

2024

Annual Comprehensive Financial Report



CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2024



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2024

**CITY OF DULUTH, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
DECEMBER 31, 2024**

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INTRODUCTORY SECTION



Finance Department

Room 120
411 West First Street
Duluth, Minnesota 55802

 218-730-5350

June 30, 2025

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, 2024.

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, 2024. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

Duluth is the seat of St. Louis County and is the largest city in the northern two-thirds of Minnesota. It is located at the western tip of Lake Superior and encompasses 67 square miles of land and nearly 50 square miles of water. Situated on a hillside along Lake Superior's north shore, Duluth is 23 miles long and eight miles wide at its broadest point. Duluth's population is approximately 87,680 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, city administrator, or a designee may make transfers between appropriations; however, the total of all transfers to or from any budget item in excess of 10% of that budget item must be approved by the City Council. The Council may revise the budget at any time by ordinance upon recommendation of the administration.

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering, and aviation. According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's unemployment rate averaged 2.7% in 2024, and was as low as 2.1% in October. The total number of jobs in Duluth reported to the state in 2024 averaged 56,415.

The Port of Duluth-Superior has been one of the backbones of the region's economy and has been long known as the Great Lakes' "Bulk Cargo Capital." It is the number one tonnage port on the Great Lakes and is the farthest-inland freshwater seaport. The Duluth-Superior port had over 700 vessels visit in 2024 from 29 countries. It moves an average of 35 million short tons of cargo annually, ranking among the nation's top 20 ports. It is North America's foremost natural resources port and leading mover of iron ore (#1 nationally) and coal (#7 nationally), limestone, and grain (the port's #1 export). As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior support, on average, approximately 7,136 port connected jobs and generate approximately \$569 million in annual income, contributing over \$1.6 billion to the local/regional business economy.

Duluth's aviation industry grew 112% between 2013 and 2018, with key anchors like Cirrus Aircraft, American Precision Avionics, and Greystar Electronics contributing millions to the regional economy. Cirrus Aircraft's headquarters and main manufacturing facilities are in Duluth, employing approximately 1,700 people in the area, making it Duluth's largest manufacturing employer, according to DEED. In 2024 they generated over \$1 billion in revenue, selling 731 aircraft, making it the largest producer of general aviation aircraft worldwide. Cirrus's aircraft, consisting of the SR20, SR22 & SR22T single engine light aircrafts, and the Vision SF50 very light jet, all have their innovative Airframe Parachute System, making it a unique safety feature in the aircraft industry. Cirrus's SF50 Vision Jet was awarded the prestigious 2017 Robert J. Collier Trophy for "the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety in air or space vehicles..." It is on display at the Smithsonian's Air and Space Museum in Washington DC. In late 2022, Cirrus acquired the Northwest Airlines maintenance base from the City's Economic Development Authority, in exchange for maintaining their local workforce and bringing an additional 80 engineering jobs for their new research and development center. Cirrus Invested \$20 million into the facility as its flagship "Innovation Center" to support engineering, design, testing, product development and other technical operations by the company. It opened in September 2023.

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

Duluth's growth in tourism and recreational travel has made Duluth a top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth attracts over 6.7 million visitors annually, injecting more than \$780 million each year, directly into the immediate area. Duluth is visited annually by several cruise lines, and in 2024 had 10 cruise ship arrivals, including the Viking Octantis and Viking Polaris, Ponant Le Champlain, and the Pearl Mist. The cruise ships brought in 4,597 visitors for daytime expeditions to Duluth's various attractions and outdoor experiences, injecting about \$700,000 into the local economy in 2024.

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

- The Duluth Entertainment & Convention Center (DECC)- Located on the shores of Lake Superior, the Duluth Entertainment Convention Center (DECC) is the epicenter of entertainment in Duluth, and offers world-class events spanning conventions, sports, arts, and entertainment. The DECC is home to the Duluth Superior Symphony Orchestra, Broadway performances, concerts, home and sports shows, the Minnesota Ballet, UMD Men's and Women's Bulldog Hockey and the *William A. Irvin* ore boat museum. The DECC's facilities include a convention center with 25 meeting rooms and two ballrooms. The facility also has an auditorium, Symphony Hall, and two arenas, the Duluth Arena/Pioneer Hall, and the Amsoil Arena. In addition, the DECC is the proud home of the Duluth Curling Club, the 2018 Olympic gold medal team.
- Canal Park- Duluth's historic waterfront district with its variety of hotels, restaurants, and shops, and home to the famous Aerial Lift Bridge, Minnesota's most frequented tourist attraction.
- The Lakewalk- A 7.5-mile recreational trail on the picturesque shores of Lake Superior.
- Bayfront Festival Park- A 20-acre waterfront park with a seasonal amphitheater. Bayfront hosts a variety of outdoor summertime concerts and events. During the holiday season, Bayfront is the scenic setting of the Bentleyville Tour of Lights, America's largest free holiday light display and in 2024 was voted the "#1 Best Public Holiday Lights Display" by USA Today. Bayfront Festival Park was named the "Best Outdoor Music Venue" in 2014's "Best of Minnesota" poll by the Minneapolis Star Tribune and named as one of Minnesota's best outdoor concert venues again in 2024.
- Great Lakes Aquarium-A \$30 million freshwater aquarium featuring more than 20 exhibits of animals & habitats of the Great Lakes Basin as well as from other freshwater ecosystems, such as the Amazon River.
- Spirit Mountain Ski and Recreation Area-a year-round recreation area with the Midwest's longest downhill ski run, with 22 Alpine runs and 30 kilometers of Nordic ski trails. Spirit also has a snow tubing park, RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line.
- Lake Superior Zoo- The Zoo is home to over 300 animals. The zoo's mission is to inspire connections to wildlife, conservation through education, rescue and care.
- Enger Park Golf Course- The City's public golf course, with three distinct 9- hole courses, 27 holes total, which overlook the Duluth Harbor.
- Duluth Parks- Duluth has 162 municipal parks encompassing over 9,168 acres of parkland and 11,600 acres of greenspace.
- Trails-Duluth has 353 miles of trails for hikers, bicyclists, and cross-country skiers. Duluth's 104-mile Traverse Mountain Biking Trail system is rated as one of only seven "Gold Level" Ride Centers in the world by the International Mountain Bicycling Association (IMBA).
- Events-Duluth hosts world-class special events such as Grandma's Marathon, the Duluth Airshow, and the Tall Ships Festival of Sail, along with a variety of local events, such as Fourth Fest, Reggae & World Music Festival, Pride Festival, October Festival, All Pints North, Homegrown Music Festival and many others.

Duluth has been nationally recognized by various publications:

- 2024-CNN Travel named Duluth in the top 10 of "America's Best Towns to Visit."
- 2024-Livability rated Duluth one of the "Best 100 Places to live in the US" looking at small to mid-size cities.
- 2024- Forbes Magazine named the William A. Irvin's "Haunted Ship" tour as one of the "7 Scariest Haunted Houses Around the World" to visit for Halloween.
- 2022-The Washington Post named Duluth one of the "10 Great Cities in the US for outdoor adventures."
- 2018- The New York Post recognized Duluth as one of the "Best 10 Christmas Cities in America."
- 2018- Indeed.com ranked Duluth #1 for "US Cities Where Salaries Go Furthest."
- 2017- Fitbit named Duluth as "America's Fittest City."
- 2017- SmartAssets named Duluth as the least stressed city in America.
- 2014- Outdoor Magazine named Duluth as "Outside's Best Town"
- 2012-Money Magazine rated Duluth as one of the top four Midwestern small cities, based on livability.

Duluth has three higher education institutions. The University of Minnesota Duluth (UMD) and the College of St. Scholastica (CSS) are consistently ranked in the top tier of Midwestern universities by U.S. News and World Report's "America's Best Colleges" issue.

- The University of Minnesota Duluth (UMD) is a comprehensive regional university and adds a total annual economic impact on the region of over \$500 million. UMD had fall enrollment of 9,253 students in 2024, with a student to teacher ratio of 16:1. Undergraduate students can choose from 16 bachelor's degrees in 89 majors, and 76 minors as well as 8 certificates. UMD also offers graduate programs in 24 fields, 12 minors, and 6 certificates. The University of Minnesota Medical School and the University of Minnesota College of Pharmacy, both have programs on the UMD campus. In addition to offering the EdD, UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs.
- The College of St. Scholastica is a private institution founded in 1912. Forbes Magazine named CSS in its "Top Colleges" list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. CSS has 3 academic schools, and offers degrees in 59 undergraduate majors, minors and pre-professionals, as well as 14 masters, and 5 doctoral programs. Total enrollment for 2024 was 2,930 students.
- Lake Superior College (LSC) is a two-year community and technical college in Duluth and is a member of the Minnesota State College System and has the second lowest college tuition in the State of Minnesota. Lake Superior College was recently ranked among the 20 best community colleges in the nation for quality and affordability. The college offers pre-baccalaureate majors for students interested in transferring to 4-year educational institutions, as well as more than 90+ certificate, diploma and associate degree programs in career and technical fields. LSC's Continuing Education/Customized Training division collaborates with area businesses and industry to design specialized opportunities for entry-level and advanced education. While courses are typically offered in traditional classroom and lab settings, LSC also offers nearly 200 courses online.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund as of December 31, 2024 is 24.0% of total General Fund expenditures and transfers. In order for the City of Duluth to respond to unforeseen situations, as well as to positively impact the investment credit rating of the City, the City strives to maintain a collectible unassigned General Fund balance between sixteen (16) and eighteen (18) percent of the current year's General Fund operating budget.

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

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2024, the Community Investment Fund reported a fund balance of \$37.5 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability (OPEB). Contributions totaling \$39.7 million have been made to the irrevocable trust. The irrevocable trust balance, including cumulative investment earnings, was \$107.2 million on December 31, 2024. In 2024, the City revised its OPEB funding framework. The City, through the Minnesota State Board of Investment, purchased a US Treasury ladder portfolio. This ladder portfolio allowed the City to match investment maturities with OPEB cash flow needs. In addition, annual retiree healthcare premium costs in excess of \$3.5 million will be paid by the trust. The previous threshold was \$9 million. For the year ended December 31, 2024, retiree health care premium costs of \$6,841,370 were funded by the irrevocable trust. City pooled investment earnings, previously dedicated as a funding source for the trust, are now dedicated for capital funding needs.

MAJOR INITIATIVES

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

State legislation created a Duluth Regional Exchange District that will support the two regional health care systems headquartered in downtown Duluth. Essentia Health and St. Luke's Hospital are constructing new facilities that will result in a combined investment exceeding \$1 billion in downtown Duluth. This investment will be the largest private development in Duluth's history and will act as a catalyst for additional development activity in the downtown area. Included in the State legislation was \$97.2 million earmarked for public improvements including parking ramps and street and utility improvements in the District. Site work began in 2019, and substantial work has been completed through 2024. The St. Luke's ramp was completed and became operational in 2024. It is anticipated that 2025 will see the completion of the Essentia parking ramp.

The City was awarded approximately \$60 million dollars in Coronavirus State and Local Fiscal Recovery Funds as part of the American Rescue Plan. The City received its final allocation of this payment in May of 2022. The funds have been used to support improvement in outdoor spaces, leverage an increase in affordable housing units, improve water infrastructure, and contribute to other needs that are important to the City of Duluth. All American Rescue Plan dollars have been spent and/or obligated by December 31, 2024.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2023. This was the forty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR, whose contents conform to both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Duluth also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year 2024. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

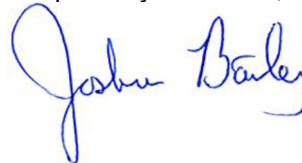
When looking at a report such as this ACFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the ACFR. As the requirements and demands of financial reporting in government increase, so too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

Respectfully submitted,



Jennifer Carlson, CPA
Finance Director

Respectfully submitted,



Joshua Bailey,
City Auditor

ELECTED AND APPOINTED OFFICIALS

CITY OF DULUTH, MINNESOTA

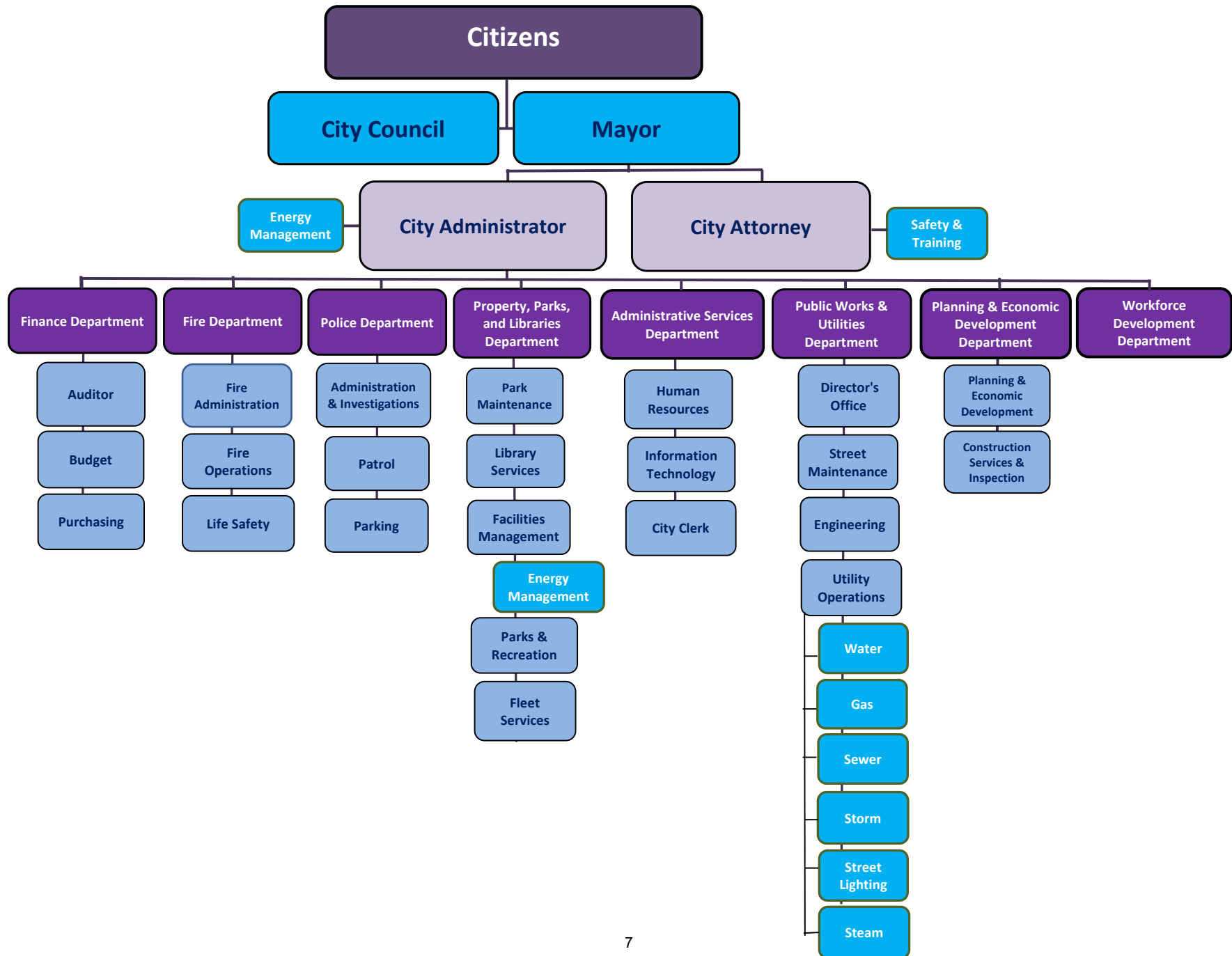
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Roger Reinert		2028
City Council		
Azrin Awal	At large	2026
Arik Forsman	At large	2028
Lynn Marie Nephew	At large	2028
Terese Tomanek	At large	2026
Wendy Durrwachter	1	2028
Mike Mayou	2	2026
Roz Randorf	3	2028
Tara Swenson	4	2026
Janet Kennedy	5	2028

*All terms expire in January

APPOINTED POSITION

Attorney	Terri Lehr
Auditor	Joshua Bailey
Chief Administrative Officer	Matthew Staehling
Finance Director	Jennifer Carlson
Chief of Police	Mike Ceynowa
Director of Administrative Services	Karla Culhane (Interim)
Director of Planning and Economic Development	Benjamin VanTassel
Director of Property, Parks & Libraries	Jim Filby Williams
Director of Workforce Development	Elena Foshay
Director of Public Works and Utilities	James Benning
Fire Chief	Shawn Krizaj

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Duluth
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

**Independent Auditor's Report**

The Honorable Roger Reinert, Mayor,
and Members of the City Council
Duluth, Minnesota

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2024, including the Spirit Mountain Recreation Area Authority component unit as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of December 31, 2024, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Spirit Mountain Recreation Area Authority, a discretely presented component unit as of April 30, 2024, and the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, and the Duluth Transit Authority, discretely presented component units as of December 31, 2024, which represent 90.4 percent, 90.6 percent, and 80.0 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits Plan schedules, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information

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

Supplementary Information

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

Other Information

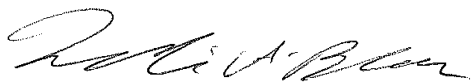
Management is responsible for the other information included in the annual financial report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 30, 2025, on our consideration of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth's or the Duluth Economic Development Authority component unit's internal control over financial reporting or on compliance. The reports are an integral part of an

audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and compliance.



Julie Blaha
State Auditor



Chad Struss, CPA
Deputy State Auditor

June 30, 2025

Management's Discussion and Analysis

CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024
(unaudited)

The City of Duluth's Finance Department has prepared this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2024, by \$763.0 million; this amount is identified as net position.
- As of December 31, 2024, the City's governmental funds reported combined ending fund balances of \$145.8 million.
- Restricted fund balances were \$66.3 million of fund balance or 45.5%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$79.5 million, or 54.5%, are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's Other Post-Employment Benefits (OPEB). As of December 31, 2024, the trust reported net position totaling \$107.2 million.
- As of December 31, 2024, the General Fund's unrestricted, unassigned fund balance was \$34.9 million, or 27.8% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

An additional portion of the City's net position (12.4%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

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	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 243,670	\$ 239,122	\$ 89,102	\$ 89,962	\$ 332,772	\$ 329,084
Capital assets	379,596	352,947	376,243	343,924	755,839	696,871
Total assets	<u>\$ 623,266</u>	<u>\$ 592,069</u>	<u>\$ 465,345</u>	<u>\$ 433,886</u>	<u>\$ 1,088,611</u>	<u>\$ 1,025,955</u>
Deferred outflows of resources	\$ 57,335	\$ 79,975	\$ 21,255	\$ 11,337	\$ 78,590	\$ 91,312
Long-term liabilities outstanding	\$ 206,125	\$ 255,083	\$ 62,863	\$ 50,132	\$ 268,988	\$ 305,215
Other liabilities	33,443	43,316	12,700	11,837	46,143	55,153
Total liabilities	<u>\$ 239,568</u>	<u>\$ 298,399</u>	<u>\$ 75,563</u>	<u>\$ 61,969</u>	<u>\$ 315,131</u>	<u>\$ 360,368</u>
Deferred inflows of resources	\$ 83,351	\$ 71,728	\$ 5,699	\$ 4,609	\$ 89,050	\$ 76,337
Net position:						
Net investment in capital assets	\$ 323,604	\$ 296,939	\$ 332,734	\$ 304,527	\$ 656,338	\$ 601,466
Restricted	93,220	93,823	1,676	2,042	94,896	95,865
Unrestricted	(59,142)	(88,845)	70,928	72,076	11,786	(16,769)
Total net position	<u>\$ 357,682</u>	<u>\$ 301,917</u>	<u>\$ 405,338</u>	<u>\$ 378,645</u>	<u>\$ 763,020</u>	<u>\$ 680,562</u>

Overall, the City's net position improved in 2024. The City's total net position increased \$82.5 million, an increase of 12%. The City's net investment in capital assets increased largely due to the City's utility infrastructure replacement along with the Seawall reconstruction project. The Seawall reconstruction project is funded primarily through an allocation of Federal and State grants. In addition, strong investment returns contributed to growth in both the City's OPEB and the Community Investment Trust Fund portfolios. The City's net pension liability decreased in 2024 due to strong investment returns.

In governmental activities, the increase in assets was due to continued investment in capital assets and significant grant proceeds. Capital additions have largely been grant driven which allows the City to improve its capital infrastructure without incurring a large amount of debt to do so. In governmental activities, the decrease in total liabilities of \$58.8 million was largely due to a decrease in unearned revenue due to funds incurred during the year associated with the SLFRF program. In addition, both the OPEB and the pension liability decreased in the year 2024. The City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows and are amortized and expensed over several years in accordance with the Governmental Accounting Standards Board (GASB). Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred outflows and inflows. Positive returns in the stock market and changes in actuarial assumptions were the primary driving force behind the decrease in the City's OPEB and pension liabilities. See Notes 13 and 14 of the financial statements for more details on the City's pension and OPEB liabilities.

For business-type activities, the increase in total assets of \$31.5 million is largely due to capital-related spending. Improvements to utility infrastructure have been partially funded by grant funds for Water utility improvements and other utility improvements. The increase in total liabilities of \$13.6 million was largely due to the OPEB liability allocation being distributed to the utility funds based on the utility fund share of the liability. Previously, the allocation was based on the percentage of contributions to the trust. This change in allocation methodology will be amortized over several years as a change in proportionate share. In addition, there was an increase in utility related bonds and

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notes due to the issuance of Steam and Golf revenue bonds for \$5.67 million along with the issuance of lead service line notes of approximately \$4.9 million.

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

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 16,612	\$ 17,797	\$ 102,852	\$ 108,451	\$ 119,464	\$ 126,248
Operating grants and contributions	35,001	32,179	6,183	79	41,184	32,258
Capital grants and contributions	43,504	26,162	24,199	8,973	67,703	35,135
General revenues:						
Property taxes	45,533	44,255	-	-	45,533	44,255
Other taxes	49,175	48,637	-	-	49,175	48,637
Grants and shared revenues not restricted to specific programs	38,152	33,415	-	-	38,152	33,415
Other	24,115	14,462	156	140	24,271	14,602
Total revenues	252,092	216,907	133,390	117,643	385,482	334,550
Expenses:						
General government	39,197	37,154	-	-	39,197	37,154
Public safety	55,000	50,793	-	-	55,000	50,793
Public works	29,848	31,562	-	-	29,848	31,562
Culture and recreation	19,225	19,884	-	-	19,225	19,884
Urban and economic development	55,920	21,650	-	-	55,920	21,650
Interest	3,611	3,337	-	-	3,611	3,337
Water	-	-	22,710	12,107	22,710	12,107
Gas	-	-	35,409	36,073	35,409	36,073
Sewer	-	-	19,456	17,187	19,456	17,187
Stormwater	-	-	5,154	4,772	5,154	4,772
Steam	-	-	9,604	9,770	9,604	9,770
Golf	-	-	1,454	1,356	1,454	1,356
Parking	-	-	4,255	3,897	4,255	3,897
Priley drive parking facility	-	-	1,346	1,315	1,346	1,315
Broadband fiber	-	-	835	52	835	52
Total expenses	202,801	164,380	100,223	86,529	303,024	250,909
Increase (decrease) in net position before transfers	49,291	52,527	33,167	31,114	82,458	83,641
Transfers	6,474	2,943	(6,474)	(2,943)	-	-
Increase in net position	55,765	55,470	26,693	28,171	82,458	83,641
Net position, January 1	301,917	246,447	378,645	350,474	680,562	596,921
Net position, December 31	\$ 357,682	\$ 301,917	\$ 405,338	\$ 378,645	\$ 763,020	\$ 680,562

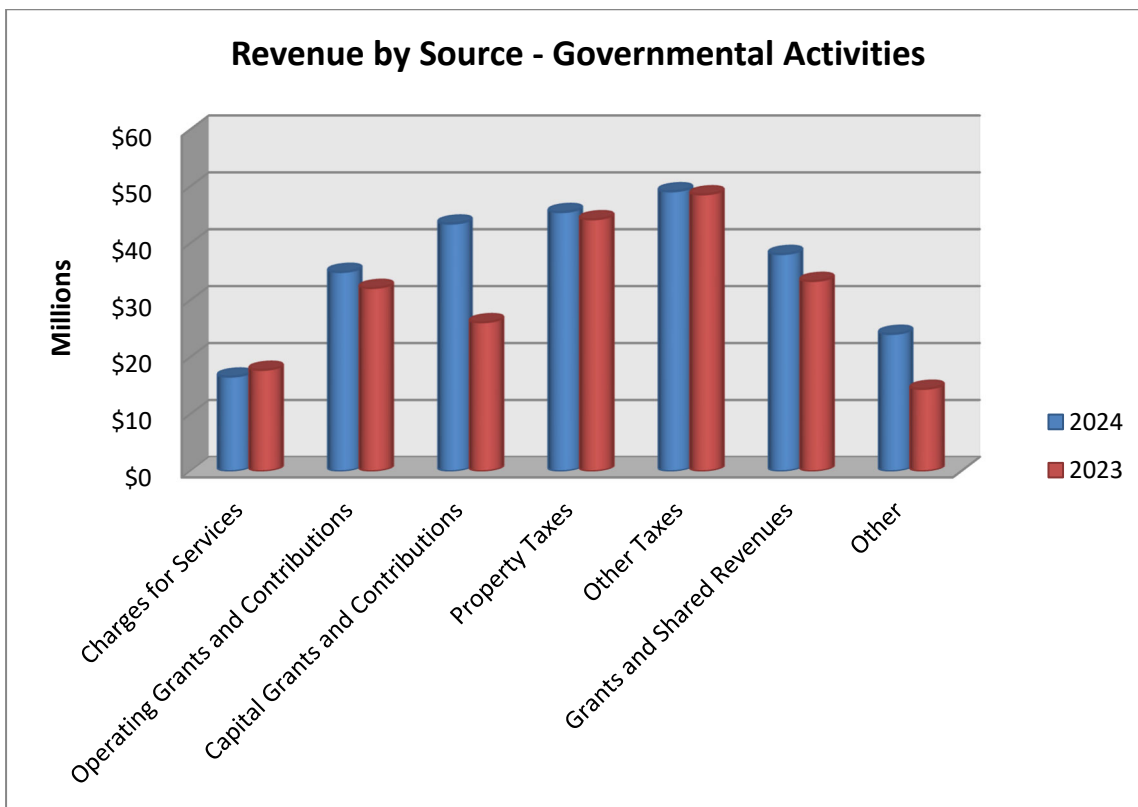
CITY OF DULUTH, MINNESOTA
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Governmental activities revenue increased by \$35.2 million in 2024. This increase is largely due to positive investment returns in 2024 along with increased capital grants and contributions. The increased capital grants and contributions are primarily due to the SLFRF grant funds in the General fund and the state grant funds received in the Regional Exchange District fund. The City's property tax levy increased 3.1% from 2023 to 2024. This increase provided funding for the City's increased operational costs. The stock market performance in 2024 resulted in a \$6.5 million investment revenue gain for the Community Investment Trust fund.

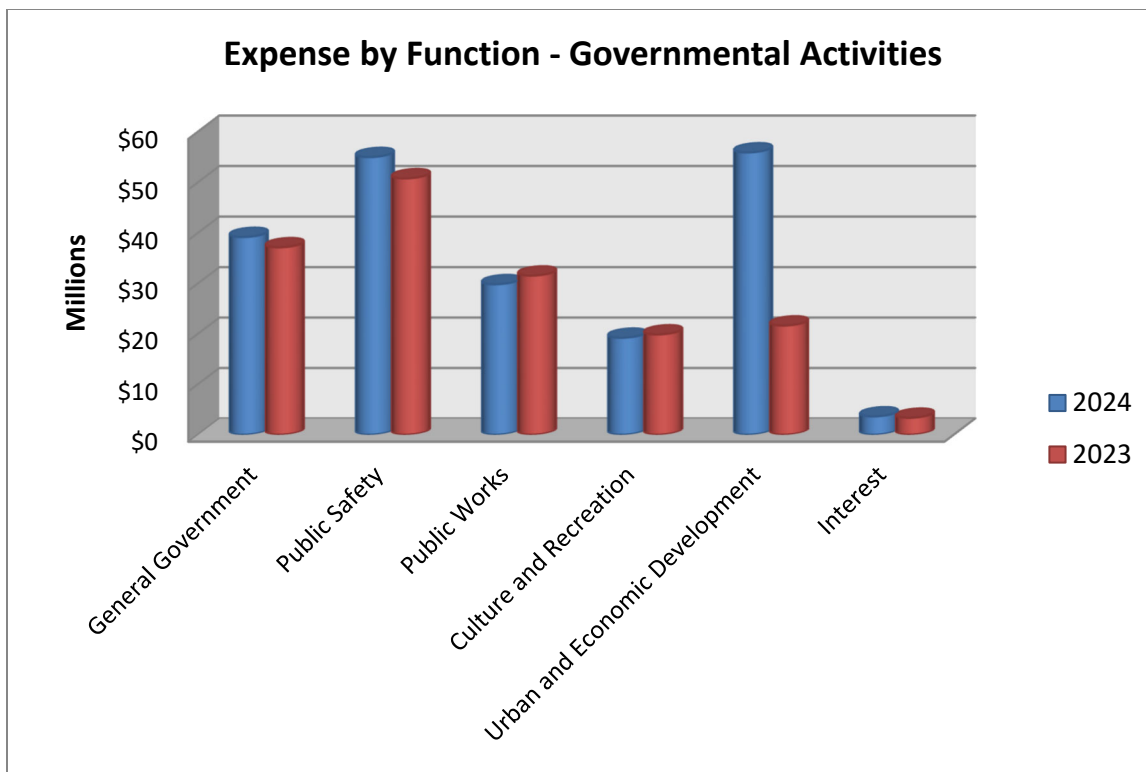
Business-type activities revenue increased by \$15.7 million. The increase in revenue is largely due to increased capital grants and contributions revenue in 2024 mainly in the Parking and Water funds. The capital grants and contributions in the Parking and Water funds were primarily for ramp construction activity and lead service line replacement construction respectively.

Total expenses increased by \$38.4 million for governmental activities. Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements No. 68 (pension liability) and 75 (OPEB liability). These liabilities, and associated deferred outflows and inflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred outflows and inflows and expensed over future years. Further detail on these two items can be found in Notes 13 and 14 of the financial statements. In 2024, the City had significantly increased expenditures in urban and economic development. The increase in urban and economic development spending is mainly associated with Regional Exchange District funding used for the development of the City's medical district and payment to the Duluth Economic Development Authority (DEDA) for affordable housing, childcare, and blight reduction.

Business-type activities expenses increased \$13.7 million. The majority of the increase was in the Water fund due to the replacement of the privately owned portion (property owner) of lead service lines which are funded by federal grants.



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FUND FINANCIAL ANALYSIS

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

GOVERNMENTAL FUNDS

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

As of December 31, 2024, the City's governmental funds reported combined ending fund balances of \$145.8 million, an increase of \$13.3 million from 2023. Of the total fund balance amount, \$79.5 million, or 54.5%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$58.3 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 64.4% of the committed fund balance. Restricted fund balance of \$66.3 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, 2024, fund balance of the General Fund was \$37.3 million, with \$34.9 million, or 93.4% reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 27.7% and the total fund balance is 29.7% of total General Fund expenditures. The General Fund's fund balance decreased \$1.9 million in 2024. Higher public safety expenditures primarily in the Fire department and additional transfers out for capital equipment and street investment were a large driving force behind the fund balance decrease.

The Disaster Recovery Special Revenue fund balance increased \$.4 million in 2024. This is primarily due to grant revenues collected related to a storm surge in 2022 and flooding in 2023.

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The Community Investment Trust Special Revenue fund balance increased \$5.9 million in 2024. This increase was due to the performance of the portfolio holdings in a strong stock market year.

The Regional Exchange District Capital Projects fund balance decreased \$7.8 million in 2024. This is primarily due to expenditures related to the Essentia Parking Ramp of \$13.9 million in 2024. Expenditures are funded with state grant funds.

PROPRIETARY FUNDS

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

	Unrestricted Net Position December 31		Increase (Decrease) Net Position December 31	
	2024	2023	2024	2023
Parking	\$ 2,120	\$ 3,542	\$ 17,886	\$ 662
Priley Drive Parking Facility	636	541	(290)	(301)
Water	20,732	16,559	7,524	8,618
Gas	14,973	17,930	(1,745)	5,652
Sewer	14,174	12,150	2,833	4,376
Steam	1,877	111	(359)	(324)

Unrestricted net position for the major proprietary funds above increased by \$3.7 million from 2023 to 2024. The Water fund had an increase in unrestricted net position of \$4.2 million. Minnesota is providing funding (federal and state grants) to public water systems to replace lead service lines connected to their distribution system through the Minnesota Drinking Water Revolving Fund (DWRF). The State of Minnesota has set a goal to replace all lead service lines by 2033. There was \$5.3 million in capital contributions primarily for Minnesota Public Facilities Authority (PFA) state grant revenue for lead service line replacements recorded in the Water fund in 2024. Overall, the change in the total net position of the above funds was an increase of \$25.8 million. Of particular note, the Parking fund had an increase in total net position of \$17.9 million. There was \$18.8 million in capital contributions related to ramp construction activity, mainly for the St. Luke's Parking Ramp in the Parking Fund in 2024. These revenues contributed to the increase in the Parking fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$26.9 million increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$1.5 million appropriation increase for prior year carryovers; and
- \$0.4 million appropriation increase for grants, gifts and donations; and
- \$25.0 million appropriation increase for other budget allowable additions.

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

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

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- Revenues and other financing sources were under budget by \$2.4 million. This unfavorable variance can be attributed mainly to fund balance reserves budgeted for \$9.2 million in 2024.
- Expenditures and transfers were under budget by \$.2 million due primarily to savings in personnel costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's net investment in capital assets for its governmental and business-type activities as of December 31, 2024, was \$755.8 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, utility-related infrastructure, and intangible right-to-use assets. In 2024, the City's total net investment in capital assets, net of accumulated depreciation, increased by \$59.0 million. Major capital asset additions for governmental activities in 2024 included: Seawall reconstruction of \$11.4 million, 2024 street preservation of \$10.5 million, and Third Street reconditioning of \$3.5 million. Major capital asset additions for business-type activities in 2024 included: Medical District East Ramp (St. Luke's) of \$14.7 million, Enger Park Golf Course Irrigation system of \$5.8 million, and land for Hillside Public Parking Ramp of \$3.9 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's net investment in capital assets, net of accumulated depreciation on December 31 for the past two fiscal years (dollars in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Capital Assets:				
Land and improvements	\$ 23,531	\$ 23,531	\$ 8,502	\$ 4,649
Buildings	39,758	28,047	54,270	41,325
Equipment	6,389	7,269	42,752	41,855
Infrastructure	254,219	254,701	242,175	232,217
Right-to-use assets	5,587	6,342	-	-
Construction in progress	50,112	33,057	28,544	23,878
Total	<u>\$ 379,596</u>	<u>\$ 352,947</u>	<u>\$ 376,243</u>	<u>\$ 343,924</u>

LONG-TERM DEBT

The City had \$124.1 million of bonded debt outstanding as of December 31, 2024. Of this amount, \$90.8 million of debt is backed by the full faith and credit of the City. The City has a contingent liability for the \$33.3 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):

	<u>Balance 12/31/24</u>	<u>Balance 12/31/23</u>
Governmental Activities:		
General Obligation Bonds	\$ 69,395	\$ 74,510
General Obligation Tax Abatement Bonds	7,335	8,285
General Obligation Certificates	<u>14,020</u>	<u>14,020</u>
Total Governmental Activities Bonded Debt	<u>\$ 90,750</u>	<u>\$ 96,815</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 33,320</u>	<u>\$ 30,296</u>

CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024
(unaudited)

During 2024, the City's total bonded debt decreased by \$3.0 million.

In 2024, the City issued \$1.8 million of general obligation bonds, \$3.4 million of general obligation certificates, and \$5.7 million in utility general obligation bonds. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$200.4 million, which is significantly higher than the City's net debt of \$36.0 million. Additional information about the City's long-term debt can be found in Note 10 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2025 General Fund budget is \$109.4 million. State local government aid (LGA) payments are anticipated to supply 32.2% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

Local Government Aid (LGA) is the largest source of revenue for the General Fund. In 2024, the State Legislature increased LGA to the City by approximately \$4.3 million or fourteen percent. Historically, increases have been less than 1% each year. The State is projecting a \$2.31 billion state budget deficit for the 2026-2027 biennium, leading to a projection of no growth in future years, and hopes of no cuts.

