2025
Annual Comprehensive Financial Report

CITY OF DULUTH, MINNESOTA
For the Fiscal Year Ended December 31, 2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2025

CITY OF DULUTH, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
DECEMBER 31, 2025

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INTRODUCTORY SECTION

Finance Department
Room 120
411 West First Street
Duluth, Minnesota 55802

218-730-5350

June 29, 2026

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, 2025.

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

The Minnesota Office of the State Auditor has issued an unmodified opinion on the City of Duluth's financial statements for the year ended December 31, 2025. 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 87,986 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 city administrator who is chosen by and is responsible to the mayor. All executive and administrative powers are vested in the mayor, city administrator, 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 3.5% in 2025. The total number of jobs in Duluth reported to the state in 2025 averaged 56,704.

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." Located at the westernmost tip of Lake Superior, the Port of Duluth-Superior is North America's farthest-inland freshwater seaport. A remarkable 9-mile natural breakwater shelters the port's 49 miles of harbor frontage. Twenty privately owned bulk cargo docks and an award-winning general cargo terminal populate the working waterfront, along with a marine fueling depot, a shipyard with dry docks, multiple tug and barge services, plus an intermodal cargo terminal, offering global cargo transport through the Great Lakes-St. Lawrence Seaway, and direct Class I rail service to the East, West and Gulf Coast. It is the number one tonnage port on the Great Lakes, and the Port of Duluth-Superior supports, on average, over 7,000 port connected jobs and generates approximately $570 million in annual income, contributing over $1.5 billion to the local/regional business economy.

Duluth's aviation industry grew 112% between 2013 and 2018, with key anchor Cirrus Aircraft, the City's 2nd largest employer. Cirrus's headquarters and main manufacturing and engineering facilities are in Duluth, employing 3,026 people in the area in 2025, making it Duluth's largest manufacturing employer, according to DEED. In 2025 they generated over $1.35 billion in revenue, selling 797 aircraft, making it the largest producer of general aviation aircraft worldwide. Cirrus's aircraft, consisting of 3 models of single engine propeller aircraft, and the single-engine Vision SF50 jet, all have their innovative Airframe Parachute System, making it a unique safety feature in the aircraft industry.

Duluth's location on Lake Superior, its picturesque natural beauty, vibrant blend of outdoor recreational activities, cultural attractions, combined with a thriving arts and music scene, and its welcoming community, make it a popular tourist destination and a desirable place to live. Duluth is made up of nearly 30 different neighborhoods, each unique in their own way. Attractions, scenic views, parks, trails, breweries, restaurants and shops are filled with local favorites, and a variety that accommodates lifestyles for all.

Duluth's growth in tourism and recreational travel has made Duluth 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 $780 million each year, directly into the immediate area.

Duluth is being visited annually by several cruise lines. In 2025, Duluth had 9 cruise ship arrivals, including the Viking Octantis, Viking Polaris, Victory II, and the Pearl Mist, which brought in 3,680 visitors. The newly finished $22 million

Waterfront Plaza & seawall project, to establish the City as a key Great Lakes cruise destination, is projected to inject over $10 million into the local economy.

Duluth offers a variety of attractions and outdoor activities, including:

- The Duluth Entertainment & Convention Center (DECC)- 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 home to both the 2018 Olympic gold medal men’s team, and the 2026 Olympic silver medal mixed doubles team. Both Olympic medals were historic firsts for the U.S. in curling.
- Glensheen- Duluth’s historic Congdon Estate was bequeathed to the University of Minnesota, Duluth in 1968 & opened to the public in 1979. More than 3.5 million people have experienced Glensheen, making it the most visited house museum in the Midwest. The 39-room, 27,000-square-foot, mansion perched on the shore of Lake Superior is complete with formal garden, Carriage House, and Gardener’s Cottage. It was constructed between 1905 and 1908 for the family of Chester and Clara Congdon. The estate shares the story of Chester’s significant contributions to Minnesota’s iron ore mining industry and the Congdon family's philanthropy in creating the North Shore Scenic Highway. Tours and events are available year-round.
- Canal Park- Duluth’s historic waterfront district with its variety of hotels, restaurants, shops, and home to the famous Aerial Lift Bridge, Minnesota’s most frequented tourist attraction.
- The Lakewalk- A 7.5-mile recreational trail on the picturesque shores of Lake Superior.
- Bayfront Festival Park- A 20-acre waterfront park with a seasonal amphitheater. Bayfront hosts a variety of outdoor summertime concerts & events. Bayfront is the scenic setting of the Bentleyville Tour of Lights, America’s largest free holiday light display, which was voted the “#1 Best Public Holiday Lights Display” by USA Today in 2024. Bayfront Festival Park was named the “Best Outdoor Music Venue” in 2014 and in 2024 was named as one of Minnesota’s best outdoor concert venues by the Star Tribune.
- Great Lakes Aquarium-A $30 million freshwater aquarium featuring more than 20 exhibits of animals & habitats of the Great Lakes Basin as well as from other freshwater ecosystems, such as the Amazon River.
- Spirit Mountain Ski and Recreation Area-a year-round recreation area with the Midwest’s longest downhill ski run, with 22 Alpine runs and 30 kilometers of Nordic ski trails. Spirit also has a snow tubing park, RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line.
- Lake Superior Zoo- The Zoo is home to over 300 animals. The zoo’s mission is to inspire connections to wildlife, conservation through education, rescue and care.
- Enger Park Golf Course- The City’s public golf course, with three distinct 9 hole courses, 27 holes total, which overlook the Duluth Harbor.
- Duluth Parks- Duluth has 162 municipal parks encompassing over 9,720 acres of parkland and 11,600 acres of greenspace.
- Trails-Duluth has 353 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 seven “Gold Level” Ride Centers in the world by the International Mountain Bicycling Association (IMBA).
- Events-Duluth hosts world-class special events such as Grandma’s Marathon, the Duluth Airshow, and the Tall Ships Festival of Sail, along with a variety of local events, such as Fourth Fest, Tribute Fest, October Fest, All Pints North, Homegrown Music Festival and many others.

Duluth has been nationally recognized by various publications:

- 2025- U.S. News named Duluth as #237 (of 250) “Best Places to Live” (in US) and #10 in “Best Places to Live in Minnesota.”
- 2024-CNN Travel named Duluth in the top 10 of “America’s Best Towns to Visit.”
- 2024-Livability rated Duluth one of the “Best 100 Places to live in the US” looking at small to mid-size cities.
- 2024- Forbes Magazine named the William A. Irvin’s “Haunted Ship” tour as one of the “7 Scariest Haunted Houses Around the World” to visit for Halloween.
- 2022-The Washington Post named Duluth one of the “10 Great Cities in the US for outdoor adventures.”

- 2018- The New York Post recognized Duluth as one of the “Best 10 Christmas Cities in America.”
- 2018- Indeed.com ranked Duluth #1 for “US Cities Where Salaries Go Furthest.”

Duluth has three higher education institutions. 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 9,529 students in 2025, with a student to teacher ratio of 16:1. Undergraduate students can choose from 16 bachelor’s degrees in 89 majors, and 78 minors as well as 8 certificates. UMD also offers graduate programs in 24 fields, 10 minors, and 6 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 is a private institution founded in 1912. In 2026, U.S. News & World Report ranked CSS #283 in National Universities. CSS has 3 academic schools, and offers degrees in 59 undergraduate majors, minors and pre-professionals, as well as 14 masters, and 5 doctoral programs. Total enrollment for 2025 was approximately 3,000 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 second lowest college tuition in the State of Minnesota. LSC was recently ranked among the 20 best community colleges in the nation for quality and affordability. 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, 2025, is 31.0% 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 40%. It is important to note that while the General Fund balance may have opportunity for growth, the CIT is dependent on market earnings and therefore does not have the same opportunity for annual growth as interest and market earnings are outside of the City’s control.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund was originally 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, 2025, the Community Investment Fund reported a fund balance of $41.0 million.

In 2007, the City established an irrevocable trust to pre-fund the City’s other postemployment benefit liability (OPEB). The irrevocable trust balance was $107.5 million on December 31, 2025. In 2024, the City revised its OPEB funding framework. The City, through the Minnesota State Board of Investment, purchased a US Treasury ladder portfolio. This ladder portfolio allowed the City to match investment maturities with OPEB cash flow needs. In addition, annual retiree healthcare premium costs in excess of $3.5 million will be paid by the trust. The previous threshold was $9 million. For the year ended December 31, 2025, retiree health care premium costs of $6,891,356 were funded by the irrevocable trust. City pooled investment earnings, previously dedicated as a funding source for the trust, are now dedicated for capital funding needs.

MAJOR INITIATIVES

State legislation created a Duluth Regional Exchange District that will support the two regional health care systems headquartered in downtown Duluth. Essentia Health and Aspirus 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, the Aspirus St. Luke’s ramp became operational in 2024, and the Essentia ramp opened in 2025.

In 2026, the City is beginning reconstruction of West Superior Street between Carlton and West Michigan Street. This project is a complete reconstruction, including utilities, and is expected to be completed in 2028. The project is expected to cost over $40 million and will primarily be funded through a combination of federal and state funds.

Another major project that will begin in 2026 is significant rehabilitation of the Aerial Lift Bridge. This project is budgeted at approximately $23 million and will be funded through a combination of federal and state grants. The Aerial Lift Bridge is approaching 100 years old, and this work will ensure that it continues to operate safely for residents and visitors for many years to come.

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, 2024. This was the forty-seventh 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 2025. 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,

Nina Salinas, Finance Director

Respectfully submitted,

Joshua Bailey, City Auditor

ELECTED AND APPOINTED OFFICIALS
CITY OF DULUTH, MINNESOTA

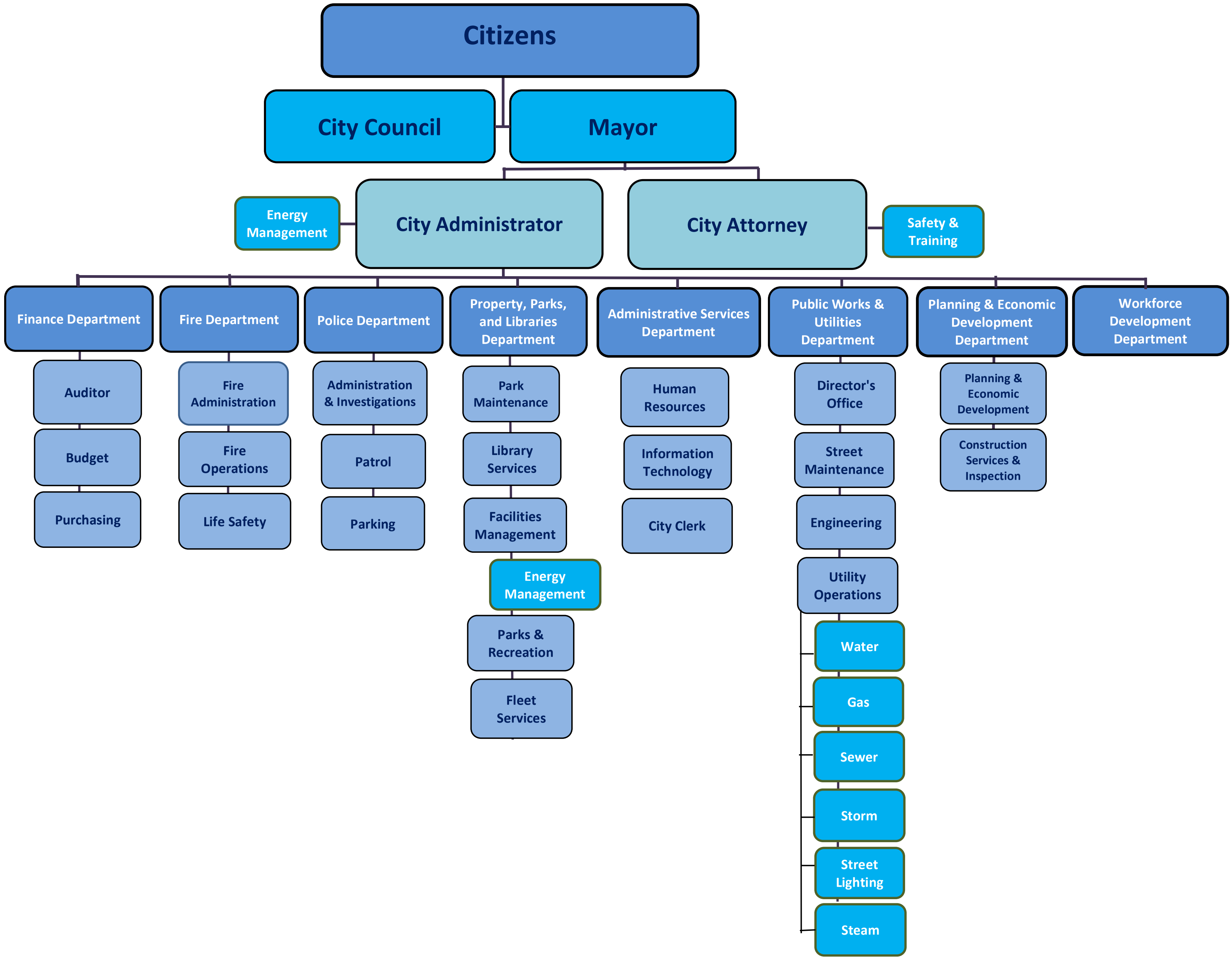
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor		2028
Roger Reinert		
City Council		
Jordon Johnson	At large	2030
Arik Forsman	At large	2028
Lynn Marie Nephew	At large	2028
Terese Tomanek	At large	2030
Wendy Durrwachter	1	2028
Diane Desotelle	2	2030
Roz Randorf	3	2028
David Clanaugh	4	2030
Janet Kennedy	5	2028

*All terms expire in January

APPOINTED POSITION	
Attorney	Terri Lehr
Auditor	Joshua Bailey
City Administrator	Matthew Staehling**
Finance Director	Nina Salinas
Chief of Police	Mike Ceynowa
Director of Administrative Services	Karla Cuhlane (Interim)
Director of Planning and Economic Development	Benjamin VanTassel
Director of Property, Parks & Libraries	Erik Birkeland
Director of Workforce Development	Elena Foshay
Director of Public Works and Utilities	James Benning***
Fire Chief	Shawn Krizaj

** Matthew Staehling resigned in February 2026
*** James Benning retired in March 2026

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, 2024

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

The Honorable Roger Reinert, Mayor,
and Members of the City Council
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, 2025, including the Spirit Mountain Recreation Area Authority component unit as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, 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, 2025, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Spirit Mountain Recreation Area Authority, a discretely presented component unit as of April 30, 2025, and the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, and the Duluth Transit Authority, discretely presented component units as of December 31, 2025, which represent 91.4 percent, 91.4 percent, and 93.1 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those discretely presented component units, is based solely on the reports of the other auditors.

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.

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Responsibilities of Management for the Financial Statements

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth's basic financial statements. The Combining and Individual Fund Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds 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 financial 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 reports dated June 29, 2026, on our consideration of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth's or the Duluth Economic Development Authority component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and compliance.

Julie Blaha	Lisa Young, CPA
State Auditor	Deputy State Auditor

June 29, 2026

Management's Discussion and Analysis

CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025
(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, 2025, 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, 2025, by $856.7 million; this amount is identified as net position.

- As of December 31, 2025, the City's governmental funds reported combined ending fund balances of $175.9 million.

- Restricted fund balances were $73.1 million of fund balance or 41.5%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of $102.8 million, or 58.5%, are unrestricted and classified as committed, assigned, or unassigned.

- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's Other Post-Employment Benefits (OPEB). As of December 31, 2025, the trust reported net position totaling $107.5 million.

- As of December 31, 2025, the General Fund's unrestricted, unassigned fund balance was $38.6 million, or 31.8% 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 a private-sector business. The Statement of Net Position presents information on all 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 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, stormwater, steam, golf, parking, and broadband fiber. The government-wide financial statements include not only the City, referred to as the primary government, but also five legally separate component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information of the City, as the primary government.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains multiple individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund, Disaster Recovery Special Revenue Fund, Community Investment Trust Special Revenue Fund, and the Permanent Improvement Capital Projects 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 are 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 Parking, Priley Drive Parking Facility, Water, Gas, Sewer, and Steam funds, all of which are 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 net investment 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 (12.1%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for capital outlay. 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 257,081	$ 243,670	$ 119,157	$ 89,102	$ 376,238	$ 332,772
Capital assets, net	390,704	379,596	432,286	376,243	822,990	755,839
Total assets	$ 647,785	$ 623,266	$ 551,443	$ 465,345	$ 1,199,228	$ 1,088,611
Deferred outflows of resources	$ 54,257	$ 57,335	$ 18,029	$ 21,255	$ 72,286	$ 78,590
Long-term liabilities outstanding	$ 215,414	$ 206,125	$ 81,976	$ 62,863	$ 297,390	$ 268,988
Other liabilities	20,886	33,443	18,379	12,700	39,265	46,143
Total liabilities	$ 236,300	$ 239,568	$ 100,355	$ 75,563	$ 336,655	$ 315,131
Deferred inflows of resources	$ 72,353	$ 83,351	$ 5,834	$ 5,699	$ 78,187	$ 89,050
Net position:						
Net investment in capital assets	$ 324,584	$ 323,604	$ 365,524	$ 332,734	$ 690,108	$ 656,338
Restricted	102,682	93,220	1,396	1,676	104,078	94,896
Unrestricted	(33,877)	(59,142)	96,363	70,928	62,486	11,786
Total net position	$ 393,389	$ 357,682	$ 463,283	$ 405,338	$ 856,672	$ 763,020

Overall, the City's net position improved in 2025. The City's total net position increased $93.7 million, an increase of 12%. The City's net investment in capital assets increased largely due to the City's utility infrastructure replacements along with parking ramp improvements. In addition, strong investment returns contributed to growth in both the City's OPEB and the Community Investment Trust Fund portfolios. The City's net pension liability decreased in 2025 due to strong investment returns.

In governmental activities, the increase in assets was due to continued investment in capital assets and significant grant proceeds. Capital additions have largely been grant driven which allows the City to improve its capital infrastructure without incurring a large amount of debt to do so. In governmental activities, the decrease in total liabilities of $3.3 million was largely due to a decrease in contracts payable due to payments to contractors during the year associated with the Regional Exchange District. In addition, the pension liability decreased in the year 2025. 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. Positive returns in the stock market and changes in actuarial assumptions were the primary driving force behind the decrease in the City's net 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 $86.1 million was largely due to capital-related spending. Improvements to utility infrastructure have been partially funded by grant funds for Water utility improvements and other utility improvements. The increase in total liabilities of $24.8 million was partially due to an increase in contracts payable in the Parking and the Water fund due to ramp improvements and utility water projects. In addition, there was an increase in utility related notes due to the issuance of woodland booster station and lead service line notes of approximately $21.8 million.

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 16,891	$ 16,612	$ 112,832	$ 102,852	$ 129,723	$ 119,464
Operating grants and contributions	15,645	35,001	20,818	6,183	36,463	41,184
Capital grants and contributions	26,646	43,504	47,172	24,199	73,818	67,703
General revenues:						
Property taxes	46,356	45,533	-	-	46,356	45,533
Other taxes	49,781	49,175	-	-	49,781	49,175
Grants and shared revenues not restricted to specific programs	38,544	38,152	-	-	38,544	38,152
Other	22,928	24,115	354	156	23,282	24,271
Total revenues	216,791	252,092	181,176	133,390	397,967	385,482
Expenses:						
General government	41,031	39,197	-	-	41,031	39,197
Public safety	58,254	55,000	-	-	58,254	55,000
Public works	35,063	29,848	-	-	35,063	29,848
Culture and recreation	21,412	19,225	-	-	21,412	19,225
Urban and economic development	25,293	55,920	-	-	25,293	55,920
Interest	3,390	3,611	-	-	3,390	3,611
Water	-	-	37,382	22,710	37,382	22,710
Gas	-	-	39,636	35,409	39,636	35,409
Sewer	-	-	19,945	19,456	19,945	19,456
Stormwater	-	-	4,891	5,154	4,891	5,154
Steam	-	-	9,666	9,604	9,666	9,604
Golf	-	-	2,158	1,454	2,158	1,454
Parking	-	-	4,823	4,255	4,823	4,255
Priley drive parking facility	-	-	1,371	1,346	1,371	1,346
Broadband fiber	-	-	-	835	-	835
Total expenses	184,443	202,801	119,872	100,223	304,315	303,024
Increase (decrease) in net position before transfers	32,348	49,291	61,304	33,167	93,652	82,458
Transfers	3,359	6,474	(3,359)	(6,474)	-	-
Increase in net position	35,707	55,765	57,945	26,693	93,652	82,458
Net position, January 1	357,682	301,917	405,338	378,645	763,020	680,562
Net position, December 31	$ 393,389	$ 357,682	$ 463,283	$ 405,338	$ 856,672	$ 763,020

Governmental activities revenue decreased by $35.3 million in 2025. This decrease is largely due to lower operating/capital grants and contributions revenue in 2025. The decreased capital grants and contributions are primarily due to the lower grant funds in the General Fund because of the conclusion of the SLFRF program in the year 2024.

Business-type activities revenue increased by $47.8 million. The increase in revenue is largely due to increased capital grants and contributions revenue in 2025 mainly in the Parking and Water funds. The capital grants and

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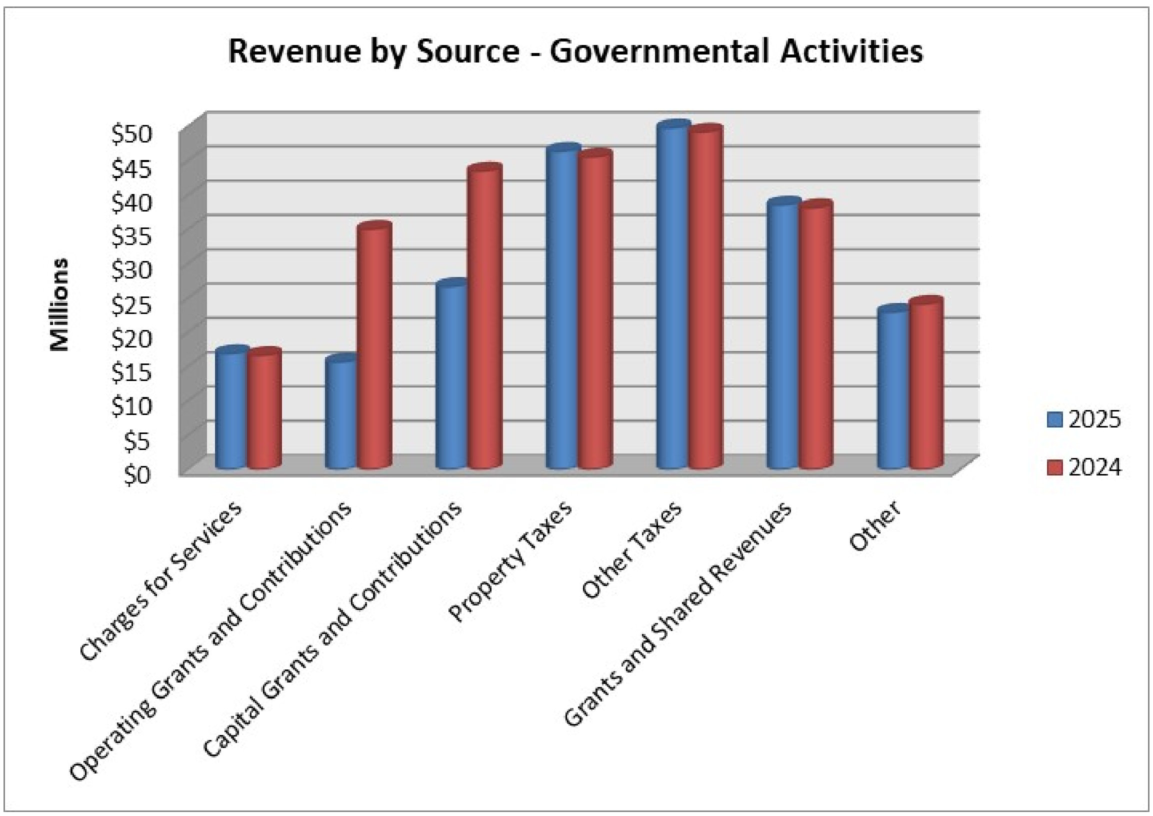
contributions in the Parking and Water funds were primarily for ramp construction activity and lead service line replacement construction respectively.

Total expenses decreased by $18.4 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 details on these two items can be found in Notes 13 and 14 of the financial statements. In 2025, the city had significantly decreased expenditures in urban and economic development. The decrease in urban and economic development spending is mainly associated with lower Regional Exchange District expenditures for the development of the City's medical district along with lower expenditures in the General Fund.

Business-type activities expenses increased $19.6 million. The majority of the increase was in the Water fund due to the replacement of the privately owned portion (property owner) of lead service lines which are funded by federal grants.



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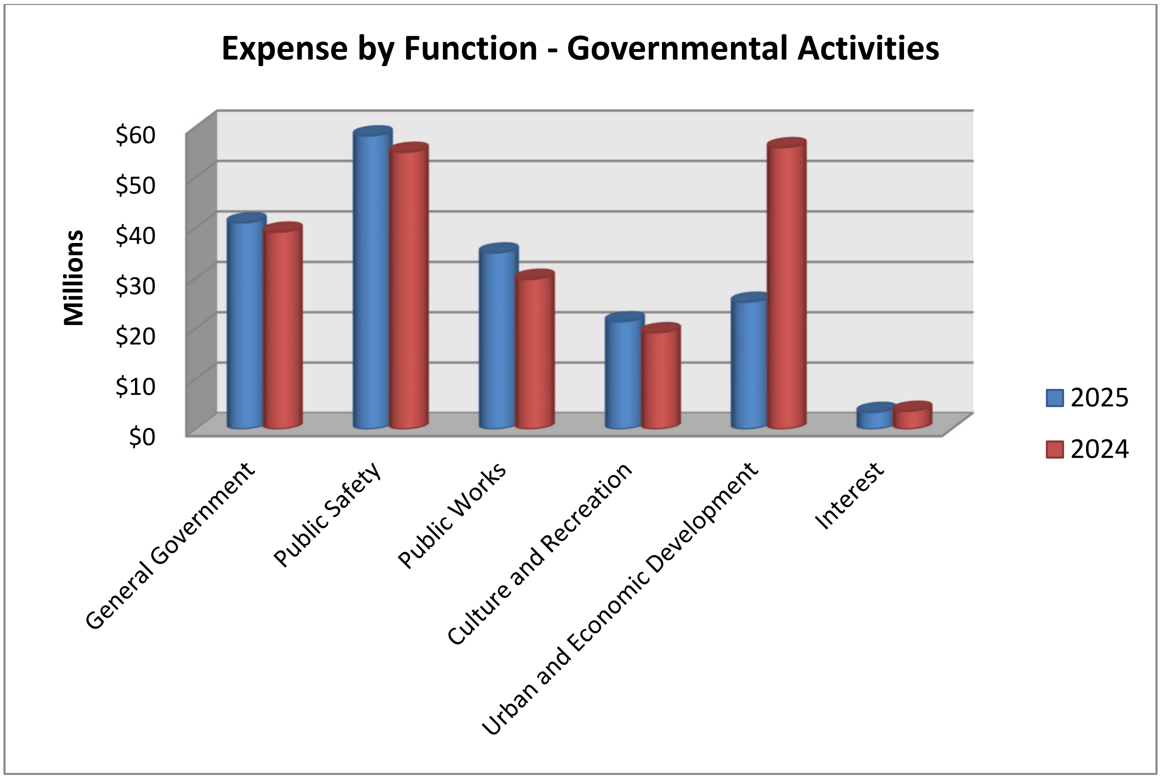

FUND FINANCIAL ANALYSIS

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, 2025, the City's governmental funds reported combined ending fund balances of $175.9 million, an increase of $30.1 million from 2024. Of the total fund balance amount, $102.8 million, or 58.5%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes $69.5 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 59.1% of the committed fund balance. Restricted fund balance of $73.1 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, 2025, fund balance of the General Fund was $39.7 million, with $38.6 million, or 97.2% 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 31.8% and the total fund balance is 32.7% of total General Fund expenditures. The General Fund's fund balance increased $2.4 million in 2025. Strong sales tax collections along with lower than budgeted expenditures primarily in the general government function were a large driving force behind the fund balance increase.

The Disaster Recovery Special Revenue fund balance increased $1.6 million in 2025. This is primarily due to grant revenues collected related to a storm surge in 2022 and flooding in 2023.

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The Community Investment Trust Special Revenue fund balance increased $3.5 million in 2025. This increase was due to the performance of the portfolio holdings in a strong stock market year.

The Permanent Improvement Capital Projects fund balance decreased $1.6 million in 2025. This is primarily due to expenditures related to West Superior Street, Lakewalk Trail Crossing Relocations of $.9 million in 2025. The current-year expenditures include costs for projects that are expected to be reimbursed by grant revenues in subsequent fiscal years. Expenditures are funded with federal and state grant funds.

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	
	2025	2024	2025	2024
Parking	$ 3,722	$ 2,120	$ 28,805	$ 17,886
Priley Drive Parking Facility	681	636	(200)	(290)
Water	39,545	20,732	21,360	7,524
Gas	13,997	14,973	(947)	(1,745)
Sewer	16,065	14,174	3,047	2,833
Steam	1,936	1,877	(328)	(359)

Unrestricted net position for the major proprietary funds above increased by $21.4 million from 2024 to 2025. The Water fund had an increase in unrestricted net position of $18.8 million. Minnesota is providing funding (federal and state grants) to public water systems to replace lead service lines connected to their distribution system through the Minnesota Drinking Water Revolving Fund (DWRF). The State of Minnesota has set a goal to replace all lead service lines by 2033. There was $16 million in capital contributions for Minnesota Public Facilities Authority (PFA) state grant revenue for lead service line replacements recorded in the Water fund in 2025. Overall, the change in the total net position of the above funds was an increase of $51.7 million. Of particular note, the Parking fund and the Water fund had increases in total net position of $28.8 million and $21.4 million respectively. The Parking fund recorded $30.2 million in capital contributions related to ramp construction activity, mainly for the Hillside Parking Ramp in the Parking Fund in 2025. These revenues contributed to the increase in the Parking fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a $16.4 million increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- $2.5 million appropriation increase for prior year carryovers; and
- $0.4 million appropriation increase for grants, gifts and donations; and
- $13.5 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.

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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 $3.4 million. This favorable variance can be attributed mainly to higher than anticipated sales tax revenue, building inspection fees, and State of Minnesota insurance surcharge revenues.
- Expenditures and transfers were under budget by $.8 million due primarily to savings in personnel costs.

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, 2025, was $823.0 million, net of accumulated depreciation and amortization. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, utility-related infrastructure, and intangible right-to-use assets. In 2025, the City's total investment in capital assets, net of accumulated depreciation and amortization, increased by $67.2 million. Major capital asset additions for governmental activities in 2025 included: 2025 street preservation of $5.3 million and Seawall reconstruction of $3.8 million. Major capital asset additions for business-type activities in 2025 included: Hillside Public Ramp of $29.6 million, Woodland Booster $6.4 million, Lincoln Park lead service line 4 of $5.3 million, and Fairmont lead service line of $3.3 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 and amortization on December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Capital Assets:				
Land and improvements	$ 23,531	$ 23,531	$ 8,502	$ 8,502
Buildings	36,537	39,758	88,258	54,270
Equipment	10,974	6,389	43,135	42,752
Infrastructure	245,396	254,219	270,784	242,175
Right-to-use assets	8,284	5,587	-	-
Construction in progress	65,982	50,112	21,607	28,544
Total	$ 390,704	$ 379,596	$ 432,286	$ 376,243

LONG-TERM DEBT

The City had $122.3 million of bonded debt outstanding as of December 31, 2025. Of this amount, $91.7 million of debt is backed by the full faith and credit of the City. The City has a contingent liability for the $30.6 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 12/31/25	Balance 12/31/24
Governmental Activities:		
General Obligation Bonds	$ 71,275	$ 69,395
General Obligation Tax Abatement Bonds	6,370	7,335
General Obligation Certificates	14,095	14,020
Total Governmental Activities Bonded Debt	$ 91,740	$ 90,750
Business-type Activities:		
Revenue and General Obligation Bonds	$ 30,599	$ 33,320

During 2025, the City's total bonded debt decreased by $1.7 million.

In 2025, the City issued $9.1 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 $215.8 million, which is significantly higher than the City's net debt of $37.0 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 2026 General Fund budget is $113.2 million. State local government aid (LGA) payments are anticipated to supply 31.1% of General Fund revenues.

Local Government Aid (LGA) is the largest source of revenue for the General Fund. For 2026, the City's certified LGA amount is $35.23 million, unchanged from 2025. Historically, increases have been less than 1% each year. The State currently projects a $3.7 billion budget surplus in the 2026-2027 biennium, though longer-range forecasts still show spending growth outpacing revenue, implying potential shortfalls and only modest growth in revenue without major cuts.

In 2025, the City contracted with an actuary to calculate its OPEB liability in accordance with GASB Statement No. 75. As of December 31, 2025, the City's net OPEB liability is $73.1 million.

