616,063	2,280,311
Unassigned	<u>7,746,042</u>	<u>9,320,545</u>	<u>11,624,121</u>	<u>11,634,076</u>	<u>13,190,484</u>
Total General Fund	<u>9,070,660</u>	<u>11,317,562</u>	<u>13,873,762</u>	<u>13,367,990</u>	<u>15,606,803</u>
All Other Governmental Funds					
Restricted	31,790,209	31,233,325	44,269,018	45,235,185	42,708,250
Committed	18,095,100	19,705,618	19,846,164	21,707,282	24,583,093
Assigned	576,094	445,627	389,344	824,467	1,209,071
Unassigned	<u>(5,512,643)</u>	<u>(4,232,523)</u>	<u>(8,155,193)</u>	<u>(2,101,580)</u>	<u>(1,981,450)</u>
Total All Other Governmental Funds	<u>\$ 44,948,760</u>	<u>\$ 47,152,047</u>	<u>\$ 56,349,333</u>	<u>\$ 65,665,354</u>	<u>\$ 66,518,964</u>

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	184,891	216,132	329,336	326,903	200,387
Committed	41,996	35,958	32,186	34,120	17,999
Assigned	3,236,770	2,999,900	3,886,800	3,978,786	7,302,662
Unassigned	<u>13,422,108</u>	<u>14,437,169</u>	<u>16,856,560</u>	<u>21,256,399</u>	<u>21,326,916</u>
Total General Fund	<u>16,885,765</u>	<u>17,689,159</u>	<u>21,104,882</u>	<u>25,596,208</u>	<u>28,847,964</u>
All Other Governmental Funds					
Restricted	41,801,543	39,142,316	43,943,951	48,377,323	58,223,000
Committed	23,357,054	28,493,060	32,311,536	38,836,845	31,118,465
Assigned	1,691,541	1,942,077	2,317,122	4,979,933	5,104,505
Unassigned	<u>(3,130,083)</u>	<u>(4,266,262)</u>	<u>(7,929,634)</u>	<u>(6,362,158)</u>	<u>(6,832,125)</u>
Total All Other Governmental Funds	<u>\$ 63,720,055</u>	<u>\$ 65,311,191</u>	<u>\$ 70,642,975</u>	<u>\$ 85,831,943</u>	<u>\$ 87,613,845</u>

Source: Balance Sheet - Governmental Funds

Unaudited

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

Table 4

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Taxes					
Property taxes	\$ 21,913,489	\$ 22,118,257	\$ 22,549,109	\$ 23,671,256	\$ 27,606,911
Sales taxes	20,388,588	22,031,014	24,305,293	24,585,124	25,188,254
Other taxes	2,092,877	2,635,141	2,263,685	2,197,003	4,087,903
Licenses and permits	1,863,333	1,737,068	1,783,741	1,786,472	1,759,507
Intergovernmental revenues	55,451,614	57,455,627	55,941,414	60,343,948	51,353,893
Charges for services	6,441,338	7,987,527	9,289,681	8,510,151	6,171,005
Fines and forfeits	699,846	709,213	652,033	719,928	1,906,404
Special assessments	2,328,821	2,458,912	1,983,776	2,095,202	1,752,933
Investment income	(1,675,875)	2,022,447	230,692	1,740,987	3,527,779
Miscellaneous revenues	<u>4,521,654</u>	<u>4,304,525</u>	<u>5,326,755</u>	<u>5,980,771</u>	<u>4,809,871</u>
Total Revenues	<u>114,025,685</u>	<u>123,459,731</u>	<u>124,326,179</u>	<u>131,630,842</u>	<u>128,164,460</u>
Expenditures					
General government	22,290,793	23,174,447	24,004,445	24,378,741	24,722,755
Public safety	35,035,481	35,512,569	37,150,741	38,524,220	39,263,288
Public works	19,397,379	12,536,734	14,388,357	14,515,792	13,194,918
Culture and recreation	9,469,074	9,645,981	15,954,443	9,117,853	9,779,866
Urban and economic development	17,762,959	13,858,327	16,906,657	24,913,908	15,022,941
Debt service					
Principal retirement	8,655,000	11,350,000	10,501,000	9,531,000	13,271,000
Interest and fiscal fees	4,673,854	4,600,843	4,577,976	4,422,939	4,603,199
Bond issuance costs	203,741	223,753	361,424	595,689	91,522
Capital outlay	<u>17,169,385</u>	<u>21,355,037</u>	<u>16,962,641</u>	<u>15,016,363</u>	<u>14,753,506</u>
Total Expenditures	<u>134,657,666</u>	<u>132,257,691</u>	<u>140,807,684</u>	<u>141,016,505</u>	<u>134,702,995</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(20,631,981)</u>	<u>(8,797,960)</u>	<u>(16,481,505)</u>	<u>(9,385,663)</u>	<u>(6,538,535)</u>
Other Financing Sources (Uses)					
Issuance of bonds	10,490,000	8,055,000	21,315,000	12,520,000	5,160,000
Proceeds from refundings	-	865,000	2,630,000	33,470,000	-
Lease proceeds	-	-	-	-	-
Premium on issuance of bonds	271,507	153,373	799,031	7,185,320	326,247
Payment to refunded bond escrow agent	-	(865,000)	(2,845,900)	(39,861,356)	-
Transfers in	16,753,906	16,540,403	19,136,245	22,385,436	21,369,040
Transfers out	<u>(11,988,958)</u>	<u>(11,500,627)</u>	<u>(12,799,385)</u>	<u>(17,503,488)</u>	<u>(17,224,328)</u>
Total Other Financing Sources (Uses)	<u>15,526,455</u>	<u>13,248,149</u>	<u>28,234,991</u>	<u>18,195,912</u>	<u>9,630,959</u>
Special Item					
Reduction of Spirit Mountain loan	-	-	-	-	-
Net Change in Fund Balances	<u>\$ (5,105,526)</u>	<u>\$ 4,450,189</u>	<u>\$ 11,753,486</u>	<u>\$ 8,810,249</u>	<u>\$ 3,092,424</u>
Debt Service as a Percentage of Noncapital Expenditures	11.4%	14.1%	12.1%	11.0%	14.7%