In 2023, the City contracted with an actuary to calculate its annual required contribution for OPEB in accordance with GASB Statement No. 75. For the year ended December 31, 2024, the City did not make any contributions to the irrevocable trust and paid out \$11.3 million in retiree claims. As of December 31, 2024, the City's net OPEB liability is \$63.9 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 119,058,907	\$ 53,885,292	\$ 172,944,199	\$ 44,183,401
Investments, at fair value	37,507,885	-	37,507,885	-
Assets held by trustee	19,525,114	-	19,525,114	-
Receivables, net	32,350,571	13,656,603	46,007,174	21,414,784
Due from primary government	-	-	-	1,244,889
Internal balances	(4,585,269)	4,585,269	-	-
Due from component units	9,567	-	9,567	-
Due from other governments	39,430,796	5,721,206	45,152,002	6,222,539
Inventories	282,660	4,119,594	4,402,254	1,029,940
Prepays	90,026	1,743,993	1,834,019	423,642
Restricted assets				
Cash and cash equivalents	-	4,081,001	4,081,001	2,838,763
Accounts receivable	-	-	-	139,808
Loans receivable	-	1,309,251	1,309,251	-
Grants receivable	-	-	-	2,834,978
Capital assets (Note 7)				
Non-depreciable	73,643,431	37,045,356	110,688,787	19,025,393
Depreciable and amortizable, net	305,952,455	339,197,361	645,149,816	243,793,886
Total Assets	623,266,143	465,344,926	1,088,611,069	343,152,023
Deferred Outflows of Resources				
Deferred pension obligation outflows	46,593,569	1,133,090	47,726,659	2,510,473
Deferred OPEB outflows	9,186,831	20,065,933	29,252,764	475,258
Deferred loss from debt refunding	1,554,196	56,254	1,610,450	-
Total Deferred Outflows of Resources	57,334,596	21,255,277	78,589,873	2,985,731
Liabilities				
Accounts payable and other short-term liabilities	28,977,358	9,859,484	38,836,842	8,236,421
Accrued interest payable	1,516,980	453,199	1,970,179	26,374
Due to primary government	-	-	-	9,567
Due to component unit	1,244,889	-	1,244,889	-
Due to other government	214,038	1,120,285	1,334,323	201,807
Unearned revenues	1,489,456	1,267,160	2,756,616	2,897,374
Noncurrent liabilities				
Due within one year	20,885,551	10,348,491	31,234,042	2,683,196
Due in more than one year	91,753,851	36,295,690	128,049,541	5,289,058
Net other postemployment benefits liability due in more than one year	53,676,207	10,233,195	63,909,402	4,409,506
Net pension liability due in more than one year	39,809,292	5,985,982	45,795,274	4,409,594
Total Liabilities	239,567,622	75,563,486	315,131,108	28,162,897
Deferred Inflows of Resources				
Lease related	1,785,146	1,409,975	3,195,121	12,147,539
Deferred pension obligation inflows	60,354,093	4,288,725	64,642,818	2,654,216
Deferred OPEB inflows	21,212,304	-	21,212,304	725,834
Total Deferred Inflows of Resources	83,351,543	5,698,700	89,050,243	15,527,589
Net Position				
Net investment in capital assets	323,604,176	332,734,147	656,338,323	255,092,293
Restricted for:				
General government	18,050,861	-	18,050,861	-
Public safety	4,817,009	-	4,817,009	-
Public works	2,156,042	1,464,063	3,620,105	-
Culture and recreation	5,817,805	-	5,817,805	-
Urban and economic development	12,433,752	-	12,433,752	-
Debt service	23,967,834	212,277	24,180,111	-
Capital outlay	25,976,073	-	25,976,073	21,139,216
Unrestricted	(59,141,978)	70,927,530	11,785,552	26,215,759
Total Net Position	\$ 357,681,574	\$ 405,338,017	\$ 763,019,591	\$ 302,447,268

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, 2024**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 39,196,879	\$ 6,390,887	\$ 7,548,861	\$ 1,435,097
Public safety	54,999,767	2,934,306	7,501,165	401,275
Public works	29,847,566	174,716	8,095,725	19,853,610
Culture and recreation	19,225,246	2,389,906	1,666,295	1,404,853
Urban and economic development	55,920,424	4,722,399	10,188,505	20,409,286
Interest	3,610,660	-	-	-
Total Governmental Activities	<u>202,800,542</u>	<u>16,612,214</u>	<u>35,000,551</u>	<u>43,504,121</u>
Business-type activities				
Water	22,710,176	18,539,093	6,173,243	5,325,063
Gas	35,409,527	37,035,262	-	123,657
Sewer	19,456,170	22,528,426	-	4
Stormwater	5,153,806	8,624,564	10,223	-
Steam	9,603,870	9,452,331	-	-
Golf	1,453,990	1,356,874	-	-
Parking	4,254,589	4,724,458	-	18,750,282
Priley Drive parking facility	1,346,554	590,542	-	-
Broadband fiber	834,592	-	-	-
Total Business-type Activities	<u>100,223,274</u>	<u>102,851,550</u>	<u>6,183,466</u>	<u>24,199,006</u>
Total Primary Government	<u>\$ 303,023,816</u>	<u>\$ 119,463,764</u>	<u>\$ 41,184,017</u>	<u>\$ 67,703,127</u>
Component units				
Duluth Economic Development Authority	\$ 9,216,107	\$ 1,043,081	\$ 15,551,155	\$ -
Duluth Entertainment and Convention Center Authority	17,933,154	11,380,519	-	200,000
Duluth Airport Authority	18,968,448	5,045,880	-	21,286,826
Duluth Transit Authority	28,640,769	2,564,874	23,362,417	2,257,979
Spirit Mountain Recreation Area Authority	6,988,888	5,308,484	-	585,700
Total Component Units	<u>\$ 81,747,366</u>	<u>\$ 25,342,838</u>	<u>\$ 38,913,572</u>	<u>\$ 24,330,505</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government				
Governmental activities				
General government	\$ (23,822,034)	\$ -	\$ (23,822,034)	\$ -
Public safety	(44,163,021)	-	(44,163,021)	-
Public works	(1,723,515)	-	(1,723,515)	-
Culture and recreation	(13,764,192)	-	(13,764,192)	-
Urban and economic development	(20,600,234)	-	(20,600,234)	-
Interest	(3,610,660)	-	(3,610,660)	-
Total Governmental Activities	(107,683,656)	-	(107,683,656)	-
Business-type activities				
Water	-	7,327,223	7,327,223	-
Gas	-	1,749,392	1,749,392	-
Sewer	-	3,072,260	3,072,260	-
Stormwater	-	3,480,981	3,480,981	-
Steam	-	(151,539)	(151,539)	-
Golf	-	(97,116)	(97,116)	-
Parking	-	19,220,151	19,220,151	-
Priley Drive parking facility	-	(756,012)	(756,012)	-
Broadband fiber	-	(834,592)	(834,592)	-
Total Business-type Activities	-	33,010,748	33,010,748	-
Total Primary Government	(107,683,656)	33,010,748	(74,672,908)	-
Component units				
Duluth Economic Development Authority	-	-	-	7,378,129
Duluth Entertainment and Convention Center Authority	-	-	-	(6,352,635)
Duluth Airport Authority	-	-	-	7,364,258
Duluth Transit Authority	-	-	-	(455,499)
Spirit Mountain Recreation Area Authority	-	-	-	(1,094,704)
Total Component Units	-	-	-	6,839,549
General Revenues				
Property taxes	45,532,745	-	45,532,745	5,513,583
Sales taxes	44,004,002	-	44,004,002	2,394,338
Franchise taxes	4,507,503	-	4,507,503	-
Other taxes	663,789	-	663,789	-
Grants and shared revenues not restricted to specific programs	38,151,555	-	38,151,555	-
Investment income	15,238,775	147,851	15,386,626	1,383,574
Gain on sale or disposition of capital assets	-	8,474	8,474	164,428
Miscellaneous	8,875,815	-	8,875,815	4,242,824
Transfers	6,474,453	(6,474,453)	-	-
Total General Revenues and Transfers	163,448,637	(6,318,128)	157,130,509	13,698,747
Change in Net Position	55,764,981	26,692,620	82,457,601	20,538,296
Net Position - Beginning	301,916,593	378,645,397	680,561,990	281,908,972
Net Position - Ending	\$ 357,681,574	\$ 405,338,017	\$ 763,019,591	\$ 302,447,268

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Disaster Recovery	Community Investment Trust	Regional Exchange District	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$26,731,137	\$ -	\$ -	\$ -	\$ 85,677,843	\$112,408,980
Investments, at fair value	-	-	37,507,885	-	-	37,507,885
Receivables, net						
Taxes	5,882,490	-	-	-	4,273,209	10,155,699
Accounts	597,416	-	-	-	453,950	1,051,366
Assessments	1,255,569	-	-	-	1,542,991	2,798,560
Loans	1,782,843	-	-	-	13,512,076	15,294,919
Leases	173,371	-	-	-	1,706,395	1,879,766
Accrued Interest	-	-	-	-	1,871,583	1,871,583
Due from other funds	735,718	72,683	-	-	10,128,726	10,937,127
Due from component units	3,567	-	-	-	6,000	9,567
Interfund loan receivables	18,860,889	-	-	-	-	18,860,889
Due from other governments	405,456	5,160,274	-	14,454,347	19,410,719	39,430,796
Prepays	-	-	-	-	26	26
Total Assets	<u>56,428,456</u>	<u>5,232,957</u>	<u>37,507,885</u>	<u>14,454,347</u>	<u>138,583,518</u>	<u>252,207,163</u>
Liabilities						
Accounts payable	3,330,382	9,960	-	-	2,679,474	6,019,816
Contracts payable	254,348	4,093	-	11,840,867	7,601,821	19,701,129
Due to other funds	8,420,205	-	-	-	3,055,118	11,475,323
Due to component units	-	-	-	-	1,244,889	1,244,889
Interfund loan payable	-	5,237,456	-	2,622,961	7,086,866	14,947,283
Due to other governments	62,296	-	-	-	103,594	165,890
Accrued salaries payable	2,814,658	-	-	-	131,120	2,945,778
Unearned revenue	191,778	714,711	-	-	473,401	1,379,890
Total Liabilities	<u>15,073,667</u>	<u>5,966,220</u>	<u>-</u>	<u>14,463,828</u>	<u>22,376,283</u>	<u>57,879,998</u>
Deferred Inflows of Resources						
Unavailable revenue	3,861,014	5,160,274	-	9,612,667	28,128,346	46,762,301
Lease related	174,340	-	-	-	1,610,806	1,785,146
Total Deferred Inflows of Resources	<u>4,035,354</u>	<u>5,160,274</u>	<u>-</u>	<u>9,612,667</u>	<u>29,739,152</u>	<u>48,547,447</u>
Fund Balances						
Restricted	195,490	-	-	-	66,086,781	66,282,271
Committed	12,671	-	37,507,885	-	20,763,234	58,283,790
Assigned	2,252,439	-	-	-	5,926,547	8,178,986
Unassigned	34,858,835	(5,893,537)	-	(9,622,148)	(6,308,479)	13,034,671
Total Fund Balances	<u>37,319,435</u>	<u>(5,893,537)</u>	<u>37,507,885</u>	<u>(9,622,148)</u>	<u>86,468,083</u>	<u>145,779,718</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$56,428,456</u>	<u>\$ 5,232,957</u>	<u>\$37,507,885</u>	<u>\$14,454,347</u>	<u>\$138,583,518</u>	<u>\$252,207,163</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, 2024

Fund Balance-total governmental funds	\$ 145,779,718
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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 \$724,419,175, and the accumulated depreciation and amortization is \$344,966,175.	379,463,000
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Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	46,060,848
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Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and debt refunding that are not recognized in the governmental funds.

Deferred pension obligation outflows	46,485,134	
Deferred OPEB outflows	9,186,831	
Deferred loss from debt refunding	1,554,196	
Deferred pension obligation inflows	(59,943,669)	
Deferred OPEB inflows	(21,212,304)	
		(23,929,812)

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 \$19,343,946 less \$8,316,337 attributed to business-type activities.	11,027,609
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds, notes, and purchase agreements payable	100,325,585	
SBITA payable	1,913,396	
Leases payable	4,051,177	
Net other postemployment benefits	53,676,207	
Net pension liability	39,236,444	
Interest accrued on long-term debt	1,516,980	
		(200,719,789)

Net position of governmental activities	\$ 357,681,574
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The notes to the financial statements are an integral part of this statement.

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Disaster Recovery	Formerly Major Fund Local Fiscal Recovery	Community Investment Trust
Revenues				
Taxes				
Property taxes	\$ 29,195,309	\$ -		\$ -
Sales taxes	19,047,297	-		-
Other taxes	5,157,114	-		-
Licenses and permits	2,257,924	-		-
Intergovernmental revenues	58,825,767	400,626		-
Charges for services	7,962,190	-		-
Fines and forfeits	249,302	-		-
Special assessments	663,677	-		-
Investment income	143,925	-		6,517,687
Miscellaneous revenues	6,791,803	-		-
Total Revenues	130,294,308	400,626		6,517,687
Expenditures				
Current				
General government	33,582,307	-		-
Public safety	52,801,960	-		-
Public works	13,918,500	-		-
Culture and recreation	5,582,095	541,044		-
Urban and economic development	18,853,920	-		-
Debt service				
Principal retirement	544,210	-		-
Interest and fiscal fees	118,075	-		-
Bond issuance costs	-	-		-
Capital outlay	304,685	-		-
Total Expenditures	125,705,752	541,044		-
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	4,588,556	(140,418)		6,517,687
Other Financing Sources (Uses)				
Issuance of bonds	-	-		-
Issuance of leases	221,027	-		-
Issuance of SBITA	20,763	-		-
Premium on issuance of bonds	-	-		-
Transfers in	12,613,740	824,791		-
Transfers out	(19,325,669)	(300,000)		(644,260)
Total Other Financing Sources (Uses)	(6,470,139)	524,791		(644,260)
Net Change in Fund Balances	(1,881,583)	384,373	-	5,873,427
Fund Balances - January 1, 2024, as previously reported	39,201,018	(6,277,910)	(106,927)	31,634,458
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	106,927	-
Fund Balances - January 1, 2024, as adjusted or restated	39,201,018	(6,277,910)	-	31,634,458
Fund Balances - December 31, 2024	\$ 37,319,435	\$ (5,893,537)	\$ -	\$ 37,507,885

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Regional Exchange District	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property taxes	\$ -	\$ 16,101,868	\$ 45,297,177
Sales taxes	-	24,956,704	44,004,001
Other taxes	-	14,177	5,171,291
Licenses and permits	-	131,997	2,389,921
Intergovernmental revenues	15,839,064	36,511,902	111,577,359
Charges for services	-	2,046,306	10,008,496
Fines and forfeits	-	127,217	376,519
Special assessments	-	272,556	936,233
Investment income	-	7,685,414	14,347,026
Miscellaneous revenues	-	7,869,531	14,661,334
Total Revenues	15,839,064	95,717,672	248,769,357
Expenditures			
Current			
General government	-	2,973,874	36,556,181
Public safety	-	2,181,937	54,983,897
Public works	-	3,913,739	17,832,239
Culture and recreation	-	9,230,608	15,353,747
Urban and economic development	20,167,720	16,901,530	55,923,170
Debt service			
Principal retirement	-	11,597,762	12,141,972
Interest and fiscal fees	-	3,727,672	3,845,747
Bond issuance costs	-	144,626	144,626
Capital outlay	3,435,148	47,286,690	51,026,523
Total Expenditures	23,602,868	97,958,438	247,808,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,763,804)	(2,240,766)	961,255
Other Financing Sources (Uses)			
Issuance of bonds	-	5,245,000	5,245,000
Issuance of leases	-	-	221,027
Issuance of SBITA	-	-	20,763
Premium on issuance of bonds	-	460,526	460,526
Transfers in	-	39,971,695	53,410,226
Transfers out	-	(26,755,624)	(47,025,553)
Total Other Financing Sources (Uses)	-	18,921,597	12,331,989
Net Change in Fund Balances	(7,763,804)	16,680,831	13,293,244
Fund Balances - January 1, 2024, as previously reported	-	68,035,835	132,486,474
Change within financial reporting entity (nonmajor to major fund)	(1,858,344)	1,858,344	-
Change within financial reporting entity (major to nonmajor fund)	-	(106,927)	-
Fund Balances - January 1, 2024, as adjusted or restated	(1,858,344)	69,787,252	132,486,474
Fund Balances - December 31, 2024	\$ (9,622,148)	\$ 86,468,083	\$ 145,779,718

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, 2024

Net change in fund balances - total governmental funds \$ 13,293,244

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

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

Capital outlay	49,981,571	
Depreciation and amortization expense	(23,273,533)	
Excess of capital outlay over depreciation expense		26,708,038

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for the difference between the carrying value of the asset and the funds received from the disposal.

Net loss on disposal of capital assets	(30,705)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$1,273,891 from internal funds less \$349,878 attributed to business-type activities is reported with governmental activities.

924,013

The issuance of bonds, SBITA, and leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period issuances occurred for:

Bonds, leases, and SBITA including a bond premium of \$460,526	(5,947,316)
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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:

Bonds, leases, SBITA, and purchase agreement principal retirement	12,507,703
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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.

760,542

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	23,652
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	3,542,476
Decrease in pension obligation and related deferred inflows and deferred outflows	3,092,089
Increase in allowance for doubtful accounts	(33,403)
Amortization of deferred loss on debt refunding	(171,104)
Amortization of bond premiums	1,095,752

Total additional expenditures		7,549,462
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Change in net position of governmental activities	\$ 55,764,981
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The notes to the financial statements are an integral part of this statement.

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Actual to Modified Budget Increase (Decrease)
	Original	Final	(Note 2)	
Revenues				
Taxes	\$ 49,907,700	\$ 49,907,700	\$ 53,399,720	\$ 3,492,020
Licenses and permits	2,105,700	2,105,700	2,257,924	152,224
Intergovernmental revenues	39,726,100	57,914,988	58,825,767	910,779
Charges for services	6,951,400	6,951,400	7,962,190	1,010,790
Fines and forfeits	232,000	232,000	249,302	17,302
Special assessments	438,800	511,032	663,677	152,645
Investment income	-	-	143,925	143,925
Miscellaneous revenues	542,800	6,711,178	6,791,803	80,625
Total Revenues	99,904,500	124,333,998	130,294,308	5,960,310
Expenditures				
Current				
General government	35,743,500	40,876,271	34,264,162	6,612,109
Public safety	49,502,300	53,872,409	53,218,652	653,757
Public works	15,516,600	15,812,816	14,844,139	968,677
Culture and recreation	5,630,100	5,699,936	5,662,858	37,078
Urban and economic development	4,363,200	18,870,082	18,856,095	13,987
Debt service				
Principal retirement	-	544,210	544,210	-
Interest and fiscal fees	-	118,075	118,075	-
Total Expenditures	110,755,700	135,793,799	127,508,191	8,285,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,851,200)	(11,459,801)	2,786,117	14,245,918
Other Financing Sources (Uses)				
Issuance of leases	-	221,027	221,027	-
Issuance of SBITA	-	-	20,763	20,763
Transfers in	10,999,400	11,758,000	12,613,740	855,740
Transfers out	(9,348,200)	(11,246,206)	(19,325,669)	(8,079,463)
Fund balance reserves	9,200,000	9,200,000	-	(9,200,000)
Total Other Financing Sources (Uses)	10,851,200	9,932,821	(6,470,139)	(16,402,960)
Net Change in Fund Balance - Budgetary Basis	-	(1,526,980)	(3,684,022)	(2,157,042)
Net Adjustments to Reflect Operations In Accordance With Generally Accepted Accounting Principles	-	-	1,802,439	1,802,439
Net Change in Fund Balance - GAAP Basis	-	(1,526,980)	(1,881,583)	\$ (354,603)
Fund Balance - January 1, 2024	17,689,159	14,995,291	39,201,018	
Fund Balance - December 31, 2024	\$ 17,689,159	\$ 13,468,311	\$ 37,319,435	

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, 2024

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Assets				
Current assets				
Cash and cash equivalents	\$ 2,889,161	\$ 735,079	\$ 14,586,536	\$ 12,261,051
Restricted cash and cash equivalents				
Customer deposits	-	-	-	1,551,322
Construction	-	-	-	-
Debt service	-	-	-	-
Loans	-	-	-	169,436
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	144,912	21,308	1,683,089	6,161,043
Restricted loans	-	-	-	233,264
Assessments	-	-	11,143	17,568
Leases	284,169	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	5,520,856	-
Inventories	-	-	1,738,491	1,492,614
Prepays	-	-	-	1,738,515
Total current assets	3,318,242	756,387	23,540,115	23,624,813
Noncurrent assets				
Assessments receivable	-	-	35,715	73,842
Restricted loans receivable	-	-	-	1,062,193
Leases	1,154,245	-	-	-
Capital assets, net	34,839,580	16,311,231	89,068,168	65,596,315
Total noncurrent assets	35,993,825	16,311,231	89,103,883	66,732,350
Total Assets	39,312,067	17,067,618	112,643,998	90,357,163
Deferred Outflows of Resources				
Deferred loss from debt refunding	56,254	-	-	-
Deferred pension obligation outflows	34,446	-	327,478	437,500
Deferred OPEB outflows	-	-	5,864,941	6,867,711
Total Deferred Outflows of Resources	90,700	-	6,192,419	7,305,211
Liabilities				
Current liabilities				
Accounts payable	34,206	8,722	697,599	3,153,582
Contracts payable	478,707	-	1,404,987	368,915
Claims payable	-	-	-	-
Notes payable	-	-	5,834,051	-
Due to other funds	1,946	-	20,045	17,081
Interfund loan payable	-	-	-	-
Due to other governments	113	-	39,225	135,731
Accrued interest payable	20,709	111,650	57,492	-
Accrued salaries payable	22,024	-	226,573	293,704
Compensated absences	33,592	-	331,811	392,094
Unearned revenue	-	-	78,533	1,020,118
Deposits	73,500	-	-	1,551,322
Revenue bonds payable	920,000	99,674	255,000	-
Total current liabilities	1,584,797	220,046	8,945,316	6,932,547

(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, 2024

Business-type Activities - Enterprise Funds

	Parking	Priley Drive Parking Facility	Water	Gas
Noncurrent liabilities				
Notes payable	-	-	4,632,000	-
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	206	-	44,019	90,719
Net pension liability	181,975	-	1,730,029	2,311,260
Net other postemployment benefits payable	-	-	3,166,690	4,638,235
Revenue bonds payable	946,419	11,190,767	2,687,717	-
Total noncurrent liabilities	<u>1,128,600</u>	<u>11,190,767</u>	<u>12,260,455</u>	<u>7,040,214</u>
Total Liabilities	<u>2,713,397</u>	<u>11,410,813</u>	<u>21,205,771</u>	<u>13,972,761</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	130,378	-	1,239,499	1,655,928
Lease related	1,409,975	-	-	-
Total Deferred Inflows of Resources	<u>1,540,353</u>	<u>-</u>	<u>1,239,499</u>	<u>1,655,928</u>
Net Position				
Net investment in capital assets	33,029,415	5,020,790	75,659,400	65,596,315
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	-
Restricted for loans	-	-	-	1,464,063
Unrestricted	2,119,602	636,015	20,731,747	14,973,307
Total Net Position	<u>\$ 35,149,017</u>	<u>\$ 5,656,805</u>	<u>\$ 96,391,147</u>	<u>\$ 82,033,685</u>

(continued)

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

Business-type Activities - Enterprise Funds					
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 11,799,537	\$ 1,101,940	\$ 10,511,988	\$ 53,885,292	\$ 6,649,927
Restricted cash and cash equivalents					
Customer deposits	-	-	-	1,551,322	-
Construction	107,900	1,812,062	-	1,919,962	-
Debt service	-	253,249	187,032	440,281	-
Loans	-	-	-	169,436	-
Restricted assets held by trustee	-	-	-	-	19,525,114
Receivables, net					
Accounts	2,148,510	938,346	880,784	11,977,992	132
Restricted loans	-	-	-	233,264	-
Assessments	15,570	-	34,046	78,327	-
Leases	-	-	-	284,169	-
Due from other funds	-	18,713	2,151	20,864	594,963
Due from other governments	200,350	-	-	5,721,206	-
Inventories	116,036	606,392	166,061	4,119,594	282,660
Prepays	-	-	5,478	1,743,993	90,000
Total current assets	14,387,903	4,730,702	11,787,540	82,145,702	27,142,796
Noncurrent assets					
Assessments receivable	52,313	-	-	161,870	-
Restricted loans receivable	-	13,794	-	1,075,987	-
Leases	-	-	-	1,154,245	-
Capital assets, net	99,693,453	39,956,147	30,777,823	376,242,717	132,886
Total noncurrent assets	99,745,766	39,969,941	30,777,823	378,634,819	132,886
Total Assets	114,133,669	44,700,643	42,565,363	460,780,521	27,275,682
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	-	-	56,254	-
Deferred pension obligation outflows	178,876	-	154,790	1,133,090	108,435
Deferred OPEB outflows	4,671,933	-	2,661,348	20,065,933	-
Total Deferred Outflows of Resources	4,850,809	-	2,816,138	21,255,277	108,435
Liabilities					
Current liabilities					
Accounts payable	109,539	650,686	92,094	4,746,428	194,785
Contracts payable	340,201	15,772	107,344	2,715,926	23,144
Claims payable	-	-	-	-	1,711,111
Notes payable	882,000	-	-	6,716,051	-
Due to other funds	14,636	5,373	10,640	69,721	7,910
Interfund loan payable	-	-	2,132,211	2,132,211	231,395
Due to other governments	923,555	20,855	806	1,120,285	48,148
Accrued interest payable	5,249	258,099	-	453,199	-
Accrued salaries payable	122,282	-	105,192	769,775	92,707
Compensated absences	202,152	-	128,117	1,087,766	3,985,255
Unearned revenue	95,368	-	73,141	1,267,160	109,566
Deposits	-	-	2,533	1,627,355	-
Revenue bonds payable	75,000	1,195,000	-	2,544,674	-
Total current liabilities	2,769,982	2,145,785	2,652,078	25,250,551	6,404,021

(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, 2024

Business-type Activities - Enterprise Funds					
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Noncurrent liabilities					
Notes payable	-	-	-	4,632,000	-
Claims payable	-	-	-	-	312,987
Interfund loan payable	-	-	1,550,000	1,550,000	-
Compensated absences	14,358	-	30,227	179,529	339,891
Net pension liability	944,983	-	817,735	5,985,982	572,848
Net other postemployment benefits payable	1,559,732	-	868,538	10,233,195	-
Revenue bonds payable	128	14,607,837	2,051,293	31,484,161	-
Total noncurrent liabilities	<u>2,519,201</u>	<u>14,607,837</u>	<u>5,317,793</u>	<u>54,064,867</u>	<u>1,225,726</u>
Total Liabilities	<u>5,289,183</u>	<u>16,753,622</u>	<u>7,969,871</u>	<u>79,315,418</u>	<u>7,629,747</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	677,044	-	585,876	4,288,725	410,424
Lease related	-	-	-	1,409,975	-
Total Deferred Inflows of Resources	<u>677,044</u>	<u>-</u>	<u>585,876</u>	<u>5,698,700</u>	<u>410,424</u>
Net Position					
Net investment in capital assets	98,736,325	25,965,372	28,726,530	332,734,147	132,886
Restricted for health insurance trust	-	-	-	-	18,050,961
Restricted for special accounts	107,900	104,377	-	212,277	-
Restricted for loans	-	-	-	1,464,063	-
Unrestricted	14,174,026	1,877,272	8,099,224	62,611,193	1,160,099
Total Net Position	<u>\$113,018,251</u>	<u>\$ 27,947,021</u>	<u>\$ 36,825,754</u>	<u>\$397,021,680</u>	<u>\$ 19,343,946</u>
Amounts reported for business-type activities in the statement of net position are different because of the consolidation of internal service fund activities related to enterprise funds.				8,316,337	
Net position of business-type activities				<u>\$ 405,338,017</u>	

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 34,613,088
Charges for services	3,471,076	590,542	17,983,086	1,127,658
Fines and forfeits	1,033,105	-	-	-
Miscellaneous revenues	220,277	-	556,007	1,294,516
Total Operating Revenues	<u>4,724,458</u>	<u>590,542</u>	<u>18,539,093</u>	<u>37,035,262</u>
Operating Expenses				
Cost of sales and services	-	-	-	20,308,825
Personal services	635,364	-	8,156,704	10,386,266
Supplies	42,842	-	2,021,910	1,275,556
Utilities	171,819	38,686	1,566,643	40,784
Other services and charges	2,561,605	333,340	2,023,995	1,921,704
Depreciation	739,984	520,571	1,743,822	1,484,406
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>4,151,614</u>	<u>892,597</u>	<u>15,513,074</u>	<u>35,417,541</u>
Operating Income (Loss)	<u>572,844</u>	<u>(302,055)</u>	<u>3,026,019</u>	<u>1,617,721</u>
Nonoperating Revenues (Expenses)				
Investment income	12,910	1,484	31,010	44,018
Intergovernmental revenue	-	-	6,173,243	-
Gain (loss) on sale or disposition of capital assets	-	-	(4,248)	4,845
Other service operations	-	-	(7,298,125)	-
Other expense	-	-	-	-
Interest and fiscal fees	(102,975)	(453,957)	(150,319)	(444)
Total Nonoperating Revenues (Expenses)	<u>(90,065)</u>	<u>(452,473)</u>	<u>(1,248,439)</u>	<u>48,419</u>
Income (Loss) Before Contributions and Transfers	482,779	(754,528)	1,777,580	1,666,140
Capital contributions	18,750,282	-	5,325,063	123,657
Transfers in	75,633	464,166	694,797	-
Transfers out	(1,422,900)	-	(273,895)	(3,535,255)
Change in Net Position	<u>17,885,794</u>	<u>(290,362)</u>	<u>7,523,545</u>	<u>(1,745,458)</u>
Total Net Position - January 1, 2024, as previously reported	-	5,947,167	88,867,602	83,779,143
Change within financial reporting entity (nonmajor to major fund)	<u>17,263,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - January 1, 2024, as adjusted or restated	<u>17,263,223</u>	<u>5,947,167</u>	<u>88,867,602</u>	<u>83,779,143</u>
Total Net Position - December 31, 2024	<u>\$ 35,149,017</u>	<u>\$ 5,656,805</u>	<u>\$ 96,391,147</u>	<u>\$ 82,033,685</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, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Steam	Other Enterprise Funds	Total	
Operating Revenues					
Sales	\$ -	\$ -	\$ 308,066	\$ 34,921,154	\$ 2,249,630
Charges for services	22,158,237	9,016,468	9,572,954	63,920,021	38,985,626
Fines and forfeits	-	-	-	1,033,105	-
Miscellaneous revenues	370,189	435,863	100,418	2,977,270	2,832,537
Total Operating Revenues	<u>22,528,426</u>	<u>9,452,331</u>	<u>9,981,438</u>	<u>102,851,550</u>	<u>44,067,793</u>
Operating Expenses					
Cost of sales and services	-	-	167,268	20,476,093	2,070,090
Personal services	4,756,368	-	3,374,220	27,308,922	7,130,447
Supplies	343,619	3,075,928	244,538	7,004,393	38,646
Utilities	153,426	464,068	26,362	2,461,788	47,202
Other services and charges	12,157,544	3,768,565	2,224,959	24,991,712	3,335,886
Depreciation	2,075,201	1,796,524	549,603	8,910,111	28,697
Medical and insurance	-	-	-	-	31,656,408
Total Operating Expenses	<u>19,486,158</u>	<u>9,105,085</u>	<u>6,586,950</u>	<u>91,153,019</u>	<u>44,307,376</u>
Operating Income (Loss)	<u>3,042,268</u>	<u>347,246</u>	<u>3,394,488</u>	<u>11,698,531</u>	<u>(239,583)</u>
Nonoperating Revenues (Expenses)					
Investment income	19,966	(2,020)	40,483	147,851	909,557
Intergovernmental revenue	-	-	10,223	6,183,466	514,137
Gain (loss) on sale or disposition of capital assets	1,364	2,114	(2,397)	1,678	-
Other service operations	-	-	-	(7,298,125)	-
Other expense	-	-	(834,316)	(834,316)	-
Interest and fiscal fees	(24,626)	(498,857)	(49,718)	(1,280,896)	-
Total Nonoperating Revenues (Expenses)	<u>(3,296)</u>	<u>(498,763)</u>	<u>(835,725)</u>	<u>(3,080,342)</u>	<u>1,423,694</u>
Income (Loss) Before Contributions and Transfers	3,038,972	(151,517)	2,558,763	8,618,189	1,184,111
Capital contributions	4	-	-	24,199,006	-
Transfers in	-	-	1,222,337	2,456,933	89,780
Transfers out	(206,295)	(207,789)	(3,285,252)	(8,931,386)	-
Change in Net Position	<u>2,832,681</u>	<u>(359,306)</u>	<u>495,848</u>	<u>26,342,742</u>	<u>1,273,891</u>
Total Net Position - January 1, 2024, as previously reported	110,185,570	28,306,327	53,593,129	370,678,938	18,070,055
Change within financial reporting entity (nonmajor to major fund)	-	-	(17,263,223)	-	-
Net Position - January 1, 2024, as adjusted or restated	<u>110,185,570</u>	<u>28,306,327</u>	<u>36,329,906</u>	<u>370,678,938</u>	<u>18,070,055</u>
Total Net Position - December 31, 2024	<u>\$113,018,251</u>	<u>\$ 27,947,021</u>	<u>\$ 36,825,754</u>	<u>\$397,021,680</u>	<u>\$ 19,343,946</u>

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

Change in net position	\$ 26,342,742
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	349,878
Change in net position of business-type activities	<u>\$ 26,692,620</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, 2024

	Business-type Activities - Enterprise Funds			
	Parking	Priley Drive Parking Facility	Water	Gas
Cash Flows from Operating Activities				
Cash received from customers	\$ 4,558,586	\$ 589,840	\$ 18,367,172	\$ 36,380,278
Cash paid to suppliers	(2,318,746)	(367,042)	(5,305,390)	(22,893,310)
Cash paid to employees	(632,985)	-	(6,659,127)	(8,764,633)
Other operating revenues	220,277	-	20,179	349,169
Net cash provided (used) by operating activities	1,827,132	222,798	6,422,834	5,071,504
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	75,633	464,166	765,415	-
Transfers to other funds	(1,422,900)	-	(273,895)	(3,535,255)
Operating grants	-	-	-	-
Nonoperating grants	-	-	6,173,243	-
Payment to other government	-	-	-	-
Other service operations	-	-	(7,298,125)	-
Interfund financing	-	-	-	420,296
Net cash provided (used) by noncapital financing activities	(1,347,267)	464,166	(633,362)	(3,114,959)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	18,750,282	-	311,662	118,913
Issuance of revenue bonds and notes	-	-	5,157,469	-
Principal paid on bonds, notes and purchase agreements	(895,000)	(135,650)	(1,311,915)	(134,672)
Interest paid on bonds, notes and purchase agreements	(61,241)	(455,298)	(160,811)	(2,552)
Sale of capital assets	-	-	2,665	10,231
Acquisition or construction of capital assets	(19,203,580)	-	(8,196,127)	(2,617,399)
Net cash provided (used) by capital and related financing activities	(1,409,539)	(590,948)	(4,197,057)	(2,625,479)
Cash Flows from Investing Activities				
Investment earnings	12,910	1,484	31,010	44,018
Net increase (decrease) in cash and cash equivalents	(916,764)	97,500	1,623,425	(624,916)
Cash and cash equivalents - January 1, 2024	3,805,925	637,579	12,963,111	14,606,725
Cash and cash equivalents - December 31, 2024	\$ 2,889,161	\$ 735,079	\$ 14,586,536	\$ 13,981,809
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 572,844	\$ (302,055)	\$ 3,026,019	\$ 1,617,721
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	739,984	520,571	1,743,822	1,484,406
Change in assets and liabilities:				
Decrease (increase) in receivables	(12,924)	(702)	(149,749)	(17,874)
Decrease (increase) in inventories	-	-	(44,502)	53,637
Decrease (increase) in prepaids	-	-	1,636,126	743,454
Decrease (increase) in deferred pension obligation outflows	29,274	-	346,178	484,108
Decrease (increase) in OPEB outflows	-	-	(3,097,609)	(2,983,396)
Increase (decrease) in deposits	73,500	-	-	-
Increase (decrease) in payables	458,726	4,984	416,398	207,202
Increase (decrease) in OPEB liability	-	-	3,166,690	4,638,235
Increase (decrease) in unearned revenues	-	-	9,242	(199,079)
Increase (decrease) in lease inflows	(6,171)	-	-	-
Increase (decrease) in deferred pension obligation inflows	43,731	-	323,458	402,722
Increase (decrease) in pension liability	(71,832)	-	(953,239)	(1,359,632)
Total adjustments	1,254,288	524,853	3,396,815	3,453,783
Net cash provided (used) by operating activities	\$ 1,827,132	\$ 222,798	\$ 6,422,834	\$ 5,071,504

(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, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Steam	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash received from customers	\$ 22,325,640	\$ 9,450,934	\$ 9,844,201	\$ 101,516,651	\$ 44,240,854
Cash paid to suppliers	(12,761,312)	(7,439,752)	(2,768,043)	(53,853,595)	(37,493,467)
Cash paid to employees	(3,656,821)	-	(2,799,263)	(22,512,829)	(7,046,344)
Other operating revenues	165,766	20,212	54,591	830,194	1,481
Net cash provided (used) by operating activities	6,073,273	2,031,394	4,331,486	25,980,421	(297,476)
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	38,647	-	1,292,955	2,636,816	89,780
Transfers to other funds	(206,295)	(207,789)	(3,285,252)	(8,931,386)	-
Operating grants	-	-	10,223	10,223	514,137
Nonoperating grants	-	-	-	6,173,243	-
Payment to other government	-	-	(834,316)	(834,316)	-
Other service operations	-	-	-	(7,298,125)	-
Interfund financing	-	(420,296)	1,082,563	1,082,563	99,505
Net cash provided (used) by noncapital financing activities	(167,648)	(628,085)	(1,733,827)	(7,160,982)	703,422
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	7,715	462,742	634	19,651,948	-
Issuance of revenue bonds and notes	-	3,983,896	2,001,575	11,142,940	-
Principal paid on bonds, notes and purchase agreements	(1,521,510)	(1,160,000)	-	(5,158,747)	-
Interest paid on bonds, notes and purchase agreements	(37,537)	(280,541)	-	(997,980)	-
Sale of capital assets	8,277	2,114	58,274	81,561	-
Acquisition or construction of capital assets	(2,061,736)	(1,242,249)	(8,400,125)	(41,721,216)	-
Net cash provided (used) by capital and related financing activities	(3,604,791)	1,765,962	(6,339,642)	(17,001,494)	-
Cash Flows from Investing Activities					
Investment earnings	19,966	(2,020)	40,483	147,851	909,558
Net increase (decrease) in cash and cash equivalents	2,320,800	3,167,251	(3,701,500)	1,965,796	1,315,504
Cash and cash equivalents - January 1, 2024	9,586,637	-	14,400,520	56,000,497	24,859,537
Cash and cash equivalents - December 31, 2024	\$ 11,907,437	\$ 3,167,251	\$ 10,699,020	\$ 57,966,293	\$ 26,175,041
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ 3,042,268	\$ 347,246	\$ 3,394,488	\$ 11,698,531	\$ (239,583)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	2,075,201	1,796,524	549,603	8,910,111	28,697
Change in assets and liabilities:					
Decrease (increase) in receivables	(65,024)	22,862	(76,527)	(299,938)	169,429
Decrease (increase) in inventories	2,422	(23,875)	(2,335)	(14,653)	(3,252)
Decrease (increase) in prepaids	2,912,476	45,000	1,728,095	7,065,151	(40,000)
Decrease (increase) in deferred pension obligation outflows	198,210	-	157,018	1,214,788	114,090
Decrease (increase) in OPEB outflows	(3,213,561)	-	(1,890,200)	(11,184,766)	-
Increase (decrease) in deposits	-	-	-	73,500	-
Increase (decrease) in payables	(91,331)	(156,363)	(139,371)	700,245	(124,119)
Increase (decrease) in OPEB liability	1,559,732	-	868,538	10,233,195	-
Increase (decrease) in unearned revenues	45,602	-	4,539	(139,696)	2,928
Increase (decrease) in lease inflows	-	-	-	(6,171)	-
Increase (decrease) in deferred pension obligation inflows	164,281	-	161,878	1,096,070	107,834
Increase (decrease) in pension liability	(557,003)	-	(424,240)	(3,365,946)	(313,500)
Total adjustments	3,031,005	1,684,148	936,998	14,281,890	(57,893)
Net cash provided (used) by operating activities	\$ 6,073,273	\$ 2,031,394	\$ 4,331,486	\$ 25,980,421	\$ (297,476)

(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, 2024**

Noncash Investing, Capital and Financing Activities

Parking

Capital contributions of \$720,501 are associated with a City owned asset constructed by a third party and capitalized by the City.