Adapting to significant changes in levels of state aid, combined with inflationary tendencies in employee salaries and benefits, 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 of Duluth's finances for all those with an interest in the government'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, 2025

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
Assets				
Cash and cash equivalents	$ 183,016,746	$ 61,059,295	$ 244,076,041	$ 44,838,612
Investments, at fair value	490,760	-	490,760	-
Assets held by trustee	18,932,626	-	18,932,626	-
Receivables, net	32,407,057	16,681,977	49,089,034	22,705,924
Due from primary government	-	-	-	1,208,396
Internal balances	(6,666,758)	6,666,758	-	-
Due from component units	131,359	-	131,359	-
Due from other governments	28,357,974	24,775,178	53,133,152	3,828,308
Inventories	313,437	4,173,312	4,486,749	1,008,265
Prepaids	97,912	1,800,647	1,898,559	1,035,956
Restricted assets				
Cash and cash equivalents	-	3,004,289	3,004,289	5,477,402
Accounts receivable	-	-	-	446,744
Loans receivable	-	995,462	995,462	-
Grants receivable	-	-	-	5,591,473
Capital assets (Note 7)				
Non-depreciable	89,512,491	30,108,652	119,621,143	15,724,603
Depreciable and amortizable, net	301,191,321	402,177,091	703,368,412	249,758,131
Total Assets	647,784,925	551,442,661	1,199,227,586	351,623,814
Deferred Outflows of Resources				
Deferred pension obligation outflows	34,547,722	1,276,478	35,824,200	1,272,120
Deferred OPEB outflows	18,326,309	16,748,506	35,074,815	363,408
Deferred loss from debt refunding	1,383,092	4,500	1,387,592	-
Total Deferred Outflows of Resources	54,257,123	18,029,484	72,286,607	1,635,528
Liabilities				
Accounts payable and other short-term liabilities	16,435,759	14,908,672	31,344,431	7,023,432
Accrued interest payable	1,433,451	405,766	1,839,217	36,967
Due to primary government	-	-	-	130,889
Due to component unit	1,208,396	-	1,208,396	-
Due to other government	260,162	1,630,329	1,890,491	945,716
Unearned revenues	1,548,059	1,433,900	2,981,959	2,859,075
Noncurrent liabilities				
Due within one year	23,205,741	26,145,350	49,351,091	2,675,849
Due in more than one year	96,725,757	38,068,168	134,793,925	4,104,367
Net other postemployment benefits liability due in more than one year	60,850,505	12,250,042	73,100,547	4,184,785
Net pension liability due in more than one year	34,631,998	5,512,993	40,144,991	3,291,736
Total Liabilities	236,299,828	100,355,220	336,655,048	25,252,816
Deferred Inflows of Resources				
Lease related	1,708,636	1,393,975	3,102,611	12,346,189
Deferred pension obligation inflows	49,231,069	3,624,515	52,855,584	2,719,406
Deferred OPEB inflows	21,413,182	815,746	22,228,928	560,810
Total Deferred Inflows of Resources	72,352,887	5,834,236	78,187,123	15,626,405
Net Position				
Net investment in capital assets	324,584,505	365,523,334	690,107,839	258,183,606
Restricted for:				
General government	18,065,277	-	18,065,277	-
Public safety	4,414,749	-	4,414,749	-
Public works	2,471,339	1,396,292	3,867,631	-
Culture and recreation	5,992,689	-	5,992,689	-
Urban and economic development	12,831,778	-	12,831,778	-
Debt service	25,989,865	-	25,989,865	-
Capital outlay	32,916,004	-	32,916,004	15,770,051
Unrestricted	(33,876,873)	96,363,063	62,486,190	38,426,464
Total Net Position	$ 393,389,333	$ 463,282,689	$ 856,672,022	$ 312,380,121

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, 2025

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental activities				
General government	$ 41,030,700	$ 6,863,043	$ 269,093	$ 244,831
Public safety	58,254,336	3,070,237	5,883,377	414,006
Public works	35,062,247	206,063	2,780,076	15,565,010
Culture and recreation	21,412,238	2,450,333	696,888	2,826,818
Urban and economic development	25,292,914	4,300,968	6,016,093	7,595,030
Interest	3,390,194	-	-	-
Total Governmental Activities	184,442,629	16,890,644	15,645,527	26,645,695
Business-type activities				
Water	37,382,006	22,182,687	20,809,739	16,028,458
Gas	39,636,264	41,337,481	8,212	147,569
Sewer	19,945,078	22,939,801	-	246,999
Stormwater	4,891,450	9,747,127	-	427,969
Steam	9,665,990	9,389,241	-	114,242
Golf	2,157,885	1,718,476	-	-
Parking	4,823,153	4,831,870	-	30,206,848
Priley Drive parking facility	1,370,679	685,662	-	-
Total Business-type Activities	119,872,505	112,832,345	20,817,951	47,172,085
Total Primary Government	$ 304,315,134	$ 129,722,989	$ 36,463,478	$ 73,817,780
Component units				
Duluth Economic Development Authority	$ 8,306,157	$ 883,896	$ 708,969	$ -
Duluth Entertainment and Convention Center Authority	20,350,973	13,143,345	-	200,000
Duluth Airport Authority	19,999,144	5,866,207	-	19,192,277
Duluth Transit Authority	31,163,318	2,610,115	23,638,999	7,042,257
Spirit Mountain Recreation Area Authority	7,312,418	6,548,865	-	548,096
Total Component Units	$ 87,132,010	$ 29,052,428	$ 24,347,968	$ 26,982,630

(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, 2025

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary Government				
Governmental activities				
General government	$ (33,653,733)	$ -	$ (33,653,733)	$ -
Public safety	(48,886,716)	-	(48,886,716)	-
Public works	(16,511,098)	-	(16,511,098)	-
Culture and recreation	(15,438,199)	-	(15,438,199)	-
Urban and economic development	(7,380,823)	-	(7,380,823)	-
Interest	(3,390,194)	-	(3,390,194)	-
Total Governmental Activities	(125,260,763)	-	(125,260,763)	-
Business-type activities				
Water	-	21,638,878	21,638,878	-
Gas	-	1,856,998	1,856,998	-
Sewer	-	3,241,722	3,241,722	-
Stormwater	-	5,283,646	5,283,646	-
Steam	-	(162,507)	(162,507)	-
Golf	-	(439,409)	(439,409)	-
Parking	-	30,215,565	30,215,565	-
Priley Drive parking facility	-	(685,017)	(685,017)	-
Total Business-type Activities	-	60,949,876	60,949,876	-
Total Primary Government	(125,260,763)	60,949,876	(64,310,887)	-
Component units				
Duluth Economic Development Authority	-	-	-	(6,713,292)
Duluth Entertainment and Convention Center Authority	-	-	-	(7,007,628)
Duluth Airport Authority	-	-	-	5,059,340
Duluth Transit Authority	-	-	-	2,128,053
Spirit Mountain Recreation Area Authority	-	-	-	(215,457)
Total Component Units	-	-	-	(6,748,984)
General Revenues				
Property taxes	46,355,998	-	46,355,998	6,650,576
Sales taxes	45,555,384	-	45,555,384	2,373,498
Franchise taxes	4,140,998	-	4,140,998	-
Other taxes	84,749	-	84,749	-
Grants and shared revenues not restricted to specific programs	38,544,028	-	38,544,028	-
Investment income	12,356,800	305,657	12,662,457	2,098,726
Gain on sale or disposition of capital assets	-	48,670	48,670	15,311
Miscellaneous	10,571,034	-	10,571,034	4,725,675
Extraordinary Item	-	-	-	818,051
Transfers	3,359,531	(3,359,531)	-	-
Total General Revenues and Transfers	160,968,522	(3,005,204)	157,963,318	16,681,837
Change in Net Position	35,707,759	57,944,672	93,652,431	9,932,853
Net Position - Beginning	357,681,574	405,338,017	763,019,591	302,447,268
Net Position - Ending	$ 393,389,333	$ 463,282,689	$ 856,672,022	$ 312,380,121

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Disaster Recovery	Community Investment Trust	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 29,258,568	$ -	$ 39,803,994	$ -	$ 105,916,151	$ 174,978,713
Investments, at fair value	-	-	490,760	-	-	490,760
Receivables, net						
Taxes	5,956,257	-	-	10,825	4,695,800	10,662,882
Accounts	1,003,271	-	-	-	589,426	1,592,697
Assessments	1,300,449	-	-	-	1,492,384	2,792,833
Loans	1,804,669	-	-	-	12,008,336	13,813,005
Leases	142,822	-	-	-	1,672,285	1,815,107
Accrued Interest	-	-	739,051	-	1,422,993	2,162,044
Due from other funds	221,017	600,000	-	2,500	3,450,616	4,274,133
Due from component units	11,487	-	-	-	10,100	21,587
Interfund loan receivables	14,149,204	-	-	-	-	14,149,204
Due from other governments	690,028	5,160,274	-	9,933,417	11,995,270	27,778,989
Total Assets	$ 54,537,772	$ 5,760,274	$ 41,033,805	$ 9,946,742	$ 143,253,361	$ 254,531,954
Liabilities						
Accounts payable	3,457,082	-	-	-	1,141,092	4,598,174
Contracts payable	236,622	83,903	-	772,716	6,527,727	7,620,968
Due to other funds	3,072,289	-	-	-	1,938,368	5,010,657
Due to component units	-	-	-	-	1,208,396	1,208,396
Interfund loan payable	-	4,097,099	-	3,296,005	4,731,360	12,124,464
Due to other governments	176,153	-	-	4,005	49,889	230,047
Accrued salaries payable	3,617,800	-	-	-	147,494	3,765,294
Unearned revenue	228,810	671,331	-	-	647,918	1,548,059
Total Liabilities	10,788,756	4,852,333	-	4,072,726	16,392,244	36,106,059
Deferred Inflows of Resources						
Unavailable revenue	3,888,217	5,160,274	-	9,556,266	22,203,539	40,808,296
Lease related	140,309	-	-	-	1,568,327	1,708,636
Total Deferred Inflows of Resources	4,028,526	5,160,274	-	9,556,266	23,771,866	42,516,932
Fund Balances						
Restricted	246,160	-	-	-	72,811,149	73,057,309
Committed	15,234	-	41,033,805	-	28,413,372	69,462,411
Assigned	843,836	-	-	-	8,450,772	9,294,608
Unassigned	38,615,260	(4,252,333)	-	(3,682,250)	(6,586,042)	24,094,635
Total Fund Balances	39,720,490	(4,252,333)	41,033,805	(3,682,250)	103,089,251	175,908,963
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 54,537,772	$ 5,760,274	$ 41,033,805	$ 9,946,742	$ 143,253,361	$ 254,531,954

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, 2025

Fund Balance-total governmental funds		$ 175,908,963
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the assets is $757,375,536, and the accumulated depreciation and amortization is $366,809,596.		390,565,940
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.		40,071,770
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	34,431,115	
Deferred OPEB outflows	18,326,309	
Deferred loss from debt refunding	1,383,092	
Deferred pension obligation inflows	(48,899,968)	
Deferred OPEB inflows	(21,413,182)	
		(16,172,634)
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 $21,293,115 less $8,594,607 attributed to business-type activities.		12,698,508
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	105,147,289	
SBITA payable	4,510,223	
Leases payable	3,613,362	
Net other postemployment benefits	60,850,505	
Net pension liability	34,128,384	
Interest accrued on long-term debt	1,433,451	
		(209,683,214)
Net position of governmental activities		$ 393,389,333

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General	Disaster Recovery	Community Investment Trust	Permanent Improvement
Revenues				
Taxes				
Property taxes	$ 25,948,264	$ -	$ -	$ 262,997
Sales taxes	19,302,231	-	-	-
Other taxes	4,214,250	-	-	-
Licenses and permits	2,427,027	-	-	-
Intergovernmental revenues	40,886,312	1,420,606	-	4,121,721
Charges for services	8,152,121	-	-	-
Fines and forfeits	251,058	-	-	-
Special assessments	585,623	-	-	-
Investment income	132,864	-	4,704,298	-
Miscellaneous revenues	7,150,476	-	-	1,068,122
Total Revenues	109,050,226	1,420,606	4,704,298	5,452,840
Expenditures				
Current				
General government	34,512,294	-	-	-
Public safety	53,668,204	-	-	-
Public works	14,981,581	-	-	2,725,430
Culture and recreation	5,565,641	464,502	-	-
Urban and economic development	4,157,587	-	-	-
Debt service				
Principal retirement	1,168,439	-	-	-
Interest and fiscal fees	90,767	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	7,319,531	-	-	6,142,507
Total Expenditures	121,464,044	464,502	-	8,867,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,413,818)	956,104	4,704,298	(3,415,097)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	-	-
SBITA issued	2,083,426	-	-	-
Financed purchase proceeds	4,564,196	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	11,046,851	685,100	-	1,853,012
Transfers out	(2,879,600)	-	(1,178,378)	-
Total Other Financing Sources (Uses)	14,814,873	685,100	(1,178,378)	1,853,012
Net Change in Fund Balances	2,401,055	1,641,204	3,525,920	(1,562,085)
Fund Balances - January 1, 2025, as previously reported	37,319,435	(5,893,537)	37,507,885	-
Change within financial reporting entity (nonmajor to major fund)	-	-	-	(2,120,165)
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-
Fund Balances - January 1, 2025, as adjusted or restated	37,319,435	(5,893,537)	37,507,885	(2,120,165)
Fund Balances - December 31, 2025	$ 39,720,490	$ (4,252,333)	$ 41,033,805	$ (3,682,250)

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Formerly Major Fund Regional Exchange District	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property taxes		$ 20,128,198	$ 46,339,459
Sales taxes		26,253,152	45,555,383
Other taxes		11,497	4,225,747
Licenses and permits		160,161	2,587,188
Intergovernmental revenues		35,315,028	81,743,667
Charges for services		2,177,729	10,329,850
Fines and forfeits		177,051	428,109
Special assessments		259,590	845,213
Investment income		6,626,559	11,463,721
Miscellaneous revenues		7,636,542	15,855,140
Total Revenues		98,745,507	219,373,477
Expenditures			
Current			
General government		2,505,596	37,017,890
Public safety		2,533,926	56,202,130
Public works		4,333,682	22,040,693
Culture and recreation		12,190,688	18,220,831
Urban and economic development		21,240,267	25,397,854
Debt service			
Principal retirement		12,505,222	13,673,661
Interest and fiscal fees		3,650,366	3,741,133
Bond issuance costs		171,127	171,127
Capital outlay		24,417,820	37,879,858
Total Expenditures		83,548,694	214,345,177
Excess (Deficiency) of Revenues Over (Under) Expenditures		15,196,813	5,028,300
Other Financing Sources (Uses)			
Issuance of bonds		12,540,000	12,540,000
SBITA issued		1,640,104	3,723,530
Financed purchase proceeds		-	4,564,196
Premium on issuance of bonds		913,688	913,688
Transfers in		29,764,462	43,349,425
Transfers out		(35,931,916)	(39,989,894)
Total Other Financing Sources (Uses)		8,926,338	25,100,945
Net Change in Fund Balances	-	24,123,151	30,129,245
Fund Balances - January 1, 2025, as previously reported	(9,622,148)	86,468,083	145,779,718
Change within financial reporting entity (nonmajor to major fund)	-	2,120,165	-
Change within financial reporting entity (major to nonmajor fund)	9,622,148	(9,622,148)	-
Fund Balances - January 1, 2025, as adjusted or restated	-	78,966,100	145,779,718
Fund Balances - December 31, 2025	$ -	$ 103,089,251	$ 175,908,963

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, 2025

Net change in fund balances - total governmental funds		$ 30,129,245
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 and amortization expense. In the current period, these amounts are:		
Capital outlay	35,877,664	
Depreciation and amortization expense	(24,765,977)	
Excess of capital outlay over depreciation expense		11,111,687
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for the difference between the carrying value of the asset and the funds received from the disposal.		
Net loss on disposal of capital assets		(8,747)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of $1,949,169 from internal funds less $278,270 attributed to business-type activities is reported with governmental activities.		1,670,899
The issuance of bonds, SBITA, and leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period issuances occurred for:		
Bonds, leases, SBITA, purchase agreements, including a bond premium of $913,688		(21,741,414)
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:		
Bonds, leases, SBITA, and purchase agreement principal retirement		13,673,661
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues decreased by this amount this year.		(5,954,005)
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	83,529	
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	1,764,302	
Decrease in pension obligation and related deferred inflows and deferred outflows	4,097,742	
Increase in allowance for doubtful accounts	(35,073)	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	1,087,037	
Total additional expenditures		6,826,433
Change in net position of governmental activities		$ 35,707,759

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, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Actual to Modified Budget Increase
	Original	Final	(Note 2)	(Decrease)
Revenues				
Taxes	$ 48,203,000	$ 48,203,000	$ 49,464,745	$ 1,261,745
Licenses and permits	2,182,700	2,182,700	2,427,027	244,327
Intergovernmental revenues	39,891,100	39,947,749	40,886,312	938,563
Charges for services	7,303,300	7,303,300	8,152,121	848,821
Fines and forfeits	202,000	202,000	251,058	49,058
Special assessments	534,800	630,555	585,623	(44,932)
Investment income	-	-	132,864	132,864
Miscellaneous revenues	534,700	6,883,837	7,150,476	266,639
Total Revenues	98,851,600	105,353,141	109,050,226	3,697,085
Expenditures				
Current				
General government	30,930,500	36,337,131	34,891,659	1,445,472
Public safety	52,613,900	59,770,595	58,982,851	787,744
Public works	15,616,400	17,660,858	17,227,775	433,083
Culture and recreation	5,639,400	5,566,673	5,565,641	1,032
Urban and economic development	4,244,400	4,214,675	4,230,748	(16,073)
Debt service				
Principal retirement	-	1,168,439	1,168,439	-
Interest and fiscal fees	-	90,767	90,767	-
Total Expenditures	109,044,600	124,809,138	122,157,880	2,651,258
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,193,000)	(19,455,997)	(13,107,654)	6,348,343
Other Financing Sources (Uses)				
SBITA proceeds	-	2,083,426	2,083,426	-
Financed purchase proceeds	-	4,564,196	4,564,196	-
Transfers in	10,127,500	10,897,581	11,046,851	149,270
Transfers out	(384,500)	(1,049,806)	(2,879,600)	(1,829,794)
Fund balance reserves	450,000	450,000	-	(450,000)
Total Other Financing Sources (Uses)	10,193,000	16,945,397	14,814,873	(2,130,524)
Net Change in Fund Balance - Budgetary Basis	-	(2,510,600)	1,707,219	4,217,819
Net Adjustments to Reflect Operations In Accordance With Generally Accepted Accounting Principles	-	-	693,836	693,836
Net Change in Fund Balance - GAAP Basis	-	(2,510,600)	2,401,055	$ 4,911,655
Fund Balance - January 1, 2025	17,689,159	13,468,311	37,319,435	
Fund Balance - December 31, 2025	$ 17,689,159	$ 10,957,711	$ 39,720,490	

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, 2025

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Assets				
Current assets				
Cash and cash equivalents	$ 1,909,464	$ 515,016	$ 17,450,042	$ 12,633,226
Restricted cash and cash equivalents				
Customer deposits	-	-	-	1,488,572
Construction	-	-	-	-
Loans	-	-	-	421,636
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	123,100	39,767	2,203,206	7,640,467
Restricted loans	-	-	-	208,362
Assessments	-	-	11,144	13,117
Leases	285,011	-	-	-
Due from other funds	-	243,159	-	-
Due from component units	-	-	-	-
Due from other governments	2,080,654	-	22,471,671	155
Inventories	-	-	1,608,977	1,575,823
Prepaids	-	-	-	1,791,688
Total current assets	4,398,229	797,942	43,745,040	25,773,046
Noncurrent assets				
Assessments receivable	-	-	30,955	69,466
Restricted loans receivable	-	-	-	774,405
Leases	1,147,738	-	-	-
Capital assets, net	63,252,754	15,790,660	114,321,918	65,716,746
Total noncurrent assets	64,400,492	15,790,660	114,352,873	66,560,617
Total Assets	68,798,721	16,588,602	158,097,913	92,333,663
Deferred Outflows of Resources				
Deferred loss from debt refunding	4,500	-	-	-
Deferred pension obligation outflows	35,011	-	391,619	488,379
Deferred OPEB outflows	-	-	4,949,424	5,904,284
Total Deferred Outflows of Resources	39,511	-	5,341,043	6,392,663
Liabilities				
Current liabilities				
Accounts payable	23,865	4,555	430,337	4,576,779
Contracts payable	2,095,450	3,728	3,567,467	63,155
Claims payable	-	-	-	-
Notes payable	-	-	21,873,909	-
Leases payable	-	-	-	-
Purchase agreement payable	-	-	-	-
Due to other funds	4,772	-	23,194	22,496
Interfund loan payable	-	-	-	-
Due to other governments	5,593	-	44,376	121,495
Accrued interest payable	21,468	108,918	68,031	-
Accrued salaries payable	28,324	-	345,858	388,793
Compensated absences	38,804	-	416,900	531,641
Unearned revenue	-	-	71,484	1,067,539
Deposits	73,500	-	-	1,488,572
Revenue bonds payable	945,000	308,623	260,000	-
Total current liabilities	3,236,776	425,824	27,101,556	8,260,470

(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, 2025

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Noncurrent liabilities				
Notes payable	-	-	9,272,882	-
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	2,748	-	13,647	-
Leases payable	-	-	-	-
Purchase agreement payable	-	-	-	-
Net pension liability	151,209	-	1,691,365	2,109,266
Net other postemployment benefits payable	-	-	3,805,412	5,505,547
Revenue bonds payable	114	10,705,576	2,425,217	-
Total noncurrent liabilities	154,071	10,705,576	17,208,523	7,614,813
Total Liabilities	3,390,847	11,131,400	44,310,079	15,875,283
Deferred Inflows of Resources				
Deferred pension obligation inflows	99,413	-	1,111,986	1,386,736
Lease related	1,393,975	-	-	-
Deferred OPEB inflows	-	-	265,770	377,772
Total Deferred Inflows of Resources	1,493,388	-	1,377,756	1,764,508
Net Position				
Net investment in capital assets	60,231,487	4,776,461	78,206,089	65,693,633
Restricted for health insurance trust	-	-	-	-
Restricted for loans	-	-	-	1,396,292
Unrestricted	3,722,510	680,741	39,545,032	13,996,610
Total Net Position	$ 63,953,997	$ 5,457,202	$117,751,121	$ 81,086,535

(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, 2025

	Business-type Activities - Enterprise Funds				
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	$ 14,192,344	$ 1,211,006	$ 13,148,197	$ 61,059,295	$ 8,038,033
Restricted cash and cash equivalents					
Customer deposits	-	-	-	1,488,572	-
Construction	-	1,094,081	-	1,094,081	-
Loans	-	-	-	421,636	-
Restricted assets held by trustee	-	-	-	-	18,932,626
Receivables, net					
Accounts	2,344,358	1,288,595	1,130,635	14,770,128	305,016
Restricted loans	-	-	-	208,362	-
Assessments	40,408	-	51,179	115,848	-
Leases	-	-	-	285,011	-
Due from other funds	-	25,486	461	269,106	690,629
Due from component units	-	-	-	-	109,772
Due from other governments	193,088	-	29,610	24,775,178	578,985
Inventories	118,697	701,640	168,175	4,173,312	313,437
Prepaids	-	-	8,959	1,800,647	97,912
Total current assets	16,888,895	4,320,808	14,537,216	110,461,176	29,066,410
Noncurrent assets					
Assessments receivable	242,141	-	20,690	363,252	-
Restricted loans receivable	-	12,695	-	787,100	-
Leases	-	-	-	1,147,738	-
Capital assets, net	100,072,044	39,433,800	33,697,821	432,285,743	137,872
Total noncurrent assets	100,314,185	39,446,495	33,718,511	434,583,833	137,872
Total Assets	117,203,080	43,767,303	48,255,727	545,045,009	29,204,282
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	-	-	4,500	-
Deferred pension obligation outflows	202,451	-	159,018	1,276,478	116,607
Deferred OPEB outflows	3,750,986	-	2,143,812	16,748,506	-
Total Deferred Outflows of Resources	3,953,437	-	2,302,830	18,029,484	116,607
Liabilities					
Current liabilities					
Accounts payable	126,866	408,168	92,535	5,663,105	360,960
Contracts payable	78,106	323,181	473,680	6,604,767	6,738
Claims payable	-	-	-	-	1,877,854
Notes payable	-	-	-	21,873,909	-
Leases payable	-	-	67,335	67,335	-
Purchase agreement payable	-	-	18,742	18,742	-
Due to other funds	13,885	228	146,411	210,986	12,225
Interfund loan payable	-	-	435,968	435,968	38,772
Due to other governments	943,515	512,767	2,583	1,630,329	30,115
Accrued interest payable	-	169,724	37,625	405,766	-
Accrued salaries payable	167,319	-	129,754	1,060,048	83,625
Compensated absences	218,489	-	175,907	1,381,741	4,194,128
Unearned revenue	81,911	158,258	54,708	1,433,900	-
Deposits	-	-	18,681	1,580,753	-
Revenue bonds payable	-	1,225,000	65,000	2,803,623	-
Total current liabilities	1,630,091	2,797,326	1,718,929	45,170,972	6,604,417

(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, 2025

	Business-type Activities - Enterprise Funds				
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Noncurrent liabilities					
Notes payable	-	-	-	9,272,882	-
Claims payable	-	-	-	-	241,488
Interfund loan payable	-	-	1,550,000	1,550,000	-
Compensated absences	20,892	-	15,466	52,753	347,154
Leases payable	-	-	214,545	214,545	-
Purchase agreement payable	-	-	59,716	59,716	-
Net pension liability	874,369	-	686,784	5,512,993	503,614
Net other postemployment benefits payable	1,875,780	-	1,063,303	12,250,042	-
Revenue bonds payable	-	13,351,072	1,986,293	28,468,272	-
Total noncurrent liabilities	2,771,041	13,351,072	5,576,107	57,381,203	1,092,256
Total Liabilities	4,401,132	16,148,398	7,295,036	102,552,175	7,696,673
Deferred Inflows of Resources					
Deferred pension obligation inflows	574,854	-	451,526	3,624,515	331,101
Lease related	-	-	-	1,393,975	-
Deferred OPEB inflows	115,592	-	56,612	815,746	-
Total Deferred Inflows of Resources	690,446	-	508,138	5,834,236	331,101
Net Position					
Net investment in capital assets	100,000,163	25,682,880	30,932,621	365,523,334	137,872
Restricted for health insurance trust	-	-	-	-	17,835,135
Restricted for loans	-	-	-	1,396,292	-
Unrestricted	16,064,776	1,936,025	11,822,762	87,768,456	3,320,108
Total Net Position	$116,064,939	$ 27,618,905	$ 42,755,383	$454,688,082	$ 21,293,115

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.	8,594,607
Net position of business-type activities	$463,282,689

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, 2025

	Business-type Activities - Enterprise Funds			
	Parking	**Priley Drive Parking Facility**	**Water**	**Gas**
Operating Revenues				
Sales	$ -	$ -	$ -	$ 38,913,275
Charges for services	3,488,476	685,662	21,649,533	1,220,305
Fines and forfeits	1,143,408	-	-	-
Miscellaneous revenues	199,986	-	533,154	1,203,901
Total Operating Revenues	4,831,870	685,662	22,182,687	41,337,481
Operating Expenses				
Cost of sales and services	-	-	-	23,072,848
Personal services	618,966	-	9,445,096	11,212,968
Supplies	60,014	-	1,991,316	1,966,226
Utilities	179,511	36,028	1,660,628	42,677
Other services and charges	2,694,989	367,829	2,440,039	1,914,082
Depreciation	1,180,166	520,571	1,878,303	1,419,567
Medical and insurance	-	-	-	-
Total Operating Expenses	4,733,646	924,428	17,415,382	39,628,368
Operating Income (Loss)	98,224	(238,766)	4,767,305	1,709,113
Nonoperating Revenues (Expenses)				
Investment income	12,315	3,202	79,577	72,217
Intergovernmental revenue	-	-	20,809,739	8,212
Gain (loss) on sale or disposition of capital assets	-	-	8,566	20,175
Other service operations	-	-	(20,030,414)	-
Interest and fiscal fees	(89,507)	(446,251)	(152,832)	-
Total Nonoperating Revenues (Expenses)	(77,192)	(443,049)	714,636	100,604
Income (Loss) Before Contributions and Transfers	21,032	(681,815)	5,481,941	1,809,717
Capital contributions	30,206,848	-	16,028,458	147,569
Transfers in	-	482,212	135,000	-
Transfers out	(1,422,900)	-	(285,425)	(2,904,436)
Change in Net Position	28,804,980	(199,603)	21,359,974	(947,150)
Total Net Position - January 1, 2025	35,149,017	5,656,805	96,391,147	82,033,685
Total Net Position - December 31, 2025	$ 63,953,997	$ 5,457,202	$117,751,121	$ 81,086,535

(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, 2025

	Business-type Activities - Enterprise Funds				
	Sewer	Steam	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Sales	$ -	$ -	$ 347,789	$ 39,261,064	$ 2,407,845
Charges for services	22,602,839	9,075,645	10,786,370	69,508,830	38,425,003
Fines and forfeits	-	-	-	1,143,408	-
Miscellaneous revenues	336,962	313,596	331,444	2,919,043	2,117,182
Total Operating Revenues	22,939,801	9,389,241	11,465,603	112,832,345	42,950,030
Operating Expenses					
Cost of sales and services	-	-	149,627	23,222,475	2,147,400
Personal services	5,106,486	-	3,460,219	29,843,735	7,050,707
Supplies	371,482	3,105,421	246,681	7,741,140	46,459
Utilities	134,073	553,340	28,980	2,635,237	39,620
Other services and charges	12,372,965	3,893,824	1,915,892	25,599,620	3,768,232
Depreciation	1,999,044	1,722,986	858,956	9,579,593	9,480
Medical and insurance	-	-	-	-	30,406,249
Total Operating Expenses	19,984,050	9,275,571	6,660,355	98,621,800	43,468,147
Operating Income (Loss)	2,955,751	113,670	4,805,248	14,210,545	(518,117)
Nonoperating Revenues (Expenses)					
Investment income	65,637	14,000	58,709	305,657	956,596
Intergovernmental revenue	-	-	-	20,817,951	1,510,690
Gain (loss) on sale or disposition of capital assets	3,445	-	(290,476)	(258,290)	-
Other service operations	-	-	-	(20,030,414)	-
Interest and fiscal fees	(7,219)	(383,352)	(112,440)	(1,191,601)	-
Total Nonoperating Revenues (Expenses)	61,863	(369,352)	(344,207)	(356,697)	2,467,286
Income (Loss) Before Contributions and Transfers	3,017,614	(255,682)	4,461,041	13,853,848	1,949,169
Capital contributions	246,999	114,242	427,969	47,172,085	-
Transfers in	-	-	1,700,000	2,317,212	-
Transfers out	(217,925)	(186,676)	(659,381)	(5,676,743)	-
Change in Net Position	3,046,688	(328,116)	5,929,629	57,666,402	1,949,169
Total Net Position - January 1, 2025	113,018,251	27,947,021	36,825,754	397,021,680	19,343,946
Total Net Position - December 31, 2025	$116,064,939	$ 27,618,905	$ 42,755,383	$454,688,082	$ 21,293,115

Amounts reported in business-type activities in the statement of activities are different because:	
Change in net position	$ 57,666,402
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	278,270
Change in net position of business-type activities	$ 57,944,672

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, 2025

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Cash Flows from Operating Activities				
Cash received from customers	$ 4,643,361	$ 667,203	$ 21,545,267	$ 39,859,317
Cash paid to suppliers	(2,936,762)	(404,296)	(6,249,143)	(25,593,784)
Cash paid to employees	(666,995)	-	(7,699,451)	(9,403,376)
Other operating revenues	199,986	-	132,962	223,585
Net cash provided (used) by operating activities	1,239,590	262,907	7,729,635	5,085,742
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	239,053	135,000	-
Transfers to other funds	(1,422,900)	-	(285,425)	(2,904,436)
Operating grants	-	-	-	8,212
Nonoperating grants	-	-	19,282,965	-
Other service operations	-	-	(20,030,414)	-
Interfund financing	-	-	-	-
Net cash provided (used) by noncapital financing activities	(1,422,900)	239,053	(897,874)	(2,896,224)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	11,422,938	-	556,158	156,396
Issuance of revenue bonds and notes	-	-	21,751,099	-
Principal paid on bonds, notes and purchase agreements	(920,000)	(276,242)	(1,325,359)	-
Interest paid on bonds, notes and purchase agreements	(38,300)	(448,983)	(144,793)	-
Sale of capital assets	-	-	8,566	20,175
Acquisition or construction of capital assets	(11,273,340)	-	(24,893,503)	(1,876,681)
Net cash provided (used) by capital and related financing activities	(808,702)	(725,225)	(4,047,832)	(1,700,110)
Cash Flows from Investing Activities				
Investment earnings	12,315	3,202	79,577	72,217
Net increase (decrease) in cash and cash equivalents	(979,697)	(220,063)	2,863,506	561,625
Cash and cash equivalents - January 1, 2025	2,889,161	735,079	14,586,536	13,981,809
Cash and cash equivalents - December 31, 2025	$ 1,909,464	$ 515,016	$ 17,450,042	$ 14,543,434
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	$ 98,224	$ (238,766)	$ 4,767,305	$ 1,709,113
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,180,166	520,571	1,878,303	1,419,567
Change in assets and liabilities:				
Decrease (increase) in receivables	27,477	(18,459)	(467,099)	(1,166,889)
Decrease (increase) in inventories	-	-	129,514	(83,209)
Decrease (increase) in prepaids	-	-	-	(53,173)
Decrease (increase) in deferred pension obligation outflows	(565)	-	(64,141)	(50,879)
Decrease (increase) in OPEB outflows	-	-	915,517	963,427
Increase (decrease) in payables	12,019	(439)	(161,030)	1,526,466
Increase (decrease) in OPEB liability	-	-	638,722	867,312
Increase (decrease) in unearned revenues	-	-	(7,049)	47,421
Increase (decrease) in lease inflows	(16,000)	-	-	-
Increase (decrease) in deferred pension obligation inflows	(30,965)	-	(127,513)	(269,192)
Increase (decrease) in pension liability	(30,766)	-	(38,664)	(201,994)
Increase (decrease) in OPEB inflows	-	-	265,770	377,772
Total adjustments	1,141,366	501,673	2,962,330	3,376,629
Net cash provided (used) by operating activities	$ 1,239,590	$ 262,907	$ 7,729,635	$ 5,085,742

(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, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash received from customers	$ 22,522,499	$ 9,015,446	$ 10,960,660	$ 109,213,753	$ 42,323,890
Cash paid to suppliers	(12,836,041)	(7,362,122)	(2,335,878)	(57,718,026)	(36,211,234)
Cash paid to employees	(3,892,735)	-	(2,892,520)	(24,555,077)	(7,000,905)
Other operating revenues	187,415	14,889	236,990	995,827	2,655
Net cash provided (used) by operating activities	5,981,138	1,668,213	5,969,252	27,936,477	(885,594)
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	-	1,700,000	2,074,053	-
Transfers to other funds	(217,925)	(186,676)	(600,425)	(5,617,787)	-
Operating grants	-	-	-	8,212	931,705
Nonoperating grants	-	-	-	19,282,965	-
Other service operations	-	-	-	(20,030,414)	-
Interfund financing	-	-	(1,696,243)	(1,696,243)	(192,624)
Net cash provided (used) by noncapital financing activities	(217,925)	(186,676)	(596,668)	(5,979,214)	739,081
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	32,333	272,500	366,067	12,806,392	-
Issuance of revenue bonds and notes	-	-	-	21,751,099	-
Principal paid on bonds, notes and purchase agreements	(957,000)	(1,195,000)	(89,113)	(4,762,714)	-
Interest paid on bonds, notes and purchase agreements	(12,596)	(503,492)	(74,815)	(1,222,979)	-
Sale of capital assets	3,445	-	16,484	48,670	-
Acquisition or construction of capital assets	(2,610,125)	(931,709)	(3,200,739)	(44,786,097)	(14,465)
Net cash provided (used) by capital and related financing activities	(3,543,943)	(2,357,701)	(2,982,116)	(16,165,629)	(14,465)
Cash Flows from Investing Activities					
Investment earnings	65,637	14,000	58,709	305,657	956,596
Net increase (decrease) in cash and cash equivalents	2,284,907	(862,164)	2,449,177	6,097,291	795,618
Cash and cash equivalents - January 1, 2025	11,907,437	3,167,251	10,699,020	57,966,293	26,175,041
Cash and cash equivalents - December 31, 2025	$ 14,192,344	$ 2,305,087	$ 13,148,197	$ 64,063,584	$ 26,970,659
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	$ 2,955,751	$ 113,670	$ 4,805,248	$ 14,210,545	$ (518,117)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,999,044	1,722,986	858,956	9,579,593	9,480
Change in assets and liabilities:					
Decrease (increase) in receivables	(188,586)	(355,923)	(261,914)	(2,431,393)	(510,321)
Decrease (increase) in inventories	(2,661)	(95,248)	(2,113)	(53,717)	(30,777)
Decrease (increase) in prepaids	-	-	(3,481)	(56,654)	(7,912)
Decrease (increase) in deferred pension obligation outflows	(23,575)	-	(4,228)	(143,388)	(8,172)
Decrease (increase) in OPEB outflows	920,947	-	517,536	3,317,427	-
Increase (decrease) in payables	74,839	282,728	67,235	1,801,818	438,348
Increase (decrease) in OPEB liability	316,048	-	194,765	2,016,847	-
Increase (decrease) in unearned revenues	(13,457)	-	5,937	32,852	(109,566)
Increase (decrease) in lease inflows	-	-	-	(16,000)	-
Increase (decrease) in deferred pension obligation inflows	(102,190)	-	(134,350)	(664,210)	(79,323)
Increase (decrease) in pension liability	(70,614)	-	(130,951)	(472,989)	(69,234)
Increase (decrease) in OPEB inflows	115,592	-	56,612	815,746	-
Total adjustments	3,025,387	1,554,543	1,164,004	13,725,932	(367,477)
Net cash provided (used) by operating activities	$ 5,981,138	$ 1,668,213	$ 5,969,252	$ 27,936,477	$ (885,594)

(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, 2025

Noncash Investing, Capital and Financing Activities

Parking
Capital contributions of $16,703,257 are associated with a City owned asset constructed by a third party and capitalized by the City.