(continued)

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

Table 4

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues					
Taxes					
Property taxes	\$ 30,318,865	\$ 32,966,193	\$ 36,862,060	\$ 38,004,503	\$ 41,279,345
Sales taxes	26,267,167	28,867,348	29,475,871	37,516,898	41,954,810
Other taxes	4,251,157	3,860,525	3,980,234	4,007,612	5,746,140
Licenses and permits	2,053,375	2,101,757	1,951,586	2,151,661	2,379,788
Intergovernmental revenues	56,877,087	55,060,040	66,175,612	64,773,487	90,673,616
Charges for services	6,576,669	8,153,062	7,637,963	11,149,501	9,056,006
Fines and forfeits	604,357	698,929	593,625	706,126	326,619
Special assessments	1,605,337	1,614,328	1,286,902	1,036,205	1,023,492
Investment income	(559,148)	6,366,017	5,013,297	6,154,176	(7,207,018)
Miscellaneous revenues	<u>6,138,325</u>	<u>5,436,730</u>	<u>6,714,594</u>	<u>7,831,580</u>	<u>8,049,777</u>
Total Revenues	<u>134,133,191</u>	<u>145,124,929</u>	<u>159,691,744</u>	<u>173,331,749</u>	<u>193,282,575</u>
Expenditures					
General government	28,330,883	28,605,112	28,872,260	31,068,036	33,981,540
Public safety	41,552,331	43,494,675	45,685,465	46,446,403	49,885,396
Public works	15,226,399	18,109,557	17,009,911	16,914,139	17,817,241
Culture and recreation	10,530,034	13,815,699	8,589,874	14,243,222	13,846,671
Urban and economic development	13,637,293	14,552,236	12,134,491	16,654,371	34,290,562
Debt service					
Principal retirement	11,172,000	11,360,000	10,805,000	11,880,000	10,440,173
Interest and fiscal fees	4,487,446	4,751,307	3,984,777	4,132,918	3,855,178
Bond issuance costs	163,704	176,372	158,881	163,847	119,588
Capital outlay	<u>25,106,738</u>	<u>17,377,830</u>	<u>40,742,363</u>	<u>23,031,006</u>	<u>33,350,537</u>
Total Expenditures	<u>150,206,828</u>	<u>152,242,788</u>	<u>167,983,022</u>	<u>164,533,942</u>	<u>197,586,886</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(16,073,637)</u>	<u>(7,117,859)</u>	<u>(8,291,278)</u>	<u>8,797,807</u>	<u>(4,304,311)</u>
Other Financing Sources (Uses)					
Issuance of bonds	9,645,000	4,260,000	12,695,000	5,425,000	5,045,000
Proceeds from refundings	-	9,755,000	-	6,550,000	-
Lease proceeds	-	-	-	-	2,507,130
Premium on issuance of bonds	553,787	2,832,464	856,705	937,362	359,784
Payment to refunded bond escrow agent	-	(11,849,546)	-	(6,445,000)	-
Transfers in	21,752,295	22,471,395	32,795,673	33,779,140	33,172,754
Transfers out	<u>(17,397,392)</u>	<u>(17,956,924)</u>	<u>(29,553,214)</u>	<u>(29,364,015)</u>	<u>(31,746,699)</u>
Total Other Financing Sources (Uses)	<u>14,553,690</u>	<u>9,512,389</u>	<u>16,794,164</u>	<u>10,882,487</u>	<u>9,337,969</u>
Special Item					
Reduction of Spirit Mountain loan	-	-	(900,000)	-	-
Net Change in Fund Balances	<u>\$ (1,519,947)</u>	<u>\$ 2,394,530</u>	<u>\$ 7,602,886</u>	<u>\$ 19,680,294</u>	<u>\$ 5,033,658</u>
Debt Service as a Percentage of					
Noncapital Expenditures	12.4%	11.8%	11.5%	11.2%	8.6%

General Governmental includes Capital Projects Funds.