Water

Capital contributions are reported net of timing differences totaling (\$5,013,401) due to receivables.

Gas

Capital contributions are reported net of timing differences totaling (\$4,744) due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$7,711 due to receivables.

Steam

Capital contributions are reported net of timing differences totaling \$462,742 due to receivables.

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

	Other Postemployment Benefits Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	\$ 2,057	\$ 1,730,705
Receivables		
Loans	-	1,128,304
Accounts receivable	686	-
Due from other governments	-	1,400,000
Investments, at fair value		
Fixed income pool	107,172,671	-
Total Assets	<u>107,175,414</u>	<u>4,259,009</u>
Liabilities		
Accounts payable	-	230
Contracts payable	<u>-</u>	<u>1,075</u>
Total Liabilities	<u>-</u>	<u>1,305</u>
Net Position		
Restricted for		
Postemployment benefits other than pensions	107,175,414	-
Other organizations	<u>-</u>	<u>4,257,704</u>
Total Net Position	<u><u>\$ 107,175,414</u></u>	<u><u>\$ 4,257,704</u></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
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Other Postemployment Benefits Trust Fund	Custodial Fund
Additions		
Employer contributions	\$ 4,434,606	\$ -
Investment earnings		
Interest and dividends	1,612,317	85,643
Net increase (decrease) in fair value of investments	3,928,823	6,316
Less investment expenses	(12,506)	-
Interest on loans	-	48,329
Other grants	-	150,000
Other sources - City of Duluth		1,400,000
Other reimbursements	-	6,140
Total Additions	9,963,240	1,696,428
Deductions		
Benefits	11,273,233	-
Legal services	-	23,528
Professional services	-	12,705
Grants & awards	-	187,917
Other services and charges	-	55,379
Board meeting expense	-	1,577
Total Deductions	11,273,233	281,106
Change in Net Position	(1,309,993)	1,415,322
Net Position - January 1, 2024	108,485,407	2,842,382
Net Position - December 31, 2024	\$ 107,175,414	\$ 4,257,704

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, 2024

	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	\$18,976,147	\$ 3,046,393	\$ 4,709,770	\$15,945,211	\$ 1,505,880	\$ 44,183,401
Receivables, net						
Taxes	167,032	-	-	51,183	-	218,215
Accounts	41,817	662,087	409,983	576,877	261,910	1,952,674
Loans	6,231,548	-	-	-	-	6,231,548
Grants	-	-	45,017	-	-	45,017
Leases receivable	1,532,444	676,682	71,587	46,950	6,549	2,334,212
Due from primary government	-	1,244,889	-	-	-	1,244,889
Due from other governments	86,392	-	-	6,136,147	-	6,222,539
Inventories	-	205,869	59,216	622,526	142,329	1,029,940
Prepays	-	138,804	61,162	146,051	77,625	423,642
Restricted assets						
Cash and cash equivalents	-	2,815,676	23,087	-	-	2,838,763
Accounts receivable	-	62,739	77,069	-	-	139,808
Grants receivable	-	-	2,834,978	-	-	2,834,978
Leases receivable	-	7,459,953	2,522,219	92,210	558,736	10,633,118
Capital assets, net						
Non-depreciable	3,717,486	1,657,399	9,308,659	1,268,353	3,073,496	19,025,393
Depreciable and amortizable	2,069,634	63,404,675	129,988,638	36,291,989	12,038,950	243,793,886
Total Assets	<u>32,822,500</u>	<u>81,375,166</u>	<u>150,111,385</u>	<u>61,177,497</u>	<u>17,665,475</u>	<u>343,152,023</u>
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	1,612,921	197,994	-	699,558	2,510,473
Deferred OPEB outflows	-	316,537	158,721	-	-	475,258
Total Deferred Outflows of Resources	<u>-</u>	<u>1,929,458</u>	<u>356,715</u>	<u>-</u>	<u>699,558</u>	<u>2,985,731</u>
Liabilities						
Accounts payable and other						
short-term liabilities	157,794	736,647	378,479	1,910,366	248,006	3,431,292
Contracts payable	1,064,327	-	1,219,080	36,901	-	2,320,308
Accrued interest payable	-	26,374	-	-	-	26,374
Due to primary government	-	6,000	82	3,485	-	9,567
Due to other government	168,896	6,455	-	-	26,456	201,807
Unearned revenues	-	1,259,677	183,672	201,241	1,252,784	2,897,374
Deposits	-	2,484,821	-	-	-	2,484,821
Non-current liabilities						
Due within one year	17,926	490,442	1,174,833	651,252	348,743	2,683,196
Due in more than one year	1,514,518	1,265,491	2,272,792	21,248	215,009	5,289,058
Other postemployment benefits liability	-	1,282,477	3,127,029	-	-	4,409,506
Net pension liability	-	2,141,096	792,240	-	1,476,258	4,409,594
Total Liabilities	<u>2,923,461</u>	<u>9,699,480</u>	<u>9,148,207</u>	<u>2,824,493</u>	<u>3,567,256</u>	<u>28,162,897</u>
Deferred Inflows of Resources						
Lease related	1,524,299	7,471,648	2,460,964	139,160	551,468	12,147,539
Deferred pension obligation inflows	-	1,524,943	575,636	-	553,637	2,654,216
Deferred OPEB inflows	-	390,762	335,072	-	-	725,834
Total Deferred Inflows of Resources	<u>1,524,299</u>	<u>9,387,353</u>	<u>3,371,672</u>	<u>139,160</u>	<u>1,105,105</u>	<u>15,527,589</u>
Net Position						
Net investment in capital assets	4,254,676	63,743,644	134,868,217	37,516,182	14,709,574	255,092,293
Restricted for						
Capital projects	5,939,955	-	-	15,199,261	-	21,139,216
Unrestricted	18,180,109	474,147	3,080,004	5,498,401	(1,016,902)	26,215,759
Total Net Position	<u>\$28,374,740</u>	<u>\$ 64,217,791</u>	<u>\$137,948,221</u>	<u>\$58,213,844</u>	<u>\$13,692,672</u>	<u>\$302,447,268</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2024**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Economic Development Authority				
Governmental activities				
Economic development	\$ 9,216,107	\$ 1,043,081	\$ 15,551,155	\$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities				
Entertainment and convention facility	17,933,154	11,380,519	-	200,000
Duluth Airport Authority				
Business-type activities				
Airport facility	18,968,448	5,045,880	-	21,286,826
Duluth Transit Authority				
Business-type activities				
Public transportation	28,640,769	2,564,874	23,362,417	2,257,979
Spirit Mountain Recreation Area Authority				
Business-type activities				
Ski hill operations	6,988,888	5,308,484	-	585,700
Total Component Units	<u>\$ 81,747,366</u>	<u>\$ 25,342,838</u>	<u>\$ 38,913,572</u>	<u>\$ 24,330,505</u>
				(continued)

(continued)

CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2024

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	\$ 7,378,129	\$ -	\$ -	\$ -	\$ -	\$ 7,378,129
Duluth Entertainment and Convention Center Authority						
Business-type activities						
Entertainment and convention facility	-	(6,352,635)	-	-	-	(6,352,635)
Duluth Airport Authority						
Business-type activities						
Airport facility	-	-	7,364,258	-	-	7,364,258
Duluth Transit Authority						
Business-type activities						
Public transportation	-	-	-	(455,499)	-	(455,499)
Spirit Mountain Recreation Area Authority						
Business-type activities						
Ski hill operations	-	-	-	-	(1,094,704)	(1,094,704)
Total Component Units						6,839,549
General Revenues						
Property taxes	3,339,175	-	-	2,174,408	-	5,513,583
Sales taxes	-	2,394,338	-	-	-	2,394,338
Investment income	316,120	357,047	296,139	359,473	54,795	1,383,574
Gain on sale or disposition of capital assets	163,928	-	-	-	500	164,428
Miscellaneous	54,491	1,312,875	2,739,989	39,736	95,733	4,242,824
Total General Revenues	3,873,714	4,064,260	3,036,128	2,573,617	151,028	13,698,747
Change in Net Position	11,251,843	(2,288,375)	10,400,386	2,118,118	(943,676)	20,538,296
Net Position - Beginning	17,122,897	66,506,166	127,547,835	56,095,726	14,636,348	281,908,972
Net Position - Ending	\$ 28,374,740	\$ 64,217,791	\$ 137,948,221	\$ 58,213,844	\$ 13,692,672	\$ 302,447,268

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, 2024

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
Disaster Recovery Special Revenue Fund	This fund was established to account for grants and aids associated with the 500-year flood event in June 2012, and continues to be used for subsequent disasters.
Community Investment Trust Fund	This fund accounts for the City's share of revenues that were received from the operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General Fund.
Regional Exchange District	This fund accounts for funds awarded by the State of Minnesota for public improvements in the City's medical district.

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

Additionally, the City reports the following fund types:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2024. GASB is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

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

RECEIVABLES AND PAYABLES

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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.

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES / UNEARNED REVENUE

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES AND PREPAID ITEMS

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

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

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

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

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, trails, and similar items), and right-to-use assets acquired under leasing arrangements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$10,000 for equipment, \$50,000 for buildings and infrastructure, and all property which has an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Right-to-use and subscription based assets are recorded with a useful life that is equal to the lease and subscription terms.

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPENSATED ABSENCES

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

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

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

LONG-TERM OBLIGATIONS

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

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

FUND BALANCE

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

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

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

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

USE OF ESTIMATES

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

PENSIONS

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

CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2024, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. GASB Statement No. 100 is an amendment of GASB Statement No. 62; addresses accounting and financial reporting requirements for certain types of accounting changes and error corrections. The implementation of this statement resulted in changing the presentation of the basic financial statements by adding additional columns related to the change in a fund's presentation as major or nonmajor.

Information on the impact of GASB 100, if any, on the Duluth Entertainment and Convention Center Authority, Duluth Transit Authority, and Duluth Airport Authority can be found in the separately issued reports for those entities.

Due to having an April 30, 2024 year-end, GASB 100 has not yet been implemented for Spirit Mountain Recreation Area Authority. Spirit Mountain did implement GASB No. 96, *Subscription-Based Information Technology Arrangements*, which establishes criteria for accounting and financial reporting for Subscription-Based Information Technology Arrangements for the year ended April 30, 2024. Information on the impact of GASB 96, if any, on the Spirit Mountain Recreation Authority can be found in its separately issued report.

CHANGE IN REPORTING ENTITY

During 2024, the Regional Exchange District fund was reclassified to a Major Governmental Fund and the Local Fiscal Recovery fund was reclassified to be included within the Nonmajor Governmental Funds. The reconciliation of the Net Position - Beginning Balance was restated as follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Statement of Revenues, Expenditures, and Changes in Fund Balances		Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
	Nonmajor Governmental Funds	Formerly Local Fiscal Recovery	Formerly Regional Exchange District
Fund Balance - Beginning Balance reported for year end 2023	\$68,035,835	\$ (106,927)	\$ (1,858,344)
Change from major to nonmajor fund	(106,927)	106,927	
Change from nonmajor to major fund	1,858,344		1,858,344
Fund Balance - Beginning Balance Restated	\$69,787,252		

Also during 2024, the Parking fund was reclassified to a Major Enterprise Fund. The reconciliation of the Net Position - Beginning Balance was restated as follows:

	Statement of Revenues, Expenses, and Changes in Fund Net Position	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
	Nonmajor Enterprise Funds	Formerly Parking Fund
Net Position - Beginning Balance reported for year end 2023	\$53,593,129	\$ 17,263,223
Change from nonmajor to major fund	(17,263,223)	(17,263,223)
Net Position - Beginning Balance Restated	\$36,329,906	

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for the fiscal year ended December 31, 2024. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND BALANCE

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$5,893,537, Home Investment Partnerships Program - \$21,709, and Senior Employment - \$140. These deficits will be eliminated upon receipt of the grant funds or transfers in. The Lake Superior Zoo deficit fund balance of \$54,463 will be eliminated through operational changes and efficiencies.

The Local Fiscal Recovery fund had a deficit net position of \$730 at the end of the current fiscal year due to the change in fair value of investments. This will be eliminated upon holding pooled investments to maturity or a change in market interest rates.

The Street Improvement debt service fund had a deficit balance of \$44,622 at the end of the current fiscal year which will be eliminated through future revenue streams.

The following capital project funds had a deficit fund balance at the end of the current fiscal year: Regional Exchange District - \$9,622,148, Permanent Improvement - \$2,120,165, Capital Improvements - \$4,066,650 which will be eliminated through future grant proceeds.

The following internal service funds had a deficit net position at the end of the current fiscal year: Employee Vacation Compensation - \$10,922 due to the change in fair value of investments. This will be eliminated upon holding pooled investments to maturity or a change in market interest rates, Fleet Services - \$564,210 which will be eliminated through future charges.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

3. DEPOSITS AND INVESTMENTS

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

Government-wide Statement of Net Position

Governmental Activities

Cash and cash equivalents	\$ 119,058,907
Investments, at fair value	37,507,885
Assets held by trustee	19,525,114

Business-type Activities

Cash and cash equivalents	53,885,292
Cash and cash equivalents - restricted assets	4,081,001

Discrete Component Units

Cash and cash equivalents	44,183,401
Cash and cash equivalents - restricted assets	2,838,763

Statement of Fiduciary Net Position

Cash and cash equivalents	1,732,762
Investments, at fair value	107,172,671

Total Cash and Investments	<u><u>\$389,985,796</u></u>
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DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2024, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

8) agreements or contracts for:

- (1) shares of a Minnesota joint powers investment trust whose investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.07, subdivision 7;
- (2) units of a short-term investment fund established and administered pursuant to regulation 9 of the Office of the Comptroller of the Currency, in which investments are restricted to securities described in Minnesota Statutes § 118A.04 and § 118A.05;
- (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or
- (4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company's fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

3. DEPOSITS AND INVESTMENTS (continued)

At December 31, 2024, the City had the following investments:

Investment Type	Fair Value	Less than 1 year	1-5 years	6 - 10 years	Over 10 years
U.S. Government Agency Securities	\$272,342,702	\$150,128,457	\$ 44,706,171	\$ 33,619,767	\$ 43,888,307
Negotiable Certificates of Deposit	24,925,298	6,030,076	18,647,955	247,267	-
Municipal Bonds	31,126,323	4,517,978	22,429,002	4,179,343	-
Commercial Paper	3,900,994	3,900,994	-	-	-
Mutual Funds	48,150,769	48,150,769	-	-	-
Total Investments	380,446,086	\$212,728,274	\$ 85,783,128	\$ 38,046,377	\$ 43,888,307
Deposits	9,539,710				
Total Deposits and Investments	<u>\$389,985,796</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, 2024, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 17,473,043
AA+	276,900,251
AA	4,854,230
AA-	2,027,689
A+	486,965
<u>Moody's Rating</u>	
Aaa	8,689,654
Aa1	1,033,137
Aa2	463,435
Aa3	97,865
P-1	3,900,994
<u>Not Rated</u>	
Mutual Funds	39,593,525
Negotiable Certificates of Deposit	24,925,298
Total	<u>\$380,446,086</u>

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2024, none of the City's investments were subject to custodial credit risk.

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 62,479,277
United States Treasury	\$186,941,305

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

3. DEPOSITS AND INVESTMENTS (continued)

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

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

At December 31, 2024, the City of Duluth had the following recurring fair value measurements.

Investments By Fair Value Level	12/31/2024	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
U.S. Government Agency Securities	\$272,342,702	\$186,941,305	\$ 85,401,397	\$ -
Negotiable Certificates of Deposit	24,925,298	-	24,925,298	-
Municipal Bonds	31,126,323	-	31,126,323	-
Commercial Paper	3,900,994	-	3,900,994	-
Total Investments by Fair Value	<u>\$332,295,317</u>	<u>\$186,941,305</u>	<u>\$145,354,012</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	<u>8,557,244</u>			
Total Investments by Fair Value and Measured at NAV	340,852,561			
Deposits	9,539,710			
State Board of Investment Funds	<u>39,593,525</u>			
Total Deposits and Investments	<u>\$389,985,796</u>			

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

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

The City holds \$2,085,641 in the Non-Retirement Money Market Fund with the State Board of Investment, an external investment pool, related to the City's Other Postemployment Benefits Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute § 353.95, the City may only redeem these funds for the use of postemployment benefits. The City invests in the pool to provide liquid funds for meeting retiree insurance obligations.

The City also holds \$31,232,988 in the Internal Equity Pool and \$6,274,896 in the Internal Fixed Pool with the State Board of Investment, an external investment pool, related to the City's Community Investment Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. The City invests in this pool, in accordance with Minnesota Statute § 11A.235, due to the increased investment authority and historical rates of return on investments.

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 45 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2024, was 98.4%.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

5. RECEIVABLES

Receivables as of December 31, 2024 for the City's governmental and business-type activities are below.

	Gross Receivable	Allowance	Net Receivable	Not expected to be collected within one year
Governmental Activities				
Taxes receivable	\$ 10,448,799	\$ (293,100)	\$ 10,155,699	\$ -
Accounts receivable	1,057,896	(6,398)	1,051,498	-
Assessments receivable	2,798,560	-	2,798,560	2,490,114
Loans receivable	15,294,919	(701,454)	14,593,465	13,073,465
Leases receivable	1,879,766	-	1,879,766	1,493,854
Accrued interest	1,871,583	-	1,871,583	-
Due from component units	9,567	-	9,567	-
Due from other governments	39,430,796	-	39,430,796	-
Total Governmental Activities	\$ 72,791,886	\$ (1,000,952)	\$ 71,790,934	\$ 17,057,433
Business-type Activities				
Accounts receivable	\$ 12,768,648	\$ (790,656)	\$ 11,977,992	\$ -
Loans receivable	1,317,537	(8,286)	1,309,251	1,075,987
Assessments receivable	240,197	-	240,197	161,870
Leases receivable	1,438,414	-	1,438,414	1,154,245
Due from other governments	5,721,206	-	5,721,206	-
Total Business-type Activities	\$ 21,486,002	\$ (798,942)	\$ 20,687,060	\$ 2,392,102

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for the unamortized portion of deferred inflows in relation to leases. The following schedule shows the detail of deferred inflows of resources at December 31, 2024:

General	
Assessments	\$ 1,255,569
Grants	29,548
Leases	174,340
Loans	1,782,843
Other unavailable revenue	33,080
Taxes	759,974
Disaster Recovery	
Grants	5,160,274
Regional Exchange District	
Grants	9,612,667
Nonmajor	
Assessments	1,542,991
Grants	9,144,139
Leases	1,610,806
Loans	17,026,304
Other unavailable revenue	31,117
Taxes	383,795
Total for Governmental Funds	\$ 48,547,447

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, 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	\$ 23,531,001	\$ -	\$ -	\$ 23,531,001
Construction in progress	33,056,562	46,275,290	29,219,422	50,112,430
Total capital assets, not being depreciated	56,587,563	46,275,290	29,219,422	73,643,431
Capital assets, being depreciated/amortized:				
Buildings	91,367,951	14,957,636	-	106,325,587
Equipment	50,879,115	3,480,771	2,707,485	51,652,401
Infrastructure	472,438,176	14,261,786	-	486,699,962
Right-to-use assets:				
Land	526,333	-	-	526,333
Buildings	4,059,393	-	-	4,059,393
Equipment	196,415	221,027	-	417,442
SBITA	2,770,868	20,763	-	2,791,631
Total capital assets being depreciated/amortized	622,238,251	32,941,983	2,707,485	652,472,749
Less accumulated depreciation/amortization for:				
Buildings	63,320,332	3,247,352	-	66,567,684
Equipment	43,609,766	4,330,196	2,676,780	45,263,182
Infrastructure	217,737,228	14,744,047	-	232,481,275
Right-to-use assets				
Land	22,884	11,442	-	34,326
Buildings	576,760	363,264	-	940,024
Equipment	78,566	82,263	-	160,829
SBITA	533,027	539,947	-	1,072,974
Total accumulated depreciation/amortization	325,878,563	23,318,511	2,676,780	346,520,294
Total capital assets, being depreciated/amortized, net	296,359,688	9,623,472	30,705	305,952,455
Governmental activities capital assets, net	\$352,947,251	\$55,898,762	\$29,250,127	\$379,595,886
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ 3,851,992	\$ -	\$ 8,501,450
Construction in progress	23,878,428	19,571,015	14,905,537	28,543,906
Total capital assets, not being depreciated	28,527,886	23,423,007	14,905,537	37,045,356
Capital assets, being depreciated:				
Buildings	83,388,376	14,720,501	-	98,108,877
Equipment	80,375,085	3,585,410	1,699,241	82,261,254
Infrastructure	315,942,848	14,555,604	-	330,498,452
Total capital assets, being depreciated	479,706,309	32,861,515	1,699,241	510,868,583
Less accumulated depreciation for:				
Buildings	42,063,457	1,775,526	-	43,838,983
Equipment	38,520,734	2,607,285	1,619,357	39,508,662
Infrastructure	83,725,963	4,597,614	-	88,323,577
Total accumulated depreciation	164,310,154	8,980,425	1,619,357	171,671,222
Total capital assets, being depreciated, net	315,396,155	23,881,090	79,884	339,197,361
Business-type activities capital assets, net	\$343,924,041	\$47,304,097	\$14,985,421	\$376,242,717

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

7. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 1,982,953
Public safety	3,216,102
Public works, including depreciation of general infrastructure assets	13,580,716
Culture and recreation	4,001,155
Urban and economic development	492,607
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	28,697
Total depreciation/amortization expense - governmental activities	<u>\$23,302,230 *</u>

Business-type activities:

Parking	\$ 739,984
Priley Drive Parking Facility	520,571
Water	1,743,822
Gas	1,484,406
Sewer	2,075,201
Golf	123,574
Stormwater	426,029
Steam	1,796,524
Total depreciation expense - business-type activities	<u>\$ 8,910,111 *</u>

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

COMPONENT UNITS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 10,599,314	\$ -	\$ 8,876	\$ 10,590,438
Construction in progress	5,831,535	27,488,324	24,884,904	8,434,955
Total capital assets, not being depreciated	<u>16,430,849</u>	<u>27,488,324</u>	<u>24,893,780</u>	<u>19,025,393</u>
Capital assets, being depreciated/amortized:				
Buildings	304,121,742	8,415,919	1,131,387	311,406,274
Equipment	96,532,662	2,470,582	5,293,093	93,710,151
Infrastructure	173,783,247	17,188,715	19,196	190,952,766
Other	7,394,278	218,341	-	7,612,619
Software Subscriptions	244,852	-	26,420	218,432
Right-to-use assets	1,633,966	61,260	-	1,695,226
Total capital assets being depreciated/amortized	<u>583,710,747</u>	<u>28,354,817</u>	<u>6,470,096</u>	<u>605,595,468</u>
Less accumulated depreciation/amortization for:				
Buildings	156,179,296	8,847,711	25,097	165,001,910
Equipment	68,334,959	5,270,392	5,029,477	68,575,874
Infrastructure	114,779,987	8,716,883	-	123,496,870
Other	3,953,142	496,611	-	4,449,753
Software Subscriptions	90,007	68,315	18,013	140,309
Right-to-use assets	73,112	51,502	(12,252)	136,866
Total accumulated depreciation/amortization	<u>343,410,503</u>	<u>23,451,414</u>	<u>5,060,335</u>	<u>361,801,582</u>
Total capital assets, being depreciated/amortized, net	<u>240,300,244</u>	<u>4,903,403</u>	<u>1,409,761</u>	<u>243,793,886</u>
Component units capital and lease assets, net	<u>\$256,731,093</u>	<u>\$32,391,727</u>	<u>\$26,303,541</u>	<u>\$262,819,279</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

7. CAPITAL ASSETS (continued)

Depreciation/amortization expense was charged to component units as follows:	
Duluth Economic Development Authority	\$ 40,032
Duluth Entertainment and Convention Center Authority	3,643,493
Duluth Airport Authority	12,510,211
Duluth Transit Authority	5,997,325
Spirit Mountain Recreation Area Authority	1,260,353
Total depreciation/amortization expense - component units	<u>\$ 23,451,414</u>

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2024, the City had construction commitments of approximately \$17,585,102 for various utility and enterprise improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

At December 31, 2024, the City had purchase and construction commitments represented by open encumbrances as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,899,056
Disaster Recovery	99,636
Regional Exchange District	27,057,430
Other Governmental Funds	17,866,376
Total Purchase Commitments	<u>\$ 46,922,498</u>

DISASTER DAMAGE REPAIR COMMITMENTS

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

9. RISK MANAGEMENT

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

9. RISK MANAGEMENT (continued)

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

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

Claims incurred but not reported have been considered in the sense that management will consider claims up to the financial statement opinion date for inclusion. An actuary was not used in determining the liabilities. The present value of the estimated liability for claims payable at year end was calculated using a discount of 5%. In addition, the City Attorney estimated settlements to be \$100,165 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 2023 and 2024 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2023	\$ 1,274,288	(173,161)	193,226	\$ 907,901
2024	\$ 907,901	451,703	764,627	\$ 594,977

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental of Minnesota and Medica an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from Medica. The stop-loss policy has an individual limit of \$500,000 and an aggregate limit of 120% of projected claims for the year. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2023 and 2024 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2023	\$ 2,142,480	16,337,305	17,005,250	\$ 1,474,535
2024	\$ 1,474,535	24,547,537	24,592,951	\$ 1,429,121

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2024, follows:

	Balance 01/01/24	Additions	Deletions	Balance 12/31/24	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 74,510,000	\$ 1,815,000	\$ 6,930,000	\$ 69,395,000	\$ 7,265,000
General Obligation - Tax Abatement	8,285,000	-	950,000	7,335,000	965,000
General Obligation Certificates	14,020,000	3,430,000	3,430,000	14,020,000	3,320,000
Add Deferred Amounts:					
For Bond Premiums	7,598,378	460,526	1,095,752	6,963,152	-
Revenue Notes	2,551,000	-	30,000	2,521,000	2,521,000
Leases	4,218,501	221,027	388,351	4,051,177	437,815
SBITA	2,306,254	20,763	413,621	1,913,396	588,937
Purchase Agreement	457,164	-	365,731	91,433	91,433
Compensated Absences*	4,170,371	154,775	-	4,325,146	3,985,255
Claims and Judgments	2,382,436	25,567,973	25,926,311	2,024,098	1,711,111
Total Governmental Long-Term Liabilities	\$ 120,499,104	\$ 31,670,064	\$ 39,529,766	\$ 112,639,402	\$ 20,885,551
Business-Type Activities					
Bonds Payable					
Revenue and General Obligation Bonds	\$ 30,296,091	\$ 5,670,000	\$ 2,645,650	\$ 33,320,441	\$ 2,544,674
Add Deferred Amounts					
For Bond Premiums	266,725	476,852	35,183	708,394	-
General Obligation Public Facilities Authority Notes	8,534,000	-	2,105,000	6,429,000	1,797,000
Grant Anticipation Public Facilities Authority Notes	-	4,919,051	-	4,919,051	4,919,051
Purchase Agreement	408,097	-	408,097	-	-
Compensated Absences*	1,274,773	-	7,478	1,267,295	1,087,766
Total Business-Type Long-Term Liabilities	\$ 40,779,686	\$ 11,065,903	\$ 5,201,408	\$ 46,644,181	\$ 10,348,491
Component Unit Activities					
Duluth Economic Development Authority					
Leases	\$ 1,549,848	\$ -	\$ 17,404	\$ 1,532,444	\$ 17,926
Duluth Entertainment and Convention Center Authority					
SBITA	63,571	-	48,278	15,293	15,293
Financed Purchase	634,930	810,000	58,207	1,386,723	121,232
Compensated Absences*	316,529	37,388	-	353,917	353,917
Duluth Airport Authority					
Loans Payable	4,165,000	-	955,000	3,210,000	980,000
Compensated Absences*	122,778	104,585	-	227,363	194,833
Unearned Revenue	84,112	-	73,850	10,262	-
Duluth Transit Authority					
Leases	1,149	-	761	388	388
SBITA	73,287	-	29,515	43,772	22,524
Compensated Absences*	611,950	16,390	-	628,340	628,340

(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

	Balance 01/01/24	Additions	Deletions	Balance 12/31/24	Due Within One Year
Spirit Mountain Recreation Area Authority					
Financed Purchase	711,209	-	309,639	401,570	209,243
Leases	-	34,995	-	34,995	12,313
Compensated Absences*	118,852	8,335	-	127,187	127,187
Total Component Unit Long-Term Liabilities	<u>\$ 8,453,215</u>	<u>\$ 1,011,693</u>	<u>\$ 1,492,654</u>	<u>\$ 7,972,254</u>	<u>\$ 2,683,196</u>

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

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2025	\$ 2,743,488	\$ 7,265,000	\$ 566,051	\$ 3,320,000	\$ 161,673	\$ 965,000
2026	2,520,290	7,620,000	447,025	3,390,000	144,112	985,000
2027	2,236,229	7,045,000	292,500	2,920,000	124,227	1,005,000
2028	1,942,202	7,305,000	165,625	2,155,000	101,758	1,030,000
2029	1,635,743	7,065,000	75,000	1,470,000	77,401	1,045,000
2030-2034	3,655,650	31,270,000	19,125	765,000	90,899	2,305,000
2035-2039	110,383	1,825,000	-	-	-	-
Total	<u>\$ 14,843,985</u>	<u>\$ 69,395,000</u>	<u>\$ 1,565,326</u>	<u>\$ 14,020,000</u>	<u>\$ 700,070</u>	<u>\$ 7,335,000</u>

United States Department of Housing and Urban Development Revenue Notes

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

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

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2025	<u>\$ 69,025</u>	<u>\$ 2,521,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

Leases and SBITA (Subscription-Based Information Technology Arrangements)

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

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

As of December 31, 2024, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term of more than one year, as follows:

Governmental Activities

Year Ending December 31	Interest	Principal
2025	\$ 116,193	\$ 437,815
2026	102,780	459,631
2027	89,038	395,502
2028	77,619	383,778
2029	65,821	404,756
2030-2034	189,945	1,104,286
2035-2039	85,171	478,393
2040-2044	55,266	47,861
2045-2049	47,643	55,484
2050-2054	38,805	64,321
2055-2059	28,561	74,566
2060-2064	16,684	86,443
2065-2068	3,535	58,341
Total	<u>\$ 917,061</u>	<u>\$ 4,051,177</u>

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

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

As of December 31, 2024, the City had minimum principal and interest payment requirements for its SBITA activities, with a remaining term of more than one year, as follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

Governmental Activities

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2025	\$ 57,544	\$ 588,937
2026	39,718	606,764
2027	21,388	356,935
2028	10,823	360,760
Total	<u>\$ 129,473</u>	<u>\$ 1,913,396</u>

Purchase Agreement

The City has a purchase agreement for 20 motor graders for street maintenance. As of December 31, 2024, there is a remaining term of 3 months. The City makes monthly payments of \$30,478 associated with the purchase agreement.

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

Governmental Activities

<u>Year Ending December 31</u>	<u>Principal</u>
2025	<u>91,433</u>

Other Long Term Liabilities

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

General Obligation Public Facilities Authority Notes

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2025	\$ 1,147,247	\$ 2,544,674	\$ 66,916	\$ 1,797,000
2026	1,019,702	2,832,447	46,610	581,000
2027	947,757	1,971,079	40,602	500,000
2028	894,843	1,375,263	35,597	505,000
2029	849,286	1,420,020	30,541	510,000
2030-2034	3,495,902	7,848,177	108,585	936,000
2035-2039	2,187,380	7,437,521	60,682	985,000
2040-2043	759,912	7,891,260	12,377	615,000
Total	<u>\$ 11,302,029</u>	<u>\$ 33,320,441</u>	<u>\$ 401,910</u>	<u>\$ 6,429,000</u>

Short Term Debt

The City issued four Grant Anticipation Revenue Notes in 2024, dated December 17, 2024, through the public facilities authority. The following notes were issued: 2024C in the amount of \$2,561,481, 2024D in the amount of \$1,597,285, 2024E in the amount of \$1,639,354, and 2024F in the amount of \$1,938,000. The proceeds of the notes will be used to provide funding for lead service replacement projects. The City received note proceeds of \$4,919,051 in 2024. These notes will be repaid in 2025.

Short-term debt activity for the year ended December 31, 2024, follows:

	Balance 01/01/24	Additions	Deductions	Balance 12/31/24	Due Within One Year
Public Facilities Authority Notes Payable	\$ -	\$ 4,919,051	-	\$ 4,919,051	\$ 4,919,051

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

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

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

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

DEBT LIMIT

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

SCHEDULE OF BONDED INDEBTEDNESS

	Issue Date	Amount Outstanding	Total
Governmental Activities			
General Obligation Bonds Payable			
Airport Improvement	12/18/2013	\$ 1,495,000	
Capital Improvement - Lakewalk	12/18/2013	575,000	
Wade Stadium Improvement	10/30/2014	1,070,000	
Spirit Mountain Improvement	10/30/2014	1,330,000	
Capital Improvement	10/30/2014	125,000	
Capital Improvement	11/05/2015	350,000	
Airport Improvement	11/05/2015	1,500,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	6,930,000	
Duluth Entertainment and Convention Center Improvement			
Refunding	03/22/2016	26,570,000	
Capital Improvement	11/09/2016	390,000	
Capital Improvement	11/21/2017	670,000	
Capital Improvement - Seawall	02/14/2018	3,020,000	
Capital Improvement	10/17/2018	745,000	
Capital Improvement	10/09/2019	795,000	
Capital Improvement Refunding	10/09/2019	7,220,000	
Capital Improvement	10/21/2020	1,205,000	
Capital Improvement - Lakewalk	10/21/2020	3,435,000	
State Aid Street Improvement	10/21/2020	1,620,000	
Capital Improvement	11/03/2021	1,265,000	
Airport Improvement - Refunding	11/03/2021	1,910,000	
Capital Improvement	11/01/2022	1,570,000	
Capital Improvement	11/08/2023	1,795,000	
Capital Improvement - Lake Front	11/08/2023	1,995,000	
Capital Improvement	10/30/2024	1,815,000	
Total General Obligation Bonds Payable			69,395,000
General Obligation Tax Abatement			
GO Tax Abatement (Cirrus)	03/22/2016	\$ 4,520,000	
GO Tax Abatement Refunding	11/03/2021	2,815,000	
Total General Obligation Tax Abatement			7,335,000
General Long-Term Debt Certificates Payable			
Equipment	10/09/2019	685,000	
Equipment	10/21/2020	1,265,000	
Equipment	11/03/2021	2,505,000	
Equipment	11/01/2022	2,785,000	
Equipment	11/08/2023	3,350,000	
Equipment	10/30/2024	3,430,000	
Total General Long-Term Debt Certificates Payable			14,020,000
Total Governmental Activities Debt			<u>\$ 90,750,000</u>
			(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

	Issue Date	Amount Outstanding	Total
Business-type Activities Debt			
Revenue and General Obligation Bonds Payable			
Sewer Utility Revenue and General Obligation	12/17/2009	\$ 75,000	
Parking Improvement Tax Increment Refunding	11/27/2012	1,865,000	
Parking Improvement Tax Increment	05/15/2014	11,290,441	
Steam Utility Revenue and General Obligation	11/05/2015	2,270,000	
Water Utility Revenue and General Obligation	10/17/2018	2,920,000	
Steam Utility Revenue and General Obligation	10/21/2020	9,230,000	
Steam Utility Revenue and General Obligation	02/28/2024	3,830,000	
Golf Utility General Obligation	10/30/2024	1,840,000	
Total Revenue and General Obligation Bonds Payable			33,320,441
Total Business-type Activities Debt			<u>\$ 33,320,441</u>
Total Bonds Payable			<u>\$124,070,441</u>
Deductions Allowable			
Airport Improvement	12/18/2013	\$ 1,495,000	
Wade Stadium Improvement	10/30/2014	1,070,000	
Spirit Mountain Improvement	10/30/2014	1,330,000	
Airport Improvement	11/05/2015	1,500,000	
Capital Improvement 1/2 & 1/2	11/05/2015	6,930,000	
Duluth Entertainment and Convention Center Authority			
Refunding	03/22/2016	26,570,000	
GO Tax Abatement (Cirrus)	03/22/2016	4,520,000	
Capital Improvement - Seawall	02/14/2018	3,020,000	
Street Improvement	10/21/2020	1,620,000	
Airport Improvement Refunding	11/03/2021	1,910,000	
GO Tax Abatement Refunding	11/03/2021	2,815,000	
Capital Improvement - Lake Front	11/08/2023	1,995,000	
Golf Fund	10/30/2024	1,840,000	
Parking Fund	11/27/2012	1,865,000	
Priley Drive Parking Facility	05/15/2014	11,290,441	
Water Fund	10/17/2018	2,920,000	
Steam Fund	various	15,330,000	
Sewer Fund	12/17/2009	75,000	
Total Deductions Allowable			88,095,441
Net Debt			<u>\$ 35,975,000</u>
Legal Debt Margin for Duluth			
Taxable Market Value (10,017,896,600 X 2%)			<u>\$200,357,932</u>

Overlapping Debt

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

Unit	<u>Overlapping Debt to Duluth</u>		Amount Chargeable to City
	General Obligation Debt	Percent Chargeable to City	
Independent School District 709	\$ 76,925,833	88.74%	\$ 68,261,644
Independent School District 704	18,745,000	7.11%	1,333,435
St. Louis County	126,300,000	38.67%	48,836,433
			<u>\$118,431,512</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.