Water
Capital contributions are reported net of timing differences totaling ($15,472,300) due to receivables.

Gas
Capital contributions are reported net of timing differences totaling $8,827 due to receivables.

Sewer
Capital contributions are reported net of timing differences totaling ($214,666) due to receivables.

Steam
Capital contributions are reported net of timing differences totaling $158,258 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, 2025

	Other Postemployment Benefits Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ 4,114	$ 3,111,072
Receivables		
Loans	-	1,499,204
Accounts receivable	1,371	-
Investments, at fair value		
Fixed income pool	107,463,350	-
Total Assets	107,468,835	4,610,276
Liabilities		
Accounts payable	-	291
Contracts payable	-	175
Total Liabilities	-	466
Net Position		
Restricted for		
Postemployment benefits other than pensions	107,468,835	-
Other organizations	-	4,609,810
Total Net Position	$ 107,468,835	$ 4,609,810

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, 2025

	Other Postemployment Benefits Trust Fund	Custodial Fund
Additions		
Employer contributions	$ 5,850,892	$ -
Investment earnings		
Interest and dividends	-	85,402
Net increase (decrease) in fair value of investments	7,216,108	12,014
Less investment expenses	(34,074)	-
Interest on loans	-	62,778
Other sources - Duluth Economic Development Authority		500,000
Other reimbursements	-	9,880
Total Additions	13,032,926	670,074
Deductions		
Benefits	12,739,505	-
Legal services	-	15,873
Professional services	-	47,596
Grants & awards	-	160,027
Other services and charges	-	91,733
Board meeting expense	-	2,739
Total Deductions	12,739,505	317,968
Change in Net Position	293,421	352,106
Net Position - January 1, 2025	107,175,414	4,257,704
Net Position - December 31, 2025	$ 107,468,835	$ 4,609,810

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, 2025

	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	$15,961,310	$ 2,726,067	$ 4,689,972	$19,022,466	$ 2,438,797	$ 44,838,612
Receivables, net						
Taxes	10,374	-	-	54,423	-	64,797
Accounts	26,263	779,841	473,017	418,655	1,247,462	2,945,238
Loans	6,088,017	-	-	-	-	6,088,017
Grants	-	-	247,339	-	-	247,339
Leases receivable	1,514,517	931,082	73,775	40,196	6,918	2,566,488
Due from primary government	5,000	1,203,396	-	-	-	1,208,396
Due from other governments	-	-	-	3,828,308	-	3,828,308
Inventories	-	220,353	55,099	634,391	98,422	1,008,265
Prepaids	-	518,838	211,606	199,820	105,692	1,035,956
Restricted assets						
Cash and cash equivalents	-	1,603,179	20,018	3,854,205	-	5,477,402
Accounts receivable	-	60,253	386,491	-	-	446,744
Grants receivable	-	-	5,591,473	-	-	5,591,473
Leases receivable	-	7,693,657	2,448,444	100,126	551,818	10,794,045
Capital assets, net						
Non-depreciable	4,570,655	1,382,556	6,628,261	343,156	2,799,975	15,724,603
Depreciable and amortizable	2,015,854	61,245,322	137,071,490	38,494,882	10,930,583	249,758,131
Total Assets	30,191,990	78,364,544	157,896,985	66,990,628	18,179,667	351,623,814
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	709,221	183,091	-	379,808	1,272,120
Deferred OPEB outflows	-	252,974	110,434	-	-	363,408
Total Deferred Outflows of Resources	-	962,195	293,525	-	379,808	1,635,528
Liabilities						
Accounts payable and other short-term liabilities	185,263	1,395,743	242,630	1,683,264	278,509	3,785,409
Contracts payable	213,389	-	2,058,634	20,287	-	2,292,310
Accrued interest payable	-	36,967	-	-	-	36,967
Due to primary government	-	10,100	109,854	3,280	7,655	130,889
Due to other government	470	8,079	-	914,254	22,913	945,716
Unearned revenues	-	1,226,997	126,372	236,224	1,269,482	2,859,075
Deposits	-	945,713	-	-	-	945,713
Non-current liabilities						
Due within one year	18,464	520,745	1,192,048	721,363	223,229	2,675,849
Due in more than one year	1,496,054	1,138,213	1,267,252	-	202,848	4,104,367
Other postemployment benefits liability	-	1,204,055	2,980,730	-	-	4,184,785
Net pension liability	-	1,868,652	687,141	-	735,943	3,291,736
Total Liabilities	1,913,640	8,355,264	8,664,661	3,578,672	2,740,579	25,252,816
Deferred Inflows of Resources						
Lease related	1,488,850	7,820,190	2,362,371	140,322	534,456	12,346,189
Deferred pension obligation inflows	-	1,429,111	492,053	-	798,242	2,719,406
Deferred OPEB inflows	-	251,383	309,427	-	-	560,810
Total Deferred Inflows of Resources	1,488,850	9,500,684	3,163,851	140,322	1,332,698	15,626,405
Net Position						
Net investment in capital assets	5,071,991	61,362,386	139,411,117	38,816,790	13,521,322	258,183,606
Restricted for						
Capital projects	5,917,864	-	5,997,982	3,854,205	-	15,770,051
Unrestricted	15,799,645	108,405	952,899	20,600,639	964,876	38,426,464
Total Net Position	$26,789,500	$ 61,470,791	$146,361,998	$63,271,634	$14,486,198	$312,380,121

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, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Duluth Economic Development Authority				
Governmental activities				
Economic development	$ 8,306,157	$ 883,896	$ 708,969	$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities				
Entertainment and convention facility	20,350,973	13,143,345	-	200,000
Duluth Airport Authority				
Business-type activities				
Airport facility	19,999,144	5,866,207	-	19,192,277
Duluth Transit Authority				
Business-type activities				
Public transportation	31,163,318	2,610,115	23,638,999	7,042,257
Spirit Mountain Recreation Area Authority				
Business-type activities				
Ski hill operations	7,312,418	6,548,865	-	548,096
Total Component Units	$ 87,132,010	$ 29,052,428	$ 24,347,968	$ 26,982,630

(continued)

CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Duluth Economic Development Authority						
Governmental activities						
Economic development	$ (6,713,292)	$ -	$ -	$ -	$ -	$ (6,713,292)
Duluth Entertainment and Convention Center Authority						
Business-type activities						
Entertainment and convention facility	-	(7,007,628)	-	-	-	(7,007,628)
Duluth Airport Authority						
Business-type activities						
Airport facility	-	-	5,059,340	-	-	5,059,340
Duluth Transit Authority						
Business-type activities						
Public transportation	-	-	-	2,128,053	-	2,128,053
Spirit Mountain Recreation Area Authority						
Business-type activities						
Ski hill operations	-	-	-	-	(215,457)	(215,457)
Total Component Units						(6,748,984)
General Revenues						
Property taxes	4,328,300	-	-	2,322,276	-	6,650,576
Sales taxes	-	2,373,498	-	-	-	2,373,498
Investment income	781,260	559,600	247,677	473,869	36,320	2,098,726
Gain on sale or disposition of capital assets	-	-	7,412	-	7,899	15,311
Miscellaneous	18,492	1,327,530	3,099,348	133,592	146,713	4,725,675
Extraordinary Item	-	-	-	-	818,051	818,051
Total General Revenues	5,128,052	4,260,628	3,354,437	2,929,737	1,008,983	16,681,837
Change in Net Position	(1,585,240)	(2,747,000)	8,413,777	5,057,790	793,526	9,932,853
Net Position - Beginning	28,374,740	64,217,791	137,948,221	58,213,844	13,692,672	302,447,268
Net Position - Ending	$ 26,789,500	$ 61,470,791	$ 146,361,998	$ 63,271,634	$ 14,486,198	$ 312,380,121

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, 2025

GUIDE TO NOTES

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

GUIDE TO NOTES (continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025

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 full 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, 2025

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.
Disaster Recovery Special Revenue Fund	This fund was established to account for grants and aids associated with the 500-year flood event in June 2012, and continues to be used for subsequent disasters.
Community Investment Trust Special Revenue 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.
Permanent Improvement Capital Projects Fund	To account for capital improvements financed by sources other than assessments.

The City reports the following major proprietary funds:

Parking Enterprise Fund	This fund accounts for the operation and maintenance of municipal parking ramps, municipal lots, and parking meters.
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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2025. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

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

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 are reported as interfund loans receivable/payable. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Assessments receivable include current, delinquent, and deferred assessments for garbage service, razings, administrative fines, vacant buildings, 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.

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.

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 on 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 over a systematic and rational manner and, 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

RESTRICTED ASSETS

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

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 $10,000 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. Right-to-use and subscription based assets are recorded with a useful life that is equal to the lease and subscription terms.

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:

Assets	Years
Buildings	10-75
Equipment	5-40
Infrastructure	10-80
Right-to-use Land, Buildings, and Equipment	5-46
Subscription-Based Information Technology Arrangements	3-6

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 BALANCE

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (continued)

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.

<u>USE OF ESTIMATES</u>

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.

<u>PENSIONS</u>

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.

<u>CHANGE IN ACCOUNTING PRINCIPLES</u>

Due to having an April 30, 2025 year-end, GASB 100 has now been implemented for Spirit Mountain Recreation Area Authority. Information on the impact of GASB 100, if any, on the Spirit Mountain Recreation Authority can be found in its separately issued report.

<u>CHANGE IN REPORTING ENTITY</u>

During 2025, the Permanent Improvement fund was reclassified to a Major Governmental Fund and the Regional Exchange District fund was reclassified to be included within the Nonmajor Governmental Funds. The reconciliation of the Net Position - Beginning Balance was restated as follows:

	Statement of Revenues, Expenditures, and Changes in Fund Balances		Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
	Nonmajor Governmental Funds	Formerly Major Regional Exchange District	Formerly Nonmajor Permanent Improvement Fund
Fund Balance - January 1, 2025 as previously reported for year end 2024	$86,468,083	$ (9,622,148)	$ (2,120,165)
Change from major to nonmajor fund	(9,622,148)	9,622,148	
Change from nonmajor to major fund	2,120,165		2,120,165
Fund Balance - Beginning Balance Restated	$78,966,100		

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 the fiscal year ended December 31, 2025. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND BALANCE

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: Police Grant Programs - $19,715, Disaster Recovery - $4,252,333, and Home Investment Partnerships Program - $179,398. These deficits will be eliminated upon receipt of the grant funds or transfers in. The Lake Superior Zoo deficit fund balance of $112,441 will be eliminated through operational changes and efficiencies.

The Street Improvement debt service fund had a deficit balance of $44,064 at the end of the current fiscal year which will be eliminated through future revenue streams.

The following capital project funds had a deficit fund balance at the end of the current fiscal year: Regional Exchange District - $1,898,542, Permanent Improvement - $3,682,250, Spirit Mountain Capital Improvements - $4,331,882 which will be eliminated through future grant proceeds.

The following internal service funds had a deficit net position at the end of the current fiscal year: Fleet Services - $175,429 which will be eliminated through future charges.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position	
Governmental Activities	
Cash and cash equivalents	$ 183,016,746
Investments, at fair value	490,760
Assets held by trustee	18,932,626
Business-type Activities	
Cash and cash equivalents	61,059,295
Cash and cash equivalents - restricted assets	3,004,289
Discrete Component Units	
Cash and cash equivalents	44,838,612
Cash and cash equivalents - restricted assets	5,477,402
Statement of Fiduciary Net Position	
Cash and cash equivalents	3,115,186
Investments, at fair value	107,463,350
Total Cash and Investments	$ 427,398,266

DEPOSITS

Minnesota Statutes § 118A.02 and § 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council. The market value of collateral pledged shall be at least 10% 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, 2025, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

3. DEPOSITS AND INVESTMENTS (continued)

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

4) time deposits that are fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, 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
(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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

3. DEPOSITS AND INVESTMENTS (continued)

At December 31, 2025, the City had the following investments:

Investment Type	Fair Value	Less than 1 year	1-5 years	6 - 10 years	Over 10 years
U.S. Government Agency Securities	$ 345,425,229	$ 182,277,832	$ 47,879,016	$ 38,141,555	$ 77,126,826
Negotiable Certificates of Deposit	22,433,452	9,155,954	12,778,997	498,501	-
Municipal Bonds	32,657,895	4,912,884	24,518,215	3,226,796	-
Commercial Paper	1,775,023	1,775,023	-	-	-
Mutual Funds	15,800,026	15,800,026	-	-	-
Total Investments	418,091,625	$ 213,921,719	$ 85,176,228	$ 41,866,852	$ 77,126,826
Deposits	9,306,641				
Total Deposits and Investments	$ 427,398,266				

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, 2025, is as follows:

S & P Rating	Fair Value
AAA	$ 18,167,896
AA+	20,941,540
AA	4,277,572
AA-	2,539,416
A+	502,171
Moody's Rating	
Aaa	342,838,558
Aa1	1,082,114
Aa2	485,571
Aa3	102,202
P-1	1,775,023
Not Rated	
Mutual Funds	2,946,110
Negotiable Certificates of Deposit	22,433,452
Total	$ 418,091,625

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, 2025, 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:

Issuer	Reported Amount
Federal Home Loan Bank	$ 84,057,795
United States Treasury	$ 202,294,386

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

3. DEPOSITS AND INVESTMENTS (continued)

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, 2025, the City of Duluth had the following recurring fair value measurements.

		Fair Value Measurements Using:		
Investments By Fair Value Level	12/31/2025	Level 1	Level 2	Level 3
U.S. Government Agency Securities	$ 345,425,229	$ 15,574,740	$ 329,850,489	$ -
Negotiable Certificates of Deposit	22,433,452	-	22,433,452	-
Municipal Bonds	32,657,895	-	32,657,895	-
Commercial Paper	1,775,023	-	1,775,023	-
Total Investments by Fair Value	$ 402,291,599	$ 15,574,740	$ 386,716,859	$ -
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	12,853,916			
Total Investments by Fair Value and Measured at NAV	415,145,515			
Deposits	9,306,641			
State Board of Investment Funds	2,946,110			
Total Deposits and Investments	$ 427,398,266			

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

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

The City holds $2,455,351 in the Non-Retirement Money Market Fund 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 the pool to provide liquid funds for meeting retiree insurance obligations.

The City also holds $403,872 in the Internal Equity Pool and $86,887 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, 2025, was 98.4%.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

5. RECEIVABLES

Receivables as of December 31, 2025 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	$ 10,941,054	$ (278,172)	$ 10,662,882	$ -
Accounts receivable	1,903,147	(5,434)	1,897,713	-
Assessments receivable	2,792,833	-	2,792,833	2,584,119
Loans receivable	13,813,005	(736,527)	13,076,478	11,516,478
Leases receivable	1,815,107	-	1,815,107	1,491,795
Accrued interest	2,162,044	-	2,162,044	-
Due from component units	131,359	-	131,359	-
Due from other governments	28,357,974	-	28,357,974	-
Total Governmental Activities	$ 61,916,523	$ (1,020,133)	$ 60,896,390	$ 15,592,392
Business-type Activities				
Accounts receivable	$ 15,617,258	$ (847,130)	$ 14,770,128	$ -
Loans receivable	1,009,224	(13,762)	995,462	787,100
Assessments receivable	479,100	-	479,100	363,252
Leases receivable	1,432,749	-	1,432,749	1,147,738
Due from other governments	24,775,178	-	24,775,178	-
Total Business-type Activities	$ 43,313,509	$ (860,892)	$ 42,452,617	$ 2,298,090

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 and for the unamortized portion of deferred inflows in relation to leases. The following schedule shows the detail of deferred inflows of resources at December 31, 2025:

General	
Assessments	$ 1,300,449
Grants	6,057
Leases	140,309
Loans	1,804,669
Other unavailable revenue	85,537
Taxes	691,505
Disaster Recovery	
Grants	5,160,274
Permanent Improvements	
Grants	9,548,782
Taxes	7,484
Nonmajor	
Assessments	1,492,384
Grants	5,219,958
Leases	1,568,327
Loans	14,978,336
Other unavailable revenue	51,546
Taxes	461,315
Total for Governmental Funds	$ 42,516,932

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	$ 23,531,001	$ -	$ -	$ 23,531,001
Construction in progress	50,112,430	23,774,038	7,904,978	65,981,490
Total capital assets, not being depreciated	73,643,431	23,774,038	7,904,978	89,512,491
Capital assets, being depreciated/amortized:				
Buildings	106,325,587	-	-	106,325,587
Equipment	51,652,401	9,187,241	2,956,295	57,883,347
Infrastructure	486,699,962	6,495,707	-	493,195,669
Right-to-use assets:				
Land	526,333	-	-	526,333
Buildings	4,059,393	-	-	4,059,393
Equipment	417,442		-	417,442
SBITA	2,791,631	4,340,122	-	7,131,753
Total capital assets being depreciated/amortized	652,472,749	20,023,070	2,956,295	669,539,524
Less accumulated depreciation/amortization for:				
Buildings	66,567,684	3,220,893	-	69,788,577
Equipment	45,263,182	4,593,069	2,947,548	46,908,703
Infrastructure	232,481,275	15,318,545	-	247,799,820
Right-to-use assets				
Land	34,326	11,442	-	45,768
Buildings	940,024	363,264	-	1,303,288
Equipment	160,829	112,963	-	273,792
SBITA	1,072,974	1,155,281	-	2,228,255
Total accumulated depreciation/amortization	346,520,294	24,775,457	2,947,548	368,348,203
Total capital assets, being depreciated/amortized, net	305,952,455	(4,752,387)	8,747	301,191,321
Governmental activities capital assets, net	$379,595,886	$19,021,651	$ 7,913,725	$390,703,812
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	$ 8,501,450	$ -	$ -	$ 8,501,450
Construction in progress	28,543,906	33,307,055	40,243,759	21,607,202
Total capital assets, not being depreciated	37,045,356	33,307,055	40,243,759	30,108,652
Capital assets, being depreciated:				
Buildings	98,108,877	36,733,116	1,959,621	132,882,372
Equipment	82,261,254	2,714,229	1,374,596	83,600,887
Infrastructure	330,498,452	33,459,963	-	363,958,415
Total capital assets, being depreciated	510,868,583	72,907,308	3,334,217	580,441,674
Less accumulated depreciation for:				
Buildings	43,838,983	2,438,109	1,652,661	44,624,431
Equipment	39,508,662	2,325,655	1,368,825	40,465,492
Infrastructure	88,323,577	4,851,083	-	93,174,660
Total accumulated depreciation	171,671,222	9,614,847	3,021,486	178,264,583
Total capital assets, being depreciated, net	339,197,361	63,292,461	312,731	402,177,091
Business-type activities capital assets, net	376,242,717	$96,599,516	$40,556,490	$432,285,743

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

7. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	$ 2,317,885
Public safety	3,795,395
Public works, including depreciation of general infrastructure assets	14,491,737
Culture and recreation	3,730,229
Urban and economic development	430,731
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	9,480
Total depreciation/amortization expense - governmental activities	$24,775,457
Business-type activities:	
Parking	$ 1,180,166
Priley Drive Parking Facility	520,571
Water	1,878,303
Gas	1,419,567
Sewer	1,999,044
Golf	406,722
Stormwater	452,234
Steam	1,722,986
Total depreciation expense - business-type activities	$ 9,579,593 *

* Total depreciation/amortization expense does not equal total increases in depreciation/amortization from the previous table due to the table including transfer of assets.

COMPONENT UNITS	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 10,590,438	$ 1,466,228	$ 613,059	$ 11,443,607
Construction in progress	8,434,955	18,916,972	23,070,931	4,280,996
Total capital assets, not being depreciated	19,025,393	20,383,200	23,683,990	15,724,603
Capital assets, being depreciated/amortized:				
Buildings	311,406,274	6,879,041	58,809	318,226,506
Equipment	93,710,151	9,776,213	921,967	102,564,397
Infrastructure	190,952,766	13,961,768	-	204,914,534
Other	7,612,619	457,385	-	8,070,004
Software Subscriptions	218,432			218,432
Right-to-use assets	1,695,226	-	-	1,695,226
Total capital assets being depreciated/amortized	605,595,468	31,074,407	980,776	635,689,099
Less accumulated depreciation/amortization for:				
Buildings	165,001,910	9,289,032	58,809	174,232,133
Equipment	68,575,874	5,305,000	724,635	73,156,239
Infrastructure	123,496,870	9,724,219	-	133,221,089
Other	4,449,753	507,109	-	4,956,862
Software Subscriptions	140,309	39,400		179,709
Right-to-use assets	136,866	48,070		184,936
Total accumulated depreciation/amortization	361,801,582	24,912,830	783,444	385,930,968
Total capital assets, being depreciated/amortized, net	243,793,886	6,161,577	197,332	249,758,131
Component units capital and lease assets, net	$262,819,279	$26,544,777	$23,881,322	$265,482,734

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

7. CAPITAL ASSETS (continued)

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

Duluth Economic Development Authority	$	53,780
Duluth Entertainment and Convention Center Authority		3,537,541
Duluth Airport Authority		13,756,114
Duluth Transit Authority		6,307,306
Spirit Mountain Recreation Area Authority		1,258,089
Total depreciation/amortization expense - component units	$	24,912,830

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2025, the City had construction commitments of approximately $16,588,598 for various utility and enterprise 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, 2025, the City had purchase and construction commitments represented by open encumbrances as follows:

Fund		Amount
General	$	914,013
Permanent Improvement		5,319,777
Other Governmental Funds		17,148,200
Total Purchase Commitments	$	23,381,990

DISASTER DAMAGE REPAIR COMMITMENTS

The City continues to incur significant damage to its shoreline and other infrastructure due to storm surges and flooding annually. The most recent disaster that qualified for FEMA Public Assistance occurred in June 2024. The City estimates the cost for repair and mitigation work to be approximately $3 million as of December 31, 2025.

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

9. RISK MANAGEMENT (continued)

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 will consider claims up to the financial statement opinion date for inclusion. An actuary was not used in determining the liabilities. The present value of the estimated liability for claims payable at year end was calculated using a discount of 5%. In addition, the City Attorney estimated settlements to be $26,636 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 2024 and 2025 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2024	$ 907,901	451,703	764,627	$ 594,977
2025	$ 594,977	487,921	291,262	$ 791,636

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 2024 and 2025 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2024	$ 1,474,535	24,547,537	24,592,951	$ 1,429,121
2025	$ 1,429,121	26,765,129	26,866,544	$ 1,327,706

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2025, follows:

	Balance 01/01/25	Additions	Deletions	Balance 12/31/25	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	$ 69,395,000	$ 9,145,000	$ 7,265,000	$ 71,275,000	$ 7,620,000
General Obligation - Tax Abatement	7,335,000	-	965,000	6,370,000	985,000
General Obligation Certificates	14,020,000	3,395,000	3,320,000	14,095,000	3,390,000
Add Deferred Amounts:					
For Bond Premiums	6,963,152	913,688	1,087,037	6,789,803	-
Revenue Notes	2,521,000	-	-	2,521,000	2,521,000
Leases	4,051,177	-	437,815	3,613,362	459,629
SBITA	1,913,396	3,723,530	1,126,703	4,510,223	1,203,216
Financed Purchases	91,433	4,564,196	559,143	4,096,486	954,914
Compensated Absences*	4,325,146	216,136	-	4,541,282	4,194,128
Claims and Judgments	2,024,098	27,253,050	27,157,806	2,119,342	1,877,854
Total Governmental Long-Term Liabilities	$ 112,639,402	$ 49,210,600	$ 41,918,504	$ 119,931,498	$ 23,205,741
Business-Type Activities					
Bonds Payable					
Revenue and General Obligation Bonds	$ 33,320,441	$ -	$ 2,721,242	$ 30,599,199	$ 2,803,623
Add Deferred Amounts					
For Bond Premiums	708,394	-	35,698	672,696	-
General Obligation Public Facilities Authority Notes	6,429,000	5,726,241	1,952,359	10,202,882	930,000
Grant Anticipation Public Facilities Authority Notes	4,919,051	16,024,858	-	20,943,909	20,943,909
Leases	-	351,590	69,710	281,880	67,335
Financed Purchases	-	97,861	19,403	78,458	18,742
Compensated Absences*	1,267,295	167,199	-	1,434,494	1,381,741
Total Business-Type Long-Term Liabilities	$ 46,644,181	$ 22,367,749	$ 4,798,412	$ 64,213,518	$ 26,145,350
Component Unit Activities					
Duluth Economic Development Authority					
Leases	$ 1,532,444	$ -	$ 17,926	$ 1,514,518	$ 18,464
Duluth Entertainment and Convention Center Authority					
SBITA	15,293	-	15,293	-	-
Financed Purchase	1,386,723	-	121,231	1,265,492	127,279
Compensated Absences*	353,917	39,549	-	393,466	393,466
Duluth Airport Authority					
Loans Payable	3,210,000	-	980,000	2,230,000	1,005,000
Compensated Absences*	227,363	-	4,936	222,427	187,048
Unearned Revenue	10,262	-	3,389	6,873	-

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

	Balance 01/01/25	Additions	Deletions	Balance 12/31/25	Due Within One Year
Duluth Transit Authority					
Leases	388	-	388	-	-
SBITA	43,772	-	22,524	21,248	21,248
Compensated Absences*	628,340	71,775	-	700,115	700,115
Spirit Mountain Recreation Area Authority					
Financed Purchase	401,570	-	215,016	186,554	68,007
Leases	34,995	-	12,313	22,682	13,269
Compensated Absences*	127,187	89,654	-	216,841	141,953
Total Component Unit Long-Term Liabilities	$ 7,972,254	$ 200,978	$ 1,393,016	$ 6,780,216	$ 2,675,849

* The change in compensated absences liability is presented as a net change.

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	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
December 31	Interest	Principal	Interest	Principal	Interest	Principal
2026	$ 2,787,173	$ 7,620,000	$ 552,647	$ 3,390,000	$ 144,113	$ 985,000
2027	2,656,899	7,375,000	447,250	3,520,000	124,227	1,005,000
2028	2,344,372	7,715,000	289,125	2,805,000	101,758	1,030,000
2029	2,017,038	7,490,000	165,250	2,150,000	77,401	1,045,000
2030	1,686,731	7,340,000	74,500	1,480,000	51,839	1,075,000
2031-2035	3,806,275	27,810,000	18,750	750,000	39,060	1,230,000
2036-2040	865,547	3,210,000	-	-	-	-
2041-2045	438,235	975,000	-	-	-	-
2046-2050	286,912	780,000	-	-	-	-
2051-2055	105,612	960,000	-	-	-	-
Total	$ 16,994,794	$ 71,275,000	$ 1,547,522	$ 14,095,000	$ 538,398	$ 6,370,000

United States Department of Housing and Urban Development Revenue Notes

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

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

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2026	$ 85,324	$ 2,521,000

Other Long Term Liabilities

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 it's full faith and credit to the extent that income from the Water, Steam, Golf, and Parking operations is insufficient to retire their respective general obligation revenue bonds.

General Obligation Public Facilities Authority Notes

The City has pledged it's 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
2026	$ 1,013,275	$ 2,803,623	$ 132,780	$ 930,000
2027	941,787	1,977,048	192,233	856,000
2028	888,633	1,381,473	180,136	868,000
2029	842,825	1,426,481	167,850	880,000
2030	795,336	1,472,095	155,374	561,000
2031-2035	3,195,771	7,807,671	633,113	2,948,000
2036-2040	1,874,996	7,749,278	377,112	2,747,882
2041-2045	459,474	5,981,530	103,358	412,000
Total	$ 10,012,097	$ 30,599,199	$ 1,941,956	$ 10,202,882

Short Term Debt

The City issued six Grant Anticipation Revenue Notes in 2025, dated July 23, 2025, through the public facilities authority. The following notes were issued: 2025B in the amount of $1,987,335, 2025C in the amount of $3,471,169, 2025D in the amount of $2,456,234, 2025E in the amount of $4,041,533, 2025F in the amount of $6,620,667,and 2025G in the amount of $704,657. The proceeds of the notes will be used to provide funding for lead service replacement projects. The City received note proceeds of $16,024,858 in 2025. These notes will be repaid in 2026.

Short-term debt activity for the year ended December 31, 2025, follows:

	Balance 01/01/25	Additions	Deductions	Balance 12/31/25	Due Within One Year
Public Facilities Authority Notes Payable	$ 4,919,051	$ 16,024,858	-	$ 20,943,909	$ 20,943,909

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

Leases and SBITA (Subscription-Based Information Technology Arrangements)

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 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 no 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, 2025, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term of more than one year, as follows:

Governmental Activities

Year Ending December 31	Interest	Principal
2026	$ 102,780	$ 459,629
2027	89,038	395,504
2028	77,619	383,778
2029	65,821	404,756
2030	53,382	426,649
2031-2035	160,837	808,749
2036-2040	72,507	356,295
2041-2045	53,830	49,297
2046-2050	45,978	57,149
2051-2055	36,876	66,251
2056-2060	26,324	76,803
2061-2065	14,091	89,036
2066-2070	1,785	39,466
Total	$ 800,868	$ 3,613,362

Business-type Activities

Year Ending December 31	Interest	Principal
2026	$ 7,725	$ 67,335
2027	5,677	69,383
2028	3,566	71,494
2029	1,392	73,668
Total	$ 18,360	$ 281,880

A SBITA, as described in GASB Statement No. 96, is a contract that conveys control of the right to use information technology (IT) software alone or in combination with tangible capital assets (underlying IT assets) in an exchange or exchange-like transaction. The City has entered into SBITA involving computerized maintenance management software, police software, Microsoft licensing, AVL/GPS system, library software, and asset management software. The related obligations are presented in the amounts equal to the present value of SBITA payments, payable during the remaining SBITA term. A SBITA liability and associated SBITA asset is recognized on the Government-wide Statement of Net Position.

The City recognized no variable payments within its SBITA. Payments that are fixed in substance are included in the measurement of the SBITA liability presented in the table below. The City did not incur expenses related to its SBITA activities related to termination penalties or losses due to impairment.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

As of December 31, 2025, the City had minimum principal and interest payment requirements for its SBITA activities, with a remaining term of more than one year, as follows:

Governmental Activities

Year Ending December 31	Interest	Principal
2026	$ 115,412	$ 1,203,216
2027	99,662	1,106,116
2028	66,026	1,117,093
2029	32,514	350,642
2030	21,995	361,160
2031	11,160	371,996
Total	$ 346,769	$ 4,510,223

Financed Purchases

The City has lease-purchase contracts that transfer ownership of the underlying asset to the City by the end of the contract. Per GASB Statement No. 87, these contracts are reported as financed purchases and accounted for separately from the City's leases. Total expenditures for financed purchases for the fiscal year-ended December 31, 2025 were $578,546.

As of December 31, 2025, the City had future minimum payments for financed purchases with a remaining term in excess of one year for governmental activities as follows:

Governmental Activities

Year Ending December 31	Interest	Principal
2026	$ 63,569	$ 954,914
2027	111,555	927,593
2028	75,285	1,030,713
2029	35,498	382,884
2030	24,011	394,277
2031	12,183	406,105
Total	$ 322,101	$ 4,096,486

Business-type Activities

Year Ending December 31	Interest	Principal
2026	$ 2,150	$ 18,742
2027	1,580	19,312
2028	993	19,899
2029	387	20,505
Total	$ 5,110	$ 78,458

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

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 hangar 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

The total amount of debt issued by the City cannot exceed 2% of the market value of all taxable property. The definition of "net debt" excludes from this limit all bonds for which some revenue is pledged, and even bonds that simply finance any "public convenience from which a revenue is or may be derived," whether or not that revenue is technically pledged to the bonds. The below includes a calculation of total bonds payable along with deductions allowable for the debt that is not applicable to the limit. This includes improvement bonds (secured in whole or in part by revenues), tax abatement bonds, and utility general obligation revenue bonds.

