

2014

Comprehensive Annual Financial Report



CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2014



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2014

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2014**

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INTRODUCTORY SECTION



An Equal Opportunity Employer

City Auditor • Wayne Parson, CPA (inactive)

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 218-730-5450 • Fax: 218-730-5919
wparson@duluthmn.gov • www.duluthmn.gov

May 29, 2015

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, 2014.

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, 2014. 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 exceeds 86,000 and contributes to a market area of more than 500,000 from northern Minnesota, northwest Wisconsin, the Upper Peninsula of Michigan, and lower Ontario. Duluth and its neighbor, Superior, Wisconsin, share the Great Lakes' largest port and one of the largest inland seaports in the world.

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

The City provides a full range of governmental services including police and fire protection, street construction and maintenance, library and recreational facilities, and public utilities for water, gas, sewer, and storm water services. Certain economic development activities are provided through a legally separate entity, Duluth Economic Development Authority, a discretely presented component unit of the City. The City also is financially accountable for several legally separate entities including an airport, convention center, transit

services, and recreation area, all of which are reported separately in the City's financial statements. Additional information regarding these legally separate entities is provided in Note 1 to the financial statements.

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

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Development, 31.2% of Duluth residents have a bachelor's degree or higher, compared to 28.2% for the nation as a whole. Duluth's unemployment averaged 3.6% for 2014, which was a significant improvement from the previous year's average unemployment rate of 4.9%. The total number of jobs reported to the state in 2014 peaked at 59,741.

Duluth also serves as a major shipping port for the region. The Seaway Port Authority of Duluth reports that close to 1,000 ships visit the Port of Duluth-Superior each year, moving roughly 38 million tons of cargo including iron ore, coal, grain, limestone, cement and salt, plus a variety of heavy-lift and project cargo. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior support 11,500 jobs and contribute over \$1.5 billion to the local/regional economy.

Duluth continues to excel in the key industry of tourism, bringing approximately 3.5 million visitors to Duluth. According to studies for Visit Duluth and Explore Minnesota Tourism, visitors inject more than \$780 million each year directly into the immediate area. Primarily a destination for leisure travelers, efforts in growing the leisure segment along with world-class special events and conventions are producing unparalleled return on investment. Duluth has turned itself into the top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. The city has over 150 miles of trails for hikers, bicyclists, and cross country skiers with a proposed future addition of 70 miles of a new multi-use trail system and a 7.3 mile trail that would connect the entire length of the city from the west to the eastward-bound Lakewalk trail. Duluth was rated by Money magazine as one of the top four Midwestern small cities, based on livability; and in 2014, Duluth was voted as America's "Best Town" by a poll conducted by Outside Magazine. Lake Superior, the city's unique history, premier trails, and soft-adventure continue to define Duluth as a family friendly vacation destination.

The Duluth Entertainment Convention Center (DECC) remains a leader in convention center business and environmental stewardship, and innovative projects and energy efficiency upgrades are being completed. In 2014 the DECC hosted 516 events and 45 conventions. The DECC continues to operate with the full strength of its facilities: Pioneer Hall provided space for many tradeshow, sporting events and even an International Roller Derby tournament. The Arena held numerous events including the FIRST Robotics Competition, concerts, the State DFL Convention and ice for Northland Figure Skaters. Symphony Hall served as the home to the DSSO and Minnesota Ballet with dance competitions, and the Duluth Playhouse production of Les Miserables. Bayfront Park was under the management of the DECC for the third year with a full roster of events, including Bentleyville, Duluth Fourth Fest, Blues Fest, Trampled by Turtles, Dierks Bentley, the Pride Festival, and All Pints North Brewfest. Bayfront Festival Park was recognized as the Star Tribune's 2014 Best Outdoor Music Venue in the State of Minnesota. AMSOIL Arena had its fourth successful year of operations, and is home to the University of Minnesota-Duluth's (UMD) hockey teams. Fans supported the National Collegiate Hockey Conference (NCHC) league of men's hockey and women in the Western Collegiate Hockey Conference (WCHA). The silver LEED certified Arena featured youth and high school hockey, Justin Moore concert, Cirque du Soliel, University commencements, and the AAD Temple Shrine Circus to name a few. The DECC proudly continues to focus on sustainability efforts by reducing waste, recycling, composting, and creating environmentally low-impact events. Over 162,000 pounds of waste materials were diverted from the landfill in 2014.

The Duluth metro has more than 20,000 college and university students according to Minnesota's Department of Employment and Economic Development (DEED). UMD and St. Scholastica are regularly ranked in the top tier of Midwestern universities by U.S. News and World Report's "America's Best Colleges" issue. UMD has a student population of 11,093, and provides 14 bachelor degrees in 85 majors and 69 minors, and offers 25 graduate programs. UMD participates in two all-university PhD programs in addition to the two-year program at the School of Medicine and a College of Pharmacy program. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider." St. Scholastica has 6 academic schools, and offers degrees in 50 undergraduate majors, 14 masters, and 2 doctoral programs, with a total enrollment of 4,237 students. Lake Superior College (LSC) is a member of the Minnesota State Colleges and Universities System (MnSCU) and has a student population of over 5,800, and offers more than 90 technical majors, programs for transfer, continuing education, and customized training for business and industry. A new \$12.1 million Health and Science Center opened at LSC in January, 2012. The American Institute of Economic Research named the Duluth metropolitan area as one of America's best small metropolitan areas for college students in their Small Metro category in its 2012 College Destinations index.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (12.1 percent of total General Fund expenditures and transfers) exceeds the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned fund balance should fall within the following range of General Fund expenditures and transfers: 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2014, the Community Investment Fund reported a fund balance of \$18.7 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$25.9 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$43.3 million at December 31, 2014. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2014, retiree health care costs did not exceed \$9 million. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

MAJOR INITIATIVES

In December 2013, the City issued \$3.4 million general obligation airport improvement bonds to finance completion of the final phase of the new airport terminal facility and improvements totaling \$75 million at the Duluth International Airport. The final phase of the project consisted of a new parking facility and skywalk which opened in November 2014.

The City is partnering with Maurices (a division of Ascena Group, Inc.) to construct a new downtown corporate tower. The project will consist of an 11-story business tower of approximately 200,000 square feet with attached parking structure and skywalk connection. This projected \$70 million development is the largest downtown private development of its kind in the history of Duluth and will retain more than 400 professional jobs and create an additional 150 jobs. The project broke ground in June 2014, and is expected to be completed by the end of 2016.

The City has authorized the creation of tax increment district to assist with the financing of public improvements for a mixed-use multifamily and retail project known as Harbor Bay Flats. The \$36.2 million project will consist of approximately 148 market-rate multifamily units and additional retail space. The project is expected to break ground in June 2015 with substantial completion by June 2016.

The Duluth Economic Development Authority (DEDA) has a development agreement with a local developer to redevelop a historic site on the City's waterfront adjacent to Bayfront Park. DEDA has been awarded redevelopment and contamination clean-up grants totaling \$3 million. The project consists of a hotel and conference center, retail shops, and recreational facilities on DEDA-owned land and a former cement plant site. The project, estimated in excess of \$30 million, broke ground in March 2015 and has a targeted May 2016 completion date.

The Duluth Economic Development Authority (DEDA) has a memorandum of understanding with a developer to restore a historic theatre complex in Duluth's downtown waterfront district. The \$20 million project will be financed through a combination of state and federal tax credits, low interest loans, and fundraising. In addition, skywalk connections will be completed to the downtown skywalk system. Construction is anticipated to begin in 2016.

The Duluth Transit Authority started construction of the \$20 million Duluth Transit Authority Multimodal Transportation Center in June 2014. The multimodal transportation center will provide an indoor passenger terminal area, including regional and intercity carriers. The multimodal transportation center is a major effort to resolve long-standing parking, sidewalk congestion, and bus passenger safety issues in the downtown area. On completion, the Center will provide parking for 300 vehicles. Existing skywalks are to be replaced, including the Northwest Passage which spans across I-35 connecting the Terminal to the Duluth Entertainment Convention Center. The projected project completion date is December 2015.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2013. This was the thirty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR, whose contents conform to both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

In addition, the City of Duluth also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year 2014. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Wayne Parson, CPA (inactive)
City Auditor

**ELECTED AND APPOINTED OFFICIALS
CITY OF DULUTH, MINNESOTA
2014**

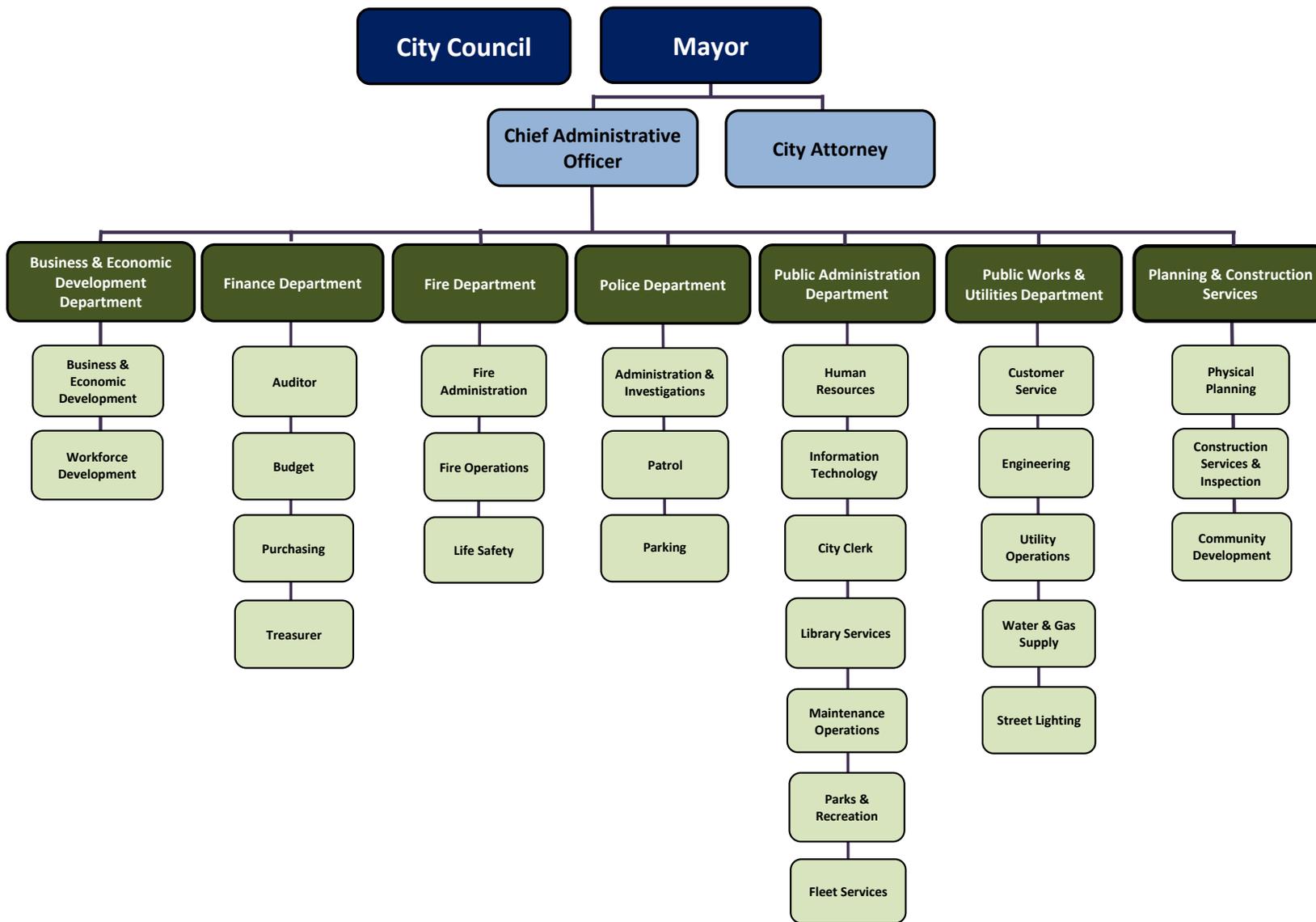
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Don Ness		2016
City Council		
Zack Filipovich	At large	2018
Linda Krug	At large	2016
Emily Larson	At large	2016
Barb Russ	At large	2018
Jennifer Julsrud	1	2016
Joel Sipress	2	2016
Sharla Gardner	3	2016
Howie Hanson	4	2018
Jay Fosle	5	2016

*All terms expire in January

APPOINTED POSITIONS

Attorney	Gunnar Johnson
Auditor	Wayne Parson
Chief Administrative Officer	David Montgomery
Chief of Fire	John Strongitharm
Chief of Police	Gordon Ramsay
Clerk	Jeffrey Cox
Director of Business and Community Development	Chris Eng
Director of Public Administration	Jim Filby Williams
Director of Public Works and Utilities	James Benning
Treasurer	Brian Hansen

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Duluth
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth as of December 31, 2014, including the Spirit Mountain Recreation Area Authority as of April 30, 2014, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duluth's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

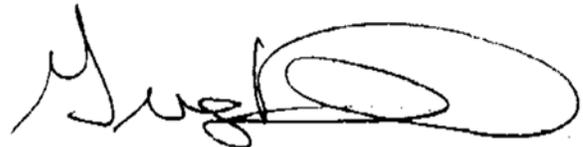
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 29, 2015

**Management's
Discussion and Analysis**

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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, 2014, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at December 31, 2014, by \$449.6 million; this amount is identified as net position.
- As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$58.5 million.
- Nonspendable and restricted fund balances were \$31.6 million of fund balance or 54.0%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$26.9 million, or 46.0%, are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other postemployment benefits. As of December 31, 2014, the trust reported net position totaling \$43.3 million.
- As of December 31, 2014, the General Fund's unrestricted, unassigned fund balance was \$9.3 million, or 12.2% 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 consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements include not only the City, referred to as the primary government, but also five legally separate component units, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information of the City, as the primary government.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. The largest portion of the City's net position (92.9%) is invested in capital assets (land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.9%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 130,560	\$ 127,260	\$ 51,187	\$ 41,090	\$ 181,747	\$ 168,350
Capital assets	292,387	286,897	251,281	234,049	543,668	520,946
Total assets	<u>\$ 422,947</u>	<u>\$ 414,157</u>	<u>\$ 302,468</u>	<u>\$ 275,139</u>	<u>\$ 725,415</u>	<u>\$ 689,296</u>
Deferred outflows of resources	\$ -	\$ -	\$ 1,164	\$ 1,340	\$ 1,164	\$ 1,340
Long-term liabilities outstanding	\$ 170,489	\$ 169,324	\$ 77,163	\$ 68,511	247,652	\$ 237,835
Other liabilities	17,143	20,944	12,152	10,921	29,295	31,865
Total liabilities	<u>\$ 187,632</u>	<u>\$ 190,268</u>	<u>\$ 89,315</u>	<u>\$ 79,432</u>	<u>\$ 276,947</u>	<u>\$ 269,700</u>
Net position:						
Net investment in capital assets	\$ 235,178	\$ 228,736	\$ 182,656	\$ 168,291	\$ 417,834	\$ 397,027
Restricted	46,064	40,778	2,881	1,878	48,945	42,656
Unrestricted	(45,927)	(45,625)	28,780	26,878	(17,147)	(18,747)
Total net position	<u>\$ 235,315</u>	<u>\$ 223,889</u>	<u>\$ 214,317</u>	<u>\$ 197,047</u>	<u>\$ 449,632</u>	<u>\$ 420,936</u>

Overall, the City's financial position improved in 2014. The City's total net position increased \$28.7 million, an increase of 6.8%. Net position invested in capital assets continues to increase largely due to the City's utility infrastructure replacement and the pay down of debt associated with those capital asset additions. Restricted net position increased \$6.3 million due to the increase in funds restricted for group health purposes and an increase in funds restricted for capital outlay. Unrestricted net position increased \$1.6 million. This was primarily due to increased investment income and favorable utility operation results partially offset by an increase in the City's other postemployment benefit liability of approximately \$4.5 million.

In governmental activities, the decrease in total liabilities of \$2.6 million was largely due to the continuing spend down of funds related to the 2012 flood event. A large portion of these funds was included in unearned revenue as of December 31, 2013. Total assets increased \$8.8 million. Capital asset infrastructure additions and a positive correction in the fair value of investments contributed to the asset increase.

For business-type activities the increase in total liabilities of \$9.9 million is due to the issuance of debt to finance the construction of the West Superior Street Parking Facility. Total assets increased due to utility infrastructure replacement and a substantial amount of unspent financing proceeds related to the parking facility project.

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):

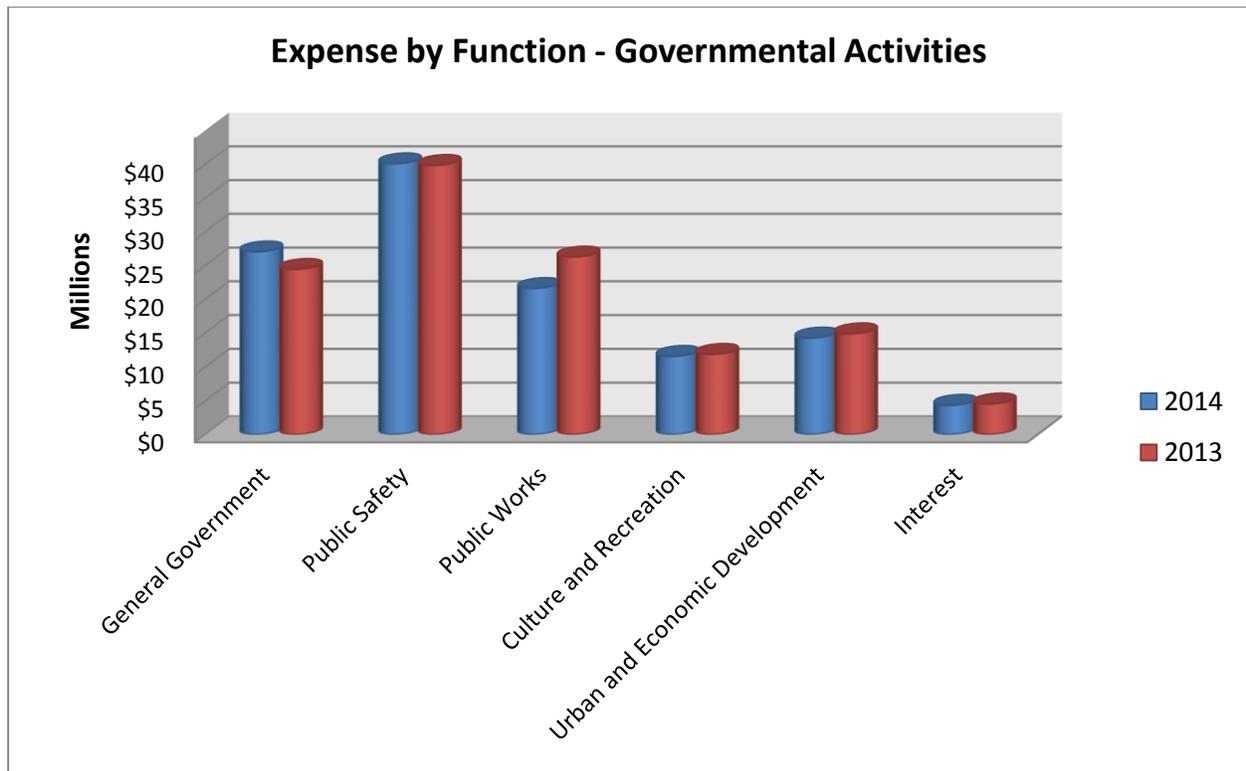
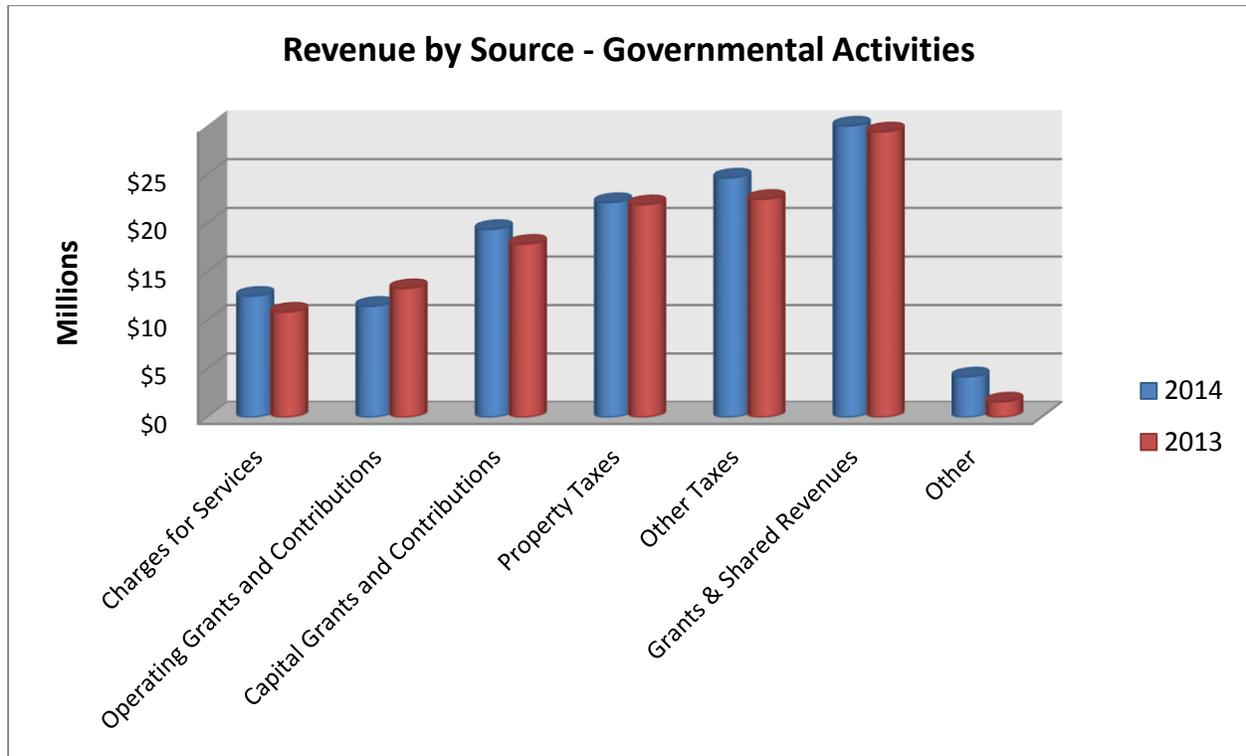
**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 12,523	\$ 10,884	\$ 111,847	\$ 96,263	\$ 124,370	\$ 107,147
Operating grants and contributions	11,488	13,309	76	61	11,564	13,370
Capital grants and contributions	19,389	17,879	4,597	2,812	23,986	20,691
General Revenues:						
Property taxes	22,147	21,925	-	-	22,147	21,925
Other taxes	24,666	22,481	-	-	24,666	22,481
Grants and shared revenues not restricted to specific programs	30,995	29,401	49	49	31,044	29,450
Other	4,199	1,612	650	97	4,849	1,709
Total revenues	<u>125,407</u>	<u>117,491</u>	<u>117,219</u>	<u>99,282</u>	<u>242,626</u>	<u>216,773</u>
Expenses:						
General government	27,045	24,456	-	-	27,045	24,456
Public safety	40,105	39,861	-	-	40,105	39,861
Public works	21,622	26,286	-	-	21,622	26,286
Culture and recreation	11,585	11,872	-	-	11,585	11,872
Urban and economic development	14,294	14,922	-	-	14,294	14,922
Interest	4,339	4,536	-	-	4,339	4,536
Water	-	-	11,256	11,015	11,256	11,015
Gas	-	-	49,132	35,174	49,132	35,174
Sewer	-	-	16,963	17,883	16,963	17,883
Stormwater	-	-	3,702	3,582	3,702	3,582
Steam	-	-	7,254	7,693	7,254	7,693
Golf	-	-	2,021	2,060	2,021	2,060
Parking	-	-	2,701	2,902	2,701	2,902
Street lighting	-	-	1,911	1,545	1,911	1,545
Total expenses	<u>118,990</u>	<u>121,933</u>	<u>94,940</u>	<u>81,854</u>	<u>213,930</u>	<u>203,787</u>
Increase in net position before transfers	6,417	(4,442)	22,279	17,428	28,696	12,986
Transfers	5,009	4,714	(5,009)	(4,714)	-	-
Increase in net position	<u>11,426</u>	<u>272</u>	<u>17,270</u>	<u>12,714</u>	<u>28,696</u>	<u>12,986</u>
Net position, January 1	<u>223,889</u>	<u>223,617</u>	<u>197,047</u>	<u>184,333</u>	<u>420,936</u>	<u>407,950</u>
Net position, December 31	<u>\$ 235,315</u>	<u>\$ 223,889</u>	<u>\$ 214,317</u>	<u>\$ 197,047</u>	<u>\$ 449,632</u>	<u>\$ 420,936</u>

Governmental activities revenue increased \$7.9 million in 2014. This increase is primarily due to increased investment income earnings and strong tourism tax revenue. The business-type activities revenue increase of \$17.9 million was related to a significant increase in the sale of natural gas associated with the historically cold 2013-2014 heating season.

Total expenses decreased \$2.9 million for governmental activities. This decrease is related to flood damage expenditures transitioning from repair related to capital related in 2014. Repair related activity is expensed whereas capital related expenditures are recorded as assets. Business-type activities expenses increased \$13.1 million. This increase is related to an increase in the volume of natural gas that is resold to customers by the City's Gas Utility.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**



**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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, 2014, the City's governmental funds reported combined ending fund balances of \$58.5 million, an increase of \$4.5 million from 2013. Of the total fund balance amount, \$26.9 million, or 46.0%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$19.7 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Special Revenue fund makes up 95.0% of the committed fund balance. Restricted fund balance of \$31.3 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, 2014, fund balance of the General Fund was \$11.3 million, with \$9.3 million, or 82.3% 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 12.2% and total fund balance is 14.8% of total General Fund expenditures.

The Community Investment Special Revenue fund balance increased \$1.2 million in 2014. This increase was due to a positive swing in the unrealized fair value adjustment to investments.

The Disaster Recovery Special Revenue Fund accounts for federal and state aid used to finance recovery efforts related to the major flood event that occurred in Duluth in June 2012. Deferred inflows of resources totaling \$5.1 million is being reported due to the revenue recognition criteria not being met. The City's policy requires revenues to be received within sixty days of year end to be recognized as revenues in the current period.

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		Increase (Decrease) Net Position	
	December 31		December 31	
	2014	2013	2014	2013
Parking	\$3,657	\$3,519	\$ 707	\$ 82
West Superior Street Parking Facility	-	-	3,348	-
Water	1,466	2,031	2,959	3,466
Gas	11,757	8,880	6,334	2,886
Sewer	3,658	3,333	3,080	4,459

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

There were no major operational changes or rate increases in 2014. Gas Fund revenues increased significantly due to both an increase in the cost of natural gas that is passed on to customers and an increase in the volume of natural gas sold due to extreme winter conditions in the winter season of 2013-2014. Construction of the new West Superior Street Parking Facility commenced in 2014 as part of a new downtown corporate tower project with Maurices (a division of Ascena Group, Inc.).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$1.6 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$0.7 million appropriation increase for prior year carryovers.
- \$0.4 million appropriation for grants, gifts and donations.
- \$0.5 million appropriation for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$1.6 million. This favorable variance was due to an increase in construction related inspection services, permits and fees, higher than anticipated sales tax revenue, and higher than anticipated investment income.
- Expenditures and transfers were under budget by \$1.2 million due primarily to savings in retiree health insurance costs and employee benefit 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, 2014, was \$543.7 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2014, the City's total investment in capital assets, net of accumulated depreciation, increased by \$22.7 million. Major capital assets additions in 2014 included: Wade Stadium refurbishment - \$3.5 million; street and bridge improvements - \$10.9 million; and utility related infrastructure improvements of almost \$22.0 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Capital Assets:				
Land and improvements	\$ 22,161	\$ 22,409	\$ 4,628	\$ 4,628
Buildings	42,252	37,221	35,099	36,380
Equipment	11,495	11,839	16,652	17,250
Infrastructure	189,150	172,366	169,037	162,814
Construction in progress	<u>27,329</u>	<u>43,062</u>	<u>25,865</u>	<u>12,977</u>
Total	<u>\$ 292,387</u>	<u>\$ 286,897</u>	<u>\$ 251,281</u>	<u>\$ 234,049</u>

LONG-TERM DEBT

The City had \$163.1 million of bonded debt outstanding as of December 31, 2014. Of this amount, \$102.0 million is debt backed by the full faith and credit of the City. \$16.8 million is special assessment debt for which the City is obligated only to the extent that collections from special assessments are insufficient to retire the outstanding bonds. The City has a contingent liability for the \$44.3 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance 12/31/14	Balance 12/31/13
Governmental Activities:		
General Obligation Bonds	\$ 82,936	\$ 80,754
General Obligation Tax Abatement Bonds	6,705	7,290
Lease Revenue Bonds	-	415
Special Assessment Debt with Government Commitment	16,814	20,901
General Obligation Certificates	<u>12,340</u>	<u>12,625</u>
Total Governmental Activities Bonded Debt	<u>\$ 118,795</u>	<u>\$ 121,985</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 44,343</u>	<u>\$ 37,305</u>

During 2014, the City's total bonded debt increased by \$3.8 million.

In 2014, the City issued \$6.5 million of general obligation bonds, of which \$0.9 million were refunding bonds, \$2.5 million of general obligation certificates, and \$11.7 million of parking improvement tax increment bonds. The City also issued \$5.0 million in utility general obligation notes. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

**CITY OF DULUTH, MINNESOTA
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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 \$111.7 million, which is significantly higher than the City's net debt of \$39.2 million. Additional information about the City's long-term debt can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2015 General Fund budget is \$77.67 million. State local government aid (LGA) payments are anticipated to supply 37.6% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes will increase anticipated LGA by \$1.8 million in 2015, up from the \$27.4 million received in 2011, 2012 and 2013, and a modest increase from the \$29.0 million received in 2014.