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

Unaudited

CITY OF DULUTH, MINNESOTA
ASSESSED AND ESTIMATED TAXABLE MARKET VALUE OF PROPERTY
LAST TEN FISCAL YEARS

Table 5

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612
2016	4,561,213,000	42,373,863	1,202,773,500	22,169,916
2017	4,694,140,900	44,079,263	1,297,252,450	23,998,224
2018	4,662,466,600	45,369,851	1,423,489,056	26,075,238
2019	4,888,714,700	47,913,563	1,504,708,550	27,222,464
2020	5,070,811,100	52,664,544	1,485,780,200	27,761,483
2021	5,475,966,200	54,961,469	1,520,972,200	30,044,372
2022	6,027,217,900	59,092,324	1,816,824,700	32,579,678

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608
2015	33,827,800	276,580	105,380,900	1,937,051
2016	33,899,000	271,921	105,806,200	1,961,029
2017	33,802,700	333,068	99,447,550	1,815,452
2018	33,771,200	271,796	104,460,500	1,919,504
2019	33,371,800	272,762	107,862,900	1,932,529
2020	40,593,600	359,767	134,905,700	2,540,800
2021	43,568,700	373,448	139,225,100	2,667,497
2022	58,915,600	510,528	100,459,200	1,709,094

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	
	Estimated Market Value	Tax Capacity	Tax Rate	
	Estimated Market Value	Tax Capacity	Tax Rate	
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,226,007	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094
2020	6,732,090,600	83,326,594	1.24%	0.42997
2021	7,179,732,200	88,046,786	1.23%	0.41696
2022	8,003,417,400	93,891,624	1.17%	0.43723

Unaudited

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

Tables 6 and 7

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

Fiscal Year	City		Total Direct	Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service		Schools	County	Special	
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290
2016	0.24322	0.09056	0.33378	0.31825	0.61443	0.06193	1.32839
2017	0.28416	0.09152	0.37568	0.29516	0.65056	0.06049	1.38189
2018	0.30848	0.08853	0.39701	0.28598	0.65286	0.06040	1.39625
2019	0.33397	0.08697	0.42094	0.31427	0.65174	0.06028	1.44723
2020	0.34757	0.08240	0.42997	0.29458	0.67740	0.06218	1.46413
2021	0.33559	0.08137	0.41696	0.27990	0.66280	0.05965	1.41931
2022	0.35910	0.07813	0.43723	0.29514	0.67468	0.05924	1.46629

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

Source: St. Louis County website

Unaudited

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

		2022		Percentage of Total Estimated Market Value	2013		Percentage of Total Estimated Market Value
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Market Value</u>	<u>Rank</u>		<u>Estimated Market Value</u>	<u>Rank</u>	
Minnesota Power	Electric utility	\$ 156,672,100	1	1.96%	\$ 102,935,200	1	1.88%
Essentia Health	Healthcare & hospital	99,389,600	2	1.24%	40,174,300	3	0.73%
Summit Management LLC	Apartments & shopping mal	93,063,300	3	1.16%			
Simon Property Group	Shopping mall	52,233,100	4	0.65%	42,997,300	2	0.79%
Wisconsin Central Ltd	Railroad	49,515,300	5	0.62%	19,469,900	4	0.36%
PLB Properties	Real estate development	33,637,600	6	0.42%			
Ansa Propco Partnership	Lease adminstration	32,269,900	7	0.40%			
St. Luke's Hospital	Healthcare & hospital	31,863,000	8	0.40%			
Duluth HRA	Housing development	22,939,200	9	0.29%			
Endi Plaza LLC	Apartments	21,992,900	10	0.27%			
NewPage (Stora Enso)	Paper mill				17,532,200	8	0.32%
Burlington Northern	Railroad				12,238,200	10	0.22%
IRET Properties	Property management				19,349,600	5	0.35%
Riverland Ag Corp	Grain elevators				18,334,000	6	0.33%
ZMC Hotels	Hotels				16,461,900	9	0.30%
Sherman Associates	Real estate development				17,799,300	7	0.33%
		<u>\$ 593,576,000</u>		<u>7.41%</u>	<u>\$ 307,291,900</u>		<u>5.61%</u>