Advance Refunding Bonds

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

All advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities			
Current Refunding Bonds			
Capital Improvement Refunding	10/09/2019	9,755,000	7,220,000
Airport Improvement Refunding	11/03/2021	2,845,000	1,910,000
GO Tax Abatement Refunding	11/03/2021	3,705,000	2,815,000
Advance Refunding Bonds			
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	33,470,000	26,570,000
Total Governmental Activities		<u>\$ 49,775,000</u>	<u>\$ 38,515,000</u>
Business-type Activities			
Advance Refunding Bonds			
Parking Improvements	11/27/2012	10,270,000	1,865,000
Total Business-type Activities		<u>\$ 10,270,000</u>	<u>\$ 1,865,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2024, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate and Dates		Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities						
General Obligation Bonds Payable						
General Obligation						
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13	02-01-29	\$ 3,400,000	\$ 1,495,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	575,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	1,070,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	1,330,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14	02-01-25	1,115,000	125,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	350,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	1,500,000
Capital Improvement - 1/2 & 1/2 Duluth Entertainment and Convention Center Improvement Refunding	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	6,930,000
Capital Improvement	3.00 to 5.00%	02/01; 08/01	03-22-16	02-01-34	33,470,000	26,570,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16	02-01-27	1,135,000	390,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17	02-01-28	1,545,000	670,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18	02-01-34	4,450,000	3,020,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18	02-01-29	1,310,000	745,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19	02-01-30	1,190,000	795,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19	02-01-32	9,755,000	7,220,000
Capital Improvement	3.00%	02/01; 08/01	10-21-20	02-01-31	1,640,000	1,205,000
Capital Improvement - Lakewalk	2.00%	02/01; 08/01	10-21-20	02-01-36	4,150,000	3,435,000
State Aid Street Improvement	1.50%	02/01; 08/01	10-21-20	02-01-26	3,945,000	1,620,000
Capital Improvement	5.00%	02/01; 08/01	11-03-21	02-01-32	1,490,000	1,265,000
Airport Improvement Refunding	0.25 to 1.50%	02/01; 08/01	11-03-21	02-01-28	2,845,000	1,910,000
Capital Improvement	5.00%	02/01; 08/01	11-01-22	02-01-33	1,685,000	1,570,000
Capital Improvement	4.00 to 5.00%	02/01; 08/01	11-08-23	02-01-34	1,795,000	1,795,000
Capital Improvement - Lake Front	4.00 to 5.00%	02/01; 08/01	11-08-23	02-01-39	1,995,000	1,995,000
Capital Improvement	4.00 to 5.00%	02/01; 08/01	10-30-24	02-01-35	1,815,000	1,815,000
Total General Obligation					<u>102,660,000</u>	<u>69,395,000</u>
General Obligation -Tax Abatement						
GO Tax Abatement (Cirrus)	1.00 to 3.15%	02/01; 08/01	03-22-16	02-01-32	7,820,000	4,520,000
GO Tax Abatement Refunding	0.25 to 1.75%	02/01; 08/01	11-03-21	02-01-30	3,705,000	2,815,000
Total General Obligation - Tax Abatement					<u>11,525,000</u>	<u>7,335,000</u>
General Obligation Certificates Payable						
Equipment	5.00%	02/01; 08/01	10-09-19	02-01-25	3,070,000	685,000
Equipment	4.00%	02/01; 08/01	10-21-20	02-01-26	2,960,000	1,265,000
Equipment	5.00%	02/01; 08/01	11-03-21	02-01-27	3,935,000	2,505,000
Equipment	5.00%	02/01; 08/01	11-01-22	02-01-28	3,360,000	2,785,000
Equipment	5.00%	02/01; 08/01	11-08-23	02-01-29	3,350,000	3,350,000
Equipment	4.00 to 5.00%	02/01; 08/01	10-30-24	02-01-30	3,430,000	3,430,000
Total General Obligation Certificates Payable					<u>20,105,000</u>	<u>14,020,000</u>
Total Governmental Activities					<u>\$134,290,000</u>	<u>\$ 90,750,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

10. LONG-TERM LIABILITIES (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Business-type Activities					
Revenue and General Obligation Bonds Payable					
Golf Fund					
Golf Utility General Obligation	4.00 to 5.00% 02/01; 08/01	10-30-24	02-01-40	\$ 1,840,000	\$ 1,840,000
Parking Fund					
Parking Improvement Tax Increment Refunding	1.00 to 2.75% 02/01; 08/01	11-27-12	02-01-26	10,270,000	1,865,000
Priley Drive Parking Facility					
Parking Improvement Tax Increment	4.00% 04/01; 10/01	05-15-14	04-01-44	11,500,000	11,290,441
Water Fund					
Water Utility Revenue and General Obligation	3.00 to 3.38% 02/01; 08/01	10-17-18	02-01-34	4,050,000	2,920,000
Total Water Fund				4,050,000	2,920,000
Steam Fund					
Steam Utility Revenue and General Obligation	3.00 to 3.20% 02/01; 08/01	11-05-15	02-01-27	4,015,000	2,270,000
Steam Utility Revenue and General Obligation	2.00 to 2.40% 02/01; 08/01	10-21-20	02-01-41	10,495,000	9,230,000
Steam Utility Revenue and General Obligation	4.125 to 5.00% 02/01; 08/01	02-28-24	02-01-44	3,830,000	3,830,000
Total Steam Fund				18,340,000	15,330,000
Sewer Fund					
Sewer Utility Revenue and General Obligation	2.00 to 4.00% 02/01; 08/01	12-17-09	02-01-25	905,000	75,000
Total Sewer Fund				905,000	75,000
Total Business-type Activities				\$ 46,905,000	\$ 33,320,441

NOTES PAYABLE BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities					
Revenue Note					
U.S. Dept. of Housing and Urban Development	2.54 to 2.74% 01/22; 07/22	03-28-19	08-01-25	\$ 2,636,000	\$ 2,521,000
Total Governmental Activities				\$ 2,636,000	\$ 2,521,000
Business-type Activities					
General Obligation					
Water Fund					
Public Facilities Authority Note	1.258% 02/20; 08/20	09-14-10	08-20-25	\$ 1,293,200	\$ 93,000
Public Facilities Authority Note	1.076% 02/20; 08/20	12-14-10	08-20-25	3,344,131	247,000
Public Facilities Authority Note	1.221% 02/20; 08/20	11-29-11	08-20-26	1,221,630	171,000
Public Facilities Authority Note	1.000% 02/20; 08/20	03-24-14	08-20-29	4,778,806	1,609,000
Public Facilities Authority Note	1.003% 02/20; 08/20	01-24-22	08-20-42	3,857,531	3,427,000
Public Facilities Authority Note	0.00% 02/20; 08/20	12-17-24	06-30-27 *	2,561,481	2,226,308
Public Facilities Authority Note	0.00% 02/20; 08/20	12-17-24	06-30-27 *	1,597,285	1,286,169
Public Facilities Authority Note	0.00% 02/20; 08/20	12-17-24	06-30-27 *	1,639,354	1,268,377
Public Facilities Authority Note	0.00% 02/20; 08/20	12-17-24	06-30-27 *	1,938,000	138,197
Total Water Fund				22,231,418	10,466,051
Sewer Fund					
Public Facilities Authority Note	1.258% 02/20; 08/20	07-28-10	08-20-25	3,753,059	273,000
Public Facilities Authority Note	1.258% 02/20; 08/20	07-28-10	08-20-25	8,504,224	609,000
Total Sewer Fund				12,257,283	882,000
Total Business-type Activities				\$ 34,488,701	\$ 11,348,051

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

11. FUND BALANCE

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2024 are as follows:

	General Fund	Disaster Recovery	Community Investment Trust	Regional Exchange District	Other Governmental Funds	Total Fund Balance
Fund Balances:						
Spendable:						
Restricted for:						
Forfeitures	\$ 195,490	\$ -	\$ -	\$ -	\$ 158,911	\$ 354,401
Capital Projects	-	-	-	-	4,432,738	4,432,738
Community Development	-	-	-	-	499,385	499,385
Employment	-	-	-	-	636,505	636,505
Parks and Recreation	-	-	-	-	3,559,039	3,559,039
Public Access Television	-	-	-	-	661,651	661,651
Public Safety	-	-	-	-	3,582,915	3,582,915
Public Works	-	-	-	-	23,497,105	23,497,105
Economic Development	-	-	-	-	1,318,286	1,318,286
Library	-	-	-	-	800,140	800,140
Tourism	-	-	-	-	3,066,245	3,066,245
Debt Service	-	-	-	-	23,873,861	23,873,861
Committed for:						
General Government	-	-	-	-	727,176	727,176
Community Development	-	-	-	-	1,259,909	1,259,909
Community Investment	-	-	37,507,885	-	-	37,507,885
Energy Program	-	-	-	-	625,683	625,683
Municipal Arts	-	-	-	-	153,538	153,538
Parks and Recreation	-	-	-	-	366,399	366,399
Public Safety	12,671	-	-	-	935,869	948,540
Capital Improvements	-	-	-	-	16,694,660	16,694,660
Assigned to:						
General Government	397,933	-	-	-	-	397,933
Energy Program	-	-	-	-	1,015,300	1,015,300
Parks and Recreation	60,000	-	-	-	-	60,000
Public Safety	866,692	-	-	-	1,322,233	2,188,925
Public Works	925,639	-	-	-	-	925,639
Economic Development	2,175	-	-	-	3,247,551	3,249,726
Capital Projects	-	-	-	-	341,463	341,463
Unassigned	34,858,835	(5,893,537)	-	(9,622,148)	(6,308,479)	13,034,671
Total Fund Balances	<u>\$37,319,435</u>	<u>\$ (5,893,537)</u>	<u>\$37,507,885</u>	<u>\$ (9,622,148)</u>	<u>\$86,468,083</u>	<u>\$145,779,718</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS

DUE TO/FROM OTHER FUNDS

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances at December 31, 2024 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Steam Enterprise	\$ 17,204
	Nonmajor Governmental Funds	7,811,926
	Internal Service Funds	519,075
	Disaster Recovery Fund	72,000
Parking	Steam Enterprise	1,509
	Internal Service Funds	437
Water Enterprise	General Fund	281
	Nonmajor Governmental Funds	305
	Internal Service Funds	19,459
Gas Enterprise	Internal Service Funds	17,081
Sewer Enterprise	Nonmajor Governmental Funds	305
	Internal Service Funds	14,331
Steam Enterprise	General Fund	5,071
	Internal Service Funds	302
Nonmajor Governmental Funds	General Fund	730,366
	Nonmajor Governmental Funds	2,308,048
	Nonmajor Enterprise Funds	2,151
	Internal Service Funds	14,553
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	915
	Internal Service Funds	9,725
Internal Service Funds	Nonmajor Governmental Funds	7,227
	Disaster Recovery Fund	683
Total		(1,2,3) <u>\$ 11,552,954</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 10,937,127
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	20,864
	Governmental Activities - Internal Service Funds	594,963
Total		<u>\$ 11,552,954</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2024, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2024.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Airport Authority	(1,2,3) \$ 82
	Duluth Transit Authority	(1,2,3) 3,485
Nonmajor Governmental Funds	Duluth Entertainment Convention Center	(1,2,3) 6,000
Total Due From Component Units		<u>\$ 9,567</u>
Component Unit:	Primary Government:	
Duluth Entertainment and		
Convention Center Authority	Nonmajor Governmental Funds	\$ 1,244,889
Total Due From Primary Government		<u>\$ 1,244,889</u>
Total Due To Component Units		<u>\$ 1,244,889</u>

INTERFUND LOAN RECEIVABLES/PAYABLES

Interfund loan balances are a result of temporary interfund financing at year-end to cover deficit cash balances within the various funds. Balances on December 31, 2024 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 18,860,889</u>
<u>Payable Fund</u>	
Disaster Recovery Fund	\$ 5,237,456
Regional Exchange District	2,622,961
Nonmajor Governmental Funds	7,086,866
Nonmajor Enterprise Funds	3,682,211
Internal Service Funds	231,395
Total	<u>\$ 18,860,889</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

12. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: (1) debt service payments and participation in projects; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2024, are as follows:

Transfer to, reported in fund:	Transfer from, reported in fund:	Amount
General Fund	Community Investment Trust	(3) \$ 644,260
	Parking	(3) 1,422,900
	Water Enterprise	(1,3) 273,895
	Gas Enterprise	(1,2,3) 3,435,255
	Sewer Enterprise	(1,3) 206,295
	Steam Enterprise	(2) 207,789
	Nonmajor Governmental Funds	(1,3) 3,968,867
	Nonmajor Enterprise Funds	(1,3) 2,454,479
Disaster Recovery Fund	General Fund	(1) 824,791
Parking	General Fund	(1) 45,633
	Nonmajor Governmental Funds	(3) 30,000
Priley Drive Parking Facility		
Enterprise Fund	Nonmajor Governmental Funds	(1) 464,166
Water Enterprise	General Fund	(1) 559,797
	Nonmajor Governmental Funds	(3) 135,000
Nonmajor Governmental Funds	General Fund	(1,3) 17,386,441
	Disaster Recovery Fund	(1) 300,000
	Gas Enterprise	(3) 100,000
	Nonmajor Governmental Funds	(1,3) 21,435,254
	Nonmajor Enterprise Funds	(3) 750,000
Nonmajor Enterprise Funds	General Fund	(3) 500,000
	Nonmajor Governmental Funds	(1) 722,337
Internal Service Fund	General Fund	(3) 9,007
	Nonmajor Enterprise Funds	(3) 80,773
Total		<u>\$ 55,956,939</u>
Transfers out, reported in:	Statement of Revenues, Expenditures, and Governmental Funds	\$ 47,025,553
	Statement of Revenues, Expenditures, and Business-type Activities - Enterprise Funds	8,931,386
Total		<u>\$ 55,956,939</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. PENSION PLANS

PLAN DESCRIPTION

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

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

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

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

BENEFITS PROVIDED

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50% of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. PENSION PLANS (continued)

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

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For the Police and Fire Plan, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits and disability qualification requirements vary by plan.

CONTRIBUTIONS

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2023.

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

Employer Contributions for the Year Ended December 31, 2024

General Employees Fund	\$ 3,273,718
Police and Fire Fund	5,372,495

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

PENSION COSTS

General Employees Plan

At December 31, 2024, the City reported a liability of \$18,514,417 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the City's proportion was 0.5008%. It was 0.5139% measured as of June 30, 2023. The City recognized pension expense of \$228,675 for its proportionate share of the General Employees Plan's pension expense.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. PENSION PLANS (continued)

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The City recognized \$851,835 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The City recognized an additional \$12,835 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2024

City's proportionate share of the net pension liability	\$ 18,514,417
State of Minnesota's proportionate share of the net pension liability associated with the City	478,745
Total	<u>\$ 18,993,162</u>

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,757,012	\$ -
Changes in actuarial assumptions	93,659	7,141,203
Difference between projected and actual investment earnings	-	5,361,533
Changes in proportion	-	762,127
Contributions paid to PERA subsequent to the measurement date	1,653,935	-
Total	<u>\$ 3,504,606</u>	<u>\$ 13,264,863</u>

The \$1,653,935 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (6,291,579)
2026	(1,236,225)
2027	(2,467,368)
2028	(1,419,020)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. **PENSION PLANS** (continued)

Police and Fire Fund

At December 31, 2024, the City reported a liability of \$27,280,858 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the City's proportion was 2.0736%. It was 2.0759% measured as of June 30, 2023. The City recognized pension expense of \$4,191,621 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90% funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The City recognized \$588,849 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The City recognized an additional \$116,317 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan	
Employer's Share of the Net Pension Liability and the State's Related Liability	
As of December 31, 2024	
City's proportionate share of the net pension liability	\$ 27,280,858
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,039,936</u>
Total	<u><u>\$ 28,320,794</u></u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. PENSION PLANS (continued)

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,693,280	\$ -
Changes in actuarial assumptions	30,500,635	40,222,480
Difference between projected and actual investment earnings	-	8,418,608
Changes in proportion	334,230	2,736,867
Contributions paid to PERA subsequent to the measurement date	2,693,908	-
Total	<u>\$ 44,222,053</u>	<u>\$ 51,377,955</u>

The \$2,693,908 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (1,767,074)
2026	6,571,958
2027	(4,223,916)
2028	(11,052,901)
2029	622,123

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024, was \$4,420,296.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2024

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per year	2.25% per year
Active member payroll growth	3.00% per year	3.00% per year
Investment rate of return	7.00%	7.00%

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. **PENSION PLANS** (continued)

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

Actuarial assumptions used in the June 30, 2024 valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. For both plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.0%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.0% in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2024

13. **PENSION PLANS** (continued)

CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Police and Fire Plan

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

PENSION LIABILITY SENSITIVITY

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

**Sensitivity of the Employer's Proportionate Share of the
 Net Pension Liability to Changes in the Discount Rate
 As of December 31, 2024**

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	6.0%	\$ 40,438,467	6.0%	\$ 64,469,949
Current	7.0%	18,514,417	7.0%	27,280,848
1.0% Increase	8.0%	479,887	8.0%	(3,259,207)

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. PENSION PLANS (continued)

PENSION PLAN FIDUCIARY NET POSITION

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

DEFINED CONTRIBUTION PLAN

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

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2024, were:

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2024			
	Employee		Employer
Contribution amount	\$	6,392	\$ 6,392
Percentage of covered payroll		5.0%	5.0%

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to PERA. Contributions were made by the above component units to PERA's Coordinated Plan in amounts required by state statutes. Detailed information concerning each component unit's pension plan is presented in its publicly available 2024 annual report.

The Duluth Economic Development Authority has no employees. Information on the Duluth Transit Authority's pension is presented in its publicly available 2024 annual report.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

14. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

As of December 31, 2024, there were 1,166 retirees receiving health benefits from the City's health plan and 907 active employees covered under the plan.

FUNDING POLICY

The City has historically funded these liabilities on a pay-as-you go basis. Union contracts govern the premiums contributed by the City and the retirees. For eligible retirees, the City pays a portion of the premium ranging from 25%-100% depending on the years of service. Retirees pay the remaining portion of the premium. Premiums are paid to the Joint Powers Enterprise Trust which accounts for the activity of the plan. Premiums are intended to cover the cost of providing benefits to retirees on a pay-as-you go basis. For the year ended December 31, 2024, the City contributed \$4,434,606 and retirees contributed \$284,367.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$2,743 were made to the irrevocable trust in 2024.

OPEB CHANGE IN ACCOUNTING ESTIMATE

In 2024 the City changed the allocation of its OPEB trust balance between its governmental and business type activities. The OPEB trust was previously allocated between governmental and business type activities based on historical contributions from each activity type that funded the trust. To recognize that the trust is available to fund retiree insurance obligations for all City retirees, regardless of the funding source, the City allocated its OPEB trust balance based on the percentage of the OPEB liability associated with governmental and business type retirees. This change resulted in deferred inflows and deferred outflows associated with the Change in Proportion allocation.

INVESTMENTS

Investment policy – The City's OPEB irrevocable trust fund is managed by the City of Duluth. All OPEB funds are invested with the Minnesota State Board of Investment (SBI). It is the policy of the City to pursue an investment strategy that reduces risk through the diversification of the portfolio. The City is invested in a portfolio of U.S. Treasuries, which includes 31 bonds with maturities from 2025 to 2054. The City's target asset allocation as of December 31, 2024 is:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Treasury Ladder Portfolio	100%

Rate of return – For the year ended December 31, 2024, the annual money-weighted return on investments, net of investment expense, was 5.11%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2024, were as follows:

Total OPEB liability	\$ 171,084,816
Plan fiduciary net position	(107,175,414)
City's net OPEB liability	<u>\$ 63,909,402</u>
Plan fiduciary net position as a percentage of the total OPEB liability	62.64%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of \$53,676,207 and the business-type activities report a net OPEB liability of \$10,233,195.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/24	\$ 181,141,943	\$ 108,485,407	\$ 72,656,536
Changes for the year:			
Service cost	2,574,895	-	2,574,895
Interest	7,131,161	-	7,131,161
Contributions - employer	-	4,434,606	(4,434,606)
Difference between expected and actual experience	(548,980)	-	(548,980)
Changes in assumptions	(7,940,969)	-	(7,940,969)
Difference between actual and projected earnings	-	1,338,802	(1,338,802)
Projected earnings	-	4,202,339	(4,202,339)
Benefit payments	(11,273,234)	(11,273,234)	-
Administrative expense	-	(12,506)	12,506
Net change	(10,057,127)	(1,309,993)	(8,747,134)
Balance at 12/31/24	<u>\$ 171,084,816</u>	<u>\$ 107,175,414</u>	<u>\$ 63,909,402</u>

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2023, actuarial valuation, the individual entry age normal as a level percentage of payroll actuarial cost method was used. Fair value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 4.54% investment rate of return which is based on the expected long-term investment returns on plan assets. The price inflation rate was 2.50%. The salary increases rate is based on the 3.50% salary scale. The annual healthcare cost trend rate is 7.50% for two years, and then reduced incrementally to an ultimate rate of 5.00% after five years.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

Asset Classes	Long-Term Expected Real Rate of Return
Domestic Fixed Income	2.04%
Expected Real Rate of Return	2.04%
Inflation Rate	2.50%
Total Investment Rate of Return	4.54%

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

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

<u>Single Equivalent Interest Rate (SEIR)</u>	
Long-Term Expected Rate of Return	4.54%
S&P Municipal Bond 20-Year High-Grade Rate Index	4.28%
Administrative Expenses Paid from the Trust	0.01%
Fiscal Year in which Fiduciary Net Position is Projected to be Depleted	N/A
Single Equivalent Interest Rate	4.54%

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

	1% Decrease (3.54%)	Discount Rate (4.54%)	1% Increase (5.54%)
Net OPEB liability (asset)	\$ 82,130,135	\$ 63,909,402	\$ 49,265,575

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

14. OTHER POSTEMPLOYMENT BENEFITS (continued)

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
	(6.5% decrease to 4.0%)	(7.5% decrease to 5.0%)	(8.5% decrease to 6.0%)
Net OPEB liability (asset)	\$ 46,031,316	\$ 63,909,402	\$ 86,010,574

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

For the year ended December 31, 2024, the City recognized OPEB expenses of \$2,200,586. At December 31, 2024, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments*	\$ 3,141,487	\$ 5,853,211
Changes in actuarial assumptions	10,916,944	-
Difference between expected and actual economic experience	523,001	687,761
Change in proportion	14,671,332	14,671,332
Total	<u>\$ 29,252,764</u>	<u>\$ 21,212,304</u>

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

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

Year Ended December 31	OPEB Expense Amount
2025	3,099,994
2026	5,901,234
2027	1,004,987
2028	(1,965,755)

TRUST FUND

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

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

DEFINED CONTRIBUTION OPEB PLAN

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

For the year ended December 31, 2024, the City recognized OPEB expenses of \$351,671.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

LAKE SUPERIOR CENTER

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

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

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2024.

RELATED ORGANIZATION

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

Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$2,645,965 to the Duluth Housing and Redevelopment Authority in 2024.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

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

A summary of the financial information of the Minneapolis-Duluth/Superior Passenger Rail Alliance for the Government-wide financial statements for December 31, 2023 (the most recent available) was:

Total Assets	\$	110,578
Total Liabilities		15,192
Total Net Position		95,386
Total Revenues		218,776
Total Expenditures		132,838
Change in Net Position	\$	85,938

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

TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing and redevelopment projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2024, follows:

	Maximum Assistance	2024 Tax Rebate
Bluestone Commons, LLC	\$ 9,896,864	\$ 1,018,609
Board of Trade Housing, Three D I, LLC	\$ 1,800,000	\$ 80,012
Central Hillside Development, LLP	\$ 62,329	\$ 44,208
Garfield Business Park, LLC	\$ 611,069	\$ 62,360
Kenwood Village, LLC	\$ 2,433,194	\$ 300,617
Lift Bridge Partners, LLC	\$ 1,255,290	\$ 428,008
New Burnham, LLC	\$ 1,360,000	\$ 58,932
NorShor Theatre, LLC	\$ 466,108	\$ 205,882
Pier B, LLC	\$ 3,125,207	\$ 246,938
Sherman Associates Hotel/Condominium	\$ 5,000,000	\$ 257,352

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

15. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority (DEDA) have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, DEDA nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2024, are as follows:

Entity	Series	Issued	Principal
Benedictine Health Center	2021A	\$ 73,405,000	\$ 65,535,000
Benedictine Health Center	2021B	\$ 19,300,000	\$ 16,729,751
Benedictine Health Center	2021C	\$ 19,000,000	\$ 16,446,074
Benedictine Health Systems	2023	\$ 14,600,000	\$ 14,600,000
Essentia Health	2018A	\$ 682,285,000	\$ 682,285,000
Essentia Health	2020C	\$ 116,955,000	\$ 61,595,000
Essentia Health	2020D	\$ 65,000,000	\$ 59,285,000
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 7,115,857
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 4,529,967
Ikonics	2016	\$ 3,415,000	\$ 2,128,660
St. Luke's Hospital	2018A	\$ 19,750,000	\$ 17,316,379
St. Luke's Hospital	2018B	\$ 19,750,000	\$ 17,316,379
St. Luke's Hospital	2021A	\$ 14,725,000	\$ 14,725,000
St. Luke's Hospital	2022A	\$ 49,000,000	\$ 45,890,000
St. Luke's Hospital	2022B	\$ 76,110,000	\$ 76,110,000

16. TAX ABATEMENT

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

16. TAX ABATEMENT (continued)

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

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

The City has entered into a property tax agreement with a corporation related to an aircraft manufacturing business, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 2022 and continues for ten years. The City's abatement will not exceed a total aggregate amount of \$600,000.

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

17. SUBSEQUENT EVENT

Pursuant to Section 55 of the City Charter and Minnesota Statutes § 444.075 and Chapter 475, the City issued \$8,116,359 General Obligation Water Utility Revenue Note; Series 2025A, in February 2025. The note finances improvements to the water utility system consisting of a new drinking water booster station to replace the existing Woodland Booster Station. Water utility revenues are pledged as the primary source of repayment.

Required Supplementary Information

CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	\$ 2,933,971	\$ 2,952,513	\$ 2,440,931	\$ 2,366,072	\$ 1,902,658
Interest	9,412,409	9,609,404	8,958,475	8,662,683	8,192,883
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)
Changes in assumptions	-	-	(20,030,337)	-	(9,102,651)
Difference in expected vs. actual experience	-	-	1,391,711	-	4,178,987
Net change in total OPEB liability	2,599,084	1,416,008	(18,008,546)	601,443	(7,132,622)
Total OPEB liability - beginning	170,000,969	172,600,053	174,016,061	156,007,515	156,608,958
Total OPEB liability - ending (a)	<u>\$172,600,053</u>	<u>\$174,016,061</u>	<u>\$156,007,515</u>	<u>\$156,608,958</u>	<u>\$149,476,336</u>
Plan fiduciary net position					
Contributions - employer	\$ 10,222,267	\$ 11,678,484	\$ 11,642,994	\$ 10,287,850	\$ 12,041,435
Net investment income	8,178,671	(1,841,168)	14,236,478	11,308,704	17,506,485
Benefit payments	(9,747,296)	(11,145,909)	(10,769,326)	(10,427,312)	(12,304,499)
Administrative expense	-	(3,853)	(4,173)	(4,724)	(5,375)
Net change in plan fiduciary net position	8,653,642	(1,312,446)	15,105,973	11,164,518	17,238,046
Plan fiduciary net position - beginning	49,063,497	57,717,139	56,404,693	71,510,666	82,675,184
Plan fiduciary net position - ending (b)	<u>\$ 57,717,139</u>	<u>\$ 56,404,693</u>	<u>\$ 71,510,666</u>	<u>\$ 82,675,184</u>	<u>\$ 99,913,230</u>
City's net OPEB liability - ending (a-b)	\$114,882,914	\$117,611,368	\$ 84,496,849	\$ 73,933,774	\$ 49,563,106
Plan fiduciary net position as a percentage of the total OPEB liability	33.44%	32.41%	45.84%	52.79%	66.84%
Covered-employee payroll	\$ 51,597,031	\$ 51,597,031	\$ 54,243,818	\$ 56,142,352	\$ 56,855,329
City's net OPEB liability as a percentage of covered-employee payroll	222.65%	227.94%	155.77%	131.69%	87.17%
	2022	2023	2024		
Total OPEB liability					
Service cost	\$ 1,971,187	\$ 1,706,844	\$ 2,574,895		
Interest	8,263,004	8,624,583	7,131,161		
Benefit payments	(11,323,522)	(9,029,620)	(11,273,234)		
Changes in assumptions	2,087,148	29,333,774	(7,940,969)		
Difference in expected vs. actual experience	820,051	(787,842)	(548,980)		
Net change in total OPEB liability	1,817,868	29,847,739	(10,057,127)		
Total OPEB liability - beginning	149,476,336	151,294,204	181,141,943		
Total OPEB liability - ending (a)	<u>\$151,294,204</u>	<u>\$181,141,943</u>	<u>\$171,084,816</u>		
Plan fiduciary net position					
Contributions - employer	\$ 12,908,989	\$ 14,521,145	\$ 4,434,606		
Net investment income	(17,132,555)	18,643,021	5,541,141		
Benefit payments	(11,323,522)	(9,029,620)	(11,273,234)		
Administrative expense	(6,574)	(8,707)	(12,506)		
Net change in plan fiduciary net position	(15,553,662)	24,125,839	(1,309,993)		
Plan fiduciary net position - beginning	99,913,230	84,359,568	108,485,407		
Plan fiduciary net position - ending (b)	<u>\$ 84,359,568</u>	<u>\$108,485,407</u>	<u>\$107,175,414</u>		
City's net OPEB liability - ending (a-b)	\$ 66,934,636	\$ 72,656,536	\$ 63,909,402		
Plan fiduciary net position as a percentage of the total OPEB liability	55.76%	59.89%	62.64%		
Covered-employee payroll	\$ 58,845,266	\$ 60,719,547	\$ 67,320,847		
City's net OPEB liability as a percentage of covered-employee payroll	113.75%	119.66%	94.93%		

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.
The notes to the required supplementary information are an integral part of this schedule.

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF INVESTMENT RETURNS AND
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2024**

SCHEDULE OF INVESTMENT RETURNS

	2017	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	16.68%	-3.20%	24.48%	15.24%	20.99%
	2022	2023	2024		
Annual money-weighted rate of return, net of investment expense	-17.30%	19.86%	5.11%		

SCHEDULE OF CITY CONTRIBUTIONS

	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 11,456,261	\$ 10,536,980	\$ 9,619,556	\$ 10,050,122	\$ 9,944,016
Contributions in relation to the actuarially determined contribution	10,222,267	11,678,484	11,642,994	10,287,850	12,041,435
Contribution deficiency (excess)	<u>\$ (1,233,994)</u>	<u>\$ 1,141,504</u>	<u>\$ 2,023,438</u>	<u>\$ 237,728</u>	<u>\$ 2,097,419</u>
Covered-employee payroll	\$ 51,597,031	\$ 51,597,031	\$ 54,243,818	\$ 56,142,352	\$ 56,855,329
Contributions as a percentage of covered-employee payroll	19.81%	22.63%	21.46%	18.32%	21.18%
	2022	2023	2024		
Actuarially determined contribution	\$ 10,196,577	\$ 10,861,403	\$ 10,875,669		
Contributions in relation to the actuarially determined contribution	11,346,528	14,497,704	4,034,299		
Contribution deficiency (excess)	<u>\$ 1,149,951</u>	<u>\$ 3,636,301</u>	<u>\$ (6,841,370)</u>		
Covered-employee payroll	\$ 58,845,266	\$ 60,719,547	\$ 67,320,847		
Contributions as a percentage of covered-employee payroll	19.28%	23.88%	5.99%		

Notes to Schedule:

Valuation date 1/1/2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal as a level percentage of payroll
Asset valuation method	Fair value
Inflation	2.50%
Healthcare cost trend rates	7.50% for two years, reduced incrementally to an ultimate rate of 5.0% after five years
Salary increases	3.50%
Investment rate of return	4.54%
Retirement age	Based on an experience analysis of the plan's past experience, the actuary's experience with plans of a similar size, plan design, and retiree contribution level
Mortality	Pub-2010 Headcount-weighted Mortality with Scale MP-2021
Morbidity	Pre-65: 2.84% to 4.20% per year; Post-65: 2.11% to 0.00% per year

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The notes to the required supplementary information are an integral part of this schedule.

CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES PLAN
DECEMBER 31, 2024

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.5008%	\$ 18,514,417	\$ 478,745	\$ 18,993,162	\$ 42,385,840	43.68%	89.10%
2023	0.5139%	\$ 28,736,712	\$ 792,222	\$ 29,528,934	\$ 40,867,707	70.32%	83.10%
2022	0.5189%	\$ 41,097,051	\$ 1,204,814	\$ 42,301,865	\$ 38,868,133	105.73%	76.70%
2021	0.5203%	\$ 22,219,141	\$ 678,414	\$ 22,897,555	\$ 37,454,800	59.32%	87.00%
2020	0.5439%	\$ 32,609,291	\$ 1,005,605	\$ 33,614,896	\$ 38,794,227	84.06%	79.10%
2019	0.5179%	\$ 28,633,531	\$ 889,961	\$ 29,523,492	\$ 36,654,573	78.12%	80.20%
2018	0.5221%	\$ 28,963,967	\$ 950,024	\$ 29,913,991	\$ 35,092,853	82.54%	79.50%
2017	0.5543%	\$ 35,388,146	\$ 444,931	\$ 35,833,077	\$ 35,707,680	99.11%	75.90%
2016	0.5257%	\$ 42,684,233	\$ 557,508	\$ 43,241,741	\$ 32,622,333	130.84%	68.91%
2015	0.5499%	\$ 28,498,672	\$ -	\$ 28,498,672	\$ 32,321,183	88.17%	78.19%

The measurement date for each year is June 30.

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS)

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2024	\$ 3,273,718	\$ 3,273,718	\$ -	\$ 43,649,573	7.50%
2023	\$ 3,100,531	\$ 3,100,531	\$ -	\$ 41,340,413	7.50%
2022	\$ 2,979,965	\$ 2,979,965	\$ -	\$ 39,732,867	7.50%
2021	\$ 2,887,146	\$ 2,887,146	\$ -	\$ 38,495,280	7.50%
2020	\$ 2,812,381	\$ 2,812,381	\$ -	\$ 37,500,813	7.50%
2019	\$ 2,853,467	\$ 2,853,467	\$ -	\$ 38,046,227	7.50%
2018	\$ 2,697,667	\$ 2,697,667	\$ -	\$ 35,968,893	7.50%
2017	\$ 2,678,076	\$ 2,678,076	\$ -	\$ 34,694,027	7.72%
2016	\$ 2,446,675	\$ 2,446,675	\$ -	\$ 33,753,187	7.25%
2015	\$ 2,514,167	\$ 2,514,167	\$ -	\$ 33,522,227	7.50%

The City's year-end is December 31.