In 2013, the City contracted with an actuary to calculate its annual required contribution for postemployment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The annual required contribution for 2014 was \$13.8 million. For the year ended December 31, 2014, the City made contributions of \$0.5 million to an irrevocable trust and paid an additional \$8.7 million of retiree claims resulting in an increase of \$4.5 million in the City's net other postemployment benefits liability. As of December 31, 2014, the City's net other postemployment benefits liability is \$41.6 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 66,379,490	\$ 17,801,780	\$ 84,181,270	\$ 21,334,867
Assets held by trustee	9,188,368	-	9,188,368	-
Receivables, net	41,410,736	11,637,012	53,047,748	3,595,644
Due from primary government	-	-	-	406,562
Internal balances	(2,381,605)	2,381,605	-	-
Due from component units	3,513,588	-	3,513,588	-
Due from other governments	11,852,185	1,383,221	13,235,406	1,502,847
Inventories	298,393	2,540,349	2,838,742	552,517
Prepays	298,535	2,341,430	2,639,965	148,379
Restricted assets:				
Cash and cash equivalents	-	10,736,908	10,736,908	1,642,183
Accounts receivable	-	-	-	75,808
Loans receivable	-	2,364,947	2,364,947	-
Grants receivable	-	-	-	5,795,030
Assets held by trustee	-	-	-	87,143
Capital assets (Note 7):				
Non-depreciable	49,490,160	30,493,447	79,983,607	16,629,691
Depreciable, net	242,897,108	220,787,935	463,685,043	249,053,931
Total Assets	422,946,958	302,468,634	725,415,592	300,824,602
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	1,163,803	1,163,803	1,654,067
Liabilities				
Accounts payable and other short-term liabilities	8,239,932	9,635,565	17,875,497	6,188,174
Accrued interest payable	1,891,825	563,846	2,455,671	11,386
Due to component units	415,458	-	415,458	-
Due to primary government	-	-	-	3,279,711
Due to other government	1,798,990	955,644	2,754,634	36,302
Unearned revenues	4,796,459	996,591	5,793,050	1,316,367
Noncurrent liabilities (Note 12):				
Due within one year	14,980,836	8,971,875	23,952,711	2,084,587
Due in more than one year	155,508,525	68,191,265	223,699,790	13,500,110
Total Liabilities	187,632,025	89,314,786	276,946,811	26,416,637
Net Position				
Net investment in capital assets	235,177,972	182,656,056	417,834,028	254,735,421
Restricted for:				
General government	7,516,755	-	7,516,755	-
Public safety	112,768	-	112,768	-
Public works	-	1,806,473	1,806,473	-
Culture and recreation	1,905,449	-	1,905,449	-
Urban and economic development	6,124,401	-	6,124,401	-
Debt service	22,265,496	76,761	22,342,257	87,143
Capital outlay	8,138,847	998,425	9,137,272	13,311,880
Unrestricted	(45,926,755)	28,779,936	(17,146,819)	7,927,588
Total Net Position	\$ 235,314,933	\$ 214,317,651	\$ 449,632,584	\$ 276,062,032

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 27,045,420	\$ 5,018,181	\$ 21,248	\$ -
Public safety	40,104,416	1,501,647	1,902,637	443,321
Public works	21,622,112	1,320,130	2,233,099	13,960,420
Culture and recreation	11,584,949	1,299,671	407,598	3,494,824
Urban and economic development	14,294,290	3,383,810	6,923,047	1,490,134
Interest	4,338,915	-	-	-
Total Governmental Activities	118,990,102	12,523,439	11,487,629	19,388,699
Business-type activities:				
Water	11,255,835	14,529,002	-	30,742
Gas	49,131,965	58,291,132	-	46,333
Sewer	16,963,128	19,493,753	-	694,754
Stormwater	3,701,827	4,624,063	-	(1,397)
Steam	7,254,245	6,820,043	71,334	-
Golf	2,020,655	1,734,534	-	-
Parking	2,701,445	4,207,977	5,159	480,208
West Superior Street Parking Facility	-	-	-	3,346,764
Street Lighting	1,910,875	2,146,270	-	-
Total Business-type Activities	94,939,975	111,846,774	76,493	4,597,404
Total Primary Government	\$ 213,930,077	\$ 124,370,213	\$ 11,564,122	\$ 23,986,103
Component Units:				
Duluth Economic Development Authority	\$ 6,034,408	\$ 931,533	\$ 284,798	\$ 15,000
Duluth Entertainment and Convention Center Authority	13,738,398	8,527,350	-	18,000
Duluth Airport Authority	13,209,022	5,649,260	-	6,307,655
Duluth Transit Authority	17,732,406	2,911,195	5,680,115	5,509,571
Spirit Mountain Recreation Area Authority	6,116,481	5,072,686	-	447,957
Total Component Units	\$ 56,830,715	\$ 23,092,024	\$ 5,964,913	\$ 12,298,183

(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, 2014**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:				
Governmental activities:				
General government	\$ (22,005,991)	\$ -	\$ (22,005,991)	\$ -
Public safety	(36,256,811)	-	(36,256,811)	-
Public works	(4,108,463)	-	(4,108,463)	-
Culture and recreation	(6,382,856)	-	(6,382,856)	-
Urban and economic development	(2,497,299)	-	(2,497,299)	-
Interest	(4,338,915)	-	(4,338,915)	-
Total Governmental Activities	<u>(75,590,335)</u>	<u>-</u>	<u>(75,590,335)</u>	<u>-</u>
Business-type activities:				
Water	-	3,303,909	3,303,909	-
Gas	-	9,205,500	9,205,500	-
Sewer	-	3,225,379	3,225,379	-
Stormwater	-	920,839	920,839	-
Steam	-	(362,868)	(362,868)	-
Golf	-	(286,121)	(286,121)	-
Parking	-	1,991,899	1,991,899	-
West Superior Street Parking Facility	-	3,346,764	3,346,764	-
Street Lighting	-	235,395	235,395	-
Total Business-type Activities	<u>-</u>	<u>21,580,696</u>	<u>21,580,696</u>	<u>-</u>
Total Primary Government	<u>(75,590,335)</u>	<u>21,580,696</u>	<u>(54,009,639)</u>	<u>-</u>
Component Units:				
Duluth Economic Development Authority	-	-	-	(4,803,077)
Duluth Entertainment and Convention Center Authority	-	-	-	(5,193,048)
Duluth Airport Authority	-	-	-	(1,252,107)
Duluth Transit Authority	-	-	-	(3,631,525)
Spirit Mountain Recreation Area Authority	-	-	-	(595,838)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,475,595)</u>
General Revenues:				
Property taxes	22,146,676	-	22,146,676	3,350,511
Sales taxes	22,031,014	-	22,031,014	1,353,981
Franchise taxes	2,013,126	-	2,013,126	-
Other taxes	622,015	-	622,015	-
Grants and shared revenues not restricted to specific programs	30,995,305	48,566	31,043,871	5,673,363
Investment income	2,148,194	468,471	2,616,665	296,241
Gain on sale or disposition of capital assets	54,776	58,974	113,750	1,012
Miscellaneous	1,996,119	122,789	2,118,908	1,007,874
Transfers	5,008,750	(5,008,750)	-	-
Total General Revenues and Transfers	<u>87,015,975</u>	<u>(4,309,950)</u>	<u>82,706,025</u>	<u>11,682,982</u>
Change in Net Position:	11,425,640	17,270,746	28,696,386	(3,792,613)
Net Position - Beginning	223,889,293	197,046,905	420,936,198	279,854,645
Net Position - Ending	<u>\$ 235,314,933</u>	<u>\$ 214,317,651</u>	<u>\$ 449,632,584</u>	<u>\$ 276,062,032</u>

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

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Disaster Recovery</u>	<u>Community Investment Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 6,324,895	\$ -	\$ 18,634,964	\$ 34,193,529	\$ 59,153,388
Receivables, net					
Taxes	3,646,091	-	-	1,275,911	4,922,002
Accounts	307,772	-	13,570,054	332,940	14,210,766
Assessments	1,022,037	-	-	5,442,421	6,464,458
Loans	1,732,330	-	-	4,514,449	6,246,779
Accrued Interest	132,822	-	89,788	-	222,610
Due from other funds	394,172	-	-	588,297	982,469
Due from component units	2,854,967	-	-	638,965	3,493,932
Interfund loan receivable	2,031,075	-	-	-	2,031,075
Due from other governments	710,546	5,931,520	-	5,210,119	11,852,185
Prepays	258,535	-	-	-	258,535
Total Assets	<u>\$ 19,415,242</u>	<u>\$ 5,931,520</u>	<u>\$ 32,294,806</u>	<u>\$ 52,196,631</u>	<u>\$ 109,838,199</u>
Liabilities					
Accounts payable	\$ 1,682,428	\$ 3,888	\$ -	\$ 784,264	\$ 2,470,580
Contracts payable	30,447	385,119	-	2,356,152	2,771,718
Due to other funds	391,683	1,118	-	768,694	1,161,495
Due to component units	10,860	-	-	404,598	415,458
Interfund loan payable	-	22,655	-	400,605	423,260
Due to other governments	74,165	959	-	1,723,057	1,798,181
Accrued salaries payable	2,291,789	-	-	115,076	2,406,865
Unearned revenue	250,935	4,318,258	-	227,266	4,796,459
Total Liabilities	<u>4,732,307</u>	<u>4,731,997</u>	<u>-</u>	<u>6,779,712</u>	<u>16,244,016</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>3,365,373</u>	<u>5,073,075</u>	<u>13,570,054</u>	<u>13,116,072</u>	<u>35,124,574</u>
Fund Balances					
Nonspendable	258,535	-	-	-	258,535
Restricted	91,324	-	-	31,233,325	31,324,649
Committed	13,129	-	18,724,752	980,866	19,718,747
Assigned	1,634,029	-	-	445,627	2,079,656
Unassigned	9,320,545	(3,873,552)	-	(358,971)	5,088,022
Total Fund Balances	<u>11,317,562</u>	<u>(3,873,552)</u>	<u>18,724,752</u>	<u>32,300,847</u>	<u>58,469,609</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,415,242</u>	<u>\$ 5,931,520</u>	<u>\$ 32,294,806</u>	<u>\$ 52,196,631</u>	<u>\$ 109,838,199</u>

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

**CITY OF DULUTH, MINNESOTA
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2014**

Fund Balance--total governmental funds	\$ 58,469,609
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 \$468,103,797, and the accumulated depreciation is \$176,072,026.	292,031,771
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	44,425,973
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 \$11,077,227 less \$3,907,072 attributed to business-type activities.	7,170,155
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds. Long-term liabilities at year-end consist of:	
Bonds and notes payable, net of issuance costs	123,004,591
Other postemployment benefits	41,581,063
Other debt	305,096
Interest accrued on long-term debt	<u>1,891,825</u>
	<u>(166,782,575)</u>
Net position of governmental activities	<u>\$ 235,314,933</u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Disaster Recovery	Community Investment Trust	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property taxes	\$ 12,967,352	\$ -	\$ -	\$ 9,150,905	\$ 22,118,257
Sales taxes	13,208,184	-	-	8,822,830	22,031,014
Other taxes	2,627,752	-	-	7,389	2,635,141
Licenses and permits	1,614,389	-	-	122,679	1,737,068
Intergovernmental revenues	33,264,713	9,255,735	-	14,935,179	57,455,627
Charges for services	5,876,821	-	-	2,110,706	7,987,527
Fines and forfeits	621,580	-	-	87,633	709,213
Special assessments	477,380	-	-	1,981,532	2,458,912
Investment income	110,053	43,581	1,523,427	345,386	2,022,447
Miscellaneous revenues	872,853	322	-	3,431,350	4,304,525
Total Revenues	<u>71,641,077</u>	<u>9,299,638</u>	<u>1,523,427</u>	<u>40,995,589</u>	<u>123,459,731</u>
Expenditures					
Current:					
General government	22,089,300	-	-	1,085,147	23,174,447
Public safety	34,373,313	-	-	1,139,256	35,512,569
Public works	12,242,086	213,027	-	81,621	12,536,734
Culture and recreation	4,200,655	831,879	-	4,613,447	9,645,981
Urban and economic development	2,914,609	107,594	-	10,836,124	13,858,327
Debt service:					
Principal retirement	415,000	-	-	10,935,000	11,350,000
Interest and fiscal fees	18,750	-	-	4,582,093	4,600,843
Bond issuance costs	-	-	-	223,753	223,753
Capital outlay:					
Capital outlay	-	6,423,089	-	14,931,948	21,355,037
Total Expenditures	<u>76,253,713</u>	<u>7,575,589</u>	<u>-</u>	<u>48,428,389</u>	<u>132,257,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,612,636)</u>	<u>1,724,049</u>	<u>1,523,427</u>	<u>(7,432,800)</u>	<u>(8,797,960)</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	8,055,000	8,055,000
Proceeds from refundings	-	-	-	865,000	865,000
Premium on issuance of bonds	-	-	-	153,373	153,373
Payment to refunded bond escrow agent	-	-	-	(865,000)	(865,000)
Transfers in	7,310,912	-	-	9,229,491	16,540,403
Transfers out	(451,374)	(416,131)	(325,218)	(10,307,904)	(11,500,627)
Total Other Financing Sources (Uses)	<u>6,859,538</u>	<u>(416,131)</u>	<u>(325,218)</u>	<u>7,129,960</u>	<u>13,248,149</u>
Net Change in Fund Balances	2,246,902	1,307,918	1,198,209	(302,840)	4,450,189
Fund Balances - January 1, 2014	9,070,660	(5,181,470)	17,526,543	32,603,687	54,019,420
Fund Balances - December 31, 2014	<u>\$ 11,317,562</u>	<u>\$ (3,873,552)</u>	<u>\$ 18,724,752</u>	<u>\$ 32,300,847</u>	<u>\$ 58,469,609</u>

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

**CITY OF DULUTH, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds \$ 4,450,189

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

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

Capital outlay	19,309,074	
Depreciation expense	<u>(13,775,323)</u>	
Excess of capital outlay over depreciation expense		5,533,751

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$1,434,086 from internal funds, less \$524,912 attributed to business-type activities, is reported with governmental activities.

909,174

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

Bonds issued, including a bond premium of \$153,373.		(9,073,373)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirement		12,214,999
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Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues increased by this amount this year.

2,513,862

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

Net decrease in accrued interest	12,200	
Increase in net other postemployment benefits payable	(4,969,410)	
Decrease in loans receivable	(479,433)	
Amortization of bond premiums	<u>313,681</u>	
Total additional expenditures		<u>(5,122,962)</u>

Change in net position of governmental activities \$ 11,425,640

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, 2014

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis)	Modified Budget
			(Note 2)	Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 27,887,000	\$ 28,206,188	\$ 28,803,288	\$ 597,100
Licenses and permits	1,478,800	1,478,800	1,614,389	135,589
Intergovernmental revenues	33,040,900	33,178,992	33,264,713	85,721
Charges for services	5,638,000	5,638,000	5,876,821	238,821
Fines and forfeits	612,800	656,177	621,580	(34,597)
Special assessments	439,300	481,738	477,380	(4,358)
Investment income	305,000	305,000	110,053	(194,947)
Miscellaneous revenues	446,400	596,644	872,853	276,209
Total revenues	<u>69,848,200</u>	<u>70,541,539</u>	<u>71,641,077</u>	<u>1,099,538</u>
Expenditures				
Current:				
General government	23,630,700	22,862,460	22,163,576	698,884
Public safety	33,563,500	34,812,363	34,379,243	433,120
Public works	11,527,000	12,268,500	12,242,086	26,414
Culture and recreation	4,185,800	4,196,203	4,204,763	(8,560)
Urban and economic development	3,070,100	3,022,768	2,964,324	58,444
Debt service:				
Capital lease obligation - principal	277,000	415,000	415,000	-
Capital lease obligation - interest	18,800	18,800	18,750	50
Total expenditures	<u>76,272,900</u>	<u>77,596,094</u>	<u>76,387,742</u>	<u>1,208,352</u>
Excess (deficiency) of revenues over expenditures	<u>(6,424,700)</u>	<u>(7,054,555)</u>	<u>(4,746,665)</u>	<u>2,307,890</u>
Other Financing Sources (Uses)				
Transfers in	6,559,700	6,765,434	7,310,912	545,478
Transfers out	(135,000)	(454,188)	(451,374)	2,814
Total other financing sources (uses)	<u>6,424,700</u>	<u>6,311,246</u>	<u>6,859,538</u>	<u>548,292</u>
Net change in fund balance - budgetary basis	-	(743,309)	2,112,873	2,856,182
Net adjustments to reflect operations in accordance with generally accepted accounting principles	-	-	134,029	134,029
Net change in fund balance - GAAP basis	-	(743,309)	2,246,902	<u>\$ 2,990,211</u>
Fund Balance - January 1, 2014	<u>9,070,660</u>	<u>9,070,660</u>	<u>9,070,660</u>	
Fund Balance - December 31, 2014	<u>\$ 9,070,660</u>	<u>\$ 8,327,351</u>	<u>\$ 11,317,562</u>	

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, 2014**

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,734,683	\$ -	\$ 500,253	\$ 6,033,022
Restricted cash and cash equivalents:				
Customer deposits	-	-	89,278	1,816,033
Construction	-	8,011,464	-	-
Loans	-	-	-	743,372
Restricted assets held by trustee	-	-	-	-
Receivables, net:				
Accounts	107,301	36,177	1,347,657	6,076,447
Restricted loans	-	-	-	617,069
Assessments	-	-	41,125	7,244
Due from other funds	-	-	30,455	42,199
Due from component units	-	-	-	-
Due from other governments	50	962,248	205	68
Inventories	-	-	992,286	991,584
Prepays	-	-	-	2,201,166
Total Current Assets	3,842,034	9,009,889	3,001,259	18,528,204
Noncurrent assets:				
Assessments receivable	-	-	82,719	7,450
Restricted loans receivable	-	-	-	1,747,878
Capital assets, net	20,387,685	7,787,965	57,313,969	48,249,151
Total Noncurrent Assets	20,387,685	7,787,965	57,396,688	50,004,479
Total Assets	24,229,719	16,797,854	60,397,947	68,532,683
Deferred Outflows of Resources				
Deferred loss from debt refunding	573,650	-	27,243	76,772

(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, 2014**

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Liabilities				
Current liabilities:				
Accounts payable	24,258	-	239,587	3,052,752
Contracts payable	24,957	1,771,690	309,411	237,425
Claims payable	-	-	-	-
Notes payable	-	-	1,097,474	-
Leases payable	-	-	211,563	193,933
Due to other funds	2,183	-	23,267	45,724
Interfund loan payable	-	-	-	-
Due to other governments	-	-	137,151	99,354
Accrued interest payable	87,842	-	109,861	95,620
Accrued salaries payable	20,238	-	210,490	262,289
Compensated absences	25,508	-	225,075	324,424
Unearned revenue	-	-	87,157	786,188
Deposits	-	-	10,000	1,816,034
Revenue bonds payable	1,130,000	-	451,251	922,972
Total Current Liabilities	1,314,986	1,771,690	3,112,287	7,836,715
Noncurrent liabilities:				
Notes payable	-	-	9,457,468	-
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	-	-	-	-
Leases payable	-	-	2,158,374	1,978,509
Net other postemployment benefits payable	-	-	266,012	-
Revenue bonds payable	9,345,000	11,678,243	1,603,420	3,402,886
Less unamortized bond premium (discount)	14,900	-	32,213	157,657
Total Noncurrent Liabilities	9,359,900	11,678,243	13,517,487	5,539,052
Total Liabilities	10,674,886	13,449,933	16,629,774	13,375,767
Net Position				
Net investment in capital assets	10,471,435	2,349,496	42,329,449	41,669,966
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	-
Restricted for loans	-	-	-	1,806,473
Restricted for capital outlay	-	998,425	-	-
Unrestricted	3,657,048	-	1,465,967	11,757,249
Total Net Position	\$ 14,128,483	\$ 3,347,921	\$ 43,795,416	\$ 55,233,688

(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, 2014**

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,813,646	\$ 4,720,176	\$ 17,801,780	\$ 7,226,102
Restricted cash and cash equivalents:				
Customer deposits	-	-	1,905,311	-
Construction	76,761	-	8,088,225	-
Loans	-	-	743,372	-
Restricted assets held by trustee	-	-	-	9,188,368
Receivables, net:				
Accounts	1,822,744	1,813,675	11,204,001	42,722
Restricted loans	-	-	617,069	-
Assessments	49,444	21,845	119,658	-
Due from other funds	30,741	102,726	206,121	324,128
Due from component units	-	-	-	19,656
Due from other governments	402,996	17,654	1,383,221	-
Inventories	68,354	488,125	2,540,349	298,393
Prepays	140,264	-	2,341,430	40,000
Total Current Assets	5,404,950	7,164,201	46,950,537	17,139,369
Noncurrent assets:				
Assessments receivable	223,184	-	313,353	-
Restricted loans receivable	-	-	1,747,878	-
Capital assets, net	90,536,046	27,006,566	251,281,382	355,497
Total Noncurrent Assets	90,759,230	27,006,566	253,342,613	355,497
Total Assets	96,164,180	34,170,767	300,293,150	17,494,866
Deferred Outflows of Resources				
Deferred loss from debt refunding	227,326	258,812	1,163,803	-
				(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, 2014**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Liabilities				
Current liabilities:				
Accounts payable	206,693	433,239	3,956,529	188,279
Contracts payable	447,321	339,998	3,130,802	37,698
Claims payable	-	-	-	2,033,602
Notes payable	1,473,150	-	2,570,624	-
Leases payable	182,179	120,567	708,242	-
Due to other funds	24,032	28,567	123,773	227,450
Interfund loan payable	-	57,815	57,815	-
Due to other governments	685,216	33,923	955,644	809
Accrued interest payable	214,931	55,592	563,846	-
Accrued salaries payable	117,628	110,203	720,848	59,696
Compensated absences	140,928	122,074	838,009	2,826,234
Unearned revenue	57,036	66,210	996,591	-
Deposits	-	1,352	1,827,386	-
Revenue bonds payable	1,506,940	843,837	4,855,000	-
Total Current Liabilities	5,056,054	2,213,377	21,305,109	5,373,768
Noncurrent liabilities:				
Notes payable	12,552,875	-	22,010,343	-
Claims payable	-	-	-	916,981
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	-	-	126,890
Leases payable	1,858,599	-	5,995,482	-
Net other postemployment benefits payable	-	30,216	296,228	-
Revenue bonds payable	7,934,329	5,524,364	39,488,242	-
Less unamortized bond premium (discount)	172,045	24,155	400,970	-
Total Noncurrent Liabilities	22,517,848	7,128,735	69,741,265	1,043,871
Total Liabilities	27,573,902	9,342,112	91,046,374	6,417,639
Net Position				
Net investment in capital assets	65,083,255	20,752,455	182,656,056	355,497
Restricted for health insurance trust	-	-	-	7,306,927
Restricted for special accounts	76,761	-	76,761	-
Restricted for loans	-	-	1,806,473	-
Restricted for capital outlay	-	-	998,425	-
Unrestricted	3,657,588	4,335,012	24,872,864	3,414,803
Total Net Position	\$ 68,817,604	\$ 25,087,467	\$ 210,410,579	\$ 11,077,227

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

Net position of business-type activities

3,907,072
\$ 214,317,651

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, 2014

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 56,083,100
Charges for services	2,971,287	-	14,217,938	823,680
Fines and forfeits	1,183,733	-	-	-
Miscellaneous revenues	71,995	-	321,458	1,498,030
Total Operating Revenues	<u>4,227,015</u>	<u>-</u>	<u>14,539,396</u>	<u>58,404,810</u>
Operating Expenses				
Cost of sales and services	-	-	-	38,271,381
Personal services	531,554	-	5,294,794	6,479,112
Supplies	72,826	-	1,359,761	1,015,128
Utilities	182,389	-	1,307,206	49,369
Other services and charges	1,197,100	-	1,568,070	1,884,266
Depreciation	481,279	-	1,635,319	1,354,779
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>2,465,148</u>	<u>-</u>	<u>11,165,150</u>	<u>49,054,035</u>
Operating Income (Loss)	<u>1,761,867</u>	<u>-</u>	<u>3,374,246</u>	<u>9,350,775</u>
Nonoperating Revenues (Expenses)				
Investment income	59,774	1,157	16,211	149,321
Intergovernmental revenue	-	-	16,919	23,365
Other revenue	5,159	-	-	-
Gain (loss) on sale or disposition of capital assets	-	-	13,590	153
Interest and fiscal fees	(236,297)	-	(274,990)	(215,201)
Total Nonoperating Revenues (Expenses)	<u>(171,364)</u>	<u>1,157</u>	<u>(228,270)</u>	<u>(42,362)</u>
Income (Loss) Before Contributions and Transfers	1,590,503	1,157	3,145,976	9,308,413
Capital contributions	480,208	3,346,764	30,742	46,333
Transfers in	-	-	15,935	21,265
Transfers out	(1,363,827)	-	(233,656)	(3,042,011)
Change in Net Position	706,884	3,347,921	2,958,997	6,334,000
Total Net Position - January 1, 2014	13,421,599	-	40,836,419	48,899,688
Total Net Position - December 31, 2014	<u>\$ 14,128,483</u>	<u>\$ 3,347,921</u>	<u>\$ 43,795,416</u>	<u>\$ 55,233,688</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Sales	\$ -	\$ 497,076	\$ 56,580,176	\$ 2,711,716
Charges for services	19,417,271	14,535,689	51,965,865	19,748,534
Fines and forfeits	-	-	1,183,733	-
Miscellaneous revenues	86,154	399,665	2,377,302	326,006
Total Operating Revenues	<u>19,503,425</u>	<u>15,432,430</u>	<u>112,107,076</u>	<u>22,786,256</u>
Operating Expenses				
Cost of sales and services	-	327,057	38,598,438	2,461,437
Personal services	3,190,068	2,721,084	18,216,612	4,586,612
Supplies	429,040	3,424,064	6,300,819	51,378
Utilities	140,655	1,243,459	2,923,078	33,995
Other services and charges	10,893,376	5,066,391	20,609,203	2,722,732
Depreciation	1,877,990	1,988,428	7,337,795	55,925
Medical and insurance	-	-	-	11,509,621
Total Operating Expenses	<u>16,531,129</u>	<u>14,770,483</u>	<u>93,985,945</u>	<u>21,421,700</u>
Operating Income (Loss)	<u>2,972,296</u>	<u>661,947</u>	<u>18,121,131</u>	<u>1,364,556</u>
Nonoperating Revenues (Expenses)				
Investment income	41,605	62,890	330,958	94,721
Intergovernmental revenue	8,283	21,333	69,900	5,835
Other revenue	-	50,000	55,159	-
Gain (loss) on sale or disposition of capital assets	4,731	40,500	58,974	-
Interest and fiscal fees	(581,300)	(171,154)	(1,478,942)	-
Total Nonoperating Revenues (Expenses)	<u>(526,681)</u>	<u>3,569</u>	<u>(963,951)</u>	<u>100,556</u>
Income (Loss) Before Contributions and Transfers	<u>2,445,615</u>	<u>665,516</u>	<u>17,157,180</u>	<u>1,465,112</u>
Capital contributions	694,754	(1,397)	4,597,404	-
Transfers in	14,705	399,176	451,081	-
Transfers out	(75,139)	(745,198)	(5,459,831)	(31,026)
Change in Net Position	<u>3,079,935</u>	<u>318,097</u>	<u>16,745,834</u>	<u>1,434,086</u>
Total Net Position - January 1, 2014	<u>65,737,669</u>	<u>24,769,370</u>	<u>193,664,745</u>	<u>9,643,141</u>
Total Net Position - December 31, 2014	<u>\$ 68,817,604</u>	<u>\$ 25,087,467</u>	<u>\$ 210,410,579</u>	<u>\$ 11,077,227</u>

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

Change in net position	\$ 16,745,834
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>524,912</u>
Change in net position of business-type activities	<u>\$ 17,270,746</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Cash Flows from Operating Activities				
Cash received from customers	\$ 4,119,461	\$ -	\$ 14,413,101	\$ 59,441,126
Cash paid to suppliers	(1,513,170)	-	(4,205,369)	(43,205,204)
Cash paid to employees	(525,484)	-	(5,483,735)	(6,619,280)
Other operating revenues	71,995	-	228,940	854,583
Net cash provided (used) by operating activities	<u>2,152,802</u>	<u>-</u>	<u>4,952,937</u>	<u>10,471,225</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	15,935	21,265
Transfers to other funds	(1,363,827)	-	(233,656)	(3,015,437)
Operating grants	5,159	-	16,919	23,365
Interfund financing	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,358,668)</u>	<u>-</u>	<u>(200,802)</u>	<u>(2,970,807)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	480,208	2,729,370	65,395	56,021
Issuance of revenue bonds and notes	-	11,500,000	4,758,991	-
Principal paid on bonds, notes and capitalized leases	(1,045,000)	-	(1,576,776)	(1,082,806)
Interest paid on bonds, notes and capitalized leases	(235,411)	-	(266,118)	(250,100)
Proceeds from sale of capital assets	-	-	19,500	6,499
Acquisition or construction of capital assets	(50,980)	(6,219,063)	(8,290,949)	(3,747,847)
Net cash provided (used) by capital and related financing activities	<u>(851,183)</u>	<u>8,010,307</u>	<u>(5,289,957)</u>	<u>(5,018,233)</u>
Cash Flows from Investing Activities				
Investment earnings	59,774	1,157	16,211	149,321
Net increase (decrease) in cash and cash equivalents	2,725	8,011,464	(521,611)	2,631,506
Cash and cash equivalents - January 1, 2014	3,731,958	-	1,111,142	5,960,921
Cash and cash equivalents - December 31, 2014	<u>\$ 3,734,683</u>	<u>\$ 8,011,464</u>	<u>\$ 589,531</u>	<u>\$ 8,592,427</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ 1,761,867</u>	<u>\$ -</u>	<u>\$ 3,374,246</u>	<u>\$ 9,350,775</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	481,279	-	1,635,319	1,354,779
Change in assets and liabilities:				
Decrease (increase) in receivables	(35,559)	-	154,971	1,055,892
Decrease (increase) in inventories	-	-	(99,690)	(123,094)
Decrease (increase) in prepaids	-	-	31,831	(500,869)
Increase (decrease) in payables	(54,785)	-	(117,754)	(879,630)
Increase (decrease) in unearned revenue	-	-	(25,986)	213,372
Total adjustments	<u>390,935</u>	<u>-</u>	<u>1,578,691</u>	<u>1,120,450</u>
Net cash provided (used) by operating activities	<u>\$ 2,152,802</u>	<u>\$ -</u>	<u>\$ 4,952,937</u>	<u>\$ 10,471,225</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 19,640,536	\$ 15,542,936	\$ 113,157,160	\$ 23,193,834
Cash paid to suppliers	(11,559,789)	(10,183,527)	(70,667,059)	(16,990,317)
Cash paid to employees	(3,219,423)	(2,731,452)	(18,579,374)	(4,811,211)
Other operating revenues	25,407	130,614	1,311,539	3,435
Net cash provided (used) by operating activities	<u>4,886,731</u>	<u>2,758,571</u>	<u>25,222,266</u>	<u>1,395,741</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	14,705	399,176	451,081	-
Transfers to other funds	(75,139)	(678,665)	(5,366,724)	(31,026)
Operating grants	8,283	81,333	135,059	5,835
Interfund financing	-	138,256	138,256	(187,152)
Net cash provided (used) by noncapital financing activities	<u>(52,151)</u>	<u>(59,900)</u>	<u>(4,642,328)</u>	<u>(212,343)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	253,151	(224)	3,583,921	-
Issuance of revenue bonds and notes	217,016	-	16,476,007	-
Principal paid on bonds, notes and capitalized leases	(3,003,327)	(925,948)	(7,633,857)	-
Interest paid on bonds, notes and capitalized leases	(586,617)	(141,820)	(1,480,066)	-
Proceeds from sale of capital assets	-	-	25,999	-
Acquisition or construction of capital assets	(1,606,906)	(2,788,842)	(22,704,587)	(12,000)
Net cash provided (used) by capital and related financing activities	<u>(4,726,683)</u>	<u>(3,856,834)</u>	<u>(11,732,583)</u>	<u>(12,000)</u>
Cash Flows from Investing Activities				
Investment earnings	41,605	62,890	330,958	94,721
Net increase (decrease) in cash and cash equivalents	149,502	(1,095,273)	9,178,313	1,266,119
Cash and cash equivalents - January 1, 2014	2,740,905	5,815,449	19,360,375	15,148,351
Cash and cash equivalents - December 31, 2014	<u>\$ 2,890,407</u>	<u>\$ 4,720,176</u>	<u>\$ 28,538,688</u>	<u>\$ 16,414,470</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ 2,972,296</u>	<u>\$ 661,947</u>	<u>\$ 18,121,131</u>	<u>\$ 1,364,556</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	1,877,990	1,988,428	7,337,795	55,925
Change in assets and liabilities:				
Decrease (increase) in receivables	238,202	232,843	1,646,349	499,585
Decrease (increase) in inventories	(1,114)	(28,801)	(252,699)	(3,837)
Decrease (increase) in prepaids	(82,582)	437	(551,183)	(40,000)
Increase (decrease) in payables	(122,524)	(103,314)	(1,278,007)	(407,956)
Increase (decrease) in unearned revenue	4,463	7,031	198,880	(72,532)
Total adjustments	<u>1,914,435</u>	<u>2,096,624</u>	<u>7,101,135</u>	<u>31,185</u>
Net cash provided (used) by operating activities	<u>\$ 4,886,731</u>	<u>\$ 2,758,571</u>	<u>\$ 25,222,266</u>	<u>\$ 1,395,741</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Noncash Investing, Capital and Financing Activities

Water

Capital contributions are reported net of timing differences totaling \$34,623 due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$9,688 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling (\$441,603) due to receivables.