Source: St. Louis County Assessor

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
AND NET CAPACITY OF REAL PROPERTY BY CATEGORY 2022**

Tables 8 and 9

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

Fiscal Year Ended December 31	Net Tax (1) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2013	21,966,088	21,396,584	97.4%	463,654	21,860,238	99.5%
2014	22,040,149	21,498,351	97.5%	351,096	21,849,447	99.1%
2015	22,686,100	22,310,465	98.3%	311,591	22,622,056	99.7%
2016	24,233,053	23,842,607	98.4%	241,132	24,083,739	99.4%
2017	28,039,466	27,593,516	98.4%	220,970	27,814,486	99.2%
2018	30,649,272	30,083,315	98.2%	276,646	30,359,961	99.1%
2019	33,804,643	33,259,823	98.4%	261,886	33,521,709	99.2%
2020	36,444,668	35,893,735	98.5%	295,012	36,188,747	99.3%
2021	37,454,376	36,981,319	98.7%	7,941	36,989,260	98.8%
2022	40,901,827	40,380,964	98.7%	-	40,380,964	98.7%

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

Unaudited

**NET CAPACITY OF REAL PROPERTY BY CATEGORY
TAXES PAYABLE IN 2022**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 37,685,057	41.11%
Non-Homestead Residential	21,407,267	23.35%
Commercial/Industrial	29,458,726	32.13%
Agricultural	13,165	0.01%
Public Utility	1,494,474	1.63%
Railroad	1,441,900	1.57%
Seasonal/Recreational	171,413	0.19%
Total	<u>\$ 91,672,002</u>	<u>100.00%</u>

Unaudited

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

Table 10

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (amounts expressed in thousands, except per capita amount)						
Fiscal Year	Governmental Activities					
	General Obligation Bonds	General Obligation Tax Abatement Bonds	Lease Revenue Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates	Deferred Amount for Bond Premium
2013	80,754	7,290	415	20,901	12,625	1,579
2014	82,936	6,705	-	16,814	12,340	1,419
2015	97,340	6,350	-	13,080	12,670	1,910
2016	91,300	13,805	-	10,765	13,250	8,418
2017	86,615	13,435	-	7,320	13,670	7,917
2018	87,485	12,605	-	5,165	14,295	7,648
2019	81,370	11,770	-	3,125	14,050	9,605
2020	85,985	10,915	-	1,620	13,700	9,472
2021	81,360	9,695	-	645	14,185	9,358
2022	77,220	9,215	-	185	14,125	8,591

Fiscal Year	Governmental Activities			Business-type Activities	
	Revenue and and General Obligation Notes	Leases	Purchase Agreement	Revenue and and General Obligation Bonds	Deferred Amount for Bond Discounts/ Premiums
2013	2,896	-	-	37,305	505
2014	2,791	-	-	44,343	401
2015	2,735	110	-	42,760	496
2016	2,704	75	-	39,222	377
2017	2,673	38	-	34,927	270
2018	2,636	-	-	35,097	223
2019	2,621	-	-	31,680	167
2020	2,606	-	-	38,985	378
2021	2,591	-	-	36,123	329
2022	2,571	4,547	823	33,098	293

Fiscal Year	Business-type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Notes	Purchase Agreement			
2013	21,904	7,385	193,559	7.71%	2,247
2014	24,581	6,704	199,034	7.64%	2,308
2015	23,034	5,995	206,480	7.47%	2,398
2016	20,519	5,385	205,820	7.60%	2,385
2017	18,048	4,752	189,665	6.85%	2,204
2018	15,474	4,094	184,722	6.38%	2,151
2019	13,204	3,411	171,003	5.66%	1,997
2020	11,081	2,702	177,444	6.04%	2,047
2021	8,932	1,966	165,184	5.31%	1,912
2022	10,200	1,202	162,070	4.89%	1,876

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

Unaudited

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

Tables 11 and 12

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT
LAST TEN FISCAL YEARS

Fiscal Year	Population	Tax Capacity	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Percent of Net Bonded Debt to Tax Capacity	Net Bonded Debt per per Capita
2013	86,128	61,948,785	102,247,605	19,802,762	82,444,843	133.09%	957.24
2014	86,238	62,430,044	103,399,159	18,386,236	85,012,923	136.17%	985.79
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,226,007	121,637,268	21,118,634	100,518,634	143.14%	1,167.93
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21
2020	86,697	83,326,594	120,071,649	20,558,272	99,513,377	119.43%	1,147.83
2021	86,372	88,046,786	114,598,285	20,463,755	94,134,530	106.91%	1,089.87
2022	*86,372	93,891,624	109,151,411	21,698,406	87,453,005	93.14%	1,012.52

Note: Gross bonded debt consists of general long-term debt bonds payable as reported on the Statement of Net Position. Specifically excluded are special assessment and enterprise bond issues for which the city is contingently liable.

