

## PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 9, 2024

In the opinion of Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants of the City, interest to be paid on the Bonds is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Such interest is includable in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. See "Tax Matters" herein.

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

**New Issue**

**Rating Application Made: S&P Global Ratings**

### CITY OF DULUTH, MINNESOTA (St. Louis County)

#### **\$7,790,000\* GENERAL OBLIGATION BONDS, SERIES 2024B**

**PROPOSAL OPENING:** October 22, 2024, 10:00 A.M., C.T.

**CONSIDERATION:** Subsequent to Proposal Opening - See Appendix E - TERMS OF PROPOSAL herein

**PURPOSE/AUTHORITY/SECURITY:** The \$7,790,000\* General Obligation Bonds, Series 2024B (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301, 469.1812 through 469.1815, and 475.521 and Chapters 469 and 475, as amended, and the Home Rule Charter of the City of Duluth, Minnesota (the "City"), by the City, for the purposes of financing the capital improvement projects pursuant to the City's Capital Improvement Plan, the purchase of capital equipment and improvements to Enger Park Golf Course. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

**DATE OF BONDS:** October 30, 2024

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$930,000	2031	\$335,000	2036	\$150,000
2027	1,020,000	2032	350,000	2037	155,000
2028	1,050,000	2033	355,000	2038	160,000
2029	1,080,000	2034	370,000	2039	165,000
2030	1,115,000	2035	380,000	2040	175,000

**\*MATURITY ADJUSTMENTS:** The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** August 1, 2025 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$7,696,520.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$155,800 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Fryberger, Buchanan, Smith & Frederick, P.A..

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## **GOVERNING BODY**

### **MAYOR**

	<u>Term Expires</u>
Roger Reinert	January 2028

### **CITY COUNCIL**

		<u>Term Expires</u>
Janet Kennedy	Council President	January 2028
Roz Randorf	Vice President	January 2028
Azrin Awal	Council Member	January 2026
Wendy Durrwatcher	Council Member	January 2028
Arik Forsman	Council Member	January 2028
Mike Mayou	Council Member	January 2026
Lynn Marie Nephew	Council Member	January 2028
Tara Swenson	Council Member	January 2028
Terese Tomanek	Council Member	January 2026

## **ADMINISTRATION**

David Montgomery, City Administrator

Jennifer Carlson, Finance Director

Jessica Fralich, City Attorney

## **PROFESSIONAL SERVICES**

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota  
(Other office located in Waukesha, Wisconsin)

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Duluth, Minnesota (the "City") and the issuance of its \$7,790,000\* General Obligation Bonds, Series 2024B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance of the Bonds adopted by the City Council on October 15, 2024 (the "Bond Resolution").

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of October 30, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

\*Preliminary, subject to change.

### OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## **AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301, 469.1812 through 469.1815, and 475.521 and Chapters 469 and 475, as amended, and the Home Rule Charter of the City, by the City, for the purposes of financing: (i) improvements to Enger Park Golf Course (the "Enger Project" or the "Tax Abatement Portion"), (ii) capital improvement projects pursuant to the City's Capital Improvement Plan (the "Capital Improvement Plan (CIP) Portion"); and (iii) the purchase of capital equipment (the "Equipment Notes Portion").

For the Tax Abatement Portion of the Bonds, per Minnesota Statutes, Chapter 469, as amended, in any year, the total amount of property taxes abated by a political subdivision may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) \$200,000, whichever is greater. The Tax Abatement Portion of the Bonds does not exceed these limitations.

For the CIP Portion of the Bonds, per Minnesota Statutes, Section 475.521, adopted by the 2003 Minnesota State Legislature and amended in 2005, allows cities and towns to plan for and finance the acquisition and betterment of public lands, buildings, and certain other improvements within the municipality, including financing the construction of city halls, town halls, libraries, public safety, and public works facilities. Annual principal and interest payments on general obligation capital improvement bonds and all outstanding bonds issued under Section 475.521 are limited to 0.16% of the City's estimated market value of property in the City. The estimated market value of the property in the City for taxes collectible in 2023 is \$9,862,999,411. This results in a maximum annual debt service allowable of \$15,780,799 for capital improvement bonds outstanding at any time. The CIP Portion of the Bonds does not exceed this limitation.