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	Other Postemployment Benefits Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ 2,313,031
Receivables:		
Loans	-	1,036,692
Investments, at fair value:		
Fixed income pool	12,789,311	-
Equity pool	<u>30,468,523</u>	<u>-</u>
Total Assets	<u>\$ 43,257,834</u>	<u>\$ 3,349,723</u>
Liabilities		
Due to agency	<u>\$ -</u>	<u>\$ 3,349,723</u>
Net Position		
Held in trust for postemployment benefits	<u>\$ 43,257,834</u>	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Additions

Contributions	<u>\$ 9,277,052</u>
Investment earnings:	
Interest and dividends	899,334
Net increase in fair value of investments	<u>3,485,856</u>
Total investment earnings	<u>4,385,190</u>
Total Additions	<u>13,662,242</u>

Deductions

Administrative fees	2,811
Benefits	<u>8,749,583</u>
Total Deductions	<u>8,752,394</u>
Change in Net Position	4,909,848
Net Position - January 1, 2014	<u>38,347,986</u>
Net Position - December 31, 2014	<u><u>\$ 43,257,834</u></u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2014

	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	\$ 8,528,005	\$ 2,057,026	\$ 619,459	\$ 9,915,841	\$ 214,536	\$ 21,334,867
Receivables, net:						
Taxes	192,479	-	-	39,814	-	232,293
Accounts	102,533	208,265	517,548	84,018	142,232	1,054,596
Assessments	14,652	-	-	-	-	14,652
Loans	2,258,762	-	-	-	-	2,258,762
Grants	-	-	35,341	-	-	35,341
Due from primary government	7,620	392,982	-	5,960	-	406,562
Due from other governments	33,373	-	-	1,469,474	-	1,502,847
Inventories	-	136,244	88,778	200,062	127,433	552,517
Prepays	-	11,176	21,007	116,196	-	148,379
Restricted assets:						
Cash and cash equivalents	-	226,227	1,415,956	-	-	1,642,183
Accounts receivable	-	6,641	69,167	-	-	75,808
Grants receivable	-	-	5,795,030	-	-	5,795,030
Assets held by trustee	-	87,143	-	-	-	87,143
Capital assets, net:						
Non-depreciable	4,835,021	951,392	3,677,137	4,306,242	2,859,899	16,629,691
Depreciable	14,435,291	94,973,124	112,311,713	16,518,964	10,814,839	249,053,931
Total Assets	30,407,736	99,050,220	124,551,136	32,656,571	14,158,939	300,824,602
Deferred Outflows of Resources						
Deferred loss from debt refunding	-	-	1,539,919	-	114,148	1,654,067
Liabilities						
Accounts payable and other short-term liabilities	335,372	312,557	158,848	686,950	180,730	1,674,457
Contracts payable	-	-	2,525,976	1,752,679	-	4,278,655
Accrued interest payable	-	3,818	-	-	7,568	11,386
Due to primary government	641,407	6,599	1,775,053	5,960	850,692	3,279,711
Due to other government	20,139	-	-	-	16,163	36,302
Unearned revenue	-	806,492	19,781	134,551	355,543	1,316,367
Deposits	-	235,062	-	-	-	235,062
Non-current liabilities:						
Due within one year	-	273,634	847,984	544,795	418,174	2,084,587
Due in more than one year	-	797,888	10,702,615	-	1,999,607	13,500,110
Total Liabilities	996,918	2,436,050	16,030,257	3,124,935	3,828,477	26,416,637
Net Position						
Net investment in capital assets	19,270,312	95,765,569	107,527,584	20,825,206	11,346,750	254,735,421
Restricted for:						
Debt service	-	87,143	-	-	-	87,143
Capital projects	5,359,624	-	-	7,952,256	-	13,311,880
Unrestricted	4,780,882	761,458	2,533,214	754,174	(902,140)	7,927,588
Total Net Position	\$ 29,410,818	\$ 96,614,170	\$ 110,060,798	\$ 29,531,636	\$ 10,444,610	\$ 276,062,032

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, 2014**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Duluth Economic Development Authority				
Governmental activities:				
Economic development	\$ 6,034,408	\$ 931,533	\$ 284,798	\$ 15,000
Duluth Entertainment and Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	13,738,398	8,527,350	-	18,000
Duluth Airport Authority				
Business-type activities:				
Airport facility	13,209,022	5,649,260	-	6,307,655
Duluth Transit Authority				
Business-type activities:				
Public transportation	17,732,406	2,911,195	5,680,115	5,509,571
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	6,116,481	5,072,686	-	447,957
Total Component Units	\$ 56,830,715	\$ 23,092,024	\$ 5,964,913	\$ 12,298,183

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Totals
	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	
Duluth Economic Development Authority						
Governmental activities:						
Economic development	\$ (4,803,077)	\$ -	\$ -	\$ -	\$ -	\$ (4,803,077)
Duluth Entertainment and Convention Center Authority						
Business-type activities:						
Entertainment and convention facility	-	(5,193,048)	-	-	-	(5,193,048)
Duluth Airport Authority						
Business-type activities:						
Airport facility	-	-	(1,252,107)	-	-	(1,252,107)
Duluth Transit Authority						
Business-type activities:						
Public transportation	-	-	-	(3,631,525)	-	(3,631,525)
Spirit Mountain Recreation Area Authority						
Business-type activities:						
Ski hill operations	-	-	-	-	(595,838)	(595,838)
Total component units						(15,475,595)
General Revenues:						
Property taxes	1,958,611	-	-	1,391,900	-	3,350,511
Sales taxes	-	1,353,981	-	-	-	1,353,981
Grants and shared revenues not restricted to specific programs	-	-	-	5,673,363	-	5,673,363
Investment income	136,845	14,212	50,823	93,888	473	296,241
Gain on sale of capital assets	-	-	-	-	1,012	1,012
Miscellaneous	250,864	625,636	-	-	131,374	1,007,874
Total general revenues and transfers	2,346,320	1,993,829	50,823	7,159,151	132,859	11,682,982
Change in Net Position	(2,456,757)	(3,199,219)	(1,201,284)	3,527,626	(462,979)	(3,792,613)
Net Position - Beginning	31,867,575	99,813,389	111,262,082	26,004,010	10,907,589	279,854,645
Net Position - Ending	\$ 29,410,818	\$ 96,614,170	\$ 110,060,798	\$ 29,531,636	\$ 10,444,610	\$ 276,062,032

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, 2014

GUIDE TO NOTES

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

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 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 City Council approves the budget of each component unit. The City Council also approves the issuance and funding of debt for each component unit. The City Council currently provides an annual subsidy to the DECC, and the Spirit Mountain Recreation Area Authority. For the Duluth Transit Authority, the City Council approves rate changes and approves an annual tax levy to finance operating and capital needs. The City 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 Airport Authority
Duluth International Airport
Duluth, MN 55811

Duluth Entertainment and Convention Center Authority
350 South Fifth Avenue West
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, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 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, 2014**

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, which occurred in June 2012.
Community Investment Special Revenue Fund	This fund accounts for the City's share of revenues received from operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Such monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General Fund.

The City reports the following major proprietary funds:

Parking Fund	This fund accounts for the operation and maintenance of municipal parking ramps, municipal lots and parking meters.
West Superior Street Parking Facility Fund	This fund accounts for the construction, operation, and maintenance of the parking ramp located at 425 West Superior 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.

Additionally, the City reports the following fund types:

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

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Propriety 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 for debt service reserves and funds held pursuant to a self-insurance trust agreement.

RECEIVABLES AND PAYABLES

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category: unavailable revenue, which is reported only in the governmental funds balance sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available. Refer to the note on deferred inflows of resources.

INVENTORIES AND PREPAID ITEMS

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

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

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

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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LONG-TERM OBLIGATIONS

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

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

FUND EQUITY

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

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

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

Committed - amounts to be used for specific purposes as determined by Council resolution.

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

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

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2013, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

USE OF ESTIMATES

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2014. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 60 days of the end of the current fiscal year: Disaster Recovery - \$3,873,552, Lake Superior Zoo - \$328,917, and Home Investment Partnerships Program - \$30,054. The deficits will be eliminated upon receipt of the grant funds.

The Employee Vacation Compensation internal service fund deficit net position of \$7,023 will be eliminated through future charges.

The Golf enterprise fund deficit net position of \$54,791 will be eliminated through operational changes and efficiencies.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position

Governmental Activities

Cash and cash equivalents	\$66,379,490
Assets held by trustee	9,188,368

Business-type Activities

Cash and cash equivalents	17,801,780
Cash and cash equivalents - restricted assets	10,736,908

Discrete Component Units

Cash and cash equivalents	21,334,867
Cash and cash equivalents - restricted assets	1,642,183
Assets held by trustee - restricted assets	87,143

Statement of Fiduciary Net Position

Cash and cash equivalents	2,313,031
Investments, at fair value	43,257,834

Total Cash and Investments

\$172,741,604

DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2014, 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 Statutes § 118A.04 subdivision 6), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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

8) agreements or contracts for:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

At December 31, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>
U.S. Government Agency Securities	\$ 89,852,941	\$ 28,525,771	\$ 44,672,847	\$ 16,654,323
Negotiable Certificates of Deposit	7,966,000	7,966,000	-	-
Mutual Funds	70,792,353	70,792,353	-	-
Total Investments	<u>\$ 168,611,294</u>	<u>\$ 107,284,124</u>	<u>\$ 44,672,847</u>	<u>\$ 16,654,323</u>
Deposits	4,130,310			
Total Deposits and Investments	<u>\$ 172,741,604</u>			

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

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

The City's exposure to credit risk as of December 31, 2014, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AA+	\$ 89,852,941
<u>Moody's Rating</u>	
Aaa	27,534,519
<u>Not Rated</u>	
Mutual Funds	43,257,834
Negotiable Certificates of Deposit	7,966,000
Total	<u>\$ 168,611,294</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

3. DEPOSITS AND INVESTMENTS (continued)

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, 2014, none of the City's investments were subject to custodial credit risk.

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Association	\$ 13,061,525
Federal National Mortgage Association	\$ 31,961,694
Federal Farm Credit Bank	\$ 19,823,574
Federal Home Loan Bank	\$ 23,347,963

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 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2014, was 97.5%.

5. RECEIVABLES

Receivables, net of uncollectible amounts, are reported in the governmental, proprietary, and fiduciary financial statements for goods and services, taxes, assessments, loans, grants, and interest. The amount of delinquent assessments included for the current fiscal year is \$1,044,651. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2014, are as follows:

Water	\$ 161,490
Gas	672,609
Sewer	293,371
Nonmajor	113,360
Total Uncollectible	<u>\$ 1,240,830</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following schedule shows the detail of deferred inflows of resources at December 31, 2014:

General		
Assessments	\$	1,022,036
Loans		1,732,330
Taxes		611,007
Community Investment Trust		
Casino shared revenues		13,570,054
Disaster Recovery		
Grants		5,073,075
Nonmajor		
Assessments		5,442,421
Grants		3,553,867
Loans		3,694,405
Taxes		425,379
Total for Governmental Funds	\$	<u>35,124,574</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,408,845	\$ 1,013,623	\$ 1,261,311	\$ 22,161,157
Construction in progress	43,062,436	21,597,213	37,330,646	27,329,003
Total capital assets, not being depreciated	65,471,281	22,610,836	38,591,957	49,490,160
Capital assets, being depreciated:				
Buildings	70,379,912	7,596,743	-	77,976,655
Equipment	33,616,383	4,625,700	5,383,100	32,858,983
Infrastructure	284,270,352	24,831,227	-	309,101,579
Total capital assets being depreciated	388,266,647	37,053,670	5,383,100	419,937,217
Less accumulated depreciation for:				
Buildings	33,159,202	2,566,275	-	35,725,477
Equipment	21,777,070	3,236,886	3,649,479	21,364,477
Infrastructure	111,904,214	8,045,941	-	119,950,155
Total accumulated depreciation *	166,840,486	13,849,102	3,649,479	177,040,109
Total capital assets, being depreciated, net	221,426,161	23,204,568	1,733,621	242,897,108
Governmental activities capital assets, net	<u>\$286,897,442</u>	<u>\$ 45,815,404</u>	<u>\$ 40,325,578</u>	<u>\$292,387,268</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,628,407	\$ -	\$ -	\$ 4,628,407
Construction in progress	12,977,267	22,119,373	9,231,600	25,865,040
Total capital assets, not being depreciated	17,605,674	22,119,373	9,231,600	30,493,447
Capital assets, being depreciated:				
Buildings	63,191,718	44,185	-	63,235,903
Equipment	46,100,881	2,346,681	814,830	47,632,732
Infrastructure	210,335,135	9,362,641	-	219,697,776
Total capital assets, being depreciated	319,627,734	11,753,507	814,830	330,566,411
Less accumulated depreciation for:				
Buildings	26,811,977	1,325,429	-	28,137,406
Equipment	28,850,417	2,929,430	799,009	30,980,838
Infrastructure	47,521,628	3,138,604	-	50,660,232
Total accumulated depreciation **	103,184,022	7,393,463	799,009	109,778,476
Total capital assets, being depreciated, net	216,443,712	4,360,044	15,821	220,787,935
Business-type activities capital assets, net	<u>\$234,049,386</u>	<u>\$ 26,479,417</u>	<u>\$ 9,247,421</u>	<u>\$251,281,382</u>

* Accumulated depreciation on assets transferred from business-type activities to governmental activities was \$17,854.

** Accumulated depreciation on assets transferred from governmental activities to business-type activities was \$55,668.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

7. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 1,732,001
Public safety	2,303,716
Public works, including depreciation of general infrastructure assets	8,418,885
Culture and recreation	1,199,285
Urban and economic development	121,436
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>55,925</u>
Total depreciation expense - governmental activities	<u>\$ 13,831,248</u>

Business-type activities:

Water	\$ 1,635,319
Gas	1,354,779
Sewer	1,877,990
Stormwater	452,295
Steam	1,082,205
Street lighting	234,755
Parking	481,279
Golf	<u>219,173</u>
Total depreciation expense - business-type activities	<u>\$ 7,337,795</u>

COMPONENT UNITS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 11,277,136	\$ 398,979	\$ -	\$ 11,676,115
Construction in progress	3,345,409	15,230,607	13,622,440	4,953,576
Total capital assets, not being depreciated	<u>14,622,545</u>	<u>15,629,586</u>	<u>13,622,440</u>	<u>16,629,691</u>
Capital assets, being depreciated:				
Buildings	268,360,721	11,874,084	15,206	280,219,599
Equipment	75,137,224	2,972,087	4,144,834	73,964,477
Infrastructure	82,575,328	2,040,028	-	84,615,356
Other	772,064	30,839	-	802,903
Total capital assets being depreciated	<u>426,845,337</u>	<u>16,917,038</u>	<u>4,160,040</u>	<u>439,602,335</u>
Less accumulated depreciation for:				
Buildings	81,162,489	8,466,155	-	89,628,644
Equipment	44,491,522	5,008,488	4,108,154	45,391,856
Infrastructure	50,933,602	4,113,912	-	55,047,514
Other	435,088	45,302	-	480,390
Total accumulated depreciation	<u>177,022,701</u>	<u>17,633,857</u>	<u>4,108,154</u>	<u>190,548,404</u>
Total capital assets, being depreciated, net	<u>249,822,636</u>	<u>(716,819)</u>	<u>51,886</u>	<u>249,053,931</u>
Component unit capital assets, net	<u>\$264,445,181</u>	<u>\$ 14,912,767</u>	<u>\$ 13,674,326</u>	<u>\$265,683,622</u>

Depreciation expense was charged to component units as follows:

Duluth Airport Authority	\$ 8,333,501
Duluth Entertainment and Convention Center Authority	3,828,453
Duluth Transit Authority	3,644,613
Duluth Economic Development Authority	1,016,501
Spirit Mountain Recreation Area Authority	810,789
Total depreciation expense - component units	<u>\$ 17,633,857</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2014, the City had construction commitments of approximately \$5,772,252 for various utility improvements. The Duluth Airport Authority component unit had construction commitments of \$1,351,955 for airport improvements. The Duluth Transit Authority component unit had construction commitments of \$21,747,317 for the new multimodal transportation facility. 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, 2014, the City had purchase commitments represented by open encumbrances. These are included as part of fund balance as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 126,721
Community Investment	364,997
Other Governmental Funds	8,869,796
Total Purchase Commitments	<u>\$ 9,361,514</u>

FLOOD DAMAGE REPAIR COMMITMENTS

On June 19 and 20, 2012, the City incurred significant flood damage to its infrastructure due to an unprecedented rain event. The City has been awarded grants from various sources to repair flood damaged roads, bridges, facilities, parks, and streams. Additional flood damage work estimated to be \$19.5 million remains to be completed as of December 31, 2014.

9. RISK MANAGEMENT

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

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

The self-insurance for workers' compensation covers up to \$960,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Chapter 176 in excess of the \$960,000 retention limit.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

9. RISK MANAGEMENT (continued)

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$506,793 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 2013 and 2014 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2013	\$ 1,493,232	378,109	946,658	\$ 924,683
2014	\$ 924,683	490,090	354,402	\$ 1,060,371

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental of Minnesota, HealthPartners, and ClearScript an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from HealthPartners. The stop-loss policy has an individual limit of \$300,000 and an aggregate limit of 125% of projected claims for the year. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the group health fund's liability during 2013 and 2014 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2013	\$ 2,272,700	8,390,217	8,501,181	\$ 2,161,736
2014	\$ 2,161,736	8,286,174	8,557,698	\$ 1,890,212

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

10. LEASE OBLIGATIONSOPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities and equipment. The following is a summary of the approximate operating lease expense for 2014:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Impound lot	\$ 2,800	\$ -
Land & right-of-way	26,745	55,464
Buildings	668,403	-
Equipment	623,349	5,335
Total Expense	<u>\$ 1,321,297</u>	<u>\$ 60,799</u>

NONCANCELABLE OPERATING LEASES

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2014:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2015	\$ 18,902	\$ 54,606
2016	18,902	54,605
2017	18,902	54,606
2018	18,902	54,604
2019	18,902	-
2020-2024	40,805	-
2025-2029	5,000	-
2030-2034	5,000	-
2035-2039	5,000	-
2040-2044	5,000	-
2045-2049	5,000	-
2050-2054	5,000	-
2055-2059	5,000	-
2060-2064	1,000	-
Total minimum payments required	<u>\$ 171,315</u>	<u>\$ 218,421</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$218,421 at December 31, 2014.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

10. LEASE OBLIGATIONS (continued)CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2014, consist of the following capital assets shown at original costs as summarized below:

<u>Type of Property</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ -	\$ 1,534,313
Equipment	10,080,476	3,426,698
Total	10,080,476	4,961,011
Less: Accumulated amortization	(3,888,257)	(2,008,500)
Total Expense	<u>\$ 6,192,219</u>	<u>\$ 2,952,511</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2015	\$ 957,476	\$ 571,480
2016	831,661	421,377
2017	831,660	293,168
2018	831,660	242,673
2019	831,660	645,838
2020-2024	3,742,472	1,066,038
2025-2029	-	150,693
Total minimum lease payments	8,026,589	3,391,267
Less: Imputed interest	(1,322,865)	(904,332)
Present value of minimum lease payments	<u>\$ 6,703,724</u>	<u>\$ 2,486,935</u>

11. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2014, follows:

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/14</u>
Duluth Economic Development Authority				
Accounts Payable	\$ 264,194	-	27,770	\$ 236,424

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

12. LONG-TERM DEBTCHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2014, follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 80,753,706	\$ 5,595,000	\$ 3,413,138	\$ 82,935,568	\$ 3,585,568
General Obligation - Tax Abatement	7,290,000	-	585,000	6,705,000	355,000
Lease Revenue Bonds	415,000	-	415,000	-	-
Special Assessment Debt with Government Commitment	20,901,294	865,000	4,951,862	16,814,432	3,129,432
General Obligation Certificates	12,625,000	2,460,000	2,745,000	12,340,000	2,995,000
Add deferred amounts:					
For Bond Premium	1,578,899	153,373	313,681	1,418,591	-
General Obligation Public Facilities Authority Notes	130,000	-	25,000	105,000	26,000
Revenue Notes	2,766,000	-	80,000	2,686,000	30,000
Compensated Absences	3,165,876	2,722,864	2,935,616	2,953,124	2,826,234
Claims and Judgments	3,086,419	8,776,264	8,912,100	2,950,583	2,033,602
Net Other Postemployment Benefits Payable	36,611,653	4,969,410	-	41,581,063	-
Total Governmental Long-Term Liabilities	<u>\$ 169,323,847</u>	<u>\$ 25,541,911</u>	<u>\$ 24,376,397</u>	<u>\$ 170,489,361</u>	<u>\$ 14,980,836</u>
Business-Type Activities:					
Bonds Payable:					
Revenue and General Obligation Bonds	\$ 37,305,002	\$ 11,678,243	\$ 4,640,003	\$ 44,343,242	\$ 4,855,000
Add deferred amounts:					
For Bond Premiums	504,580	-	103,610	400,970	-
General Obligation Public Facilities Authority Notes	21,904,256	4,989,007	2,312,296	24,580,967	2,570,624
Capital Leases Payable	7,385,281	-	681,557	6,703,724	708,242
Net Other Postemployment Benefits Payable	537,060	-	240,832	296,228	-
Compensated Absences	875,386	832,254	869,631	838,009	838,009
Total Business-Type Long-Term Liabilities	<u>\$ 68,511,565</u>	<u>\$ 17,499,504</u>	<u>\$ 8,847,929</u>	<u>\$ 77,163,140</u>	<u>\$ 8,971,875</u>
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Capital Leases	\$ 300,872	\$ -	\$ 141,925	\$ 158,947	\$ 149,008
Compensated Absences	184,132	141,251	120,043	205,340	124,626
Net Other Postemployment Benefits Payable	650,546	56,689	-	707,235	-
Duluth Transit Authority					
Compensated Absences	544,661	544,795	544,661	544,795	544,795

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

12. LONG-TERM DEBT (continued)

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Due Within One Year
Duluth Airport Authority					
Notes Payable	\$ 321,115	\$ -	\$ 47,612	\$ 273,503	\$ 51,919
Loans Payable	10,358,889	-	481,667	9,877,222	711,667
Compensated Absences	82,583	84,398	82,583	84,398	84,398
Unearned Revenue	295,498	-	16,248	279,250	-
Net Other Postemployment Benefits Payable	899,868	136,358	-	1,036,226	-
Spirit Mountain Recreation Authority					
Capital Leases	2,618,370	-	290,382	2,327,988	328,381
Compensated Absences	84,407	89,793	84,407	89,793	89,793
Total Component Unit Long-Term Liabilities	<u>\$ 16,340,941</u>	<u>\$ 1,053,284</u>	<u>\$ 1,809,528</u>	<u>\$ 15,584,697</u>	<u>\$ 2,084,587</u>

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTSGovernmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2015	\$ 3,431,216	\$ 3,585,568	\$ 220,629	\$ 2,995,000	\$ 157,369	\$ 355,000
2016	3,358,190	3,835,000	165,668	2,985,000	150,169	365,000
2017	3,237,974	4,160,000	106,837	2,575,000	142,819	370,000
2018	3,116,009	3,835,000	56,937	1,975,000	135,319	380,000
2019	2,992,820	3,790,000	22,575	1,300,000	127,669	385,000
2020-2024	12,920,038	18,960,000	5,100	510,000	515,990	2,045,000
2025-2029	8,497,404	22,220,000	-	-	248,006	2,305,000
2030-2034	2,821,206	22,410,000	-	-	7,500	500,000
2035-2039	2,380	140,000	-	-	-	-
Total	<u>\$ 40,377,237</u>	<u>\$ 82,935,568</u>	<u>\$ 577,746</u>	<u>\$ 12,340,000</u>	<u>\$ 1,484,841</u>	<u>\$ 6,705,000</u>

United States Department of Housing and Urban Development Revenue Notes

During 2005, \$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
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Notes T.O.C.

12. LONG-TERM DEBT (continued)

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

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2015	\$ 153,736	\$ 30,000
2016	152,209	5,000
2017	151,954	5,000
2018	151,689	10,000
2019	151,151	15,000
2020-2024	751,475	100,000
2025-2029	144,705	2,521,000
Total	<u>\$ 1,656,919</u>	<u>\$ 2,686,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$16,814,432 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

Annual debt service requirements to maturity to fund special assessments and general obligation Public Facility Authority notes are as follows:

Year Ending December 31	Special Assessment Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2015	\$ 502,610	\$ 3,129,432	\$ 1,050	\$ 26,000
2016	414,915	2,695,000	790	26,000
2017	337,170	2,255,000	530	26,000
2018	266,536	2,340,000	270	27,000
2019	194,635	2,235,000	-	-
2020-2024	272,065	4,160,000	-	-
Total	<u>\$ 1,987,931</u>	<u>\$ 16,814,432</u>	<u>\$ 2,640</u>	<u>\$ 105,000</u>

Other Debt

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

General Obligation Public Facilities Authority Notes

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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T.O.C.

Notes T.O.C.

12. LONG-TERM DEBT (continued)

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2015	\$ 772,734	\$ 4,855,000	\$ 323,829	\$ 2,570,624
2016	776,891	4,435,000	296,362	2,502,000
2017	950,122	4,478,122	262,175	2,538,000
2018	954,463	4,198,871	226,742	2,555,524
2019	846,263	3,610,541	190,997	2,229,000
2020-2024	3,023,711	11,559,946	539,626	9,756,120
2025-2029	1,893,900	4,006,130	57,254	2,429,699
2030-2034	1,388,872	2,518,601	-	-
2035-2039	837,314	3,070,161	-	-
2040-2044	194,384	1,610,870	-	-
Total	<u>\$ 11,638,654</u>	<u>\$ 44,343,242</u>	<u>\$ 1,896,985</u>	<u>\$ 24,580,967</u>

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority's fixed base operator. The principal of the note is \$273,503, payable in semi-annual payments on June 1 and December 1 each year, commencing June 1, 2007, and until final maturity on June 1, 2019, with an annual interest rate of 8.85%.

The annual requirements to service the debt follow:

Year Ending December 31	Airport Facility Revenue Note	
	Interest	Principal
2015	\$ 23,081	\$ 51,919
2016	18,385	56,615
2017	13,263	61,737
2018	7,679	67,321
2019	1,589	35,911
Total	<u>\$ 63,997</u>	<u>\$ 273,503</u>

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Notes T.O.C.

12. LONG-TERM DEBT (continued)DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities:			
General Obligation Bonds Payable -			
Airpark Improvement	09/01/2004	\$ 455,000	
Capital Improvement	06/01/2005	165,000	
Capital Improvement	09/07/2006	225,000	
Capital Improvement	12/13/2007	465,000	
Duluth Entertainment and Convention Center Authority			
Improvement	08/07/2008	39,525,000	
Aerial Lift Bridge Improvement	08/07/2008	800,000	
Capital Improvement	12/09/2008	785,000	
Capital Improvement	12/17/2009	5,030,000	
Capital Improvement - Law Enforcement Center	12/17/2009	11,905,000	
West Michigan Street Improvements Refunding	12/17/2009	30,568	
Capital Improvement	11/23/2010	1,585,000	
Airport Improvement Refunding	11/23/2010	955,000	
Capital Improvement	11/29/2011	1,545,000	
Airport Improvement	05/24/2012	7,215,000	
Airport Improvement	12/18/2013	3,400,000	
Capital Improvement	12/18/2013	1,795,000	
Capital Improvement - Lakewalk	12/18/2013	1,460,000	
Wade Stadium Improvement	10/30/2014	2,330,000	
Spirit Mountain Improvement	10/30/2014	2,150,000	
Capital Improvement	10/30/2014	1,115,000	
Total General Obligation Bonds Payable			\$ 82,935,568
General Obligation Tax Abatement			
Spirit Mountain Tax Abatement Bonds	02/23/2012	6,705,000	6,705,000
Special Assessment Debt with			
Government Commitment	13 issues	16,814,432	16,814,432
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	6 issues	12,340,000	12,340,000
Total Governmental Activities Debt			<u>118,795,000</u>
Business-type Activities Debt:			
Revenue and General Obligation Bonds Payable:			
Parking Fund	2 issues	10,475,000	
West Superior Street Parking Facility Fund	1 issue	11,678,243	
Water Fund	4 issues	2,054,671	
Gas Fund	3 issues	4,325,858	
Steam Fund	1 issue	4,875,000	
Sewer Fund	9 issues	9,441,269	
Stormwater Fund	2 issues	1,493,201	
Total Revenue and General Obligation Bonds Payable			<u>44,343,242</u>
Total Business-type Activities Debt			<u>44,343,242</u>
Total Bonds Payable			<u>163,138,242</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Notes T.O.C.

12. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Deductions Allowable:			
Airport Improvement Refunding	11/23/2010	\$ 955,000	
Airpark Improvement	09/01/2004	455,000	
Duluth Entertainment and Convention Center Authority Improvement	08/07/2008	39,525,000	
Airport Improvement	05/24/2012	7,215,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	6,705,000	
Airport Improvement	12/18/2013	3,400,000	
Wade Stadium Improvement	10/30/2014	2,330,000	
Spirit Mountain Improvement	10/30/2014	2,150,000	
Special Assessment		16,814,432	
Parking Fund		10,475,000	
West Superior Street Parking Facility Fund		11,678,243	
Water Fund		2,054,671	
Gas Fund		4,325,858	
Steam Fund		4,875,000	
Sewer Fund		9,441,269	
Stormwater Fund		1,493,201	
Total Deductions Allowable			<u>123,892,674</u>
Net Debt			<u>\$ 39,245,568</u>
Legal Debt Margin for Duluth			
Taxable Market Value (5,584,098,600 X 2%)			<u>\$ 111,681,972</u>

Overlapping Debt to Duluth

Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 56,955,000	88.5%	\$ 50,405,175
Independent School District 704	18,685,000	6.0%	1,121,100
St. Louis County	53,440,000	36.4%	19,452,160
			<u>\$ 70,978,435</u>

REFUNDING BOND ISSUES

Current Refunding Bonds

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

In 2014 the City issued \$865,000 General Obligation Improvement Refunding Bonds with the obligation to be paid primarily by special assessments levied. The transaction resulted in a net present value savings of \$69,797 and a reduction in future debt service payments of \$74,304. The proceeds from this issue were used to current refund the City's Series 2005 C General Obligation Improvement Bonds.

All current refunded debt is fully defeased.

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 has been performed by a certified public accounting firm.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

12. LONG-TERM DEBT (continued)

The following refunded bond is scheduled to be recalled on February 1, 2015, related to a prior year advance refunding:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2006E	12/19/2006	General Obligation Steam Utility Revenue Bonds	\$ 3,040,000

All other advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Street Improvement	12/09/2008	\$ 3,055,000	\$ 555,000
West Michigan Street	12/17/2009	589,118	30,568
General Obligation Improvement	12/17/2009	397,780	20,639
General Obligation Improvement	12/17/2009	506,415	107,069
General Obligation Improvement	12/17/2009	656,687	226,724
Airport Improvement	11/23/2010	1,850,000	955,000
General Obligation Improvement	11/23/2010	1,205,000	800,725
Street Improvement	11/27/2012	6,905,000	6,265,000
General Obligation Improvement	10/30/2014	865,000	865,000
Advance Refunding Bonds:			
Street Improvement	12/19/2006	3,190,000	800,000
General Obligation Improvement	11/23/2010	1,135,000	754,275
Total Governmental Activities		<u>\$ 20,355,000</u>	<u>\$ 11,380,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Water Utility Revenue and General Obligation	12/13/2007	\$ 950,000	\$ 270,000
Sewer Utility Revenue and General Obligation	12/13/2007	1,325,000	255,000
Parking Improvements	12/09/2008	1,965,000	355,000
Gas Utility Revenue and General Obligation	12/17/2009	2,846,814	1,270,858
Sewer Utility Revenue and General Obligation	12/17/2009	713,186	314,139
Water Utility Revenue and General Obligation	11/23/2010	1,625,000	964,671
Sewer Utility Revenue and General Obligation	11/23/2010	2,025,000	1,202,130
Stormwater Utility Revenue and General Obligation	11/23/2010	755,000	448,201
Gas Utility Revenue and General Obligation	11/29/2011	3,125,000	2,330,000
Steam Utility Revenue and General Obligation	11/27/2012	5,475,000	4,875,000
Advance Refunding Bonds:			
Sewer Utility Revenue and General Obligation	11/29/2011	2,265,000	1,940,000
Sewer Utility Revenue and General Obligation	11/27/2012	2,000,000	2,000,000
Parking Improvements	11/27/2012	10,270,000	10,120,000
Total Business-type Activities		<u>\$ 35,340,000</u>	<u>\$ 26,344,999</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Notes T.O.C.