* Estimate

Unaudited

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022

Governmental Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 69,967,602	88.38%	\$ 61,840,671
Independent School District 704	21,370,000	8.00%	1,710,235
St. Louis County	145,425,000	39.41%	57,307,203
Subtotal, Overlapping Debt			120,858,109
City of Duluth Direct Debt			111,907,411
Total Direct and Overlapping Debt			<u>\$ 232,765,520</u>

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

Unaudited

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

Table 13

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxable market value	\$ 5,473,015,800	\$ 5,584,098,600	\$ 5,725,483,100	\$ 5,903,691,700	\$ 6,124,643,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 109,460,316</u>	<u>\$ 111,681,972</u>	<u>\$ 114,509,662</u>	<u>\$ 118,073,834</u>	<u>\$ 122,492,872</u>
Debt applicable to limit:					
Total bonds payable	\$ 159,290,002	\$ 163,138,242	\$ 172,200,045	\$ 168,342,029	\$ 155,967,007
Less: Deductions allowable	<u>(118,746,296)</u>	<u>(123,892,674)</u>	<u>(133,220,045)</u>	<u>(129,827,029)</u>	<u>(117,767,007)</u>
Total net debt applicable to limit	<u>\$ 40,543,706</u>	<u>\$ 39,245,568</u>	<u>\$ 38,980,000</u>	<u>\$ 38,515,000</u>	<u>\$ 38,200,000</u>
Total net debt applicable to the limit as a percentage of debt limit	37.04%	35.14%	34.04%	32.62%	31.19%

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Taxable market value	\$ 6,224,187,356	\$ 6,534,657,950	\$ 6,732,090,600	\$ 7,179,732,200	\$ 8,003,417,400
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 124,483,747</u>	<u>\$ 130,693,159</u>	<u>\$ 134,641,812</u>	<u>\$ 143,594,644</u>	<u>\$ 160,068,348</u>
Debt applicable to limit:					
Total bonds payable	\$ 154,647,475	\$ 141,994,868	\$ 151,204,640	\$ 142,008,164	\$ 133,843,196
Less: Deductions allowable	<u>(112,342,475)</u>	<u>(103,369,868)</u>	<u>(113,429,640)</u>	<u>(104,168,164)</u>	<u>(96,638,196)</u>
Total net debt applicable to limit	<u>\$ 42,305,000</u>	<u>\$ 38,625,000</u>	<u>\$ 37,775,000</u>	<u>\$ 37,840,000</u>	<u>\$ 37,205,000</u>
Total net debt applicable to the limit as a percentage of debt limit	33.98%	29.55%	28.06%	26.35%	23.24%

Unaudited

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

Table 14

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>WATER REVENUE BOND</u>							
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,372	511,623	9.82
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
2016	14,494,396	9,008,318	5,486,078	336,473	27,326	363,799	15.08
2017	14,443,317	9,285,999	5,157,318	348,851	17,833	366,684	14.06
2018	14,891,148	9,255,377	5,635,771	99,000	110,307	209,307	26.93
2019	15,190,186	8,928,974	6,261,212	284,000	131,249	415,249	15.08
2020	15,141,893	8,183,754	6,958,139	330,000	121,967	451,967	15.40
2021	15,892,210	7,444,915	8,447,295	340,000	111,824	451,824	18.70
2022	15,894,495	9,380,116	6,514,379	256,000	102,748	358,748	18.16
<u>GAS REVENUE BOND (3)</u>							
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,103	1,059,075	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,286,723	25,294,510	5,992,213	902,931	55,294	958,225	6.25
2017	36,217,772	29,677,465	6,540,307	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<u>SEWER REVENUE BOND</u>							
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,940	257,061	1,764,001	2.77
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,514	1,356,770	4.52
2016	19,535,232	13,608,142	5,927,090	1,357,474	159,416	1,516,890	3.91
2017	19,543,095	13,717,618	5,825,477	1,289,599	127,358	1,416,957	4.11
2018	19,715,390	14,511,632	5,203,758	1,001,000	98,647	1,099,647	4.73
2019	19,650,585	13,971,291	5,679,294	1,035,999	70,975	1,106,974	5.13
2020	19,181,956	14,268,353	4,913,603	705,000	46,695	751,695	6.54
2021	19,823,677	13,411,322	6,412,355	405,000	30,208	435,208	14.73
2022	20,286,184	14,563,621	5,722,563	359,000	17,065	376,065	15.22
<u>STORMWATER REVENUE BOND (4)</u>							
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15
2016	5,253,324	3,670,639	1,582,685	228,121	24,001	252,122	6.28
2017	5,293,060	3,141,177	2,151,883	241,549	18,184	259,733	8.28
2018	5,280,978	2,989,079	2,291,899	130,000	13,900	143,900	15.93
2019	5,309,868	3,168,582	2,141,286	135,000	10,575	145,575	14.71
2020	5,416,282	3,209,467	2,206,815	140,000	6,450	146,450	15.07
2021	6,290,118	2,912,316	3,377,802	145,000	2,175	147,175	22.95