All equipment to be acquired with the Equipment Notes Portion of the Bonds has an expected useful life at least as long as the term of the Equipment Notes Portion of the Bonds. The par amount of the Equipment Notes Portion of the Bonds does not exceed 0.25% of the estimated market value of taxable property in the City. The estimated market value of the City for taxes collectible in 2023 is \$9,862,999,411. The Equipment Notes Portion of the Bonds does not exceed 0.25%, or \$24,657,498, and is therefore not subject to the limitation.

## ESTIMATED SOURCES AND USES\*

Sources	Tax Abatement Portion	CIP Portion	Equipment Notes Portion	Total Bond Issue
Par Amount of Bonds	<u>\$2,060,000</u>	<u>\$2,035,000</u>	<u>\$3,695,000</u>	<u>\$7,790,000</u>
<b>Total Sources</b>	<b>\$2,060,000</b>	<b>\$2,035,000</b>	<b>\$3,695,000</b>	<b>\$7,790,000</b>

Uses				
Total Underwriter's Discount (1.200%)	\$24,720	\$24,420	\$44,340	\$93,480
Costs of Issuance	30,887	30,512	55,401	116,800
Deposit to Construction Fund	2,000,000	1,980,000	3,598,000	7,578,000
Rounding Amount	<u>4,393</u>	<u>68</u>	<u>(2,741)</u>	<u>1,720</u>
<b>Total Uses</b>	<b>\$2,060,000</b>	<b>\$2,035,000</b>	<b>\$3,695,000</b>	<b>\$7,790,000</b>

### Breakdown of Principal Payments\*:

Payment Date	Tax Abatement Portion	CIP Portion	Equipment Notes Portion	Total Bond Issue
2/01/2026	\$95,000	\$160,000	\$675,000	\$930,000
2/01/2027	115,000	185,000	720,000	1,020,000
2/01/2028	115,000	190,000	745,000	1,050,000
2/01/2029	120,000	195,000	765,000	1,080,000
2/01/2030	125,000	200,000	790,000	1,115,000
2/01/2031	130,000	205,000	-	335,000
2/01/2032	135,000	215,000	-	350,000
2/01/2033	135,000	220,000	-	355,000
2/01/2034	140,000	230,000	-	370,000
2/01/2035	145,000	235,000	-	380,000
2/01/2036	150,000	-	-	150,000
2/01/2037	155,000	-	-	155,000
2/01/2038	160,000	-	-	160,000
2/01/2039	165,000	-	-	165,000
2/01/2040	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
<b>Total</b>	<b>\$2,060,000</b>	<b>\$2,035,000</b>	<b>\$3,695,000</b>	<b>\$7,790,000</b>

\*Preliminary, subject to change.

## **SECURITY**

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Tax Abatement Portion of the Bonds will be paid from a combination of abatements of the City's portion of taxes from specific parcels up to an amount of the aggregate sum of abatements equal to the principal amount of the Tax Abatement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of tax abatement revenues and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Tax Abatement Portion of the Bonds.

The City anticipates that the debt service on the CIP and Equipment Notes Portions of the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

Should the tax abatement revenues and/or ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

## **RATING**

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA" by S&P Global Ratings ("S&P").

The City has requested an underlying rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.



On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City is required to file their annual budget. The annual budget was not filed timely for fiscal years ending December 31, 2019 through December 31, 2022. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## **LEGAL MATTERS**

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

## **TAX MATTERS**

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including, without limitation, the determination of gain or loss on the sale of a bond, the calculation of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota.

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain tax covenants, that interest to be paid on the Bonds is not includable in gross income of the recipient for purposes of federal income taxation or in taxable net income of individuals, estates or trusts for purposes of Minnesota income taxation. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain not includable in federal gross income or in Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the City's tax covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the same becomes includable in federal gross income or in Minnesota taxable net income.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax-exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has identified the bond owner as being subject to backup withholding.

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2023 have been audited by the Office of the State Auditor, St. Paul, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds will be general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (tax abatement revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**Levy Limits:** The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

**Cybersecurity:** The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2021/22	2022/23	2023/24
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% <sup>2</sup> Over \$2,150,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## 881CURRENT PROPERTY VALUATIONS

<b>2023/24 Economic Market Value</b>	<b><u><u>\$10,919,533,017<sup>1</sup></u></u></b>
<b>2023/24 Assessor's Estimated Market Value</b>	
Real Estate	\$9,721,039,011
Personal Property	<u>141,960,400</u>
Total Valuation	<b><u><u>\$9,862,999,411</u></u></b>
<b>2023/24 Net Tax Capacity</b>	
Real Estate	\$112,590,070
Personal Property	<u>2,272,561</u>
Net Tax Capacity	\$114,862,631
Less:	
Captured Tax Increment Tax Capacity <sup>2</sup>	(3,887,021)
Power Line Adjustment <sup>3</sup>	<u>(20,959)</u>
Taxable Net Tax Capacity	<b><u><u>\$110,954,651</u></u></b>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 90.66% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$10,919,533,017.