SCHEDULE OF BONDED INDEBTEDNESS

	Issue Date	Amount Outstanding	Total
Governmental Activities			
General Obligation Bonds Payable			
Airport Improvement	12/18/2013	$ 1,220,000	
Capital Improvement - Lakewalk	12/18/2013	470,000	
Wade Stadium Improvement	10/30/2014	905,000	
Spirit Mountain Improvement	10/30/2014	1,225,000	
Capital Improvement	11/05/2015	175,000	
Airport Improvement	11/05/2015	1,305,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	6,165,000	
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	24,930,000	
Capital Improvement	11/09/2016	265,000	
Capital Improvement	11/21/2017	510,000	
Capital Improvement - Seawall	02/14/2018	2,755,000	
Capital Improvement	10/17/2018	610,000	
Capital Improvement	10/09/2019	680,000	
Capital Improvement Refunding	10/09/2019	6,465,000	
Capital Improvement	10/21/2020	1,045,000	
Capital Improvement - Lakewalk	10/21/2020	3,180,000	
State Aid Street Improvement	10/21/2020	815,000	
Capital Improvement	11/03/2021	1,135,000	
Airport Improvement - Refunding	11/03/2021	1,445,000	
Capital Improvement	11/01/2022	1,425,000	
Capital Improvement	11/08/2023	1,670,000	
Capital Improvement - Lake Front	11/08/2023	1,920,000	
Capital Improvement	10/30/2024	1,815,000	
Capital Improvement	12/17/2025	1,965,000	
Lakewalk Improvement	12/17/2025	1,105,000	
Seawall Improvement	12/17/2025	1,640,000	
Sports Corridor Improvement	12/17/2025	3,555,000	
Spirit Mountain Improvement	12/17/2025	880,000	
Total General Obligation Bonds Payable			71,275,000

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

	Issue Date	Amount Outstanding	Total
General Obligation Tax Abatement			
GO Tax Abatement (Cirrus)	03/22/2016	4,010,000	
GO Tax Abatement Refunding	11/03/2021	2,360,000	
Total General Obligation Tax Abatement			6,370,000
General Long-Term Debt Certificates Payable			
Equipment	10/21/2020	645,000	
Equipment	11/03/2021	1,710,000	
Equipment	11/01/2022	2,140,000	
Equipment	11/08/2023	2,775,000	
Equipment	10/30/2024	3,430,000	
Equipment	12/17/2025	3,395,000	
Total General Long-Term Debt Certificates Payable			14,095,000
Total Governmental Activities Debt			$ 91,740,000
Business-type Activities Debt			
Revenue and General Obligation Bonds Payable			
Parking Improvement Tax Increment Refunding	11/27/2012	$ 945,000	
Parking Improvement Tax Increment	05/15/2014	11,014,199	
Steam Utility Revenue and General Obligation	11/05/2015	1,535,000	
Water Utility Revenue and General Obligation	10/17/2018	2,665,000	
Steam Utility Revenue and General Obligation	10/21/2020	8,770,000	
Steam Utility Revenue and General Obligation	02/28/2024	3,830,000	
Golf Utility General Obligation	10/30/2024	1,840,000	
Total Revenue and General Obligation Bonds Payable			30,599,199
Total Business-type Activities Debt			$ 30,599,199
Total Bonds Payable			$ 122,339,199
Deductions Allowable			
Airport Improvement	12/18/2013	$ 1,220,000	
Wade Stadium Improvement	10/30/2014	905,000	
Spirit Mountain Improvement	10/30/2014	1,225,000	
Airport Improvement	11/05/2015	1,305,000	
Capital Improvement 1/2 & 1/2	11/05/2015	6,165,000	
Duluth Entertainment and Convention Center Authority Refunding	03/22/2016	24,930,000	
GO Tax Abatement (Cirrus)	03/22/2016	4,010,000	
Capital Improvement - Seawall	02/14/2018	2,755,000	
State Aid Street Improvement	10/21/2020	815,000	
Airport Improvement Refunding	11/03/2021	1,445,000	
GO Tax Abatement Refunding	11/03/2021	2,360,000	
Capital Improvement - Lake Front	11/08/2023	1,920,000	
Lakewalk Improvement	12/17/2025	1,105,000	
Seawall Improvement	12/17/2025	1,640,000	
Sports Corridor Improvement	12/17/2025	3,555,000	
Spirit Mountain Improvement	12/17/2025	880,000	
Golf Fund	10/30/2024	1,840,000	
Parking Fund	11/27/2012	945,000	
Priley Drive Parking Facility	05/15/2014	11,014,199	
Water Fund	10/17/2018	2,665,000	
Steam Fund	various	12,600,000	
Total Deductions Allowable			85,299,199
Net Debt			$ 37,040,000
Legal Debt Margin for Duluth			
Taxable Market Value (10,789,726,765 X 2%)			$ 215,794,535

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

Overlapping Debt

Overlapping governments are those below the state level that coincide, at least in part, with geographic boundaries of the City of Duluth. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Duluth. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore is responsible for repaying the debt of each overlapping government.

Overlapping Debt to Duluth

Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	$ 107,161,131	88.86%	$ 95,221,942
Independent School District 704	17,420,000	7.61%	1,326,310
St. Louis County	180,035,000	38.35%	69,034,498
			$ 165,582,750

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 insure the adequacy of the escrow accounts to provide timely payment of the debt service for which the escrow accounts are obligated, have been performed by a certified public accounting firm.

All advance refunded bonds have been paid in full.

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

	Issue Date	Issue Amount	Balance
Governmental Activities			
Current Refunding Bonds			
Capital Improvement Refunding	10/09/2019	9,755,000	6,465,000
Airport Improvement Refunding	11/03/2021	2,845,000	1,445,000
GO Tax Abatement Refunding	11/03/2021	3,705,000	2,360,000
Advance Refunding Bonds			
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	33,470,000	24,930,000
Total Governmental Activities		$ 49,775,000	$ 35,200,000
Business-type Activities			
Advance Refunding Bonds			
Parking Improvements	11/27/2012	10,270,000	945,000
Total Business-type Activities		$ 10,270,000	$ 945,000

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2025, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate	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	$ 1,220,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	470,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	905,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	1,225,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	175,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	1,305,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	6,165,000
Duluth Entertainment and Convention Center Improvement Refunding	3.00 to 5.00%	02/01; 08/01	03-22-16	02-01-34	33,470,000	24,930,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16	02-01-27	1,135,000	265,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17	02-01-28	1,545,000	510,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18	02-01-34	4,450,000	2,755,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18	02-01-29	1,310,000	610,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19	02-01-30	1,190,000	680,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19	02-01-32	9,755,000	6,465,000
Capital Improvement	3.00%	02/01; 08/01	10-21-20	02-01-31	1,640,000	1,045,000
Capital Improvement - Lakewalk	2.00%	02/01; 08/01	10-21-20	02-01-36	4,150,000	3,180,000
State Aid Street Improvement	1.50%	02/01; 08/01	10-21-20	02-01-26	3,945,000	815,000
Capital Improvement	5.00%	02/01; 08/01	11-03-21	02-01-32	1,490,000	1,135,000
Airport Improvement Refunding	0.25 to 1.50%	02/01; 08/01	11-03-21	02-01-28	2,845,000	1,445,000
Capital Improvement	5.00%	02/01; 08/01	11-01-22	02-01-33	1,685,000	1,425,000
Capital Improvement	4.00 to 5.00%	02/01; 08/01	11-08-23	02-01-34	1,795,000	1,670,000
Capital Improvement - Lake Front	4.00 to 5.00%	02/01; 08/01	11-08-23	02-01-39	1,995,000	1,920,000
Capital Improvement	4.00 to 5.00%	02/01; 08/01	10-30-24	02-01-35	1,815,000	1,815,000
Capital Improvement	5.00%	02/01; 08/01	12-17-25	02-01-36	1,965,000	1,965,000
Lakewalk Improvement	4.00 to 5.00%	02/01; 08/01	12-17-25	02-01-41	1,105,000	1,105,000
Seawall Improvement	4.00 to 5.00%	02/01; 08/01	12-17-25	02-01-41	1,640,000	1,640,000
Sports Corridor Improvement	4.00 to 5.00%	02/01; 08/01	12-17-25	02-01-55	3,555,000	3,555,000
Spirit Mountain Improvement	4.50 to 5.00%	02/01; 08/01	12-17-25	02-01-41	880,000	880,000
Total General Obligation					110,690,000	71,275,000
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	4,010,000
GO Tax Abatement Refunding	0.25 to 1.75%	02/01; 08/01	11-03-21	02-01-30	3,705,000	2,360,000
Total General Obligation - Tax Abatement					11,525,000	6,370,000
General Obligation Certificates Payable						
Equipment	4.00%	02/01; 08/01	10-21-20	02-01-26	2,960,000	645,000
Equipment	5.00%	02/01; 08/01	11-03-21	02-01-27	3,935,000	1,710,000
Equipment	5.00%	02/01; 08/01	11-01-22	02-01-28	3,360,000	2,140,000
Equipment	5.00%	02/01; 08/01	11-08-23	02-01-29	3,350,000	2,775,000
Equipment	4.00 to 5.00%	02/01; 08/01	10-30-24	02-01-30	3,430,000	3,430,000
Equipment	5.00%	02/01; 08/01	12-17-25	02-01-31	3,395,000	3,395,000
Total General Obligation Certificates Payable					20,430,000	14,095,000
Total Governmental Activities					$142,645,000	$ 91,740,000

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

10. LONG-TERM LIABILITIES (continued)

	Interest Rate and Dates		Issue Date	Final Maturity	Authorized and Issued	Outstanding
Business-type Activities						
Revenue and General Obligation Bonds Payable						
Golf Fund						
Golf Utility General Obligation	4.00 to 5.00%	02/01; 08/01	10-30-24	02-01-40	$ 1,840,000	$ 1,840,000
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	945,000
Priley Drive Parking Facility						
Parking Improvement Tax Increment	4.00%	04/01; 10/01	05-15-14	04-01-44	11,500,000	11,014,199
Water Fund						
Water Utility Revenue and General Obligation	3.00 to 3.38%	02/01; 08/01	10-17-18	02-01-34	4,050,000	2,665,000
Total Water Fund					4,050,000	2,665,000
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	1,535,000
Steam Utility Revenue and General Obligation	2.00 to 2.40%	02/01; 08/01	10-21-20	02-01-41	10,495,000	8,770,000
Steam Utility Revenue and General Obligation	4.125 to 5.00%	02/01; 08/01	02-28-24	02-01-44	3,830,000	3,830,000
Total Steam Fund					18,340,000	14,135,000
Total Business-type Activities					$ 46,000,000	$ 30,599,199

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	$ 2,521,000
Total Governmental Activities					$ 2,636,000	$ 2,521,000
Business-type Activities						
General Obligation						
Water Fund						
Public Facilities Authority Note	1.221%	02/20; 08/20	11-29-11	08-20-26	$ 1,221,630	$ 87,000
Public Facilities Authority Note	1.000%	02/20; 08/20	03-24-14	08-20-29	4,778,806	1,293,000
Public Facilities Authority Note	1.003%	02/20; 08/20	01-24-22	08-20-42	3,857,531	3,252,000
Public Facilities Authority Note	0.00%	02/20; 08/20	12-17-24	06-30-27 *	2,561,481	2,558,567
Public Facilities Authority Note	0.00%	02/20; 08/20	12-17-24	06-30-27 *	1,597,285	1,592,628
Public Facilities Authority Note	0.00%	02/20; 08/20	12-17-24	06-30-27 *	1,639,354	1,531,189
Public Facilities Authority Note	0.00%	02/20; 08/20	12-17-24	06-30-27 *	1,938,000	1,214,225
Public Facilities Authority Note	1.992%	02/20; 08/20	02-05-25	08-20-44	5,726,241	5,570,882
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	1,987,335	1,493,457
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	3,471,169	2,200,862
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	2,456,234	1,794,366
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	4,041,533	3,146,349
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	6,620,667	4,881,035
Public Facilities Authority Note	0.00%	02/20; 08/20	07-31-25	06-30-27 *	704,657	531,231
Total Water Fund					42,601,923	31,146,791
Total Business-type Activities					$ 42,601,923	$ 31,146,791

* While the maturity of the PFA loans occur in 2027, the City has included the liability as due within one year as the intent is to repay the loan in the subsequent year.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

11. FUND BALANCE

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, 2025 are as follows:

	General Fund	Disaster Recovery	Community Investment Trust	Permanent Improvement	Other Governmental Funds	Total Fund Balance
Fund Balances:						
Spendable:						
Restricted for:						
Forfeitures	$ 246,160	$ -	$ -	$ -	$ 33,316	$ 279,476
Capital Projects	-	-	-	-	11,811,613	11,811,613
Community Development	-	-	-	-	360,974	360,974
Employment	-	-	-	-	1,004,641	1,004,641
Parks and Recreation	-	-	-	-	4,303,329	4,303,329
Public Access Television	-	-	-	-	689,216	689,216
Public Safety	-	-	-	-	3,004,770	3,004,770
Public Works	-	-	-	-	20,376,659	20,376,659
Economic Development	-	-	-	-	1,004,453	1,004,453
Library	-	-	-	-	806,352	806,352
Tourism	-	-	-	-	3,515,879	3,515,879
Debt Service	-	-	-	-	25,899,947	25,899,947
Committed for:						
General Government	-	-	-	-	787,295	787,295
Community Development	-	-	-	-	1,960,139	1,960,139
Community Investment	-	-	41,033,805	-	-	41,033,805
Energy Program	-	-	-	-	586,502	586,502
Municipal Arts	-	-	-	-	133,211	133,211
Parks and Recreation	-	-	-	-	557,027	557,027
Public Safety	15,234	-	-	-	917,328	932,562
Capital Improvements	-	-	-	-	23,471,870	23,471,870
Assigned to:						
General Government	114,058	-	-	-	-	114,058
Energy Program	-	-	-	-	896,355	896,355
Public Safety	224,062	-	-	-	1,537,377	1,761,439
Public Works	432,555	-	-	-	-	432,555
Economic Development	73,161	-	-	-	3,339,911	3,413,072
Capital Projects	-	-	-	-	2,677,129	2,677,129
Unassigned	38,615,260	(4,252,333)	-	(3,682,250)	(6,586,042)	24,094,635
Total Fund Balances	$ 39,720,490	$ (4,252,333)	$ 41,033,805	$ (3,682,250)	$ 103,089,251	$ 175,908,963

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025 are:

Due from Fund	Due to Fund		Amount
General Fund	Disaster Recovery Fund		$ 600,000
	Steam Enterprise		22,092
	Nonmajor Governmental Funds		1,856,946
	Internal Service Funds		593,251
Parking	Steam Enterprise		3,394
	Internal Service Funds		1,378
Water Enterprise	Internal Service Funds		23,194
Gas Enterprise	Internal Service Funds		22,496
Sewer Enterprise	Internal Service Funds		13,885
Steam Enterprise	Internal Service Funds		228
Nonmajor Governmental Funds	General Fund		221,017
	Permanent Improvement		2,500
	Priley Drive Parking Facility		243,159
	Nonmajor Governmental Funds		1,444,973
	Nonmajor Enterprise Funds		461
	Internal Service Funds		26,258
Nonmajor Enterprise Funds	Nonmajor Governmental Funds		136,472
	Internal Service Funds		9,939
Internal Service Funds	Nonmajor Governmental Funds		12,225
Total		(1,2,3)	$ 5,233,868

Due from other funds, reported in	Balance Sheet - Governmental Funds	$ 4,274,133
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	269,106
	Governmental Activities - Internal Service Funds	690,629
Total		$ 5,233,868

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2025.

Receivable Entity	Payable Entity		Amount
Primary Government:	Component Unit:		
General Fund	Duluth Airport Authority	(1,2,3)	$ 82
	Duluth Transit Authority	(1,2,3)	3,280
	Spirit Mountain Recreation Area Authority	(1,2,3)	8,125
Nonmajor Governmental Funds	Duluth Entertainment and Convention Center Authority	(1,2,3)	10,100
Internal Service Funds	Duluth Airport Authority	(1,2,3)	109,772
			$ 131,359
Total Due From Component Units			
Total Due To Primary Government			130,889
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2025			(7,655)
Add Spirit Mountain Recreation Area Authority Balance at December 31, 2025			8,125
			$ 131,359
Component Unit:	Primary Government:		
Duluth Entertainment and Convention Center Authority	Nonmajor Governmental Funds		$ 1,203,396
Duluth Economic Development Authority	Nonmajor Governmental Funds		5,000
Total Due From Primary Government			$ 1,208,396
Total Due To Component Units			$ 1,208,396

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, 2025 are:

Receivable Fund	Amount
General Fund	$ 14,149,204

Payable Fund	
Disaster Recovery Fund	$ 4,097,099
Permanent Improvement	3,296,005
Nonmajor Governmental Funds	4,731,360
Nonmajor Enterprise Funds	1,985,968
Internal Service Funds	38,772
Total	$ 14,149,204

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 and participation in projects; 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, 2025, are as follows:

Transfer to, reported in fund:	Transfer from, reported in fund:		Amount
General Fund	Community Investment Trust	(3)	$ 1,178,378
	Parking	(3)	1,422,900
	Water Enterprise	(1,3)	285,425
	Gas Enterprise	(1,2,3)	2,804,436
	Sewer Enterprise	(1,3)	217,925
	Steam Enterprise	(2)	186,676
	Nonmajor Governmental Funds	(1,3)	4,350,686
	Nonmajor Enterprise Funds	(1,3)	600,425
Disaster Recovery Fund	General Fund	(1)	685,100
Permanent Improvement	Nonmajor Governmental Funds	(1)	1,853,012
Priley Drive Parking Facility Enterprise Fund	Nonmajor Governmental Funds	(1)	482,212
Water Enterprise	Nonmajor Governmental Funds	(3)	135,000
Nonmajor Governmental Funds	General Fund	(1,3)	2,194,500
	Gas Enterprise	(3)	100,000
	Nonmajor Governmental Funds	(1,3)	27,411,006
	Nonmajor Enterprise Funds	(3)	58,956
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	(1)	1,700,000
Total			$ 45,666,637

Transfers out, reported in:	Statement of Revenues, Expenditures, and Governmental Funds	$ 39,989,894
	Statement of Revenues, Expenditures, and Business-type Activities - Enterprise Funds	5,676,743
Total		$ 45,666,637

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 Minn. Stat. chs. 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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, benefits vest on a prorated basis starting with 50% after five years and increasing 10% for each year of service until fully vested after ten 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 a maximum of 1.5%. The 2025 annual increase was 1.25%. 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.

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.

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

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

For General 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 66. For the 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 and disability qualification requirements vary by plan.

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 Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2024.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2025

Pension Plan	Contribution
General Employees Fund	$ 3,559,395
Police and Fire Fund	5,591,668

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

PENSION COSTS

General Employees Plan

At December 31, 2025, the City reported a liability of $16,649,665 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the City's proportion was 0.5024%. It was 0.5008% measured as of June 30, 2024. The City recognized pension expense of $(974,361) for its proportionate share of the General Employees Plan's pension expense.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The City's share of the special funding was $61,607.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total General Employees Plan Net Pension Liability Associated with the City	Amount
The City's proportionate share of the net pension liability	$ 16,649,665
State of Minnesota's proportionate share of the net pension liability associated with the City	401,642
Total	$ 17,051,307

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:

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,586,349	$ -
Changes in actuarial assumptions	401,160	3,831,030
Difference between projected and actual investment earnings	-	6,625,061
Changes in proportion	66,966	490,224
Contributions paid to PERA subsequent to the measurement date	1,800,587	-
Total	$ 3,855,062	$ 10,946,315

The $1,800,587 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (2,129,795)
2027	(3,318,791)
2028	(2,259,757)
2029	(1,183,497)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

Police and Fire Fund

At December 31, 2025, the City reported a liability of $23,495,326 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the City's proportion was 2.0053%. It was 2.0736% measured as of June 30, 2024. The City recognized pension expense of $4,590,365 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2025. 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 requires the State of Minnesota to pay direct state aid of $9 million on October 1. The direct state aid payment will increase by $17.7 million, which began on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years. The City of Duluth's share of the special funding situation was $213,601, and the non-special funding situation was $180,477.

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 100% funded for three consecutive years.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total Police and Fire Plan Net Pension Liability Associated with the City	Amount
The City's proportionate share of the net pension liability	$ 23,495,326
State of Minnesota's proportionate share of the net pension liability associated with the City	814,464
Total	$ 24,309,790

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,855,587	$ -
Changes in actuarial assumptions	17,816,990	29,438,661
Difference between projected and actual investment earnings	-	10,486,292
Changes in proportion	397,776	1,984,316
Contributions paid to PERA subsequent to the measurement date	2,898,785	-
Total	$ 31,969,138	$ 41,909,269

The $2,898,785 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ 4,821,333
2027	(5,377,555)
2028	(11,854,663)
2029	(847,100)
2030	419,069

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2025, was $3,616,004.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2025, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2025

	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	7.00%	7.00%

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. <u>PENSION PLANS</u> (continued)

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 1.50% for the General Employees Plan. 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, 2025 valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2023. The experience study for the Police and Fire Plan was dated July 14, 2024. For both plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.0%. 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

<u>DISCOUNT RATE</u>

The discount rate used to measure the total pension liability was 7.0% in 2025, which remains consistent with 2024. 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 and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

The following changes in actuarial assumptions occurred in 2025:

General Employees Plan

• The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
• The assumed post-retirement benefit increase changed from 1.25% to 1.5%.
• The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
• The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Police and Fire Plan

• Assumed rates of salary increases were reduced slightly.
• Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
• Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
• Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
• Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
• Percent married assumption for female retirees lowered from 70% to 65%.
• Minor changes were made to form of payment assumptions for retirees.
• Minor changes were made to assumptions made with respect to missing participant data.
• The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.
• The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
• The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
• The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis.
• The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
• An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
• Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

13. PENSION PLANS (continued)

PENSION LIABILITY SENSITIVITY

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2025

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	6.0%	$ 40,439,425	6.0%	$ 61,562,733
Current	7.0%	16,649,665	7.0%	23,495,326
1.0% Increase	8.0%	(2,649,183)	8.0%	(7,764,023)

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 Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until 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, Minn. Stat. § 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. For the year ended December 31, 2025, the total employee and employer contributions were each $6,136, which represents 5% of covered payroll.

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 Plan in amounts required by state statutes. Detailed information concerning each component unit's pension plan is presented in its publicly available 2025 annual report.

The Duluth Economic Development Authority has no employees. Information on the Duluth Transit Authority's pension is presented in its publicly available 2025 annual report.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025, there were 1,214 retirees receiving health benefits from the City's health plan and 907 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, 2025, the City contributed $5,850,892 and retirees contributed $306,063.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of $2,743 were made to the irrevocable trust in 2025.

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 is invested in a portfolio of U.S. Treasuries, which includes 30 bonds with maturities from 2026 to 2054. The City’s target asset allocation as of December 31, 2025 is:

Asset Class	Target Allocation
U.S. Treasury Ladder Portfolio	100%

Rate of return – For the year ended December 31, 2025, the annual money-weighed return on investments, net of investment expense, was 6.73%. The money-weighed 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, 2025

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2025, were as follows:

Total OPEB liability	$ 180,569,382
Plan fiduciary net position	(107,468,835)
City's net OPEB liability	$ 73,100,547
Plan fiduciary net position as a percentage of the total OPEB liability	59.52%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of $60,850,505 and the business-type activities report a net OPEB liability of $12,250,042.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/25	$ 171,084,816	$ 107,175,414	$ 63,909,402
Changes for the year:			
Service cost	2,053,453	-	2,053,453
Interest	7,781,167	-	7,781,167
Contributions - employer	-	5,850,892	(5,850,892)
Difference between expected and actual experience	4,166,247	-	4,166,247
Changes in assumptions	8,223,204	-	8,223,204
Difference between actual and projected earnings	-	2,507,676	(2,507,676)
Projected earnings	-	4,708,432	(4,708,432)
Benefit payments	(12,739,505)	(12,739,505)	-
Administrative expense	-	(34,074)	34,074
Net change	9,484,566	293,421	9,191,145
Balance at 12/31/25	$ 180,569,382	$ 107,468,835	$ 73,100,547

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, 2025, 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 4.54% investment rate of return which is based on the expected long-term investment returns on plan assets. The price inflation rate was 2.50%. The salary increases rate is based on the 3.50% salary scale. The annual healthcare cost trend rate is 7.50% for the first year, and then reduced incrementally to an ultimate rate of 4.50% after six years.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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	2.04%
Expected Real Rate of Return	2.04%
Inflation Rate	2.50%
Total Investment Rate of Return	4.54%

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	4.54%
S&P Municipal Bond 20-Year High-Grade Rate Index	4.43%
Administrative Expenses Paid from the Trust	0.01%
Fiscal Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate	4.54%

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 (3.54%)	Discount Rate (4.54%)	1% Increase (5.54%)
Net OPEB liability (asset)	$ 92,958,477	$ 73,100,547	$ 56,423,939

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, 2025

14. <u>OTHER POSTEMPLOYMENT BENEFITS</u> (continued)

	1% Decrease (6.5% decrease to 3.5%)	Healthcare Cost Trend Rate (7.5% decrease to 4.5%)	1% Increase (8.5% decrease to 5.5%)
Net OPEB liability (asset)	$ 56,248,307	$ 73,100,547	$ 93,000,794

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

For the year ended December 31, 2025, the City recognized OPEB expenses of $4,385,718. At December 31, 2025, 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*	$ 1,637,447	$ 5,356,276
Changes in actuarial assumptions	18,548,093	4,764,581
Difference between expected and actual economic experience	3,452,602	671,398
Change in proportion	11,436,673	11,436,673
Total	$ 35,074,815	$ 22,228,928

*The City's net OPEB liability and associated deferred inflows and outflows are allocated between its governmental and business-type activities. This allocation results in the net difference between projected and actual earnings on investments being reported as an inflow for the governmental activities and an outflow for the business-type activities. Within each activity type the amount is aggregated and reported as one net inflow or outflow of resources.

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
2026	7,877,587
2027	2,981,342
2028	10,599
2029	1,976,359

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, 2025, the City recognized OPEB expenses of $304,000.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

15. 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, 2025.

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 $2,031,989 to the Duluth Housing and Redevelopment Authority in 2025.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

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 Statues § 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, 2024 (the most recent available) was:

Total Assets	$ 52,082
Total Liabilities	5,182
Total Net Position	46,900
Total Revenues	156,536
Total Expenditures	182,438
Change in Net Position	$ (25,902)

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 and redevelopment 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, 2025, follows:

	Maximum Assistance	2025 Tax Rebate
Bluestone Commons, LLC	$ 9,896,864	$ 1,054,769
Board of Trade Housing, Three D I, LLC	$ 1,800,000	$ 84,179
Central Hillside Development, LLP	$ 35,237	$ 25,324
Garfield Business Park, LLC	$ 611,069	$ 60,617
Kenwood Village, LLC	$ 2,254,902	$ 302,591
Lift Bridge Partners, LLC	$ 1,085,891	$ 211,765
New Burnham, LLC	$ 1,360,000	$ 58,456
NorShor Theatre, LLC	$ 211,881	$ 254,227
Pier B, LLC	$ 3,040,402	$ 240,024
Saturday Zenith, LLC	$ 5,465,000	$ 263,637
Sherman Associates Hotel/Condominium	$ 5,000,000	$ 317,784

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority (DEDA) have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, DEDA nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2025, are as follows:

Entity	Series	Issued	Principal
Benedictine Health Center	2021A	$ 73,405,000	$ 62,720,000
Benedictine Health Center	2021B	$ 19,300,000	$ 15,921,266
Benedictine Health Center	2021C	$ 19,000,000	$ 15,644,521
Benedictine Health Systems	2023	$ 14,600,000	$ 14,308,335
Essentia Health	2018A	$ 682,285,000	$ 682,285,000
Essentia Health	2020C	$ 116,955,000	$ 47,705,000
Essentia Health	2020D	$ 65,000,000	$ 57,745,000
Health Sciences Education Facility Corp (Scholastica)	2015A	$ 10,000,000	$ 6,756,949
Health Sciences Education Facility Corp (Scholastica)	2015B	$ 6,600,000	$ 4,279,336
Ikonics	2016	$ 3,415,000	$ 1,962,518
St. Luke's Hospital	2018A	$ 19,750,000	$ 16,654,923
St. Luke's Hospital	2018B	$ 19,750,000	$ 16,654,923
St. Luke's Hospital	2021A	$ 14,725,000	$ 14,725,000
St. Luke's Hospital	2022A	$ 49,000,000	$ 44,175,000
St. Luke's Hospital	2022B	$ 76,110,000	$ 76,110,000

16. 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 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

16. TAX ABATEMENT (continued)

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 aircraft manufacturing business, 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 2022 and continues for ten years. The City's abatement will not exceed a total aggregate amount of $600,000.

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.

17. SUBSEQUENT EVENTS

On January 1, 2026, the City increased the line of credit with the Duluth Airport Authority from $4,000,000 to $10,000,000. The line of credit was increased due to anticipation of large capital projects starting in 2026.

On January 9, 2026, the Duluth Entertainment and Convention Center Authority issued a line of credit in the amount of $4,000,000 with a variable interest rate at the lower end of the effective federal funds rate plus 0.5% at the time the draw is requested. Proceeds from draws will be used to ensure adequate cash flow during the Authority's infrastructure upgrades associated with the State of Minnesota's bonding project authorized in 2023. Costs incurred will be fully reimbursed by the State. The line of credit matures December 31, 2028.

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
DECEMBER 31, 2025

	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	$ 2,933,971	$ 2,952,513	$ 2,440,931	$ 2,366,072	$ 1,902,658
Interest	9,412,409	9,609,404	8,958,475	8,662,683	8,192,883
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)
Changes in assumptions	-	-	(20,030,337)	-	(9,102,651)
Difference in expected vs. actual experience	-	-	1,391,711	-	4,178,987
Net change in total OPEB liability	2,599,084	1,416,008	(18,008,546)	601,443	(7,132,622)
Total OPEB liability - beginning	170,000,969	172,600,053	174,016,061	156,007,515	156,608,958
Total OPEB liability - ending (a)	$172,600,053	$174,016,061	$156,007,515	$ 156,608,958	$149,476,336
Plan fiduciary net position					
Contributions - employer	$ 10,222,267	$ 11,678,484	$ 11,642,994	$ 10,287,850	$ 12,041,435
Net investment income	8,178,671	(1,841,168)	14,236,478	11,308,704	17,506,485
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)
Administrative expense	-	(3,853)	(4,173)	(4,724)	(5,375)
Net change in plan fiduciary net position	8,653,642	(1,312,446)	15,105,973	11,164,518	17,238,046
Plan fiduciary net position - beginning	49,063,497	57,717,139	56,404,693	71,510,666	82,675,184
Plan fiduciary net position - ending (b)	$ 57,717,139	$ 56,404,693	$ 71,510,666	$ 82,675,184	$ 99,913,230
City's net OPEB liability - ending (a-b)	$114,882,914	$117,611,368	$ 84,496,849	$ 73,933,774	$ 49,563,106
Plan fiduciary net position as a percentage of the total OPEB liability	33.44%	32.41%	45.84%	52.79%	66.84%
Covered-employee payroll	$ 51,597,031	$ 51,597,031	$ 54,243,818	$ 56,142,352	$ 56,855,329
City's net OPEB liability as a percentage of covered-employee payroll	222.65%	227.94%	155.77%	131.69%	87.17%

	2022	2023	2024	2025
Total OPEB liability				
Service cost	$ 1,971,187	$ 1,706,844	$ 2,574,895	$ 2,053,453
Interest	8,263,004	8,624,583	7,131,161	7,781,167
Benefit payments	(11,323,522)	(9,029,620)	(11,273,234)	(12,739,505)
Changes in assumptions	2,087,148	29,333,774	(7,940,969)	8,223,204
Difference in expected vs. actual experience	820,051	(787,842)	(548,980)	4,166,247
Net change in total OPEB liability	1,817,868	29,847,739	(10,057,127)	9,484,566
Total OPEB liability - beginning	149,476,336	151,294,204	181,141,943	171,084,816
Total OPEB liability - ending (a)	$151,294,204	$181,141,943	$171,084,816	$ 180,569,382
Plan fiduciary net position				
Contributions - employer	$ 12,908,989	$ 14,521,145	$ 4,434,606	$ 5,850,892
Net investment income	(17,132,555)	18,643,021	5,541,141	7,216,108
Benefit payments	(11,323,522)	(9,029,620)	(11,273,234)	(12,739,505)
Administrative expense	(6,574)	(8,707)	(12,506)	(34,074)
Net change in plan fiduciary net position	(15,553,662)	24,125,839	(1,309,993)	293,421
Plan fiduciary net position - beginning	99,913,230	84,359,568	108,485,407	107,175,414
Plan fiduciary net position - ending (b)	$ 84,359,568	$108,485,407	$107,175,414	$ 107,468,835
City's net OPEB liability - ending (a-b)	$ 66,934,636	$ 72,656,536	$ 63,909,402	$ 73,100,547
Plan fiduciary net position as a percentage of the total OPEB liability	55.76%	59.89%	62.64%	59.52%
Covered-employee payroll	$ 58,845,266	$ 60,719,547	$ 67,320,847	$ 67,326,562
City's net OPEB liability as a percentage of covered-employee payroll	113.75%	119.66%	94.93%	108.58%

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 INVESTMENT RETURNS AND
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2025

SCHEDULE OF INVESTMENT RETURNS

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

	2022	2023	2024	2025
Annual money-weighted rate of return, net of investment expense	-17.30%	19.86%	5.11%	6.73%

SCHEDULE OF CITY CONTRIBUTIONS

	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 11,456,261	$ 10,536,980	$ 9,619,556	$ 10,050,122	$ 9,944,016
Contributions in relation to the actuarially determined contribution	10,222,267	11,678,484	11,642,994	10,287,850	12,041,435
Contribution deficiency (excess)	$ (1,233,994)	$ 1,141,504	$ 2,023,438	$ 237,728	$ 2,097,419
Covered-employee payroll	$ 51,597,031	$ 51,597,031	$ 54,243,818	$ 56,142,352	$ 56,855,329
Contributions as a percentage of covered-employee payroll	19.81%	22.63%	21.46%	18.32%	21.18%

	2022	2023	2024	2025
Actuarially determined contribution	$ 10,196,577	$ 10,861,403	$ 10,875,669	$ 11,398,306
Contributions in relation to the actuarially determined contribution	11,346,528	14,497,704	4,034,299	6,293,217
Contribution deficiency (excess)	$ 1,149,951	$ 3,636,301	$ (6,841,370)	$ (5,105,089)
Covered-employee payroll	$ 58,845,266	$ 60,719,547	$ 67,320,847	$ 67,326,562
Contributions as a percentage of covered-employee payroll	19.28%	23.88%	5.99%	9.35%

Notes to Schedule:

Valuation date	1/1/2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal as a level percentage of pay
Asset valuation method	Fair value
Inflation	2.50%
Healthcare cost trend rates	7.50% for the first year, and then reduced incrementally to 4.50% after six years
Salary increases	3.50%
Investment rate of return	4.54%
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

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, 2025

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
2025	0.5024%	$ 16,649,665	$ 401,642	$ 17,051,307	$ 45,503,240	36.59%	90.80%
2024	0.5008%	$ 18,514,417	$ 478,745	$ 18,993,162	$ 42,385,840	43.68%	89.10%
2023	0.5139%	$ 28,736,712	$ 792,222	$ 29,528,934	$ 40,867,707	70.32%	83.10%
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%

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)
2025	$ 3,559,395	$ 3,559,395	$ -	$ 47,458,600	7.50%
2024	$ 3,273,718	$ 3,273,718	$ -	$ 43,649,573	7.50%
2023	$ 3,100,531	$ 3,100,531	$ -	$ 41,340,413	7.50%
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%

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, 2025

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 its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	2.0053%	$ 23,495,326	$ 814,464	$ 24,309,790	$ 30,433,847	77.20%	91.80%
2024	2.0736%	$ 27,280,858	$ 1,039,936	$ 28,320,794	$ 28,714,266	95.01%	90.20%
2023	2.0759%	$ 35,848,094	$ 1,443,974	$ 37,292,068	$ 27,260,017	131.50%	86.50%
2022	2.1362%	$ 92,958,986	$ 4,060,926	$ 97,019,912	$ 26,509,190	350.67%	70.50%
2021	2.0496%	$ 15,820,739	$ 711,275	$ 16,532,014	$ 24,782,302	63.84%	93.70%
2020	2.2387%	$ 29,508,461	$ 695,185	$ 30,203,646	$ 25,263,315	116.80%	87.20%
2019	2.3085%	$ 24,576,314	N/A	$ 24,576,314	$ 24,327,497	101.02%	89.30%
2018	2.1951%	$ 23,397,505	N/A	$ 23,397,505	$ 23,134,636	101.14%	88.80%
2017	2.3110%	$ 31,201,250	N/A	$ 31,201,250	$ 23,723,278	131.52%	85.40%
2016	2.3170%	$ 92,985,242	N/A	$ 92,985,242	$ 22,320,623	416.59%	63.88%

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)
2025	$ 5,591,668	$ 5,591,668	$ -	$ 31,591,345	17.70%
2024	$ 5,372,495	$ 5,372,495	$ -	$ 30,353,079	17.70%
2023	$ 4,882,535	$ 4,882,535	$ -	$ 27,584,944	17.70%
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%

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, 2025

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:

2025
• The annual healthcare cost trend rate was changed to 7.50% for the first year, and then reduced incrementally to an ultimate rate of 4.50% after six years.
• Per-capita claims costs were updated to reflect experience since the previous valuation.
• Valuation of life insurance benefits was updated to reflect benefit payable at death rather than annuitized group term life premium rates per applicable standards.
• Immediate pre-65 medical trend was increased from 6.50% to 7.50% and immediate post-65 medical trend was increased from 3.75% to 4.00%.
• Ultimate pre-65 medical trend was decreased from 5.00% to 4.50% and ultimate post-65 medical trend was increased from 3.75% to 4.00%.