(continued)

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

Table 14

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
			Principal	Interest	Total		
<u>STEAM REVENUE BOND</u>							
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
2015	6,728,330	6,230,054	498,276	635,000	151,946	786,946	0.63
2016	7,069,377	6,896,627	172,750	635,000	177,553	812,553	0.21
2017	7,712,154	6,845,368	866,786	650,000	170,316	820,316	1.06
2018	7,883,080	6,761,475	1,121,605	655,000	161,013	816,013	1.37
2019	8,091,177	6,722,623	1,368,554	665,000	149,456	814,456	1.68
2020	7,671,866	6,618,824	1,053,042	670,000	306,819	976,819	1.08
2021	8,164,266	7,272,666	891,600	1,060,000	336,342	1,396,342	0.64
2022	10,821,690	9,857,461	964,229	1,130,000	309,493	1,439,493	0.67
<u>PARKING REVENUE BOND</u>							
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,695	1,331,695	1.73
2015	4,513,311	1,794,702	2,718,609	780,000	187,419	967,419	2.81
2016	4,563,427	1,850,051	2,713,376	785,000	178,993	963,993	2.81
2017	4,054,780	1,971,083	2,083,697	795,000	167,118	962,118	2.17
2018	3,743,709	2,208,341	1,535,368	810,000	151,069	961,069	1.60
2019	4,134,908	2,642,090	1,492,818	830,000	134,669	964,669	1.55
2020	2,936,946	2,173,193	763,753	845,000	117,919	962,919	0.79
2021	3,219,498	2,666,019	553,479	860,000	100,331	960,331	0.58
2022	3,957,566	2,581,799	1,375,767	880,000	81,294	961,294	1.43

Notes:

- (1) Includes operating revenue and interest earnings.
- (2) Includes operating expenses, excluding depreciation.
- (3) Gas revenue bond was retired in 2019.
- (4) Stormwater revenue bond was retired in 2022.

Unaudited

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

Tables 15 and 16

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2013	86,128	2,510,223,601	29,145	9,020	5.2%
2014	86,238	2,605,207,475	30,210	8,809	4.4%
2015	86,110	2,763,072,824	32,088	8,819	3.3%
2016	86,293	2,709,298,125	31,396	8,632	3.9%
2017	86,066	2,770,709,396	32,193	8,547	3.5%
2018	85,884	2,894,363,625	33,701	8,844	3.2%
2019	85,618	3,020,478,591	35,279	8,706	3.3%
2020	86,697	2,937,425,075	33,882	8,896	6.7%
2021	86,372	3,113,711,612	36,050	8,358	3.3%
2022	*86,372	3,249,392,853	37,621	8,487	2.0%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

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

* Estimate

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2022</u>			<u>2013</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Essentia Health (SMDC)	Healthcare / hospital	6,513	1	11.83%	5,341	1	9.06%
St. Luke's Hospital	Healthcare / hospital	2,241	2	4.07%	1,602	4	2.72%
St. Louis County	Government	1,881	3	3.42%	1,956	2	3.32%
Independent School District No. 709	Education	1,450	4	2.63%	1,426	5	2.42%
Allete (Minnesota Power)	Electric utility	1,314	5	2.39%	1,419	6	2.40%
Duluth Air National Guard Base	Military	1,068	6	1.94%	1,068	8	1.81%
Cirrus Aircraft	Aviation	1,000	7	1.82%			
United Healthcare	Insurance	999	8	1.81%	1,368	7	2.32%
University of Minnesota Duluth	Education	953	9	1.73%	1,700	3	2.88%
City of Duluth	Government	872	10	1.58%	864	9	1.46%
US Government	Government				850	10	1.44%
		<u>18,291</u>		<u>33.22%</u>	<u>17,594</u>		<u>29.83%</u>

Source: Northland Connection's website.

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

Unaudited

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

Table 17

Function	Full-time Equivalent Employees as of December 31				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	125.75	127.65	131.65	132.40	134.00
Public safety					
Police	178.50	178.50	178.50	180.50	183.14
Fire	141.00	142.00	143.00	144.50	144.00
Public works	87.10	85.90	85.05	86.25	86.50
Culture and recreation					
Parks and recreation	10.00	10.00	9.75	11.75	11.95
Library	49.00	49.00	46.50	46.50	46.70
Urban and economic development	60.25	59.53	55.50	54.05	54.05
Water & Gas	133.00	132.60	128.65	129.15	133.75
Sewer	40.20	39.33	36.93	35.80	32.65
Stormwater	26.00	25.52	26.87	27.30	25.35
Parking	8.00	8.00	8.00	9.00	9.00
Street lighting	5.00	5.10	5.10	5.10	5.10
Total	<u>863.80</u>	<u>863.13</u>	<u>855.50</u>	<u>862.30</u>	<u>866.19</u>