12. LONG-TERM DEBT (continued)BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2014, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities:					
General Obligation Bonds Payable -					
General Obligation					
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04 02-01-20	\$ 945,000	\$ 455,000
Capital Improvement	2.80 to 3.70%	02/01; 08/01	06-01-05 02-01-15	1,255,000	165,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06 02-01-16	895,000	225,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07 02-01-17	1,240,000	465,000
Duluth Entertainment and Convention Center					
Authority Improvement	4.00 to 5.00%	02/01; 08/01	08-07-08 02-01-34	40,635,000	39,525,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08 02-01-19	1,475,000	800,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08 02-01-18	1,600,000	785,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09 02-01-20	7,085,000	5,030,000
Capital Improvement - Law Enforcement Center	5.00 to 6.00%	02/01; 08/01	12-17-09 02-01-32	11,905,000	11,905,000
West Michigan Street Improvements Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-18	589,118	30,568
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-21	2,175,000	1,585,000
Airport Improvement Refunding	0.75 to 2.45%	02/01; 08/01	11-23-10 02-01-17	1,850,000	955,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11 02-01-22	1,870,000	1,545,000
Airport Improvement	2.00 to 3.25%	02/01; 08/01	05-24-12 12-31-28	7,650,000	7,215,000
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13 02-01-29	3,400,000	3,400,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13 02-01-24	1,795,000	1,795,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13 02-01-29	1,460,000	1,460,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14 02-01-30	2,330,000	2,330,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14 02-01-35	2,150,000	2,150,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14 02-01-25	1,115,000	1,115,000
Total General Obligation				<u>93,419,118</u>	<u>82,935,568</u>
General Obligation -Tax Abatement					
Spirit Mountain Tax Abatement Bonds	2.00 to 3.00%	02/01; 08/01	02-23-12 02-01-30	7,055,000	6,705,000
Special Assessment Debt with Government					
Commitment -					
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06 02-01-21	1,985,000	1,145,000
Street Improvement	4.00%	02/01; 08/01	09-07-06 02-01-22	3,355,000	2,070,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06 02-01-16	3,190,000	800,000
Street Improvement	3.75 to 4.25%	02/01; 08/01	12-13-07 02-01-23	2,285,000	1,530,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08 02-01-24	2,320,000	1,675,000
Street Improvement Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-15	3,055,000	555,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	397,780	20,639
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	506,415	107,069
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-16	656,687	226,724
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10 02-01-19	1,205,000	800,725
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10 02-01-19	1,135,000	754,275
Street Improvement Refunding	2.00 to 3.00%	02/01; 08/01	11-27-12 02-01-21	6,905,000	6,265,000
Street Improvement Refunding	1.50 to 2.00%	02/01; 08/01	10-30-14 02-01-20	865,000	865,000
Total Special Assessment Debt with Government				<u>27,860,882</u>	<u>16,814,432</u>
General Obligation Certificates Payable -					
Equipment	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	2,570,000	540,000
Equipment	0.60 to 1.55%	02/01; 08/01	11-23-10 02-01-16	2,295,000	935,000
Equipment	2.00%	02/01; 08/01	11-29-11 02-01-17	3,095,000	1,900,000
Equipment	3.00%	02/01; 08/01	11-27-12 02-01-18	3,275,000	2,670,000
Equipment	2.00%	02/01; 08/01	12-18-13 02-01-19	3,835,000	3,835,000
Equipment	1.50 to 2.00%	02/01; 08/01	10-30-14 02-01-20	2,460,000	2,460,000
Total General Obligation Certificates Payable				<u>17,530,000</u>	<u>12,340,000</u>
Total Governmental Activities				<u>\$145,865,000</u>	<u>\$118,795,000</u>

**CITY OF DULUTH, MINNESOTA
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12. LONG-TERM DEBT (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Business-type Activities:					
Revenue and General Obligation Bonds Payable -					
Parking Fund -					
Technology Village Parking Ramp Tax					
Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-15	\$ 1,965,000	\$ 355,000
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12 02-01-26	10,270,000	10,120,000
Total Parking Fund				<u>12,235,000</u>	<u>10,475,000</u>
West Superior Street Parking Facility Fund -					
Parking Improvement Tax Increment	4.00%	02/01; 08/01	05-15-14 04-01-44	11,678,243	11,678,243
Water Fund -					
Water Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06 02-01-22	1,120,000	680,000
Water Utility Revenue and General Obligation					
Refunding	4.00%	02/01; 08/01	12-13-07 02-01-16	950,000	270,000
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	196,000	140,000
Water Utility Revenue and General Obligation					
Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-18	1,625,000	964,671
Total Water Fund				<u>3,891,000</u>	<u>2,054,671</u>
Gas Fund -					
Gas Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06 02-01-22	1,190,000	725,000
Gas Utility Revenue and General Obligation					
Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-17	2,846,814	1,270,858
Gas Utility Revenue and General Obligation					
Refunding	3.00 to 4.00%	02/01; 08/01	11-29-11 02-01-19	3,125,000	2,330,000
Total Gas Fund				<u>7,161,814</u>	<u>4,325,858</u>
Steam Fund -					
Steam Utility Revenue and General Obligation					
Refunding	1.00 to 2.13%	02/01; 08/01	11-27-12 02-01-22	5,475,000	4,875,000
Sewer Fund -					
Sewer Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06 02-01-22	945,000	570,000
Sewer Utility Revenue and General Obligation	3.75 to 4.25%	02/01; 08/01	12-13-07 02-01-23	2,120,000	1,420,000
Sewer Utility Revenue and General Obligation					
Refunding	4.00%	02/01; 08/01	12-13-07 02-01-16	1,325,000	255,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	1,444,000	1,035,000
Sewer Utility Revenue and General Obligation					
Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-17	713,186	314,139
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	705,000
Sewer Utility Revenue and General Obligation					
Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-18	2,025,000	1,202,130
Sewer Utility Revenue and General Obligation					
Refunding	1.00 to 3.00%	02/01; 08/01	11-29-11 02-01-20	2,265,000	1,940,000
Sewer Utility Revenue and General Obligation					
Refunding	2.00%	02/01; 08/01	11-27-12 02-01-20	2,000,000	2,000,000
Total Sewer Fund				<u>13,742,186</u>	<u>9,441,269</u>
Stormwater Fund -					
Stormwater Utility Revenue and General Obligation	4.00%	02/01; 08/01	09-07-06 02-01-22	1,705,000	1,045,000
Stormwater Utility Revenue and General					
Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-18	755,000	448,201
Total Stormwater Fund				<u>2,460,000</u>	<u>1,493,201</u>
Total Business-type Activities				<u>\$ 56,643,243</u>	<u>\$ 44,343,242</u>

CITY OF DULUTH, MINNESOTA
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Notes T.O.C.

12. LONG-TERM DEBT (continued)

NOTES PAYABLE BY ISSUE	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	1.00%	02/20; 08/20	07-24-02 08-20-18	\$ 364,195	\$ 105,000
Revenue Note					
U.S. Dept. of Housing and Urban Development	5.23 to 5.77%	01/22; 07/22	08-01-05 08-01-25	7,876,000	2,686,000
Total Governmental Activities				<u>\$ 8,240,195</u>	<u>\$ 2,791,000</u>
Business-type Activities:					
General Obligation:					
Water Fund -					
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03 08-20-18	\$ 870,000	\$ 272,660
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04 08-20-18	1,971,532	609,000
Public Facilities Authority Note	1.077%	02/20; 08/20	10-28-09 08-20-19	1,668,813	851,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	1,293,200	958,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-07-10 08-20-25	3,344,131	2,574,000
Public Facilities Authority Note (Note 1)	1.221%	02/20; 08/20	11-18-11 08-20-26	1,605,655	816,120
Public Facilities Authority Note (Note 2)	1.000%	02/20; 08/20	02-25-14 08-20-29	5,108,910	4,474,162
Total Water Fund				<u>15,862,241</u>	<u>10,554,942</u>
Sewer Fund -					
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03 08-20-18	100,000	31,340
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03 08-20-18	1,179,115	365,000
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07 08-20-22	1,973,033	1,205,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09 08-20-24	796,835	568,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09 08-20-24	2,414,150	1,773,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	3,753,059	2,822,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	8,504,224	6,295,000
Public Facilities Authority Note (Note 3)	1.000%	02/20; 08/20	11-18-11 08-20-21	354,551	136,524
Public Facilities Authority Note	1.000%	02/20; 08/20	11-30-11 08-20-21	265,418	194,798
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11 08-20-21	278,149	209,000
Public Facilities Authority Note	1.000%	02/20; 08/20	09-10-12 08-20-22	476,537	376,363
Public Facilities Authority Note (Note 4)	1.000%	02/20; 08/20	10-29-14 08-20-24	1,255,464	50,000
Total Sewer Fund				<u>21,350,535</u>	<u>14,026,025</u>
Total Business-type Activities				<u>\$ 37,212,776</u>	<u>\$ 24,580,967</u>
Component Units:					
Duluth Airport Authority					
Revenue Note	8.85%	06/01;12/01	11-01-05 06-01-19	497,379	273,503
Total Component Units				<u>\$ 497,379</u>	<u>\$ 273,503</u>

Note 1: Only \$1,047,775 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 2: Only \$4,635,072 has been drawn on the Public Facilities Authority Note dated 2/25/2014.

Note 3: Only \$218,075 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 4: Only \$50,000 has been drawn on the Public Facilities Authority Note dated 10/29/2014.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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13. FUND EQUITY

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2014, are as follows:

	General Fund	Disaster Recovery	Community Investment	Other Governmental Funds	Total Fund Balance
Fund Balances:					
Nonspendable:					
Prepaid Expenses	\$ 258,535	\$ -	\$ -	\$ -	\$ 258,535
Spendable:					
Restricted for:					
Forfeitures	91,324	-	-	50,465	141,789
Capital Projects	-	-	-	7,790,058	7,790,058
Community Development	-	-	-	321,029	321,029
Employment	-	-	-	266,356	266,356
Parks and Recreation	-	-	-	653,180	653,180
Public Access Television	-	-	-	374,907	374,907
Public Safety	-	-	-	2,753	2,753
Public Works	-	-	-	235,476	235,476
Economic Development	-	-	-	867,926	867,926
Library	-	-	-	845,588	845,588
Energy Program	-	-	-	209,828	209,828
Tourism	-	-	-	1,229,523	1,229,523
Debt Service	-	-	-	18,386,236	18,386,236
Committed for:					
General Government	-	-	-	298,208	298,208
Community Investment	-	-	18,724,752	-	18,724,752
Municipal Arts	-	-	-	133,392	133,392
Parks and Recreation	-	-	-	476,640	476,640
Public Safety	13,129	-	-	72,626	85,755
Assigned to:					
General Government	1,634,029	-	-	-	1,634,029
Economic Development	-	-	-	8,903	8,903
Capital Projects	-	-	-	436,724	436,724
Unassigned	9,320,545	(3,873,552)	-	(358,971)	5,088,022
Total Fund Balances	<u>\$ 11,317,562</u>	<u>\$ (3,873,552)</u>	<u>\$ 18,724,752</u>	<u>\$ 32,300,847</u>	<u>\$ 58,469,609</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Notes T.O.C.

14. INTERFUND ASSETS/LIABILITIES/TRANSFERSDUE 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, 2014 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Water Enterprise	\$ 669
	Gas Enterprise	2,896
	Sewer Enterprise	4,731
	Nonmajor Governmental Funds	79,024
	Nonmajor Enterprise Funds	72,449
	Internal Service Funds	231,914
	Disaster Recovery	Nonmajor Governmental Funds 1,118
	Parking Enterprise	Nonmajor Enterprise Funds 1,911
		Internal Service Funds 272
	Water Enterprise	General 700
		Nonmajor Governmental Funds 30
	Internal Service Funds 22,537	
Gas Enterprise	General 26,874	
	Internal Service Funds 18,850	
Sewer Enterprise	General 300	
	Nonmajor Governmental Funds 8,627	
	Internal Service Funds 15,105	
Nonmajor Governmental Funds	General 172,922	
	Water Enterprise 29,786	
	Gas Enterprise 39,303	
	Sewer Enterprise 26,010	
	Nonmajor Governmental Funds 465,124	
	Nonmajor Enterprise Funds 28,366	
	Internal Service Funds 7,183	
Nonmajor Enterprise Funds	General 300	
	Internal Service Funds 28,267	
Internal Service Funds	General 193,076	
	Nonmajor Governmental Funds 34,374	
Total	(1,2,3) <u>\$ 1,512,718</u>	
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 982,469
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	206,121
	Governmental Activities - Internal Service Funds	324,128
Total		<u>\$ 1,512,718</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2014, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2014.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Transit Authority	(1,2,3) \$ 625
	Duluth Entertainment and Convention Center Authority	(1,2,3) 4,289
	Spirit Mountain Recreation Area Authority	(4) 1,075,000
	Duluth Airport Authority	(4) 1,775,053
Nonmajor Governmental Funds	Duluth Transit Authority	(1,2,3) 5,335
	Duluth Entertainment and Convention Center Authority	(1,2,3) 2,310
	Spirit Mountain Recreation Area Authority	(1,2,3) 5,913
	Duluth Economic Development Authority	(5) 625,407
Internal Service Funds	Spirit Mountain Recreation Area Authority	(1,2,3) 3,656
	Duluth Economic Development Authority	(1,2,3) 16,000
Total Due From Component Units		<u>\$ 3,513,588</u>
Total Due To Primary Government		\$ 3,279,711
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2014		(850,692)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2014		1,084,569
Total Due From Component Units		<u>\$ 3,513,588</u>
Component Unit:	Primary Government:	
Duluth Transit Authority	Nonmajor Governmental Funds	\$ 5,960
Duluth Entertainment and Convention Center Authority	General	6,154
	Nonmajor Governmental Funds	386,828
Duluth Economic Development Authority	Nonmajor Governmental Funds	7,620
Total Due from Primary Government		<u>\$ 406,562</u>
Total Due To Component Units		\$ 415,458
Add Spirit Mountain Recreation Area Authority balance at April 30, 2014		-
Deduct Spirit Mountain Recreation Area Authority balance at December 31, 2014		(8,896)
Total Due To Component Units		<u>\$ 406,562</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Notes T.O.C.

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)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, 2014 are:

<u>Receivable Fund</u>	<u>Amount</u>
General	<u>\$ 2,031,075</u>
<u>Payable Fund</u>	
Disaster Recovery	22,655
Nonmajor Governmental Funds	400,605
Nonmajor Enterprise Funds	<u>1,607,815</u>
Total	<u>\$ 2,031,075</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: (1) debt service payments, participation in projects, reimbursements of expenditures, and revenue recognition for investment earnings in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; 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, 2014, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General	Disaster Recovery	(1) \$ 22,515
	Community Investment Trust	(1) 325,218
	Parking Enterprise	(3) 1,362,003
	Water Enterprise	(1) 220,812
	Gas Enterprise	(1,2) 2,950,512
	Sewer Enterprise	(1) 67,330
	Nonmajor Governmental Funds	(1) 1,634,013
	Nonmajor Enterprise Funds	(1,2) 697,483
	Internal Service Funds	(1) 31,026
	Water Enterprise	Nonmajor Governmental Funds
Gas Enterprise	Nonmajor Enterprise Funds	(1) 10,660
	Nonmajor Governmental Funds	(1) 5,275
Sewer Enterprise	Nonmajor Enterprise Funds	(1) 15,990
	Nonmajor Governmental Funds	(1) 5,275
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	(1) 9,430
	General	(3) 451,374
	Disaster Recovery	(1) 1,118
	Parking Enterprise	(1) 1,824
	Water Enterprise	(1) 12,844
	Gas Enterprise	(1) 91,499
	Sewer Enterprise	(1) 7,809
	Nonmajor Governmental Funds	(1) 8,656,308
	Nonmajor Enterprise Funds	(1) 6,715
	Nonmajor Enterprise Funds	Disaster Recovery
Nonmajor Governmental Funds		(1) 1,758
Nonmajor Enterprise Funds		(1) 4,920
Total		<u>\$ 16,991,484</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

Transfers out, reported in

Statement of Revenues, Expenditures, and Changes in Fund Balances:	
Governmental Funds	\$11,500,627
Statement of Revenues, Expenditures, and Changes in Fund Net Position:	
Business-type Activities - Enterprise Funds	5,459,831
Governmental Activities - Internal Service Funds	31,026
	<u>\$16,991,484</u>

15. 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 Fund and the Public Employees Police and Fire Fund, which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes Chapters 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50% percent after five years and increasing 10% for each year of service until fully vested after ten years.

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

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

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
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15. PENSION PLANS (continued)

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

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

FUNDING POLICY

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes Chapter 353. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25% respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20% of their annual covered salary in 2014.

In 2014, the City was required to contribute the following percentages of annual covered payroll:

	2014 Statutory Rates	
	Employees	Employer
General Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated Members	6.25%	7.25%
Public Employees Police and Fire Fund	10.20%	15.30%

The City's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 2,419,915	\$ 2,388,791	\$ 2,274,824
Public Employees Police and Fire Fund	3,208,134	3,015,302	2,900,390
Total	<u>\$ 5,628,049</u>	<u>\$ 5,404,093</u>	<u>\$ 5,175,214</u>

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50% for members and 7.50% for employers) and the Public Employees Police and Fire Fund (10.80% for members and 16.20% for employers).

DEFINED CONTRIBUTION PLAN

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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15. PENSION PLANS (continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minnesota Statutes § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00% of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00% of employer contributions and 0.25% of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,456	\$ 4,456
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0%.

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to the Public Employees Retirement Association of Minnesota (PERA). Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly available 2014 annual report.

The Duluth Transit Authority has no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2014 annual report.

FUTURE CHANGE IN ACCOUNTING STANDARDS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the City's calendar year 2015. The City has not yet determined the financial statement impact of adopting this new standard.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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16. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

The health benefits are provided through the City's Joint Powers Enterprise Trust. The life insurance benefits are paid directly by the fund from which the employee retires. A separate report is not issued for the plan. The authority to provide these benefits is established in Minnesota Statutes § 471.617.

As of December 31, 2014, there were 1,079 retirees receiving health benefits from the City's health plan and 818 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, 2014, the City contributed \$8,609,123 and retirees contributed \$114,441.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$532,628 were made to the irrevocable trust in 2014.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,249,437
Interest on Net OPEB obligation	2,114,189
Adjustment to ARC	<u>(2,541,377)</u>
Annual OPEB Cost	13,822,249
Claims paid on behalf of retirees	(8,749,583)
Contributions to irrevocable trust	<u>(527,469)</u>
Increase in Net OPEB obligation	4,545,197
Net OPEB, January 1	<u>37,091,031</u>
Net OPEB, December 31	<u><u>\$ 41,636,228</u></u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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16. OTHER POSTEMPLOYMENT BENEFITS (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2012, 2013, and 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 14,988,558	\$ 9,699,313	64.71%	\$ 32,041,570
December 31, 2013	\$ 13,822,249	\$ 8,772,788	63.47%	\$ 37,091,031
December 31, 2014	\$ 13,822,249	\$ 9,277,052	67.12%	\$ 41,636,228

FUNDING STATUS AND FUNDING PROGRESS

As of January 1, 2013, the most recent actuarial valuation date, the plan was 14.82% funded. The actuarial accrued liability for benefits was \$214,255,582, and the actuarial value of assets was \$31,743,134 resulting in an unfunded actuarial accrued liability of \$182,512,448. The covered payroll (annual payroll of active employees covered by the plan) was \$35,546,938. The ratio of the unfunded actuarially accrued liabilities to covered payroll is 513.44%.

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. Market value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.7% investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments at a 2.2% inflation rate. The annual healthcare cost trend rate is 10.0% initially, reduced incrementally to an ultimate rate of 5.0% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year open amortization period.

TRUST FUND

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

The financial statements are prepared using the 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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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16. OTHER POSTEMPLOYMENT BENEFITS (continued)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% 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.

17. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following non-major enterprise funds: Steam, the plant which generates and distributes steam to users in the downtown area; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ending December 31, 2014, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Stormwater</u>	<u>Steam</u>
Assets		
Current assets	\$ 2,618,827	\$ 2,325,606
Due from other funds	68,866	33,860
Capital assets	14,574,156	8,511,698
Total assets	<u>17,261,849</u>	<u>10,871,164</u>
Deferred Outflows of Resources	<u>11,069</u>	<u>247,743</u>
Liabilities		
Current liabilities	543,265	1,172,646
Due to other funds	19,430	606
Noncurrent liabilities	1,319,752	4,258,983
Total liabilities	<u>1,882,447</u>	<u>5,432,235</u>
Net Position		
Net investment in capital assets	13,076,852	3,875,458
Unrestricted	2,313,619	1,811,214
Total Net Position	<u>\$ 15,390,471</u>	<u>\$ 5,686,672</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

17. SEGMENT INFORMATION (continued)CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Stormwater</u>	<u>Steam</u>
Operating revenues (expenses)		
Charges (pledged against bonds)	\$ 4,627,832	\$ 6,850,623
Depreciation expense	(452,295)	(1,082,205)
Other operating expenses	(3,248,954)	(6,060,699)
Operating income	<u>926,583</u>	<u>(292,281)</u>
Nonoperating revenues (expenses)		
Investment earnings	42,242	10,605
Other revenue	40,500	71,333
Interest expense	(53,208)	(111,650)
Capital contributions	(1,397)	-
Transfers In	6,678	392,498
Transfers Out	(570,602)	(132,456)
Change in net position	<u>390,796</u>	<u>(61,951)</u>
Beginning net position	14,999,675	5,748,623
Ending net position	<u>\$ 15,390,471</u>	<u>\$ 5,686,672</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Stormwater</u>	<u>Steam</u>
Net Cash provided (used) by		
Operating activities	\$ 1,388,186	\$ 725,146
Noncapital financing activities	(480,672)	324,656
Capital and related financing activities	(1,391,462)	(1,645,813)
Investing activities	42,242	10,605
Net increase (decrease)	<u>(441,706)</u>	<u>(585,406)</u>
Beginning cash and cash equivalents	2,524,850	1,369,392
Ending cash and cash equivalents	<u>\$ 2,083,144</u>	<u>\$ 783,986</u>

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIESLAKE 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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Notes T.O.C.

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

LITIGATION

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

The consent decree requires the City to make certain improvements to prevent future sewage overflows. The City has consented to these improvements which are 99% complete and will be fully completed prior to the end of 2015.

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2014.

JOINT VENTURE

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

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2014, is:

Total Assets	\$	58,834
Total Liabilities	\$	-
Total Net Position	\$	58,834
Total Revenues	\$	-
Total Expenditures	\$	-
Change in Net Position	\$	-

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City with its own rights and powers. Although the Mayor of the City appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City. Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,663,240 to the Duluth Housing and Redevelopment Authority in 2014.

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

The City, along with several other governmental entities, formed the Minneapolis-Duluth/Superior Passenger Rail Alliance on February 1, 2008, under a Joint Powers Agreement in accordance with Minnesota Statutes § 471.59, 398A.04, and 398A.06. The Alliance is governed by a nine-member Board composed of one elected official selected by each party represented in the Alliance, as well as an additional member from the Mille Lacs Band of Ojibwe. Each party also appoints an alternate member. 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 Board is organized with a chair and a vice chair elected each year.

St. Louis County, as fiscal agent, reports the transactions of the Alliance in an agency fund on its annual financial statements. A summary of the financial information of the Alliance for December 31, 2013, (the most recent available) was:

Total Assets	\$	369,508
Total Liabilities	\$	5,791
Total Net Position	\$	363,717
Total Revenues	\$	131,821
Total Expenditures	\$	234,458
Change in Net Position	\$	(102,637)

FOND DU LUTH CASINO

In 2009 the Fond du Lac Band ("Band") unilaterally stopped all contractually required payments to the City. Pursuant to the 1994 City of Duluth/Fond du Lac Band agreement, the City was to receive 19% of all slot machine revenue through March 31, 2011 ("First Term"), and an amount set through arbitration thereafter until 2036 ("Second Term").

The City sued to recover the outstanding payments and the United States Federal District Court granted the City summary judgment on the payment issue through the First Term and relieved the Band from payments for the Second Term. As of December 31, 2014, the Band owes the City \$13,570,054 for the First Term.

The City and the Band appealed the District Court's decision to the Eighth Circuit Court of Appeals and on January 14, 2013, the appeals court issued a decision remanding the First Term payment issue back to the District Court and affirming the decision on the Second Term. The District Court then affirmed its earlier decision in favor of the City on the First Term. The Band appealed that decision back to the Eighth Circuit Court of Appeals. On May 8, 2015, the Eighth Circuit Court of Appeals reversed the decision of the District Court and remanded the case back for another review of the First Term payment. A remand hearing has not been scheduled yet.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Notes T.O.C.

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2014, follows:

A & L Renaissance	\$	614,088
Accessible Space, Inc.	\$	9,404
Augusta Building	\$	268,321
Bluestone Commons	\$	5,781,249
Central Hillside Development, LLP	\$	294,257
Fifth Street Redevelopment	\$	52,120
Garfield Business Park, LLC	\$	611,069
Ramsey Townhouses	\$	50,360
Sherman Associates Hotel/Condominium	\$	5,000,000
Spirit Bay	\$	92,610

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2014, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal</u>
Aftenro Home	2006	\$ 2,620,000	\$ 2,262,855
Benedictine Health Center	2013	\$ 5,750,000	\$ 3,763,460
Benedictine Health Center	2014	\$ 4,000,000	\$ 1,006,773
Duluth Regional Care	2012A	\$ 1,040,800	\$ 783,749
Duluth Regional Care	2012B	\$ 259,100	\$ 199,065
Residential Services	2000B	\$ 576,421	\$ 41,972
Residential Services	2000C	\$ 330,919	\$ 24,045
St. Luke's Hospital	2012	\$ 81,595,000	\$ 78,615,000

**Required Supplementary
Information**

**CITY OF DULUTH, MINNESOTA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) TRUST
 DECEMBER 31, 2014**

YEARS ENDED DECEMBER 31, 2007 THROUGH 2014

Year Ended December 31	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$22,081,427	\$23,742,663	93.0%
2008	\$13,171,329	\$23,742,663	55.5%
2009	\$13,488,168	\$17,615,054	76.6%
2010	\$10,043,975	\$17,615,054	57.0%
2011	\$11,830,474	\$15,345,228	77.1%
2012	\$9,699,313	\$15,345,228	63.2%
2013	\$8,772,788	\$14,249,437	61.6%
2014	\$9,277,052	\$14,249,437	65.1%

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 1, 2007	\$13,700,000	\$267,381,748	\$253,681,748	5.1%	\$44,748,212	566.9%
June 1, 2009	\$16,740,064	\$224,338,111	\$207,598,047	7.5%	\$41,970,420	494.6%
June 1, 2011	\$27,753,929	\$219,748,555	\$191,994,626	12.6%	\$39,716,268	483.4%
January 1, 2013	\$31,743,134	\$214,255,582	\$182,512,448	14.8%	\$35,546,938	513.4%

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

**Combining and Individual
Fund Statements and
Schedules**

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

SPECIAL REVENUE FUNDS (continued)

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.

CAPITAL PROJECTS FUNDS

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

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

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

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

Spirit Mountain Capital Improvement – to account for improvements to Spirit Mountain Recreation Area including lift improvements and a new chalet.

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

Special Revenue Funds

	<u>Lake Superior Zoo</u>	<u>Parks</u>	<u>Special Projects</u>	<u>Police Grant Programs</u>	<u>Recovery Loan Program</u>
Assets					
Cash and cash equivalents	\$ -	\$ 768,314	\$ 1,341,238	\$ 45,985	\$ 394,732
Receivables, net:					
Taxes	-	144,914	-	-	-
Accounts	-	512	46,778	-	-
Assessments	-	-	-	-	-
Loans	229,152	-	-	-	1,389,031
Due from other funds	-	21,012	66,085	-	-
Due from component units	-	-	13,558	-	622,000
Due from other governments	40,000	150,000	36,602	196,622	-
Total Assets	\$ 269,152	\$ 1,084,752	\$ 1,504,261	\$ 242,607	\$ 2,405,763
Liabilities					
Accounts payable	\$ 476	\$ 68,536	\$ 175,753	\$ 147,332	\$ -
Contracts payable	25,141	96,150	149,812	6,831	-
Due to other funds	-	1,231	42,380	13,437	-
Due to component units	-	-	4,126	-	-
Interfund loan payable	343,198	-	-	-	-
Due to other governments	102	10,395	3,385	48,404	962,849
Accrued salaries payable	-	33,970	5,492	-	-
Unearned revenue	-	-	106,233	5,159	-
Total Liabilities	368,917	210,282	487,181	221,163	962,849
Deferred Inflows of Resources					
Unavailable revenue	229,152	244,951	-	-	574,988
Fund Balances					
Restricted	-	629,519	406,681	21,444	867,926
Committed	-	-	610,399	-	-
Assigned	-	-	-	-	-
Unassigned	(328,917)	-	-	-	-
Total Fund Balances	(328,917)	629,519	1,017,080	21,444	867,926
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 269,152	\$ 1,084,752	\$ 1,504,261	\$ 242,607	\$ 2,405,763

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

Special Revenue Funds

	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Tax
Assets					
Cash and cash equivalents	\$ 241,066	\$ 887,549	\$ 12,057	\$ 215,881	\$ 999,137
Receivables, net:					
Taxes	-	-	-	-	673,556
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	10,801	109	-
Due from component units	-	-	3,407	-	-
Due from other governments	-	-	28,849	2,125	93,848
Total Assets	\$ 241,066	\$ 887,549	\$ 55,114	\$ 218,115	\$ 1,766,541
Liabilities					
Accounts payable	\$ 2,000	\$ 13,927	\$ 7,071	\$ 3,140	\$ 762
Contracts payable	-	28,034	4,830	1,240	87,377
Due to other funds	-	-	1,827	271	448,879
Due to component units	1,991	-	7,620	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	8,032	-	-
Accrued salaries payable	-	-	-	3,636	-
Unearned revenue	-	-	-	-	-
Total Liabilities	3,991	41,961	29,380	8,287	537,018
Deferred Inflows of Resources					
Unavailable revenue	-	-	16,831	-	-
Fund Balances					
Restricted	-	845,588	-	209,828	1,229,523
Committed	237,075	-	-	-	-
Assigned	-	-	8,903	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	237,075	845,588	8,903	209,828	1,229,523
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 241,066	\$ 887,549	\$ 55,114	\$ 218,115	\$ 1,766,541

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue Funds				
	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Assets					
Cash and cash equivalents	\$ 23,023	\$ 42,714	\$ 445,601	\$ 223,947	\$ -
Receivables, net:					
Taxes	638	-	-	-	-
Accounts	-	-	29,736	729	19,709
Assessments	-	-	-	-	-
Loans	-	275,472	2,620,794	-	-
Due from other funds	-	-	5,010	13,141	3,156
Due from component units	-	-	-	-	-
Due from other governments	-	56,866	675,391	120,567	47,098
Total Assets	\$ 23,661	\$ 375,052	\$ 3,776,532	\$ 358,384	\$ 69,963
Liabilities					
Accounts payable	\$ -	\$ -	\$ 4,253	\$ 10,892	\$ -
Contracts payable	-	52,974	503,426	-	-
Due to other funds	-	3,892	5,681	18,652	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	57,407
Due to other governments	-	82	240	7,198	-
Accrued salaries payable	-	-	17,277	42,155	12,546
Unearned revenue	-	62,690	40,043	13,141	-
Total Liabilities	-	119,638	570,920	92,038	69,953
Deferred Inflows of Resources					
Unavailable revenue	-	285,468	2,884,583	-	-
Fund Balances					
Restricted	23,661	-	321,029	266,346	10
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(30,054)	-	-	-
Total Fund Balances	23,661	(30,054)	321,029	266,346	10
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,661	\$ 375,052	\$ 3,776,532	\$ 358,384	\$ 69,963

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue Funds		Debt Service Funds		
	Street System Maintenance Utility	Public Arts	DECC Revenue	General Obligation	Special Assessment Debt Service
Assets					
Cash and cash equivalents	\$ -	\$ 136,135	\$ 2,451,302	\$ 9,251,894	\$ 1,489,304
Receivables, net:					
Taxes	-	-	-	437,131	-
Accounts	235,476	-	-	-	-
Assessments	-	-	-	-	2,562,457
Loans	-	-	-	-	-
Due from other funds	-	-	443,045	-	2,168
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	-	122,876
Total Assets	\$ 235,476	\$ 136,135	\$ 2,894,347	\$ 9,689,025	\$ 4,176,805
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	2,743	-	-	-
Due to other funds	-	-	-	-	85,648
Due to component units	-	-	380,711	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	-	2,743	380,711	-	85,648
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	316,182	2,562,457
Fund Balances					
Restricted	235,476	-	2,513,636	9,372,843	1,528,700
Committed	-	133,392	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	235,476	133,392	2,513,636	9,372,843	1,528,700
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 235,476	\$ 136,135	\$ 2,894,347	\$ 9,689,025	\$ 4,176,805

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Debt Service Funds	Capital Project Funds			
	Street Improvement Debt Service	Capital Equipment	Special Assessment	Permanent Improvement	Spirit Mountain Capital Improvement
Assets					
Cash and cash equivalents	\$ 4,962,794	\$ 1,791,354	\$ 33,474	\$ 1,510,613	\$ 1,943,656
Receivables, net:					
Taxes	-	-	-	19,672	-
Accounts	-	-	-	-	-
Assessments	1,217,303	-	65,486	-	-
Loans	-	-	-	-	-
Due from other funds	8,263	354	1,360	8,627	-
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	1,575,888	-
Total Assets	\$ 6,188,360	\$ 1,791,708	\$ 100,320	\$ 3,114,800	\$ 1,943,656
Liabilities					
Accounts payable	\$ -	\$ 278,969	\$ -	\$ -	\$ -
Contracts payable	-	7,500	-	292,111	-
Due to other funds	-	-	-	145,436	-
Due to component units	-	-	-	-	10,150
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	682,018	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	-	286,469	-	1,119,565	10,150
Deferred Inflows of Resources					
Unavailable revenue	1,217,303	-	65,487	1,388,077	-
Fund Balances					
Restricted	4,971,057	1,505,239	-	607,158	1,933,506
Committed	-	-	-	-	-
Assigned	-	-	34,833	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	4,971,057	1,505,239	34,833	607,158	1,933,506
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,188,360	\$ 1,791,708	\$ 100,320	\$ 3,114,800	\$ 1,943,656