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA POLICE AND FIRE PLAN
DECEMBER, 31, 2024

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

Measur ement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	2.0736%	\$ 27,280,858	\$ 1,039,936	\$ 28,320,794	\$ 28,714,266	95.01%	90.20%
2023	2.0759%	\$ 35,848,094	\$ 1,443,974	\$ 37,292,068	\$ 27,260,017	131.50%	86.50%
2022	2.1362%	\$ 92,958,986	\$ 4,060,926	\$ 97,019,912	\$ 26,509,190	350.67%	70.50%
2021	2.0496%	\$ 15,820,739	\$ 711,275	\$ 16,532,014	\$ 24,782,302	63.84%	93.70%
2020	2.2387%	\$ 29,508,461	\$ 695,185	\$ 30,203,646	\$ 25,263,315	116.80%	87.20%
2019	2.3085%	\$ 24,576,314	N/A	\$ 24,576,314	\$ 24,327,497	101.02%	89.30%
2018	2.1951%	\$ 23,397,505	N/A	\$ 23,397,505	\$ 23,134,636	101.14%	88.80%
2017	2.3110%	\$ 31,201,250	N/A	\$ 31,201,250	\$ 23,723,278	131.52%	85.40%
2016	2.3170%	\$ 92,985,242	N/A	\$ 92,985,242	\$ 22,320,623	416.59%	63.88%
2015	2.2680%	\$ 25,769,787	N/A	\$ 25,769,787	\$ 20,780,650	124.01%	86.61%

The measurement date for each year is June 30.

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS)

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2024	\$ 5,372,495	\$ 5,372,495	\$ -	\$ 30,353,079	17.70%
2023	\$ 4,882,535	\$ 4,882,535	\$ -	\$ 27,584,944	17.70%
2022	\$ 4,702,484	\$ 4,702,484	\$ -	\$ 26,567,706	17.70%
2021	\$ 4,289,374	\$ 4,289,374	\$ -	\$ 24,233,751	17.70%
2020	\$ 4,475,263	\$ 4,475,263	\$ -	\$ 25,283,972	17.70%
2019	\$ 4,286,075	\$ 4,286,075	\$ -	\$ 25,286,578	16.95%
2018	\$ 3,790,774	\$ 3,790,774	\$ -	\$ 23,399,840	16.20%
2017	\$ 3,843,171	\$ 3,843,171	\$ -	\$ 22,831,389	16.83%
2016	\$ 3,615,941	\$ 3,615,941	\$ -	\$ 22,874,383	15.81%
2015	\$ 3,557,651	\$ 3,557,651	\$ -	\$ 21,960,809	16.20%

The City's year-end is December 31.

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

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

EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

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

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

2024

- Investment rate of return changed from 4.00 to 4.54%.

2023

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

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

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

General Employees Fund

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024

General Employees Fund (continued)

2023

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

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024

General Employees Fund (continued)

2018

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

2017

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

2016

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

Police and Fire Plan

2024

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024

Police and Fire Plan (continued)

2023

- The investment return assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten year vesting schedule, with 5% vesting after five years, increasing incrementally to 10% after ten years.
- A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

- The single discount rate changed from 6.5% to 5.4%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

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

2020

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

2019

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

Police and Fire Plan (continued)

2018

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

2017

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

2016

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

Combining and Individual Fund Statements and Schedules

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Local Fiscal Recovery – This fund accounts for the City's award of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). This funding provides support to the City in its response to and recovery from the COVID-19 public health emergency.

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

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

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.

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Capital Investment
Assets					
Cash and cash equivalents	\$ 11,678	\$ 3,760,975	\$ 6,252,480	\$ 1,369,771	\$ 5,222,025
Receivables, net					
Taxes	-	109,184	-	-	-
Accounts	-	(2,058)	65,848	-	-
Assessments	-	-	660,983	-	-
Loans	-	-	-	-	-
Leases	-	-	916,428	-	-
Accrued Interest	-	-	-	-	1,871,583
Due from other funds	-	2,736	796,834	-	4,547,400
Due from component units	-	-	6,000	-	-
Due from other governments	-	1,038,463	237,552	-	-
Prepays	-	-	-	-	-
Total Assets	11,678	4,909,300	8,936,125	1,369,771	11,641,008
Liabilities					
Accounts payable	-	207,067	32,604	-	-
Contracts payable	66,069	191,590	106	-	-
Due to other funds	-	32	180,855	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	72	30,244	3,072	-	-
Accrued salaries payable	-	58,315	25,174	-	-
Unearned revenue	-	49,718	270,475	-	-
Total Liabilities	66,141	536,966	512,286	-	-
Deferred Inflows of Resources					
Unavailable revenue	-	872,493	772,146	-	-
Lease related	-	-	842,603	-	-
Total Deferred Inflows of Resources	-	872,493	1,614,749	-	-
Fund Balances					
Restricted	-	3,499,841	3,601,219	1,369,771	-
Committed	-	-	1,885,638	-	11,641,008
Assigned	-	-	1,322,233	-	-
Unassigned	(54,463)	-	-	-	-
Total Fund Balances	(54,463)	3,499,841	6,809,090	1,369,771	11,641,008
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,678	\$ 4,909,300	\$ 8,936,125	\$ 1,369,771	\$ 11,641,008

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds				
	Police Grant Programs	Local Fiscal Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts
Assets					
Cash and cash equivalents	\$ 545,664	\$ 269,845	\$ 620,427	\$ 145,806	\$ 712,398
Receivables, net					
Taxes	-	-	-	-	-
Accounts	41,824	-	-	-	90,039
Assessments	-	-	-	-	-
Loans	-	-	3,272,773	-	-
Leases	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governments	605,024	-	-	-	-
Prepays	-	-	-	-	-
Total Assets	1,192,512	269,845	3,893,200	145,806	802,437
Liabilities					
Accounts payable	394,345	-	-	2,000	1,347
Contracts payable	58,869	270,575	-	-	950
Due to other funds	504,944	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	3,080	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	19,686	-	-	-	-
Total Liabilities	980,924	270,575	-	2,000	2,297
Deferred Inflows of Resources					
Unavailable revenue	77,999	-	3,272,773	-	-
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	77,999	-	3,272,773	-	-
Fund Balances					
Restricted	133,589	-	620,427	-	800,140
Committed	-	-	-	143,806	-
Assigned	-	-	-	-	-
Unassigned	-	(730)	-	-	-
Total Fund Balances	133,589	(730)	620,427	143,806	800,140
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,192,512	\$ 269,845	\$ 3,893,200	\$ 145,806	\$ 802,437
					(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds				
	Economic Development	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program
Assets					
Cash and cash equivalents	\$ 2,231,359	\$ 1,556,150	\$ 2,775,073	\$ 54,586	\$ -
Receivables, net					
Taxes	-	-	1,030,687	1,369	-
Accounts	-	-	13,336	-	-
Assessments	-	-	-	-	-
Loans	615,129	-	-	-	314,381
Leases	494,635	174,804	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	2,436,000	18,320	-	-	1,809
Due from component units	-	-	-	-	-
Due from other governments	-	230,224	307,971	-	373,909
Prepays	-	-	-	-	-
Total Assets	<u>5,777,123</u>	<u>1,979,498</u>	<u>4,127,067</u>	<u>55,955</u>	<u>690,099</u>
Liabilities					
Accounts payable	1,400,000	1,649	-	-	-
Contracts payable	-	162,143	73,696	-	372,118
Due to other funds	-	3,363	987,126	-	2,794
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	20,724
Due to other governments	29,388	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	1,823	-	-	-	-
Total Liabilities	<u>1,431,211</u>	<u>167,155</u>	<u>1,060,822</u>	<u>-</u>	<u>395,636</u>
Deferred Inflows of Resources					
Unavailable revenue	615,129	-	-	-	316,172
Lease related	483,232	171,360	-	-	-
Total Deferred Inflows of Resources	<u>1,098,361</u>	<u>171,360</u>	<u>-</u>	<u>-</u>	<u>316,172</u>
Fund Balances					
Restricted	-	-	3,066,245	55,955	-
Committed	-	625,683	-	-	-
Assigned	3,247,551	1,015,300	-	-	-
Unassigned	-	-	-	-	(21,709)
Total Fund Balances	<u>3,247,551</u>	<u>1,640,983</u>	<u>3,066,245</u>	<u>55,955</u>	<u>(21,709)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,777,123</u>	<u>\$ 1,979,498</u>	<u>\$ 4,127,067</u>	<u>\$ 55,955</u>	<u>\$ 690,099</u>
					(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds				
	Community Development	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility
Assets					
Cash and cash equivalents	\$ 654,853	\$ 1,257,560	\$ 459,659	\$ -	\$ 6,606,730
Receivables, net					
Taxes	-	6,909	-	-	86,816
Accounts	132,871	-	1,146	-	-
Assessments	-	-	-	-	-
Loans	2,614,793	-	-	-	-
Leases	-	-	120,528	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	6,038	-	36,687	4,539	-
Due from component units	-	-	-	-	-
Due from other governments	690,027	3,514,228	551,201	35,145	-
Prepays	-	-	-	26	-
Total Assets	<u>4,098,582</u>	<u>4,778,697</u>	<u>1,169,221</u>	<u>39,710</u>	<u>6,693,546</u>
Liabilities					
Accounts payable	3,632	-	25,435	-	103,092
Contracts payable	713,179	-	96,252	-	73,614
Due to other funds	14,293	-	12,664	5,716	400,000
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	32,706	-
Due to other governments	30,454	-	1,847	-	5,437
Accrued salaries payable	-	-	23,608	-	-
Unearned revenue	40,044	-	1,465	1,428	-
Total Liabilities	<u>801,602</u>	<u>-</u>	<u>161,271</u>	<u>39,850</u>	<u>582,143</u>
Deferred Inflows of Resources					
Unavailable revenue	2,797,595	3,518,788	257,834	-	57,619
Lease related	-	-	113,611	-	-
Total Deferred Inflows of Resources	<u>2,797,595</u>	<u>3,518,788</u>	<u>371,445</u>	<u>-</u>	<u>57,619</u>
Fund Balances					
Restricted	499,385	-	636,505	-	6,053,784
Committed	-	1,259,909	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(140)	-
Total Fund Balances	<u>499,385</u>	<u>1,259,909</u>	<u>636,505</u>	<u>(140)</u>	<u>6,053,784</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,098,582</u>	<u>\$ 4,778,697</u>	<u>\$ 1,169,221</u>	<u>\$ 39,710</u>	<u>\$ 6,693,546</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds			Debt Service Funds	
	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue	General Obligation
Assets					
Cash and cash equivalents	\$ 13,281,812	\$ 2,341,365	\$ 153,538	\$ 5,972,004	\$ 17,666,324
Receivables, net					
Taxes	2,655,629	91,148	-	-	276,526
Accounts	-	402	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	6,695,000
Leases	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	71,115	-	-	672,537	314,588
Due from component units	-	-	-	-	-
Due from other governments	-	49,595	-	-	-
Prepays	-	-	-	-	-
Total Assets	16,008,556	2,482,510	153,538	6,644,541	24,952,438
Liabilities					
Accounts payable	-	132,760	-	-	-
Contracts payable	-	3	-	-	-
Due to other funds	716,710	109,970	-	-	-
Due to component units	-	-	-	1,244,889	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	24,023	-	-	-
Unearned revenue	-	775	-	-	-
Total Liabilities	716,710	267,531	-	1,244,889	-
Deferred Inflows of Resources					
Unavailable revenue	-	63,504	-	-	6,875,359
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	-	63,504	-	-	6,875,359
Fund Balances					
Restricted	15,291,846	2,151,475	-	5,399,652	18,077,079
Committed	-	-	153,538	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	15,291,846	2,151,475	153,538	5,399,652	18,077,079
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,008,556	\$ 2,482,510	\$ 153,538	\$ 6,644,541	\$ 24,952,438

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Debt Service Funds			Capital Projects Funds	
	Special Assessment Debt Service	Street Improvement Debt Service	Tax Increment	Capital Equipment	Permanent Improvement
Assets					
Cash and cash equivalents	\$ 62,634	\$ -	\$ 329,088	\$ 8,955,074	\$ -
Receivables, net					
Taxes	-	-	4,562	-	10,379
Accounts	-	-	-	38,726	-
Assessments	85,884	52,711	-	-	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Due from other funds	-	187	-	1,525	100,000
Due from component units	-	-	-	-	-
Due from other governments	28,062	-	-	-	7,126,073
Prepays	-	-	-	-	-
Total Assets	176,580	52,898	333,650	8,995,325	7,236,452
Liabilities					
Accounts payable	-	-	-	293,690	-
Contracts payable	-	-	-	-	449,295
Due to other funds	27,216	-	-	-	71,115
Due to component units	-	-	-	-	-
Interfund loan payable	-	44,809	-	-	2,426,967
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	48,957
Total Liabilities	27,216	44,809	-	293,690	2,996,334
Deferred Inflows of Resources					
Unavailable revenue	85,884	52,711	-	-	6,360,283
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	85,884	52,711	-	-	6,360,283
Fund Balances					
Restricted	63,480	-	333,650	3,647,983	-
Committed	-	-	-	5,053,652	-
Assigned	-	-	-	-	-
Unassigned	-	(44,622)	-	-	(2,120,165)
Total Fund Balances	63,480	(44,622)	333,650	8,701,635	(2,120,165)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 176,580	\$ 52,898	\$ 333,650	\$ 8,995,325	\$ 7,236,452

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Capital Projects Funds			Total
	Street Improvement Program	Capital Improvements	Tourism and Recreational Projects	Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,407,022	\$ -	\$ 1,001,943	\$ 85,677,843
Receivables, net				
Taxes	-	-	-	4,273,209
Accounts	-	25,615	46,201	453,950
Assessments	743,413	-	-	1,542,991
Loans	-	-	-	13,512,076
Leases	-	-	-	1,706,395
Accrued Interest	-	-	-	1,871,583
Due from other funds	1,701	1,116,710	-	10,128,726
Due from component units	-	-	-	6,000
Due from other governments	-	4,399,926	223,319	19,410,719
Prepays	-	-	-	26
Total Assets	2,152,136	5,542,251	1,271,463	138,583,518
Liabilities				
Accounts payable	54,321	24,445	3,087	2,679,474
Contracts payable	977,437	3,740,174	355,751	7,601,821
Due to other funds	-	18,320	-	3,055,118
Due to component units	-	-	-	1,244,889
Interfund loan payable	-	4,561,660	-	7,086,866
Due to other governments	-	-	-	103,594
Accrued salaries payable	-	-	-	131,120
Unearned revenue	-	-	39,030	473,401
Total Liabilities	1,031,758	8,344,599	397,868	22,376,283
Deferred Inflows of Resources				
Unavailable revenue	743,413	1,264,302	124,342	28,128,346
Lease related	-	-	-	1,610,806
Total Deferred Inflows of Resources	743,413	1,264,302	124,342	29,739,152
Fund Balances				
Restricted	35,502	-	749,253	66,086,781
Committed	-	-	-	20,763,234
Assigned	341,463	-	-	5,926,547
Unassigned	-	(4,066,650)	-	(6,308,479)
Total Fund Balances	376,965	(4,066,650)	749,253	86,468,083
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,152,136	\$ 5,542,251	\$ 1,271,463	\$138,583,518

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Opioid Remediation	Capital Investment
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,859,573	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	100,611	31,386	-	-
Intergovernmental revenues	255,000	1,167,068	1,008,482	-	-
Charges for services	1,757,841	115,614	114,924	-	-
Fines and forfeits	-	-	2,461	-	-
Special assessments	-	-	-	-	-
Investment income	-	(2,723)	19,451	43,833	7,093,608
Miscellaneous revenues	100,971	318,119	1,328,421	755,651	-
Total Revenues	<u>2,113,812</u>	<u>4,558,262</u>	<u>2,505,125</u>	<u>799,484</u>	<u>7,093,608</u>
Expenditures					
Current					
General government	-	-	15,000	-	-
Public safety	-	-	1,043,766	18,621	-
Public works	-	-	-	-	-
Culture and recreation	2,639,763	3,858,360	171,727	-	-
Urban and economic development	-	-	347,443	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	279,308	448,157	32,640	-
Total Expenditures	<u>2,639,763</u>	<u>4,137,668</u>	<u>2,026,093</u>	<u>51,261</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(525,951)</u>	<u>420,594</u>	<u>479,032</u>	<u>748,223</u>	<u>7,093,608</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	1,403,001	792,000	-	4,547,400
Transfers out	-	(303,424)	(938,184)	(9,788)	-
Total Other Financing Sources (Uses)	<u>510,000</u>	<u>1,099,577</u>	<u>(146,184)</u>	<u>(9,788)</u>	<u>4,547,400</u>
Net Change in Fund Balances	<u>(15,951)</u>	<u>1,520,171</u>	<u>332,848</u>	<u>738,435</u>	<u>11,641,008</u>
Fund Balances - January 1, 2024, as previously reported	(38,512)	1,979,670	6,476,242	631,336	-
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	<u>(38,512)</u>	<u>1,979,670</u>	<u>6,476,242</u>	<u>631,336</u>	<u>-</u>
Fund Balances - December 31, 2024	<u>\$ (54,463)</u>	<u>\$ 3,499,841</u>	<u>\$ 6,809,090</u>	<u>\$ 1,369,771</u>	<u>\$ 11,641,008</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds				
	Police Grant Programs	Local Fiscal Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	3,054,432	1,293,157	500,000	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	124,756	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	409	106,197	1,708	48	1,931
Miscellaneous revenues	6,619	-	-	69,105	164,928
Total Revenues	<u>3,186,216</u>	<u>1,399,354</u>	<u>501,708</u>	<u>69,153</u>	<u>166,859</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	1,040,463	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	4,527	139,405
Urban and economic development	-	-	503,066	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	428,381	1,293,157	-	-	-
Total Expenditures	<u>1,468,844</u>	<u>1,293,157</u>	<u>503,066</u>	<u>4,527</u>	<u>139,405</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,717,372</u>	<u>106,197</u>	<u>(1,358)</u>	<u>64,626</u>	<u>27,454</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	1,760	-	-	-	-
Transfers out	(1,657,478)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,655,718)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	61,654	106,197	(1,358)	64,626	27,454
Fund Balances - January 1, 2024, as previously reported	71,935	-	621,785	79,180	772,686
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	(106,927)	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	<u>71,935</u>	<u>(106,927)</u>	<u>621,785</u>	<u>79,180</u>	<u>772,686</u>
Fund Balances - December 31, 2024	<u>\$ 133,589</u>	<u>\$ (730)</u>	<u>\$ 620,427</u>	<u>\$ 143,806</u>	<u>\$ 800,140</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds				
	Economic Development	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	14,806,652	-	-
Other taxes	-	-	-	14,177	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	524	928,999	-	-	717,980
Charges for services	-	7,420	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	931	4,170	9,356	76	-
Miscellaneous revenues	55,537	177,833	84,361	-	-
Total Revenues	<u>56,992</u>	<u>1,118,422</u>	<u>14,900,369</u>	<u>14,253</u>	<u>717,980</u>
Expenditures					
Current					
General government	-	1,284,546	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	1,430,642	-	4,581,947	-	417,514
Debt service					
Principal retirement	5,618	-	-	-	-
Interest and fiscal fees	15,007	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	94,015	-	-	-
Total Expenditures	<u>1,451,267</u>	<u>1,378,561</u>	<u>4,581,947</u>	<u>-</u>	<u>417,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,394,275)</u>	<u>(260,139)</u>	<u>10,318,422</u>	<u>14,253</u>	<u>300,466</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	2,436,000	291,500	1,593	-	-
Transfers out	-	-	(10,390,534)	-	-
Total Other Financing Sources (Uses)	<u>2,436,000</u>	<u>291,500</u>	<u>(10,388,941)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,041,725</u>	<u>31,361</u>	<u>(70,519)</u>	<u>14,253</u>	<u>300,466</u>
Fund Balances - January 1, 2024, as previously reported	2,205,826	1,609,622	3,136,764	41,702	(322,175)
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	<u>2,205,826</u>	<u>1,609,622</u>	<u>3,136,764</u>	<u>41,702</u>	<u>(322,175)</u>
Fund Balances - December 31, 2024	<u>\$ 3,247,551</u>	<u>\$ 1,640,983</u>	<u>\$ 3,066,245</u>	<u>\$ 55,955</u>	<u>\$ (21,709)</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds				
	Community Development	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility
Revenues					
Taxes					
Property taxes	\$ -	\$ 180,704	\$ -	\$ -	\$ 2,273,421
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	3,335,878	-	3,054,140	308,808	-
Charges for services	-	45,383	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	33,418	21,913	2,702	-	10,491
Miscellaneous revenues	149,349	1,075,000	185,471	-	149
Total Revenues	3,518,645	1,323,000	3,242,313	308,808	2,284,061
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	1,190,051
Culture and recreation	-	-	-	-	-
Urban and economic development	3,300,750	1,444,688	3,323,696	306,395	-
Debt service					
Principal retirement	30,000	-	214,039	-	38,105
Interest and fiscal fees	69,825	-	57,846	-	3,533
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	225,439
Total Expenditures	3,400,575	1,444,688	3,595,581	306,395	1,457,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	118,070	(121,688)	(353,268)	2,413	826,933
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	11,438	-	101,000	-	33,961
Transfers out	-	-	-	-	(680,475)
Total Other Financing Sources (Uses)	11,438	-	101,000	-	(646,514)
Net Change in Fund Balances	129,508	(121,688)	(252,268)	2,413	180,419
Fund Balances - January 1, 2024, as previously reported	369,877	1,381,597	888,773	(2,553)	5,873,365
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	369,877	1,381,597	888,773	(2,553)	5,873,365
Fund Balances - December 31, 2024	\$ 499,385	\$ 1,259,909	\$ 636,505	\$ (140)	\$ 6,053,784

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenue Funds			Debt Service Funds	
	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue	General Obligation
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,516,417	\$ -	\$ -	\$ 7,474,538
Sales taxes	10,150,052	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	829,300
Charges for services	-	5,124	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	12,137	5,889	543	14,751	44,442
Miscellaneous revenues	-	91,327	-	-	2,290,153
Total Revenues	10,162,189	2,618,757	543	14,751	10,638,433
Expenditures					
Current					
General government	-	-	-	-	918,179
Public safety	-	-	-	-	-
Public works	-	2,196,053	-	-	-
Culture and recreation	-	-	45,819	-	-
Urban and economic development	-	-	-	1,244,889	-
Debt service					
Principal retirement	-	-	-	-	11,310,000
Interest and fiscal fees	-	-	-	-	3,581,461
Bond issuance costs	-	-	-	-	-
Capital outlay	43,704	-	-	-	-
Total Expenditures	43,704	2,196,053	45,819	1,244,889	15,809,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,118,485	422,704	(45,276)	(1,230,138)	(5,171,207)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	1,776,423	-	25,000	4,677,057	5,969,602
Transfers out	(6,881,942)	(404,400)	-	(3,136,950)	-
Total Other Financing Sources (Uses)	(5,105,519)	(404,400)	25,000	1,540,107	5,969,602
Net Change in Fund Balances	5,012,966	18,304	(20,276)	309,969	798,395
Fund Balances - January 1, 2024, as previously reported	10,278,880	2,133,171	173,814	5,089,683	17,278,684
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	10,278,880	2,133,171	173,814	5,089,683	17,278,684
Fund Balances - December 31, 2024	\$ 15,291,846	\$ 2,151,475	\$ 153,538	\$ 5,399,652	\$ 18,077,079

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Debt Service Funds			Capital Projects Funds	
	Special Assessment Debt Service	Street Improvement Debt Service	Tax Increment	Capital Equipment	Permanent Improvement
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 520,303	\$ -	\$ 276,912
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	6,169,169
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	22,035	4,490	-	-	-
Investment income	49	-	-	106,897	5,198
Miscellaneous revenues	-	-	-	170,110	-
Total Revenues	22,084	4,490	520,303	277,007	6,451,279
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	442,667
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	500	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	93,254	-
Capital outlay	-	-	-	3,582,185	9,472,912
Total Expenditures	-	-	500	3,675,439	9,915,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,084	4,490	519,803	(3,398,432)	(3,464,300)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	3,430,000	-
Premium on issuance of bonds	-	-	-	253,217	-
Transfers in	-	-	-	5,145,458	1,337,843
Transfers out	-	-	(464,166)	-	-
Total Other Financing Sources (Uses)	-	-	(464,166)	8,828,675	1,337,843
Net Change in Fund Balances	22,084	4,490	55,637	5,430,243	(2,126,457)
Fund Balances - January 1, 2024, as previously reported	41,396	(49,112)	278,013	3,271,392	6,292
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-
Total Fund Balances - January 1, 2024, as adjusted or restated	41,396	(49,112)	278,013	3,271,392	6,292
Fund Balances - December 31, 2024	\$ 63,480	\$ (44,622)	\$ 333,650	\$ 8,701,635	\$ (2,120,165)

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Capital Projects Funds			Formerly Nonmajor Regional Exchange District	Total Nonmajor Governmental Funds
	Street Improvement Program	Capital Improvements	Tourism and Recreational Projects		
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -		\$ 16,101,868
Sales taxes	-	-	-		24,956,704
Other taxes	-	-	-		14,177
Licenses and permits	-	-	-		131,997
Intergovernmental revenues	-	12,177,179	1,711,786		36,511,902
Charges for services	-	-	-		2,046,306
Fines and forfeits	-	-	-		127,217
Special assessments	246,031	-	-		272,556
Investment income	22,634	3,909	121,446		7,685,414
Miscellaneous revenues	-	398,226	448,201		7,869,531
Total Revenues	268,665	12,579,314	2,281,433	-	95,717,672
Expenditures					
Current					
General government	-	756,149	-		2,973,874
Public safety	-	79,087	-		2,181,937
Public works	84,968	-	-		3,913,739
Culture and recreation	-	1,987,662	383,345		9,230,608
Urban and economic development	-	-	-		16,901,530
Debt service					
Principal retirement	-	-	-		11,597,762
Interest and fiscal fees	-	-	-		3,727,672
Bond issuance costs	-	51,372	-		144,626
Capital outlay	11,560,944	16,010,943	3,814,905		47,286,690
Total Expenditures	11,645,912	18,885,213	4,198,250		97,958,438
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,377,247)	(6,305,899)	(1,916,817)		(2,240,766)
Other Financing Sources (Uses)					
Issuance of bonds	-	1,815,000	-		5,245,000
Premium on issuance of bonds	-	207,309	-		460,526
Transfers in	9,430,037	1,341,122	139,500		39,971,695
Transfers out	(1,824,584)	(12,818)	(50,881)		(26,755,624)
Total Other Financing Sources (Uses)	7,605,453	3,350,613	88,619		18,921,597
Net Change in Fund Balances	(3,771,794)	(2,955,286)	(1,828,198)	-	16,680,831
Fund Balances - January 1, 2024, as previously reported	4,148,759	(1,111,364)	2,577,451	(1,858,344)	68,035,835
Change within financial reporting entity (nonmajor to major fund)	-	-	-	1,858,344	1,858,344
Change within financial reporting entity (major to nonmajor fund)					(106,927)
Total Fund Balances - January 1, 2024, as adjusted or restated	4,148,759	(1,111,364)	2,577,451	-	69,787,252
Fund Balances - December 31, 2024	\$ 376,965	\$ (4,066,650)	\$ 749,253	\$ -	\$ 86,468,083

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Taxes				
General property				
Current	\$ 29,305,200	\$ 29,305,200	\$ 28,972,546	\$ (332,654)
Delinquent	150,000	150,000	144,881	(5,119)
Mobile home	80,000	80,000	77,882	(2,118)
Forfeited tax sale apportionment	10,000	10,000	-	(10,000)
Franchise	4,343,100	4,343,100	4,507,502	164,402
Sales taxes	15,784,000	15,784,000	19,047,297	3,263,297
Charitable gambling	30,000	30,000	44,740	14,740
Other	205,400	205,400	604,872	399,472
Total Taxes	49,907,700	49,907,700	53,399,720	3,492,020
Licenses and Permits				
Liquor and non-intoxicating liquor	426,200	426,200	468,030	41,830
Health	25,000	25,000	27,034	2,034
Police protective	39,500	39,500	48,681	9,181
Amusement	600	600	611	11
Manufacturing and merchandising	35,700	35,700	35,905	205
Other	1,578,700	1,578,700	1,677,663	98,963
Total Licenses and Permits	2,105,700	2,105,700	2,257,924	152,224
Intergovernmental revenues				
Shared revenues				
Local government aid	35,175,100	35,175,100	35,175,072	(28)
Insurance premium	2,310,800	2,310,800	2,976,168	665,368
PERA contribution	-	1,268,031	1,268,031	-
State grants				
Minnesota Library Information Network	4,000	4,000	-	(4,000)
Ballistic Vest Reimbursement	-	26,517	26,518	1
Cross country ski trail	11,000	11,000	9,420	(1,580)
Post training reimbursement	151,800	151,800	137,855	(13,945)
Market value credit	-	-	316	316
MSA street maintenance allotment	1,496,100	1,496,100	1,686,740	190,640
Federal grants				
Bulletproof Vest Partnership Program	16,000	42,259	42,757	498
COVID-19 Grant	-	16,836,181	16,911,841	75,660
Other grants				
St. Louis County	138,400	170,300	170,314	14
Payments in lieu of taxes -				
Housing and Redevelopment Authority	65,000	65,000	85,735	20,735
Independent School District #709	357,900	357,900	335,000	(22,900)
Total Intergovernmental Revenues	39,726,100	57,914,988	58,825,767	910,779

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Charges for Services				
Departmental fees and services				
Fire	4,200	4,200	8,400	4,200
Police	52,400	52,400	72,814	20,414
Engineering	375,000	375,000	-	(375,000)
Building inspection services	2,946,600	2,946,600	4,393,083	1,446,483
Attorney services	-	-	11,426	11,426
Information technology services	11,000	11,000	14,920	3,920
Grant administration services	69,000	69,000	79,401	10,401
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	170,000	170,000	53,762	(116,238)
Other services	-	-	90	90
Departmental sales				
Copier and microfilm prints	9,800	9,800	15,004	5,204
Print and plan sales	100	100	31	(69)
Share of general expenses				
Stormwater	205,200	205,200	205,200	-
Sewer	256,300	256,300	256,300	-
Steam	64,500	64,500	64,500	-
Duluth Entertainment and Convention Center Authority	14,700	14,700	14,700	-
Duluth Transit Authority	12,500	12,500	12,500	-
Duluth Airport Authority	78,000	78,000	77,950	(50)
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	950,900	950,900	950,900	-
Fleet Services	182,100	182,100	182,100	-
Group Health	420,100	420,100	420,109	9
Self-Insurance	520,400	520,400	520,400	-
Spirit Mountain Recreation Area Authority	29,600	29,600	29,600	-
Parking	140,500	140,500	140,500	-
Priley Drive Parking Facility	8,500	8,500	8,500	-
Total Charges for Services	6,951,400	6,951,400	7,962,190	1,010,790
Fines and Forfeits				
Court fines	230,000	230,000	181,687	(48,313)
Administrative fines	500	500	49,356	48,856
License penalties	1,500	1,500	-	(1,500)
Felony forfeitures	-	-	18,259	18,259
Total Fines and Forfeits	232,000	232,000	249,302	17,302
Special Assessments	438,800	511,032	663,677	152,645
Investment Income				
Fair value adjustment	-	-	143,925	143,925

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Miscellaneous Revenues				
Concessions & Commissions	25,000	25,000	25,000	-
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	6,129	6,129
Rent and lease	97,000	97,000	104,043	7,043
Sale of scrap	5,000	5,000	3,663	(1,337)
Surcharge retainage	1,500	1,500	2,197	697
Refunds and reimbursements	174,900	6,314,153	6,378,062	63,909
Gifts and donations	-	-	216	216
Miscellaneous sales and services	89,400	118,525	122,493	3,968
Total Miscellaneous Revenues	542,800	6,711,178	6,791,803	80,625
Total Revenues	99,904,500	124,333,998	130,294,308	5,960,310
Other Financing Sources				
Issuance of leases	-	221,027	221,027	-
Issuance of SBITA	-	-	20,763	20,763
Transfers in:				
Special Projects	377,300	652,414	812,971	160,557
Local Fiscal Recovery Funds	182,500	182,500	-	(182,500)
Duluth Police Grant Programs	1,157,500	1,495,408	1,657,478	162,070
Community Investment Trust	425,000	425,000	644,260	219,260
Tourism Taxes	1,435,700	1,435,700	1,485,600	49,900
Community Development	121,000	121,000	-	(121,000)
Capital Improvements	-	-	12,818	12,818
Parking Fund	1,422,900	1,422,900	1,422,900	-
Water	237,500	273,895	273,895	-
Gas	2,870,000	2,906,395	3,435,255	528,860
Sewer	169,900	206,294	206,295	1
Stormwater	552,400	588,794	588,795	1
Broadband Fiber	1,865,700	1,865,700	1,865,684	(16)
Steam	182,000	182,000	207,789	25,789
Total Other Financing Sources	10,999,400	11,979,027	12,855,530	876,503
Fund Balance Reserves				
General Government	4,700,000	4,700,000	-	(4,700,000)
Public Works	4,000,000	4,000,000	-	(4,000,000)
Culture and Recreation	500,000	500,000	-	(500,000)
Total Fund Balance Reserves	9,200,000	9,200,000	-	(9,200,000)
Total Revenues and Other Financing Sources	\$ 120,103,900	\$ 145,513,025	\$ 143,149,838	\$ (2,363,187)
Reconciliation				
Original budget as approved by Duluth City Council		\$ 120,103,900		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		403,865		
Ordinance allowable		25,005,260		
Total adjustments		25,409,125		
Modified budget as reported above		\$ 145,513,025		

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget			Actual			Increase
	Original	Modified	Note	Expended	Encumbered	Totals	(Decrease)
Legislative and Executive							
City Council							
Personal services - salaries	\$ 124,200	\$ 124,200		\$ 124,200	\$ -	\$ 124,200	\$ -
Personal services - benefits	9,500	9,500		9,309	-	9,309	191
Other expenditures	70,700	82,700	1	79,836	-	79,836	2,864
Total City Council	204,400	216,400		213,345	-	213,345	3,055
Mayor's Office							
Personal services - salaries	572,300	571,871	1	390,568	-	390,568	181,303
Personal services - benefits	243,200	232,156	1	171,807	-	171,807	60,349
Other expenditures	24,200	24,555	4	9,167	-	9,167	15,388
Total Mayor's Office	839,700	828,582		571,542	-	571,542	257,040
Chief Administrative Officer							
Personal services - salaries	356,800	337,400	1	329,005	-	329,005	8,395
Personal services - benefits	147,400	151,074	1	150,995	-	150,995	79
Other expenditures	20,600	20,600		9,083	-	9,083	11,517
Total Chief Administrative Officer	524,800	509,074		489,083	-	489,083	19,991
Attorney and Human Rights							
Personal services - salaries	1,954,000	1,996,800	1	1,996,742	-	1,996,742	58
Personal services - benefits	768,100	749,792	1	748,664	-	748,664	1,128
Other expenditures	61,100	61,100		342,362	-	342,362	(281,262)
Total Attorney and Human Rights	2,783,200	2,807,692		3,087,768	-	3,087,768	(280,076)
Total Legislative and Executive	4,352,100	4,361,748		4,361,738	-	4,361,738	10
Property, Parks and Libraries							
Park Maintenance							
Personal services - salaries	1,824,800	1,889,450	1	1,889,411	-	1,889,411	39
Personal services - benefits	749,600	786,497	1	786,497	-	786,497	-
Other expenditures	1,135,800	946,420	1	893,899	-	893,899	52,521
Total Park Maintenance	3,710,200	3,622,367		3,569,807	-	3,569,807	52,560
Library Services							
Personal services - salaries	3,169,900	3,284,900	1	3,263,218	-	3,263,218	21,682
Personal services - benefits	1,394,000	1,402,798	1	1,390,471	-	1,390,471	12,327
Other expenditures	1,066,200	1,070,502	4	1,007,433	60,000	1,067,433	3,069
Total Library Services	5,630,100	5,758,200		5,661,122	60,000	5,721,122	37,078
Facilities Management							
Personal services - salaries	2,288,300	2,456,715	1,4	2,354,677	-	2,354,677	102,038
Personal services - benefits	928,400	989,800	1,4	941,638	-	941,638	48,162
Other expenditures	2,968,200	2,975,882	4	3,229,766	5,974	3,235,740	(259,858)
Total Facilities Management	6,184,900	6,422,397		6,526,081	5,974	6,532,055	(109,658)
Total Property, Parks and Libraries	15,525,200	15,802,964		15,757,010	65,974	15,822,984	(20,020)