Function	Full-time Equivalent Employees as of December 31				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General government	126.50	131.65	134.10	135.10	133.90
Public safety					
Police	182.14	182.14	180.50	183.00	183.50
Fire	146.50	146.50	148.50	148.50	148.50
Public works	82.95	83.95	82.95	82.95	82.85
Culture and recreation					
Parks and recreation	11.70	11.70	13.70	13.70	13.70
Library	46.70	46.70	46.70	47.70	47.50
Urban and economic development	50.64	57.64	56.14	55.14	58.14
Water & Gas	134.75	135.45	133.00	133.00	132.60
Sewer	34.65	33.05	33.75	33.75	33.50
Stormwater	23.15	24.05	24.80	24.80	24.75
Parking	9.00	9.00	9.00	8.00	8.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	<u>853.78</u>	<u>866.93</u>	<u>868.24</u>	<u>870.74</u>	<u>872.04</u>

Source: City of Duluth Budget Office

Unaudited

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

Table 18

Function	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police					
Criminal offences	10,828	9,472	10,262	10,447	10,561
Cleared by arrest	4,473	4,070	4,081	4,062	3,802
Traffic violations	11,152	9,307	8,525	6,819	5,196
Parking violations	53,039	56,387	51,670	56,687	34,437
Fire					
Number of calls answered	10,816	11,114	12,231	12,799	13,239
Number of inspections conducted	1,200	1,200	1,200	4,871	7,490
Public works					
Construction permits					
Permits issued	8,451	8,042	6,721	6,838	6,548
Estimated cost of construction during year	\$ 182,714,079	\$ 227,952,743	\$ 211,421,792	\$ 151,343,988	\$ 121,738,089
Culture and recreation					
Parks and recreation department					
Participation in special events	40,045	30,749	23,122	49,125	67,300
Attendance for parks permitted event permits	-	-	-	-	-
Participation in recreation	27,393	28,304	22,586	31,555	25,210
Zoo regular customers	58,306	65,270	64,071	76,316	81,538
Library					
Registered borrowers	50,491	48,147	47,086	45,424	42,674
Items in collection	467,050	456,753	444,790	435,385	424,304
Items loaned	959,432	923,063	927,389	848,293	871,704
Library visits	484,917	492,106	474,982	461,403	475,363
Internet uses	106,662	118,825	109,965	92,656	90,489
Reference/research questions answered	84,838	89,232	77,896	59,321	71,253
Water					
Meters in service	28,051	28,131	28,134	28,134	28,243
Average number of gallons treated per month	433,795,000	433,676,667	431,616,667	415,642,500	408,434,167
Water pumped - million cubic feet	696	696	692	667	655
Water sold - million cubic feet	606	591	590	566	568
Daily average consumption in gallons	12,418,716	14,257,863	14,190,136	11,590,274	11,648,560
Gas					
Meters in service	27,452	26,585	26,896	28,540	28,712
MMBTU sold	5,355,988	5,679,683	4,885,371	4,770,804	5,218,978
Sewer					
Number of service connections	27,956	27,956	27,963	27,985	27,993
Daily average treatment in gallons	12,843,000	14,257,000	13,000,530	13,729,690	14,355,390
Stormwater					
Cleaning storm sewer pipe (in feet)	31,658	2,700	3,330	20,017	107,965
Steam					
Steam sold (in 1,000 lbs)	394,762	300,669	332,830	313,408	305,465
Hot water sold (MMBtu)	-	-	-	-	-
Golf					
Season passes	695	644	795	731	436
Skyline passes	-	-	1,620	2,146	1,818
Daily tickets	31,401	28,860	46,700	38,894	34,358
Carts	14,019	15,056	42,606	39,846	28,555
Rounds played	63,196	60,172	81,082	75,544	67,657

(continued)