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Street Improvement Program</u>	<u>Capital Improvement</u>	
Assets			
Cash and cash equivalents	\$ 766,993	\$ 4,214,766	\$ 34,193,529
Receivables, net:			
Taxes	-	-	1,275,911
Accounts	-	-	332,940
Assessments	1,597,175	-	5,442,421
Loans	-	-	4,514,449
Due from other funds	5,166	-	588,297
Due from component units	-	-	638,965
Due from other governments	-	2,063,387	5,210,119
Total Assets	<u>\$ 2,369,334</u>	<u>\$ 6,278,153</u>	<u>\$ 52,196,631</u>
Liabilities			
Accounts payable	\$ -	\$ 71,153	\$ 784,264
Contracts payable	368,733	729,250	2,356,152
Due to other funds	1,360	-	768,694
Due to component units	-	-	404,598
Interfund loan payable	-	-	400,605
Due to other governments	176	176	1,723,057
Accrued salaries payable	-	-	115,076
Unearned revenue	-	-	227,266
Total Liabilities	<u>370,269</u>	<u>800,579</u>	<u>6,779,712</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>1,597,174</u>	<u>1,733,419</u>	<u>13,116,072</u>
Fund Balances			
Restricted	-	3,744,155	31,233,325
Committed	-	-	980,866
Assigned	401,891	-	445,627
Unassigned	-	-	(358,971)
Total Fund Balances	<u>401,891</u>	<u>3,744,155</u>	<u>32,300,847</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,369,334</u>	<u>\$ 6,278,153</u>	<u>\$ 52,196,631</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Revenues					
Taxes:					
Property taxes	\$ -	\$ 2,596,388	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	47,080	75,599	-	-
Intergovernmental revenues	160,000	272,863	333,471	1,164,313	131,615
Charges for services	934,106	48,068	-	-	-
Fines and forfeits	-	-	12,331	75,302	-
Special assessments	-	-	-	-	-
Investment income	-	5,047	2,854	(14)	5,738
Miscellaneous revenues	284,544	39,197	909,509	11,681	3,939
Total Revenues	1,378,650	3,008,643	1,333,764	1,251,282	141,292
Expenditures					
Current:					
General government	-	-	301,973	-	-
Public safety	-	-	475,389	529,207	-
Public works	-	-	-	-	-
Culture and recreation	1,913,335	2,104,243	157,054	-	-
Urban and economic development	-	-	-	-	135,567
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	4,467	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
Capital outlay	-	712,304	142,423	28,938	-
Total Expenditures	1,917,802	2,816,547	1,076,839	558,145	135,567
Excess (Deficiency) of Revenues Over (Under) Expenditures	(539,152)	192,096	256,925	693,137	5,725
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	510,000	326	185,762	-	-
Transfers out	-	(124,547)	(65,762)	(667,785)	-
Total Other Financing Sources (Uses)	510,000	(124,221)	120,000	(667,785)	-
Net Change in Fund Balances	(29,152)	67,875	376,925	25,352	5,725
Fund Balances - January 1, 2014	(299,765)	561,644	640,155	(3,908)	862,201
Fund Balances - December 31, 2014	\$ (328,917)	\$ 629,519	\$ 1,017,080	\$ 21,444	\$ 867,926

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds				
	Bayfront Festival Park	Library Special Accounts	Economic Development	Energy Management	Tourism Tax
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	8,822,830
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	685,747	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	1,399	6,500	414	1,544	5,712
Miscellaneous revenues	30,388	94,286	17,944	26,399	-
Total Revenues	31,787	100,786	704,105	27,943	8,828,542
Expenditures					
Current:					
General government	-	-	-	149,555	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	17,900	196,812	-	-	-
Urban and economic development	-	-	717,132	-	3,179,697
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
Capital outlay	-	7,000	-	-	-
Total Expenditures	17,900	203,812	717,132	149,555	3,179,697
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,887	(103,026)	(13,027)	(121,612)	5,648,845
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	75,000	-
Transfers out	-	-	-	(228)	(5,010,671)
Total Other Financing Sources (Uses)	-	-	-	74,772	(5,010,671)
Net Change in Fund Balances	13,887	(103,026)	(13,027)	(46,840)	638,174
Fund Balances - January 1, 2014	223,188	948,614	21,930	256,668	591,349
Fund Balances - December 31, 2014	\$ 237,075	\$ 845,588	\$ 8,903	\$ 209,828	\$ 1,229,523

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds				
	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development	Senior Employment
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	7,389	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	792,690	2,844,617	2,044,358	371,802
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	194	125	1,810	42	-
Miscellaneous revenues	-	-	338,454	223,648	-
Total Revenues	7,583	792,815	3,184,881	2,268,048	371,802
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	13,000	-	-	-	-
Urban and economic development	-	795,369	2,991,108	2,264,976	371,564
Debt service:					
Principal retirement	-	-	80,000	-	-
Interest and fiscal fees	-	-	157,792	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
Capital outlay	-	-	-	-	-
Total Expenditures	13,000	795,369	3,228,900	2,264,976	371,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,417)	(2,554)	(44,019)	3,072	238
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	1,118	-	-
Transfers out	-	-	(1,329)	(3,819)	(228)
Total Other Financing Sources (Uses)	-	-	(211)	(3,819)	(228)
Net Change in Fund Balances	(5,417)	(2,554)	(44,230)	(747)	10
Fund Balances - January 1, 2014	29,078	(27,500)	365,259	267,093	-
Fund Balances - December 31, 2014	\$ 23,661	\$ (30,054)	\$ 321,029	\$ 266,346	\$ 10

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds			Debt Service Funds	
	Street System Maintenance Utility	Public Arts	DECC Revenue	General Obligation	Special Assessment Debt Service
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ 6,275,166	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	221,605	-
Charges for services	1,128,532	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	904,932
Investment income	-	503	9,651	97,086	15,023
Miscellaneous revenues	-	-	-	1,220,375	-
Total Revenues	1,128,532	503	9,651	7,814,232	919,955
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,525	-	-	-	-
Culture and recreation	-	36,422	-	-	-
Urban and economic development	-	-	380,711	-	-
Debt service:					
Principal retirement	-	-	-	6,743,138	1,236,862
Interest and fiscal fees	-	-	-	3,751,533	166,012
Bond issuance costs	-	-	-	-	25,455
Capital outlay:					
Capital outlay	-	-	-	-	-
Total Expenditures	1,525	36,422	380,711	10,494,671	1,428,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,127,007	(35,919)	(371,060)	(2,680,439)	(508,374)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	865,000
Premium on issuance of bonds	-	-	-	-	20,419
Payment to refunded bond escrow agent	-	-	-	-	(865,000)
Transfers in	-	75,659	3,016,937	3,257,491	-
Transfers out	(891,531)	-	(2,381,288)	(722,580)	-
Total Other Financing Sources (Uses)	(891,531)	75,659	635,649	2,534,911	20,419
Net Change in Fund Balances	235,476	39,740	264,589	(145,528)	(487,955)
Fund Balances - January 1, 2014	-	93,652	2,249,047	9,518,371	2,016,655
Fund Balances - December 31, 2014	\$ 235,476	\$ 133,392	\$ 2,513,636	\$ 9,372,843	\$ 1,528,700

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Debt Service Funds		Capital Project Funds		
	Street Improvement Debt Service	Capital Equipment	Special Assessment	Permanent Improvement	Spirit Mountain Capital Improvement
Revenues					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ 279,351	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	4,770,317	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	407,632	-	21,536	-	-
Investment income	73,119	28,049	272	(1,206)	405
Miscellaneous revenues	249	-	-	-	-
Total Revenues	481,000	28,049	21,808	5,048,462	405
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	491	8,794	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	-	-	-
Debt service:					
Principal retirement	2,875,000	-	-	-	-
Interest and fiscal fees	502,289	-	-	-	-
Bond issuance costs	-	42,965	-	-	57,040
Capital outlay:					
Capital outlay	-	2,866,636	-	4,381,796	183,361
Total Expenditures	3,377,289	2,909,601	491	4,390,590	240,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,896,289)	(2,881,552)	21,317	657,872	(239,996)
Other Financing Sources (Uses)					
Issuance of bonds	-	2,460,000	-	-	2,150,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	57,890	-	-	13,601
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	1,878,937	-	-	-	-
Transfers out	(30,280)	(3,365)	-	(350,759)	(48,753)
Total Other Financing Sources (Uses)	1,848,657	2,514,525	-	(350,759)	2,114,848
Net Change in Fund Balances	(1,047,632)	(367,027)	21,317	307,113	1,874,852
Fund Balances - January 1, 2014	6,018,689	1,872,266	13,516	300,045	58,654
Fund Balances - December 31, 2014	\$ 4,971,057	\$ 1,505,239	\$ 34,833	\$ 607,158	\$ 1,933,506

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Capital Project Funds</u>		Total Nonmajor Governmental Funds
	Street Improvement Program	Capital Improvement	
Revenues			
Taxes:			
Property taxes	\$ -	\$ -	\$ 9,150,905
Sales taxes	-	-	8,822,830
Other taxes	-	-	7,389
Licenses and permits	-	-	122,679
Intergovernmental revenues	-	1,141,781	14,935,179
Charges for services	-	-	2,110,706
Fines and forfeits	-	-	87,633
Special assessments	647,432	-	1,981,532
Investment income	6,742	84,377	345,386
Miscellaneous revenues	-	230,737	3,431,350
Total Revenues	<u>654,174</u>	<u>1,456,895</u>	<u>40,995,589</u>
Expenditures			
Current:			
General government	-	633,619	1,085,147
Public safety	-	134,660	1,139,256
Public works	-	70,811	81,621
Culture and recreation	-	174,681	4,613,447
Urban and economic development	-	-	10,836,124
Debt service:			
Principal retirement	-	-	10,935,000
Interest and fiscal fees	-	-	4,582,093
Bond issuance costs	-	98,293	223,753
Capital outlay:			
Capital outlay	783,304	5,826,186	14,931,948
Total Expenditures	<u>783,304</u>	<u>6,938,250</u>	<u>48,428,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(129,130)</u>	<u>(5,481,355)</u>	<u>(7,432,800)</u>
Other Financing Sources (Uses)			
Issuance of bonds	-	3,445,000	8,055,000
Proceeds from refundings	-	-	865,000
Premium on issuance of bonds	-	61,463	153,373
Payment to refunded bond escrow agent	-	-	(865,000)
Transfers in	-	228,261	9,229,491
Transfers out	-	(4,979)	(10,307,904)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,729,745</u>	<u>7,129,960</u>
Net Change in Fund Balances	<u>(129,130)</u>	<u>(1,751,610)</u>	<u>(302,840)</u>
Fund Balances - January 1, 2014	531,021	5,495,765	32,603,687
Fund Balances - December 31, 2014	<u>\$ 401,891</u>	<u>\$ 3,744,155</u>	<u>\$ 32,300,847</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Taxes:				
General property -				
Current	\$ 12,749,800	\$ 12,749,800	\$ 12,595,326	\$ (154,474)
Delinquent	150,000	150,000	336,323	186,323
Mobile home	50,800	50,800	35,703	(15,097)
Forfeited tax sale apportionment	5,000	5,000	14,027	9,027
Franchise	1,963,400	1,963,400	2,013,126	49,726
Sales taxes	12,900,000	12,900,000	13,208,184	308,184
Charitable gambling	48,000	48,000	57,940	9,940
Other	20,000	339,188	542,659	203,471
Total Taxes	27,887,000	28,206,188	28,803,288	597,100
Licenses and Permits:				
Liquor and non-intoxicating liquor	419,000	419,000	472,922	53,922
Health	20,500	20,500	26,017	5,517
Police protective	23,400	23,400	38,630	15,230
Amusement	20,000	20,000	1,200	(18,800)
Manufacturing and merchandising	36,000	36,000	46,609	10,609
Other	959,900	959,900	1,029,011	69,111
Total Licenses and Permits	1,478,800	1,478,800	1,614,389	135,589
Intergovernmental revenues:				
Shared revenues -				
Local government aid	29,042,600	29,042,600	29,030,643	(11,957)
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,600,000	1,600,000	1,839,639	239,639
State grants -				
Minnesota Library Information Network	-	5,000	5,140	140
Health Impact Assessment Grant	-	5,000	5,000	-
Cross Country Ski Trail	5,000	5,000	11,000	6,000
Snowmobile trail	18,000	18,000	19,292	1,292
Post training reimbursement	50,000	50,000	46,019	(3,981)
HAZMAT Regional Response Team	-	48,161	44,281	(3,880)
Bulletproof vests	-	7,798	7,798	-
Market value credit	-	-	594	594
MSA street maintenance allotment	1,533,400	1,533,400	1,380,060	(153,340)
MSA street construction allotment	-	-	14,647	14,647
Federal grants -				
Staffing for Adequate Fire and Emergency Response	200,000	200,000	222,323	22,323
Historic Preservation Fund Grants-In-Aid	-	644	644	-
Alcohol, Tobacco, and Firearms - Training Assistance	-	59,172	62,585	3,413
Bulletproof Vest Partnership Program	-	7,906	7,906	-
Local Law Enforcement Block Grant Program	-	4,411	4,411	-
Other grants -				
St. Louis County	148,300	148,300	148,311	11
Payments in lieu of taxes - Housing and Redevelopment Authority	108,200	108,200	50,218	(57,982)
Independent School District #709	211,000	211,000	239,774	28,774
Total Intergovernmental Revenues	33,040,900	33,178,992	33,264,713	85,721

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Charges for Services:				
Departmental fees and services -				
Fire	4,200	4,200	4,200	-
Police	88,500	88,500	110,342	21,842
Engineering	550,000	550,000	300,268	(249,732)
Building inspection services	2,112,100	2,112,100	2,582,571	470,471
Attorney services	10,000	10,000	3,500	(6,500)
MIS services	5,200	5,200	1,531	(3,669)
Grant administration services	77,500	77,500	79,968	2,468
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	73,900	73,900	74,707	807
Other services	400	400	180	(220)
Departmental sales -				
Copier and microfilm prints	24,700	24,700	21,200	(3,500)
Print and plan sales	3,000	3,000	10,010	7,010
Book sales	300	300	144	(156)
Share of general expenses -				
Duluth Airport Authority	45,200	45,200	45,200	-
Water and Gas	872,400	872,400	872,400	-
Sewer	306,900	306,900	306,900	-
Stormwater	150,700	150,700	150,700	-
Steam	49,500	49,500	49,500	-
Duluth Entertainment and Convention Center Authority	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	66,800	-
Duluth Economic Development Authority	365,000	365,000	365,000	-
Fleet Services	108,200	108,200	108,200	-
Group Health	255,000	255,000	255,000	-
Self-Insurance	283,200	283,200	283,200	-
Spirit Mountain Recreation Area Authority	37,700	37,700	37,700	-
Parking	23,300	23,300	23,300	-
Street Lighting	59,000	59,000	59,000	-
Total Charges for Services	<u>5,638,000</u>	<u>5,638,000</u>	<u>5,876,821</u>	<u>238,821</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Fines and Forfeits:				
Library fines	90,000	90,000	75,855	(14,145)
Parking fines	22,700	22,700	22,561	(139)
Court fees	482,100	482,100	438,164	(43,936)
License penalties	18,000	18,000	5,933	(12,067)
Felony forfeitures	-	43,377	79,067	35,690
Total Fines and Forfeits	612,800	656,177	621,580	(34,597)
Special Assessments				
	439,300	481,738	477,380	(4,358)
Investment Income:				
Earnings on investments	305,000	305,000	105,371	(199,629)
Fair value adjustment	-	-	4,682	4,682
Total Investment Income	305,000	305,000	110,053	(194,947)
Miscellaneous Revenues:				
Commission and concessions	9,000	9,000	9,557	557
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	5,162	11,129	5,967
Rent and lease	92,800	92,800	134,832	42,032
Damage claims	15,000	15,000	231	(14,769)
Sale of equipment	70,000	70,000	87,238	17,238
Sale of land	57,600	57,600	104,274	46,674
Sale of scrap	4,000	4,000	9,109	5,109
Surcharge retainage	1,500	1,500	1,596	96
Refunds and reimbursements	117,000	257,212	268,797	11,585
Gifts and donations	4,700	8,070	6,240	(1,830)
Interest temporary loans	4,600	4,600	77,368	72,768
Miscellaneous sales and services	54,200	55,700	146,396	90,696
Total Miscellaneous Revenues	446,400	596,644	872,853	276,209
Total Revenues	69,848,200	70,541,539	71,641,077	1,099,538

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Other Financing Sources:				
Transfers in:				
Special Projects	-	-	65,436	65,436
Duluth Police Grant Programs	410,900	589,900	667,785	77,885
Disaster Recovery Fund	-	-	22,515	22,515
Community Investment Trust	145,000	145,000	325,218	180,218
Tourism Taxes	827,900	854,634	833,734	(20,900)
General Obligation Debt Service - Tax Levy	-	-	36,778	36,778
Street Improvement Debt Service	-	-	30,280	30,280
Permanent Improvement	30,000	30,000	-	(30,000)
Parking	1,326,700	1,326,700	1,362,003	35,303
Water	301,700	301,700	220,812	(80,888)
Gas	2,767,700	2,767,700	2,950,512	182,812
Sewer	71,600	71,600	67,330	(4,270)
Stormwater	532,200	532,200	565,027	32,827
Steam	146,000	146,000	132,456	(13,544)
Employee Vacation Compensation	-	-	31,026	31,026
Total Other Financing Sources	<u>6,559,700</u>	<u>6,765,434</u>	<u>7,310,912</u>	<u>545,478</u>
Total Revenues and Other Financing Sources	<u>\$ 76,407,900</u>	<u>\$ 77,306,973</u>	<u>\$ 78,951,989</u>	<u>\$ 1,645,016</u>

Reconciliation:

Original budget as approved by Duluth City Council	\$ 76,407,900
Adjustments made in accordance with budget ordinance provisions:	
Grants, gifts, and donations	394,198
Ordinance allowable	<u>504,875</u>
Total adjustments	<u>899,073</u>
Modified budget as reported above	<u>\$ 77,306,973</u>

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
LEGISLATIVE AND EXECUTIVE							
City Council							
Personal services - salaries	\$ 90,000	\$ 90,000		\$ 89,964	\$ -	\$ 89,964	\$ 36
Personal services - benefits	6,500	6,753		6,751	-	6,751	2
Other expenditures	38,800	38,547		23,364	3,424	26,788	11,759
Total City Council	135,300	135,300		120,079	3,424	123,503	11,797
Mayor's Office							
Personal services - salaries	211,600	270,200		269,934	-	269,934	266
Personal services - benefits	69,700	86,300		86,232	-	86,232	68
Other expenditures	14,600	19,600		20,920	-	20,920	(1,320)
Total Mayor's Office	295,900	376,100	1	377,086	-	377,086	(986)
Chief Administrative Officer							
Personal services - salaries	206,300	208,600		192,243	-	192,243	16,357
Personal services - benefits	81,900	81,900		80,352	-	80,352	1,548
Other expenditures	10,600	10,600		5,923	-	5,923	4,677
Total Chief Administrative Officer	298,800	301,100	1	278,518	-	278,518	22,582
Attorney and Human Rights							
Personal services - salaries	1,428,700	1,446,100		1,429,453	-	1,429,453	16,647
Personal services - benefits	450,700	456,000		455,926	-	455,926	74
Other expenditures	41,100	41,100		33,992	-	33,992	7,108
Total Attorney and Human Rights	1,920,500	1,943,200	1	1,919,371	-	1,919,371	23,829
TOTAL LEGISLATIVE AND EXECUTIVE	2,650,500	2,755,700		2,695,054	3,424	2,698,478	57,222
PUBLIC ADMINISTRATION							
Human Resources							
Personal services - salaries	795,000	709,300		709,301	-	709,301	(1)
Personal services - benefits	298,000	279,600		279,547	-	279,547	53
Other expenditures	68,500	68,500		45,853	-	45,853	22,647
Total Human Resources	1,161,500	1,057,400	1	1,034,701	-	1,034,701	22,699
Management Information Services							
Personal services - salaries	1,486,400	1,268,500		1,268,439	-	1,268,439	61
Personal services - benefits	564,200	454,200		449,603	-	449,603	4,597
Other expenditures	713,200	731,849		680,323	-	680,323	51,526
Total Management Information Services	2,763,800	2,454,549	1,2	2,398,365	-	2,398,365	56,184
Clerk							
Personal services - salaries	596,000	596,000		558,401	-	558,401	37,599
Personal services - benefits	212,600	212,600		188,237	-	188,237	24,363
Other expenditures	43,500	43,500		35,264	-	35,264	8,236
Total Clerk	852,100	852,100		781,902	-	781,902	70,198
Maintenance Operations							
Personal services - salaries	3,803,000	3,981,500		3,981,342	-	3,981,342	158
Personal services - benefits	1,634,100	1,610,100		1,609,405	-	1,609,405	695
Other expenditures	4,357,900	4,873,600		4,866,285	-	4,866,285	7,315
Capital outlay	-	31,300		31,263	-	31,263	37
Total Maintenance Operations	9,795,000	10,496,500	1,2,3	10,488,295	-	10,488,295	8,205

(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, 2014

	<u>Budget</u>		<u>Note</u>	<u>Actual</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Modified</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Totals</u>	
PUBLIC ADMINISTRATION (continued)							
Library Services							
Personal services - salaries	2,664,200	2,602,900		2,602,013	-	2,602,013	887
Personal services - benefits	932,500	953,200		953,168	-	953,168	32
Other expenditures	589,100	640,103		639,754	-	639,754	349
Total Library Services	4,185,800	4,196,203	1,3,4	4,194,935	-	4,194,935	1,268
Facilities Management							
Personal services - salaries	1,128,300	1,137,600		1,137,508	-	1,137,508	92
Personal services - benefits	439,400	461,108		459,403	-	459,403	1,705
Other expenditures	2,242,400	2,154,525		1,941,363	-	1,941,363	213,162
Total Facilities Management	3,810,100	3,753,233	1,2	3,538,274	-	3,538,274	214,959
TOTAL PUBLIC ADMINISTRATION	22,568,300	22,809,985		22,436,472	-	22,436,472	373,513
FINANCE							
Budget							
Personal services - salaries	266,300	266,300		251,287	-	251,287	15,013
Personal services - benefits	78,600	78,600		77,680	-	77,680	920
Other expenditures	7,100	7,100		5,465	-	5,465	1,635
Total Budget	352,000	352,000		334,432	-	334,432	17,568
Auditor							
Personal services - salaries	618,400	701,200		701,148	-	701,148	52
Personal services - benefits	240,800	269,100		269,021	-	269,021	79
Other expenditures	313,500	317,500		315,278	-	315,278	2,222
Total Auditor	1,172,700	1,287,800	1	1,285,447	-	1,285,447	2,353
Purchasing							
Personal services - salaries	143,300	135,400		135,395	-	135,395	5
Personal services - benefits	61,100	57,100		56,506	-	56,506	594
Other expenditures	5,700	5,700		2,035	-	2,035	3,665
Total Purchasing	210,100	198,200	1	193,936	-	193,936	4,264
Treasurer							
Personal services - salaries	600,100	572,100		552,170	-	552,170	19,930
Personal services - benefits	213,100	210,100		205,683	-	205,683	4,417
Other expenditures	49,000	39,000		31,258	-	31,258	7,742
Total Treasurer	862,200	821,200	1	789,111	-	789,111	32,089
TOTAL FINANCE	2,597,000	2,659,200		2,602,926	-	2,602,926	56,274

(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, 2014**

	<u>Budget</u>		<u>Note</u>	<u>Actual</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Modified</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Totals</u>	
PLANNING AND CONSTRUCTION SERVICES							
Planning and Development							
Personal services - salaries	499,200	489,200		485,491	-	485,491	3,709
Personal services - benefits	187,100	177,100		175,195	-	175,195	1,905
Other expenditures	48,400	99,476		89,394	-	89,394	10,082
Total Planning and Development	734,700	765,776	1,3,4	750,080	-	750,080	15,696
Construction Services and Inspection							
Personal services - salaries	1,011,800	990,000		989,992	-	989,992	8
Personal services - benefits	405,200	420,900		420,827	-	420,827	73
Other expenditures	184,800	184,800		121,997	49,715	171,712	13,088
Total Construction Services and Inspection	1,601,800	1,595,700	1	1,532,816	49,715	1,582,531	13,169
TOTAL PLANNING AND CONSTRUCTION SERVICES	2,336,500	2,361,476		2,282,896	49,715	2,332,611	28,865
BUSINESS AND COMMUNITY DEVELOPMENT							
Business and Community Development							
Personal services - salaries	486,800	425,200		411,187	-	411,187	14,013
Personal services - benefits	171,200	160,492		156,443	-	156,443	4,049
Other expenditures	75,600	75,600		64,083	-	64,083	11,517
Total Business and Community Development	733,600	661,292	1	631,713	-	631,713	29,579
TOTAL BUSINESS AND COMMUNITY DEVELOPMENT	733,600	661,292		631,713	-	631,713	29,579
FIRE							
Administration							
Personal services - salaries	369,600	359,600		334,782	-	334,782	24,818
Personal services - benefits	116,900	106,900		104,586	-	104,586	2,314
Other expenditures	69,400	81,934		66,833	5,930	72,763	9,171
Total Administration	555,900	548,434	1,4	506,201	5,930	512,131	36,303
Operations							
Personal services - salaries	8,867,600	9,285,397		9,211,976	-	9,211,976	73,421
Personal services - benefits	3,540,400	3,694,700		3,684,437	-	3,684,437	10,263
Other expenditures	465,800	623,550		620,372	-	620,372	3,178
Total Operations	12,873,800	13,603,647	1,3,4	13,516,785	-	13,516,785	86,862
Life Safety							
Personal services - salaries	675,800	615,800		591,921	-	591,921	23,879
Personal services - benefits	293,300	282,200		282,191	-	282,191	9
Other expenditures	93,700	74,760		53,381	-	53,381	21,379
Total Life Safety	1,062,800	972,760	1,2	927,493	-	927,493	45,267
Hazardous Materials (HAZMAT)							
Other expenditures	-	19,021		15,752	-	15,752	3,269
Total Hazardous Materials (HAZMAT)	-	19,021	1,2,3	15,752	-	15,752	3,269
TOTAL FIRE	14,492,500	15,143,862		14,966,231	5,930	14,972,161	171,701

(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, 2014**

	<u>Budget</u>		<u>Note</u>	<u>Actual</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Modified</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Totals</u>	
POLICE							
Administration and Investigation							
Personal services - salaries	5,424,500	5,263,911		5,223,711	-	5,223,711	40,200
Personal services - benefits	2,139,600	2,078,400		2,069,018	-	2,069,018	9,382
Other expenditures	1,524,900	1,523,193		1,410,193	-	1,410,193	113,000
Total Administration and Investigation	9,089,000	8,865,504	1,3,4	8,702,922	-	8,702,922	162,582
Patrol							
Personal services - salaries	7,095,800	7,481,472		7,452,896	-	7,452,896	28,576
Personal services - benefits	2,750,200	3,034,100		3,033,179	-	3,033,179	921
Other expenditures	136,000	153,074		138,883	-	138,883	14,191
Total Patrol	9,982,000	10,668,646	1,3	10,624,958	-	10,624,958	43,688
Police Special Accounts							
Other expenditures	-	134,351		79,202	-	79,202	55,149
Total Police Special Accounts	-	134,351	2,4	79,202	-	79,202	55,149
TOTAL POLICE	19,071,000	19,668,501		19,407,082	-	19,407,082	261,419
PUBLIC WORKS AND UTILITIES							
Public Works Director's Office							
Personal services - salaries	38,700	39,600		39,535	-	39,535	65
Personal services - benefits	9,300	11,000		10,954	-	10,954	46
Other expenditures	800	800		202	-	202	598
Total Public Works Director's Office	48,800	51,400	1	50,691	-	50,691	709
Engineering							
Personal services - salaries	1,114,600	1,143,500		1,143,483	-	1,143,483	17
Personal services - benefits	417,300	436,700		436,677	-	436,677	23
Other expenditures	151,300	140,400		122,940	-	122,940	17,460
Total Engineering	1,683,200	1,720,600	1	1,703,100	-	1,703,100	17,500
TOTAL PUBLIC WORKS AND UTILITIES	1,732,000	1,772,000		1,753,791	-	1,753,791	18,209

(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, 2014**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
TRANSFERS AND OTHER FUNCTIONS:							
Business improvement district	300,000	342,438	4	342,437	-	342,437	1
Public access television	182,000	182,000		181,640	-	181,640	360
State sales tax administration	125,000	125,000		104,287	-	104,287	20,713
Capital maintenance/lease purchase	50,000	37,000	1	22,557	4,108	26,665	10,335
Capital improvements/lease purchase	295,800	433,800	2	433,750	-	433,750	50
Flexible benefits	235,000	384,640	1,2,4	323,208	-	323,208	61,432
Retiree insurance	7,225,000	7,040,000	1	7,027,206	-	7,027,206	12,794
Self-insurance	650,000	650,000		650,000	-	650,000	-
Street improvement program debt	-	319,188	4	319,187	-	319,187	1
Transfers and accruals	500,000	-	1	-	-	-	-
Other functions	663,700	704,200	1	524,650	70,852	595,502	108,698
TOTAL TRANSFERS AND OTHER FUNCTIONS	10,226,500	10,218,266		9,928,922	74,960	10,003,882	214,384
TOTAL EXPENDITURES AND ENCUMBRANCES	\$ 76,407,900	\$ 78,050,282		\$ 76,705,087	\$ 134,029	\$ 76,839,116	\$ 1,211,166

RECONCILIATION:

Original budget as approved by Duluth City Council	\$ 76,407,900
Adjustments made in accordance with Budget Ordinance	
Note 1	- Departmental transfers made in accordance with budget ordinance.
Note 2	743,309 - Encumbrance, contract, reserve, or designation carryovers from prior year.
Note 3	394,198 - Grants, gifts, and donations in accordance with budget ordinance.
Note 4	504,875 - Other allowable additions made in accordance with budget ordinance.
Total adjustments	<u>1,642,382</u>
Modified budget as reported above	<u>\$ 78,050,282</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
GENERAL GOVERNMENT:						
Legislative and Executive						
City Council	\$ 89,964	\$ 6,751	\$ 23,364	\$ -	\$ -	\$ 120,079
Mayor's Office	269,934	86,232	20,920	-	-	377,086
Chief Administrative Officer	192,243	80,352	5,923	-	-	278,518
City Attorney and Human Rights	1,429,453	455,926	33,992	-	-	1,919,371
Total Legislative and Executive	1,981,594	629,261	84,199	-	-	2,695,054
Public Administration						
Human Resources	709,301	279,547	45,853	-	-	1,034,701
Management Information Services	1,268,439	449,603	680,323	-	-	2,398,365
Clerk	558,401	188,237	35,264	-	-	781,902
Facilities Management	1,137,508	459,403	1,941,363	-	-	3,538,274
Other functions	-	502,957	1,316,894	-	319,187	2,139,038
Total Public Administration	3,673,649	1,879,747	4,019,697	-	319,187	9,892,280
Finance						
Budget	251,287	77,680	5,465	-	-	334,432
Auditor	701,148	269,021	315,278	-	-	1,285,447
Purchasing	135,395	56,506	2,035	-	-	193,936
Treasurer	552,170	205,683	31,258	-	-	789,111
Total Finance	1,640,000	608,890	354,036	-	-	2,602,926
Benefits						
Flexible Benefits	-	191,021	-	-	132,187	323,208
Retiree Insurance	-	7,027,206	-	-	-	7,027,206
Total Benefits	-	7,218,227	-	-	132,187	7,350,414
TOTAL GENERAL GOVERNMENT	7,295,243	10,336,125	4,457,932	-	451,374	22,540,674
PUBLIC SAFETY:						
Fire						
Administration	334,782	104,586	66,833	-	-	506,201
Operations	9,211,976	3,684,437	620,372	-	-	13,516,785
Life Safety	591,921	282,191	53,381	-	-	927,493
Hazardous Materials (HAZMAT)	-	-	15,752	-	-	15,752
Total Fire	10,138,679	4,071,214	756,338	-	-	14,966,231
Police						
Administration and Investigation	5,223,711	2,069,018	1,410,193	-	-	8,702,922
Patrol	7,452,896	3,033,179	138,883	-	-	10,624,958
Police Special Accounts	-	-	79,202	-	-	79,202
Total Police	12,676,607	5,102,197	1,628,278	-	-	19,407,082
TOTAL PUBLIC SAFETY	22,815,286	9,173,411	2,384,616	-	-	34,373,313