(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, 2024

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
Administrative Services							
Human Resources							
Personal services - salaries	922,600	986,200	1	986,198	-	986,198	2
Personal services - benefits	394,100	416,505	1	416,435	-	416,435	70
Other expenditures	90,500	61,100	1	59,417	-	59,417	1,683
Total Human Resources	<u>1,407,200</u>	<u>1,463,805</u>		<u>1,462,050</u>	<u>-</u>	<u>1,462,050</u>	<u>1,755</u>
Information Technology							
Personal services - salaries	2,123,300	2,243,900	1	2,243,858	-	2,243,858	42
Personal services - benefits	911,100	944,359	1	944,283	-	944,283	76
Other expenditures	1,202,100	1,141,540	1	1,038,478	17,711	1,056,189	85,351
Total Information Technology	<u>4,236,500</u>	<u>4,329,799</u>		<u>4,226,619</u>	<u>17,711</u>	<u>4,244,330</u>	<u>85,469</u>
Clerk							
Personal services - salaries	725,300	749,828	1,4	741,970	-	741,970	7,858
Personal services - benefits	287,500	242,337	1	241,432	-	241,432	905
Other expenditures	55,700	34,700	1	128,977	-	128,977	(94,277)
Capital outlay	-	62,895	2	62,895	-	62,895	-
Total Clerk	<u>1,068,500</u>	<u>1,089,760</u>		<u>1,175,274</u>	<u>-</u>	<u>1,175,274</u>	<u>(85,514)</u>
Total Administrative Services	<u>6,712,200</u>	<u>6,883,364</u>		<u>6,863,943</u>	<u>17,711</u>	<u>6,881,654</u>	<u>1,710</u>
Finance							
Budget							
Personal services - salaries	719,700	732,400	1	732,327	-	732,327	73
Personal services - benefits	282,800	259,927	1	259,194	-	259,194	733
Other expenditures	37,100	70,600	1	67,834	-	67,834	2,766
Total Budget	<u>1,039,600</u>	<u>1,062,927</u>		<u>1,059,355</u>	<u>-</u>	<u>1,059,355</u>	<u>3,572</u>
Auditor							
Personal services - salaries	849,000	889,350	1	889,321	-	889,321	29
Personal services - benefits	385,000	346,905	1	346,454	-	346,454	451
Other expenditures	304,100	323,061	1	319,845	-	319,845	3,216
Total Auditor	<u>1,538,100</u>	<u>1,559,316</u>		<u>1,555,620</u>	<u>-</u>	<u>1,555,620</u>	<u>3,696</u>
Purchasing							
Personal services - salaries	422,100	457,050	1	456,950	-	456,950	100
Personal services - benefits	216,100	206,851	1	206,796	-	206,796	55
Other expenditures	14,200	7,450	1	14,402	-	14,402	(6,952)
Total Purchasing	<u>652,400</u>	<u>671,351</u>		<u>678,148</u>	<u>-</u>	<u>678,148</u>	<u>(6,797)</u>
Total Finance	<u>3,230,100</u>	<u>3,293,594</u>		<u>3,293,123</u>	<u>-</u>	<u>3,293,123</u>	<u>471</u>

(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, 2024

	Budget			Actual			Increase
	Original	Modified	Note	Expended	Encumbered	Totals	(Decrease)
Planning and Construction Services							
Planning and Development							
Personal services - salaries	1,191,300	1,190,375	1	1,190,308	-	1,190,308	67
Personal services - benefits	519,000	468,025	1	467,314	-	467,314	711
Other expenditures	66,900	147,040	1,2,3	137,973	-	137,973	9,067
Total Planning and Development	1,777,200	1,805,440		1,795,595	-	1,795,595	9,845
Construction Services and Inspection							
Personal services - salaries	1,659,300	1,642,800	1	1,640,003	-	1,640,003	2,797
Personal services - benefits	770,600	712,794	1	712,012	-	712,012	782
Other expenditures	156,100	111,930	1	123,092	2,175	125,267	(13,337)
Total Construction Services and Inspection	2,586,000	2,467,524		2,475,107	2,175	2,477,282	(9,758)
Total Planning and Construction Services	4,363,200	4,272,964		4,270,702	2,175	4,272,877	87
Fire							
Administration							
Personal services - salaries	665,700	811,300	1,4	811,248	-	811,248	52
Personal services - benefits	295,400	297,593	1	297,566	-	297,566	27
Other expenditures	49,900	49,900		49,831	-	49,831	69
Total Administration	1,011,000	1,158,793		1,158,645	-	1,158,645	148
Operations							
Personal services - salaries	12,819,600	14,218,140	1,4	14,218,091	-	14,218,091	49
Personal services - benefits	5,610,300	6,123,560	1,4	6,123,483	-	6,123,483	77
Other expenditures	898,000	912,938	1,2	945,510	27,869	973,379	(60,441)
Total Operations	19,327,900	21,254,638		21,287,084	27,869	21,314,953	(60,315)
Life Safety							
Personal services - salaries	1,128,600	1,155,711	1	1,155,664	-	1,155,664	47
Personal services - benefits	509,800	477,420	1	477,378	-	477,378	42
Other expenditures	103,700	149,220	1	149,124	-	149,124	96
Capital outlay	-	64,890	1	-	-	-	64,890
Total Life Safety	1,742,100	1,847,241		1,782,166	-	1,782,166	65,075
Total Fire	22,081,000	24,260,672		24,227,895	27,869	24,255,764	4,908
Police							
Administration and Investigation							
Personal services - salaries	17,797,000	18,791,194	1,3,4	18,564,302	-	18,564,302	226,892
Personal services - benefits	8,064,900	7,801,944	1,4	7,799,163	-	7,799,163	2,781
Other expenditures	1,407,600	1,603,656	1,2,3,4	1,821,823	11,507	1,833,330	(229,674)
Capital outlay	-	377,316	2	-	377,316	377,316	-
Total Administration and Investigation	27,269,500	28,574,110		28,185,288	388,823	28,574,111	(1)
Police Special Accounts							
Personal services - salaries	-	-		1	-	1	(1)
Other expenditures	151,800	375,773	2,4	186,015	-	186,015	189,758
Total Police Special Accounts	151,800	375,773		186,016	-	186,016	189,757
Total Police	27,421,300	28,949,883		28,371,304	388,823	28,760,127	189,756

(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, 2024

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	65,200	67,900	1	67,865	-	67,865	35
Personal services - benefits	28,300	29,865	1	29,840	-	29,840	25
Other expenditures	1,000	3,100	1	3,090	-	3,090	10
Total Public Works Director's Office	94,500	100,865		100,795	-	100,795	70
Street Maintenance							
Personal services - salaries	3,223,400	3,283,200	1	3,001,395	-	3,001,395	281,805
Personal services - benefits	1,576,100	1,583,559	1	1,386,366	-	1,386,366	197,193
Other expenditures	4,704,200	4,666,346	1,2,4	3,580,734	706,441	4,287,175	379,171
Capital outlay	-	200,000	1	-	200,000	200,000	-
Total Street Maintenance	9,503,700	9,733,105		7,968,495	906,441	8,874,936	858,169
Engineering							
Personal services - salaries	1,429,700	1,465,700	1	1,462,510	-	1,462,510	3,190
Personal services - benefits	626,500	629,254	1	604,078	-	604,078	25,176
Other expenditures	152,000	149,500	1	958,040	19,198	977,238	(827,738)
Total Engineering	2,208,200	2,244,454		3,024,628	19,198	3,043,826	(799,372)
Total Public Works and Utilities	11,806,400	12,078,424		11,093,918	925,639	12,019,557	58,867
Transfers and Other Functions							
Business improvement district	370,000	442,232	4	441,394	-	441,394	838
Public access television	182,000	182,000		182,000	-	182,000	-
Parking fine administration	45,000	55,200	2	15,932	-	15,932	39,268
Capital program	73,600	305,759	1,2	5,567	222,594	228,161	77,598
Benefits administration	133,000	170,118	1,4	121,092	-	121,092	49,026
Retiree insurance	7,731,400	13,689,005	1,4	9,138,099	-	9,138,099	4,550,906
Self insurance	2,699,500	2,699,500		2,699,500	-	2,699,500	-
PERA contribution	2,321,200	1,472,359	1,4	1,268,031	-	1,268,031	204,328
Transfers and accruals	9,644,700	26,330,129	1,2,4	31,415,304	60,923	31,476,227	(5,146,098)
Other functions	1,412,000	1,790,090	1,2	1,504,869	90,731	1,595,600	194,490
Total Transfers and Other Functions	24,612,400	47,136,392		46,791,788	374,248	47,166,036	(29,644)
Total Expenditures and Encumbrances	\$ 120,103,900	\$ 147,040,005		\$ 145,031,421	\$ 1,802,439	\$ 146,833,860	\$ 206,145
Reconciliation							
Original budget as approved by Duluth City Council							
	\$ 120,103,900						
Adjustments made in accordance with Budget Ordinance							
Note 1	-	Departmental transfers made in accordance with budget ordinance.					
Note 2	1,526,980	Encumbrance, contract, reserve, or designation carryovers from prior year.					
Note 3	403,865	Grants, gifts, and donations in accordance with budget ordinance.					
Note 4	25,005,260	Other allowable additions made in accordance with budget ordinance.					
Total adjustments	26,936,105						
Modified budget as reported above	\$ 147,040,005						

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government						
Legislative and Executive						
City Council	\$ 124,200	\$ 9,309	\$ 79,836	\$ -	\$ -	\$ 213,345
Mayor's Office	390,568	171,807	9,167	-	-	571,542
Chief Administrative Officer	329,005	150,995	9,083	-	-	489,083
Attorney and Human Rights	1,996,742	748,664	59,162	-	283,200	3,087,768
Total Legislative and Executive	2,840,515	1,080,775	157,248	-	283,200	4,361,738
Property, Parks and Libraries						
Facilities Management	2,354,677	941,638	2,651,307	-	547,550	6,495,172
Other Functions	-	2,075,500	2,395,591	221,027	17,019,676	21,711,794
Total Property, Parks and Libraries	2,354,677	3,017,138	5,046,898	221,027	17,567,226	28,206,966
Administrative Services						
Human Resources	986,198	416,435	59,417	-	-	1,462,050
Information Technology	2,243,858	944,283	666,896	-	-	3,855,037
Clerk	741,970	241,432	33,977	62,895	95,000	1,175,274
Total Administrative Services	3,972,026	1,602,150	760,290	62,895	95,000	6,492,361
Finance						
Budget	732,327	259,194	67,834	-	-	1,059,355
Auditor	889,321	346,454	319,845	-	-	1,555,620
Purchasing	456,950	206,796	7,402	-	7,000	678,148
Total Finance	2,078,598	812,444	395,081	-	7,000	3,293,123
Benefits						
Benefits Administration	-	52,654	68,438	-	-	121,092
Retiree Insurance	-	9,138,099	-	-	-	9,138,099
PERA Contribution	-	205,276	-	-	-	205,276
Total Benefits	-	9,396,029	68,438	-	-	9,464,467
Total General Government	11,245,816	15,908,536	6,427,955	283,922	17,952,426	51,818,655
Public Safety						
Fire						
Administration	811,248	297,566	49,831	-	-	1,158,645
Operations	14,218,091	6,123,483	876,510	-	69,000	21,287,084
Life Safety	1,155,664	477,378	106,291	-	42,833	1,782,166
Total Fire	16,185,003	6,898,427	1,032,632	-	111,833	24,227,895
Police						
Administration and Investigation	18,564,302	7,799,163	1,369,853	-	390,260	28,123,578
Police Special Accounts	1	-	186,015	-	-	186,016
Total Police	18,564,303	7,799,163	1,555,868	-	390,260	28,309,594
Benefits						
PERA Contribution	-	766,564	-	-	-	766,564
Total Public Safety	34,749,306	15,464,154	2,588,500	-	502,093	53,304,053

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works						
Property, Parks and Libraries						
Park Maintenance	1,889,411	786,497	893,899	-	-	3,569,807
Public Works and Utilities						
Public Works Director's Office	67,865	29,840	3,090	-	-	100,795
Street Maintenance	3,001,395	1,386,366	3,567,252	-	-	7,955,013
Engineering	1,462,510	604,078	100,790	-	857,250	3,024,628
Total Public Works and Utilities	4,531,770	2,020,284	3,671,132	-	857,250	11,080,436
Benefits						
PERA Contribution	-	125,507	-	-	-	125,507
Total Public Works	6,421,181	2,932,288	4,565,031	-	857,250	14,775,750
Culture and Recreation						
Property, Parks and Libraries						
Library Services	3,263,218	1,390,471	846,950	20,763	-	5,521,402
Benefits						
PERA Contribution	-	81,456	-	-	-	81,456
Total Culture and Recreation	3,263,218	1,471,927	846,950	20,763	-	5,602,858
Urban and Economic Development						
Planning and Construction Services						
Planning and Development	1,190,308	467,314	137,973	-	-	1,795,595
Construction Services and Inspection	1,640,003	712,012	109,192	-	13,900	2,475,107
Other Functions	-	-	14,507,890	-	-	14,507,890
Total Planning and Construction Services	2,830,311	1,179,326	14,755,055	-	13,900	18,778,592
Benefits						
PERA Contribution	-	89,228	-	-	-	89,228
Total Urban and Economic Development	2,830,311	1,268,554	14,755,055	-	13,900	18,867,820
Debt Service						
Principal retirement	-	-	544,210	-	-	544,210
Interest and fiscal fees	-	-	118,075	-	-	118,075
Total Debt Service	-	-	662,285	-	-	662,285
Total Expenditures/Transfers Out	\$ 58,509,832	\$ 37,045,459	\$ 29,845,776	\$ 304,685	\$ 19,325,669	\$ 145,031,421

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2024**

ENTERPRISE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2024

	Golf	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 8,690,073	\$ 1,821,915	\$ 10,511,988
Restricted cash and cash equivalents				
Debt service	187,032	-	-	187,032
Receivables, net				
Accounts	-	880,784	-	880,784
Assessments	-	34,046	-	34,046
Due from other funds	-	2,151	-	2,151
Inventories	38,090	127,971	-	166,061
Prepays	5,478	-	-	5,478
Total current assets	230,600	9,735,025	1,821,915	11,787,540
Noncurrent assets				
Capital assets, net	7,917,339	22,860,484	-	30,777,823
Total noncurrent assets	7,917,339	22,860,484	-	30,777,823
Total Assets	8,147,939	32,595,509	1,821,915	42,565,363
Deferred Outflows of Resources				
Deferred pension obligation outflows	-	154,790	-	154,790
Deferred OPEB outflows	-	2,661,348	-	2,661,348
Total Deferred Outflows of Resources	-	2,816,138	-	2,816,138
Liabilities				
Current liabilities				
Accounts payable	47,966	44,128	-	92,094
Contracts payable	-	107,344	-	107,344
Due to other funds	-	10,640	-	10,640
Interfund loan payable	2,132,211	-	-	2,132,211
Due to other governments	1	805	-	806
Accrued salaries payable	14,039	91,153	-	105,192
Compensated absences	-	128,117	-	128,117
Unearned revenue	9,521	63,620	-	73,141
Deposits	2,533	-	-	2,533
Total current liabilities	2,206,271	445,807	-	2,652,078
Noncurrent liabilities				
Interfund loan payable	1,550,000	-	-	1,550,000
Compensated absences	-	30,227	-	30,227
Net pension liability	-	817,735	-	817,735
Net other postemployment benefits payable	-	868,538	-	868,538
Revenue bonds payable	2,051,293	-	-	2,051,293
Total noncurrent liabilities	3,601,293	1,716,500	-	5,317,793
Total Liabilities	5,807,564	2,162,307	-	7,969,871
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	585,876	-	585,876
Net Position				
Net investment in capital assets	5,866,046	22,860,484	-	28,726,530
Unrestricted	(3,525,671)	9,802,980	1,821,915	8,099,224
Total Net Position	\$ 2,340,375	\$ 32,663,464	\$ 1,821,915	\$ 36,825,754

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Golf	Formerly Nonmajor Fund Parking	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Operating Revenues					
Sales	\$ 308,066		\$ -	\$ -	\$ 308,066
Charges for services	1,033,352		8,539,602	-	9,572,954
Miscellaneous revenues	15,456		84,962	-	100,418
Total Operating Revenues	<u>1,356,874</u>		<u>8,624,564</u>	<u>-</u>	<u>9,981,438</u>
Operating Expenses					
Cost of sales and services	167,268		-	-	167,268
Personal services	-		3,374,220	-	3,374,220
Supplies	-		244,538	-	244,538
Utilities	-		26,362	-	26,362
Other services and charges	1,113,430		1,111,253	276	2,224,959
Depreciation	123,574		426,029	-	549,603
Total Operating Expenses	<u>1,404,272</u>		<u>5,182,402</u>	<u>276</u>	<u>6,586,950</u>
Operating Income (Loss)	<u>(47,398)</u>		<u>3,442,162</u>	<u>(276)</u>	<u>3,394,488</u>
Nonoperating Revenues (Expenses)					
Investment income	-		16,830	23,653	40,483
Intergovernmental revenue	-		10,223	-	10,223
Gain (loss) on sale or disposition of capital assets	151		(2,548)	-	(2,397)
Other expense	-		-	(834,316)	(834,316)
Interest and fiscal fees	(49,718)		-	-	(49,718)
Total Nonoperating Revenues (Expenses)	<u>(49,567)</u>		<u>24,505</u>	<u>(810,663)</u>	<u>(835,725)</u>
Income (Loss) Before Transfers	<u>(96,965)</u>		<u>3,466,667</u>	<u>(810,939)</u>	<u>2,558,763</u>
Transfers in	1,222,337		-	-	1,222,337
Transfers out	-		(669,568)	(2,615,684)	(3,285,252)
Change in Net Position	<u>1,125,372</u>		<u>2,797,099</u>	<u>(3,426,623)</u>	<u>495,848</u>
Total Net Position - January 1, 2024, as previously reported	1,215,003	17,263,223	29,866,365	5,248,538	53,593,129
Change within financial reporting entity (nonmajor to major)	-	(17,263,223)	-	-	(17,263,223)
Total Net Position - January 1, 2024, as adjusted or restated	<u>1,215,003</u>	<u>-</u>	<u>29,866,365</u>	<u>5,248,538</u>	<u>36,329,906</u>
Total Net Position - December 31, 2024	<u>\$ 2,340,375</u>	<u>\$ -</u>	<u>\$ 32,663,464</u>	<u>\$ 1,821,915</u>	<u>\$ 36,825,754</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Golf	Stormwater	Broadband Fiber	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,345,929	\$ 8,498,272	\$ -	\$ 9,844,201
Cash paid to suppliers	(1,345,363)	(1,422,404)	(276)	(2,768,043)
Cash paid to employees	-	(2,799,263)	-	(2,799,263)
Other operating revenues	-	54,591	-	54,591
Net cash provided (used) by operating activities	566	4,331,196	(276)	4,331,486
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	1,222,337	70,618	-	1,292,955
Transfers to other funds	-	(669,568)	(2,615,684)	(3,285,252)
Operating grants	-	10,223	-	10,223
Payment to other government	-	-	(834,316)	(834,316)
Interfund financing	1,082,563	-	-	1,082,563
Net cash provided (used) by noncapital financing activities	2,304,900	(588,727)	(3,450,000)	(1,733,827)
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	634	-	634
Issuance of revenue bonds and notes	2,001,575	-	-	2,001,575
Sale of capital assets	53,909	4,365	-	58,274
Acquisition or construction of capital assets	(5,913,382)	(2,486,743)	-	(8,400,125)
Net cash provided (used) by capital and related financing activities	(3,857,898)	(2,481,744)	-	(6,339,642)
Cash Flows from Investing Activities				
Investment earnings	-	16,830	23,653	40,483
Net increase (decrease) in cash and cash equivalents	(1,552,432)	1,277,555	(3,426,623)	(3,701,500)
Cash and cash equivalents - January 1, 2024	1,739,464	7,412,518	5,248,538	14,400,520
Cash and cash equivalents - December 31, 2024	\$ 187,032	\$ 8,690,073	\$ 1,821,915	\$ 10,699,020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (47,398)	\$ 3,442,162	\$ (276)	\$ 3,394,488
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	123,574	426,029	-	549,603
Change in assets and liabilities:				
Decrease (increase) in receivables	-	(76,527)	-	(76,527)
Decrease (increase) in inventories	(4,568)	2,233	-	(2,335)
Decrease (increase) in prepaids	(725)	1,728,820	-	1,728,095
Decrease (increase) in deferred pension obligation outflows	-	157,018	-	157,018
Decrease (increase) in OPEB outflows	-	(1,890,200)	-	(1,890,200)
Increase (decrease) in payables	(59,372)	(79,999)	-	(139,371)
Increase (decrease) in OPEB liability	-	868,538	-	868,538
Increase (decrease) in unearned revenues	(10,945)	15,484	-	4,539
Increase (decrease) in deferred pension obligation inflows	-	161,878	-	161,878
Increase (decrease) in pension liability	-	(424,240)	-	(424,240)
Total adjustments	47,964	889,034	-	936,998
Net cash provided (used) by operating activities	\$ 566	\$ 4,331,196	\$ (276)	\$ 4,331,486

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2024

	<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	\$ 2,547,061	\$ 65,109	\$ 4,037,757	\$ -	\$ 6,649,927
Restricted assets held by trustee	-	19,525,114	-	-	19,525,114
Receivables, net					
Accounts	-	-	-	132	132
Due from other funds	-	-	176,059	418,904	594,963
Inventories	-	-	-	282,660	282,660
Prepays	90,000	-	-	-	90,000
Total current assets	<u>2,637,061</u>	<u>19,590,223</u>	<u>4,213,816</u>	<u>701,696</u>	<u>27,142,796</u>
Noncurrent assets					
Capital assets, net	-	-	-	132,886	132,886
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,886</u>	<u>132,886</u>
Total Assets	<u>2,637,061</u>	<u>19,590,223</u>	<u>4,213,816</u>	<u>834,582</u>	<u>27,275,682</u>
Deferred Outflows of Resources					
Deferred pension obligation outflows	9,103	-	-	99,332	108,435
Liabilities					
Current liabilities					
Accounts payable	1,164	575	-	193,046	194,785
Contracts payable	23,078	-	-	66	23,144
Claims payable	281,990	1,429,121	-	-	1,711,111
Due to other funds	-	-	7,910	-	7,910
Interfund loan payable	-	-	-	231,395	231,395
Due to other governments	45,618	-	-	2,530	48,148
Accrued salaries payable	11,421	-	-	81,286	92,707
Compensated absences	19,246	-	3,876,937	89,072	3,985,255
Unearned revenue	-	109,566	-	-	109,566
Total current liabilities	<u>382,517</u>	<u>1,539,262</u>	<u>3,884,847</u>	<u>597,395</u>	<u>6,404,021</u>
Noncurrent liabilities					
Claims payable	312,987	-	-	-	312,987
Compensated absences	-	-	339,891	-	339,891
Net pension liability	48,089	-	-	524,759	572,848
Total noncurrent liabilities	<u>361,076</u>	<u>-</u>	<u>339,891</u>	<u>524,759</u>	<u>1,225,726</u>
Total Liabilities	<u>743,593</u>	<u>1,539,262</u>	<u>4,224,738</u>	<u>1,122,154</u>	<u>7,629,747</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	34,454	-	-	375,970	410,424
Net Position					
Net investment in capital assets	-	-	-	132,886	132,886
Restricted for health insurance trust	-	18,050,961	-	-	18,050,961
Unrestricted	1,868,117	-	(10,922)	(697,096)	1,160,099
Total Net Position	<u>\$ 1,868,117</u>	<u>\$ 18,050,961</u>	<u>\$ (10,922)</u>	<u>\$ (564,210)</u>	<u>\$ 19,343,946</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, 2024

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,249,630	\$ 2,249,630
Charges for services	3,134,086	29,411,657	3,876,937	2,562,946	38,985,626
Miscellaneous revenues	140,494	2,690,562	-	1,481	2,832,537
Total Operating Revenues	<u>3,274,580</u>	<u>32,102,219</u>	<u>3,876,937</u>	<u>4,814,057</u>	<u>44,067,793</u>
Operating Expenses					
Cost of sales and services	-	-	-	2,070,090	2,070,090
Personal services	1,320,128	-	3,876,937	1,933,382	7,130,447
Supplies	2,231	-	-	36,415	38,646
Utilities	-	-	-	47,202	47,202
Other services and charges	1,421,869	1,236,783	-	677,234	3,335,886
Depreciation	-	-	-	28,697	28,697
Medical and insurance	747,612	30,908,796	-	-	31,656,408
Total Operating Expenses	<u>3,491,840</u>	<u>32,145,579</u>	<u>3,876,937</u>	<u>4,793,020</u>	<u>44,307,376</u>
Operating Income (Loss)	<u>(217,260)</u>	<u>(43,360)</u>	<u>-</u>	<u>21,037</u>	<u>(239,583)</u>
Nonoperating Revenues (Expenses)					
Investment income	6,565	893,803	9,189	-	909,557
Intergovernmental revenue	514,137	-	-	-	514,137
Total Nonoperating Revenues (Expenses)	<u>520,702</u>	<u>893,803</u>	<u>9,189</u>	<u>-</u>	<u>1,423,694</u>
Income (Loss) Before Transfers	<u>303,442</u>	<u>850,443</u>	<u>9,189</u>	<u>21,037</u>	<u>1,184,111</u>
Transfers in	86,997	-	-	2,783	89,780
Change in Net Position	390,439	850,443	9,189	23,820	1,273,891
Total Net Position - January 1, 2024	<u>1,477,678</u>	<u>17,200,518</u>	<u>(20,111)</u>	<u>(588,030)</u>	<u>18,070,055</u>
Total Net Position - December 31, 2024	<u>\$ 1,868,117</u>	<u>\$ 18,050,961</u>	<u>\$ (10,922)</u>	<u>\$ (564,210)</u>	<u>\$ 19,343,946</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Self- Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 3,274,579	\$ 32,195,798	\$ 4,044,339	\$ 4,726,138	\$ 44,240,854
Cash paid to suppliers	(2,495,499)	(32,195,045)	-	(2,802,923)	(37,493,467)
Cash paid to employees	(1,310,405)	-	(3,708,788)	(2,027,151)	(7,046,344)
Other operating revenues	-	-	-	1,481	1,481
Net cash provided (used) by operating activities	(531,325)	753	335,551	(102,455)	(297,476)
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	86,997	-	-	2,783	89,780
Operating grants	514,137	-	-	-	514,137
Interfund financing	-	(167)	-	99,672	99,505
Net cash provided (used) by noncapital financing activities	601,134	(167)	-	102,455	703,422
Cash Flows from Investing Activities					
Investment earnings	6,565	893,804	9,189	-	909,558
Net increase (decrease) in cash and cash equivalents	76,374	894,390	344,740	-	1,315,504
Cash and cash equivalents - January 1, 2024	2,470,687	18,695,833	3,693,017	-	24,859,537
Cash and cash equivalents - December 31, 2024	<u>\$ 2,547,061</u>	<u>\$ 19,590,223</u>	<u>\$ 4,037,757</u>	<u>\$ -</u>	<u>\$ 26,175,041</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (217,260)	\$ (43,360)	\$ -	\$ 21,037	\$ (239,583)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	28,697	28,697
Change in assets and liabilities:					
Decrease (increase) in receivables	-	90,651	165,216	(86,438)	169,429
Decrease (increase) in inventories	-	-	-	(3,252)	(3,252)
Decrease (increase) in prepaids	(40,000)	-	-	-	(40,000)
Decrease (increase) in deferred pension obligation outflows	10,103	-	-	103,987	114,090
Increase (decrease) in payables	(264,095)	(49,466)	170,335	19,107	(124,119)
Increase (decrease) in unearned revenues	-	2,928	-	-	2,928
Increase (decrease) in deferred pension obligation inflows	8,338	-	-	99,496	107,834
Increase (decrease) in pension liability	(28,411)	-	-	(285,089)	(313,500)
Total adjustments	(314,065)	44,113	335,551	(123,492)	(57,893)
Net cash provided (used) by operating activities	<u>\$ (531,325)</u>	<u>\$ 753</u>	<u>\$ 335,551</u>	<u>\$ (102,455)</u>	<u>\$ (297,476)</u>

Custodial Funds

**CITY OF DULUTH, MINNESOTA
CUSTODIAL FUNDS
DECEMBER 31, 2024**

CUSTODIAL FUNDS

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

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2024**

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 1,730,705
Loans receivable	1,128,304
Due from Other Gov't Units-City of Duluth	1,400,000
Total Assets	<u>4,259,009</u>
Liabilities	
Accounts payable	230
Contracts payable	1,075
Total Liabilities	<u>1,305</u>
Net Position	
Restricted for	
Other organizations	<u>\$ 4,257,704</u>

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Custodial Fund
Additions	
Other grants	\$ 150,000
Investment earnings	
Interest earnings	85,643
Net increase/(decrease) in fair value of investments	6,316
Interest on loans	48,329
Other Sources-City of Duluth	1,400,000
Other reimbursements	6,140
Total Additions	<u>1,696,428</u>
Deductions	
Legal services	23,528
Professional services	12,705
Grants & awards	187,917
Other services and charges	55,379
Board meeting expense	1,577
Total Deductions	<u>281,106</u>
Change in Net position	1,415,322
Net Position - January 1, 2024	2,842,382
Net Position - December 31, 2024	<u>\$ 4,257,704</u>

Supplementary Information

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE*
DECEMBER 31, 2024

Governmental Funds Capital Assets:

Land and land improvements	\$	23,531,001
Buildings		105,437,080
Equipment		50,853,903
Infrastructure		486,699,962
Construction in Progress		50,112,430
Right-to-use		7,794,799
		<hr/>

Total Governmental Funds Capital Assets	\$	724,429,175
		<hr/> <hr/>

Investments in Governmental Funds Capital Assets:

General fund	\$	26,311,393
Special revenue fund		47,246,746
Capital projects fund		649,140,886
Donations		1,730,150
		<hr/>

Total Governmental Funds Capital Assets	\$	724,429,175
		<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*
FOR THE YEAR ENDED DECEMBER 31, 2024

	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Right-to-use	Total
Function and Activity							
General Government							
Public Administration	\$ -	\$ -	\$ 332,502	\$ -	\$ -	\$ -	\$ 332,502
Management Information Systems	-	-	2,263,769	-	-	2,094,083	4,357,852
Facilities Management	1,636,325	22,893,705	2,315,636	23,831,520	15,756,876	278,746	66,712,808
Finance	-	-	346,749	-	-	-	346,749
Total General Government	1,636,325	22,893,705	5,258,656	23,831,520	15,756,876	2,372,829	71,749,911
Public Safety							
Fire	83,006	3,114,984	15,459,783	-	741,476	-	19,399,249
Police	2,000	16,627,233	7,721,670	562,251	428,381	591,477	25,933,012
Total Public Safety	85,006	19,742,217	23,181,453	562,251	1,169,857	591,477	45,332,261
Public Works							
Street Construction	-	-	-	419,457,862	22,647,660	-	442,105,522
Maintenance Operations	54,435	1,307,371	19,053,539	60,403	-	244,767	20,720,515
Engineering	5,145,615	3,203,413	600,125	4,047,531	-	-	12,996,684
Street Lights	-	-	533,570	6,845,060	-	-	7,378,630
Total Public Works	5,200,050	4,510,784	20,187,234	430,410,856	22,647,660	244,767	483,201,351
Culture and Recreation							
Libraries	51,585	7,545,988	223,332	-	-	1,748,678	9,569,583
Parks and Recreation	13,511,122	49,647,356	1,000,304	31,895,335	10,538,037	-	106,592,154
Total Culture and Recreation	13,562,707	57,193,344	1,223,636	31,895,335	10,538,037	1,748,678	116,161,737
Urban and Economic Development							
Planning and Construction Services	3,046,913	1,097,030	1,002,924	-	-	526,333	5,673,200
Workforce Development	-	-	-	-	-	2,310,715	2,310,715
Total Urban and Economic Development	3,046,913	1,097,030	1,002,924	-	-	2,837,048	7,983,915
Total Governmental Funds Capital Assets	\$ 23,531,001	\$ 105,437,080	\$ 50,853,903	\$ 486,699,962	\$ 50,112,430	\$ 7,794,799	\$ 724,429,175

* 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, 2024

	Governmental Funds Capital Assets 01/01/24	Additions	Deductions	Governmental Funds Capital Assets 12/31/24
Function and Activity				
General Government				
Public Administration	\$ 471,207	\$ 62,895	\$ 201,600	\$ 332,502
Management Information Systems	4,505,194	115,249	262,591	4,357,852
Facilities Management	52,225,511	14,529,714	42,418	66,712,807
Finance	346,749	-	-	346,749
Total General Government	57,548,661	14,707,858	506,609	71,749,910
Public Safety				
Fire	19,046,708	371,606	19,064	19,399,250
Police	25,169,690	1,446,768	683,445	25,933,013
Total Public Safety	44,216,398	1,818,374	702,509	45,332,263
Public Works				
Street Construction	415,452,220	26,653,301	-	442,105,521
Maintenance Operations	20,101,625	1,619,698	1,000,807	20,720,516
Engineering	12,758,931	262,351	24,599	12,996,683
Street Lights	7,391,421	-	12,791	7,378,630
Total Public Works	455,704,197	28,535,350	1,038,197	483,201,350
Culture and Recreation				
Libraries	9,576,883		7,300	9,569,583
Parks and Recreation	101,732,899	4,890,393	31,138	106,592,154
Total Culture and Recreation	111,309,782	4,890,393	38,438	116,161,737
Urban and Economic Development				
Planning and Construction Services	6,065,336	36,896	429,032	5,673,200
Workforce Development	2,310,715	-	-	2,310,715
Total Urban and Economic Development	8,376,051	36,896	429,032	7,983,915
Total Governmental Funds Capital Assets	\$ 677,155,089	\$ 49,988,871	\$ 2,714,785	\$ 724,429,175

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation - Levy Funded				
Capital Improvement	\$ 1,795,000	12/18/2013	02/01/2024	\$ 205,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	675,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	245,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	520,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	510,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	830,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	875,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	905,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	7,940,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	1,360,000
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	3,685,000
Capital Improvement	1,490,000	11/03/2021	02/01/2032	1,390,000
Capital Improvement	1,685,000	11/01/2022	02/01/2033	1,685,000
Capital Improvement	1,795,000	11/08/2023	02/01/2034	1,795,000
Capital Improvement	1,815,000	10/30/2024	02/01/2035	-
Total General Obligation - Levy Funded				<u>22,620,000</u>
General Obligation - Funded by Other Sources				
Airport Improvement	3,400,000	12/18/2013	02/01/2029	1,760,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,230,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,430,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	1,690,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	7,665,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	28,055,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	3,275,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	2,410,000
Airport Improvement Refunding	2,845,000	11/03/2021	02/01/2028	2,380,000
Capital Improvement - Lake Front	1,995,000	11/08/2023	02/01/2039	1,995,000
Total General Obligation - Funded by Other Sources				<u>51,890,000</u>
General Obligation - Tax Abatement				
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	5,020,000
GO Tax Abatement Refunding	3,705,000	11/03/2021	02/01/2030	3,265,000
Total General Obligation - Tax Abatement				<u>8,285,000</u>
Total General Obligation Bonds Payable				<u>82,795,000</u>
General Obligation Certificates Payable				
Equipment	3,885,000	10/17/2018	02/01/2024	845,000
Equipment	3,070,000	10/09/2019	02/01/2025	1,340,000
Equipment	2,960,000	10/21/2020	02/01/2026	1,865,000
Equipment	3,935,000	11/03/2021	02/01/2027	3,260,000
Equipment	3,360,000	11/01/2022	02/01/2028	3,360,000
Equipment	3,350,000	11/08/2023	02/01/2029	3,350,000
Equipment	3,430,000	10/30/2024	02/01/2030	-
Total General Obligation Certificates Payable				<u>14,020,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 96,815,000</u>
				(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2025</u>	<u>Interest Due in 2025</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Capital Improvement	\$ -	\$ 205,000	\$ -	\$ -	\$ -
Capital Improvement - Lakewalk	-	100,000	575,000	105,000	20,769
Capital Improvement	-	120,000	125,000	125,000	1,562
Capital Improvement	-	170,000	350,000	175,000	7,109
Capital Improvement	-	120,000	390,000	125,000	13,100
Capital Improvement	-	160,000	670,000	160,000	17,700
Capital Improvement	-	130,000	745,000	135,000	33,875
Capital Improvement	-	110,000	795,000	115,000	36,875
Capital Improvement Refunding	-	720,000	7,220,000	755,000	342,125
Capital Improvement	-	155,000	1,205,000	160,000	33,750
Capital Improvement - Lakewalk	-	250,000	3,435,000	255,000	66,150
Capital Improvement	-	125,000	1,265,000	130,000	60,000
Capital Improvement	-	115,000	1,570,000	145,000	74,875
Capital Improvement	-	-	1,795,000	125,000	82,275
Capital Improvement	1,815,000	-	1,815,000	-	68,315
Total General Obligation - Levy Funded	<u>1,815,000</u>	<u>2,480,000</u>	<u>21,955,000</u>	<u>2,510,000</u>	<u>858,480</u>
General Obligation - Funded by Other Sources					
Airport Improvement	-	265,000	1,495,000	275,000	57,540
Wade Stadium Improvement	-	160,000	1,070,000	165,000	34,568
Spirit Mountain Improvement	-	100,000	1,330,000	105,000	41,634
Airport Improvement	-	190,000	1,500,000	195,000	47,462
Capital Improvement - 1/2 & 1/2	-	735,000	6,930,000	765,000	225,770
Duluth Entertainment and Convention Center Improvement Refunding	-	1,485,000	26,570,000	1,640,000	1,262,900
Capital Improvement - Seawall	-	255,000	3,020,000	265,000	86,625
Street Improvement	-	790,000	1,620,000	805,000	18,262
Airport Improvement Refunding	-	470,000	1,910,000	465,000	20,791
Capital Improvement - Lake Front	-	-	1,995,000	75,000	89,456
Total General Obligation - Funded by Other Sources	<u>-</u>	<u>4,450,000</u>	<u>47,440,000</u>	<u>4,755,000</u>	<u>1,885,008</u>
General Obligation - Tax Abatement					
GO Tax Abatement (Cirrus)	-	500,000	4,520,000	510,000	125,184
GO Tax Abatement Refunding	-	450,000	2,815,000	455,000	36,489
Total General Obligation - Tax Abatement	<u>-</u>	<u>950,000</u>	<u>7,335,000</u>	<u>965,000</u>	<u>161,673</u>
Total General Obligation Bonds Payable	<u>1,815,000</u>	<u>7,880,000</u>	<u>76,730,000</u>	<u>8,230,000</u>	<u>2,905,161</u>
General Obligation Certificates Payable					
Equipment	-	845,000	-	-	-
Equipment	-	655,000	685,000	685,000	17,125
Equipment	-	600,000	1,265,000	620,000	38,200
Equipment	-	755,000	2,505,000	795,000	105,375
Equipment	-	575,000	2,785,000	645,000	123,125
Equipment	-	-	3,350,000	575,000	153,125
Equipment	3,430,000	-	3,430,000	-	129,101
Total General Obligation Certificates Payable	<u>3,430,000</u>	<u>3,430,000</u>	<u>14,020,000</u>	<u>3,320,000</u>	<u>566,051</u>
Total Governmental Activities Bonds and Certificates Payable	<u>\$ 5,245,000</u>	<u>\$ 11,310,000</u>	<u>\$ 90,750,000</u>	<u>\$ 11,550,000</u>	<u>\$ 3,471,212</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<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				
Golf Fund				
Golf Utility General Obligation	\$ 1,840,000	10/30/2024	02/01/2040	<u>\$ -</u>
Parking Fund				
Parking Improvement Tax Increment Refunding	10,270,000	11/27/2012	02/01/2026	<u>2,760,000</u>
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	11,500,000	05/15/2014	04/01/2044	<u>11,426,091</u>
Water Fund				
Water Utility Revenue and General Obligation	196,000	02/19/2009	02/01/2024	16,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	<u>3,165,000</u>
Total Water Fund				<u>3,181,000</u>
Steam Fund				
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	2,980,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	9,680,000
Steam Utility Revenue and General Obligation	3,830,000	02/28/2024	02/01/2044	-
Total Steam Fund				<u>12,660,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	1,444,000	02/19/2009	02/01/2024	119,000
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	<u>150,000</u>
Total Sewer Fund				<u>269,000</u>
Total Business-type Activities Bonds Payable				<u>\$ 30,296,091</u>
				(continued)