2024
• Investment rate of return changed from 4.00 to 4.54%.

2023
• Investment rate of return and Discount Rate were decreased from 5.70% to 4.00% to reflect the new investment allocation.
• Per-capita costs were updated to reflect experience since the previous valuation, including the assumed rates of morbidity.
• Participation percentage for future retirees that pay 100% of the premium rates was increased from 25% to 40%.
• Retirement rates were updated based on the results of the 2023 Actuarial Experience Study.
• Termination rates were updated based on the results of the 2023 Actuarial Experience Study.
• Premium equivalent rates were updated to reflect current rates.

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

2025
• The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
• The assumed post-retirement benefit increase changed from 1.25% to 1.5%.
• The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
• The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024
• Rates of merit and seniority were adjusted, resulting in slightly higher rates.
• Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

General Employees Fund (continued)

• Assumed rates of withdrawal were increased for both males and females.
• Assumed rates of disability were decreased.
• Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
• Minor changes to form of payment assumptions were applied for male and female retirees.
• Minor changes to assumptions were made with respect to missing participant data.
• The workers' compensation offset for disability benefits was eliminated.
• The actuarial equivalent factors were updated to reflect changes in assumptions.

2023
• The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
• A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.
• The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
• The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
• For Basic Plan members, a one-time, non-compounding benefit increase of 4.0%, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
• For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.5%, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.
• 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

General Employees Fund (continued)

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

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

2016
• The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter, to 1.0% for all future years.
• The assumed investment rate was changed from 7.9% to 7.5%. The single discount rate was also changed from 7.9% to 7.5%.
• Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25%. Payroll growth was reduced from 3.5% to 3.25%. Inflation was reduced from 2.75% to 2.5%.

Police and Fire Plan

2025
• Assumed rates of salary increases were reduced slightly.
• Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
• Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
• Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
• Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
• Percent married assumption for female retirees lowered from 70% to 65%.
• Minor changes were made to form of payment assumptions for retirees.
• Minor changes were made to assumptions made with respect to missing participant data.
• The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.
• The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
• The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
• The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
• The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

Police and Fire Plan (continued)

• An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
• Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024
• The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90% funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90% funded status for one year.
• The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023
• The investment return assumption was changed from 6.5% to 7.0%.
• The single discount rate changed from 5.4% to 7.0%.
• A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.
• The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after ten years.
• A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
• Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
• A total and permanent duty disability benefit was added effective July 1, 2023.

2022
• The single discount rate changed from 6.5% to 5.4%.
• 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 MP-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.

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

Police and Fire Plan (continued)

• 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

Governmental Funds

CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

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.

Capital Investment – to account for City investment earnings dedicated to capital funding per City ordinance.

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.

Local Fiscal Recovery – This fund accounts for the City's award of the 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.

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.

CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

SPECIAL REVENUE FUNDS (continued)

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.

Housing Trust – 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.

CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

CAPITAL PROJECTS FUNDS

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

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

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

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

Tourism and Recreational Projects – 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.

Spirit Mountain Capital Improvement – to account for funds that were awarded by the State of Minnesota for improvements to Spirit Mountain.

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Capital Investment
Assets					
Cash and cash equivalents	$ -	$ 4,475,678	$ 5,468,385	$ 1,553,736	$ 15,960,640
Receivables, net					
Taxes	-	112,844	-	-	-
Accounts	-	897	106,010	-	-
Assessments	-	-	797,648	-	-
Loans	-	-	-	-	-
Leases	-	-	690,565	-	-
Accrued Interest	-	-	-	-	1,422,993
Due from other funds	-	114,263	812,487	-	-
Due from component units	-	-	10,100	-	-
Due from other governments	77,632	181,105	335,547	-	-
Total Assets	$ 77,632	$ 4,884,787	$ 8,220,742	$ 1,553,736	$ 17,383,633
Liabilities					
Accounts payable	-	69,716	49,563	50	-
Contracts payable	150,580	105,973	112	-	-
Due to other funds	-	11,056	18,817	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	25,582	-	-	-	-
Due to other governments	30	5,322	287	4,264	-
Accrued salaries payable	-	68,285	13,299	-	-
Unearned revenue	-	137,664	408,933	-	-
Total Liabilities	176,192	398,016	491,011	4,314	-
Deferred Inflows of Resources					
Unavailable revenue	13,881	253,167	975,127	-	-
Lease related	-	-	613,707	-	-
Total Deferred Inflows of Resources	13,881	253,167	1,588,834	-	-
Fund Balances					
Restricted	-	4,233,604	2,560,726	1,549,422	-
Committed	-	-	2,042,794	-	17,383,633
Assigned	-	-	1,537,377	-	-
Unassigned	(112,441)	-	-	-	-
Total Fund Balances	(112,441)	4,233,604	6,140,897	1,549,422	17,383,633
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 77,632	$ 4,884,787	$ 8,220,742	$ 1,553,736	$ 17,383,633

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds				
	Police Grant Programs	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Economic Development
Assets					
Cash and cash equivalents	$ 269,393	$ 623,575	$ 220,856	$ 733,108	$ 3,278,056
Receivables, net					
Taxes	-	-	-	-	-
Accounts	18,804	-	-	80,202	-
Assessments	-	-	-	-	-
Loans	-	3,289,597	-	-	598,846
Leases	-	-	-	-	488,849
Accrued Interest	-	-	-	-	-
Due from other funds	-	-	-	-	50,000
Due from component units	-	-	-	-	-
Due from other governments	557,231	-	-	-	-
Total Assets	$ 845,428	$ 3,913,172	$ 220,856	$ 813,310	$ 4,415,751
Liabilities					
Accounts payable	428,153	-	2,000	6,150	-
Contracts payable	101,487	-	-	808	-
Due to other funds	144,576	-	-	-	-
Due to component units	-	-	-	-	5,000
Interfund loan payable	-	-	-	-	-
Due to other governments	1,319	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	20,573	-	-	-	-
Total Liabilities	696,108	-	2,000	6,958	5,000
Deferred Inflows of Resources					
Unavailable revenue	169,035	3,289,597	-	-	598,846
Lease related	-	-	-	-	471,994
Total Deferred Inflows of Resources	169,035	3,289,597	-	-	1,070,840
Fund Balances					
Restricted	-	623,575	-	806,352	-
Committed	-	-	218,856	-	-
Assigned	-	-	-	-	3,339,911
Unassigned	(19,715)	-	-	-	-
Total Fund Balances	(19,715)	623,575	218,856	806,352	3,339,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 845,428	$ 3,913,172	$ 220,856	$ 813,310	$ 4,415,751

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds				
	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program	Community Development
Assets					
Cash and cash equivalents	$ 1,492,568	$ 3,524,214	$ 67,004	$ -	$ 607,294
Receivables, net					
Taxes	-	984,569	753	-	-
Accounts	7,496	-	-	-	221,276
Assessments	-	-	-	-	-
Loans	-	-	-	330,100	2,614,793
Leases	171,648	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	6,730	-	-	-	21,565
Due from component units	-	-	-	-	-
Due from other governments	251,807	283,947	-	159,479	1,181,319
Total Assets	$ 1,930,249	$ 4,792,730	$ 67,757	$ 489,579	$ 4,646,247
Liabilities					
Accounts payable	39	-	-	-	3,699
Contracts payable	50,611	233,128	-	136,454	1,150,936
Due to other funds	-	1,043,723	-	23,026	20,510
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	19,918	-
Due to other governments	-	-	-	-	13,766
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	40,044
Total Liabilities	50,650	1,276,851	-	179,398	1,228,955
Deferred Inflows of Resources					
Unavailable revenue	230,142	-	-	489,579	3,056,318
Lease related	166,600	-	-	-	-
Total Deferred Inflows of Resources	396,742	-	-	489,579	3,056,318
Fund Balances					
Restricted	-	3,515,879	67,757	-	360,974
Committed	586,502	-	-	-	-
Assigned	896,355	-	-	-	-
Unassigned	-	-	-	(179,398)	-
Total Fund Balances	1,482,857	3,515,879	67,757	(179,398)	360,974
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,930,249	$ 4,792,730	$ 67,757	$ 489,579	$ 4,646,247

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds				
	Housing Trust	**Workforce Development**	**Street System Maintenance Utility**	**Street Improvement Sales Tax**	**Street Lighting**
Assets					
Cash and cash equivalents	$ 1,958,045	$ 920,881	$ 4,510,228	$ 11,170,200	$ 2,557,726
Receivables, net					
Taxes	6,367	-	88,736	2,739,679	96,395
Accounts	-	58	-	-	2,617
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Leases	-	321,223	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	-	5,894	538	-	-
Due from component units	-	-	-	-	-
Due from other governments	2,970,000	199,328	-	-	15,456
Total Assets	$ 4,934,412	$ 1,447,384	$ 4,599,502	$ 13,909,879	$ 2,672,194
Liabilities					
Accounts payable	-	24,911	538	-	96,797
Contracts payable	-	18,043	161,991	-	-
Due to other funds	-	6,410	-	361,769	12,155
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	5,436	14,192	-	-
Accrued salaries payable	-	40,061	-	-	25,849
Unearned revenue	-	786	-	-	888
Total Liabilities	-	95,647	176,721	361,769	135,689
Deferred Inflows of Resources					
Unavailable revenue	2,974,273	31,070	60,400	-	70,337
Lease related	-	316,026	-	-	-
Total Deferred Inflows of Resources	2,974,273	347,096	60,400	-	70,337
Fund Balances					
Restricted	-	1,004,641	4,362,381	13,548,110	2,466,168
Committed	1,960,139	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	1,960,139	1,004,641	4,362,381	13,548,110	2,466,168
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,934,412	$ 1,447,384	$ 4,599,502	$ 13,909,879	$ 2,672,194

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue	Debt Service Funds			
	Public Arts	DECC Revenue	General Obligation	Special Assessment Debt Service	Street Improvement Debt Service
Assets					
Cash and cash equivalents	$ 122,111	$ 6,597,276	$ 18,987,983	$ 71,971	$ -
Receivables, net					
Taxes	-	-	288,323	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	79,846	54,136
Loans	-	-	5,175,000	-	-
Leases	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	12,000	656,905	313,860	-	346
Due from component units	-	-	-	-	-
Due from other governments	-	-	55,749	36,198	-
Total Assets	$ 134,111	$ 7,254,181	$ 24,820,915	$ 188,015	$ 54,482
Liabilities					
Accounts payable	900	-	55,749	-	-
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	36,188	-
Due to component units	-	1,203,396	-	-	-
Interfund loan payable	-	-	-	-	44,410
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	900	1,203,396	55,749	36,188	44,410
Deferred Inflows of Resources					
Unavailable revenue	-	-	5,370,158	79,846	54,136
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	5,370,158	79,846	54,136
Fund Balances					
Restricted	-	6,050,785	19,395,008	71,981	-
Committed	133,211	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(44,064)
Total Fund Balances	133,211	6,050,785	19,395,008	71,981	(44,064)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 134,111	$ 7,254,181	$ 24,820,915	$ 188,015	$ 54,482

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Debt Service	Capital Projects Funds			
	Tax Increment	Capital Equipment	Spirit Mountain Capital Improvement	Street Improvement Program	Capital Improvements
Assets					
Cash and cash equivalents	$ 359,717	$ 8,102,220	$ -	$ 3,585,817	$ 6,470,681
Receivables, net					
Taxes	265,615	-	-	-	112,519
Accounts	-	39,524	-	112,542	-
Assessments	-	-	-	560,754	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	-	1,000,000	-	2,264	436,785
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	-	2,374,181
Total Assets	$ 625,332	$ 9,141,744	$ -	$ 4,261,377	$ 9,394,166
Liabilities					
Accounts payable	-	145,280	661	-	122,706
Contracts payable	-	-	277,503	410,418	1,635,902
Due to other funds	243,159	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	4,053,718	-	-
Due to other governments	-	3,967	-	1,306	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	243,159	149,247	4,331,882	411,724	1,758,608
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	560,754	1,429,514
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	560,754	1,429,514
Fund Balances					
Restricted	382,173	2,904,260	-	611,770	6,206,044
Committed	-	6,088,237	-	-	-
Assigned	-	-	-	2,677,129	-
Unassigned	-	-	(4,331,882)	-	-
Total Fund Balances	382,173	8,992,497	(4,331,882)	3,288,899	6,206,044
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 625,332	$ 9,141,744	$ -	$ 4,261,377	$ 9,394,166

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Capital Projects Funds		
	Tourism and Recreational Projects	**Regional Exchange District**	**Total Nonmajor Governmental Funds**
Assets			
Cash and cash equivalents	$ 2,226,788	$ -	$ 105,916,151
Receivables, net			
Taxes	-	-	4,695,800
Accounts	-	-	589,426
Assessments	-	-	1,492,384
Loans	-	-	12,008,336
Leases	-	-	1,672,285
Accrued Interest	-	-	1,422,993
Due from other funds	-	16,979	3,450,616
Due from component units	-	-	10,100
Due from other governments	702,222	2,614,069	11,995,270
Total Assets	$ 2,929,010	$ 2,631,048	$ 143,253,361
Liabilities			
Accounts payable	50,336	83,844	1,141,092
Contracts payable	124,828	1,968,953	6,527,727
Due to other funds	16,979	-	1,938,368
Due to component units	-	-	1,208,396
Interfund loan payable	-	587,732	4,731,360
Due to other governments	-	-	49,889
Accrued salaries payable	-	-	147,494
Unearned revenue	39,030	-	647,918
Total Liabilities	231,173	2,640,529	16,392,244
Deferred Inflows of Resources			
Unavailable revenue	608,298	1,889,061	22,203,539
Lease related	-	-	1,568,327
Total Deferred Inflows of Resources	608,298	1,889,061	23,771,866
Fund Balances			
Restricted	2,089,539	-	72,811,149
Committed	-	-	28,413,372
Assigned	-	-	8,450,772
Unassigned	-	(1,898,542)	(6,586,042)
Total Fund Balances	2,089,539	(1,898,542)	103,089,251
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,929,010	$ 2,631,048	$ 143,253,361

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Capital Investment
Revenues					
Taxes					
Property taxes	$ -	$ 2,878,844	$ -	$ -	$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	121,082	39,079	-	-
Intergovernmental revenues	379,934	808,489	1,306,773	-	-
Charges for services	1,815,480	133,227	191,750	-	-
Fines and forfeits	-	-	8,935	-	-
Special assessments	-	-	-	-	-
Investment income	-	20,722	29,801	68,224	5,742,625
Miscellaneous revenues	161,243	321,920	1,105,518	254,878	-
Total Revenues	2,356,657	4,284,284	2,681,856	323,102	5,742,625
Expenditures					
Current					
General government	-	-	78,028	-	-
Public safety	-	-	1,414,586	12,326	-
Public works	-	-	1,050	-	-
Culture and recreation	2,924,635	3,251,974	123,172	-	-
Urban and economic development	-	-	545,000	-	-
Debt service					
Principal retirement	-	-	393,750	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	309,421	1,798,156	-	-
Total Expenditures	2,924,635	3,561,395	4,353,742	12,326	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(567,978)	722,889	(1,671,886)	310,776	5,742,625
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
SBITA proceeds	-	-	1,352,485	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	409,353	730,479	-	-
Transfers out	-	(398,479)	(1,079,271)	(131,125)	-
Total Other Financing Sources (Uses)	510,000	10,874	1,003,693	(131,125)	-
Net Change in Fund Balances	(57,978)	733,763	(668,193)	179,651	5,742,625
Fund Balances - January 1, 2025, as previously reported	(54,463)	3,499,841	6,809,090	1,369,771	11,641,008
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	(54,463)	3,499,841	6,809,090	1,369,771	11,641,008
Fund Balances - December 31, 2025	$ (112,441)	$ 4,233,604	$ 6,140,897	$ 1,549,422	$ 17,383,633

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds				
	Police Grant Programs	Local Fiscal Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts
Revenues					
Taxes					
Property taxes	$ -	$ -	$ -	$ -	$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	2,536,563	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	168,116	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	2,060	730	3,148	915	3,655
Miscellaneous revenues	2,878	-	-	78,596	149,625
Total Revenues	2,709,617	730	3,148	79,511	153,280
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	709,843	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	4,461	147,068
Urban and economic development	-	-	-	-	-
Debt service					
Principal retirement	287,619	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	467,842	-	-	-	-
Total Expenditures	1,465,304	-	-	4,461	147,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,244,313	730	3,148	75,050	6,212
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
SBITA proceeds	287,619	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(1,685,236)	-	-	-	-
Total Other Financing Sources (Uses)	(1,397,617)	-	-	-	-
Net Change in Fund Balances	(153,304)	730	3,148	75,050	6,212
Fund Balances - January 1, 2025, as previously reported	133,589	(730)	620,427	143,806	800,140
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	133,589	(730)	620,427	143,806	800,140
Fund Balances - December 31, 2025	$ (19,715)	$ -	$ 623,575	$ 218,856	$ 806,352

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds				
	Economic Development	**Energy Management**	**Tourism Tax**	**Public Facility and Program**	**Home Investment Partnerships Program**
Revenues					
Taxes					
Property taxes	$ -	$ -	$ -	$ -	$ -
Sales taxes	-	-	15,987,555	-	-
Other taxes	-	-	-	11,497	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	8,155	247,661	-	-	557,372
Charges for services	-	7,728	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	13,762	7,727	15,813	305	-
Miscellaneous revenues	50,884	98,470	49,908	-	-
Total Revenues	72,801	361,586	16,053,276	11,802	557,372
Expenditures					
Current					
General government	-	615,276	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	9,816	-	4,234,185	-	715,061
Debt service					
Principal retirement	5,786	-	-	-	-
Interest and fiscal fees	14,839	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	244,236	-	-	-
Total Expenditures	30,441	859,512	4,234,185	-	715,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,360	(497,926)	11,819,091	11,802	(157,689)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
SBITA proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	50,000	339,800	-	-	-
Transfers out	-	-	(11,369,457)	-	-
Total Other Financing Sources (Uses)	50,000	339,800	(11,369,457)	-	-
Net Change in Fund Balances	92,360	(158,126)	449,634	11,802	(157,689)
Fund Balances - January 1, 2025, as previously reported	3,247,551	1,640,983	3,066,245	55,955	(21,709)
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	3,247,551	1,640,983	3,066,245	55,955	(21,709)
Fund Balances - December 31, 2025	$ 3,339,911	$ 1,482,857	$ 3,515,879	$ 67,757	$ (179,398)

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds				
	Community Development	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility
Revenues					
Taxes					
Property taxes	$ -	$ 171,061	$ -	$ -	$ 2,283,815
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	2,015,709	-	3,432,267	145,435	-
Charges for services	-	25,956	2,436	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	18,451	71,536	3,388	-	28,471
Miscellaneous revenues	424,054	1,932,228	157,115	-	120
Total Revenues	2,458,214	2,200,781	3,595,206	145,435	2,312,406
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	1,511,248
Culture and recreation	-	-	-	-	-
Urban and economic development	2,499,089	1,500,551	3,001,707	140,616	-
Debt service					
Principal retirement	-	-	228,818	-	39,249
Interest and fiscal fees	97,536	-	51,224	-	2,390
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	2,596,625	1,500,551	3,281,749	140,616	1,552,887
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,411)	700,230	313,457	4,819	759,519
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
SBITA proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	54,679	-	-
Transfers out	-	-	-	(4,679)	(2,450,922)
Total Other Financing Sources (Uses)	-	-	54,679	(4,679)	(2,450,922)
Net Change in Fund Balances	(138,411)	700,230	368,136	140	(1,691,403)
Fund Balances - January 1, 2025, as previously reported	499,385	1,259,909	636,505	(140)	6,053,784
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	499,385	1,259,909	636,505	(140)	6,053,784
Fund Balances - December 31, 2025	$ 360,974	$ 1,960,139	$ 1,004,641	$ -	$ 4,362,381

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds			Debt Service Funds	
	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue	General Obligation
Revenues					
Taxes					
Property taxes	$ -	$ 2,528,771	$ -	$ -	$ 7,511,548
Sales taxes	10,265,597	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	827,225
Charges for services	-	1,152	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	62,255	12,357	703	31,704	92,542
Miscellaneous revenues	-	85,652	-	-	2,202,511
Total Revenues	10,327,852	2,627,932	703	31,704	10,633,826
Expenditures					
Current					
General government	-	-	-	-	836,901
Public safety	-	-	-	-	-
Public works	-	2,275,239	-	-	-
Culture and recreation	-	-	21,030	-	-
Urban and economic development	-	-	-	1,203,396	-
Debt service					
Principal retirement	-	-	-	-	11,550,000
Interest and fiscal fees	-	-	-	-	3,484,377
Bond issuance costs	-	-	-	-	-
Capital outlay	1,407	-	-	-	-
Total Expenditures	1,407	2,275,239	21,030	1,203,396	15,871,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,326,445	352,693	(20,327)	(1,171,692)	(5,237,452)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
SBITA proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	27,341	-	-	5,078,300	6,555,381
Transfers out	(12,097,522)	(38,000)	-	(3,255,475)	-
Total Other Financing Sources (Uses)	(12,070,181)	(38,000)	-	1,822,825	6,555,381
Net Change in Fund Balances	(1,743,736)	314,693	(20,327)	651,133	1,317,929
Fund Balances - January 1, 2025, as previously reported	15,291,846	2,151,475	153,538	5,399,652	18,077,079
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	15,291,846	2,151,475	153,538	5,399,652	18,077,079
Fund Balances - December 31, 2025	$ 13,548,110	$ 2,466,168	$ 133,211	$ 6,050,785	$ 19,395,008

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Debt Service Funds			Capital Projects Funds	
	Special Assessment Debt Service	Street Improvement Debt Service	Tax Increment	Capital Equipment	Formerly Nonmajor Permanent Improvement
Revenues					
Taxes					
Property taxes	$ -	$ -	$ 531,229	$ -	
Sales taxes	-	-	-	-	
Other taxes	-	-	-	-	
Licenses and permits	-	-	-	-	
Intergovernmental revenues	-	-	-	-	
Charges for services	-	-	-	-	
Fines and forfeits	-	-	-	-	
Special assessments	8,162	558	-	-	
Investment income	339	-	-	317,077	
Miscellaneous revenues	-	-	-	263,609	
Total Revenues	8,501	558	531,229	580,686	-
Expenditures					
Current					
General government	-	-	-	-	
Public safety	-	-	-	-	
Public works	-	-	-	-	
Culture and recreation	-	-	-	-	
Urban and economic development	-	-	494	-	
Debt service					
Principal retirement	-	-	-	-	
Interest and fiscal fees	-	-	-	-	
Bond issuance costs	-	-	-	32,794	
Capital outlay	-	-	-	4,908,020	
Total Expenditures	-	-	494	4,940,814	
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,501	558	530,735	(4,360,128)	
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	3,395,000	
SBITA proceeds	-	-	-	-	
Premium on issuance of bonds	-	-	-	255,990	
Transfers in	-	-	-	1,000,000	
Transfers out	-	-	(482,212)	-	
Total Other Financing Sources (Uses)	-	-	(482,212)	4,650,990	
Net Change in Fund Balances	8,501	558	48,523	290,862	
Fund Balances - January 1, 2025, as previously reported	63,480	(44,622)	333,650	8,701,635	(2,120,165)
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	2,120,165
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balance - January 1, 2025, as adjusted or restated	63,480	(44,622)	333,650	8,701,635	-
Fund Balances - December 31, 2025	$ 71,981	$ (44,064)	$ 382,173	$ 8,992,497	$ -

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Capital Projects Funds					
	Spirit Mountain Capital Improvement	Street Improvement Program	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	Total Nonmajor Governmental Funds
Revenues						
Taxes						
Property taxes	$ -	$ -	$ 4,222,930	$ -	$ -	$ 20,128,198
Sales taxes	-	-	-	-	-	26,253,152
Other taxes	-	-	-	-	-	11,497
Licenses and permits	-	-	-	-	-	160,161
Intergovernmental revenues	-	-	5,563,405	665,121	16,820,919	35,315,028
Charges for services	-	-	-	-	-	2,177,729
Fines and forfeits	-	-	-	-	-	177,051
Special assessments	-	250,870	-	-	-	259,590
Investment income	-	12,258	32,410	33,581	-	6,626,559
Miscellaneous revenues	-	138,587	157,708	1,038	-	7,636,542
Total Revenues	-	401,715	9,976,453	699,740	16,820,919	98,745,507
Expenditures						
Current						
General government	-	-	975,391	-	-	2,505,596
Public safety	-	-	397,171	-	-	2,533,926
Public works	-	463,138	83,007	-	-	4,333,682
Culture and recreation	4,331,882	-	1,097,081	289,385	-	12,190,688
Urban and economic development	-	-	-	-	7,390,352	21,240,267
Debt service						
Principal retirement	-	-	-	-	-	12,505,222
Interest and fiscal fees	-	-	-	-	-	3,650,366
Bond issuance costs	-	-	63,310	75,023	-	171,127
Capital outlay	-	10,089,162	3,908,251	984,364	1,706,961	24,417,820
Total Expenditures	4,331,882	10,552,300	6,524,211	1,348,772	9,097,313	83,548,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,331,882)	(10,150,585)	3,452,242	(649,032)	7,723,606	15,196,813
Other Financing Sources (Uses)						
Issuance of bonds	-	-	4,710,000	4,435,000	-	12,540,000
SBITA proceeds	-	-	-	-	-	1,640,104
Premium on issuance of bonds	-	-	551,183	106,515	-	913,688
Transfers in	-	13,089,860	1,559,269	360,000	-	29,764,462
Transfers out	-	(27,341)	-	(2,912,197)	-	(35,931,916)
Total Other Financing Sources (Uses)	-	13,062,519	6,820,452	1,989,318	-	8,926,338
Net Change in Fund Balances	(4,331,882)	2,911,934	10,272,694	1,340,286	7,723,606	24,123,151
Fund Balances - January 1, 2025, as previously reported	-	376,965	(4,066,650)	749,253	-	86,468,083
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-	2,120,165
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	(9,622,148)	(9,622,148)
Total Fund Balance - January 1, 2025, as adjusted or restated	-	376,965	(4,066,650)	749,253	(9,622,148)	78,966,100
Fund Balances - December 31, 2025	$ (4,331,882)	$ 3,288,899	$ 6,206,044	$ 2,089,539	$ (1,898,542)	$103,089,251

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Taxes				
General property				
Current	$ 25,547,300	$ 25,547,300	$ 25,548,499	$ 1,199
Delinquent	150,000	150,000	298,753	148,753
Mobile home	90,000	90,000	101,012	11,012
Forfeited tax sale apportionment	10,000	10,000	-	(10,000)
Franchise	4,553,000	4,553,000	4,140,998	(412,002)
Sales taxes	17,617,300	17,617,300	19,302,231	1,684,931
Charitable gambling	30,000	30,000	42,086	12,086
Other	205,400	205,400	31,166	(174,234)
Total Taxes	48,203,000	48,203,000	49,464,745	1,261,745
Licenses and Permits				
Liquor and non-intoxicating liquor	436,200	436,200	468,526	32,326
Health	25,000	25,000	9,498	(15,502)
Police protective	42,800	42,800	46,477	3,677
Amusement	600	600	611	11
Manufacturing and merchandising	35,700	35,700	47,094	11,394
Other	1,642,400	1,642,400	1,854,821	212,421
Total Licenses and Permits	2,182,700	2,182,700	2,427,027	244,327
Intergovernmental revenues				
Shared revenues				
Local government aid	35,231,100	35,231,100	35,231,196	96
Insurance premium	2,420,800	2,420,800	3,310,021	889,221
State grants				
Minnesota Library Information Network	4,000	4,000	-	(4,000)
Ballistic Vest Reimbursement	-	56,649	56,649	-
Cross country ski trail	11,000	11,000	12,650	1,650
Post training reimbursement	135,000	135,000	129,276	(5,724)
Market value credit	-	-	2,811	2,811
MSA street maintenance allotment	1,496,100	1,496,100	1,533,400	37,300
Federal grants				
Bulletproof Vest Partnership Program	16,000	16,000	2,034	(13,966)
Other grants				
St. Louis County	138,400	138,400	159,643	21,243
Payments in lieu of taxes -				
Housing and Redevelopment Authority	72,000	72,000	95,421	23,421
Independent School District #709	366,700	366,700	353,211	(13,489)
Total Intergovernmental Revenues	39,891,100	39,947,749	40,886,312	938,563

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	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	33,100	33,100	82,675	49,575
Engineering	150,000	150,000	-	(150,000)
Building inspection services	3,162,500	3,162,500	4,017,293	854,793
Attorney services	9,000	9,000	5,740	(3,260)
Information technology services	11,000	11,000	15,000	4,000
Grant administration services	73,600	73,600	82,382	8,782
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	50,000	50,000	63,262	13,262
Other services	-	-	60	60
Departmental sales				
Copier and microfilm prints	9,000	9,000	21,273	12,273
Print and plan sales	500	500	49	(451)
Share of general expenses				
Stormwater	281,000	281,000	281,000	-
Sewer	333,000	333,000	333,000	-
Steam	80,000	80,000	80,000	-
Duluth Entertainment and Convention Center Authority	47,300	47,300	47,300	-
Duluth Transit Authority	23,900	23,900	23,900	-
Duluth Airport Authority	133,200	133,200	133,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	945,400	945,400	945,400	-
Fleet Services	273,600	273,600	273,600	-
Group Health	430,600	430,600	430,612	12
Self-Insurance	584,000	584,000	584,000	-
Spirit Mountain Recreation Area Authority	29,600	29,600	89,375	59,775
Parking	202,300	202,300	202,300	-
Priley Drive Parking Facility	6,500	6,500	6,500	-
Total Charges for Services	7,303,300	7,303,300	8,152,121	848,821
Fines and Forfeits				
Court fines	200,000	200,000	177,185	(22,815)
Administrative fines	500	500	67,909	67,409
License penalties	1,500	1,500	-	(1,500)
Felony forfeitures	-	-	5,964	5,964
Total Fines and Forfeits	202,000	202,000	251,058	49,058