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
PUBLIC WORKS:						
Public Administration						
Maintenance Operations	3,981,342	1,609,405	4,866,285	31,263	-	10,488,295
Total Public Administration	3,981,342	1,609,405	4,866,285	31,263	-	10,488,295
Public Works						
Public Works Director's Office	39,535	10,954	202	-	-	50,691
Engineering	1,143,483	436,677	122,940	-	-	1,703,100
Total Public Works	1,183,018	447,631	123,142	-	-	1,753,791
TOTAL PUBLIC WORKS	5,164,360	2,057,036	4,989,427	31,263	-	12,242,086
CULTURE AND RECREATION:						
Public Administration						
Library Services	2,602,013	953,168	645,474	-	-	4,200,655
Total Public Administration	2,602,013	953,168	645,474	-	-	4,200,655
TOTAL CULTURE AND RECREATION	2,602,013	953,168	645,474	-	-	4,200,655
URBAN AND ECONOMIC DEVELOPMENT:						
Planning and Construction Services						
Planning and Development	485,491	175,195	89,394	-	-	750,080
Construction Services and Inspection	989,992	420,827	121,997	-	-	1,532,816
Total Planning and Construction Services	1,475,483	596,022	211,391	-	-	2,282,896
Business and Community Development						
Business and Community Development	411,187	156,443	64,083	-	-	631,713
Total Business and Community Development	411,187	156,443	64,083	-	-	631,713
TOTAL URBAN AND ECONOMIC DEVELOPMENT	1,886,670	752,465	275,474	-	-	2,914,609
DEBT SERVICE:						
Capital Lease Obligation - Principal	-	-	-	415,000	-	415,000
Capital Lease Obligation - Interest	-	-	-	18,750	-	18,750
TOTAL DEBT SERVICE	-	-	-	433,750	-	433,750
TOTAL EXPENDITURES/TRANSFERS OUT	\$ 39,763,572	\$ 23,272,205	\$ 12,752,923	\$ 465,013	\$ 451,374	\$ 76,705,087

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2014**

ENTERPRISE FUNDS

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

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014

	<u>Golf</u>	<u>Stormwater</u>	<u>Steam</u>	<u>Street Lighting</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ 2,083,144	\$ 783,986	\$ 1,853,046	\$ 4,720,176
Receivables, net:					
Accounts	8,892	443,117	1,140,024	221,642	1,813,675
Assessments	-	21,845	-	-	21,845
Due from other funds	-	68,866	33,860	-	102,726
Due from other governments	-	-	-	17,654	17,654
Inventories	15,808	70,721	401,596	-	488,125
Total Current Assets	<u>24,700</u>	<u>2,687,693</u>	<u>2,359,466</u>	<u>2,092,342</u>	<u>7,164,201</u>
Noncurrent assets:					
Capital assets, net	<u>1,710,246</u>	<u>14,574,156</u>	<u>8,511,698</u>	<u>2,210,466</u>	<u>27,006,566</u>
Total Noncurrent Assets	<u>1,710,246</u>	<u>14,574,156</u>	<u>8,511,698</u>	<u>2,210,466</u>	<u>27,006,566</u>
Total Assets	<u>1,734,946</u>	<u>17,261,849</u>	<u>10,871,164</u>	<u>4,302,808</u>	<u>34,170,767</u>
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	11,069	247,743	-	258,812
Liabilities					
Current liabilities:					
Accounts payable	11,483	28,576	205,086	188,094	433,239
Contracts payable	-	47,696	292,302	-	339,998
Leases payable	120,567	-	-	-	120,567
Due to other funds	-	19,430	606	8,531	28,567
Interfund loan payable	57,815	-	-	-	57,815
Due to other governments	770	12,453	20,700	-	33,923
Accrued interest payable	4,155	21,879	29,558	-	55,592
Accrued salaries payable	-	93,095	-	17,108	110,203
Compensated absences	-	105,126	-	16,948	122,074
Unearned revenue	43,595	15,603	-	7,012	66,210
Deposits	1,352	-	-	-	1,352
Revenue bonds payable	-	218,837	625,000	-	843,837
Total Current Liabilities	<u>239,737</u>	<u>562,695</u>	<u>1,173,252</u>	<u>237,693</u>	<u>2,213,377</u>
Noncurrent liabilities:					
Interfund loan payable	1,550,000	-	-	-	1,550,000
Net other postemployment benefits payable	-	30,216	-	-	30,216
Revenue bonds payable	-	1,274,364	4,250,000	-	5,524,364
Less unamortized bond premium (discount)	-	15,172	8,983	-	24,155
Total Noncurrent Liabilities	<u>1,550,000</u>	<u>1,319,752</u>	<u>4,258,983</u>	<u>-</u>	<u>7,128,735</u>
Total Liabilities	<u>1,789,737</u>	<u>1,882,447</u>	<u>5,432,235</u>	<u>237,693</u>	<u>9,342,112</u>
Net Position					
Net investment in capital assets	1,589,679	13,076,852	3,875,458	2,210,466	20,752,455
Unrestricted	(1,644,470)	2,313,619	1,811,214	1,854,649	4,335,012
Total Net Position	<u>\$ (54,791)</u>	<u>\$ 15,390,471</u>	<u>\$ 5,686,672</u>	<u>\$ 4,065,115</u>	<u>\$ 25,087,467</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Golf</u>	<u>Stormwater</u>	<u>Steam</u>	<u>Street Lighting</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues					
Sales	\$ 497,076	\$ -	\$ -	\$ -	\$ 497,076
Charges for services	1,236,987	4,583,257	6,581,832	2,133,613	14,535,689
Miscellaneous revenues	471	44,575	268,791	85,828	399,665
Total Operating Revenues	<u>1,734,534</u>	<u>4,627,832</u>	<u>6,850,623</u>	<u>2,219,441</u>	<u>15,432,430</u>
Operating Expenses					
Cost of sales and services	327,057	-	-	-	327,057
Personal services	-	2,281,570	-	439,514	2,721,084
Supplies	53,441	298,302	2,789,040	283,281	3,424,064
Utilities	44,765	24,223	509,498	664,973	1,243,459
Other services and charges	1,369,923	644,859	2,762,161	289,448	5,066,391
Depreciation	219,173	452,295	1,082,205	234,755	1,988,428
Total Operating Expenses	<u>2,014,359</u>	<u>3,701,249</u>	<u>7,142,904</u>	<u>1,911,971</u>	<u>14,770,483</u>
Operating Income (Loss)	<u>(279,825)</u>	<u>926,583</u>	<u>(292,281)</u>	<u>307,470</u>	<u>661,947</u>
Nonoperating Revenues (Expenses)					
Investment income	-	42,242	10,605	10,043	62,890
Intergovernmental revenue	-	-	21,333	-	21,333
Other revenue	-	-	50,000	-	50,000
Gain (loss) on sale or disposition of capital assets	-	40,500	-	-	40,500
Interest and fiscal fees	(6,296)	(53,208)	(111,650)	-	(171,154)
Total Nonoperating Revenues (Expenses)	<u>(6,296)</u>	<u>29,534</u>	<u>(29,712)</u>	<u>10,043</u>	<u>3,569</u>
Income (Loss) Before Contributions and Transfers	<u>(286,121)</u>	<u>956,117</u>	<u>(321,993)</u>	<u>317,513</u>	<u>665,516</u>
Capital contributions	-	(1,397)	-	-	(1,397)
Transfers in	-	6,678	392,498	-	399,176
Transfers out	-	(570,602)	(132,456)	(42,140)	(745,198)
Change in Net Position	<u>(286,121)</u>	<u>390,796</u>	<u>(61,951)</u>	<u>275,373</u>	<u>318,097</u>
Total Net Position - January 1, 2014	<u>231,330</u>	<u>14,999,675</u>	<u>5,748,623</u>	<u>3,789,742</u>	<u>24,769,370</u>
Total Net Position - December 31, 2014	<u>\$ (54,791)</u>	<u>\$ 15,390,471</u>	<u>\$ 5,686,672</u>	<u>\$ 4,065,115</u>	<u>\$ 25,087,467</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Golf</u>	<u>Stormwater</u>	<u>Steam</u>	<u>Street Lighting</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,738,162	\$ 4,616,059	\$ 7,028,890	\$ 2,159,825	\$ 15,542,936
Cash paid to suppliers	(1,750,601)	(962,700)	(6,346,346)	(1,123,880)	(10,183,527)
Cash paid to employees	-	(2,295,831)	-	(435,621)	(2,731,452)
Other operating revenues	-	30,658	42,602	57,354	130,614
Net cash provided (used) by operating activities	<u>(12,439)</u>	<u>1,388,186</u>	<u>725,146</u>	<u>657,678</u>	<u>2,758,571</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	6,678	392,498	-	399,176
Transfers to other funds	-	(497,350)	(139,175)	(42,140)	(678,665)
Operating grants	-	10,000	71,333	-	81,333
Interfund financing	138,256	-	-	-	138,256
Net cash provided (used) by noncapital financing activities	<u>138,256</u>	<u>(480,672)</u>	<u>324,656</u>	<u>(42,140)</u>	<u>(59,900)</u>
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	-	(224)	-	-	(224)
Principal paid on bonds, notes and capitalized leases	(115,539)	(210,409)	(600,000)	-	(925,948)
Interest paid on bonds, notes and capitalized leases	(10,278)	(56,552)	(74,990)	-	(141,820)
Acquisition or construction of capital assets	-	(1,124,277)	(970,823)	(693,742)	(2,788,842)
Net cash provided (used) by capital and related financing activities	<u>(125,817)</u>	<u>(1,391,462)</u>	<u>(1,645,813)</u>	<u>(693,742)</u>	<u>(3,856,834)</u>
Cash Flows from Investing Activities					
Investment earnings	-	42,242	10,605	10,043	62,890
Net increase (decrease) in cash and cash equivalents	-	(441,706)	(585,406)	(68,161)	(1,095,273)
Cash and cash equivalents - January 1, 2014	-	2,524,850	1,369,392	1,921,207	5,815,449
Cash and cash equivalents - December 31, 2014	<u>\$ -</u>	<u>\$ 2,083,144</u>	<u>\$ 783,986</u>	<u>\$ 1,853,046</u>	<u>\$ 4,720,176</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	<u>\$ (279,825)</u>	<u>\$ 926,583</u>	<u>\$ (292,281)</u>	<u>\$ 307,470</u>	<u>\$ 661,947</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	219,173	452,295	1,082,205	234,755	1,988,428
Change in assets and liabilities:					
Decrease (increase) in receivables	918	451	228,374	3,100	232,843
Decrease (increase) in inventories	36,335	1,667	(66,803)	-	(28,801)
Decrease (increase) in prepaids	437	-	-	-	437
Increase (decrease) in payables	7,813	4,722	(226,349)	110,500	(103,314)
Increase (decrease) in unearned revenue	2,710	2,468	-	1,853	7,031
Total adjustments	<u>267,386</u>	<u>461,603</u>	<u>1,017,427</u>	<u>350,208</u>	<u>2,096,624</u>
Net cash provided (used) by operating activities	<u>\$ (12,439)</u>	<u>\$ 1,388,186</u>	<u>\$ 725,146</u>	<u>\$ 657,678</u>	<u>\$ 2,758,571</u>

Noncash Investing, Capital and Financing Activities

Stormwater

Capital contributions are reported net of timing differences totaling \$1,173 due to receivables.

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2014

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 4,118,926	\$ 5,158	\$ 3,095,629	\$ 6,389	\$ 7,226,102
Restricted assets held by trustee	-	9,188,368	-	-	9,188,368
Receivables, net:					
Accounts	-	42,722	-	-	42,722
Due from other funds	470	-	5,952	317,706	324,128
Due from component units	19,656	-	-	-	19,656
Inventories	-	-	-	298,393	298,393
Prepays	40,000	-	-	-	40,000
Total Current Assets	<u>4,179,052</u>	<u>9,236,248</u>	<u>3,101,581</u>	<u>622,488</u>	<u>17,139,369</u>
Noncurrent assets:					
Capital assets, net	-	-	-	355,497	355,497
Total Noncurrent Assets	-	-	-	355,497	355,497
Total Assets	<u>4,179,052</u>	<u>9,236,248</u>	<u>3,101,581</u>	<u>977,985</u>	<u>17,494,866</u>
Liabilities					
Current liabilities:					
Accounts payable	2,495	39,109	-	146,675	188,279
Contracts payable	37,698	-	-	-	37,698
Claims payable	143,390	1,890,212	-	-	2,033,602
Due to other funds	-	-	227,450	-	227,450
Due to other governments	809	-	-	-	809
Accrued salaries payable	6,060	-	-	53,636	59,696
Compensated absences	2,921	-	2,754,267	69,046	2,826,234
Total Current Liabilities	<u>193,373</u>	<u>1,929,321</u>	<u>2,981,717</u>	<u>269,357</u>	<u>5,373,768</u>
Noncurrent liabilities:					
Claims payable	916,981	-	-	-	916,981
Compensated absences	-	-	126,887	3	126,890
Total Noncurrent Liabilities	<u>916,981</u>	<u>-</u>	<u>126,887</u>	<u>3</u>	<u>1,043,871</u>
Total Liabilities	<u>1,110,354</u>	<u>1,929,321</u>	<u>3,108,604</u>	<u>269,360</u>	<u>6,417,639</u>
Net Position					
Net investment in capital assets	-	-	-	355,497	355,497
Restricted for health insurance trust	-	7,306,927	-	-	7,306,927
Unrestricted	3,068,698	-	(7,023)	353,128	3,414,803
Total Net Position	<u>\$ 3,068,698</u>	<u>\$ 7,306,927</u>	<u>\$ (7,023)</u>	<u>\$ 708,625</u>	<u>\$ 11,077,227</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities- Internal Service Funds</u>
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,711,716	\$ 2,711,716
Charges for services	1,028,770	14,172,578	2,881,154	1,666,032	19,748,534
Miscellaneous revenues	144,890	177,681	-	3,435	326,006
Total Operating Revenues	<u>1,173,660</u>	<u>14,350,259</u>	<u>2,881,154</u>	<u>4,381,183</u>	<u>22,786,256</u>
Operating Expenses					
Cost of sales and services	-	-	-	2,461,437	2,461,437
Personal services	383,815	-	2,881,154	1,321,643	4,586,612
Supplies	2,056	-	-	49,322	51,378
Utilities	-	-	-	33,995	33,995
Other services and charges	574,150	1,825,130	-	323,452	2,722,732
Depreciation	-	-	-	55,925	55,925
Medical and insurance	568,250	10,941,371	-	-	11,509,621
Total Operating Expenses	<u>1,528,271</u>	<u>12,766,501</u>	<u>2,881,154</u>	<u>4,245,774</u>	<u>21,421,700</u>
Operating Income (Loss)	<u>(354,611)</u>	<u>1,583,758</u>	<u>-</u>	<u>135,409</u>	<u>1,364,556</u>
Nonoperating Revenues (Expenses)					
Investment income	28,199	14,010	52,526	(14)	94,721
Intergovernmental revenue	-	-	-	5,835	5,835
Total Nonoperating Revenues (Expenses)	<u>28,199</u>	<u>14,010</u>	<u>52,526</u>	<u>5,821</u>	<u>100,556</u>
Income (Loss) Before Contributions and Transfers	<u>(326,412)</u>	<u>1,597,768</u>	<u>52,526</u>	<u>141,230</u>	<u>1,465,112</u>
Transfers out	-	-	(31,026)	-	(31,026)
Change in Net Position	<u>(326,412)</u>	<u>1,597,768</u>	<u>21,500</u>	<u>141,230</u>	<u>1,434,086</u>
Total Net Position - January 1, 2014	<u>3,395,110</u>	<u>5,709,159</u>	<u>(28,523)</u>	<u>567,395</u>	<u>9,643,141</u>
Total Net Position - December 31, 2014	<u>\$ 3,068,698</u>	<u>\$ 7,306,927</u>	<u>\$ (7,023)</u>	<u>\$ 708,625</u>	<u>\$ 11,077,227</u>

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF CASH FLOWS
 GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	Self- Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,169,276	\$ 14,687,070	\$ 2,859,433	\$ 4,478,055	\$ 23,193,834
Cash paid to suppliers	(1,025,109)	(13,009,311)	-	(2,955,897)	(16,990,317)
Cash paid to employees	(398,848)	-	(3,086,490)	(1,325,873)	(4,811,211)
Other operating revenues	-	-	-	3,435	3,435
Net cash provided (used) by operating activities	<u>(254,681)</u>	<u>1,677,759</u>	<u>(227,057)</u>	<u>199,720</u>	<u>1,395,741</u>
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	-	-	(31,026)	-	(31,026)
Operating grants	-	-	-	5,835	5,835
Interfund financing	-	-	-	(187,152)	(187,152)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(31,026)</u>	<u>(181,317)</u>	<u>(212,343)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	(12,000)	(12,000)
Cash Flows from Investing Activities					
Investment earnings	28,199	14,010	52,526	(14)	94,721
Net increase (decrease) in cash and cash equivalents	(226,482)	1,691,769	(205,557)	6,389	1,266,119
Cash and cash equivalents - January 1, 2014	4,345,408	7,501,757	3,301,186	-	15,148,351
Cash and cash equivalents - December 31, 2014	<u>\$ 4,118,926</u>	<u>\$ 9,193,526</u>	<u>\$ 3,095,629</u>	<u>\$ 6,389</u>	<u>\$ 16,414,470</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (354,611)	\$ 1,583,758	\$ -	\$ 135,409	\$ 1,364,556
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	55,925	55,925
Change in assets and liabilities:					
Decrease (increase) in receivables	(4,384)	409,343	(5,681)	100,307	499,585
Decrease (increase) in inventories	-	-	-	(3,837)	(3,837)
Decrease (increase) in prepaids	(40,000)	-	-	-	(40,000)
Increase (decrease) in payables	144,314	(242,810)	(221,376)	(88,084)	(407,956)
Increase (decrease) in unearned revenue	-	(72,532)	-	-	(72,532)
Total adjustments	<u>99,930</u>	<u>94,001</u>	<u>(227,057)</u>	<u>64,311</u>	<u>31,185</u>
Net cash provided (used) by operating activities	<u>\$ (254,681)</u>	<u>\$ 1,677,759</u>	<u>\$ (227,057)</u>	<u>\$ 199,720</u>	<u>\$ 1,395,741</u>

Fiduciary Funds

**CITY OF DULUTH, MINNESOTA
FIDUCIARY FUNDS
AGENCY FUNDS
DECEMBER 31, 2014**

AGENCY FUNDS

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

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

CITY OF DULUTH, MINNESOTA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/14</u>
<u>Duluth 1200 Fund</u>				
Assets				
Cash and cash equivalents	\$ 2,259,130	\$ 94,325	\$ 40,424	\$ 2,313,031
Loans receivable	<u>1,087,935</u>	<u>104,842</u>	<u>156,085</u>	<u>1,036,692</u>
Total Assets	<u>\$ 3,347,065</u>	<u>\$ 199,167</u>	<u>\$ 196,509</u>	<u>\$ 3,349,723</u>
Liabilities				
Accounts payable	\$ -	\$ 4,976	\$ 4,976	\$ -
Due to agency	<u>3,347,065</u>	<u>36,993</u>	<u>34,335</u>	<u>3,349,723</u>
Total Liabilities	<u>\$ 3,347,065</u>	<u>\$ 41,969</u>	<u>\$ 39,311</u>	<u>\$ 3,349,723</u>

**Supplementary
Information**

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2014**

Governmental funds capital assets:

Land and land improvements	\$ 22,161,157
Buildings	77,088,149
Equipment	32,423,909
Infrastructure	309,101,579
Construction in Progress	27,329,003
	<hr/>

Total governmental funds capital assets	\$ 468,103,797
	<hr/> <hr/>

Investments in governmental funds capital assets by source:

General fund	\$ 11,168,864
Special revenue fund	27,020,842
Capital projects fund	427,829,496
Donations	2,084,595
	<hr/>

Total governmental funds capital assets	\$ 468,103,797
	<hr/> <hr/>

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

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2014

	<u>Land and Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
Function and Activity						
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	508,647	-	504,225	1,012,872
Management Information Systems	-	-	2,991,903	-	-	2,991,903
Facilities Management	1,636,325	15,263,530	1,941,908	14,390,994	-	33,232,757
Finance	-	-	325,708	-	-	325,708
Total General Government	<u>1,636,325</u>	<u>15,263,530</u>	<u>5,774,485</u>	<u>14,390,994</u>	<u>504,225</u>	<u>37,569,559</u>
Public Safety						
Fire	83,006	3,114,984	9,279,872	-	-	12,477,862
Police	2,000	16,627,233	4,518,283	562,251	-	21,709,767
Total Public Safety	<u>85,006</u>	<u>19,742,217</u>	<u>13,798,155</u>	<u>562,251</u>	<u>-</u>	<u>34,187,629</u>
Public Works						
Street Construction	-	-	-	291,190,212	20,793,097	311,983,309
Maintenance Operations	54,435	1,258,641	11,141,008	60,403	199,917	12,714,404
Engineering	5,145,615	1,956,386	553,158	-	-	7,655,159
Total Public Works	<u>5,200,050</u>	<u>3,215,027</u>	<u>11,694,166</u>	<u>291,250,615</u>	<u>20,993,014</u>	<u>332,352,872</u>
Culture and Recreation						
Libraries	51,585	7,545,987	184,063	-	-	7,781,635
Parks and Recreation	12,447,764	30,224,358	467,364	2,897,719	5,831,764	51,868,969
Total Culture and Recreation	<u>12,499,349</u>	<u>37,770,345</u>	<u>651,427</u>	<u>2,897,719</u>	<u>5,831,764</u>	<u>59,650,604</u>
Urban and Economic Development						
Planning and Construction Services	2,740,427	1,097,030	505,676	-	-	4,343,133
Total Urban and Economic Development	<u>2,740,427</u>	<u>1,097,030</u>	<u>505,676</u>	<u>-</u>	<u>-</u>	<u>4,343,133</u>
Total Governmental Funds Capital Assets	<u>\$ 22,161,157</u>	<u>\$ 77,088,149</u>	<u>\$ 32,423,909</u>	<u>\$ 309,101,579</u>	<u>\$ 27,329,003</u>	<u>\$ 468,103,797</u>

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net 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, 2014

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets 01/01/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 12/31/14</u>
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	958,227	54,645	-	1,012,872
Management Information Systems	3,816,952	94,980	920,029	2,991,903
Facilities Management	33,830,264	867,155	1,464,662	33,232,757
Finance	379,124	12,570	65,986	325,708
Total General Government	<u>38,990,886</u>	<u>1,029,350</u>	<u>2,450,677</u>	<u>37,569,559</u>
Public Safety				
Fire	12,906,169	613,078	1,041,385	12,477,862
Police	21,509,937	612,889	413,059	21,709,767
Total Public Safety	<u>34,416,106</u>	<u>1,225,967</u>	<u>1,454,444</u>	<u>34,187,629</u>
Public Works				
Street Construction	302,214,587	40,022,913	30,254,191	311,983,309
Maintenance Operations	11,783,320	2,941,907	2,010,823	12,714,404
Engineering	7,857,814	-	202,655	7,655,159
Total Public Works	<u>321,855,721</u>	<u>42,964,820</u>	<u>32,467,669</u>	<u>332,352,872</u>
Culture and Recreation				
Libraries	7,796,110	16,686	31,161	7,781,635
Parks and Recreation	46,044,050	12,223,843	6,398,924	51,868,969
Total Culture and Recreation	<u>53,840,160</u>	<u>12,240,529</u>	<u>6,430,085</u>	<u>59,650,604</u>
Urban and Economic Development				
Planning and Construction Services	3,351,174	2,164,141	1,172,182	4,343,133
Total Urban and Economic Development	<u>3,351,174</u>	<u>2,164,141</u>	<u>1,172,182</u>	<u>4,343,133</u>
Total Governmental Funds Capital Assets	<u>\$ 452,454,047</u>	<u>\$ 59,624,807</u>	<u>\$ 43,975,057</u>	<u>\$ 468,103,797</u>

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2014**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation				
Capital Improvement	\$ 800,000	3/1/2004	2/1/2014	\$ 100,000
Airpark Improvement	945,000	9/1/2004	2/1/2020	520,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	320,000
Capital Improvement	895,000	9/7/2006	2/1/2016	335,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	605,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	945,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	40,005,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	960,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	5,815,000
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	2/1/2032	11,905,000
West Michigan Street Improvements Refunding	589,118	12/17/2009	2/1/2018	173,706
Capital Improvement	2,175,000	11/23/2010	2/1/2021	1,790,000
Airport Improvement Refunding	1,850,000	11/23/2010	2/1/2017	1,260,000
Capital Improvement	1,870,000	11/29/2011	2/1/2022	1,715,000
Airport Improvement	7,650,000	5/24/2012	12/31/2028	7,650,000
Airport Improvement	3,400,000	12/18/2013	2/1/2029	3,400,000
Capital Improvement	1,795,000	12/18/2013	2/1/2024	1,795,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	2/1/2029	1,460,000
Wade Stadium Improvement	2,330,000	10/30/2014	2/1/2030	-
Spirit Mountain Improvement	2,150,000	10/30/2014	2/1/2035	-
Capital Improvement	1,115,000	10/30/2014	2/1/2025	-
Total General Obligation				\$ 80,753,706
General Obligation - Tax Abatement				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/1/2005	2/1/2021	\$ 235,000
Spirit Mountain Tax Abatement Bonds	7,055,000	2/23/2012	2/1/2030	7,055,000
Total General Obligation - Tax Abatement				\$ 7,290,000
Total General Obligation Bonds Payable				\$ 88,043,706
Revenue Bonds Payable				
Lease Revenue Bonds Payable				
Artspace Community Center Refunding	\$ 1,380,000	2/7/2007	8/1/2014	\$ 415,000
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 2,275,000	6/1/2005	2/1/2020	\$ 1,305,000
Street Improvement	4,260,000	10/1/2005	2/1/2021	280,000
General Obligation Improvement	1,985,000	9/7/2006	2/1/2021	1,280,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	2,280,000
Street Improvement Refunding	3,445,000	12/19/2006	2/1/2014	555,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	1,180,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	1,670,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	1,810,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	1,090,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	117,288
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	214,729
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	339,277
General Obligation Improvement Refunding	1,205,000	11/23/2010	2/1/2019	965,525
General Obligation Improvement Refunding	1,135,000	11/23/2010	2/1/2019	909,475
Street Improvement Refunding	6,905,000	11/27/2012	2/1/2021	6,905,000
General Obligation Improvement Refunding	865,000	10/30/2014	2/1/2020	-
Total Special Assessment Debt with Government Commitment				\$ 20,901,294
General Obligation Certificates Payable				
Equipment	\$ 2,515,000	12/9/2008	2/1/2014	\$ 545,000
Equipment	2,570,000	12/17/2009	2/1/2015	1,065,000
Equipment	2,295,000	11/23/2010	2/1/2016	1,395,000
Equipment	3,095,000	11/29/2011	2/1/2017	2,510,000
Equipment	3,275,000	11/27/2012	2/1/2018	3,275,000
Equipment	3,835,000	12/18/2013	2/1/2019	3,835,000
Equipment	2,460,000	10/30/2014	2/1/2020	-
Total General Obligation Certificates Payable				\$ 12,625,000
Total Governmental Activities Bonds and Certificates Payable				\$ 121,985,000

(Continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2014**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2015</u>	<u>Interest Due in 2015</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation					
Capital Improvement	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Airpark Improvement	-	65,000	455,000	65,000	17,119
Capital Improvement	-	155,000	165,000	165,000	3,052
Capital Improvement	-	110,000	225,000	110,000	6,800
Capital Improvement	-	140,000	465,000	150,000	15,600
Aerial Lift Bridge Improvement	-	145,000	800,000	150,000	30,000
Duluth Entertainment and Convention Center Improvement	-	480,000	39,525,000	555,000	1,880,237
Capital Improvement	-	175,000	785,000	185,000	27,994
Capital Improvement	-	785,000	5,030,000	805,000	155,425
Capital Improvement - Law Enforcement Center	-	-	11,905,000	-	682,282
West Michigan Street Improvements Refunding	-	143,138	30,568	30,568	382
Capital Improvement	-	205,000	1,585,000	210,000	42,800
Airport Improvement Refunding	-	305,000	955,000	310,000	17,317
Capital Improvement	-	170,000	1,545,000	175,000	43,725
Airport Improvement	-	435,000	7,215,000	445,000	173,831
Airport Improvement	-	-	3,400,000	-	118,981
Capital Improvement	-	-	1,795,000	155,000	47,400
Capital Improvement - Lakewalk	-	-	1,460,000	75,000	48,663
Wade Stadium Improvement	2,330,000	-	2,330,000	-	56,402
Spirit Mountain Improvement	2,150,000	-	2,150,000	-	45,393
Capital Improvement	1,115,000	-	1,115,000	-	17,813
Total General Obligation	\$ 5,595,000	\$ 3,413,138	\$ 82,935,568	\$ 3,585,568	\$ 3,431,216
General Obligation - Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	\$ -	\$ 235,000	\$ -	\$ -	\$ -
Spirit Mountain Tax Abatement Bonds	-	350,000	6,705,000	355,000	157,369
Total General Obligation - Tax Abatement	\$ -	\$ 585,000	\$ 6,705,000	\$ 355,000	\$ 157,369
Total General Obligation Bonds Payable	\$ 5,595,000	\$ 3,998,138	\$ 89,640,568	\$ 3,940,568	\$ 3,588,585
Revenue Bonds Payable					
Lease Revenue Bonds Payable					
Artspace Community Center Refunding	\$ -	\$ 415,000	\$ -	\$ -	\$ -
Special Assessment Debt with Government Commitment					
General Obligation Improvement	-	1,305,000	-	-	-
Street Improvement	-	280,000	-	-	-
General Obligation Improvement	-	135,000	1,145,000	140,000	43,000
Street Improvement	-	210,000	2,070,000	220,000	78,400
Street Improvement Refunding	-	555,000	-	-	-
Street Improvement Refunding	-	380,000	800,000	395,000	24,100
Street Improvement	-	140,000	1,530,000	145,000	58,606
Street Improvement	-	135,000	1,675,000	140,000	69,982
Street Improvement Refunding	-	535,000	555,000	555,000	11,100
General Obligation Improvement Refunding	-	96,649	20,639	20,639	258
General Obligation Improvement Refunding	-	107,660	107,069	107,069	2,155
General Obligation Improvement Refunding	-	112,553	226,724	111,724	4,030
General Obligation Improvement Refunding	-	164,800	800,725	169,950	16,246
General Obligation Improvement Refunding	-	155,200	754,275	160,050	15,299
Street Improvement Refunding	-	640,000	6,265,000	965,000	168,650
General Obligation Improvement Refunding	865,000	-	865,000	-	10,784
Total Special Assessment Debt with Government Commitment	\$ 865,000	\$ 4,951,862	\$ 16,814,432	\$ 3,129,432	\$ 502,610
General Obligation Certificates Payable					
Equipment	\$ -	\$ 545,000	\$ -	\$ -	\$ -
Equipment	-	525,000	540,000	540,000	8,100
Equipment	-	460,000	935,000	465,000	10,191
Equipment	-	610,000	1,900,000	620,000	31,800
Equipment	-	605,000	2,670,000	640,000	70,500
Equipment	-	-	3,835,000	730,000	69,400
Equipment	2,460,000	-	2,460,000	-	30,638
Total General Obligation Certificates Payable	\$ 2,460,000	\$ 2,745,000	\$ 12,340,000	\$ 2,995,000	\$ 220,629
Total Governmental Activities Bonds and Certificates Payable	\$ 8,920,000	\$ 12,110,000	\$ 118,795,000	\$ 10,065,000	\$ 4,311,824

(Continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2014**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment	\$ 12,785,000	12/16/2005	2/1/2026	\$ 555,000
Technology Village & Parking Improvement Refunding	1,965,000	12/9/2008	2/1/2015	695,000
Parking Improvement Tax Increment Refunding	10,270,000	11/27/2012	2/1/2026	10,270,000
Total Parking Fund				<u>\$ 11,520,000</u>
West Superior Street Parking Facility				
Parking Improvement Tax Increment (Note 1)	11,500,000	5/15/2014	4/1/2044	\$ -
Water Fund				
Water Utility Revenue and General Obligation	\$ 1,120,000	12/19/2006	2/1/2022	\$ 750,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	395,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	152,000
Water Utility Revenue and General Obligation Refunding	1,625,000	11/23/2010	2/1/2018	1,191,544
Total Water Fund				<u>\$ 2,488,544</u>
Gas Fund				
Gas Utility Revenue and General Obligation	\$ 1,190,000	12/19/2006	2/1/2022	\$ 800,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	1,676,878
Gas Utility Revenue and General Obligation Refunding	3,125,000	11/29/2011	2/1/2019	2,745,000
Total Gas Fund				<u>\$ 5,221,878</u>
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	\$ 5,475,000	11/27/2012	2/1/2022	\$ 5,475,000
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 3,515,000	12/19/2005	2/1/2021	\$ 230,000
Sewer Utility Revenue and General Obligation	945,000	12/19/2006	2/1/2022	630,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	1,550,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	455,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	1,123,000
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	418,122
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	760,000
Sewer Utility Revenue and General Obligation Refunding	2,025,000	11/23/2010	2/1/2018	1,484,848
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	2/1/2020	2,245,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	2/1/2020	2,000,000
Total Sewer Fund				<u>\$ 10,895,970</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation	\$ 1,705,000	9/7/2006	2/1/2022	\$ 1,150,000
Stormwater Utility Revenue and General Obligation Refunding	755,000	11/23/2010	2/1/2018	553,610
Total Stormwater Fund				<u>\$ 1,703,610</u>
Total Business-type Activities Bonds Payable				<u>\$ 37,305,002</u>

Note 1: Issue amount does not include capitalized interest of \$178,243.

(Continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2014

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2015</u>	<u>Interest Due in 2015</u>
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment	\$ -	\$ 555,000	\$ -	\$ -	\$ -
Technology Village & Parking Improvement Refunding	-	\$ 340,000	355,000	355,000	7,100
Parking Improvement Tax Increment Refunding	-	\$ 150,000	10,120,000	775,000	194,595
Total Parking Fund	\$ -	\$ 1,045,000	\$ 10,475,000	\$ 1,130,000	\$ 201,695
West Superior Street Parking Facility					
Parking Improvement Tax Increment	\$ 11,678,243	\$ -	\$ 11,678,243	\$ -	\$ -
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 70,000	\$ 680,000	\$ 75,000	\$ 25,512
Water Utility Revenue and General Obligation Refunding	-	125,000	270,000	130,000	8,200
Water Utility Revenue and General Obligation	-	12,000	140,000	12,000	4,700
Water Utility Revenue and General Obligation Refunding	-	226,873	964,671	234,251	21,960
Total Water Fund	\$ -	\$ 433,873	\$ 2,054,671	\$ 451,251	\$ 60,372
Gas Fund					
Gas Utility Revenue and General Obligation	\$ -	\$ 75,000	\$ 725,000	\$ 80,000	\$ 27,205
Gas Utility Revenue and General Obligation Refunding	-	406,020	1,270,858	412,972	30,898
Gas Utility Revenue and General Obligation Refunding	-	415,000	2,330,000	430,000	78,000
Total Gas Fund	\$ -	\$ 896,020	\$ 4,325,858	\$ 922,972	\$ 136,103
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	\$ -	\$ 600,000	\$ 4,875,000	\$ 625,000	\$ 67,815
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 230,000	\$ -	\$ -	\$ -
Sewer Utility Revenue and General Obligation	-	60,000	570,000	60,000	21,448
Sewer Utility Revenue and General Obligation	-	130,000	1,420,000	135,000	54,374
Sewer Utility Revenue and General Obligation Refunding	-	200,000	255,000	205,000	6,100
Sewer Utility Revenue and General Obligation	-	88,000	1,035,000	88,000	34,712
Sewer Utility Revenue and General Obligation Refunding	-	103,983	314,139	102,027	21,979
Sewer Utility Revenue and General Obligation	-	55,000	705,000	55,000	11,247
Sewer Utility Revenue and General Obligation Refunding	-	282,718	1,202,130	291,913	27,301
Sewer Utility Revenue and General Obligation Refunding	-	305,000	1,940,000	305,000	42,550
Sewer Utility Revenue and General Obligation Refunding	-	-	2,000,000	265,000	37,350
Total Sewer Fund	\$ -	\$ 1,454,701	\$ 9,441,269	\$ 1,506,940	\$ 257,061
Stormwater Fund					
Stormwater Utility Revenue and General Obligation	-	105,000	1,045,000	110,000	39,600
Stormwater Utility Revenue and General Obligation Refunding	-	105,409	448,201	108,837	10,090
Total Stormwater Fund	\$ -	\$ 210,409	\$ 1,493,201	\$ 218,837	\$ 49,690
Total Business-type Activities Bonds Payable	\$ 11,678,243	\$ 4,640,003	\$ 44,343,242	\$ 4,855,000	\$ 772,736

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
NOTES PAYABLE
DECEMBER 31, 2014**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
General Obligation				
Public Facilities Authority Note	\$ 364,195	8/8/2002	8/20/2018	\$ 130,000
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	\$ 2,766,000
Total Governmental Activities				<u>\$ 2,896,000</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 336,340
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	752,000
Public Facilities Authority Note	1,668,813	10/28/2009	8/20/2019	1,016,000
Public Facilities Authority Note	1,293,200	7/28/2010	8/20/2025	933,914
Public Facilities Authority Note	3,344,131	12/7/2010	8/20/2025	2,793,000
Public Facilities Authority Note (Note 1)	1,605,655	11/18/2011	8/20/2026	897,334
Public Facilities Authority Note (Note 2)	5,108,910	2/25/2014	8/20/2029	<u>-</u>
Total Water Fund				<u>\$ 6,728,588</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 38,660
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	453,000
Public Facilities Authority Note	1,973,033	7/12/2007	8/20/2022	1,348,000
Public Facilities Authority Note	796,835	8/20/2009	8/20/2024	619,000
Public Facilities Authority Note	2,414,150	11/25/2009	8/20/2024	1,932,000
Public Facilities Authority Note	3,753,059	7/28/2010	8/20/2025	3,060,000
Public Facilities Authority Note	8,504,224	7/28/2010	8/20/2025	6,825,839
Public Facilities Authority Note (Note 3)	354,551	11/18/2011	8/20/2021	92,361
Public Facilities Authority Note	265,418	11/30/2011	8/20/2021	160,829
Public Facilities Authority Note	278,149	11/18/2011	8/20/2021	238,000
Public Facilities Authority Note	476,537	9/10/2012	8/20/2022	407,979
Public Facilities Authority Note (Note 4)	1,255,464	10/29/2014	8/20/2024	<u>-</u>
Total Sewer Fund				<u>\$ 15,175,668</u>
Total Business-type Activities				<u>\$ 21,904,256</u>
Component Unit:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	\$ 321,115

(Continued)

Note 1: Only \$ 1,047,775 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 2: Only \$ 4,635,072 has been drawn on the Public Facilities Authority Note dated 2/25/2014.

Note 3: Only \$ 218,075 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 4: Only \$ 50,000 has been drawn on the Public Facilities Authority Note dated 10/29/2014.

CITY OF DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
NOTES PAYABLE
DECEMBER 31, 2014

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2015</u>	<u>Interest Due in 2015</u>
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	\$ -	\$ 25,000	\$ 105,000	\$ 26,000	\$ 1,050
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 80,000	\$ 2,686,000	\$ 30,000	\$ 153,736
Total Governmental Activities	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 2,791,000</u>	<u>\$ 56,000</u>	<u>\$ 154,786</u>
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 63,680	\$ 272,660	\$ 65,474	\$ 7,686
Public Facilities Authority Note	-	143,000	609,000	147,000	15,408
Public Facilities Authority Note	-	165,000	851,000	167,000	9,165
Public Facilities Authority Note	105,633	81,547	958,000	82,000	12,052
Public Facilities Authority Note	-	219,000	2,574,000	222,000	27,696
Public Facilities Authority Note	24,786	106,000	816,120	107,000	14,960
Public Facilities Authority Note	4,635,072	160,910	4,474,162	307,000	44,160
Total Water Fund	<u>\$ 4,765,491</u>	<u>\$ 939,137</u>	<u>\$ 10,554,942</u>	<u>\$ 1,097,474</u>	<u>\$ 131,127</u>
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 7,320	\$ 31,340	\$ 7,526	\$ 883
Public Facilities Authority Note	-	88,000	365,000	89,000	4,891
Public Facilities Authority Note	-	143,000	1,205,000	145,000	13,857
Public Facilities Authority Note	-	51,000	568,000	52,000	11,184
Public Facilities Authority Note	-	159,000	1,773,000	162,000	35,761
Public Facilities Authority Note	-	238,000	2,822,000	241,000	35,501
Public Facilities Authority Note	-	530,839	6,295,000	537,000	79,191
Public Facilities Authority Note	82,163	38,000	136,524	38,000	1,569
Public Facilities Authority Note	62,969	29,000	194,798	26,798	1,884
Public Facilities Authority Note	-	29,000	209,000	29,000	2,090
Public Facilities Authority Note	28,384	60,000	376,363	45,362	3,688
Public Facilities Authority Note	50,000	-	50,000	100,464	2,203
Total Sewer Fund	<u>\$ 223,516</u>	<u>\$ 1,373,159</u>	<u>\$ 14,026,025</u>	<u>\$ 1,473,150</u>	<u>\$ 192,702</u>
Total Business-type Activities	<u>\$ 4,989,007</u>	<u>\$ 2,312,296</u>	<u>\$ 24,580,967</u>	<u>\$ 2,570,624</u>	<u>\$ 323,829</u>
Component Unit:					
Duluth Airport Authority					
Revenue Note	\$ -	\$ 47,612	\$ 273,503	\$ 51,919	\$ 23,081

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Operating	Loan Programs	Debt Service	Capital Projects	Total
Assets					
Cash and cash equivalents	\$ 1,015,830	\$ 3,448,020	\$ 1,035,622	\$ 3,028,533	\$ 8,528,005
Taxes receivable, net	-	-	192,479	-	192,479
Accounts receivable, net	100,584	-	-	1,949	102,533
Assessments receivable, net	14,652	-	-	-	14,652
Loans receivable, net	301,831	463,940	-	1,811,123	2,576,894
Due from other funds	369,666	-	-	936,085	1,305,751
Due from primary government	7,620	-	-	-	7,620
Due from other governments	33,373	-	-	-	33,373
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 2,036,056</u>	<u>\$ 3,911,960</u>	<u>\$ 1,228,101</u>	<u>\$ 5,777,690</u>	<u>\$ 12,953,807</u>
Liabilities					
Accounts payable	\$ 331,790	\$ 1,257	\$ -	\$ 2,325	\$ 335,372
Due to other funds	-	-	936,085	369,666	1,305,751
Due to primary government	641,407	-	-	-	641,407
Due to other governments	770	-	10,351	9,018	20,139
Total Liabilities	<u>973,967</u>	<u>1,257</u>	<u>946,436</u>	<u>381,009</u>	<u>2,302,669</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>416,483</u>	<u>-</u>	<u>121,223</u>	<u>1,801,719</u>	<u>2,339,425</u>
Fund Balances					
Nonspendable	192,500	411,761	-	-	604,261
Restricted	-	-	160,442	3,594,962	3,755,404
Committed	-	1,000,000	-	-	1,000,000
Assigned	-	2,498,942	-	-	2,498,942
Unassigned	453,106	-	-	-	453,106
Total Fund Balances	<u>645,606</u>	<u>3,910,703</u>	<u>160,442</u>	<u>3,594,962</u>	<u>8,311,713</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,036,056</u>	<u>\$ 3,911,960</u>	<u>\$ 1,228,101</u>	<u>\$ 5,777,690</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	19,077,812
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	2,020,703
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	590
Net position of governmental activities	<u>\$ 29,410,818</u>

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 1,964,755	\$ -	\$ 1,964,755
Intergovernmental revenues					
State of Minnesota grants	311,572	-	-	-	311,572
Charges for services					
Parking meters	472,128	-	-	-	472,128
Assessment fees	15,000	-	-	-	15,000
Miscellaneous revenues					
Earnings on investments	61,629	2,097	422	46,335	110,483
Interest	-	31,521	-	1,125	32,646
Building rent	261,135	-	-	-	261,135
Other	360,887	-	-	44,250	405,137
Total Revenues	<u>1,482,351</u>	<u>33,618</u>	<u>1,965,177</u>	<u>91,710</u>	<u>3,572,856</u>
Expenditures					
Current					
Urban and economic development					
Other services and charges	1,453,983	-	-	1,791,614	3,245,597
Economic development projects	-	-	589,167	992,334	1,581,501
Debt Service					
Interest and fiscal fees	-	-	348,282	-	348,282
Capital Outlay					
Urban and economic development					
Land	321,040	-	-	-	321,040
Improvements other than buildings	108,493	-	-	-	108,493
Total Expenditures	<u>1,883,516</u>	<u>-</u>	<u>937,449</u>	<u>2,783,948</u>	<u>5,604,913</u>
Excess of Revenues Over (Under) Expenditures	<u>(401,165)</u>	<u>33,618</u>	<u>1,027,728</u>	<u>(2,692,238)</u>	<u>(2,032,057)</u>
Other Financing Sources (Uses)					
Operating transfers in					
DEDA Capital Projects	190,860	-	-	-	190,860
DEDA Debt Service	-	-	-	980,564	980,564
Total Operating Transfers In	<u>190,860</u>	<u>-</u>	<u>-</u>	<u>980,564</u>	<u>1,171,424</u>
Operating transfers out					
DEDA General Operating	-	-	-	(190,860)	(190,860)
DEDA Capital Projects	-	-	(980,564)	-	(980,564)
Total Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(980,564)</u>	<u>(190,860)</u>	<u>(1,171,424)</u>
Total Other Financing Sources (Uses)	<u>190,860</u>	<u>-</u>	<u>(980,564)</u>	<u>789,704</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(210,305)</u>	<u>33,618</u>	<u>47,164</u>	<u>(1,902,534)</u>	<u>(2,032,057)</u>
Fund Balances					
Fund Balance - January 1, 2014	<u>855,911</u>	<u>3,877,085</u>	<u>113,278</u>	<u>5,497,496</u>	<u>10,343,770</u>
Fund Balance - December 31, 2014	<u>\$ 645,606</u>	<u>\$ 3,910,703</u>	<u>\$ 160,442</u>	<u>\$ 3,594,962</u>	<u>\$ 8,311,713</u>

**CITY OF DULUTH, MINNESOTA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 DULUTH ECONOMIC DEVELOPMENT AUTHORITY
 COMPONENT UNITS - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds	\$ (2,032,057)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(695,460)
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.	270,760
Change in net position of governmental activities	<u>\$ (2,456,757)</u>

**CITY OF DULUTH, MINNESOTA
DULUTH JPE TRUST
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014**

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Assets			
Investments:			
Money market	\$ 3,202,569	\$ 42,542	\$ 3,245,111
US government treasury securities	1,633,987	-	1,633,987
US government agency securities	4,107,701	201,569	4,309,270
Receivables:			
Other	<u>35,802</u>	<u>6,920</u>	<u>42,722</u>
Total Assets	<u>8,980,059</u>	<u>251,031</u>	<u>9,231,090</u>
Liabilities			
Claims payable	1,801,865	88,347	1,890,212
Accounts payable	<u>39,109</u>	<u>-</u>	<u>39,109</u>
Total Liabilities	<u>1,840,974</u>	<u>88,347</u>	<u>1,929,321</u>
Net Position			
Held in trust	<u>\$ 7,139,085</u>	<u>\$ 162,684</u>	<u>\$ 7,301,769</u>

**CITY OF DULUTH, MINNESOTA
DULUTH JPE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Additions			
Health premiums:			
Active employees	\$ 13,660,620	\$ -	\$ 13,660,620
Inactive employees	8,904,042	-	8,904,042
Dental premiums	-	352,341	352,341
Refunds and reimbursements:			
Stop loss reimbursements	117,679	-	117,679
Prescription drug rebates	58,842	-	58,842
Miscellaneous	1,160	-	1,160
Investment earnings	12,571	1,439	14,010
Total Additions	<u>22,754,914</u>	<u>353,780</u>	<u>23,108,694</u>
Deductions			
Medical and drug claims:			
Active employees	10,378,295	-	10,378,295
Inactive employees	5,707,141	-	5,707,141
Medical insurance - medicare supplement	2,873,370	-	2,873,370
Dental claims	-	732,148	732,148
Administrative fees:			
Health Partners	792,838	-	792,838
Clearscript	45,172	-	45,172
Delta Dental	-	56,576	56,576
City of Duluth	255,000	-	255,000
Trust services	27,119	1,345	28,464
Consulting services	80,000	-	80,000
Wellness activities	39,364	-	39,364
Transitional reinsurance fee	144,632	-	144,632
Patient centered outcomes research fee	4,234	-	4,234
Stop loss insurance	361,838	-	361,838
Miscellaneous	17,012	-	17,012
Total Deductions	<u>20,726,015</u>	<u>790,069</u>	<u>21,516,084</u>
Change in Net Position	2,028,899	(436,289)	1,592,610
Net Position - January 1, 2014	<u>5,110,186</u>	<u>598,973</u>	<u>5,709,159</u>
Net Position - December 31, 2014	<u>\$ 7,139,085</u>	<u>\$ 162,684</u>	<u>\$ 7,301,769</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:						
State of Minnesota						
Local Government Aid	\$ 29,030,643	\$ -	\$ -	\$ -	\$ -	\$ 29,030,643
PERA Aid	124,428	-	-	-	54,402	178,830
Insurance Premium	1,839,639	-	-	-	-	1,839,639
Total Shared Revenue	30,994,710	-	-	-	54,402	31,049,112
State Grants:						
State of Minnesota, Department of						
Agriculture						
NextGen Energy Grant	-	-	-	-	21,333	21,333
Commerce						
Auto Theft Prevention Program	-	87,194	-	-	-	87,194
Education						
Minnesota Library Information Network	5,140	-	-	-	-	5,140
Employment and Economic Development						
Capitalization Grants for Clean Water State						
Revolving Funds	-	20,012	-	-	-	20,012
Contamination Cleanup Program	-	34,809	-	-	-	34,809
Dislocated Workers	-	242,777	-	-	-	242,777
MIF AAR Grant	-	500,000	-	-	-	500,000
MN Business Development Capital Projects Grant	-	-	-	-	3,346,764	3,346,764
MN Investment Fund Grant - 2012 Disaster	-	131,615	-	-	-	131,615
Youth Program	-	235,414	-	-	-	235,414
Employment and Economic Development Total	-	1,164,627	-	-	3,346,764	4,511,391
Health						
Health Impact Assessment Grant	5,000	-	-	-	-	5,000
Historical Society						
Historical and Cultural Preservation Project	-	39,319	-	-	-	39,319
Natural Resources						
Cross City Trail	-	-	-	175,000	-	175,000
Cross Country Ski Trail	11,000	-	-	-	-	11,000
Flood Hazard Mitigation	-	699,468	-	-	-	699,468
Lake Superior Zoo	-	160,000	-	-	-	160,000
Lakewalk East Extension	-	-	-	32,717	-	32,717
Minnesota Flood Relief 2012	-	445,487	-	-	-	445,487
Snowmobile Trail	19,292	-	-	-	-	19,292
Stream Debris & Sediment Removal	-	233,018	-	-	-	233,018
Traverse Trail	-	250,000	-	-	-	250,000
Natural Resources Total	30,292	1,787,973	-	207,717	-	2,025,982
Peace Officers Board						
Post Training Reimbursement	46,019	-	-	-	-	46,019
Public Safety						
Financial Crimes Task Force	-	29,750	-	-	-	29,750
Fire Department Chemical Assessment						
Team Training	-	4,976	-	-	-	4,976
Firefighter Education Reimbursement	-	21,150	-	-	-	21,150
HAZMAT Regional Response Team	44,281	-	-	-	-	44,281
Bulletproof Vests	7,798	-	-	-	-	7,798
Narcotic/Gang Strike Force	-	300,813	-	-	-	300,813
State of Minnesota Disaster Funds	-	705,682	-	-	-	705,682
Public Safety Total	52,079	1,062,371	-	-	-	1,114,450
Revenue						
Market Value Credit	594	-	-	-	-	594

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Proprietary and Internal Service Funds</u>	<u>Totals</u>
Transportation						
Bridge Bonding	-	-	-	354,207	-	354,207
Emergency Flood Repairs on Trunk Highway	-	659,518	-	-	-	659,518
Local Road & Bridge Disaster Relief	-	1,774,623	-	-	-	1,774,623
Minnesota State Aid for Transportation	-	6,972	-	-	-	6,972
MSA Street Construction Allotment	14,647	-	-	3,454,680	-	3,469,327
MSA Street Maintenance Allotment	1,380,060	-	-	-	-	1,380,060
Transportation Total	1,394,707	2,441,113	-	3,808,887	-	7,644,707
Total State Grants	1,533,831	6,582,597	-	4,016,604	3,368,097	15,501,129
Other Grants:						
St. Louis County						
Job Training Services	-	945,858	-	-	-	945,858
Other	148,311	-	-	-	-	148,311
St. Louis County Total	148,311	945,858	-	-	-	1,094,169
Housing and Redevelopment Authority	50,218	60,851	-	-	-	111,069
Independent School District #709	239,774	-	-	-	-	239,774
Total Other Grants	438,303	1,006,709	-	-	-	1,445,012
Federal Grants:						
Federal, Department of						
Agriculture						
Cooperative Forestry Assistance	-	1,000	-	-	-	1,000
Emergency Watershed Protection Program	-	212,486	-	-	-	212,486
Agriculture Total	-	213,486	-	-	-	213,486
Environmental Protection Agency						
Great Lakes Program	-	15,891	-	-	-	15,891
Greening Stormwater Management Grant	-	5,617	-	-	-	5,617
Hazardous Substances Contamination	-	64,139	-	-	-	64,139
Petroleum Brownfields Assessment	-	73,514	-	-	-	73,514
Revolving Loan Fund Grant - 2012	-	1,605	-	-	-	1,605
Urban Waters Grant	-	6,063	-	-	-	6,063
Environmental Protection Agency Total	-	166,829	-	-	-	166,829
Homeland Security						
Assistance to Firefighters Grant	-	103,042	-	-	-	103,042
Emergency Management Performance Grants	-	15,137	-	-	-	15,137
FEMA Disaster Assistance	-	2,117,047	-	-	-	2,117,047
Flood Hazard Mitigation	-	544,084	-	-	-	544,084
Homeland Security Grant Program	-	73,162	-	-	-	73,162
Port Security Grant Program	-	157,565	-	-	-	157,565
Staffing for Adequate Fire and Emergency Response (SAFER)	222,323	-	-	-	-	222,323
Homeland Security Total	222,323	3,010,037	-	-	-	3,232,360
Housing and Urban Development						
Climate Showcase Communities Grant	-	25,875	-	-	-	25,875
Community Development Block Grant	-	2,042,874	-	-	-	2,042,874
Emergency Solutions Grant Program	-	244,198	-	-	-	244,198
Home Investment Partnerships Program	-	792,690	-	-	-	792,690
Lead-Based Paint Hazard Control Grant Program	-	523,816	-	-	-	523,816
Neighborhood Stabilization Program	-	7,854	-	-	-	7,854
Housing and Urban Development Total	-	3,637,307	-	-	-	3,637,307
Interior						
Historic Preservation Fund Grants-in-Aid	644	12,000	-	-	-	12,644

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Proprietary and Internal Service Funds</u>	<u>Totals</u>
Justice						
ATF (Alcohol Tobacco Firearms) Task Force	62,585	12,440	-	-	-	75,025
Blueprint for Safety	-	112,951	-	-	-	112,951
Bulletproof Vest Partnership Program	7,906	-	-	-	-	7,906
Edward Bryne Memorial Formula Grant	-	71,931	-	-	-	71,931
Grants to Encourage Arrest Policies	-	113,547	-	-	-	113,547
Local Law Enforcement Block Grant	4,411	-	-	-	-	4,411
Justice Total	<u>74,902</u>	<u>310,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,771</u>
Labor						
WIA Dislocated Workers Formula Grant	-	94,509	-	-	-	94,509
Senior Community Service Employment Workforce Investment Act	-	371,802	-	-	-	371,802
	-	525,800	-	-	-	525,800
Labor Total	<u>-</u>	<u>992,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>992,111</u>
Transportation						
Federal Highway Assistance	-	1,844,310	-	-	-	1,844,310
Highway Planning and Construction 2013 Toward Zero Deaths Law Enforcement Grant	-	-	-	1,895,494	-	1,895,494
	-	280,956	-	-	-	280,956
Transportation Total	<u>-</u>	<u>2,125,266</u>	<u>-</u>	<u>1,895,494</u>	<u>-</u>	<u>4,020,760</u>
Total Federal Grants	<u>297,869</u>	<u>10,467,905</u>	<u>-</u>	<u>1,895,494</u>	<u>-</u>	<u>12,661,268</u>
Other Federal:						
Treasury						
Build America Interest Rebate	-	-	221,605	-	-	221,605
Total Intergovernmental Revenue	<u>\$ 33,264,713</u>	<u>\$ 18,057,211</u>	<u>\$ 221,605</u>	<u>\$ 5,912,098</u>	<u>\$ 3,422,499</u>	<u>\$ 60,878,126</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Direct			
Cooperative Forestry Assistance		10.664	\$ 1,000
Urban and Community Forestry Program		10.675	16,831
Emergency Watershed Protection Program		10.923	188,082
(Total Emergency Watershed Protection Program 10.923 \$212,486)			
Passed Through Minnesota Department of Natural Resources			
Emergency Watershed Protection Program		10.923	24,404
(Total Emergency Watershed Protection Program 10.923 \$212,486)			
Total U.S. Department of Agriculture			\$ 230,317
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants		14.218	\$ 2,026,485
Emergency Solutions Grant Program		14.231	247,013
Home Investment Partnerships Program		14.239	795,369
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	490,607
Passed Through Minnesota Housing Finance Agency			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	02-2009-05-NSP	14.228	10,771
Total U.S. Department of Housing and Urban Development			\$ 3,570,245
U.S. Department of the Interior			
Passed Through Minnesota Historical Society			
Historic Preservation Fund Grants-In-Aid		15.904	\$ 12,644
U.S. Department of Justice			
Direct			
Alcohol, Tobacco, and Firearms - Training Assistance		16.012	\$ 75,025
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	216,728
Local Law Enforcement Block Grant		16.592	4,411
Bulletproof Vest Partnership Program		16.607	7,906
Edward Byrne Memorial Justice Assistance Grant Program		16.738	71,931
Total U.S. Department of Justice			\$ 376,001
U.S. Department of Labor			
Passed Through Senior Service America, Inc.			
Senior Community Service Employment Program	116	17.235	\$ 257,934
(Total Senior Community Service Employment Program 17.235 \$371,792)			
Passed Through Minnesota Department of Employment and Economic Development			
Senior Community Service Employment Program	4045100/5045100	17.235	113,858
(Total Senior Community Service Employment Program 17.235 \$371,792)			
Incentive Grants - WIA Section 503	2042500	17.267	4,721
Workforce Investment Act (WIA) National Emergency Grants	2041400/2048900	17.277	54,596
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	3043100/4043100	17.258	169,875
WIA Youth Activities	3043600/4043600	17.259	296,608
WIA Dislocated Worker Formula Grants	3048000/4048000	17.278	94,509
Total U.S. Department of Labor			\$ 992,101

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$4,231,206)	Various	20.205	\$ 1,853,106
Passed Through Minnesota Department of Public Safety Highway Planning and Construction - Emergency Relief Program (Total Highway Planning and Construction 20.205 \$4,231,206)	Various	20.205	2,378,100
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	Various	20.600	61,271
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Various	20.608	199,251
National Priority Safety Programs	Various	20.616	20,434
Total U.S. Department of Transportation			\$ 4,512,162
U.S. Environmental Protection Agency			
Direct			
Climate Showcase Communities Grant Program		66.041	\$ 25,875
Urban Waters Small Grants		66.440	6,063
Great Lakes Program (Total Great Lakes Program 66.469 \$21,508)		66.469	5,617
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	227,215
Passed through Minnesota Department of Employment and Economic Development			
Capitalization Grants for Clean Water State Revolving Funds	Various	66.458	223,516
Capitalization Grants for Clean Water State Revolving Funds with Principal Forgiveness (Total Clean Water State Revolving Funds 66.458 \$229,140)	MPFG-13-0050-R-FY15	66.458	5,624
Capitalization Grants for Drinking Water State Revolving Funds	Various	66.468	4,765,491
Passed through Minnesota Pollution Control Agency			
Great Lakes Program (Total Great Lakes Program 66.469 \$21,508)		66.469	15,891
Total U.S. Environmental Protection Agency			\$ 5,275,292
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant		97.044	\$ 103,041
Port Security Grant Program (Total Port Security Grant Program 97.056 \$157,565)		97.056	38,892
Staffing for Adequate Fire and Emergency Response (SAFER)		97.083	222,323
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant		97.039	549,976
Emergency Management Performance Grants	A-EMPG-2011-DULUTHCI-00249	97.042	15,137
Port Security Grant Program (Total Port Security Grant Program 97.056 \$157,565)	A-PSGP-2011-DULUTHCI-00002	97.056	118,673
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$73,162)	Various	97.067	24,896
Passed Through Minnesota Department of Transportation			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Various	97.036	1,430,990
Passed Through St. Louis County			
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$73,162)	2010-OSGP-00822	97.067	48,266
Total U.S. Department of Homeland Security			\$ 2,552,194
Total Federal Awards			\$ 17,520,956

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 \$2,992,082 and \$6,810,321 in federal awards expended by the Duluth Airport Authority and the Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Duluth under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Duluth, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Duluth.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 12,661,268
Grants received more than 60 days after year-end, unavailable in 2014	
Community Development Block Grants/Entitlement Grants	262,054
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	3,275
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	1,616,890
Emergency Solutions Grant Program	4,461
Hazard Mitigation Grant	5,892
Highway Planning and Construction	21,369
Highway Planning and Construction - Emergency Relief Program	1,140,540
Home Investment Partnerships Program	9,996
Urban and Community Forestry Program	16,831
Unavailable in 2013, recognized as revenue in 2014	
Brownfields Assessment and Cleanup Cooperative Agreements	(1,550)
Community Development Block Grants/Entitlement Grants	(203,961)
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	(2,362)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(2,302,947)
Emergency Solutions Grant Program	(1,646)
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	(9,770)
Highway Planning and Construction	(63,757)
Highway Planning and Construction - Emergency Relief Program	(606,750)
Home Investment Partnerships Program	(7,317)
Lead-Based Paint Hazard Control in Privately-Owned Housing	(33,209)
Timing Differences Between Expenditures and Related Reimbursements	(72,489)
Capital grants received in enterprise funds	
Capitalization Grants for Clean Water State Revolving Funds	223,516
Capitalization Grants for Clean Water State Revolving Funds with Principal Forgiveness	5,624
Capitalization Grants for Drinking Water State Revolving Funds	4,765,491
Grant received by Component Unit - DEDA	
Brownfields Assessment and Cleanup Cooperative Agreements	<u>89,507</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 17,520,956</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Workforce Investment Act (WIA) Cluster	560,992
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6. Subrecipients

Of the expenditures presented in the schedule, the City of Duluth provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,569,151
14.231	Emergency Solutions Grant Program	231,289
14.239	Home Investment Partnerships Program	795,369
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	467,753
66.041	Climate Showcase Communities Grant Program	<u>25,875</u>
Total		<u>\$ 3,089,437</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Guide to Statistical Section