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2025</u>	<u>Interest Due in 2025</u>
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Golf Fund					
Golf Utility General Obligation	<u>\$ 1,840,000</u>	<u>\$ -</u>	<u>\$ 1,840,000</u>	<u>\$ -</u>	<u>\$ 67,976</u>
Parking Fund					
Parking Improvement Tax Increment Refunding	<u>-</u>	<u>895,000</u>	<u>1,865,000</u>	<u>920,000</u>	<u>38,062</u>
Priley Drive Parking Facility					
Parking Improvement Tax Increment	<u>-</u>	<u>135,650</u>	<u>11,290,441</u>	<u>99,674</u>	<u>450,631</u>
Water Fund					
Water Utility Revenue and General Obligation	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Utility Revenue and General Obligation	<u>-</u>	<u>245,000</u>	<u>2,920,000</u>	<u>255,000</u>	<u>87,012</u>
Total Water Fund	<u>-</u>	<u>261,000</u>	<u>2,920,000</u>	<u>255,000</u>	<u>87,012</u>
Steam Fund					
Steam Utility Revenue and General Obligation	<u>-</u>	<u>710,000</u>	<u>2,270,000</u>	<u>735,000</u>	<u>59,012</u>
Steam Utility Revenue and General Obligation	<u>-</u>	<u>450,000</u>	<u>9,230,000</u>	<u>460,000</u>	<u>189,805</u>
Steam Utility Revenue and General Obligation	<u>3,830,000</u>	<u>-</u>	<u>3,830,000</u>	<u>-</u>	<u>253,249</u>
Total Steam Fund	<u>3,830,000</u>	<u>1,160,000</u>	<u>15,330,000</u>	<u>1,195,000</u>	<u>502,066</u>
Sewer Fund					
Sewer Utility Revenue and General Obligation	<u>-</u>	<u>119,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sewer Utility Revenue and General Obligation	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>1,500</u>
Total Sewer Fund	<u>-</u>	<u>194,000</u>	<u>75,000</u>	<u>75,000</u>	<u>1,500</u>
Total Business-type Activities Bonds Payable	<u>\$ 5,670,000</u>	<u>\$ 2,645,650</u>	<u>\$ 33,320,441</u>	<u>\$ 2,544,674</u>	<u>\$ 1,147,247</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 2,636,000	03/28/2019	08/01/2025	<u>\$ 2,551,000</u>
Total Governmental Activities				<u>2,551,000</u>
Business-type Activities:				
Water Fund				
Public Facilities Authority Note	1,293,200	09/14/2010	08/20/2025	184,000
Public Facilities Authority Note	3,344,131	12/14/2010	08/20/2025	491,000
Public Facilities Authority Note	1,221,631	11/29/2011	08/20/2026	254,000
Public Facilities Authority Note	4,778,806	03/24/2014	08/20/2029	1,922,000
Public Facilities Authority Note	3,857,531	01/24/2022	08/20/2042	3,600,000
Public Facilities Authority Note	2,561,481	12/17/2024	06/30/2027 *	-
Public Facilities Authority Note	1,597,285	12/17/2024	06/30/2027 *	-
Public Facilities Authority Note	1,639,354	12/17/2024	06/30/2027 *	-
Public Facilities Authority Note	1,938,000	12/17/2024	06/30/2027 *	-
Total Water Fund				<u>6,451,000</u>
Sewer Fund				
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	62,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	194,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	542,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	1,210,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>75,000</u>
Total Sewer Fund				<u>2,083,000</u>
Total Business-type Activities				<u>\$ 8,534,000</u>
				(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2025</u>	<u>Interest Due in 2025</u>
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 30,000	\$ 2,521,000	\$ 2,521,000	\$ 69,025
Total Governmental Activities	-	30,000	2,521,000	2,521,000	69,025
Business-type Activities:					
Water Fund					
Public Facilities Authority Note	-	91,000	93,000	93,000	1,170
Public Facilities Authority Note	-	244,000	247,000	247,000	2,658
Public Facilities Authority Note	-	83,000	171,000	84,000	2,088
Public Facilities Authority Note	-	313,000	1,609,000	316,000	16,090
Public Facilities Authority Note	-	173,000	3,427,000	175,000	33,815
Public Facilities Authority Note	2,226,308	-	2,226,308	2,226,308	-
Public Facilities Authority Note	1,286,169	-	1,286,169	1,286,169	-
Public Facilities Authority Note	1,268,377	-	1,268,377	1,268,377	-
Public Facilities Authority Note	138,197	-	138,197	138,197	-
Total Water Fund	4,919,051	904,000	10,466,051	5,834,051	55,821
Sewer Fund					
Public Facilities Authority Note	-	62,000	-	-	-
Public Facilities Authority Note	-	194,000	-	-	-
Public Facilities Authority Note	-	269,000	273,000	273,000	3,434
Public Facilities Authority Note	-	601,000	609,000	609,000	7,661
Public Facilities Authority Note	-	75,000	-	-	-
Total Sewer Fund	-	1,201,000	882,000	882,000	11,095
Total Business-type Activities	\$ 4,919,051	\$ 2,105,000	\$ 11,348,051	\$ 6,716,051	\$ 66,916

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Operating	Loan Programs	Tax Increment Assistance	Capital Projects	Total
Assets					
Cash and cash equivalents	\$ 15,824,904	\$ 178,178	\$ 134,910	\$ 2,838,155	\$ 18,976,147
Taxes receivable, net	-	-	167,032	-	167,032
Accounts receivable, net	41,733	-	-	-	41,733
Loans receivable, net	67,471	3,066,159	-	3,617,081	6,750,711
Leases Receivable	1,532,444	-	-	-	1,532,444
Due from other funds	-	-	-	483	483
Due from other governments	86,392	-	-	-	86,392
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 17,745,444</u>	<u>\$ 3,244,337</u>	<u>\$ 301,942</u>	<u>\$ 6,455,719</u>	<u>\$ 27,747,442</u>
Liabilities					
Accounts payable	26,993	-	130,801	-	157,794
Contracts payable	1,064,327	-	-	-	1,064,327
Due to other funds	-	-	483	-	483
Due to other governments	1,637	-	167,259	-	168,896
Total Liabilities	<u>1,092,957</u>	<u>-</u>	<u>298,543</u>	<u>-</u>	<u>1,391,500</u>
Deferred Inflows of Resources					
Unavailable revenue	41,714	3,066,160	159,470	3,617,081	6,884,425
Lease Related	1,524,299	-	-	-	1,524,299
Total Deferred Inflows	<u>1,566,013</u>	<u>3,066,160</u>	<u>159,470</u>	<u>3,617,081</u>	<u>8,408,724</u>
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	-	2,838,638	2,838,638
Committed	-	178,177	-	-	178,177
Assigned	8,543,663	-	-	-	8,543,663
Unassigned	6,350,311	-	(156,071)	-	6,194,240
Total Fund Balances	<u>15,086,474</u>	<u>178,177</u>	<u>(156,071)</u>	<u>2,838,638</u>	<u>17,947,218</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,745,444</u>	<u>\$ 3,244,337</u>	<u>\$ 301,942</u>	<u>\$ 6,455,719</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.	5,594,620
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	6,365,262
Leases payable are not due and payable in the current period, and therefore are not reported in the funds.	(1,532,444)
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	84

Net position of governmental activities	<u>\$ 28,374,740</u>
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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, 2024

	General Operating	Loan Programs	Tax Increment Assistance	Capital Projects	Total
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 3,180,394	\$ -	\$ 3,180,394
Intergovernmental revenues					
City of Duluth	15,342,206	-	-	-	15,342,206
State of Minnesota grants	208,949	-	-	-	208,949
Charges for services	1,043,081	-	-	-	1,043,081
Miscellaneous revenues					
Earnings on investments	159,192	31,044	20,071	105,813	316,120
Interest	-	1,368	-	-	1,368
Land sales	207,804	-	-	-	207,804
Loan principal repayments	71,322	106,676	-	-	177,998
Miscellaneous	49,139	-	-	-	49,139
Total Revenues	<u>17,081,693</u>	<u>139,088</u>	<u>3,200,465</u>	<u>105,813</u>	<u>20,527,059</u>
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	5,352	-	5,352
Tax increment assistance	-	-	2,702,918	-	2,702,918
Economic development projects	6,246,794	-	174,515	-	6,421,309
Capital outlay					
Urban and economic development					
Buildings and structures	584,919	-	-	-	584,919
Debt service					
Principal retirement	17,404	-	-	-	17,404
Interest and fiscal fees	46,496	-	-	-	46,496
Total Expenditures	<u>6,895,613</u>	<u>-</u>	<u>2,882,785</u>	<u>-</u>	<u>9,778,398</u>
Excess of Revenues Over (Under) Expenditures	<u>10,186,080</u>	<u>139,088</u>	<u>317,680</u>	<u>105,813</u>	<u>10,748,661</u>
Other Financing Sources (Uses)					
Transfers in					
DEDA Loan Programs	575,000	-	-	-	575,000
DEDA Tax Increment Assistance	-	-	-	478,654	478,654
DEDA Capital Projects	134,799	-	-	-	134,799
Total Transfers In	<u>709,799</u>	<u>-</u>	<u>-</u>	<u>478,654</u>	<u>1,188,453</u>
Transfers out					
DEDA General Operating	-	(575,000)	-	(134,799)	(709,799)
DEDA Capital Projects	-	-	(478,654)	-	(478,654)
Total Transfers Out	<u>-</u>	<u>(575,000)</u>	<u>(478,654)</u>	<u>(134,799)</u>	<u>(1,188,453)</u>
Total Other Financing Sources (Uses)	<u>709,799</u>	<u>(575,000)</u>	<u>(478,654)</u>	<u>343,855</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>10,895,879</u>	<u>(435,912)</u>	<u>(160,974)</u>	<u>449,668</u>	<u>10,748,661</u>
Fund Balance - January 1, 2024	4,190,595	614,089	4,903	2,388,970	7,198,557
Fund Balance - December 31, 2024	<u>\$ 15,086,474</u>	<u>\$ 178,177</u>	<u>\$ (156,071)</u>	<u>\$ 2,838,638</u>	<u>\$ 17,947,218</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, 2024**

Net change in fund balances - total governmental funds	\$ 10,748,661
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.	544,887
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In the statement of activities, the gain on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.	(43,876)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, some revenues provide current financial resources to governmental funds but do not have any effect on net position. This amount is the net effect of these differences.	(15,233)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:	
Lease principal retirement	17,404

Change in net position of governmental activities	<u>\$ 11,251,843</u>
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DULUTH JPE TRUST
SCHEDULE OF NET POSITION
DECEMBER 31, 2024

	Health Fund	Dental Fund	JPE Trust Total
Assets			
Cash	\$ 36,548	\$ 28,561	\$ 65,109
Investments			
Money market	4,028,599	208,281	4,236,880
U.S. government treasury securities	14,779,856	508,378	15,288,234
Total Assets	18,845,003	745,220	19,590,223
Liabilities			
Claims payable	1,329,464	99,657	1,429,121
Accounts payable	575	-	575
Premiums received in advance	106,153	3,413	109,566
Total Liabilities	1,436,192	103,070	1,539,262
Net Position			
Held in Trust	\$ 17,408,811	\$ 642,150	\$ 18,050,961

DULUTH JPE TRUST
SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

	Health Fund	Dental Fund	JPE Trust Total
Revenues			
Health premiums			
Active employees	\$ 21,722,248	\$ -	\$ 21,722,248
Inactive employees	10,969,413	-	10,969,413
Dental premiums	-	1,151,860	1,151,860
Refunds and reimbursements			
Stop loss reimbursements	1,769,186	-	1,769,186
Prescription drug rebates	819,467	-	819,467
Miscellaneous	101,909	-	101,909
Investment earnings	863,424	30,379	893,803
Total Revenues	<u>36,245,647</u>	<u>1,182,239</u>	<u>37,427,886</u>
Expenses			
Medical and drug claims			
Active employees	22,419,270	-	22,419,270
Inactive employees	7,491,554	-	7,491,554
Medical insurance - medicare supplement	4,370,557	-	4,370,557
Dental claims	-	1,059,279	1,059,279
Administrative fees			
Delta Dental	-	72,568	72,568
City of Duluth	421,558	-	421,558
Trust services	55,007	1,890	56,897
Consulting services	109,881	-	109,881
Wellness activities	109,290	-	109,290
Patient centered outcomes research fee	6,672	-	6,672
Stop loss insurance	459,917	-	459,917
Total Expenses	<u>35,443,706</u>	<u>1,133,737</u>	<u>36,577,443</u>
Change in Net Position	801,941	48,502	850,443
Net Position - January 1, 2024	<u>16,606,870</u>	<u>593,648</u>	<u>17,200,518</u>
Net Position - December 31, 2024	<u>\$ 17,408,811</u>	<u>\$ 642,150</u>	<u>\$ 18,050,961</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:					
State of Minnesota					
Insurance Premium	\$ 2,976,168	\$ -	\$ -	\$ -	\$ 2,976,168
Local Government Aid	35,175,072	-	-	-	35,175,072
MSA Street Maintenance Allotment	1,686,740	-	-	-	1,686,740
PERA Contribution	1,268,031	-	-	-	1,268,031
Total Shared Revenue	41,106,011	-	-	-	41,106,011
State Grants:					
State of Minnesota, Department of					
Commerce					
Auto Theft Prevention Program	-	107,442	-	-	107,442
Employment and Economic Development					
Cirrus Design Corporation dba Cirrus Aircraft	-	500,000	-	-	500,000
Dislocated Workers	-	208,222	-	-	208,222
Drive for Five	-	80,558	-	-	80,558
Duluth Regional Exchange District Project	-	-	15,839,064	-	15,839,064
Duluth Seawall and Surface Improvements	-	-	8,601,944	-	8,601,944
Pathways to Prosperity	-	361,256	-	-	361,256
VRC Office Support	-	53,108	-	-	53,108
Youth Program	-	649,518	-	-	649,518
Employment and Economic Development Total	-	1,852,662	24,441,008	-	26,293,670
Human Services					
YouthPrise Homeless Youth Stipend Program	-	53,994	-	-	53,994
Supplemental Nutrition Assistance Program	-	29,787	-	-	29,787
Human Services Total	-	83,781	-	-	83,781
Natural Resources					
Angler and Hunter Recruitment and Retention Grant	-	20,000	-	-	20,000
Conservation Partners Legacy Grant Program	-	565,772	-	-	565,772
Cross City Snowmobile Grant-In-Aid	-	17,801	-	-	17,801
Cross Country Ski Trail	9,420	-	-	-	9,420
Greater Minnesota Regional Parks and Trails Commission	-	14,280	738,584	-	752,864
Lake Superior Zoo	-	255,000	-	-	255,000
Nordic Snowmobile Recreational Trail Program	-	-	250,000	-	250,000
Wildland Fire Fund	-	1,300	-	-	1,300
Urban and Community	-	150,000	-	-	150,000
Natural Resources Total	9,420	1,024,153	988,584	-	2,022,157
Peace Officers Board					
Post Training Reimbursement	137,855	-	-	-	137,855
Public Safety					
Bulletproof Vests	26,518	-	-	-	26,518
Crime Victim Services	-	535	-	-	535
Firefighter Education Reimbursement	-	2,158	-	-	2,158
HAZMAT Regional Response Team	-	298,777	-	-	298,777
Officer's Disability Benefit	-	-	-	514,137	514,137
Pathway to Policing Reimbursement Grants	-	32,644	-	-	32,644
Safe Road Zone Grant Program	-	70,292	-	-	70,292
State of Minnesota Disaster Funds	-	257,670	-	-	257,670
Violent Crime Enforcement Team	-	360,502	-	-	360,502
Public Safety Total	26,518	1,022,578	-	514,137	1,563,233
Revenue					
Local Affordable Housing Aid	-	519,641	-	-	519,641
Market Value Credit	316	-	-	-	316
Revenue Total	316	519,641	-	-	519,957

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Transportation					
Local Road Improvement	-	-	685,004	-	685,004
MNDOT - Twin Ports Interchange Liaison	-	100,368	-	-	100,368
MSA Street Construction Allotment	-	-	3,271,084	-	3,271,084
MSA Street Maintenance Allotment	-	-	24,300	-	24,300
Toward Zero Deaths Law Enforcement Grant	-	44,510	-	-	44,510
Transportation Total	-	144,878	3,980,388	-	4,125,266
Total State Grants	174,109	4,755,135	29,409,980	514,137	34,853,361
Other Grants:					
St. Louis County					
Job Training Services	-	891,124	-	-	891,124
Other	170,314	43,050	250,000	-	463,364
St. Louis County Total	170,314	934,174	250,000	-	1,354,488
Duluth Transit Authority	-	130,003	-	-	130,003
Housing and Redevelopment Authority	85,735	439,929	-	-	525,664
Independent School District #709	335,000	-	-	-	335,000
Total Other Grants	591,049	1,504,106	250,000	-	2,345,155
Federal Grants:					
Federal, Department of					
Agriculture					
Soil and Water Conservation	-	-	-	10,223	10,223
Commerce					
Coastal Zone Management Grant	-	187,112	-	-	187,112
Economic Adjustment Assistance Program	-	-	3,256,081	-	3,256,081
Commerce Total	-	187,112	3,256,081	-	3,443,193
Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	-	10,725	-	-	10,725
Energy					
Geothermal Coalition Agreement	-	524,831	-	-	524,831
Renewable Advancing Community Energy Resilience Agreement	-	404,168	-	-	404,168
Energy Total	-	928,999	-	-	928,999
Environmental Protection Agency					
Brownfields Assessment and Cleanup Cooperative	-	524	-	-	524
Drinking Water State Revolving Fund	-	-	-	6,173,243	6,173,243
Great Lakes Program	-	232,103	-	-	232,103
Environmental Protection Agency Total	-	232,627	-	6,173,243	6,405,870
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	-	95,000	-	-	95,000
Health and Human Services					
Temporary Assistance for Needy Families	-	15,377	-	-	15,377
Homeland Security					
Assistance to Firefighters Grant	-	8,133	-	-	8,133
Emergency Management Performance Grants	-	24,831	-	-	24,831
FEMA Disaster Assistance	-	99,906	-	-	99,906
Operation Stonegarden Grant Program	-	65,987	-	-	65,987
Homeland Security Total	-	198,857	-	-	198,857

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Housing and Urban Development					
Community Development Block Grant	-	2,722,338	-	-	2,722,338
Emergency Solutions Grant Program	-	271,001	-	-	271,001
Home Investment Partnerships Program	-	717,980	-	-	717,980
Housing and Urban Development Total	-	3,711,319	-	-	3,711,319
Interior					
Natural Resource Stewardship	-	-	98,977	-	98,977
Justice					
Bulletproof Vest Partnership Program	42,757	-	-	-	42,757
Comprehensive Opioid Abuse Site-Based		533,467			533,467
Crime Victim Assistance	-	69,796	-	-	69,796
Edward Byrne Memorial Formula Grant	-	20,220	-	-	20,220
Grants to Encourage Arrest Policies	-	19,416	-	-	19,416
Missing Children's Assistance	-	14,865	-	-	14,865
Minneapolis Child Exploitation and Human Trafficking Task Force	-	15,553	-	-	15,553
National Sexual Assault Kit Initiative	-	760,131	-	-	760,131
Public Safety Partnership and Community Policing Grants	-	524,653	-	-	524,653
Justice Total	42,757	1,958,101	-	-	2,000,858
Labor					
Senior Community Service Employment	-	308,808	-	-	308,808
WIA Dislocated Workers Formula Grant	-	104,545	-	-	104,545
Workforce Investment Act	-	495,558	-	-	495,558
Labor Total	-	908,911	-	-	908,911
Transportation					
Highway Planning and Construction	-	73,811	3,337,235	-	3,411,046
Interagency Hazardous Materials Public Sector	-	9,500	-	-	9,500
Recreational Trails Program	-	-	374,225	-	374,225
Toward Zero Deaths Law Enforcement Grant	-	89,261	-	-	89,261
Transportation Total	-	172,572	3,711,460	-	3,884,032
Treasury					
Coronavirus State and Local Fiscal Recovery Funds	16,911,841	1,293,157	-	-	18,204,998
Homeland Security Investigations	-	53,096	-	-	53,096
Treasury Total	16,911,841	1,346,253	-	-	18,258,094
Total Federal Grants	16,954,598	9,765,853	7,066,518	6,183,466	39,970,435
Total Intergovernmental Revenue	\$ 58,825,767	\$ 16,025,094	\$ 36,726,498	\$ 6,697,603	\$ 118,274,962

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Soil and Water Conservation		10.902	\$ 10,223	\$ -
U.S. Department of Commerce				
Direct				
Economic Development Cluster				
Economic Adjustment Assistance		11.307	\$ 2,409,488	\$ -
Passed Through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	22-306A-02	11.419	41,521	-
Coastal Zone Management Administration Awards	23-306A-03	11.419	82,490	-
(Total Coastal Zone Management Administration Awards 11.419 \$124,011)				
Total U.S. Department of Commerce			\$ 2,533,499	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block				
Grants/Entitlement Grants		14.218	\$ 3,002,303	\$ 1,718,214
COVID-19 - Community Development Block				
Grants/Entitlement Grants		14.218	28,292	22,475
(Total expenditures for CDBG and Entitlement Grants Cluster 14.218 \$3,030,595)				
Emergency Solutions Grant Program		14.231	194,656	166,869
Home Investment Partnerships Program		14.239	417,514	399,269
Total U.S. Department of Housing and Urban Development			\$ 3,642,765	\$ 2,306,827
U.S. Department of the Interior				
Direct				
Natural Resource Stewardship		15.944	\$ 98,977	\$ -
Passed Through National Fish and Wildlife Foundation				
Great Lakes Restoration	0501.22.074739	15.662	131,329	-
Total U.S. Department of Interior			\$ 230,306	\$ -
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement				
of Protection Orders Program		16.590	\$ 55,653	\$ -
Bulletproof Vest Partnership Program		16.607	31,813	-
Public Safety Partnership and Community Policing Grants		16.710	447,146	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$508,747)				
Edward Byrne Memorial Justice Assistance				
Grant Program		16.738	16,994	-
National Sexual Assault Kit Initiative		16.833	695,268	-
Comprehensive Opioid, Stimulant, and Other Substances Use Program		16.838	525,018	-
Passed through the Minnesota Department of Public Safety				
Missing Children's Assistance	152986	16.543	13,671	-
Crime Victim Assistance	A-CVS-2024-DULUTHAO-025	16.575	69,796	-
Public Safety Partnership and Community				
Policing Grants	167077	16.710	61,601	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$508,747)				
Total U.S. Department of Justice			\$ 1,916,960	\$ -

(continued)

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor	Pass-Through Agency	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
Grant Program Title					
U.S. Department of Labor					
Passed Through Senior Service America, Inc.					
Senior Community Service Employment Program	116	17.235	\$ 196,660	\$ -	
(Total Senior Community Service Employment Program 17.235 \$306,395)					
Passed Through Minnesota Department of Employment and Economic Development					
Senior Community Service Employment Program	2045102	17.235	20,691	-	
Senior Community Service Employment Program	3045101	17.235	46,528	-	
Senior Community Service Employment Program	4045101	17.235	42,516	-	
(Total Senior Community Service Employment Program 17.235 \$306,395)					
WIOA Cluster					
WIOA Adult Program	1043101	17.258	18,199	-	
WIOA Adult Program	2043100	17.258	14,165	-	
WIOA Adult Program	3043100	17.258	190,731	-	
WIOA Adult Program	4043100	17.258	20,642	-	
Total ALN # 17.258			243,737	-	
(Total expenditures for WIOA Cluster \$618,243)					
WIOA Cluster					
WIOA Youth Activities	2043600	17.259	6,431	-	
WIOA Youth Activities	3043600	17.259	196,204	-	
WIOA Youth Activities	4043600	17.259	73,815	-	
Total ALN # 17.259			276,450	-	
(Total expenditures for WIOA Cluster \$618,243)					
WIOA Cluster					
WIOA Dislocated Worker Formula Grants	1048001	17.278	27,321	-	
WIOA Dislocated Worker Formula Grants	2048000	17.278	35,305	-	
WIOA Dislocated Worker Formula Grants	3048000	17.278	25,416	-	
WIOA Dislocated Worker Formula Grants	4048000	17.278	10,014	-	
Total ALN # 17.278			98,056	-	
(Total expenditures for WIOA Cluster \$618,243)					
Total U.S. Department of Labor				\$ 924,638	\$ -
U.S. Department of Transportation					
Passed Through Minnesota Department of Transportation					
Highway Planning and Construction	1462 (1052072)	20.205	\$ 2,028,475	\$ -	
Highway Planning and Construction	118-090-026	20.205	446,868	-	
Highway Planning and Construction	8821224	20.205	73,811	-	
Total ALN # 20.205			2,549,154	-	
Passed Through Minnesota Department of Natural Resources					
Recreational Trails Program	0016-22-2C	20.219	150,000	-	
Recreational Trails Program	0040-19-2C	20.219	74,225	-	
Recreational Trails Program	0041-18-2C	20.219	150,000	-	
Total ALN # 20.219			374,225	-	
Passed Through Minnesota Department of Public Safety					
Highway Safety Cluster					
State and Community Highway Safety	A-ENFRC24-2024-DULUTHPD-014	20.600	17,741	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated					
	A-ENFRC24-2024-DULUTHPD-014	20.608	51,148	-	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated					
	A-ENFRC25-2025-DULUTHPD-024	20.608	20,597	-	
Total ALN # 20.608			71,745	-	
Interagency Hazardous Materials Public Sector Training and Planning Grants					
	A-HMEP-2022-DULUTHFD-011	20.703	9,500	-	
Total U.S. Department of Transportation				\$ 3,022,365	\$ -
(continued)					

(continued)

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

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
U.S. Department of the Treasury				
Direct				
Equitable Sharing		21.016	\$ 2,244	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027	18,411,796	-
Total U.S. Department of the Treasury			\$ 18,414,040	\$ -
U.S. Environmental Protection Agency				
Direct				
Geographic Programs - Great Lakes Restoration Initiative (Total Geographic Programs - Great Lakes Restoration Initiative 66.469 \$357,142)		66.469	\$ 232,103	\$ -
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements		66.818	524	-
Passed Through Minnesota Department of Natural Resources Geographic Programs - Great Lakes Restoration Initiative	GL-00E02356	66.469	125,039	-
(Total Geographic Programs - Great Lakes Restoration Initiative 66.469 \$357,142)				
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund	Duluth_LSLR_00	66.468	11,092,294	-
Total U.S. Environmental Protection Agency			\$ 11,449,960	\$ -
U.S. Department of Energy				
Direct				
Renewable Energy Research and Development		81.087	\$ 928,999	\$ 427,554
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development Rehabilitation Services - Vocational Rehabilitation Grants to States	214048 PR 59596	84.126	\$ 9,248	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development Temporary Assistance for Needy Families	4047400	93.558	\$ 15,000	\$ -
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	\$ 95,000	\$ -
U.S. Department of Homeland Security				
Direct				
Assistance to Firefighters Grant		97.044	\$ 8,133	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4414-DR-MN	97.036	592,655	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4722-DR-MN	97.036	74,072	-
Total ALN # 97.036			666,727	-
COVID-19 - Hazard Mitigation Grant	A-HMGP-DR4531-DULUTHCI-007	97.039	192,194	-
Emergency Management Performance Grants	A-EMPG-2021-DULUTHCI-022	97.042	24,831	-
Passed Through St. Louis County, Minnesota Homeland Security Grant Program	OPSG OO MN-St. Louis FY 21	97.067	6,634	-
Homeland Security Grant Program	OPSG OO MN-St. Louis FY 22	97.067	59,353	-
Total ALN # 97.067			65,987	-
Total U.S. Department of Homeland Security			\$ 957,872	\$ -
Total Federal Awards			\$ 44,150,875	\$ 2,734,381

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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 \$19,211,650, and \$5,812,666 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits performed in accordance with the Uniform Guidance. The City's reporting entity is defined in Note 1 of the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 39,970,435
Expenditures of Equitable Sharing Funds	2,244
Expenditures of Revolving Loan Fund	
Community Development Block Grants	717,806
Police Task Force Agreements	
Homeland Security Investigations	(53,096)
Minneapolis Child Exploitation and Human Trafficking Task Force	(15,553)
Grants received more than 45 days after year-end, unavailable in 2024	
Bulletproof Vest Partnership Program	1,635
Coastal Zone Management Administration Awards	75,502
Community Development Block Grants	77,909
Community Development Block Grants - CARES Act Funding	778
Disaster Grants - Public Assistance	3,872,091
Economic Adjustment Assistance	452,683
Emergency Solutions Grant Program	3,160
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	36,237
Geographic Programs - Great Lakes Restoration Initiative	125,039
Great Lakes Restoration	181,287
Hazard Mitigation Grant	2,644
Highway Planning and Construction	127,714
Home Investment Partnerships Program	1,791
Public Safety Partnership and Community Policing Grants	12,597
Temporary Assistance for Needy Families	1,828
WIOA Adult Program	8,595
WIOA Dislocated Worker Formula Grants	756
WIOA Youth Program	21,171
	(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Unavailable in 2023, recognized as revenue in 2024	
Bulletproof Vest Partnership Program	(12,579)
Coastal Zone Management Administration Awards	(138,603)
Community Development Block Grants	(455,944)
Community Development Block Grants - CARES Act Funding	(28,599)
Comprehensive Opioid Abuse Site-Based Program	(8,449)
Disaster Grants - Public Assistance	(3,300,740)
Economic Adjustment Assistance	(1,299,276)
Edward Byrne Memorial Justice Assistance Grant Program	(3,226)
Emergency Solutions Grant Program	(79,505)
Emergency Solutions Grant Program - CARES Act Funding	(1,658)
Great Lakes Restoration	(49,958)
Hazard Mitigation Grant	(2,644)
Highway Planning and Construction	(989,606)
Home Investment Partnerships Program	(302,257)
Missing Children's Assistance	(1,194)
National Sexual Assault Kit Initiative	(66,672)
Public Safety Partnership and Community Policing Grants	(9,032)
Senior Community Service Employment Program	(2,413)
Temporary Assistance for Needy Families	(2,205)
WIOA Adult Program	(4,725)
WIOA Dislocated Worker Formula Grants	(7,245)
WIOA Youth Program	(412)
Capital grants received in enterprise funds	
Drinking Water State Revolving Fund	4,919,051
COVID-19 Hazard Mitigation Grant	192,194
Timing Differences Between Expenditures and Related Reimbursements	(25,479)
Capital Contributions	
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	206,798
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 44,150,875</u></u>

STATISTICAL SECTION

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

Guide to Statistical Section

Contents

Tables

Financial Trends

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

1 to 4

Revenue Capacity

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

5 to 9

Debt Capacity

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

10 to 14

Demographic and Economic Information

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

15 to 16

Operating Information

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

17 to 20

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

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

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities					
Net investment in capital assets	\$ 242,346,774	\$ 242,875,012	\$ 245,733,061	\$ 249,612,707	\$ 251,585,123
Restricted	43,143,639	45,703,757	46,203,035	42,919,978	42,703,389
Unrestricted *	<u>(100,062,238)</u>	<u>(113,329,374)</u>	<u>(117,374,039)</u>	<u>(181,539,392)</u>	<u>(170,622,157)</u>
Total Governmental Activities Net Position	<u>185,428,175</u>	<u>175,249,395</u>	<u>174,562,057</u>	<u>110,993,293</u>	<u>123,666,355</u>
Business-type Activities					
Net investment in capital assets	204,789,234	218,517,664	227,778,536	240,473,773	253,270,775
Restricted	2,892,969	2,072,379	2,119,974	2,114,827	2,091,941
Unrestricted *	<u>14,843,438</u>	<u>11,153,671</u>	<u>13,766,078</u>	<u>11,262,947</u>	<u>17,689,259</u>
Total Business-type Activities Net Position	<u>222,525,641</u>	<u>231,743,714</u>	<u>243,664,588</u>	<u>253,851,547</u>	<u>273,051,975</u>
Primary Government					
Net investment in capital assets	447,136,008	461,392,676	473,511,597	490,086,480	504,855,898
Restricted	46,036,608	47,776,136	48,323,009	45,034,805	44,795,330
Unrestricted *	<u>(85,218,800)</u>	<u>(102,175,703)</u>	<u>(103,607,961)</u>	<u>(170,276,445)</u>	<u>(152,932,898)</u>
Total Primary Government Net Position	<u>\$ 407,953,816</u>	<u>\$ 406,993,109</u>	<u>\$ 418,226,645</u>	<u>\$ 364,844,840</u>	<u>\$ 396,718,330</u>
	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Governmental Activities					
Net investment in capital assets	\$ 269,467,267	\$ 274,609,405	\$ 285,470,255	\$ 296,939,221	\$ 323,604,176
Restricted	57,116,401	59,985,927	71,314,730	93,823,132	93,219,376
Unrestricted *	<u>(154,052,891)</u>	<u>(125,130,759)</u>	<u>(110,337,973)</u>	<u>(88,845,760)</u>	<u>(59,141,978)</u>
Total Governmental Activities Net Position	<u>172,530,777</u>	<u>209,464,573</u>	<u>246,447,012</u>	<u>301,916,593</u>	<u>357,681,574</u>
Business-type Activities					
Net investment in capital assets	272,754,726	278,507,370	289,768,984	304,527,203	332,734,147
Restricted	2,462,396	2,560,175	2,016,398	2,042,022	1,676,340
Unrestricted *	<u>22,453,868</u>	<u>31,930,461</u>	<u>58,689,025</u>	<u>72,076,172</u>	<u>70,927,530</u>
Total Business-type Activities Net Position	<u>297,670,990</u>	<u>312,998,006</u>	<u>350,474,407</u>	<u>378,645,397</u>	<u>405,338,017</u>
Primary Government					
Net investment in capital assets	542,221,993	553,116,775	575,239,239	601,466,424	656,338,323
Restricted	59,578,797	62,546,102	73,331,128	95,865,154	94,895,716
Unrestricted *	<u>(131,599,023)</u>	<u>(93,200,298)</u>	<u>(51,648,948)</u>	<u>(16,769,588)</u>	<u>11,785,552</u>
Total Primary Government Net Position	<u>\$ 470,201,767</u>	<u>\$ 522,462,579</u>	<u>\$ 596,921,419</u>	<u>\$ 680,561,990</u>	<u>\$ 763,019,591</u>

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

Source: Statement of Net Position

Unaudited

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

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

(continued)

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

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

(continued)