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Special Assessments	534,800	630,555	585,623	(44,932)
Investment Income				
Fair value adjustment	-	-	132,864	132,864
Miscellaneous Revenues				
Concessions & Commissions	25,800	25,800	12,875	(12,925)
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	21,826	21,826
Rent and lease	113,100	113,100	127,951	14,851
Sale of land	-	4,857	4,857	-
Sale of scrap	5,000	5,000	7,444	2,444
Surcharge retainage	2,000	2,000	2,163	163
Refunds and reimbursements	149,600	6,482,330	6,734,144	251,814
Gifts and donations	-	-	100	100
Miscellaneous sales and services	89,200	100,750	89,116	(11,634)
Total Miscellaneous Revenues	534,700	6,883,837	7,150,476	266,639
Total Revenues	98,851,600	105,353,141	109,050,226	3,697,085
Other Financing Sources				
SBITA proceeds	-	2,083,426	2,083,426	-
Financed purchase proceeds	-	4,564,196	4,564,196	-
Transfers in:				
Special Projects	623,300	898,340	912,271	13,931
Opioid Remediation	146,000	146,000	131,125	(14,875)
Duluth Police Grant Programs	1,157,500	1,530,938	1,685,236	154,298
Community Investment Trust	537,500	537,500	1,178,378	640,878
Tourism Taxes	1,486,600	1,491,900	1,505,751	13,851
Street System Maint Utility	-	116,303	116,303	-
Parking Fund	1,422,900	1,422,900	1,422,900	-
Water	285,425	285,425	285,425	-
Gas	3,467,925	3,467,925	2,804,436	(663,489)
Sewer	217,925	217,925	217,925	-
Stormwater	600,425	600,425	600,425	-
Steam	182,000	182,000	186,676	4,676
Total Other Financing Sources	10,127,500	17,545,203	17,694,473	149,270
Fund Balance Reserves				
Public Safety	450,000	450,000	-	(450,000)
Total Fund Balance Reserves	450,000	450,000	-	(450,000)
Total Revenues and Other Financing Sources	$ 109,429,100	$ 123,348,344	$ 126,744,699	$ 3,396,355

Reconciliation	
Original budget as approved by Duluth City Council	$ 109,429,100
Adjustments made in accordance with budget ordinance provisions:	
Grants, gifts, and donations	430,087
Ordinance allowable	13,489,157
Total adjustments	13,919,244
Modified budget as reported above	$ 123,348,344

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget			Actual			
	Original	Modified	Note	Expended	Encumbered	Totals	Increase (Decrease)
Legislative and Executive							
City Council							
Personal services - salaries	$ 124,200	$ 124,200		$ 123,050	$ -	$ 123,050	$ 1,150
Personal services - benefits	9,500	9,500		8,165	-	8,165	1,335
Other expenditures	82,700	86,500	1	83,756	-	83,756	2,744
Total City Council	216,400	220,200		214,971	-	214,971	5,229
Mayor's Office							
Personal services - salaries	556,800	-	1	-	-	-	-
Personal services - benefits	257,800	-	1	-	-	-	-
Other expenditures	24,200	-	1	-	-	-	-
Total Mayor's Office	838,800	-		-	-	-	-
Mayor & City Administration							
Personal services - salaries	372,100	885,098	1	828,754	-	828,754	56,344
Personal services - benefits	139,500	342,302	1	312,374	-	312,374	29,928
Other expenditures	20,600	84,800	1	73,080	-	73,080	11,720
Total Mayor & City Administration	532,200	1,312,200		1,214,208	-	1,214,208	97,992
Attorney and Human Rights							
Personal services - salaries	2,172,000	2,235,820	1	2,217,592	-	2,217,592	18,228
Personal services - benefits	841,400	871,044	1	834,438	-	834,438	36,606
Other expenditures	61,100	62,600	1	61,045	-	61,045	1,555
Total Attorney and Human Rights	3,074,500	3,169,464		3,113,075	-	3,113,075	56,389
Total Legislative and Executive	4,661,900	4,701,864		4,542,254	-	4,542,254	159,610
Property, Parks and Libraries							
Park Maintenance							
Personal services - salaries	1,908,000	1,882,000	1	1,838,140	-	1,838,140	43,860
Personal services - benefits	790,100	790,100		766,400	-	766,400	23,700
Other expenditures	1,183,900	1,201,602	1	1,176,571	-	1,176,571	25,031
Total Park Maintenance	3,882,000	3,873,702		3,781,111	-	3,781,111	92,591
Library Services							
Personal services - salaries	3,324,400	3,365,504	1	3,365,429	-	3,365,429	75
Personal services - benefits	1,442,800	1,440,922	1	1,440,851	-	1,440,851	71
Other expenditures	526,200	493,925	1	493,040	-	493,040	885
Capital outlay	346,000	409,585	1,2	409,584	-	409,584	1
Total Library Services	5,639,400	5,709,936		5,708,904	-	5,708,904	1,032
Facilities Management							
Personal services - salaries	2,484,900	2,444,974	1	2,442,195	-	2,442,195	2,779
Personal services - benefits	1,032,100	957,713	1	957,649	-	957,649	64
Other expenditures	3,101,100	2,881,155	1,2	2,684,186	-	2,684,186	196,969
Capital outlay	-	42,714	4	42,714	-	42,714	-
Total Facilities Management	6,618,100	6,326,556		6,126,744	-	6,126,744	199,812
Total Property, Parks and Libraries	16,139,500	15,910,194		15,616,759	-	15,616,759	293,435

(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, 2025

	Budget			Actual			
	Original	Modified	Note	Expended	Encumbered	Totals	Increase (Decrease)
Administrative Services							
Human Resources							
Personal services - salaries	1,009,400	1,071,835	1	1,071,822	-	1,071,822	13
Personal services - benefits	430,100	428,399	1	428,307	-	428,307	92
Other expenditures	108,000	77,731	1	77,732	-	77,732	(1)
Total Human Resources	1,547,500	1,577,965		1,577,861	-	1,577,861	104
Information Technology							
Personal services - salaries	2,261,400	2,276,945	1	2,276,886	-	2,276,886	59
Personal services - benefits	947,100	935,534	1	935,496	-	935,496	38
Other expenditures	1,418,300	1,383,059	1,2	1,319,947	-	1,319,947	63,112
Total Information Technology	4,626,800	4,595,538		4,532,329	-	4,532,329	63,209
Clerk							
Personal services - salaries	729,300	556,200	1	556,108	-	556,108	92
Personal services - benefits	295,800	295,800		198,681	-	198,681	97,119
Other expenditures	87,400	122,400	1	95,685	-	95,685	26,715
Total Clerk	1,112,500	974,400		850,474	-	850,474	123,926
Total Administrative Services	7,286,800	7,147,903		6,960,664	-	6,960,664	187,239
Finance							
Budget							
Personal services - salaries	725,300	747,582	1	742,694	-	742,694	4,888
Personal services - benefits	260,600	258,907	1	258,066	-	258,066	841
Other expenditures	37,100	35,294	1	35,293	-	35,293	1
Total Budget	1,023,000	1,041,783		1,036,053	-	1,036,053	5,730
Auditor							
Personal services - salaries	850,800	832,953	1	832,940	-	832,940	13
Personal services - benefits	325,900	311,466	1	311,391	-	311,391	75
Other expenditures	304,100	319,068	1	319,067	-	319,067	1
Total Auditor	1,480,800	1,463,487		1,463,398	-	1,463,398	89
Purchasing							
Personal services - salaries	456,000	462,592	1	462,397	-	462,397	195
Personal services - benefits	196,800	197,408	1	197,396	-	197,396	12
Other expenditures	14,200	7,000	1	6,173	-	6,173	827
Total Purchasing	667,000	667,000		665,966	-	665,966	1,034
Total Finance	3,170,800	3,172,270		3,165,417	-	3,165,417	6,853

(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, 2025

	Budget			Actual			
	Original	Modified	Note	Expended	Encumbered	Totals	Increase (Decrease)
Planning and Construction Services							
Planning and Development							
Personal services - salaries	1,118,700	1,152,234	1	1,152,185	-	1,152,185	49
Personal services - benefits	473,100	469,660	1	469,627	-	469,627	33
Other expenditures	189,900	180,306	1,4	175,641	73,161	248,802	(68,496)
Total Planning and Development	1,781,700	1,802,200		1,797,453	73,161	1,870,614	(68,414)
Construction Services and Inspection							
Personal services - salaries	1,622,200	1,623,900	1	1,623,858	-	1,623,858	42
Personal services - benefits	696,500	666,500	1	662,823	-	662,823	3,677
Other expenditures	144,000	122,075	1,2	122,053	-	122,053	22
Total Construction Services and Inspection	2,462,700	2,412,475		2,408,734	-	2,408,734	3,741
Total Planning and Construction Services	4,244,400	4,214,675		4,206,187	73,161	4,279,348	(64,673)
Fire							
Administration							
Personal services - salaries	800,700	806,041	1	806,015	-	806,015	26
Personal services - benefits	282,200	300,822	1	300,778	-	300,778	44
Other expenditures	54,900	53,506	1	53,504	-	53,504	2
Total Administration	1,137,800	1,160,369		1,160,297	-	1,160,297	72
Operations							
Personal services - salaries	13,302,900	14,929,219	1,4	14,929,135	-	14,929,135	84
Personal services - benefits	5,950,800	6,360,054	1,4	6,359,658	-	6,359,658	396
Other expenditures	929,000	1,006,169	1,2,4	1,004,206	-	1,004,206	1,963
Total Operations	20,182,700	22,295,442		22,292,999	-	22,292,999	2,443
Life Safety							
Personal services - salaries	1,327,000	1,312,524	1	1,312,483	-	1,312,483	41
Personal services - benefits	555,200	558,428	1	558,413	-	558,413	15
Other expenditures	107,600	92,617	1	92,617	-	92,617	-
Total Life Safety	1,989,800	1,963,569		1,963,513	-	1,963,513	56
Total Fire	23,310,300	25,419,380		25,416,809	-	25,416,809	2,571
Police							
Administration and Investigation							
Personal services - salaries	19,161,100	19,094,247	1,3,4	18,887,459	-	18,887,459	206,788
Personal services - benefits	8,527,100	7,901,297	1,4	7,773,536	-	7,773,536	127,761
Other expenditures	1,480,400	2,235,381	1,2,3	2,235,359	74,062	2,309,421	(74,040)
Capital outlay	-	5,240,585	2,4	5,240,585	-	5,240,585	-
Total Administration and Investigation	29,168,600	34,471,510		34,136,939	74,062	34,211,001	260,509
Police Special Accounts							
Other expenditures	135,000	354,711	2,4	126,932	-	126,932	227,779
Total Police Special Accounts	135,000	354,711		126,932	-	126,932	227,779
Total Police	29,303,600	34,826,221		34,263,871	74,062	34,337,933	488,288

(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, 2025

	Budget			Actual			
	Original	Modified	Note	Expended	Encumbered	Totals	Increase (Decrease)
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	69,500	74,000	1	73,953	-	73,953	47
Personal services - benefits	29,500	27,395	1	24,991	-	24,991	2,404
Other expenditures	1,000	3,655	1	3,560	-	3,560	95
Total Public Works Director's Office	100,000	105,050		102,504	-	102,504	2,546
Street Maintenance							
Personal services - salaries	3,307,900	3,354,021	1	3,353,952	-	3,353,952	69
Personal services - benefits	1,572,000	1,502,421	1	1,502,346	-	1,502,346	75
Other expenditures	4,481,800	4,979,945	1,2	5,048,694	170,970	5,219,664	(239,719)
Capital outlay	-	2,017,639	1,2,4	1,813,639	200,000	2,013,639	4,000
Total Street Maintenance	9,361,700	11,854,026		11,718,631	370,970	12,089,601	(235,575)
Engineering							
Personal services - salaries	1,487,100	1,523,196	1	1,523,111	-	1,523,111	85
Personal services - benefits	611,200	651,663	1	651,586	-	651,586	77
Other expenditures	174,400	251,846	1,2,4	216,902	61,585	278,487	(26,641)
Total Engineering	2,272,700	2,426,705		2,391,599	61,585	2,453,184	(26,479)
Total Public Works and Utilities	11,734,400	14,385,781		14,212,734	432,555	14,645,289	(259,508)
Transfers and Other Functions							
Business improvement district	370,000	465,755	4	480,784	-	480,784	(15,029)
Public access television	182,000	182,000		182,000	-	182,000	-
Parking fine administration	45,000	45,000		-	-	-	45,000
Capital program	-	227,451	2,4	226,904	-	226,904	547
Benefits administration	95,000	275,353	1	237,788	-	237,788	37,565
Retiree insurance	3,205,000	9,177,730	4	9,183,893	-	9,183,893	(6,163)
Self insurance	3,759,900	3,193,710	1	2,760,600	-	2,760,600	433,110
PERA contribution	500,000	121,706	1	-	-	-	121,706
Transfers and accruals	186,700	949,814	1,2	1,707,682	-	1,707,682	(757,868)
Other functions	1,233,800	1,442,137	1,2,4	1,179,298	114,058	1,293,356	148,781
Total Transfers and Other Functions	9,577,400	16,080,656		15,958,949	114,058	16,073,007	7,649
Total Expenditures and Encumbrances	$ 109,429,100	$ 125,858,944		$ 124,343,644	$ 693,836	$ 125,037,480	$ 821,464

Reconciliation

Original budget as approved by Duluth City Council	$ 109,429,100	
Adjustments made in accordance with Budget Ordinance		
Note 1	-	Departmental transfers made in accordance with budget ordinance.
Note 2	2,510,600	Encumbrance, contract, reserve, or designation carryovers from prior year.
Note 3	430,087	Grants, gifts, and donations in accordance with budget ordinance.
Note 4	13,489,157	Other allowable additions made in accordance with budget ordinance.
Total adjustments	16,429,844	
Modified budget as reported above	$ 125,858,944	

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government:						
Legislative and Executive						
City Council	$ 123,050	$ 8,165	$ 83,756	$ -	$ -	$ 214,971
Mayor & City Administration	828,754	312,374	73,080	-	-	1,214,208
Attorney and Human Rights	2,217,592	834,438	61,045	-	-	3,113,075
Total Legislative and Executive	3,169,396	1,154,977	217,881	-	-	4,542,254
Property, Parks and Libraries						
Facilities Management	2,442,195	957,649	2,627,281	42,714	42,000	6,111,839
Other Functions	-	2,275,500	2,491,235	222,593	1,469,600	6,458,928
Total Property, Parks and Libraries	2,442,195	3,233,149	5,118,516	265,307	1,511,600	12,570,767
Administrative Services						
Human Resources	1,071,822	428,307	77,732	-	-	1,577,861
Information Technology	2,276,886	935,496	948,365	-	-	4,160,747
Clerk	556,108	198,681	95,685	-	-	850,474
Total Administrative Services	3,904,816	1,562,484	1,121,782	-	-	6,589,082
Finance						
Budget	742,694	258,066	35,293	-	-	1,036,053
Auditor	832,940	311,391	319,067	-	-	1,463,398
Purchasing	462,397	197,396	6,173	-	-	665,966
Total Finance	2,038,031	766,853	360,533	-	-	3,165,417
Benefits						
Benefits Administration	-	133,872	103,916	-	-	237,788
Retiree Insurance	-	9,183,893	-	-	-	9,183,893
Total Benefits	-	9,317,765	103,916	-	-	9,421,681
Total General Government	11,554,438	16,035,228	6,922,628	265,307	1,511,600	36,289,201
Public Safety:						
Fire						
Administration	806,015	300,778	53,504	-	-	1,160,297
Operations	14,929,135	6,359,658	1,004,206	-	-	22,292,999
Life Safety	1,312,483	558,413	92,617	-	-	1,963,513
Total Fire	17,047,633	7,218,849	1,150,327	-	-	25,416,809
Police						
Administration and Investigation	18,887,459	7,773,536	1,463,468	5,240,585	692,000	34,057,048
Police Special Accounts	-	-	126,932	-	-	126,932
Total Police	18,887,459	7,773,536	1,590,400	5,240,585	692,000	34,183,980
Total Public Safety	35,935,092	14,992,385	2,740,727	5,240,585	692,000	59,600,789

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works						
Property, Parks and Libraries						
Park Maintenance	1,838,140	766,400	1,150,571	-	26,000	3,781,111
Public Works and Utilities						
Public Works Director's Office	73,953	24,991	3,560	-	-	102,504
Street Maintenance	3,353,952	1,502,346	3,876,069	1,813,639	600,000	11,146,006
Engineering	1,523,111	651,586	216,902	-	-	2,391,599
Total Public Works and Utilities	4,951,016	2,178,923	4,096,531	1,813,639	600,000	13,640,109
Total Public Works	6,789,156	2,945,323	5,247,102	1,813,639	626,000	17,421,220
Culture and Recreation						
Property, Parks and Libraries						
Library Services	3,365,429	1,440,851	759,361	-	-	5,565,641
Total Culture and Recreation	3,365,429	1,440,851	759,361	-	-	5,565,641
Urban and Economic Development						
Planning and Construction Services						
Planning and Development	1,152,185	469,627	175,641	-	-	1,797,453
Construction Services and Inspection	1,623,858	662,823	72,053	-	50,000	2,408,734
Other Functions	-	-	1,400	-	-	1,400
Total Planning and Construction Services	2,776,043	1,132,450	249,094	-	50,000	4,207,587
Total Urban and Economic Development	2,776,043	1,132,450	249,094	-	50,000	4,207,587
Debt Service						
Principal retirement	-	-	1,168,439	-	-	1,168,439
Interest and fiscal fees	-	-	90,767	-	-	90,767
Total Debt Service	-	-	1,259,206	-	-	1,259,206
Total Expenditures/Transfers Out	$ 60,420,158	$ 36,546,237	$ 17,178,118	$ 7,319,531	$ 2,879,600	$ 124,343,644

Proprietary Funds

CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2025

ENTERPRISE FUNDS

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

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

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

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

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
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2025

	Golf	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	$ 299,053	$ 11,017,985	$ 1,831,159	$ 13,148,197
Receivables, net				
Accounts	22,314	1,108,321	-	1,130,635
Assessments	-	51,179	-	51,179
Due from other funds	-	461	-	461
Due from other governments	-	29,610	-	29,610
Inventories	44,475	123,700	-	168,175
Prepaids	8,959	-	-	8,959
Total current assets	374,801	12,331,256	1,831,159	14,537,216
Noncurrent assets				
Assessments receivable	-	20,690	-	20,690
Capital assets, net	8,096,430	25,601,391	-	33,697,821
Total noncurrent assets	8,096,430	25,622,081	-	33,718,511
Total Assets	8,471,231	37,953,337	1,831,159	48,255,727
Deferred Outflows of Resources				
Deferred pension obligation outflows	-	159,018	-	159,018
Deferred OPEB outflows	-	2,143,812	-	2,143,812
Total Deferred Outflows of Resources	-	2,302,830	-	2,302,830
Liabilities				
Current liabilities				
Accounts payable	45,912	46,623	-	92,535
Contracts payable	358,778	114,902	-	473,680
Leases payable	67,335	-	-	67,335
Purchase agreement payable	18,742	-	-	18,742
Due to other funds	58,956	87,455	-	146,411
Interfund loan payable	435,968	-	-	435,968
Due to other governments	379	2,204	-	2,583
Accrued interest payable	37,625	-	-	37,625
Accrued salaries payable	-	129,754	-	129,754
Compensated absences	-	175,907	-	175,907
Unearned revenue	11,291	43,417	-	54,708
Deposits	18,681	-	-	18,681
Revenue bonds payable	65,000	-	-	65,000
Total current liabilities	1,118,667	600,262	-	1,718,929
Noncurrent liabilities				
Interfund loan payable	1,550,000	-	-	1,550,000
Compensated absences	-	15,466	-	15,466
Leases payable	214,545	-	-	214,545
Purchase agreement payable	59,716	-	-	59,716
Net pension liability	-	686,784	-	686,784
Net other postemployment benefits payable	-	1,063,303	-	1,063,303
Revenue bonds payable	1,986,293	-	-	1,986,293
Total noncurrent liabilities	3,810,554	1,765,553	-	5,576,107
Total Liabilities	4,929,221	2,365,815	-	7,295,036
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	451,526	-	451,526
Deferred OPEB inflows	-	56,612	-	56,612
Total Deferred Inflows of Resources	-	508,138	-	508,138
Net Position				
Net investment in capital assets	5,435,768	25,496,853	-	30,932,621
Unrestricted	(1,893,758)	11,885,361	1,831,159	11,822,762
Total Net Position	$ 3,542,010	$ 37,382,214	$ 1,831,159	$ 42,755,383

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Golf	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Operating Revenues				
Sales	$ 347,789	$ -	$ -	$ 347,789
Charges for services	1,337,229	9,449,141	-	10,786,370
Miscellaneous revenues	33,458	297,986	-	331,444
Total Operating Revenues	1,718,476	9,747,127	-	11,465,603
Operating Expenses				
Cost of sales and services	149,627	-	-	149,627
Personal services	-	3,460,219	-	3,460,219
Supplies	-	246,681	-	246,681
Utilities	-	28,980	-	28,980
Other services and charges	1,182,136	733,756	-	1,915,892
Depreciation	406,722	452,234	-	858,956
Total Operating Expenses	1,738,485	4,921,870	-	6,660,355
Operating Income (Loss)	(20,009)	4,825,257	-	4,805,248
Nonoperating Revenues (Expenses)				
Investment income	-	49,465	9,244	58,709
Gain (loss) on sale or disposition of capital assets	(306,960)	16,484	-	(290,476)
Interest and fiscal fees	(112,440)	-	-	(112,440)
Total Nonoperating Revenues (Expenses)	(419,400)	65,949	9,244	(344,207)
Income (Loss) Before Contributions and Transfers	(439,409)	4,891,206	9,244	4,461,041
Capital contributions	-	427,969	-	427,969
Transfers in	1,700,000	-	-	1,700,000
Transfers out	(58,956)	(600,425)	-	(659,381)
Change in Net Position	1,201,635	4,718,750	9,244	5,929,629
Total Net Position - January 1, 2025	2,340,375	32,663,464	1,821,915	36,825,754
Total Net Position - December 31, 2025	$ 3,542,010	$ 37,382,214	$ 1,831,159	$ 42,755,383

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Golf	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	$ 1,714,080	$ 9,246,580	$ -	$ 10,960,660
Cash paid to suppliers	(1,326,055)	(1,009,823)	-	(2,335,878)
Cash paid to employees	-	(2,892,520)	-	(2,892,520)
Other operating revenues	-	236,990	-	236,990
Net cash provided (used) by operating activities	388,025	5,581,227	-	5,969,252
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	1,700,000	-	-	1,700,000
Transfers to other funds	-	(600,425)	-	(600,425)
Interfund financing	(1,696,243)	-	-	(1,696,243)
Net cash provided (used) by noncapital financing activities	3,757	(600,425)	-	(596,668)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	366,067	-	366,067
Principal paid on bonds, notes and purchase agreements	(89,113)	-	-	(89,113)
Interest paid on bonds, notes and purchase agreements	(74,815)	-	-	(74,815)
Sale of capital assets	-	16,484	-	16,484
Acquisition or construction of capital assets	(115,833)	(3,084,906)	-	(3,200,739)
Net cash provided (used) by capital and related financing activities	(279,761)	(2,702,355)	-	(2,982,116)
Cash Flows from Investing Activities				
Investment earnings	-	49,465	9,244	58,709
Net increase (decrease) in cash and cash equivalents	112,021	2,327,912	9,244	2,449,177
Cash and cash equivalents - January 1, 2025	187,032	8,690,073	1,821,915	10,699,020
Cash and cash equivalents - December 31, 2025	$ 299,053	$ 11,017,985	$ 1,831,159	$ 13,148,197
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	$ (20,009)	$ 4,825,257	$ -	$ 4,805,248
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	406,722	452,234	-	858,956
Change in assets and liabilities:				
Decrease (increase) in receivables	(22,314)	(239,600)	-	(261,914)
Decrease (increase) in inventories	(6,384)	4,271	-	(2,113)
Decrease (increase) in prepaids	(3,481)	-	-	(3,481)
Decrease (increase) in deferred pension obligation outflows	-	(4,228)	-	(4,228)
Decrease (increase) in OPEB outflows	-	517,536	-	517,536
Increase (decrease) in payables	15,573	51,662	-	67,235
Increase (decrease) in OPEB liability	-	194,765	-	194,765
Increase (decrease) in unearned revenues	17,918	(11,981)	-	5,937
Increase (decrease) in deferred pension obligation inflows		(134,350)	-	(134,350)
Increase (decrease) in pension liability	-	(130,951)	-	(130,951)
Increase (decrease) in OPEB inflows	-	56,612	-	56,612
Total adjustments	408,034	755,970	-	1,164,004
Net cash provided (used) by operating activities	$ 388,025	$ 5,581,227	$ -	$ 5,969,252

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2025

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	$ 3,747,055	$ 64,187	$ 4,226,791	$ -	$ 8,038,033
Restricted assets held by trustee	-	18,932,626	-	-	18,932,626
Receivables, net					
Accounts	-	305,005	-	11	305,016
Due from other funds	-	-	226,973	463,656	690,629
Due from component units	109,772	-	-	-	109,772
Due from other governments	578,985	-	-	-	578,985
Inventories	-	-	-	313,437	313,437
Prepaids	90,000	7,912	-	-	97,912
Total current assets	4,525,812	19,309,730	4,453,764	777,104	29,066,410
Noncurrent assets					
Capital assets, net	-	-	-	137,872	137,872
Total noncurrent assets	-	-	-	137,872	137,872
Total Assets	4,525,812	19,309,730	4,453,764	914,976	29,204,282
Deferred Outflows of Resources					
Deferred pension obligation outflows	9,580	-	-	107,027	116,607
Liabilities					
Current liabilities					
Accounts payable	2,974	146,889	-	211,097	360,960
Contracts payable	6,672	-	-	66	6,738
Claims payable	550,148	1,327,706	-	-	1,877,854
Due to other funds	-	-	12,225	-	12,225
Interfund loan payable	-	-	-	38,772	38,772
Due to other governments	27,425	-	-	2,690	30,115
Accrued salaries payable	6,840	-	-	76,785	83,625
Compensated absences	7,820	-	4,084,422	101,886	4,194,128
Total current liabilities	601,879	1,474,595	4,096,647	431,296	6,604,417
Noncurrent liabilities					
Claims payable	241,488	-	-	-	241,488
Compensated absences	-	-	347,154	-	347,154
Net pension liability	41,376	-	-	462,238	503,614
Total noncurrent liabilities	282,864	-	347,154	462,238	1,092,256
Total Liabilities	884,743	1,474,595	4,443,801	893,534	7,696,673
Deferred Inflows of Resources					
Deferred pension obligation inflows	27,203	-	-	303,898	331,101
Net Position					
Net investment in capital assets	-	-	-	137,872	137,872
Restricted for health insurance trust	-	17,835,135	-	-	17,835,135
Unrestricted	3,623,446	-	9,963	(313,301)	3,320,108
Total Net Position	$ 3,623,446	$ 17,835,135	$ 9,963	$ (175,429)	$ 21,293,115

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, 2025

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Operating revenues					
Sales	$ -	$ -	$ -	$ 2,407,845	$ 2,407,845
Charges for services	3,249,982	28,293,333	4,084,422	2,797,266	38,425,003
Miscellaneous revenues	92,884	2,021,643	-	2,655	2,117,182
Total Operating Revenues	3,342,866	30,314,976	4,084,422	5,207,766	42,950,030
Operating Expenses					
Cost of sales and services	-	-	-	2,147,400	2,147,400
Personal services	1,169,962	-	4,084,422	1,796,323	7,050,707
Supplies	6,313	-	-	40,146	46,459
Utilities	-	-	-	39,620	39,620
Other services and charges	1,498,289	1,483,927	-	786,016	3,768,232
Depreciation	-	-	-	9,480	9,480
Medical and insurance	439,385	29,966,864	-	-	30,406,249
Total Operating Expenses	3,113,949	31,450,791	4,084,422	4,818,985	43,468,147
Operating Income (Loss)	228,917	(1,135,815)	-	388,781	(518,117)
Nonoperating Revenues (Expenses)					
Investment income	15,722	919,989	20,885	-	956,596
Intergovernmental revenue	1,510,690	-	-	-	1,510,690
Total Nonoperating Revenues (Expenses)	1,526,412	919,989	20,885	-	2,467,286
Change in Net Position	1,755,329	(215,826)	20,885	388,781	1,949,169
Total Net Position - January 1, 2025	1,868,117	18,050,961	(10,922)	(564,210)	19,343,946
Total Net Position - December 31, 2025	$ 3,623,446	$ 17,835,135	$ 9,963	$ (175,429)	$ 21,293,115

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	$ 3,233,093	$ 29,892,493	$ 4,037,823	$ 5,160,481	$ 42,323,890
Cash paid to suppliers	(1,780,116)	(31,405,892)	-	(3,025,226)	(36,211,234)
Cash paid to employees	(1,200,410)	-	(3,869,674)	(1,930,821)	(7,000,905)
Other operating revenues	-	-	-	2,655	2,655
Net cash provided (used) by operating activities	252,567	(1,513,399)	168,149	207,089	(885,594)
Cash Flows from Noncapital Financing Activities					
Operating grants	931,705	-	-	-	931,705
Interfund financing	-	-	-	(192,624)	(192,624)
Net cash provided (used) by noncapital financing activities	931,705	-	-	(192,624)	739,081
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	(14,465)	(14,465)
Net cash provided (used) by capital and related financing activities	-	-	-	(14,465)	(14,465)
Cash Flows from Investing Activities					
Investment earnings	15,722	919,989	20,885	-	956,596
Net increase (decrease) in cash and cash equivalents	1,199,994	(593,410)	189,034	-	795,618
Cash and cash equivalents - January 1, 2025	2,547,061	19,590,223	4,037,757	-	26,175,041
Cash and cash equivalents - December 31, 2025	$ 3,747,055	$ 18,996,813	$ 4,226,791	$ -	$ 26,970,659
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	$ 228,917	$ (1,135,815)	$ -	$ 388,781	$ (518,117)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	9,480	9,480
Change in assets and liabilities:					
Decrease (increase) in receivables	(109,772)	(305,005)	(50,914)	(44,630)	(510,321)
Decrease (increase) in inventories	-	-	-	(30,777)	(30,777)
Decrease (increase) in prepaids	-	(7,912)	-	-	(7,912)
Decrease (increase) in deferred pension obligation outflows	(477)	-	-	(7,695)	(8,172)
Increase (decrease) in payables	147,863	44,899	219,063	26,523	438,348
Increase (decrease) in unearned revenues	-	(109,566)	-	-	(109,566)
Increase (decrease) in deferred pension obligation inflows	(7,251)	-	-	(72,072)	(79,323)
Increase (decrease) in pension liability	(6,713)	-	-	(62,521)	(69,234)
Total adjustments	23,650	(377,584)	168,149	(181,692)	(367,477)
Net cash provided (used) by operating activities	$ 252,567	$ (1,513,399)	$ 168,149	$ 207,089	$ (885,594)

Custodial Funds

CITY OF DULUTH, MINNESOTA
CUSTODIAL FUNDS
DECEMBER 31, 2025

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, 2025

	Custodial Fund
Assets	
Cash and cash equivalents	$ 3,111,072
Loans receivable	1,499,204
Total Assets	4,610,276
Liabilities	
Accounts payable	291
Contracts payable	175
Total Liabilities	466
Net Position	
Restricted for	
Other organizations	$ 4,609,810

CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Custodial Fund
Additions	
Investment earnings	
Interest earnings	$ 85,402
Net increase/(decrease) in fair value of investments	12,014
Interest on loans	62,778
Other Sources-Duluth Economic Development Authority	500,000
Other reimbursements	9,880
Total Additions	670,074
Deductions	
Legal services	15,873
Professional services	47,596
Grants & awards	160,027
Other services and charges	91,733
Board meeting expense	2,739
Total Deductions	317,968
Change in Net position	352,106
Net Position - January 1, 2025	4,257,704
Net Position - December 31, 2025	$ 4,609,810

Supplementary Information

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE*
DECEMBER 31, 2025

Governmental Funds Capital Assets:		
Land and land improvements	$	23,531,001
Buildings		105,437,080
Equipment		57,095,375
Infrastructure		493,195,669
Construction in Progress		65,981,490
Right-to-use		12,134,921
Total Governmental Funds Capital Assets	$	757,375,536

Investments in Governmental Funds Capital Assets:		
General fund	$	27,443,136
Special revenue fund		54,622,749
Capital projects fund		673,579,501
Donations		1,730,150
Total Governmental Funds Capital Assets	$	757,375,536

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

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2025

Function and Activity	Land and Land Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Right-to-use	Total
General Government							
Public Administration	$ -	$ -	$ 332,502	$ -	$ -	$ -	$ 332,502
Management Information Systems	-	-	2,263,769	-	-	2,136,797	4,400,566
Facilities Management	1,636,325	22,893,705	2,543,407	23,831,520	19,627,482	278,746	70,811,185
Finance	-	-	346,749	-	-	-	346,749
Total General Government	1,636,325	22,893,705	5,486,427	23,831,520	19,627,482	2,415,543	75,891,002
Public Safety							
Fire	83,006	3,114,984	16,208,854	-	-	-	19,406,844
Police	2,000	16,627,233	11,154,459	562,251	-	4,888,885	33,234,828
Total Public Safety	85,006	19,742,217	27,363,313	562,251	-	4,888,885	52,641,672
Public Works							
Street Construction	-	-	-	425,764,372	34,629,779	-	460,394,151
Maintenance Operations	54,435	1,307,371	20,762,395	60,403	-	244,767	22,429,371
Engineering	5,145,615	3,203,413	655,279	4,047,531	-	-	13,051,838
Street Lights	-	-	533,570	6,845,060	-	-	7,378,630
Total Public Works	5,200,050	4,510,784	21,951,244	436,717,366	34,629,779	244,767	503,253,990
Culture and Recreation							
Libraries	51,585	7,545,988	223,332	-	-	1,748,678	9,569,583
Parks and Recreation	13,511,122	49,647,356	1,068,135	32,084,532	11,724,229	-	108,035,374
Total Culture and Recreation	13,562,707	57,193,344	1,291,467	32,084,532	11,724,229	1,748,678	117,604,957
Urban and Economic Development							
Planning and Construction Services	3,046,913	1,097,030	1,002,924	-	-	526,333	5,673,200
Workforce Development	-	-	-	-	-	2,310,715	2,310,715
Total Urban and Economic Development	3,046,913	1,097,030	1,002,924	-	-	2,837,048	7,983,915
Total Governmental Funds Capital Assets	$ 23,531,001	$ 105,437,080	$ 57,095,375	$ 493,195,669	$ 65,981,490	$ 12,134,921	$ 757,375,536