<sup>2</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

<sup>3</sup> Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

## 2023/24 NET TAX CAPACITY BY CLASSIFICATION

	<b>2023/24 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$52,075,668	45.34%
Agricultural	10,124	0.01%
Commercial/industrial	29,240,050	25.46%
Public utility	1,309,132	1.14%
Railroad operating property	1,618,336	1.41%
Non-homestead residential	28,150,315	24.51%
Commercial & residential seasonal/rec.	186,445	0.16%
Personal property	<u>2,272,561</u>	<u>1.98%</u>
Total	<u><u>\$114,862,631</u></u>	<u><u>100.00%</u></u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent Increase/Decrease in Estimated Market Value</b>
2019/20	\$7,112,207,140	\$6,672,165,271	\$82,138,679	\$78,693,924	6.28%
2020/21	7,481,079,400	7,051,887,426	87,061,513	83,567,551	5.19%
2021/22	7,857,111,700	7,432,735,958	91,301,793	87,584,686	5.03%
2022/23	9,062,638,572	8,688,365,393	105,322,718	101,021,500	15.34%
2023/24	9,862,999,411	9,506,179,202	114,862,631	110,954,651	8.83%

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<sup>1</sup> Net Tax Capacity includes tax increment and power line values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment or power line values.



## LARGEST TAXPAYERS

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2023/24 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Allete Inc.	Commercial/Utility	\$2,054,634	1.79%
Miller Hill Mall	Commercial	1,195,971	1.04%
Wisconsin Central LTD	Railroad	112,587	0.10%
Summit Commons LLC	Apartment	602,832	0.52%
Duluth Clinic	Commercial	597,784	0.52%
Burlington Northern Railway	Railroad	542,641	0.47%
Ansa Propco Partnership	Commercial	455,192	0.40%
Summit Management	Apartment	449,143	0.39%
St. Mary's Duluth Clinic	Commercial	408,470	0.36%
Endi Plaza LLC	Apartment	<u>401,907</u>	<u>0.35%</u>
Total		\$6,821,161	5.94%

City's Total 2023/24 Net Tax Capacity                      \$114,862,631

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by St. Louis County.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total G.O. debt secured by airport revenues	\$4,905,000
Total G.O. debt secured by lodging taxes and sales tax revenues	29,590,000
Total G.O. debt secured by state aids	1,620,000
Total G.O. debt secured by steam utility revenues	15,330,000
Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)*	9,395,000
Total G.O. debt secured by tax increment revenues	1,865,000
Total G.O. debt secured by taxes (includes the CIP and Equipment Notes Portions of the Bonds)*	38,455,000
Total G.O. debt secured by tourism tax revenues	9,330,000
Total G.O. debt secured by utility revenues	9,424,000
Total General Obligation Debt*	<u><u>\$119,914,000</u></u>

\*Preliminary, subject to change.

#### Other Obligations

Issue Date	Original Amount	Name of Issue	Final Maturity	Principal Outstanding
3/28/19	\$2,636,000	U.S. Department of Housing and Urban Development Revenue Note	8/1/25	<u><u>\$2,551,000</u></u>

### DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

## FUTURE FINANCING

The City may issue some, or all of the bonds for the following projects in the next 12-24 months:

- \$1,980,000 General Obligation Capital Improvement Bonds to finance projects in the City's five-year plan for capital improvements. Debt service will be paid with a tax levy.
- \$3,800,000 General Obligation Capital Equipment Notes to finance equipment purchases including information technology projects, vehicles, and public safety non-rolling equipment. Debt service will be paid with a tax levy.
- \$6,000,000 General Obligation Bonds to finance Sports Venue Investment Phase I. Debt service will be paid with a lodging and food/beverage tax.
- \$3,000,000 General Obligation Lake Front Restoration Bonds to finance the City's match to an \$8,000,000 Coastal Transportation Infrastructure Rehabilitation Project to rehabilitate a separated multimodal trail, increase connections to that trail, and complete revetment of the coastal barrier that protects the community. Debt service will be paid with tourism taxes.
- \$10,000,000 General Obligation Bonds to finance the City's match for a state bridge bond request in the amount of \$17,000,000, in addition to approximately \$1,500,000 in National Park Service funding to repair and restore the iconic Aerial Lift Bridge in Duluth. Debt service will be paid with a dedicated streets sales tax.
- \$2,800,000 General Obligation Steam Utility Revenue Bonds to finance an upgrade to burners and eliminate coal by 2026. Additional \$2,200,000 to be issued in 2026 for project. Debt service will be paid with steam revenues.
- \$13,000,000 General Obligation Bonds to finance a match to a state grant in the amount of \$13,000,000 to design, construct, furnish, and equip new facilities and to renew, replace, and repair existing facilities at the Spirit Mountain Recreation Area. Debt service will be paid with tourism taxes.
- \$12,000,000 General Obligation Bonds to finance Sports Venue Investment Phase II. Debt service will be paid with a lodging and food/beverage tax.
- \$80,000,000 General Obligation Bonds to finance the consolidation of five maintenance facilities into one, centrally located facility. Debt service will be paid with a tax levy redirected from operations levy portion due to annual savings from retiree medical savings.
- \$35,500,000 General Obligation Water Utility Note to finance a Public Facilities Authority grant match for city-wide replacement of public and privately owned lead services. Total project costs will be through forgivable grant anticipation note and Public Facilities Authority grants. This debt is 100% forgivable.
- \$8,200,000 General Obligation Water Note loan through Public Facilities Authority to finance the Woodland Booster Station. Debt service will be paid with water revenues.
- \$40,000,000 General Obligation Bonds to finance EPA administrative orders for corrections to the Water Plant Infrastructure. Debt service will be paid from water revenues collected from the conversion of a clean water surcharge to a water infrastructure surcharge.

**DEBT LIMIT**

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Tax Abatement Portion of the Bonds).

2023/24 Assessor's Estimated Market Value	\$9,862,999,411
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$295,889,982
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the CIP and Equipment Portions of the Bonds)*	<u>(38,455,000)</u>
Unused Debt Limit*	<u><u>\$257,434,982</u></u>

\*Preliminary, subject to change.

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Airport Revenues  
(As of 10/30/2024)

	Taxable Airport Improvement Bonds Series 2013B		Taxable Airport Improvement Bonds Series 2015C		Taxable Airport Imp. Refunding Bonds Series 2021D							
Dated Amount	12/18/2013 \$3,400,000		11/05/2015 \$2,855,000		11/03/2021 \$2,845,000							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	275,000	57,540	195,000	47,463	465,000	20,791	935,000	125,794	1,060,794	3,970,000	19.06%	2025
2026	285,000	46,058	200,000	41,488	475,000	16,203	960,000	103,748	1,063,748	3,010,000	38.63%	2026
2027	300,000	33,769	205,000	35,158	480,000	10,470	985,000	79,396	1,064,396	2,025,000	58.72%	2027
2028	310,000	20,806	215,000	28,276	490,000	3,675	1,015,000	52,758	1,067,758	1,010,000	79.41%	2028
2029	325,000	7,109	220,000	20,825			545,000	27,934	572,934	465,000	90.52%	2029
2030			230,000	12,835			230,000	12,835	242,835	235,000	95.21%	2030
2031			235,000	4,348			235,000	4,348	239,348	0	100.00%	2031
	1,495,000	165,282	1,500,000	190,391	1,910,000	51,139	4,905,000	406,812	5,311,812			

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Lodging Taxes and Sales Tax Revenues  
(As of 10/30/2024)