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Expenses					
Governmental Activities					
General government	\$ 31,745,911	\$ 31,458,665	\$ 34,202,686	\$ 37,154,531	\$ 39,196,879
Public safety	42,104,761	35,650,206	48,451,732	50,793,519	54,999,767
Public works	26,885,812	24,858,279	27,916,257	31,561,724	29,847,566
Culture and recreation	10,419,424	16,503,956	17,033,986	19,883,844	19,225,246
Urban and economic development	11,374,651	15,130,262	33,442,251	21,649,907	55,920,424
Interest	<u>3,397,730</u>	<u>3,611,430</u>	<u>3,298,165</u>	<u>3,336,685</u>	<u>3,610,660</u>
Total Governmental Activities Expenses	<u>125,928,289</u>	<u>127,212,798</u>	<u>164,345,077</u>	<u>164,380,210</u>	<u>202,800,542</u>
Business-type Activities					
Water	9,701,506	9,054,609	11,098,291	12,106,676	22,710,176
Gas	29,784,236	35,254,902	47,848,429	36,073,458	35,409,527
Sewer	16,219,816	15,500,002	16,745,422	17,186,613	19,456,170
Stormwater	3,523,521	3,259,324	3,905,912	4,772,165	5,153,806
Steam	8,296,062	9,167,833	11,781,300	9,769,975	9,603,870
Golf	1,270,959	1,275,995	1,286,227	1,355,661	1,453,990
Parking	2,923,925	3,401,867	3,293,398	3,897,291	4,254,589
Priley Drive parking facility	1,231,195	1,222,210	1,255,506	1,315,057	1,346,554
Street lighting	-	-	-	-	-
Broadband fiber	-	-	55,971	52,277	834,592
Total Business-type Activities Expenses	<u>72,951,220</u>	<u>78,136,742</u>	<u>97,270,456</u>	<u>86,529,173</u>	<u>100,223,274</u>
Total Primary Government Expenses	<u>\$ 198,879,509</u>	<u>\$ 205,349,540</u>	<u>\$ 261,615,533</u>	<u>\$ 250,909,383</u>	<u>\$ 303,023,816</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 5,732,214	\$ 5,693,386	\$ 6,087,871	\$ 7,367,932	\$ 6,390,887
Public safety	1,794,884	2,185,593	2,175,843	2,583,212	2,934,306
Public works	336,908	229,532	209,909	139,784	174,716
Culture and recreation	853,276	2,051,782	2,024,906	2,260,828	2,389,906
Urban and economic development	3,836,466	5,530,373	4,421,476	5,444,986	4,722,399
Operating grants and contributions	19,698,868	16,606,625	29,537,034	32,178,915	35,000,551
Capital grants and contributions	<u>24,938,476</u>	<u>17,317,782</u>	<u>38,202,388</u>	<u>26,161,558</u>	<u>43,504,121</u>
Total Governmental Activities Program Revenues	<u>57,191,092</u>	<u>49,615,073</u>	<u>82,659,427</u>	<u>76,137,215</u>	<u>95,116,886</u>
Business-type Activities					
Charges for services					
Water	15,099,895	15,920,408	16,013,881	17,438,419	18,539,093
Gas	36,549,373	41,070,876	59,696,900	46,197,830	37,035,262
Sewer	19,164,926	19,836,926	20,375,543	21,845,445	22,528,426
Stormwater	5,400,293	6,298,247	7,881,324	7,643,222	8,624,564
Steam	7,606,029	8,229,505	10,828,835	9,075,372	9,452,331
Golf	1,083,096	1,378,539	1,247,587	1,392,727	1,356,874
Parking	2,906,751	3,253,133	3,985,704	4,345,389	4,724,458
Priley Drive parking facility	398,812	434,544	484,414	513,136	590,542
Street lighting	-	-	-	-	-
Operating grants and contributions	-	-	20,509	79,481	6,183,466
Capital grants and contributions	<u>16,948,855</u>	<u>1,770,109</u>	<u>16,064,038</u>	<u>8,973,061</u>	<u>24,199,006</u>
Total Business-type Activities Program Revenues	<u>105,158,030</u>	<u>98,192,287</u>	<u>136,598,735</u>	<u>117,504,082</u>	<u>133,234,022</u>
Total Primary Government Program Revenues	<u>\$ 162,349,122</u>	<u>\$ 147,807,360</u>	<u>\$ 219,258,162</u>	<u>\$ 193,641,297</u>	<u>\$ 228,350,908</u>

(continued)

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (68,737,197)	\$ (77,597,725)	\$ (81,685,650)	\$ (88,242,995)	\$ (107,683,656)
Business-type Activities	<u>32,206,810</u>	<u>20,055,545</u>	<u>39,328,279</u>	<u>30,974,909</u>	<u>33,010,748</u>
Total Primary Government Net Expense	<u>\$ (36,530,387)</u>	<u>\$ (57,542,180)</u>	<u>\$ (42,357,371)</u>	<u>\$ (57,268,086)</u>	<u>\$ (74,672,908)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	\$ 37,075,587	\$ 37,905,624	\$ 41,225,632	\$ 44,255,331	\$ 45,532,745
Sales taxes	29,475,871	37,516,898	41,954,810	43,924,005	44,004,002
Franchise taxes	3,586,792	3,639,703	4,289,071	4,405,732	4,507,503
Other taxes	393,442	367,909	1,457,069	307,332	663,789
Grants and shared revenues not restricted to specific programs	32,535,525	32,879,084	33,276,992	33,415,083	38,151,555
Investment income	5,222,490	6,094,046	(7,481,264)	7,601,976	15,238,775
Miscellaneous	2,335,463	2,244,648	2,519,724	6,859,587	8,875,815
Extraordinary items	-	-	-	-	-
Special item - reduction of Spirit Mountain loan	(900,000)	-	-	-	-
Transfers	<u>3,242,459</u>	<u>4,512,811</u>	<u>1,426,055</u>	<u>2,943,530</u>	<u>6,474,453</u>
Total Governmental Activities	<u>112,967,629</u>	<u>125,160,723</u>	<u>118,668,089</u>	<u>143,712,576</u>	<u>163,448,637</u>
Business-type Activities					
General Revenues					
Property taxes	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	237,420	(225,528)	(465,076)	76,968	147,851
Gain (loss) on sale or disposition of capital assets	30,790	3,026	39,253	62,643	8,474
Miscellaneous	8,095	6,784	-	-	-
Transfers	<u>(3,242,459)</u>	<u>(4,512,811)</u>	<u>(1,426,055)</u>	<u>(2,943,530)</u>	<u>(6,474,453)</u>
Total Business-type Activities	<u>(2,966,154)</u>	<u>(4,728,529)</u>	<u>(1,851,878)</u>	<u>(2,803,919)</u>	<u>(6,318,128)</u>
Total Primary Government	<u>\$ 110,001,475</u>	<u>\$ 120,432,194</u>	<u>\$ 116,816,211</u>	<u>\$ 140,908,657</u>	<u>\$ 157,130,509</u>
Change in Net Position					
Governmental Activities	\$ 44,230,432	\$ 47,562,998	\$ 36,982,439	\$ 55,469,581	\$ 55,764,981
Business-type Activities	<u>29,240,656</u>	<u>15,327,016</u>	<u>37,476,401</u>	<u>28,170,990</u>	<u>26,692,620</u>
Total Primary Government	<u>\$ 73,471,088</u>	<u>\$ 62,890,014</u>	<u>\$ 74,458,840</u>	<u>\$ 83,640,571</u>	<u>\$ 82,457,601</u>

Source: Statement of Activities

Unaudited

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

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General Fund					
Restricted	329,336	326,903	200,387	194,453	195,490
Committed	32,186	34,120	17,999	16,995	12,671
Assigned	3,886,800	3,978,786	7,302,662	10,504,760	2,252,439
Unassigned	<u>16,856,560</u>	<u>21,256,399</u>	<u>21,326,916</u>	<u>28,484,810</u>	<u>34,858,835</u>
Total General Fund	<u>21,104,882</u>	<u>25,596,208</u>	<u>28,847,964</u>	<u>39,201,018</u>	<u>37,319,435</u>
All Other Governmental Funds					
Restricted	43,943,951	48,377,323	58,223,000	61,694,804	66,086,781
Committed	32,311,536	38,836,845	31,118,465	35,226,099	58,271,119
Assigned	2,317,122	4,979,933	5,104,505	6,131,450	5,926,547
Unassigned	<u>(7,929,634)</u>	<u>(6,362,158)</u>	<u>(6,832,125)</u>	<u>(9,766,897)</u>	<u>(21,824,164)</u>
Total All Other Governmental Funds	<u>\$ 70,642,975</u>	<u>\$ 85,831,943</u>	<u>\$ 87,613,845</u>	<u>\$ 93,285,456</u>	<u>\$ 108,460,283</u>

Source: Balance Sheet - Governmental Funds

Unaudited

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

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

(continued)

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues					
Taxes					
Property taxes	\$ 36,862,060	\$ 38,004,503	\$ 41,279,345	\$ 44,183,094	\$ 45,297,177
Sales taxes	29,475,871	37,516,898	41,954,810	43,924,005	44,004,001
Other taxes	3,980,234	4,007,612	5,746,140	4,713,063	5,171,291
Licenses and permits	1,951,586	2,151,661	2,379,788	2,243,847	2,389,921
Intergovernmental revenues	66,175,612	64,773,487	90,673,616	77,278,838	111,577,359
Charges for services	7,637,963	11,149,501	9,056,006	10,559,368	10,008,496
Fines and forfeits	593,625	706,126	326,619	490,779	376,519
Special assessments	1,286,902	1,036,205	1,023,492	1,124,890	936,233
Investment income	5,013,297	6,154,176	(7,207,018)	6,843,944	14,347,026
Miscellaneous revenues	<u>6,714,594</u>	<u>7,831,580</u>	<u>8,049,777</u>	<u>8,131,153</u>	<u>14,661,334</u>
Total Revenues	<u>159,691,744</u>	<u>173,331,749</u>	<u>193,282,575</u>	<u>199,492,981</u>	<u>248,769,357</u>
Expenditures					
General government	28,872,260	31,068,036	33,981,540	35,327,687	36,556,181
Public safety	45,685,465	46,446,403	49,885,396	49,942,699	54,983,897
Public works	17,009,911	16,914,139	17,817,241	17,565,964	17,832,238
Culture and recreation	8,589,874	14,243,222	13,846,671	15,673,040	15,353,747
Urban and economic development	12,134,491	16,654,371	34,290,562	21,981,042	55,923,170
Debt service					
Principal retirement	10,805,000	11,880,000	10,440,173	11,883,081	12,141,972
Interest and fiscal fees	3,984,777	4,132,918	3,855,178	3,847,936	3,845,747
Bond issuance costs	158,881	163,847	119,588	198,015	144,626
Capital outlay	<u>40,742,363</u>	<u>23,031,006</u>	<u>33,350,537</u>	<u>39,390,330</u>	<u>51,026,523</u>
Total Expenditures	<u>167,983,022</u>	<u>164,533,942</u>	<u>197,586,886</u>	<u>195,809,794</u>	<u>247,808,101</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(8,291,278)</u>	<u>8,797,807</u>	<u>(4,304,311)</u>	<u>3,683,187</u>	<u>961,256</u>
Other Financing Sources (Uses)					
Issuance of bonds	12,695,000	5,425,000	5,045,000	7,140,000	5,245,000
Proceeds from refundings	-	6,550,000	-	-	-
Issuance of leases	-	-	2,507,130	-	221,027
Issuance of SBITA	-	-	-	2,073,320	20,763
Premium on issuance of bonds	856,705	937,362	359,784	242,428	460,526
Payment to refunded bond escrow agent	-	(6,445,000)	-	-	-
Transfers in	32,795,673	33,779,140	33,172,754	35,772,919	53,410,226
Transfers out	<u>(29,553,214)</u>	<u>(29,364,015)</u>	<u>(31,746,699)</u>	<u>(32,887,189)</u>	<u>(47,025,554)</u>
Total Other Financing Sources (Uses)	<u>16,794,164</u>	<u>10,882,487</u>	<u>9,337,969</u>	<u>12,341,478</u>	<u>12,331,988</u>
Special Item					
Reduction of Spirit Mountain loan	<u>(900,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 7,602,886</u>	<u>\$ 19,680,294</u>	<u>\$ 5,033,658</u>	<u>\$ 16,024,665</u>	<u>\$ 13,293,244</u>
Debt Service as a Percentage of					
Noncapital Expenditures	11.5%	11.2%	8.6%	10.0%	8.1%

General Governmental includes Capital Projects Funds.

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

Unaudited

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

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated		Estimated	
	Market Value	Tax Capacity	Market Value	Tax Capacity
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612
2016	4,561,213,000	42,373,863	1,202,773,500	22,169,916
2017	4,694,140,900	44,079,263	1,297,252,450	23,998,224
2018	4,662,466,600	45,369,851	1,423,489,056	26,075,238
2019	4,888,714,700	47,913,563	1,504,708,550	27,222,464
2020	5,070,811,100	52,664,544	1,485,780,200	27,761,483
2021	5,475,966,200	54,961,469	1,520,972,200	30,044,372
2022	6,027,217,900	59,092,324	1,816,824,700	32,579,678
2023	7,114,160,600	70,998,731	1,928,668,000	34,588,221
2024	7,805,657,600	78,746,462	2,035,458,700	36,312,457

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated		Estimated	
	Market Value	Tax Capacity	Market Value	Tax Capacity
2015	33,827,800	276,580	105,380,900	1,937,051
2016	33,899,000	271,921	105,806,200	1,961,029
2017	33,802,700	333,068	99,447,550	1,815,452
2018	33,771,200	271,796	104,460,500	1,919,504
2019	33,371,800	272,762	107,862,900	1,932,529
2020	40,593,600	359,767	134,905,700	2,540,800
2021	43,568,700	373,448	139,225,100	2,667,497
2022	58,915,600	510,528	100,459,200	1,709,094
2023	59,575,100	511,654	114,372,900	1,965,678
2024	61,539,500	524,471	115,240,800	1,972,625

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	
	Estimated			
	Market Value	Tax Capacity		Tax Rate
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,226,007	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094
2020	6,732,090,600	83,326,594	1.24%	0.42997
2021	7,179,732,200	88,046,786	1.23%	0.41696
2022	8,003,417,400	93,891,624	1.17%	0.43723
2023	9,216,776,600	108,064,284	1.17%	0.40903
2024	10,017,896,600	117,556,015	1.17%	0.38402

Source: St. Louis County Assessor

Unaudited

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

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

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290
2016	0.24322	0.09056	0.33378	0.31825	0.61443	0.06193	1.32839
2017	0.28416	0.09152	0.37568	0.29516	0.65056	0.06049	1.38189
2018	0.30848	0.08853	0.39701	0.28598	0.65286	0.06040	1.39625
2019	0.33397	0.08697	0.42094	0.31427	0.65174	0.06028	1.44723
2020	0.34757	0.08240	0.42997	0.29458	0.67740	0.06218	1.46413
2021	0.33559	0.08137	0.41696	0.27990	0.66280	0.05965	1.41931
2022	0.35910	0.07813	0.43723	0.29514	0.67468	0.05924	1.46629
2023	0.34051	0.06852	0.40903	0.26135	0.60983	0.06019	1.34040
2024	0.31977	0.06425	0.38402	0.25035	0.56522	0.05857	1.25816

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

Source: St. Louis County website

Unaudited

PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

		2024			2015		
				Percentage of Total Estimated Market Value			Percentage of Total Estimated Market Value
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Estimated Market Value</u>	<u>Rank</u>	<u>Value</u>	<u>Estimated Market Value</u>	<u>Rank</u>	<u>Value</u>
Summit Management LLC	Apartments & shopping mall	\$ 154,901,900	1	1.55%			
Minnesota Power	Electric utility	146,864,700	2	1.47%	\$ 126,217,700	1	2.20%
Essentia Health	Healthcare & hospital	116,505,000	3	1.16%	42,004,000	3	0.73%
Simon Property Group	Shopping mall	61,049,000	4	0.61%	44,882,300	2	0.78%
Wisconsin Central Ltd	Railroad	55,032,100	5	0.55%	27,477,500	4	0.48%
PLB Properties	Real estate development	44,493,000	6	0.44%			
St. Luke's Hospital	Healthcare & hospital	33,396,800	7	0.33%			
Ansa Propco Partnership	Lease administration	32,097,400	8	0.32%			
Endi Plaza LLC	Apartments	30,273,800	9	0.30%			
Burlington Northern	Railroad	27,484,200	10	0.27%	14,601,400	9	0.26%
Sherman Associates	Real estate development				20,167,700	5	0.35%
Riverland Ag Corp	Grain elevators				18,334,000	6	0.32%
NewPage (Stora Enso)	Paper mill				18,009,100	7	0.31%
Hall Equities Group	Hotels				14,653,900	8	0.26%
IRET Properties	Property management				13,803,000	10	0.24%
		<u>\$ 702,097,900</u>		<u>7.00%</u>	<u>\$ 340,150,600</u>		<u>5.93%</u>

Source: St. Louis County Assessor

Unaudited

**CITY OF DULUTH, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
AND NET CAPACITY OF REAL PROPERTY BY CATEGORY 2024**

**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
2015	22,686,100	22,310,465	98.3%	311,591	22,622,056	99.7%
2016	24,233,053	23,842,607	98.4%	252,769	24,095,376	99.4%
2017	28,039,466	27,593,516	98.4%	231,767	27,825,283	99.2%
2018	30,649,272	30,083,315	98.2%	286,453	30,369,768	99.1%
2019	33,804,643	33,259,823	98.4%	287,763	33,547,586	99.2%
2020	36,444,668	35,893,735	98.5%	323,749	36,217,484	99.4%
2021	37,454,376	36,981,319	98.7%	6,799	36,988,118	98.8%
2022	40,901,827	40,380,964	98.7%	128,826	40,509,790	99.0%
2023	43,926,309	43,313,089	98.6%	157,836	43,470,925	99.0%
2024	45,214,555	44,469,196	98.4%	-	44,469,196	98.4%

Source: St. Louis County Auditor

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

Unaudited

**NET CAPACITY OF REAL PROPERTY BY CATEGORY
TAXES PAYABLE IN 2024**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 50,596,147	43.97%
Non-Homestead Residential	28,150,315	24.47%
Commercial/Industrial	33,188,420	28.84%
Agricultural	10,124	0.01%
Public Utility	1,309,132	1.14%
Railroad	1,618,336	1.41%
Seasonal/Recreational	186,445	0.16%
Total	<u>\$ 115,058,919</u>	<u>100.00%</u>

Unaudited

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

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	General Obligation Tax Abatement Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates	Deferred Amount for Bond Premium
2015	97,340	6,350	13,080	12,670	1,910
2016	91,300	13,805	10,765	13,250	8,418
2017	86,615	13,435	7,320	13,670	7,917
2018	87,485	12,605	5,165	14,295	7,648
2019	81,370	11,770	3,125	14,050	9,605
2020	85,985	10,915	1,620	13,700	9,472
2021	81,360	9,695	645	14,185	9,358
2022	77,220	9,215	185	14,125	8,591
2023	74,510	8,285	-	14,020	7,598
2024	69,395	7,335	-	14,020	6,963

Governmental Activities					Business-type Activities	
Fiscal Year	Revenue and General Obligation Notes	Leases	SBITA	Purchase Agreement	Revenue and General Obligation Bonds	Deferred Amount for Bond Discounts/Premiums
2015	2,735	110	-	-	42,760	496
2016	2,704	75	-	-	39,222	377
2017	2,673	38	-	-	34,927	270
2018	2,636	-	-	-	35,097	223
2019	2,621	-	-	-	31,680	167
2020	2,606	-	-	-	38,985	378
2021	2,591	-	-	-	36,123	329
2022	2,571	4,547	-	823	33,098	293
2023	2,551	4,219	2,306	457	30,296	267
2024	2,521	4,051	1,913	91	33,320	708

Business-type Activities					
Fiscal Year	General Obligation Notes	Purchase Agreement	Total Primary Government	Percentage of Personal Income*	Per Capita*
2015	23,034	5,995	206,480	7.47%	2,398
2016	20,519	5,385	205,820	7.60%	2,385
2017	18,048	4,752	189,665	6.85%	2,204
2018	15,474	4,094	184,722	6.38%	2,151
2019	13,204	3,411	171,003	5.66%	1,997
2020	11,081	2,702	177,444	6.04%	2,047
2021	8,932	1,966	165,184	5.31%	1,912
2022	10,200	1,202	162,070	4.98%	1,871
2023	8,534	408	153,451	4.50%	1,750
2024	6,429	-	146,746	4.06%	1,674

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

Unaudited

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

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT
LAST TEN FISCAL YEARS

Fiscal Year	Population	Tax Capacity	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Percent of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,226,007	121,637,268	21,118,634	100,518,634	143.14%	1,167.93
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21
2020	86,697	83,326,594	120,071,649	20,558,272	99,513,377	119.43%	1,147.83
2021	86,372	88,046,786	114,598,285	20,463,755	94,134,530	106.91%	1,089.87
2022	86,619	93,891,624	109,151,411	21,698,406	87,453,005	93.14%	1,009.63
2023	87,680	108,064,284	104,413,378	22,638,664	81,774,714	75.67%	932.65
2024	87,680	117,556,015	97,713,152	23,829,239	73,883,913	62.85%	842.65

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

* Estimate

Unaudited

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2024

Governmental Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 76,925,833	88.74%	\$ 68,261,644
Independent School District 704	18,745,000	7.11%	1,333,435
St. Louis County	126,300,000	38.67%	48,836,433
Subtotal, Overlapping Debt			118,431,512
City of Duluth Direct Debt			106,290,158
Total Direct and Overlapping Debt			<u>\$ 224,721,670</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.

Source: St. Louis County Auditor

Unaudited

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

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

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Taxable market value	\$ 6,732,090,600	\$ 7,179,732,200	\$ 8,003,417,400	\$ 9,216,776,600	\$ 10,017,896,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 134,641,812</u>	<u>\$ 143,594,644</u>	<u>\$ 160,068,348</u>	<u>\$ 184,335,532</u>	<u>\$ 200,357,932</u>
Debt applicable to limit:					
Total bonds payable	\$ 151,204,640	\$ 142,008,164	\$ 133,843,196	\$ 127,111,091	\$ 124,070,441
Less: Deductions allowable	<u>(113,429,640)</u>	<u>(104,168,164)</u>	<u>(96,638,196)</u>	<u>(90,471,091)</u>	<u>(88,095,441)</u>
Total net debt applicable to limit	<u>\$ 37,775,000</u>	<u>\$ 37,840,000</u>	<u>\$ 37,205,000</u>	<u>\$ 36,640,000</u>	<u>\$ 35,975,000</u>
Total net debt applicable to the limit as a percentage of debt limit	28.06%	26.35%	23.24%	19.88%	17.96%

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>							
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
2016	14,494,396	9,008,318	5,486,078	336,473	27,326	363,799	15.08
2017	14,443,317	9,285,999	5,157,318	348,851	17,833	366,684	14.06
2018	14,891,148	9,255,377	5,635,771	99,000	110,307	209,307	26.93
2019	15,190,186	8,928,974	6,261,212	284,000	131,249	415,249	15.08
2020	15,141,893	8,183,754	6,958,139	330,000	121,967	451,967	15.40
2021	15,892,210	7,444,915	8,447,295	340,000	111,824	451,824	18.70
2022	15,894,495	9,380,116	6,514,379	256,000	102,748	358,748	18.16
2023	17,458,319	10,590,969	6,867,350	261,000	94,832	355,832	19.30
2024	18,570,103	13,769,252	4,800,851	255,000	87,012	342,012	14.04
<u>GAS REVENUE BOND (3)</u>							
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,286,723	25,294,510	5,992,213	902,931	55,294	958,225	6.25
2017	36,217,772	29,677,465	6,540,307	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<u>SEWER REVENUE BOND</u>							
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,514	1,356,770	4.52
2016	19,535,232	13,608,142	5,927,090	1,357,474	159,416	1,516,890	3.91
2017	19,543,095	13,717,618	5,825,477	1,289,599	127,358	1,416,957	4.11
2018	19,715,390	14,511,632	5,203,758	1,001,000	98,647	1,099,647	4.73
2019	19,650,585	13,971,291	5,679,294	1,035,999	70,975	1,106,974	5.13
2020	19,181,956	14,268,353	4,913,603	705,000	46,695	751,695	6.54
2021	19,823,677	13,411,322	6,412,355	405,000	30,208	435,208	14.73
2022	20,286,184	14,563,621	5,722,563	359,000	17,065	376,065	15.22
2023	21,866,426	15,147,880	6,718,546	194,000	6,880	200,880	33.45
2024	22,548,392	17,410,957	5,137,435	75,000	1,500	76,500	67.16
<u>STORMWATER REVENUE BOND (4)</u>							
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15
2016	5,253,324	3,670,639	1,582,685	228,121	24,001	252,122	6.28
2017	5,293,060	3,141,177	2,151,883	241,549	18,184	259,733	8.28
2018	5,280,978	2,989,079	2,291,899	130,000	13,900	143,900	15.93
2019	5,309,868	3,168,582	2,141,286	135,000	10,575	145,575	14.71
2020	5,416,282	3,209,467	2,206,815	140,000	6,450	146,450	15.07
2021	6,290,118	2,912,316	3,377,802	145,000	2,175	147,175	22.95

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue	Debt Service Requirements			Coverage
			Available for Debt Service	Principal	Interest	Total	
<u>STEAM REVENUE BOND</u>							
2015	6,728,330	6,230,054	498,276	635,000	151,946	786,946	0.63
2016	7,069,377	6,896,627	172,750	635,000	177,553	812,553	0.21
2017	7,712,154	6,845,368	866,786	650,000	170,316	820,316	1.06
2018	7,883,080	6,761,475	1,121,605	655,000	161,013	816,013	1.37
2019	8,091,177	6,722,623	1,368,554	665,000	149,456	814,456	1.68
2020	7,671,866	6,618,824	1,053,042	670,000	306,819	976,819	1.08
2021	8,164,266	7,272,666	891,600	1,060,000	336,342	1,396,342	0.64
2022	10,821,690	9,857,461	964,229	1,130,000	309,493	1,439,493	0.67
2023	9,075,372	7,812,988	1,262,384	1,160,000	279,593	1,439,593	0.88
2024	9,450,311	7,308,561	2,141,750	1,195,000	502,066	1,697,066	1.26
<u>PARKING REVENUE BOND</u>							
2015	4,513,311	1,794,702	2,718,609	780,000	187,419	967,419	2.81
2016	4,563,427	1,850,051	2,713,376	785,000	178,993	963,993	2.81
2017	4,054,780	1,971,083	2,083,697	795,000	167,118	962,118	2.17
2018	3,743,709	2,208,341	1,535,368	810,000	151,069	961,069	1.60
2019	4,134,908	2,642,090	1,492,818	830,000	134,669	964,669	1.55
2020	2,936,946	2,173,193	763,753	845,000	117,919	962,919	0.79
2021	3,219,498	2,666,019	553,479	860,000	100,331	960,331	0.58
2022	3,957,566	2,581,799	1,375,767	880,000	81,294	961,294	1.43
2023	4,346,277	3,211,813	1,134,464	895,000	60,766	955,766	1.19
2024	4,737,368	3,411,630	1,325,738	920,000	38,062	958,062	1.38

Notes:

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

Unaudited

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

**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>
2015	86,110	2,763,072,824	32,088	8,819	3.3%
2016	86,293	2,709,298,125	31,396	8,632	3.9%
2017	86,066	2,770,709,396	32,193	8,547	3.5%
2018	85,884	2,894,363,625	33,701	8,844	3.2%
2019	85,618	3,020,478,591	35,279	8,706	3.3%
2020	86,697	2,937,425,075	33,882	8,896	6.7%
2021	86,372	3,113,711,612	36,050	8,358	3.3%
2022	86,619	3,254,669,603	37,575	8,487	2.4%
2023	87,680	3,408,297,243	38,872	8,554	2.5%
2024	*87,680	3,610,673,994	41,180	8,757	2.7%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

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

* Estimate

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2024</u>			<u>2015</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	9,298	1	16.48%	5,341	1	8.97%
St. Luke's Hospital	Healthcare / hospital	3,685	2	6.53%	2,073	2	3.48%
St. Louis County	Government	2,258	3	4.00%	1,956	3	3.28%
Allete	Electric utility	1,404	4	2.49%	1,322	7	2.22%
Duluth Public Schools	Education	1,108	5	1.96%	1,426	5	2.39%
Duluth Air National Guard Base	Military	1,019	6	1.81%	1,068	8	1.79%
University of Minnesota Duluth	Education	1,012	7	1.79%	1,700	4	2.85%
United Healthcare	Insurance	900	8	1.60%	1,368	6	2.30%
City of Duluth	Government	895	9	1.59%	856	9	1.44%
Miller-Dwan Foundation	Vocational rehab	885	10	1.57%	-	-	-
US Government	Education	-	-	-	850	10	1.43%
		<u>22,464</u>		<u>39.82%</u>	<u>17,960</u>		<u>30.15%</u>

Source: Northland Connection

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	131.65	132.40	134.00	126.50	131.65
Public safety					
Police	178.50	180.50	183.14	182.14	182.14
Fire	143.00	144.50	144.00	146.50	146.50
Public works	85.05	86.25	86.50	82.95	83.95
Culture and recreation					
Parks and recreation	9.75	11.75	11.95	11.70	11.70
Library	46.50	46.50	46.70	46.70	46.70
Urban and economic development	55.50	54.05	54.05	50.64	57.64
Water & Gas	128.65	129.15	133.75	134.75	135.45
Sewer	36.93	35.80	32.65	34.65	33.05
Stormwater	26.87	27.30	25.35	23.15	24.05
Parking	8.00	9.00	9.00	9.00	9.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	<u>855.50</u>	<u>862.30</u>	<u>866.19</u>	<u>853.78</u>	<u>866.93</u>

Function	Full-time Equivalent Employees as of December 31				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
General government	134.10	135.10	133.90	136.90	142.65
Public safety					
Police	180.50	183.00	183.50	184.00	184.00
Fire	148.50	148.50	148.50	150.00	151.00
Public works	82.95	82.95	82.85	83.10	82.85
Culture and recreation					
Parks and recreation	13.70	13.70	13.70	14.45	14.45
Library	46.70	47.70	47.50	48.00	48.00
Urban and economic development	56.14	55.14	58.14	60.64	61.28
Water & Gas	133.00	133.00	132.60	130.50	133.85
Sewer	33.75	33.75	33.50	33.60	36.75
Stormwater	24.80	24.80	24.75	26.75	27.30
Parking	9.00	8.00	8.00	8.00	8.00
Street lighting	5.10	5.10	5.10	5.10	5.30
Total	<u>868.24</u>	<u>870.74</u>	<u>872.04</u>	<u>881.04</u>	<u>895.43</u>

Source: City of Duluth Budget Office

Unaudited

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

Function	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police					
Criminal offences	10,262	10,447	10,561	10,437	10,890
Cleared by arrest	4,081	4,062	3,802	3,267	3,518
Traffic violations	8,525	6,819	5,196	5,421	4,568
Parking violations	51,670	56,687	34,437	31,934	42,684
Fire					
Number of calls answered	12,231	12,799	13,239	13,255	13,698
Number of inspections conducted	1,200	4,871	7,490	7,367	8,382
Public works					
Construction permits					
Permits issued	6,721	6,838	6,548	7,599	8,298
Estimated cost of construction during year	\$ 211,421,792	\$ 151,343,988	\$ 121,738,089	\$ 165,364,070	\$ 252,369,122
Culture and recreation					
Parks and recreation department					
Participation in special events	23,122	49,125	67,300	62,925	68,725
Attendance for parks permitted event permits	-	-	-	-	-
Participation in recreation	22,586	31,555	25,210	27,197	44,373
Zoo regular customers	64,071	76,316	81,538	78,439	79,128
Library					
Registered borrowers	47,086	45,424	42,674	51,636	52,178
Items in collection	444,790	435,385	424,304	419,907	346,516
Items loaned	927,389	848,293	871,704	847,237	868,740
Library visits	474,982	461,403	475,363	426,082	437,668
Internet uses	109,965	92,656	90,489	81,685	70,338
Reference/research questions answered	77,896	59,321	71,253	59,579	65,702
Water					
Meters in service	28,134	28,134	28,243	28,345	28,422
Average number of gallons treated per month	431,616,667	415,642,500	408,434,167	388,512,500	374,256,680
Water pumped - million cubic feet	692	667	655	623	600
Water sold - million cubic feet	590	566	568	562	528
Daily average consumption in gallons	14,190,136	11,590,274	11,648,560	12,773,013	12,307,089
Gas					
Meters in service	26,896	28,540	28,712	28,957	29,234
MMBTU sold	4,885,371	4,770,804	5,218,978	5,063,708	5,984,783
Sewer					
Number of service connections	27,963	27,985	27,993	28,030	28,075
Daily average treatment in gallons	13,000,530	13,729,690	14,355,390	12,093,510	14,111,340
Stormwater					
Cleaning storm sewer pipe (in feet)	3,330	20,017	107,965	125,776	82,597
Steam					
Steam sold (in 1,000 lbs)	332,830	313,408	305,465	345,262	350,306
Hot water sold (MMBtu)	-	-	-	-	-
Golf					
Season passes	795	731	436	462	307
Skyline passes	1,620	2,146	1,818	1,354	1,045
Daily tickets	46,700	38,894	34,358	39,661	33,223
Carts	42,606	39,846	28,555	25,048	21,079
Rounds played	81,082	75,544	67,657	60,988	51,402

(continued)

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

Function	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Police					
Criminal offences	7,695	8,169	6,682	6,756	6,782
Cleared by arrest	2,580	1,562	1,950	2,786	3,020
Traffic violations	10,223	7,344	3,689	2,492	2,936
Parking violations	31,556	33,028	33,928	34,311	36,858
Fire					
Number of calls answered	13,815	14,803	15,234	15,501	15,810
Number of inspections conducted	4,607	6,054	6,399	5,494	5,500
Public works					
Construction permits					
Permits issued	7,479	7,560	7,814	7,863	8,222
Estimated cost of construction during year	\$ 399,964,575	\$ 587,364,438	\$ 323,270,859	\$ 379,642,164	\$ 360,230,750
Culture and recreation					
Parks and recreation department					
Participation in special events	3,592	62,010	58,008	57,084	63,752
Attendance for parks permitted event permits	5,818	23,756	39,678	66,675	84,121
Participation in recreation	10,431	19,216	25,242	32,542	42,631
Zoo regular customers	32,533	75,366	95,627	100,815	95,466
Library					
Registered borrowers	39,906	40,228	39,967	51,109	52,894
Items in collection	332,450	407,845	291,174	286,068	272,246
Items loaned	373,521	549,697	402,342	762,086	785,236
Library visits	91,193	140,997	260,099	301,229	328,635
Internet uses	15,503	14,512	28,494	28,982	34,108
Reference/research questions answered	25,675	17,108	29,042	40,560	40,872
Water					
Meters in service	28,598	28,727	28,786	28,844	28,884
Average number of gallons treated per month	334,648,416	300,481,666	295,900,000	338,567,000	351,000,000
Water pumped - million cubic feet	537	482	474	571	527
Water sold - million cubic feet	464	347	389	311	405
Daily average consumption in gallons	11,002,308	9,878,849	9,726,027	11,130,970	10,811,068
Gas					
Meters in service	29,484	29,992	30,083	30,213	30,622
MMBTU sold	5,737,419	5,678,028	6,168,117	6,615,228	5,500,453
Sewer					
Number of service connections	27,766	28,666	28,775	27,863	27,915
Daily average treatment in gallons	11,002,140	10,945,300	13,380,900	11,709,315	12,745,600
Stormwater					
Cleaning storm sewer pipe (in feet)	2,841	13,730	16,162	11,448	10,370
Steam					
Steam sold (in 1,000 lbs)	293,441	284,998	355,830	356,957	277,624
Hot water sold (MMBtu)	-	95,165	128,444	117,226	141,436
Golf					
Season passes	183	213	215	215	235
Skyline passes	726	665	1,110	1,082	892
Daily tickets	15,924	16,508	15,279	16,906	19,912
Carts	16,649	19,609	14,470	14,781	13,600
Rounds played	39,337	41,440	32,400	31,316	31,056

Sources: Various government departments

Unaudited

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

Function	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police					
Patrol units	93	97	102	123	120
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	473.80	475.77	475.74	475.77	475.77
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	410.98	411.08	352.00	352.13	352.13
Number of street lights					
Ornamental lamps (no. of bulbs)	3,930	3,940	3,930	3,809	3,809
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	128	129	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	430.40	428.30	428.40	429.40	432.50
Number of hydrants	2,688	2,699	2,708	2,717	2,738
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	534.10	538.20	544.40	548.10	551.10
Sewer					
Miles of sanitary sewers	395.30	397.60	398.80	398.10	398.10
Stormwater					
Miles of storm sewers	398.00	405.00	412.00	413.00	413.00
Steam					
Miles of steam pipeline	11.00	11.00	11.00	11.00	11.00
Miles of hot water pipeline	-	-	-	-	-
Golf					
Number of municipal golf courses	2	2	2	2	2

(continued)

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

Function	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Police					
Patrol units	120	120	104	106	116
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	476.13	476.31	476.27	477.39	477.51
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	352.96	353.83	354.04	355.36	355.94
Number of street lights					
Ornamental lamps (no. of bulbs)	3,350	3,350	3,350	3,350	3,350
Overhead street lamps	3,700	3,700	3,700	3,700	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	162	162	162
Park acreage	12,000	12,000	9,715	9,715	9,720
Number of ski hills	2	2	2	2	2
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	430.00	433.50	432.80	433.30	434.00
Number of hydrants	2,747	2,766	2,793	2,806	2,810
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	554.60	558.80	562.90	565.20	566.50
Sewer					
Miles of sanitary sewers	398.00	399.00	400.00	400.00	400.00
Stormwater					
Miles of storm sewers	415.00	418.00	415.00	415.00	415.00
Steam					
Miles of line	11.00	8.50	8.50	8.50	7.50
Miles of hot water pipeline	-	5.50	5.50	6.00	6.25
Golf					
Number of municipal golf courses	2	2	2	2	1

Sources: Various government departments.

Unaudited

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

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	519	506	510	494	515
Number of conventions	52	47	45	46	47
Overall attendance	-	-	-	-	-
Duluth Airport Authority					
Number of passengers	266,500	251,459	244,839	275,969	313,980
Duluth Transit Authority					
Number of buses	66	67	67	75	75
Number of routes	19	20	23	23	23
Number of passengers	2,850,000	2,804,000	2,786,000	2,760,000	2,645,306
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	95,401	89,483	78,739	46,963	94,770
Season passes	5,697	4,275	3,386	4,970	6,679

	Fiscal Year				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	97	190	363	420	368
Number of conventions	9	21	49	51	55
Overall attendance	-	-	-	-	542,164
Duluth Airport Authority					
Number of passengers	129,508	218,629	241,678	250,396	278,427
Duluth Transit Authority					
Number of buses	77	72	77	84	79
Number of routes	23	23	23	15	15
Number of passengers	1,763,494	1,461,213	1,874,795	2,134,240	2,316,672
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	104,173	89,809	104,115	105,742	87,203
Season passes	6,756	6,895	8,218	7,248	6,373

Sources: Various component units.

Unaudited