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

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2025

Function and Activity	Governmental Funds Capital Assets 01/01/25	Additions	Deductions	Governmental Funds Capital Assets 12/31/25
General Government				
Public Administration	$ 332,502	$ -	$ -	$ 332,502
Management Information Systems	4,357,852	42,714	-	4,400,566
Facilities Management	66,712,807	4,098,378	-	70,811,185
Finance	346,749	-	-	346,749
Total General Government	71,749,910	4,141,092	-	75,891,002
Public Safety				
Fire	19,399,250	1,334,656	1,327,061	19,406,845
Police	25,933,013	7,850,670	548,855	33,234,828
Total Public Safety	45,332,263	9,185,326	1,875,916	52,641,673
Public Works				
Street Construction	442,105,521	18,288,629	-	460,394,150
Maintenance Operations	20,720,516	3,745,133	2,036,277	22,429,372
Engineering	12,996,683	55,154	-	13,051,837
Street Lights	7,378,630	-	-	7,378,630
Total Public Works	483,201,350	22,088,916	2,036,277	503,253,989
Culture and Recreation				
Libraries	9,569,583	-	-	9,569,583
Parks and Recreation	106,592,154	1,443,220	-	108,035,374
Total Culture and Recreation	116,161,737	1,443,220	-	117,604,957
Urban and Economic Development				
Planning and Construction Services	5,673,200	-	-	5,673,200
Workforce Development	2,310,715	-	-	2,310,715
Total Urban and Economic Development	7,983,915	-	-	7,983,915
Total Governmental Funds Capital Assets	$ 724,429,175	$ 36,858,554	$ 3,912,193	$ 757,375,536

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation - Levy Funded				
Capital Improvement - Lakewalk	$ 1,460,000	12/18/2013	02/01/2029	$ 575,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	125,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	350,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	390,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	670,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	745,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	795,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	7,220,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	1,205,000
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	3,435,000
Capital Improvement	1,490,000	11/03/2021	02/01/2032	1,265,000
Capital Improvement	1,685,000	11/01/2022	02/01/2033	1,570,000
Capital Improvement	1,795,000	11/08/2023	02/01/2034	1,795,000
Capital Improvement	1,815,000	10/30/2024	02/01/2035	1,815,000
Capital Improvement	1,965,000	12/17/2025	02/01/2036	-
Total General Obligation - Levy Funded				21,955,000
General Obligation - Funded by Other Sources				
Airport Improvement	3,400,000	12/18/2013	02/01/2029	1,495,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,070,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,330,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	1,500,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	6,930,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	26,570,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	3,020,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	1,620,000
Airport Improvement Refunding	2,845,000	11/03/2021	02/01/2028	1,910,000
Capital Improvement - Lake Front	1,995,000	11/08/2023	02/01/2039	1,995,000
Lakewalk Improvement	1,105,000	12/17/2025	02/01/2041	-
Seawall Improvement	1,640,000	12/17/2025	02/01/2041	-
Sports Corridor Improvement	3,555,000	12/17/2025	02/01/2055	-
Spirit Mountain Improvement	880,000	12/17/2025	02/01/2041	-
Total General Obligation - Funded by Other Sources				47,440,000
General Obligation - Tax Abatement				
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	4,520,000
GO Tax Abatement Refunding	3,705,000	11/03/2021	02/01/2030	2,815,000
Total General Obligation - Tax Abatement				7,335,000
Total General Obligation Bonds Payable				76,730,000
General Obligation Certificates Payable				
Equipment	3,070,000	10/09/2019	02/01/2025	685,000
Equipment	2,960,000	10/21/2020	02/01/2026	1,265,000
Equipment	3,935,000	11/03/2021	02/01/2027	2,505,000
Equipment	3,360,000	11/01/2022	02/01/2028	2,785,000
Equipment	3,350,000	11/08/2023	02/01/2029	3,350,000
Equipment	3,430,000	10/30/2024	02/01/2030	3,430,000
Equipment	3,395,000	12/17/2025	02/01/2031	-
Total General Obligation Certificates Payable				14,020,000
Total Governmental Activities Bonds and Certificates Payable				$ 90,750,000

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Issued	Retired	Dec 31 Balance	Principal Due in 2026	Interest Due in 2026
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Capital Improvement - Lakewalk	$ -	$ 105,000	$ 470,000	$ 110,000	$ 16,600
Capital Improvement	-	125,000	-	-	-
Capital Improvement	-	175,000	175,000	175,000	2,625
Capital Improvement	-	125,000	265,000	130,000	8,000
Capital Improvement	-	160,000	510,000	165,000	12,825
Capital Improvement	-	135,000	610,000	140,000	27,000
Capital Improvement	-	115,000	680,000	125,000	30,875
Capital Improvement Refunding	-	755,000	6,465,000	795,000	303,375
Capital Improvement	-	160,000	1,045,000	160,000	28,950
Capital Improvement - Lakewalk	-	255,000	3,180,000	260,000	61,000
Capital Improvement	-	130,000	1,135,000	140,000	53,250
Capital Improvement	-	145,000	1,425,000	150,000	67,500
Capital Improvement	-	125,000	1,670,000	150,000	75,400
Capital Improvement	-	-	1,815,000	125,000	87,625
Capital Improvement	1,965,000	-	1,965,000	-	61,133
Total General Obligation - Levy Funded	1,965,000	2,510,000	21,410,000	2,625,000	836,158
General Obligation - Funded by Other Sources					
Airport Improvement	-	275,000	1,220,000	285,000	46,058
Wade Stadium Improvement	-	165,000	905,000	170,000	29,248
Spirit Mountain Improvement	-	105,000	1,225,000	105,000	38,353
Airport Improvement	-	195,000	1,305,000	200,000	41,488
Capital Improvement - 1/2 & 1/2	-	765,000	6,165,000	790,000	202,248
Duluth Entertainment and Convention Center Improvement Refunding	-	1,640,000	24,930,000	1,785,000	1,201,875
Capital Improvement - Seawall	-	265,000	2,755,000	270,000	78,600
Street Improvement	-	805,000	815,000	815,000	6,112
Airport Improvement Refunding	-	465,000	1,445,000	475,000	16,202
Capital Improvement - Lake Front	-	75,000	1,920,000	100,000	85,081
Lakewalk Improvement	1,105,000	-	1,105,000	-	33,164
Seawall Improvement	1,640,000	-	1,640,000	-	49,187
Sports Corridor Improvement	3,555,000	-	3,555,000	-	97,144
Spirit Mountain Improvement	880,000	-	880,000	-	26,255
Total General Obligation - Funded by Other Sources	7,180,000	4,755,000	49,865,000	4,995,000	1,951,015
General Obligation - Tax Abatement					
GO Tax Abatement (Cirrus)	-	510,000	4,010,000	525,000	112,088
GO Tax Abatement Refunding	-	455,000	2,360,000	460,000	32,025
Total General Obligation - Tax Abatement	-	965,000	6,370,000	985,000	144,113
Total General Obligation Bonds Payable	9,145,000	8,230,000	77,645,000	8,605,000	2,931,286
General Obligation Certificates Payable					
Equipment	-	685,000	-	-	-
Equipment	-	620,000	645,000	645,000	12,900
Equipment	-	795,000	1,710,000	835,000	64,625
Equipment	-	645,000	2,140,000	680,000	90,000
Equipment	-	575,000	2,775,000	645,000	122,625
Equipment	-	-	3,430,000	585,000	156,875
Equipment	3,395,000	-	3,395,000	-	105,622
Total General Obligation Certificates Payable	3,395,000	3,320,000	14,095,000	3,390,000	552,647
Total Governmental Activities Bonds and Certificates Payable	$ 12,540,000	$ 11,550,000	$ 91,740,000	$ 11,995,000	$ 3,483,933

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Golf Fund				
Golf Utility General Obligation	$ 1,840,000	10/30/2024	02/01/2040	$ 1,840,000
Parking Fund				
Parking Improvement Tax Increment Refunding	10,270,000	11/27/2012	02/01/2026	1,865,000
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	11,500,000	05/15/2014	04/01/2044	11,290,441
Water Fund				
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	2,920,000
Steam Fund				
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	2,270,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	9,230,000
Steam Utility Revenue and General Obligation	3,830,000	02/28/2024	02/01/2044	3,830,000
Total Steam Fund				15,330,000
Sewer Fund				
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	75,000
Total Business-type Activities Bonds Payable				$ 33,320,441

(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, 2025

	Issued	Retired	Dec 31 Balance	Principal Due in 2026	Interest Due in 2026
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Golf Fund					
Golf Utility General Obligation	$ -	$ -	$ 1,840,000	$ 65,000	$ 88,675
Parking Fund					
Parking Improvement Tax Increment Refunding	-	920,000	945,000	945,000	12,994
Priley Drive Parking Facility					
Parking Improvement Tax Increment	-	276,242	11,014,199	308,623	437,620
Water Fund					
Water Utility Revenue and General Obligation	-	255,000	2,665,000	260,000	79,288
Steam Fund					
Steam Utility Revenue and General Obligation	-	735,000	1,535,000	755,000	36,474
Steam Utility Revenue and General Obligation	-	460,000	8,770,000	470,000	180,505
Steam Utility Revenue and General Obligation	-	-	3,830,000	-	177,719
Total Steam Fund	-	1,195,000	14,135,000	1,225,000	394,698
Sewer Fund					
Sewer Utility Revenue and General Obligation	-	75,000	-	-	-
Total Business-type Activities Bonds Payable	$ -	$ 2,721,242	$ 30,599,199	$ 2,803,623	$ 1,013,275

CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	$2,636,000	03/28/2019	08/01/2026	$ 2,521,000
Total Governmental Activities				2,521,000
Business-type Activities:				
Water Fund				
Public Facilities Authority Note	1,293,200	09/14/2010	08/20/2025	93,000
Public Facilities Authority Note	3,344,131	12/14/2010	08/20/2025	247,000
Public Facilities Authority Note	1,221,631	11/29/2011	08/20/2026	171,000
Public Facilities Authority Note	4,778,806	03/24/2014	08/20/2029	1,609,000
Public Facilities Authority Note	3,857,531	01/24/2022	08/20/2042	3,427,000
Public Facilities Authority Note	2,561,481	12/17/2024	06/30/2027	2,226,308
Public Facilities Authority Note	1,597,285	12/17/2024	06/30/2027	1,286,169
Public Facilities Authority Note	1,639,354	12/17/2024	06/30/2027	1,268,377
Public Facilities Authority Note	1,938,000	12/17/2024	06/30/2027	138,197
Public Facilities Authority Note	8,116,359	02/05/2025	08/20/2044	-
Public Facilities Authority Note	1,987,335	07/31/2025	06/30/2027	-
Public Facilities Authority Note	3,471,169	07/31/2025	06/30/2027	-
Public Facilities Authority Note	2,456,234	07/31/2025	06/30/2027	-
Public Facilities Authority Note	4,041,533	07/31/2025	06/30/2027	-
Public Facilities Authority Note	6,620,667	07/31/2025	06/30/2027	-
Public Facilities Authority Note	704,657	07/31/2025	06/30/2027	-
Total Water Fund				10,466,051
Sewer Fund				
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	273,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	609,000
Total Sewer Fund				882,000
Total Business-type Activities				$ 11,348,051

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Issued	Retired	Dec 31 Balance	Principal Due in 2026	Interest Due in 2026
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	$ -	$ -	$ 2,521,000	$ 2,521,000	$ 85,324
Total Governmental Activities	-	-	2,521,000	2,521,000	85,324
Business-type Activities:					
Water Fund					
Public Facilities Authority Note	-	93,000	-	-	-
Public Facilities Authority Note	-	247,000	-	-	-
Public Facilities Authority Note	-	84,000	87,000	87,000	1,062
Public Facilities Authority Note	-	316,000	1,293,000	318,000	12,930
Public Facilities Authority Note	-	175,000	3,252,000	176,000	32,618
Public Facilities Authority Note	332,259	-	2,558,567	2,558,567	-
Public Facilities Authority Note	306,459	-	1,592,628	1,592,628	-
Public Facilities Authority Note	262,812	-	1,531,189	1,531,189	-
Public Facilities Authority Note	1,076,028	-	1,214,225	1,214,225	-
Public Facilities Authority Note	5,726,241	155,359	5,570,882	349,000	86,170
Public Facilities Authority Note	1,493,457	-	1,493,457	1,493,457	-
Public Facilities Authority Note	2,200,862	-	2,200,862	2,200,862	-
Public Facilities Authority Note	1,794,366	-	1,794,366	1,794,366	-
Public Facilities Authority Note	3,146,349	-	3,146,349	3,146,349	-
Public Facilities Authority Note	4,881,035	-	4,881,035	4,881,035	-
Public Facilities Authority Note	531,231	-	531,231	531,231	-
Total Water Fund	21,751,099	1,070,359	31,146,791	21,873,909	132,780
Sewer Fund					
Public Facilities Authority Note	-	273,000	-	-	-
Public Facilities Authority Note	-	609,000	-	-	-
Total Sewer Fund	-	882,000	-	-	-
Total Business-type Activities	$21,751,099	$ 1,952,359	$31,146,791	$21,873,909	$ 132,780

* While the maturity of the PFA loans occur in 2027, the City has included the liability as due within one year as the intent is to repay the loan in the subsequent year.

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Operating	Loan Programs	Tax Increment Assistance	Capital Projects	Total
Assets					
Cash and cash equivalents	$ 12,836,199	$ 272,954	$ 224,333	$ 2,627,824	$ 15,961,310
Taxes receivable, net	-	-	10,374	-	10,374
Accounts receivable, net	26,195	-	-	-	26,195
Loans receivable, net	4,093	2,982,006	-	3,647,039	6,633,138
Leases Receivable	1,514,517	-	-	-	1,514,517
Due from primary government	5,000	-	-	-	5,000
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	$ 14,578,504	$ 3,254,960	$ 234,707	$ 6,274,863	$ 24,343,034
Liabilities					
Accounts payable	$ 182,028	$ -	$ 3,235	$ -	$ 185,263
Contracts payable	170,039	-	-	43,350	213,389
Due to other governments	470	-	-	-	470
Total Liabilities	352,537	-	3,235	43,350	399,122
Deferred Inflows of Resources					
Unavailable revenue	4,094	2,982,006	662	3,647,039	6,633,801
Lease Related	1,488,850	-	-	-	1,488,850
Total Deferred Inflows	1,492,944	2,982,006	662	3,647,039	8,122,651
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	230,810	2,584,474	2,815,284
Committed	-	272,954	-	-	272,954
Assigned	5,323,948	-	-	-	5,323,948
Unassigned	7,216,575	-	-	-	7,216,575
Total Fund Balances	12,733,023	272,954	230,810	2,584,474	15,821,261
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,578,504	$ 3,254,960	$ 234,707	$ 6,274,863	

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.	6,394,009
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	6,088,680
Leases payable are not due and payable in the current period, and therefore are not reported in the funds.	(1,514,518)
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	68
Net position of governmental activities	$ 26,789,500

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, 2025

	General Operating	Loan Programs	Tax Increment Assistance	Capital Projects	Total
Revenues					
Taxes					
Tax increments	$ -	$ -	$4,487,108	$ -	$ 4,487,108
Intergovernmental revenues					
State of Minnesota grants	463,969	-	-	-	463,969
St Louis County	245,000	-	-	-	245,000
Charges for services	883,896	-	-	-	883,896
Miscellaneous revenues					
Earnings on investments	647,393	9,493	21,774	102,600	781,260
Interest	-	1,130	-	-	1,130
Land sales	184,334	-	-	-	184,334
Loan principal repayments	37,620	84,154	-	-	121,774
Miscellaneous	13,378	-	-	-	13,378
Total Revenues	2,475,590	94,777	4,508,882	102,600	7,181,849
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	6,346	-	6,346
Tax increment assistance	-	-	2,873,372	-	2,873,372
Economic development projects	4,687,276	-	613,508	865,345	6,166,129
Capital outlay					
Urban and economic development					
Land	198,059	-	-	-	198,059
Debt service					
Principal retirement	17,926	-	-	-	17,926
Interest and fiscal fees	45,974	-	-	-	45,974
Total Expenditures	4,949,235	-	3,493,226	865,345	9,307,806
Excess of Revenues Over (Under) Expenditures	(2,473,645)	94,777	1,015,656	(762,745)	(2,125,957)
Other Financing Sources (Uses)					
Transfers in					
DEDA Tax Increment Assistance	-	-	-	628,775	628,775
DEDA Capital Projects	120,194	-	-	-	120,194
Total Transfers In	120,194	-	-	628,775	748,969
Transfers out					
DEDA General Operating	-	-	-	(120,194)	(120,194)
DEDA Capital Projects	-	-	(628,775)	-	(628,775)
Total Transfers Out	-	-	(628,775)	(120,194)	(748,969)
Transfers--internal activities	120,194	-	(628,775)	508,581	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,353,451)	94,777	386,881	(254,164)	(2,125,957)
Fund Balances					
Fund Balance - January 1, 2025	15,086,474	178,177	(156,071)	2,838,638	17,947,218
Fund Balance - December 31, 2025	$ 12,733,023	$ 272,954	$ 230,810	$ 2,584,474	$ 15,821,261

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, 2025

Net change in fund balances - total governmental funds	(2,125,957)
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. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.	1,412,448
In the statement of activities, the gain 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.	(613,059)
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.	(276,598)
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	17,926
Change in net position of governmental activities	$ (1,585,240)

DULUTH JPE TRUST
SCHEDULE OF NET POSITION
DECEMBER 31, 2025

	Health Fund	Dental Fund	JPE Trust Total
Assets			
Cash	$ 34,885	$ 29,302	$ 64,187
Investments			
Money market	3,159,426	273,811	3,433,237
U.S. government treasury securities	14,991,110	508,279	15,499,389
Receivables			
Pharmacy rebates	305,005	-	305,005
Prepaid Expenses	7,912	-	7,912
Total Assets	18,498,338	811,392	19,309,730
Liabilities			
Claims payable	1,224,949	102,757	1,327,706
Accounts payable	146,889	-	146,889
Total Liabilities	1,371,838	102,757	1,474,595
Net Position			
Held in Trust	$ 17,126,500	$ 708,635	$ 17,835,135

DULUTH JPE TRUST
SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Health Fund	Dental Fund	JPE Trust Total
Revenues			
Health premiums			
Active employees	$ 21,954,792	$ -	$ 21,954,792
Inactive employees	10,984,990	-	10,984,990
Dental premiums	-	1,201,700	1,201,700
Refunds and reimbursements			
Stop loss reimbursements	1,404,753	-	1,404,753
Prescription drug rebates	521,206	-	521,206
Miscellaneous	95,684	-	95,684
Investment earnings	888,914	31,075	919,989
Total Revenues	35,850,339	1,232,775	37,083,114
Expenses			
Medical and drug claims			
Active employees	21,259,289	-	21,259,289
Inactive employees	8,997,347	-	8,997,347
Medical insurance - medicare supplement	4,466,982	-	4,466,982
Dental claims	-	1,091,395	1,091,395
Administrative fees			
Delta Dental	-	72,952	72,952
City of Duluth	432,055	-	432,055
Trust services	56,711	1,943	58,654
Consulting services	182,261	-	182,261
Wellness activities	145,801	-	145,801
Patient centered outcomes research fee	7,159	-	7,159
Stop loss insurance	585,045	-	585,045
Total Expenses	36,132,650	1,166,290	37,298,940
Change in Net Position	(282,311)	66,485	(215,826)
Net Position - January 1, 2025	17,408,811	642,150	18,050,961
Net Position - December 31, 2025	$ 17,126,500	$ 708,635	$ 17,835,135

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:					
State of Minnesota					
Insurance Premium	$ 3,310,021	$ -	$ -	$ -	$ 3,310,021
Local Government Aid	35,231,196	-	-	-	35,231,196
MSA Street Maintenance Allotment	1,533,400	-	-	-	1,533,400
Total Shared Revenue	40,074,617	-	-	-	40,074,617
State Grants:					
State of Minnesota, Department of					
Commerce					
Auto Theft Prevention Program	-	85,442	-	-	85,442
Benchmarking Grant	-	-	-	8,212	8,212
Commerce Total	-	85,442	-	8,212	93,654
Employment and Economic Development					
Dislocated Workers	-	184,374	-	-	184,374
Drive for Five	-	229,526	-	-	229,526
Duluth Lake Superior Zoo Main Building Predesign	-	-	157,383	-	157,383
Duluth Regional Exchange District Project	-	-	16,820,919	-	16,820,919
Duluth Seawall and Surface Improvements	-	-	4,366,721	-	4,366,721
Pathways to Prosperity	-	513,744	-	-	513,744
VRC Office Support	-	46,998	-	-	46,998
Youth Program	-	450,800	-	-	450,800
Employment and Economic Development Total	-	1,425,442	21,345,023	-	22,770,465
Human Services					
YouthPrise Homeless Youth Stipend Program	-	184,304	-	-	184,304
Supplemental Nutrition Assistance Program	-	33,161	-	-	33,161
Human Services Total	-	217,465	-	-	217,465
Natural Resources					
Conservation Partners Legacy Grant Program	-	61,773	-	-	61,773
Cross City Snowmobile Grant-In-Aid	-	12,981	-	-	12,981
Cross Country Ski Trail	12,650	-	-	-	12,650
Greater Minnesota Regional Parks and Trails Commission	-	167,783	520,438	-	688,221
Lake Superior Zoo	-	379,934	-	-	379,934
Protect Community Forest Grants	-	99,081	-	-	99,081
Wildland Fire Fund	-	28,887	-	-	28,887
Natural Resources Total	12,650	750,439	520,438	-	1,283,527
Peace Officers Board					
Post Training Reimbursement	129,276	-	-	-	129,276
Public Safety					
Bulletproof Vests	56,649	-	-	-	56,649
Crime Victim Services	-	4,418	-	-	4,418
Firefighter Education Reimbursement	-	159,685	-	-	159,685
HAZMAT Regional Response Team	-	754,203	-	-	754,203
Officer's Disability Benefit	-	-	-	1,510,690	1,510,690
Pathway to Policing Reimbursement Grants	-	9,899	-	-	9,899
Safe Road Zone Grant Program	-	44,708	-	-	44,708
State of Minnesota Disaster Funds	-	1,362,031	-	-	1,362,031
Traffic Safety Vehicle Grant	-	63,500	-	-	63,500
Violent Crime Enforcement Team	-	449,498	-	-	449,498
Public Safety Total	56,649	2,847,942	-	1,510,690	4,415,281
Revenue					
Local Affordable Housing Aid	-	228,018	-	-	228,018
Market Value Credit	2,811	-	-	-	2,811
Revenue Total	2,811	228,018	-	-	230,829

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Transportation					
Local Road Improvement	-	-	1,506,246	-	1,506,246
MNDOT - Bridge Inspection and Signing Account Detour Agreement	-	1,050	-	-	1,050
MNDOT - Transportation Advancement Account	-	32,000	-	-	32,000
MNDOT - Twin Ports Interchange Liaison	-	103,107	-	-	103,107
MSA Street Construction Allotment	-	-	2,104,496	-	2,104,496
MSA Street Maintenance Allotment	-	-	12,225	-	12,225
Transportation Total	-	136,157	3,622,967	-	3,759,124
Total State Grants	201,386	5,690,905	25,488,428	1,518,902	32,899,621
Other Grants:					
St. Louis County					
Job Training Services	-	1,023,147	-	-	1,023,147
Other	159,643	-	-	-	159,643
St. Louis County Total	159,643	1,023,147	-	-	1,182,790
Duluth Transit Authority	-	140,452	-	-	140,452
Housing and Redevelopment Authority	95,421	201,266	-	-	296,687
Independent School District #709	353,211	-	-	-	353,211
Total Other Grants	608,275	1,364,865	-	-	1,973,140
Federal Grants:					
Federal, Department of					
Commerce					
Coastal Zone Management Grant	-	112,098	-	-	112,098
Economic Adjustment Assistance Program	-	-	1,039,301	-	1,039,301
Commerce Total	-	112,098	1,039,301	-	1,151,399
Energy					
Renewable Advancing Community Energy Resilience Agreement	-	247,661	-	-	247,661
Environmental Protection Agency					
Brownfields Assessment and Cleanup Cooperative	-	8,155	-	-	8,155
Drinking Water State Revolving Fund	-	-	-	20,809,739	20,809,739
Geographic Programs - Great Lakes Restoration Initiative	-	153,343	-	-	153,343
Environmental Protection Agency Total	-	161,498	-	20,809,739	20,971,237
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	-	90,250	-	-	90,250
Health and Human Services					
Temporary Assistance for Needy Families	-	17,641	-	-	17,641
Homeland Security					
Emergency Management Performance Grants	-	17,165	-	-	17,165
FEMA Disaster Assistance	-	58,575	-	-	58,575
Operation Stonegarden Grant Program	-	30,091	-	-	30,091
Homeland Security Total	-	105,831	-	-	105,831
Housing and Urban Development					
Community Development Block Grant	-	1,855,289	-	-	1,855,289
Emergency Solutions Grant Program	-	59,466	-	-	59,466
Home Investment Partnerships Program	-	557,372	-	-	557,372
Housing and Urban Development Total	-	2,472,127	-	-	2,472,127
Interior					
Great Lakes Restoration	-	201,430	-	-	201,430
Natural Resource Stewardship	-	-	144,683	-	144,683
Interior Total	-	201,430	144,683	-	346,113

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Justice					
Bulletproof Vest Partnership Program	2,034	-	-	-	2,034
Comprehensive Opioid Abuse Site-Based Program		279,776			279,776
Crime Victim Assistance	-	70,426	-	-	70,426
Edward Byrne Memorial Formula Grant	-	19,221	-	-	19,221
Grants to Encourage Arrest Policies	-	202,270	-	-	202,270
Missing Children's Assistance	-	10,921	-	-	10,921
Minneapolis Child Exploitation and Human Trafficking Task Force	-	20,895	-	-	20,895
National Sexual Assault Kit Initiative	-	421,447	-	-	421,447
Public Safety Partnership and Community Policing Grants	-	389,714	-	-	389,714
Justice Total	2,034	1,414,670	-	-	1,416,704
Labor					
Registered Apprenticeship	-	5,000	-	-	5,000
Senior Community Service Employment	-	160,793	-	-	160,793
WIA Dislocated Workers Formula Grant	-	70,966	-	-	70,966
Workforce Investment Act	-	554,141	-	-	554,141
Labor Total	-	790,900	-	-	790,900
Transportation					
Highway Planning and Construction	-	-	1,325,979	-	1,325,979
Toward Zero Deaths Law Enforcement Grant	-	100,688	-	-	100,688
Transportation Total	-	100,688	1,325,979	-	1,426,667
Treasury					
Homeland Security Investigations	-	78,400	-	-	78,400
US Marshals Service	-	10,000	-	-	10,000
Treasury Total	-	88,400	-	-	88,400
Total Federal Grants	2,034	5,601,764	2,365,280	20,809,739	29,124,930
Total Intergovernmental Revenue	$ 40,886,312	$ 12,858,964	$ 27,998,391	$ 22,328,641	$ 104,072,308

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Soil and Water Conservation		10.902	**$ 86,449**	**$ -**
U.S. Department of Commerce				
Direct				
Economic Development Cluster				
Economic Adjustment Assistance		11.307	$ 1,097,164	$ -
(Total expenditures for Economic Development Cluster $1,097,164)				
Passed Through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	23-306A-03	11.419	25,510	-
Coastal Zone Management Administration Awards	24-306-09	11.419	72,839	-
(Total Coastal Zone Management Administration Awards 11.419 $98,349)				
Total U.S. Department of Commerce			**$ 1,195,513**	**$ -**
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants		14.218	$ 1,036,818	$ 395,684
(Total expenditures for CDBG - Entitlement Grants Cluster $1,036,818)				
Emergency Solutions Grant Program		14.231	50,747	46,899
Home Investment Partnerships Program		14.239	578,607	312,166
Total U.S. Department of Housing and Urban Development			**$ 1,666,172**	**$ 754,749**
U.S. Department of the Interior				
Direct				
Natural Resource Stewardship		15.944	$ 144,683	$ -
Passed Through National Fish and Wildlife Foundation				
Great Lakes Restoration	0501.22.074739	15.662	20,143	-
Total U.S. Department of Interior			**$ 164,826**	**$ -**
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	$ 166,967	$ -
Bulletproof Vest Partnership Program		16.607	399	-
Public Safety Partnership and Community Policing Grants		16.710	321,619	-
(Total Public Safety Partnership and Community Policing Grants 16.710 $390,748)				
Edward Byrne Memorial Justice Assistance Grant Program		16.738	30,688	-
National Sexual Assault Kit Initiative		16.833	430,337	-
Comprehensive Opioid, Stimulant, and Substance Use Program		16.838	279,776	-
Passed through the Minnesota Department of Public Safety				
Missing Children's Assistance	242561	16.543	10,921	-
Crime Victim Assistance	A-CVS-2024-DULUTHAO-025	16.575	70,426	-
Public Safety Partnership and Community Policing Grants	167077	16.710	65,201	-
Public Safety Partnership and Community Policing Grants	267394	16.710	3,928	-
(Total Public Safety Partnership and Community Policing Grants 16.710 $390,748)				
Paul Coverdell Forensic Sciences Improvement Grant Program	A-NFSIA-2026-DULUTHPD-001	16.742	52,723	-
Total U.S. Department of Justice			**$ 1,432,985**	**$ -**

(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, 2025

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				
Passed Through Senior Service America, Inc.				
Senior Community Service Employment Program	116	17.235	$ 84,623	$ -
(Total Senior Community Service Employment Program 17.235 $155,973)				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	4045101	17.235	55,992	-
Senior Community Service Employment Program	5045101	17.235	15,358	-
(Total Senior Community Service Employment Program 17.235 $155,973)				
WIOA Cluster				
WIOA Adult Program	4043100	17.258	152,609	-
WIOA Adult Program	5043100	17.258	26,886	-
Total ALN # 17.258			179,495	-
(Total expenditures for WIOA Cluster $595,088)				
WIOA Cluster				
WIOA Youth Activities	4043600	17.259	182,997	-
WIOA Youth Activities	5043600	17.259	162,195	-
Total ALN # 17.259			345,192	-
(Total expenditures for WIOA Cluster $595,088)				
WIOA Cluster				
WIOA Dislocated Worker Formula Grants	2048000	17.278	1,791	-
WIOA Dislocated Worker Formula Grants	3048000	17.278	33,562	-
WIOA Dislocated Worker Formula Grants	4048000	17.278	34,580	-
WIOA Dislocated Worker Formula Grants	5048000	17.278	468	-
Total ALN # 17.278			70,401	-
(Total expenditures for WIOA Cluster $595,088)				
Passed Through Minnesota Department of Labor & Industry				
Registered Apprenticeship	24A60A000057	17.285	5,000	-
Total U.S. Department of Labor			**$ 756,061**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	1462 (1052072)	20.205	$ 1,395,768	$ -
Highway Planning and Construction	118-090-026	20.205	158,519	-
Total ALN # 20.205			1,554,287	-
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC25-2025-DULUTHPD-024	20.600	38,961	-
State and Community Highway Safety	A-ENFRC26-2026-DULUTHPD-028	20.600	1,157	-
Total ALN # 20.600			40,118	-
(Total expenditures for Highway Safety Cluster $40,118)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC25-2025-DULUTHPD-024	20.608	49,888	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC26-2026-DULUTHPD-028	20.608	9,932	-
Total ALN # 20.608			59,820	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	A-HMEP-2023/4-DULUTHFD-005	20.703	24,129	-
Total U.S. Department of Transportation			**$ 1,678,354**	**$ -**

(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, 2025

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				
Direct				
Geographic Programs - Great Lakes Restoration Initiative		66.469	$ 14,013	$ -
(Total Geographic Programs - Great Lakes Restoration Initiative 66.469 $42,317)				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements		66.818	8,450	-
Passed Through Minnesota Department of Natural Resources				
Geographic Programs - Great Lakes Restoration Initiative	GL-00E02356	66.469	28,304	-
(Total Geographic Programs - Great Lakes Restoration Initiative 66.469 $42,317)				
Passed Through Minnesota Public Facilities Authority				
Drinking Water State Revolving Fund	Duluth_LSLR_00	66.468	36,834,597	-
Total U.S. Environmental Protection Agency			**$ 36,885,364**	**$ -**
U.S. Department of Energy				
Direct				
Renewable Energy Research and Development		81.087	**$ 247,661**	**$ 145,757**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	5047400	93.558	**$ 25,000**	**$ -**
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	**$ 96,287**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4722-DR-MN	97.036	$ 57,628	$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4797-DR-MN	97.036	947	-
Total ALN # 97.036			58,575	-
COVID-19 - Hazard Mitigation Grant	A-HMGP-DR4531-DULUTHCI-007	97.039	3,060	-
Emergency Management Performance Grants	A-EMPG-2023-DULUTHCI-024	97.042	17,165	-
Passed Through St. Louis County, Minnesota				
Homeland Security Grant Program	OPSG OO MN-St. Louis FY 23	97.067	61,841	-
Total U.S. Department of Homeland Security			**$ 140,641**	**$ -**
Total Federal Awards			**$ 44,375,313**	**$ 900,506**

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, 2025

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 $14,796,184, and $9,669,195 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits performed in accordance with the Uniform Guidance. 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, 2025. 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 when derived from a governmental fund or full accrual when derived from a proprietary fund. Such expenditures are recognized following, as applicable, 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 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	$	29,124,930
Expenditures of Revolving Loan Fund		
Community Development Block Grants		159,201
Police Task Force Agreements		
Homeland Security Investigations		(78,400)
Minneapolis Child Exploitation and Human Trafficking Task Force		(20,895)
United States Marshals Service		(10,000)
Grants received more than 45 days after year-end, unavailable in 2025		
Coastal Zone Management Administration Awards		51,754
Community Development Block Grants		119,645
Disaster Grants - Public Assistance		3,870,205
Economic Adjustment Assistance		510,546
Emergency Solutions Grant Program		112,221
Geographic Programs - Great Lakes Restoration Initiative		14,013
Highway Planning and Construction		356,022
Home Investment Partnerships Program		159,479
Homeland Security Grant Program		31,750
Interagency Hazardous Materials Public Sector Training and Planning Grants		24,129
National Sexual Assault Kit Initiative		10,698
Paul Coverdell Forensic Sciences Improvement Grant Program		52,723
Temporary Assistance for Needy Families		9,187
WIOA Adult Program		51
WIOA Dislocated Worker Formula Grants		191
WIOA Youth Program		261