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

Table 18

Function	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Police					
Criminal offences	10,437	10,890	7,695	8,169	6,682
Cleared by arrest	3,267	3,518	2,580	1,562	1,950
Traffic violations	5,421	4,568	10,223	7,344	3,689
Parking violations	31,934	42,684	31,556	33,028	33,928
Fire					
Number of calls answered	13,255	13,698	13,815	14,803	15,234
Number of inspections conducted	7,367	8,382	4,607	8,606	9,078
Public works					
Construction permits					
Permits issued	7,599	8,298	7,479	7,560	7,814
Estimated cost of construction during year	\$ 165,364,070	\$ 252,369,122	\$ 399,964,575	\$ 587,364,438	\$ 323,270,859
Culture and recreation					
Parks and recreation department					
Participation in special events	62,925	68,725	3,592	62,010	58,008
Attendance for parks permitted event permits	-	-	5,818	23,756	39,678
Participation in recreation	27,197	44,373	10,431	19,216	25,242
Zoo regular customers	78,439	79,128	32,533	75,366	95,627
Library					
Registered borrowers	51,636	52,178	39,906	40,228	39,967
Items in collection	419,907	346,516	332,450	407,845	291,174
Items loaned	847,237	868,740	373,521	549,697	402,342
Library visits	426,082	437,668	91,193	140,997	260,099
Internet uses	81,685	70,338	15,503	14,512	28,494
Reference/research questions answered	59,579	65,702	25,675	17,108	29,042
Water					
Meters in service	28,345	28,422	28,598	28,727	28,786
Average number of gallons treated per month	388,512,500	374,256,680	334,648,416	300,481,666	295,900,000
Water pumped - million cubic feet	623	600	537	482	474
Water sold - million cubic feet	562	528	464	347	389
Daily average consumption in gallons	12,773,013	12,307,089	11,002,308	9,878,849	9,726,027
Gas					
Meters in service	28,957	29,234	29,484	29,992	30,083
MMBTU sold	5,063,708	5,984,783	5,737,419	5,678,028	6,168,117
Sewer					
Number of service connections	28,030	28,075	27,766	28,666	28,775
Daily average treatment in gallons	12,093,510	14,111,340	11,002,140	10,945,300	13,380,900
Stormwater					
Cleaning storm sewer pipe (in feet)	125,776	82,597	2,841	13,730	16,162
Steam					
Steam sold (in 1,000 lbs)	345,262	350,306	293,441	284,998	335,347
Hot water sold (MMBtu)	-	-	-	95,165	128,444
Golf					
Season passes	462	307	183	213	215
Skyline passes	1,354	1,045	726	665	1,110
Daily tickets	39,661	33,223	15,924	16,508	15,279
Carts	25,048	21,079	16,649	19,609	14,470
Rounds played	60,988	51,402	39,337	41,440	32,400

Sources: Various government departments

Unaudited

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

Table 19

Function	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police					
Patrol units	93	93	93	97	102
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	470.49	472.51	473.80	475.77	475.74
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	410.98	410.98	410.98	411.08	352.00
Number of street lights					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,940	3,930
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	128	128	128	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	19	19	17	17
Community clubs/field houses operated	21	19	19	19	19
Number of athletic fields	57	57	57	48	48
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	428.30	429.50	430.40	428.30	428.40
Number of hydrants	2,671	2,677	2,688	2,699	2,708
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	527.00	534.70	534.10	538.20	544.40
Sewer					
Miles of sanitary sewers	398.00	402.00	395.30	397.60	398.80
Stormwater					
Miles of storm sewers	443.00	435.00	398.00	405.00	412.00
Steam					
Miles of steam pipeline	11.00	11.00	11.00	11.00	11.00
Miles of hot water pipeline	-	-	-	-	-
Golf					
Number of municipal golf courses	2	2	2	2	2

(continued)

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

Table 19

Function	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Police					
Patrol units	123	120	120	120	104
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	475.77	475.77	476.13	476.31	476.27
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	352.13	352.13	352.96	353.83	354.04
Number of street lights					
Ornamental lamps (no. of bulbs)	3,809	3,809	3,350	3,350	3,350
Overhead street lamps	3,665	3,665	3,700	3,700	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	129	129	162
Park acreage	12,000	12,000	12,000	12,000	9,715
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	17	16
Community clubs/field houses operated	18	17	17	17	17
Number of athletic fields	48	48	48	48	52
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	429.40	432.50	430.00	433.50	432.80
Number of hydrants	2,717	2,738	2,747	2,766	2,793
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	548.10	551.10	554.60	558.80	562.90
Sewer					
Miles of sanitary sewers	398.10	398.10	398.00	399.00	400.00
Stormwater					
Miles of storm sewers	413.00	413.00	415.00	418.00	415.00
Steam					
Miles of line	11.00	11.00	11.00	8.50	8.50
Miles of hot water pipeline	-	-	-	5.50	5.50
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

Table 20

	Fiscal Year				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	471	516	519	506	510
Number of conventions	51	45	52	47	45
Duluth Airport Authority					
Number of passengers	313,839	310,893	266,500	251,459	244,839
Duluth Transit Authority					
Number of buses	66	67	66	67	67
Number of routes	19	19	19	20	23
Number of passengers	3,195,020	3,107,305	2,850,000	2,804,000	2,786,000
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	136,990	140,017	95,401	89,483	78,739
Season passes	6,773	6,728	5,697	4,275	3,386

	Fiscal Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	494	515	97	190	363
Number of conventions	46	47	9	21	49
Duluth Airport Authority					
Number of passengers	275,969	313,980	129,508	218,629	241,678
Duluth Transit Authority					
Number of buses	75	75	77	72	77
Number of routes	23	23	23	23	23
Number of passengers	2,760,000	2,645,306	1,763,494	1,461,213	1,874,795
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	46,963	94,770	104,173	89,809	104,115
Season passes	4,970	6,679	6,756	6,895	8,218

Unaudited