Financial Trends - Pages 146 - 153

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - Pages 154-156

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

Debt Capacity - Pages 156-160

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

Demographic and Economic Information - Page 161

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - Pages 162-167

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

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

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental activities:					
General government	\$ 21,287,443	\$ 20,902,934	\$ 35,023,700	\$ 25,028,329	\$ 35,376,090
Public safety	28,069,291	28,480,845	30,350,398	36,478,984	36,397,795
Public works	13,720,883	13,823,001	15,232,820	15,817,121	7,616,214
Culture and recreation	7,400,480	9,107,022	6,851,355	13,962,001	24,655,278
Urban and economic development	23,676,985	12,773,203	13,178,400	18,180,805	15,722,245
Interest	<u>6,749,211</u>	<u>7,427,045</u>	<u>7,762,355</u>	<u>4,749,041</u>	<u>5,175,178</u>
Total governmental activities expenses	<u>100,904,293</u>	<u>92,514,050</u>	<u>108,399,028</u>	<u>114,216,281</u>	<u>124,942,800</u>
Business-type activities:					
Water	9,463,342	9,827,419	10,865,334	11,325,128	10,717,468
Gas	50,491,710	45,278,118	47,107,309	54,336,765	38,462,243
Sewer	13,454,790	14,928,433	15,023,848	16,747,150	17,569,046
Stormwater	2,508,496	2,776,726	2,865,872	2,876,181	3,308,604
Steam district #1	4,085,845	4,628,019	5,367,034	5,851,628	5,994,665
Steam district #2	8,919,977	9,314,893	11,397,738	10,024,789	9,031,530
Golf	1,908,334	1,889,657	1,887,795	1,886,874	1,895,162
Parking	-	-	1,871,344	2,030,206	1,881,852
Street lighting	-	-	-	309,920	1,391,981
Total business-type activities expenses	<u>90,832,494</u>	<u>88,643,265</u>	<u>96,386,274</u>	<u>105,388,641</u>	<u>90,252,551</u>
Total primary government expenses	<u>\$ 191,736,787</u>	<u>\$ 181,157,315</u>	<u>\$ 204,785,302</u>	<u>\$ 219,604,922</u>	<u>\$ 215,195,351</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,434,650	\$ 1,804,560	\$ 4,008,714	\$ 3,846,472	\$ 4,514,042
Public safety	2,394,256	3,305,117	2,451,449	2,434,033	2,555,541
Public works	724,710	1,096,718	353,575	392,155	349,364
Culture and recreation	856,974	807,245	815,732	797,188	1,108,600
Urban and economic development	7,300,488	908,279	922,159	910,181	525,437
Operating grants and contributions	9,884,061	10,469,744	11,209,578	12,997,358	11,846,124
Capital grants and contributions	<u>11,565,853</u>	<u>12,445,080</u>	<u>13,674,386</u>	<u>8,200,343</u>	<u>7,095,416</u>
Total governmental activities program revenues	<u>34,160,992</u>	<u>30,836,743</u>	<u>33,435,593</u>	<u>29,577,730</u>	<u>27,994,524</u>
Business-type activities:					
Charges for services:					
Water	10,315,543	11,025,294	12,166,968	11,370,681	11,961,915
Gas	55,339,940	49,534,016	47,489,082	58,604,811	46,419,426
Sewer	14,347,815	15,507,006	15,771,516	17,224,701	20,320,378
Stormwater	2,982,846	3,098,403	3,916,525	4,563,498	5,222,917
Steam district #1	4,416,123	4,686,723	5,261,495	5,959,836	6,152,268
Steam district #2	6,584,168	6,959,000	8,985,844	8,834,290	8,384,720
Golf	1,699,090	1,893,564	1,887,737	1,879,530	1,945,446
Parking	-	-	2,138,316	4,136,535	2,524,682
Street lighting	-	-	-	88,924	1,271,623
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	<u>2,179,046</u>	<u>2,960,981</u>	<u>4,468,083</u>	<u>1,970,497</u>	<u>3,836,174</u>
Total business-type activities program revenues	<u>97,864,571</u>	<u>95,664,987</u>	<u>102,085,566</u>	<u>114,633,303</u>	<u>108,039,549</u>
Total primary government program revenues	<u>\$ 132,025,563</u>	<u>\$ 126,501,730</u>	<u>\$ 135,521,159</u>	<u>\$ 144,211,033</u>	<u>\$ 136,034,073</u>

(continued)

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (expense)/revenue					
Governmental activities	\$ (66,743,301)	\$ (61,677,307)	\$ (74,963,435)	\$ (84,638,551)	\$ (96,948,276)
Business-type activities	<u>7,032,077</u>	<u>7,021,722</u>	<u>5,699,292</u>	<u>9,244,662</u>	<u>17,786,998</u>
Total primary government net expense	<u>\$ (59,711,224)</u>	<u>\$ (54,655,585)</u>	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>	<u>\$ (79,161,278)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Taxes	\$ 16,489,656	\$ 15,709,840	\$ 17,452,324	\$ 18,170,135	\$ 18,125,284
Market value credit aid	1,260,395	1,184,399	1,191,228	1,086,482	1,147,029
Sales taxes	15,963,891	16,860,351	17,509,877	18,363,052	18,009,914
Franchise taxes	1,767,402	1,819,654	1,803,561	1,851,406	1,889,796
Other taxes	178,554	187,005	247,612	198,442	684,088
Casino shared revenues	5,608,777	5,844,787	6,430,460	6,156,767	5,963,162
Grants and shared revenues not restricted to specific programs	31,443,085	32,249,900	31,725,087	30,311,915	31,498,519
Investment income	2,858,882	5,131,090	4,690,453	4,058,373	4,034,753
Gain on sale or disposition of capital assets	-	262,367	37,803	136,787	84,278
Miscellaneous	4,900,055	5,170,612	1,062,999	3,623,533	1,031,930
Special Items	-	-	12,708,044	-	-
Transfers	<u>4,070,710</u>	<u>5,616,094</u>	<u>(3,761,041)</u>	<u>2,234,661</u>	<u>7,839,803</u>
Total governmental activities	<u>84,541,407</u>	<u>90,036,099</u>	<u>91,098,407</u>	<u>86,191,553</u>	<u>90,308,556</u>
Business-type activities:					
General Revenues:					
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	715,342	824,428	878,763	545,151	320,540
Gain on sale or disposition of capital assets	1,834	30,268	22,127	11,577	112,447
Miscellaneous	-	-	-	-	-
Extraordinary items	-	-	-	-	(5,441,237)
Transfers	<u>(4,070,710)</u>	<u>(5,616,094)</u>	<u>3,761,041</u>	<u>(2,234,661)</u>	<u>(7,839,803)</u>
Total business-type activities	<u>(3,353,534)</u>	<u>(4,761,398)</u>	<u>4,661,931</u>	<u>(1,677,933)</u>	<u>(12,848,053)</u>
Total primary government	<u>\$ 81,187,873</u>	<u>\$ 85,274,701</u>	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>	<u>\$ 77,460,503</u>
Change in Net Position					
Governmental activities	\$ 17,798,106	\$ 28,358,792	\$ 16,134,972	\$ 1,553,002	\$ (6,639,720)
Business-type activities	<u>3,678,543</u>	<u>2,260,324</u>	<u>10,361,223</u>	<u>7,566,729</u>	<u>4,938,945</u>
Total primary government	<u>\$ 21,476,649</u>	<u>\$ 30,619,116</u>	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>	<u>\$ (1,700,775)</u>

Source: Statement of Activities

(continued)

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

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

(continued)

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

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

Unaudited

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

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

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

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

Source: Balance Sheet & Combining Balance Sheet

Unaudited

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Taxes:					
Property taxes	\$ 16,321,413	\$ 15,469,329	\$ 17,837,011	\$ 17,776,235	\$ 17,859,578
Sales taxes	15,963,891	16,860,351	17,509,877	18,363,052	18,009,914
Other taxes	1,945,956	2,006,659	2,051,173	2,049,848	2,573,884
Licenses and permits	853,927	987,464	1,111,727	985,506	1,149,265
Intergovernmental revenues	49,263,351	51,467,392	53,793,307	50,315,079	50,047,221
Charges for services	7,969,577	8,718,615	5,995,079	5,802,260	6,348,063
Fines and forfeits	1,002,752	905,324	1,086,304	1,056,783	1,770,427
Special assessments	3,237,809	2,964,983	2,941,244	2,609,585	2,948,975
Investment income	2,574,786	4,576,550	3,908,135	3,364,141	3,691,734
Miscellaneous revenues	<u>12,091,312</u>	<u>14,978,054</u>	<u>10,641,263</u>	<u>12,202,008</u>	<u>6,321,696</u>
Total revenues	<u>111,224,774</u>	<u>118,934,721</u>	<u>116,875,120</u>	<u>114,524,497</u>	<u>110,720,757</u>
Expenditures					
General government	19,885,273	21,248,502	32,109,525	23,062,581	32,743,783
Public safety	31,519,654	33,176,998	33,319,542	35,661,590	36,718,739
Public works	9,979,171	10,358,429	11,080,239	12,106,097	1,872,986
Culture and recreation	6,713,232	6,978,630	6,716,210	8,037,797	6,095,879
Urban and economic development	19,828,474	12,694,861	14,531,149	16,515,445	14,059,428
Debt service					
Principal retirement	16,956,649	15,175,505	11,454,452	9,984,002	12,354,000
Interest and fiscal fees	5,040,518	5,589,857	4,777,420	4,377,160	5,264,029
Revenue pledge	2,612,545	1,383,363	2,966,875	-	-
Bond issuance costs	407,773	269,189	205,336	544,187	442,358
Capital outlay	<u>23,478,917</u>	<u>30,731,546</u>	<u>13,496,052</u>	<u>15,749,543</u>	<u>36,274,174</u>
Total expenditures	<u>136,422,206</u>	<u>137,606,880</u>	<u>130,656,800</u>	<u>126,038,402</u>	<u>145,825,376</u>
Excess of revenues over (under) expenditures	<u>(25,197,432)</u>	<u>(18,672,159)</u>	<u>(13,781,680)</u>	<u>(11,513,905)</u>	<u>(35,104,619)</u>
Other financing sources (uses)					
Issuance of bonds	28,265,000	17,050,000	10,650,000	51,600,000	21,560,000
Proceeds from refundings	-	-	-	-	2,150,000
Premium on issuance of bonds	197,367	287,586	269,594	383,591	578,200
Loan proceeds	6,594,000	1,482,000	-	-	-
Payment to refunded bond escrow agent	(7,690,417)	(10,626,155)	(5,827,735)	(3,570,023)	(2,150,000)
Transfers in	19,413,529	28,843,364	29,700,237	25,900,738	37,591,473
Transfers out	<u>(15,162,675)</u>	<u>(22,889,485)</u>	<u>(25,190,223)</u>	<u>(20,365,669)</u>	<u>(29,787,535)</u>
Total other financing sources (uses)	<u>31,616,804</u>	<u>14,147,310</u>	<u>9,601,873</u>	<u>53,948,637</u>	<u>29,942,138</u>
Net change in fund balances	<u>\$ 6,419,372</u>	<u>\$ (4,524,849)</u>	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>	<u>\$ (5,162,481)</u>
Debt service as a percentage of noncapital expenditures	19.1%	19.9%	13.8%	12.8%	13.7%

General Governmental includes Capital Projects Fund.

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

(continued)

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

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

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
2005	3,965,798,800	35,020,262	766,860,600	14,459,697
2006	4,106,765,527	39,184,991	829,130,400	15,140,631
2007	4,193,186,400	41,820,980	879,132,200	16,175,054
2008	4,448,018,800	44,960,335	914,966,520	16,708,234
2009	4,596,572,476	46,544,301	1,006,191,824	18,391,705
2010	4,545,577,900	46,457,611	1,041,761,700	19,131,580
2011	4,391,758,200	44,888,003	1,026,682,900	18,853,813
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2005	17,840,900	176,210	73,834,400	1,462,013
2006	18,899,500	186,310	81,332,200	1,611,889
2007	20,528,100	204,926	96,119,000	1,862,112
2008	26,327,800	237,536	94,105,200	1,816,792
2009	28,487,600	283,617	75,268,900	1,435,838
2010	30,139,300	307,525	78,621,200	1,447,720
2011	28,363,500	284,857	84,724,000	1,551,297
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2005	4,824,334,700	51,118,182	1.06%
2006	5,036,127,627	56,123,821	1.11%	0.22183
2007	5,188,965,700	60,063,072	1.16%	0.22939
2008	5,483,418,320	63,722,897	1.16%	0.23259
2009	5,706,520,800	66,655,461	1.17%	0.25403
2010	5,696,100,100	67,344,436	1.18%	0.26331
2011	5,531,528,600	65,577,970	1.19%	0.27956
2012	5,569,039,800	61,532,873	1.10%	0.31597
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338

Unaudited

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

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

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2005	0.15770	0.08445	0.24215	0.11405	0.67545	0.06902	1.10067
2006	0.15126	0.07057	0.22183	0.10994	0.63330	0.06576	1.03083
2007	0.14780	0.08159	0.22939	0.10881	0.63013	0.06615	1.03448
2008	0.14743	0.08516	0.23259	0.20874	0.59190	0.06298	1.09621
2009	0.16193	0.09210	0.25403	0.20940	0.57645	0.06497	1.10485
2010	0.18050	0.08281	0.26331	0.20971	0.55365	0.05654	1.08321
2011	0.18686	0.09270	0.27956	0.23373	0.56011	0.05829	1.13169
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584

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

Source: St. Louis County web site

Unaudited

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

Taxpayer	Type of Business	2014		Percentage of Total Estimated Market Value	2005		Percentage of Total Estimated Market Value
		Estimated Market Value	Rank		Estimated Market Value	Rank	
Minnesota Power	Electric utility	\$ 205,491,800	1	3.68%	\$ 80,981,600	1	1.68%
Simon Property, Inc.	Shopping mall	52,741,300	2	0.94%	40,899,200	3	0.85%
Essentia Health	Healthcare & hospital	46,977,000	3	0.84%	28,428,600	4	0.59%
Sherman Associates	Real estate development	45,342,900	4	0.81%			
Wisconsin Central Ltd	Railway	25,454,200	5	0.46%			
ZMC Hotels	Hotels	21,402,000	6	0.38%			
IRET Properties	Property management	19,349,600	7	0.35%	15,593,100	5	0.32%
Riverland AG Corp	Grain elevators	18,334,000	8	0.33%			
NewPage (StoraEnso)	Paper mill	17,859,100	9	0.32%	46,313,600	2	0.96%
US Bank	Bank & office building	17,481,400	10	0.31%			
Northwest Air	Airbus maintenance				14,823,100	6	0.31%
Bradley Operating Ltd	Strip mall				10,312,300	7	0.21%
Tech Village	Office & tech building				10,166,700	8	0.21%
JMM Limited Partnership	Retail & hotel				9,593,800	9	0.20%
Menard's, Inc.	Retail				8,918,800	10	0.18%
		<u>\$ 470,433,300</u>		<u>8.42%</u>	<u>\$ 266,030,800</u>		<u>5.51%</u>

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
AND RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

**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
2005	9,580,872	9,336,284	97.4%	165,448	9,501,732	99.2%
2006	10,024,889	9,736,970	97.1%	216,488	9,953,458	99.3%
2007	11,124,247	10,799,240	97.1%	268,004	11,067,244	99.5%
2008	12,443,867	12,046,909	96.8%	305,838	12,352,747	99.3%
2009	14,366,814	13,790,094	96.0%	395,752	14,185,846	98.7%
2010	16,050,825	15,531,833	96.8%	379,737	15,911,570	99.1%
2011	16,648,242	16,102,214	96.7%	338,256	16,440,470	98.8%
2012	21,403,582	20,835,227	97.3%	323,104	21,158,331	98.9%
2013	21,966,088	21,396,584	97.4%	351,630	21,748,214	99.0%
2014	22,040,149	21,498,351	97.5%	-	21,498,351	97.5%

Unaudited

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

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

Fiscal Year	Governmental Activities							
	General Obligation Bonds	General Obligation Tax Increment Bonds	General Obligation Abatement Bonds	Tax Revenue Bonds	Tax Increment Bonds	Lease Revenue Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates
2005	33,813	7,282	310	3,919	1,770	53,919	3,915	7,780
2006	32,439	6,381	310	2,543	1,640	53,600	4,395	4,167
2007	19,502	23	310	1,240	1,250	52,060	5,270	3,743
2008	60,815	-	310	175	1,125	48,845	6,715	3,544
2009	76,699	-	310	135	995	41,106	8,065	3,415
2010	75,449	-	310	-	860	36,011	8,920	3,171
2011	74,561	-	285	-	715	29,569	10,275	3,086
2012	76,927	-	7,315	-	565	23,943	11,300	2,996
2013	80,754	-	7,290	-	415	20,901	12,625	2,896
2014	82,936	-	6,705	-	-	16,814	12,340	2,791

Fiscal Year	Governmental Activities				Business-Type Activities			
	Capital Leases	Revenue Bonds	Revenue and and General Obligation Bonds	General Obligation Notes	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2005	260	920	40,340	3,790	37	158,055	7.59%	1,840
2006	227	800	46,815	3,517	369	157,203	7.14%	1,846
2007	193	675	60,595	4,946	282	150,089	6.44%	1,757
2008	155	550	56,315	4,892	8,999	192,440	8.05%	2,258
2009	114	420	54,505	5,906	9,120	200,790	8.78%	2,348
2010	70	285	47,900	10,766	8,725	192,467	8.51%	2,231
2011	24	145	44,005	20,562	8,672	191,899	8.26%	2,224
2012	-	-	41,045	23,084	8,041	195,216	8.24%	2,265
2013	-	-	37,305	21,904	7,385	191,475	7.63%	2,223
2014	-	-	44,343	24,581	6,704	197,214	7.82%	2,290

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

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
2005	85,889	51,118,182	45,320,700	6,287,564	39,033,136	76.36%	454.46
2006	85,170	56,123,821	43,525,000	6,162,546	37,362,454	66.57%	438.68
2007*	85,439	60,063,072	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,722,897	67,840,000	14,636,181	53,203,819	83.49%	624.31
2009	85,530	66,655,461	85,074,118	18,612,250	66,461,868	99.71%	777.06
2010**	86,265	67,344,436	84,679,118	19,144,190	65,534,928	97.31%	759.69
2011	86,277	65,577,970	85,121,023	18,629,920	66,491,103	101.39%	770.67
2012	86,200	61,532,873	95,541,971	17,742,090	77,799,881	126.44%	902.55
2013	86,128	61,948,785	100,668,706	19,802,762	80,865,944	130.54%	938.90
2014	86,128	62,430,044	101,980,568	22,948,537	79,032,031	126.59%	917.61

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

*In 2007 the Parking Fund was created.

Its General Obligation Tax Increment Debt is no longer included in Gross Bonded Debt.

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

Unaudited

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014**

<u>Governmental Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$56,955,000	88.5%	\$ 50,405,175
Independent School District 704	18,685,000	6.0%	1,121,100
St. Louis County	53,440,000	36.4%	19,452,160
Subtotal, overlapping debt			70,978,435
City of Duluth direct debt			121,586,000
Total direct and overlapping debt			<u>\$ 192,564,435</u>

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

Unaudited

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

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

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxable market value	\$ 5,677,819,333	\$ 5,557,887,100	\$ 5,571,357,700	\$ 5,473,015,800	\$ 5,584,098,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 113,556,387</u>	<u>\$ 111,157,742</u>	<u>\$ 111,427,154</u>	<u>\$ 109,460,316</u>	<u>\$ 111,681,972</u>
Debt applicable to limit:					
Total bonds payable	\$ 169,735,000	\$ 159,554,999	\$ 161,095,000	\$ 159,290,002	\$ 163,138,242
Less: Deductions allowable	(128,955,882)	(117,723,976)	(123,073,029)	(118,746,296)	(123,892,674)
Total net debt applicable to limit	<u>\$ 40,779,118</u>	<u>\$ 41,831,023</u>	<u>\$ 38,021,971</u>	<u>\$ 40,543,706</u>	<u>\$ 39,245,568</u>
Total net debt applicable to the limit as a percentage of debt limit	35.91%	37.63%	34.12%	37.04%	35.14%

Unaudited

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>WATER REVENUE BOND</u>							
2005	10,450,145	8,033,370	2,416,775	1,002,124	253,705	1,255,829	1.92
2006	11,104,194	8,399,508	2,704,686	989,000	218,199	1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,371	511,622	9.82
<u>GAS REVENUE BOND</u>							
2005	55,642,735	48,960,275	6,682,460	825,000	519,365	1,344,365	4.97
2006	49,890,597	43,701,022	6,189,575	844,000	520,369	1,364,369	4.54
2007	47,701,819	45,655,468	2,046,351	933,000	507,486	1,440,486	1.42
2008	58,737,875	52,926,055	5,811,820	964,000	473,807	1,437,807	4.04
2009	46,526,246	36,939,946	9,586,300	652,000	341,269	993,269	9.65
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,104	1,059,076	10.25
<u>SEWER REVENUE BOND</u>							
2005	14,506,025	12,332,037	2,173,988	1,057,876	564,507	1,622,383	1.34
2006	15,700,498	13,679,753	2,020,745	1,192,000	584,732	1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,941	257,061	1,764,002	2.77
<u>STORMWATER REVENUE BOND</u>							
2005	3,012,171	2,232,765	779,406	76,000	47,592	123,592	6.31
2006	3,050,492	2,442,658	607,834	80,000	106,727	186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>STEAM DISTRICT #1 REVENUE BOND</u>							
2005	4,416,123	3,491,603	924,520	185,000	165,218	350,218	2.64
2006	4,687,255	3,994,525	692,730	265,000	262,113	527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
<u>GOLF REVENUE BOND (3)</u>							
2005	1,699,090	1,633,529	65,561	120,000	29,195	149,195	0.44
2006	1,901,413	1,672,256	229,157	125,000	26,435	151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<u>PARKING REVENUE BOND</u>							
2007	2,193,800	597,826	1,595,974	680,000	786,071	1,466,071	1.09
2008	4,200,392	816,515	3,383,877	430,000	694,889	1,124,889	3.01
2009	2,592,185	693,301	1,898,884	745,000	692,013	1,437,013	1.32
2010	2,610,111	789,126	1,820,985	790,000	657,056	1,447,056	1.26
2011	2,645,997	800,256	1,845,741	825,000	620,263	1,445,263	1.28
2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,694	1,331,694	1.73

Notes:

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	85,889	2,082,363,825	24,245	11,123	4.6%
2006	85,170	2,200,368,620	25,835	10,050	4.3%
2007	85,439	2,330,534,215	27,277	9,819	4.8%
2008	85,220	2,390,569,327	28,052	9,554	6.3%
2009	85,530	2,286,461,687	26,733	9,195	7.4%
2010	86,265	2,260,614,999	26,205	8,780	7.0%
2011	86,277	2,324,435,029	26,942	8,815	5.9%
2012	86,200	2,368,110,337	27,472	8,686	5.7%
2013	86,128	2,510,964,467	29,154	8,517	4.9%
2014	86,128 *	2,521,215,130 *	29,273	8,517 *	3.6%

Data sources:

The population figures are estimates of the State Demographer.

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

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

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

*Estimates

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2014</u>			<u>2005</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Essentia Health (SMDC)	Healthcare / hospital	4,930	1	8.25%	5,236	1	8.94%
St. Louis County	Government	1,956	2	3.27%	1,376	4	2.35%
University of Minnesota - Duluth	Education	1,700	3	2.85%	1,700	2	2.90%
St. Luke's Hospital	Healthcare / hospital	1,554	4	2.60%	1,312	5	2.24%
Independent School District No. 709	Education	1,426	5	2.39%	1,533	3	2.62%
Uniprise (United Health Care)	Insurance	1,368	6	2.29%			
Allete (Minnesota Power)	Electric utility	1,322	7	2.21%	659	8	1.13%
Duluth Air National Guard Base	Military	1,068	8	1.79%			
City of Duluth	Government	863	9	1.44%	883	6	1.51%
US Government	Government	850	10	1.42%			
Cirrus Design	Aviation				825	7	1.41%
College of St. Scholastica	Education				521	9	0.89%
StoraEnso North America	Paper mill				280	10	0.48%
		<u>17,037</u>		<u>28.51%</u>	<u>14,325</u>		<u>24.47%</u>

Source: Northland Connection's website.

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

Unaudited

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

Function:	Full-time Equivalent Employees as of December 31				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	145.00	144.00	140.20	128.00	107.20
Public safety					
Police	169.00	173.00	174.00	179.00	182.00
Fire	131.00	134.00	134.00	134.00	134.00
Public works	90.40	90.40	83.40	83.40	100.20
Culture and recreation					
Parks and recreation	20.20	18.20	19.20	17.60	7.50
Zoo	11.00	11.00	12.00	11.00	-
Library	58.60	58.60	59.60	57.30	47.30
Urban and economic development	60.00	62.00	57.00	56.00	56.00
Water & Gas	135.20	131.91	124.90	122.50	120.50
Sewer	37.40	38.60	38.60	38.60	38.60
Stormwater	20.00	20.10	20.10	20.10	21.10
Golf	5.00	5.00	3.00	-	-
Parking	-	-	-	4.00	4.00
Street lighting	-	-	-	-	4.00
Total	882.80	886.81	866.00	851.50	822.40

Function:	Full-time Equivalent Employees as of December 31				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	114.40	113.90	115.90	125.75	127.65
Public safety					
Police	187.00	185.00	185.00	178.50	178.50
Fire	140.00	140.00	138.00	141.00	142.00
Public works	123.80	118.60	106.60	87.10	85.90
Culture and recreation					
Parks and recreation	7.50	7.50	9.00	10.00	10.00
Zoo	-	-	-	-	-
Library	43.50	43.50	48.50	49.00	49.00
Urban and economic development	59.00	62.50	61.50	60.25	59.53
Water & Gas	124.80	128.20	131.00	133.00	132.60
Sewer	38.40	38.40	39.20	40.20	39.33
Stormwater	24.20	24.20	26.00	26.00	25.52
Golf	-	-	-	-	-
Parking	4.00	3.00	3.00	8.00	8.00
Street lighting	4.00	5.00	5.00	5.00	5.10
Total	870.60	869.80	868.70	863.80	863.13

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Criminal offences	9,659	9,916	9,694	10,720	11,071
Cleared by arrest	3,329	4,648	3,164	3,777	4,393
Traffic violations	3,752	6,184	3,344	2,951	2,153
Parking violations	66,555	76,095	62,556	49,498	54,953
Fire					
Number of calls answered	7,462	7,981	8,090	8,552	9,319
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,400	2,080	3,117	2,757	2,362
Estimated cost of construction during year	\$ 121,160,329	\$ 194,794,123	\$ 93,080,667	\$ 115,091,545	\$ 113,965,408
Culture and recreation					
Parks and recreation department					
Participation in special events	58,492	48,510	47,143	59,353	42,858
Participation in recreation	129,000	129,998	117,118	112,826	36,217
Zoo regular customers	93,870	102,865	117,269	92,218	91,606
Library					
Registered borrowers	49,011	48,884	49,660	49,233	47,662
Items in collection*	354,480	355,668	359,805	344,302	620,941
Items loaned	969,186	969,972	969,756	901,128	881,268
Library visits	480,173	470,684	462,950	404,724	362,719
Internet uses	-	52,016	52,545	40,187	43,907
Reference/research questions answered**	226,222	231,445	194,604	250,756	67,460
Water					
Meters in service	27,809	27,948	28,087	28,016	27,950
Average number of gallons treated per month	514,360,000	518,865,000	527,489,906	514,647,500	516,805,833
Water pumped - million cubic feet	825.1	832.4	846.0	826.0	829.1
Water sold - million cubic feet	704.70	697.80	746.00	601.00	658.00
Daily average consumption in gallons	16,910,466	17,058,575	17,342,134	16,919,918	16,973,333
Gas					
Meters in service	25,085	25,278	25,642	25,983	26,148
MMBTU sold	4,777,330	4,285,167	4,808,178	5,169,299	4,804,897
Sewer					
Number of service connections	28,840	28,845	28,845	28,845	28,845
Daily average treatment in gallons	14,580,000	14,780,000	13,150,675	15,249,900	13,740,000
Stormwater					
Cleaning storm sewer pipe (in feet)	14,448	10,599	9,409	21,254	23,358
Steam District #1					
Steam sold (in 1,000 lbs)	376,485	422,651	436,966	465,717	441,808
Golf					
Season passes	1,037	1,046	1,005	928	1,023
Daily tickets	35,524	41,467	34,274	35,230	33,815
Carts	13,509	14,323	13,255	12,811	11,128
Rounds played	84,382	89,287	84,185	83,390	80,987

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

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

Sources: Various government departments

(continued)

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

Function:	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police					
Criminal offences	10,540	11,278	9,924	10,828	9,472
Cleared by arrest	4,436	4,231	3,785	4,473	4,070
Traffic violations	5,241	9,746	9,499	11,152	9,307
Parking violations	56,292	51,991	46,492	51,361	55,097
Fire					
Number of calls answered	8,484	9,262	9,857	10,816	11,114
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,026	1,700	2,325	2,054	2,030
Estimated cost of construction during year	\$ 238,186,019	\$ 173,357,959	\$ 104,841,877	\$ 137,097,967	\$ 182,409,369
Culture and recreation					
Parks and recreation department					
Participation in special events	48,896	15,436	18,129	40,045	30,749
Participation in recreation	31,905	39,839	35,681	27,393	28,304
Zoo regular customers	102,986	93,705	71,842	58,306	65,270
Library					
Registered borrowers	46,592	47,965	50,171	50,491	48,147
Items in collection*	620,101	463,418	457,999	467,050	456,753
Items loaned	929,161	902,221	953,270	959,432	923,063
Library visits	380,982	376,817	460,918	484,917	492,106
Internet uses	62,379	66,394	89,070	106,662	118,825
Reference/research questions answered**	80,678	79,443	90,155	84,838	89,232
Water					
Meters in service	30,317	29,069	28,082	28,051	28,131
Average number of gallons treated per month	481,950,833	461,125,000	468,170,000	433,795,000	433,676,667
Water pumped - million cubic feet	773.1	739.8	756.1	695.9	695.7
Water sold - million cubic feet	665.50	589.60	644.40	606.0	591.0
Daily average consumption in gallons	15,844,958	15,160,274	13,206,643	12,418,716	14,257,863
Gas					
Meters in service	26,668	26,693	27,542	27,452	26,585
MMBTU sold	4,617,923	5,184,800	4,528,009	5,355,988	5,679,683
Sewer					
Number of service connections	28,845	28,845	27,250	27,956	27,956
Daily average treatment in gallons	14,859,000	13,284,575	12,137,000	12,843,000	14,257,000
Stormwater					
Cleaning storm sewer pipe (in feet)	14,734	14,750	230,165	31,658	2,700
Steam District #1					
Steam sold (in 1,000 lbs)	403,085	409,295	379,257	394,762	300,669
Golf					
Season passes	1,024	985	1,028	879	840
Daily tickets	32,252	32,101	35,121	31,401	28,860
Carts	10,670	12,553	14,751	14,019	15,056
Rounds played	79,430	75,480	84,740	63,196	60,172

Unaudited

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

Function:	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Patrol units	92	87	96	96	91
Fire					
Fire stations	9	9	9	9	9
Public works					
Miles of streets and alleys:					
Miles of streets - paved	469.20	471.90	474.66	476.30	476.30
Miles of streets - unpaved	77.31	76.61	73.85	73.11	73.11
Miles of sidewalk	381.33	382.56	382.56	382.56	382.56
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,712	3,758	3,758	3,758	3,930
Overhead street lamps	3,727	3,732	3,732	3,732	3,657
Culture and recreation					
Parks and recreation department					
Number of parks	129	107	107	111	145
Park acreage	11,862	11,862	11,862	13,490	11,880
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	23	22	22	22	15
Community clubs/field houses operated	27	27	27	27	22
Number of athletic fields	39	36	36	36	57
Number of hiking trails	13	13	13	13	13
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	408.22	408.30	413.70	413.79	414.59
Number of hydrants	2,363	2,373	2,396	2,500	2,506
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	488.30	495.34	508.00	510.20	506.00
Sewer					
Miles of sanitary sewers	408.00	409.00	409.00	424.00	444.00
Stormwater					
Miles of storm sewers	349.00	351.00	288.00	431.00	431.00
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

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

Function:	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police					
Patrol units	96	94	93	93	93
Fire					
Fire stations	9	9	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	469.00	470.23	470.43	470.49	472.51
Miles of streets - unpaved	48.02	48.02	48.02	47.96	47.96
Miles of sidewalk	277.00	409.00	409.90	410.98	410.98
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,930
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	127	127	128	128	128
Park acreage	15,255	15,255	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	17	19
Community clubs/field houses operated	22	22	21	21	19
Number of athletic fields	57	57	57	57	57
Number of hiking trails	13	14	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	424.10	426.30	426.74	428.30	429.50
Number of hydrants	2,535	2,583	2,597	2,671	2,677
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	512.40	511.00	520.00	527.00	534.70
Sewer					
Miles of sanitary sewers	392.00	382.00	406.20	398.00	402.00
Stormwater					
Miles of storm sewers	431.00	431.00	431.00	443.00	435.00
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Unaudited

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

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
COMPONENT UNITS-					
Duluth Entertainment and Convention Center Authority (DECC) -					
Number of events	545	534	523	533	536
Number of conventions	43	43	45	57	48
Duluth Airport Authority -					
Number of passengers	305,750	290,421	349,447	303,163	257,561
Duluth Transit Authority -					
Number of buses	72	72	72	72	67
Number of routes	18	18	20	20	18
Number of passengers	2,709,249	2,692,931	2,854,467	3,219,758	3,173,485
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority -					
Skier visits	140,480	156,301	166,304	181,365	153,287
Season passes	8,630	9,209	8,920	8,028	8,123

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

Unaudited