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Unavailable in 2024, recognized as revenue in 2025	
Bulletproof Vest Partnership Program	(1,635)
Coastal Zone Management Administration Awards	(75,502)
Community Development Block Grants	(77,909)
Community Development Block Grants - CARES Act Funding	(778)
Disaster Grants - Public Assistance	(3,872,091)
Economic Adjustment Assistance	(452,683)
Emergency Solutions Grant Program	(3,160)
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	(36,237)
Geographic Programs - Great Lakes Restoration Initiative	(125,039)
Great Lakes Restoration	(181,287)
Hazard Mitigation Grant	(2,644)
Highway Planning and Construction	(127,714)
Home Investment Partnerships Program	(1,791)
Public Safety Partnership and Community Policing Grants	(12,597)
Temporary Assistance for Needy Families	(1,828)
WIOA Adult Program	(8,595)
WIOA Dislocated Worker Formula Grants	(756)
WIOA Youth Program	(21,171)
Capital grants received in enterprise funds	
COVID-19 Hazard Mitigation Grant	3,060
Drinking Water State Revolving Fund	16,024,858
Soil and Water Conservation	86,449
Current Year Payables to Sub-Recipients	(1,232,189)
Timing Differences Between Expenditures and Related Reimbursements	(1,159)
Expenditures per Schedule of Expenditures of Federal Awards	$ 44,375,313

STATISTICAL SECTION

CITY OF DULUTH, MINNESOTA
STATISTICAL SECTION
DECEMBER 31, 2025

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

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)

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

	Fiscal Year				
	2021	**2022**	**2023**	**2024**	**2025**
Governmental Activities					
Net investment in capital assets	$ 274,609,405	$ 285,470,255	$ 296,939,221	$ 323,604,176	$ 324,584,505
Restricted	59,985,927	71,314,730	93,823,132	93,219,376	102,681,701
Unrestricted *	(125,130,759)	(110,337,973)	(88,845,760)	(59,141,978)	(33,876,873)
Total Governmental Activities Net Position	209,464,573	246,447,012	301,916,593	357,681,574	393,389,333
Business-type Activities					
Net investment in capital assets	278,507,370	289,768,984	304,527,203	332,734,147	365,523,334
Restricted	2,560,175	2,016,398	2,042,022	1,676,340	1,396,292
Unrestricted *	31,930,461	58,689,025	72,076,172	70,927,530	96,363,063
Total Business-type Activities Net Position	312,998,006	350,474,407	378,645,397	405,338,017	463,282,689
Primary Government					
Net investment in capital assets	553,116,775	575,239,239	601,466,424	656,338,323	690,107,839
Restricted	62,546,102	73,331,128	95,865,154	94,895,716	104,077,993
Unrestricted *	(93,200,298)	(51,648,948)	(16,769,588)	11,785,552	62,486,190
Total Primary Government Net Position	$ 522,462,579	$ 596,921,419	$ 680,561,990	$ 763,019,591	$ 856,672,022

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

Source: Statement of Net Position

Unaudited

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

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

(continued)

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

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

(continued)

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

	Fiscal Year				
	2021	**2022**	**2023**	**2024**	**2025**
Expenses					
Governmental Activities					
General government	$ 31,458,665	$ 34,202,686	$ 37,154,531	$ 39,196,879	$ 41,030,700
Public safety	35,650,206	48,451,732	50,793,519	54,999,767	58,254,336
Public works	24,858,279	27,916,257	31,561,724	29,847,566	35,062,247
Culture and recreation	16,503,956	17,033,986	19,883,844	19,225,246	21,412,238
Urban and economic development	15,130,262	33,442,251	21,649,907	55,920,424	25,292,914
Interest	3,611,430	3,298,165	3,336,685	3,610,660	3,390,194
Total Governmental Activities Expenses	127,212,798	164,345,077	164,380,210	202,800,542	184,442,629
Business-type Activities					
Water	9,054,609	11,098,291	12,106,676	22,710,176	37,382,006
Gas	35,254,902	47,848,429	36,073,458	35,409,527	39,636,264
Sewer	15,500,002	16,745,422	17,186,613	19,456,170	19,945,078
Stormwater	3,259,324	3,905,912	4,772,165	5,153,806	4,891,450
Steam	9,167,833	11,781,300	9,769,975	9,603,870	9,665,990
Golf	1,275,995	1,286,227	1,355,661	1,453,990	2,157,885
Parking	3,401,867	3,293,398	3,897,291	4,254,589	4,823,153
Priley Drive parking facility	1,222,210	1,255,506	1,315,057	1,346,554	1,370,679
Street lighting	-	-	-	-	-
Broadband fiber	-	55,971	52,277	834,592	-
Total Business-type Activities Expenses	78,136,742	97,270,456	86,529,173	100,223,274	119,872,505
Total Primary Government Expenses	$ 205,349,540	$ 261,615,533	$ 250,909,383	$ 303,023,816	$ 304,315,134
Program Revenues					
Governmental Activities					
Charges for services					
General government	$ 5,693,386	$ 6,087,871	$ 7,367,932	$ 6,390,887	$ 6,863,043
Public safety	2,185,593	2,175,843	2,583,212	2,934,306	3,070,237
Public works	229,532	209,909	139,784	174,716	206,063
Culture and recreation	2,051,782	2,024,906	2,260,828	2,389,906	2,450,333
Urban and economic development	5,530,373	4,421,476	5,444,986	4,722,399	4,300,968
Operating grants and contributions	16,606,625	29,537,034	32,178,915	35,000,551	15,645,527
Capital grants and contributions	17,317,782	38,202,388	26,161,558	43,504,121	26,645,695
Total Governmental Activities Program Revenues	49,615,073	82,659,427	76,137,215	95,116,886	59,181,866
Business-type Activities					
Charges for services					
Water	15,920,408	16,013,881	17,438,419	18,539,093	22,182,687
Gas	41,070,876	59,696,900	46,197,830	37,035,262	41,337,481
Sewer	19,836,926	20,375,543	21,845,445	22,528,426	22,939,801
Stormwater	6,298,247	7,881,324	7,643,222	8,624,564	9,747,127
Steam	8,229,505	10,828,835	9,075,372	9,452,331	9,389,241
Golf	1,378,539	1,247,587	1,392,727	1,356,874	1,718,476
Parking	3,253,133	3,985,704	4,345,389	4,724,458	4,831,870
Priley Drive parking facility	434,544	484,414	513,136	590,542	685,662
Street lighting	-	-	-	-	-
Operating grants and contributions	-	20,509	79,481	6,183,466	20,817,951
Capital grants and contributions	1,770,109	16,064,038	8,973,061	24,199,006	47,172,085
Total Business-type Activities Program Revenues	98,192,287	136,598,735	117,504,082	133,234,022	180,822,381
Total Primary Government Program Revenues	$ 147,807,360	$ 219,258,162	$ 193,641,297	$ 228,350,908	$ 240,004,247

(continued)

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Net (Expense)/Revenue					
Governmental Activities	$ (77,597,725)	$ (81,685,650)	$ (88,242,995)	$ (107,683,656)	$ (125,260,763)
Business-type Activities	20,055,545	39,328,279	30,974,909	33,010,748	60,949,876
Total Primary Government Net Expense	$ (57,542,180)	$ (42,357,371)	$ (57,268,086)	$ (74,672,908)	$ (64,310,887)
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	$ 37,905,624	$ 41,225,632	$ 44,255,331	$ 45,532,745	$ 46,355,998
Sales taxes	37,516,898	41,954,810	43,924,005	44,004,002	45,555,384
Franchise taxes	3,639,703	4,289,071	4,405,732	4,507,503	4,140,998
Other taxes	367,909	1,457,069	307,332	663,789	84,749
Grants and shared revenues not restricted to specific programs	32,879,084	33,276,992	33,415,083	38,151,555	38,544,028
Investment income	6,094,046	(7,481,264)	7,601,976	15,238,775	12,356,800
Miscellaneous	2,244,648	2,519,724	6,859,587	8,875,815	10,571,034
Special item - reduction of Spirit Mountain loan	-	-	-	-	-
Transfers	4,512,811	1,426,055	2,943,530	6,474,453	3,359,531
Total Governmental Activities	125,160,723	118,668,089	143,712,576	163,448,637	160,968,522
Business-type Activities					
General Revenues					
Property taxes	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	(225,528)	(465,076)	76,968	147,851	305,657
Gain on sale or disposition of capital assets	3,026	39,253	62,643	8,474	48,670
Miscellaneous	6,784	-	-	-	-
Transfers	(4,512,811)	(1,426,055)	(2,943,530)	(6,474,453)	(3,359,531)
Total Business-type Activities	(4,728,529)	(1,851,878)	(2,803,919)	(6,318,128)	(3,005,204)
Total Primary Government	$ 120,432,194	$ 116,816,211	$ 140,908,657	$ 157,130,509	$ 157,963,318
Change in Net Position					
Governmental Activities	$ 47,562,998	$ 36,982,439	$ 55,469,581	$ 55,764,981	$ 35,707,759
Business-type Activities	15,327,016	37,476,401	28,170,990	26,692,620	57,944,672
Total Primary Government	$ 62,890,014	$ 74,458,840	$ 83,640,571	$ 82,457,601	$ 93,652,431

Source: Statement of Activities

Unaudited

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

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

	Fiscal Year				
	2021	2022	2023	2024	2025
General Fund					
Restricted	326,903	200,387	194,453	195,490	246,160
Committed	34,120	17,999	16,995	12,671	15,234
Assigned	3,978,786	7,302,662	10,504,760	2,252,439	843,836
Unassigned	21,256,399	21,326,916	28,484,810	34,858,835	38,615,260
Total General Fund	25,596,208	28,847,964	39,201,018	37,319,435	39,720,490
All Other Governmental Funds					
Restricted	48,377,323	58,223,000	61,694,804	66,086,781	72,811,149
Committed	38,836,845	31,118,465	35,226,099	58,271,119	69,447,177
Assigned	4,979,933	5,104,505	6,131,450	5,926,547	8,450,772
Unassigned	(6,362,158)	(6,832,125)	(9,766,897)	(21,824,164)	(14,520,625)
Total All Other Governmental Funds	$ 85,831,943	$ 87,613,845	$ 93,285,456	$ 108,460,283	$ 136,188,473

Source: Balance Sheet - Governmental Funds

Unaudited

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

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

(continued)

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Revenues					
Taxes					
Property taxes	$ 38,004,503	$ 41,279,345	$ 44,183,094	$ 45,297,177	$ 46,339,459
Sales taxes	37,516,898	41,954,810	43,924,005	44,004,001	45,555,383
Other taxes	4,007,612	5,746,140	4,713,063	5,171,291	4,225,747
Licenses and permits	2,151,661	2,379,788	2,243,847	2,389,921	2,587,188
Intergovernmental revenues	64,773,487	90,673,616	77,278,838	111,577,359	81,743,667
Charges for services	11,149,501	9,056,006	10,559,368	10,008,496	10,329,850
Fines and forfeits	706,126	326,619	490,779	376,519	428,109
Special assessments	1,036,205	1,023,492	1,124,890	936,233	845,213
Investment income	6,154,176	(7,207,018)	6,843,944	14,347,026	11,463,721
Miscellaneous revenues	7,831,580	8,049,777	8,131,153	14,661,334	15,855,140
Total Revenues	173,331,749	193,282,575	199,492,981	248,769,357	219,373,477
Expenditures					
General government	31,068,036	33,981,540	35,327,687	36,556,181	37,017,890
Public safety	46,446,403	49,885,396	49,942,699	54,983,897	56,202,130
Public works	16,914,139	17,817,241	17,565,964	17,832,238	22,040,693
Culture and recreation	14,243,222	13,846,671	15,673,040	15,353,747	18,220,831
Urban and economic development	16,654,371	34,290,562	21,981,042	55,923,170	25,397,854
Debt service					
Principal retirement	11,880,000	10,440,173	11,883,081	12,141,972	13,673,661
Interest and fiscal fees	4,132,918	3,855,178	3,847,936	3,845,747	3,741,133
Bond issuance costs	163,847	119,588	198,015	144,626	171,127
Capital outlay	23,031,006	33,350,537	39,390,330	51,026,523	37,879,858
Total Expenditures	164,533,942	197,586,886	195,809,794	247,808,101	214,345,177
Excess of Revenues Over (Under) Expenditures	8,797,807	(4,304,311)	3,683,187	961,256	5,028,300
Other Financing Sources (Uses)					
Issuance of bonds	5,425,000	5,045,000	7,140,000	5,245,000	12,540,000
Proceeds from refundings	6,550,000	-	-	-	-
Issuance of leases	-	2,507,130	-	221,027	-
SBITA proceeds	-	-	2,073,320	20,763	3,723,530
Financed purchase proceeds	-	-	-	-	4,564,196
Premium on issuance of bonds	937,362	359,784	242,428	460,526	913,688
Payment to refunded bond escrow agent	(6,445,000)	-	-	-	-
Transfers in	33,779,140	33,172,754	35,772,919	53,410,226	43,349,425
Transfers out	(29,364,015)	(31,746,699)	(32,887,189)	(47,025,554)	(39,989,894)
Total Other Financing Sources (Uses)	10,882,487	9,337,969	12,341,478	12,331,988	25,100,945
Special Item					
Reduction of Spirit Mountain loan	-	-	-	-	-
Net Change in Fund Balances	$ 19,680,294	$ 5,033,658	$ 16,024,665	$ 13,293,244	$ 30,129,245
Debt Service as a Percentage of Noncapital Expenditures	11.2%	8.6%	10.0%	8.1%	9.8%

General Governmental includes Capital Projects Funds.

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

Unaudited

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

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
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
2023	7,114,160,600	70,998,731	1,928,668,000	34,588,221
2024	7,805,657,600	78,746,462	2,035,458,700	36,312,457
2025	8,317,681,765	83,387,712	2,284,987,500	39,415,640

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
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
2023	59,575,100	511,654	114,372,900	1,965,678
2024	61,539,500	524,471	115,240,800	1,972,625
2025	71,454,400	604,184	115,603,100	1,884,397

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	Tax Rate
	Estimated Market Value	Tax Capacity		
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
2023	9,216,776,600	108,064,284	1.17%	0.40903
2024	10,017,896,600	117,556,015	1.17%	0.38402
2025	10,789,726,765	125,291,933	1.16%	0.36783

Source: St. Louis County Assessor

Unaudited

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

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

Fiscal	City			Overlapping Rates			Total Direct & Overlapping
Year	Operations	Debt Service	Total Direct	Schools	County	Special	Rates
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
2023	0.34051	0.06852	0.40903	0.26135	0.60983	0.06019	1.34040
2024	0.31977	0.06425	0.38402	0.25035	0.56522	0.05857	1.25816
2025	0.30734	0.06049	0.36783	0.22512	0.56896	0.06207	1.22398

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

Source: St. Louis County website Unaudited

PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

		2025			2016		
Taxpayer	Type of Business	Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Summit Management LLC	Apartments & shopping mall	$ 160,494,900	1	1.49%	$ 39,831,400	4	0.67%
Minnesota Power	Electric utility	152,119,700	2	1.41%	128,831,700	1	2.18%
Essentia Health	Healthcare & hospital	119,268,900	3	1.11%	59,611,500	2	1.01%
Wisconsin Central Ltd	Railroad	64,105,200	4	0.59%	34,060,500	5	0.58%
Simon Property Group	Shopping mall	60,055,600	5	0.56%	52,233,300	3	0.88%
PLB Properties	Real estate development	52,195,900	6	0.48%	18,488,200	7	0.31%
St. Luke's Hospital	Healthcare & hospital	39,534,400	7	0.37%	16,167,100	10	0.27%
Cirrus Aircraft	Aviation	35,420,200	8	0.33%			
Ansa Propco Partnership	Lease administration	34,075,100	9	0.32%			
Endi Plaza LLC	Apartments	30,817,100	10	0.29%			
Burlington Northern	Railroad				16,742,300	9	0.28%
Duluth HRA	Housing development				18,750,600	6	0.32%
Verso Corporation	Paper mill				17,967,600	8	0.30%
		$ 748,087,000		6.95%	$ 402,684,200		6.80%

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 2025

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
2016	24,233,053	23,842,607	98.4%	252,769	24,095,376	99.4%
2017	28,039,466	27,593,516	98.4%	231,767	27,825,283	99.2%
2018	30,649,272	30,083,315	98.2%	295,897	30,379,212	99.1%
2019	33,804,643	33,259,823	98.4%	291,758	33,551,581	99.3%
2020	36,444,668	35,893,735	98.5%	328,183	36,221,918	99.4%
2021	37,454,376	36,981,319	98.7%	23,651	37,004,970	98.8%
2022	40,901,827	40,380,964	98.7%	163,333	40,544,297	99.1%
2023	43,926,309	43,313,089	98.6%	227,360	43,540,449	99.1%
2024	45,214,555	44,469,196	98.4%	280,127	44,749,323	99.0%
2025	46,002,194	45,247,041	98.4%	-	45,247,041	98.4%

Source: St. Louis County Auditor
(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 2025

Real Estate Only	Net Tax Capacity	% of Total Net Tax Capacity
Residential	$ 52,845,951	43.03%
Non-Homestead Residential	30,541,761	24.87%
Commercial/Industrial	36,048,294	29.36%
Agricultural	10,206	0.01%
Public Utility	1,323,028	1.08%
Railroad	1,834,462	1.49%
Seasonal/Recreational	199,650	0.16%
Total	$ 122,803,352	100.00%

Unaudited

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

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

	Governmental Activities				
Fiscal Year	General Obligation Bonds	General Obligation Tax Abatement Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates	Deferred Amount for Bond Premium
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
2023	74,510	8,285	-	14,020	7,598
2024	69,395	7,335	-	14,020	6,963
2025	71,275	6,370	-	14,095	6,790

	Governmental Activities				Business-type Activities	
Fiscal Year	Revenue and and General Obligation Notes	Leases	SBITA	Financed Purchases	Revenue and General Obligation Bonds	Deferred Amount for Bond Discounts/ Premiums
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
2023	2,551	4,219	2,306	457	30,296	267
2024	2,521	4,051	1,913	91	33,320	708
2025	2,521	3,613	4,510	4,097	30,599	673

	Business-type Activities					
Fiscal Year	General Obligation Notes	Leases	Purchase Agreement	Total Primary Government	Percentage of Personal Income*	Per Capita*
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	4.98%	1,871
2023	8,534	-	408	153,451	4.50%	1,750
2024	6,429	-	-	146,746	4.06%	1,668
2025	31,147	282	78	176,050	4.65%	2,001

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

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

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT
LAST TEN FISCAL YEARS

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
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	86,619	93,891,624	109,151,411	21,698,406	87,453,005	93.14%	1,009.63
2023	87,680	108,064,284	104,413,378	22,638,664	81,774,714	75.67%	932.65
2024	87,986	117,556,015	97,713,152	23,829,239	73,883,913	62.85%	839.72
2025	*87,986	125,291,933	98,529,803	25,855,883	72,673,920	58.00%	825.97

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

* Estimate

Unaudited

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2025

Governmental Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	$ 107,161,131	88.86%	$ 95,221,942
Independent School District 704	17,420,000	7.61%	1,326,310
St. Louis County	180,035,000	38.35%	69,034,498
Subtotal, Overlapping Debt			165,582,750
City of Duluth Direct Debt			113,270,874
Total Direct and Overlapping Debt			$ 278,853,624

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.
Source: St. Louis County Auditor

Unaudited

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

	Fiscal Year				
	2016	**2017**	**2018**	**2019**	**2020**
Taxable market value	$ 5,903,691,700	$ 6,124,643,600	$ 6,224,187,356	$ 6,534,657,950	$ 6,732,090,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	$ 118,073,834	$ 122,492,872	$ 124,483,747	$ 130,693,159	$ 134,641,812
Debt applicable to limit:					
Total bonds payable	$ 168,342,029	$ 155,967,007	$ 154,647,475	$ 141,994,868	$ 151,204,640
Less: Deductions allowable	(129,827,029)	(117,767,007)	(112,342,475)	(103,369,868)	(113,429,640)
Total net debt applicable to limit	$ 38,515,000	$ 38,200,000	$ 42,305,000	$ 38,625,000	$ 37,775,000
Total net debt applicable to the limit as a percentage of debt limit	32.62%	31.19%	33.98%	29.55%	28.06%

	Fiscal Year				
	2021	**2022**	**2023**	**2024**	**2025**
Taxable market value	$ 7,179,732,200	$ 8,003,417,400	$ 9,216,776,600	$ 10,017,896,600	$ 10,789,726,765
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	$ 143,594,644	$ 160,068,348	$ 184,335,532	$ 200,357,932	$ 215,794,535
Debt applicable to limit:					
Total bonds payable	$ 142,008,164	$ 133,843,196	$ 127,111,091	$ 124,070,441	$ 122,339,199
Less: Deductions allowable	(104,168,164)	(96,638,196)	(90,471,091)	(88,095,441)	(85,299,199)
Total net debt applicable to limit	$ 37,840,000	$ 37,205,000	$ 36,640,000	$ 35,975,000	$ 37,040,000
Total net debt applicable to the limit as a percentage of debt limit	26.35%	23.24%	19.88%	17.96%	17.16%

Unaudited

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
			GOLF REVENUE BOND				
2025	1,718,476	1,331,763	386,713	65,000	88,675	153,675	2.52
			PARKING REVENUE BOND				
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
2023	4,346,277	3,211,813	1,134,464	895,000	60,766	955,766	1.19
2024	4,737,368	3,411,630	1,325,738	920,000	38,062	958,062	1.38
2025	4,844,185	3,553,480	1,290,705	945,000	12,994	957,994	1.35
			WATER REVENUE BOND				
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
2023	17,458,319	10,590,969	6,867,350	261,000	94,832	355,832	19.30
2024	18,570,103	13,769,252	4,800,851	255,000	87,012	342,012	14.04
2025	22,262,264	15,537,079	6,725,185	260,000	79,288	339,288	19.82
			GAS REVENUE BOND (3)				
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
			SEWER REVENUE BOND (4)				
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
2023	21,866,426	15,147,880	6,718,546	194,000	6,880	200,880	33.45
2024	22,548,392	17,410,957	5,137,435	75,000	1,500	76,500	67.16

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
STORMWATER REVENUE BOND (5)							
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
STEAM REVENUE BOND							
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
2023	9,075,372	7,812,988	1,262,384	1,160,000	279,593	1,439,593	0.88
2024	9,450,311	7,308,561	2,141,750	1,195,000	502,066	1,697,066	1.26
2025	9,403,241	7,552,585	1,850,656	1,225,000	394,698	1,619,698	1.14

Notes:
(1) Includes operating revenue and interest earnings.
(2) Includes operating expenses, excluding depreciation.
(3) Gas revenue bond was retired in 2019.
(4) Sewer revenue bond was retired in 2025.
(5) Stormwater revenue bond was retired in 2022.

Unaudited

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Total Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
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	86,619	3,254,669,603	37,575	8,487	2.4%
2023	87,680	3,408,297,243	38,872	8,554	2.5%
2024	87,986	3,610,673,994	41,037	8,757	2.7%
2025	*87,986	3,783,610,157	43,002	8,723	3.5%

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

		2025			2016		
Employer	Type of Business	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Essentia Health (SMDC)	Healthcare / hospital	7,701	1	13.58%	5,341	1	9.12%
Cirrus Aircraft	Aviation	3,026	2	5.34%	850	10	1.45%
Aspirus St. Luke's	Healthcare / hospital	3,000	3	5.29%	1,934	3	3.30%
Duluth Public Schools	Education	1,830	4	3.23%	1,426	5	2.43%
University of Minnesota Duluth	Education	1,732	5	3.05%	1,700	4	2.90%
St. Louis County	Government	1,526	6	2.69%	1,956	2	3.34%
Duluth Air National Guard Base	Military	1,028	7	1.81%	1,068	8	1.82%
College of St. Scholastica	Education	957	8	1.69%	-		-
City of Duluth	Government	901	9	1.59%	862	9	1.47%
Allete	Electric utility	772	10	1.36%	1,322	7	2.26%
United Healthcare	Insurance	-		-	1,368	6	2.33%
		22,473		39.63%	17,827		30.42%

Source: Telephone and email survey of individual employers.
Total city employment is from the Minnesota Department of Employment & Economic Development's website.

Unaudited

CITY OF DULUTH, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of December 31				
	2016	2017	2018	2019	2020
Function					
General government	132.40	134.00	126.50	131.65	134.10
Public safety					
Police	180.50	183.14	182.14	182.14	180.50
Fire	144.50	144.00	146.50	146.50	148.50
Public works	86.25	86.50	82.95	83.95	82.95
Culture and recreation					
Parks and recreation	11.75	11.95	11.70	11.70	13.70
Library	46.50	46.70	46.70	46.70	46.70
Urban and economic development	54.05	54.05	50.64	57.64	56.14
Water & Gas	129.15	133.75	134.75	135.45	133.00
Sewer	35.80	32.65	34.65	33.05	33.75
Stormwater	27.30	25.35	23.15	24.05	24.80
Parking	9.00	9.00	9.00	9.00	9.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	862.30	866.19	853.78	866.93	868.24

	Full-time Equivalent Employees as of December 31				
	2021	2022	2023	2024	2025
Function					
General government	135.10	133.90	136.90	142.65	145.75
Public safety					
Police	183.00	183.50	184.00	184.00	181.00
Fire	148.50	148.50	150.00	151.00	156.00
Public works	82.95	82.85	83.10	82.85	82.60
Culture and recreation					
Parks and recreation	13.70	13.70	14.45	14.45	14.45
Library	47.70	47.50	48.00	48.00	48.50
Urban and economic development	55.14	58.14	60.64	61.28	58.44
Water & Gas	133.00	132.60	130.50	133.85	138.25
Sewer	33.75	33.50	33.60	36.75	35.35
Stormwater	24.80	24.75	26.75	27.30	27.30
Parking	8.00	8.00	8.00	8.00	8.00
Street lighting	5.10	5.10	5.10	5.30	5.30
Total	870.74	872.04	881.04	895.43	900.94

Source: City of Duluth Budget Office

Unaudited

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Function					
Police					
Criminal offences	10,447	10,561	10,437	10,890	7,695
Cleared by arrest	4,062	3,802	3,267	3,518	2,580
Traffic violations	6,819	5,196	5,421	4,568	10,223
Parking violations	56,687	34,437	31,934	42,684	31,556
Fire					
Number of calls answered	12,799	13,239	13,255	13,698	13,815
Number of inspections conducted	4,871	7,490	7,367	8,382	4,607
Public works					
Construction permits					
Permits issued	6,838	6,548	7,599	8,298	7,479
Estimated cost of construction during year	$ 151,343,988	$ 121,738,089	$ 165,364,070	$ 252,369,122	$ 399,964,575
Culture and recreation					
Parks and recreation department					
Participation in special events	49,125	67,300	62,925	68,725	3,592
Attendance for parks permitted event permits	-	-	-	-	5,818
Participation in recreation	31,555	25,210	27,197	44,373	10,431
Zoo regular customers	76,316	81,538	78,439	79,128	32,533
Library					
Registered borrowers	45,424	42,674	51,636	52,178	39,906
Items in collection	435,385	424,304	419,907	346,516	332,450
Items loaned	848,293	871,704	847,237	868,740	373,521
Library visits	461,403	475,363	426,082	437,668	91,193
Internet uses	92,656	90,489	81,685	70,338	15,503
Reference/research questions answered	59,321	71,253	59,579	65,702	25,675
Water					
Meters in service	28,134	28,243	28,345	28,422	28,598
Average number of gallons treated per month	415,642,500	408,434,167	388,512,500	374,256,680	334,648,416
Water pumped - million cubic feet	667	655	623	600	537
Water sold - million cubic feet	566	568	562	528	464
Daily average consumption in gallons	11,590,274	11,648,560	12,773,013	12,307,089	11,002,308
Gas					
Meters in service	28,540	28,712	28,957	29,234	29,484
MMBTU sold	4,770,804	5,218,978	5,063,708	5,984,783	5,737,419
Sewer					
Number of service connections	27,985	27,993	28,030	28,075	27,766
Daily average treatment in gallons	13,729,690	14,355,390	12,093,510	14,111,340	11,002,140
Stormwater					
Cleaning storm sewer pipe (in feet)	20,017	107,965	125,776	82,597	2,841
Steam					
Steam sold (in 1,000 lbs)	313,408	305,465	345,262	350,306	293,441
Hot water sold (MMBtu)	-	-	-	-	-
Golf					
Season passes	731	436	462	307	183
Skyline passes	2,146	1,818	1,354	1,045	726
Daily tickets	38,894	34,358	39,661	33,223	15,924
Carts	39,846	28,555	25,048	21,079	16,649
Rounds played	75,544	67,657	60,988	51,402	39,337

(continued)

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Function					
Police					
Criminal offences	8,169	6,682	6,756	6,782	7,075
Cleared by arrest	1,562	1,950	2,786	3,020	3,422
Traffic violations	7,344	3,689	2,492	2,936	2,105
Parking violations	33,028	33,928	34,311	36,858	45,962
Fire					
Number of calls answered	14,803	15,234	15,501	15,810	15,634
Number of inspections conducted	6,054	6,399	5,494	5,500	5,791
Public works					
Construction permits					
Permits issued	7,560	7,814	7,863	8,222	8,616
Estimated cost of construction during year	$ 587,364,438	$ 323,270,859	$ 379,642,164	$ 360,230,750	$ 324,929,041
Culture and recreation					
Parks and recreation department					
Participation in special events	62,010	58,008	57,084	63,752	49,195
Attendance for parks permitted event permits	23,756	39,678	66,675	84,121	86,177
Participation in recreation	19,216	25,242	32,542	42,631	52,193
Zoo regular customers	75,366	95,627	100,815	95,466	100,774
Library					
Registered borrowers	40,228	39,967	51,109	52,894	57,983
Items in collection	407,845	291,174	286,068	272,246	267,887
Items loaned	549,697	402,342	762,086	785,236	877,829
Library visits	140,997	260,099	301,229	328,635	338,506
Internet uses	14,512	28,494	28,982	34,108	35,432
Reference/research questions answered	17,108	29,042	40,560	40,872	35,295
Water					
Meters in service	28,727	28,786	28,844	28,884	28,776
Average number of gallons treated per month	300,481,666	295,900,000	338,567,000	351,000,000	369,414,166
Water pumped - million cubic feet	482	474	571	527	592
Water sold - million cubic feet	347	389	311	405	422
Daily average consumption in gallons	9,878,849	9,726,027	11,130,970	10,811,068	12,145,123
Gas					
Meters in service	29,992	30,083	30,213	30,622	30,727
MMBTU sold	5,678,028	6,168,117	6,615,228	5,500,453	6,311,123
Sewer					
Number of service connections	28,666	28,775	27,863	27,915	27,986
Daily average treatment in gallons	10,945,300	13,380,900	11,709,315	12,745,600	10,400,300
Stormwater					
Cleaning storm sewer pipe (in feet)	13,730	16,162	11,448	10,370	4,115
Steam					
Steam sold (in 1,000 lbs)	284,998	355,830	356,957	277,624	234,880
Hot water sold (MMBtu)	95,165	128,444	117,226	141,436	196,076
Golf					
Season passes	213	215	215	235	317
Skyline passes	665	1,110	1,082	892	788
Daily tickets	16,508	15,279	16,906	19,912	21,745
Carts	19,609	14,470	14,781	13,600	16,456
Rounds played	41,440	32,400	31,316	31,056	36,702

Sources: Various government departments

Unaudited

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Function					
Police					
Patrol units	97	102	123	120	120
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Milles of streets - paved	475.77	475.74	475.77	475.77	476.13
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	411.08	352.00	352.13	352.13	352.96
Number of street lights					
Ornamental lamps (no. of bulbs)	3,940	3,930	3,809	3,809	3,350
Overhead street lamps	3,665	3,665	3,665	3,665	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	428.30	428.40	429.40	432.50	430.00
Number of hydrants	2,699	2,708	2,717	2,738	2,747
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	538.20	544.40	548.10	551.10	554.60
Sewer					
Miles of sanitary sewers	397.60	398.80	398.10	398.10	398.00
Stormwater					
Miles of storm sewers	405.00	412.00	413.00	413.00	415.00
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

	Fiscal Year				
	2021	2022	2023	2024	2025
Function					
Police					
Patrol units	120	104	106	116	106
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Milles of streets - paved	476.31	476.27	477.39	477.51	476.78
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	353.83	354.04	355.36	355.94	356.70
Number of street lights					
Ornamental lamps (no. of bulbs)	3,350	3,350	3,350	3,350	3,350
Overhead street lamps	3,700	3,700	3,700	3,700	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	162	162	162	162
Park acreage	12,000	9,715	9,715	9,720	9,720
Number of ski hills	2	2	2	2	2
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	433.50	432.80	433.30	434.00	439.23
Number of hydrants	2,766	2,793	2,806	2,810	2,823
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	558.80	562.90	565.20	566.50	567.80
Sewer					
Miles of sanitary sewers	399.00	400.00	400.00	400.00	400.00
Stormwater					
Miles of storm sewers	418.00	415.00	415.00	415.00	415.00
Steam					
Miles of line	8.50	8.50	8.50	7.50	7.50
Miles of hot water pipeline	5.50	5.50	6.00	6.25	6.25
Golf					
Number of municipal golf courses	2	2	2	1	1

Sources: Various government departments.

Unaudited

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

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

	Fiscal Year				
	2021	2022	2023	2024	2025
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	190	363	420	368	359
Number of conventions	21	49	51	55	57
Overall attendance	-	-	-	542,164	654,000
Duluth Airport Authority					
Number of passengers	218,629	241,678	250,396	278,427	289,155
Duluth Transit Authority					
Number of buses	72	77	84	79	91
Number of routes	23	23	15	15	15
Number of passengers	1,461,213	1,874,795	2,134,240	2,316,672	2,439,976
Service area (square miles)	143	143	143	143	91
Spirit Mountain Recreation Area Authority					
Skier visits	89,809	104,115	105,742	87,203	100,037
Season passes	6,895	8,218	7,248	6,373	6,242

Sources: Various component units.

Unaudited