	DECC Improvement Refunding Bonds Series 2016A		DECC Improvement Bonds Series 2018A							
Dated Amount	03/22/2016 \$33,470,000		02/14/2018 \$4,450,000							
Maturity	02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	1,640,000	1,262,900	265,000	86,625	1,905,000	1,349,525	3,254,525	27,685,000	6.44%	2025
2026	1,785,000	1,201,875	270,000	78,600	2,055,000	1,280,475	3,335,475	25,630,000	13.38%	2026
2027	1,995,000	1,107,375	280,000	70,350	2,275,000	1,177,725	3,452,725	23,355,000	21.07%	2027
2028	2,215,000	1,002,125	285,000	61,875	2,500,000	1,064,000	3,564,000	20,855,000	29.52%	2028
2029	2,455,000	885,375	300,000	53,100	2,755,000	938,475	3,693,475	18,100,000	38.83%	2029
2030	2,710,000	756,250	305,000	44,025	3,015,000	800,275	3,815,275	15,085,000	49.02%	2030
2031	2,980,000	614,000	315,000	34,725	3,295,000	648,725	3,943,725	11,790,000	60.16%	2031
2032	3,280,000	457,500	325,000	25,125	3,605,000	482,625	4,087,625	8,185,000	72.34%	2032
2033	3,585,000	285,875	330,000	15,300	3,915,000	301,175	4,216,175	4,270,000	85.57%	2033
2034	3,925,000	98,125	345,000	5,175	4,270,000	103,300	4,373,300	0	100.00%	2034
	26,570,000	7,671,400	3,020,000	474,900	29,590,000	8,146,300	37,736,300			

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by State Aids  
(As of 10/30/2024)

State Aid Street Improvement Bonds Series 2020C								
Dated	10/21/2020							
Amount	\$3,945,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	805,000	18,263	805,000	18,263	823,263	815,000	49.69%	2025
2026	815,000	6,113	815,000	6,113	821,113	0	100.00%	2026
	1,620,000	24,375	1,620,000	24,375	1,644,375			

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Steam Utility Revenues  
(As of 10/30/2024)

	Taxable Steam Utility Revenue Bonds Series 2015D		Taxable Steam Utility Revenue Bonds Series 2020D		Steam Utility Revenue Bonds Series 2024A							
Dated Amount	11/05/2015 \$4,015,000		10/21/2020 \$10,495,000		02/28/2024 \$3,830,000							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	735,000	59,013	460,000	189,805	0	253,249	1,195,000	502,067	1,697,067	14,135,000	7.80%	2025
2026	755,000	36,474	470,000	180,505	0	177,719	1,225,000	394,698	1,619,698	12,910,000	15.79%	2026
2027	780,000	12,480	480,000	171,005	0	177,719	1,260,000	361,204	1,621,204	11,650,000	24.01%	2027
2028			490,000	161,305	150,000	173,969	640,000	335,274	975,274	11,010,000	28.18%	2028
2029			500,000	151,405	155,000	166,344	655,000	317,749	972,749	10,355,000	32.45%	2029
2030			505,000	141,355	165,000	158,344	670,000	299,699	969,699	9,685,000	36.82%	2030
2031			520,000	131,105	175,000	149,844	695,000	280,949	975,949	8,990,000	41.36%	2031
2032			530,000	120,605	180,000	140,969	710,000	261,574	971,574	8,280,000	45.99%	2032
2033			540,000	109,905	190,000	131,719	730,000	241,624	971,624	7,550,000	50.75%	2033
2034			550,000	99,005	200,000	121,969	750,000	220,974	970,974	6,800,000	55.64%	2034
2035			560,000	87,905	210,000	111,719	770,000	199,624	969,624	6,030,000	60.67%	2035
2036			570,000	76,320	220,000	100,969	790,000	177,289	967,289	5,240,000	65.82%	2036
2037			585,000	63,900	230,000	89,719	815,000	153,619	968,619	4,425,000	71.14%	2037
2038			595,000	50,771	245,000	77,844	840,000	128,615	968,615	3,585,000	76.61%	2038
2039			610,000	37,063	255,000	65,344	865,000	102,406	967,406	2,720,000	82.26%	2039
2040			625,000	22,704	270,000	53,569	895,000	76,273	971,273	1,825,000	88.10%	2040
2041			640,000	7,680	280,000	42,569	920,000	50,249	970,249	905,000	94.10%	2041
2042					290,000	31,169	290,000	31,169	321,169	615,000	95.99%	2042
2043					300,000	19,181	300,000	19,181	319,181	315,000	97.95%	2043
2044					315,000	6,497	315,000	6,497	321,497	0	100.00%	2044
	2,270,000	107,966	9,230,000	1,802,343	3,830,000	2,250,421	15,330,000	4,160,730	19,490,730			



City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Tax Abatement Revenues  
(As of 10/30/2024)

	Taxable Tax Abatement Bonds Series 2016B		Taxable Tax Abatement Refunding Bonds Series 2021C		Tax Abatement Bonds 1) Series 2024B							
Dated Amount	03/22/2016 \$7,820,000		11/03/2021 \$3,705,000		10/30/2024 \$2,060,000*							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	510,000	125,184	455,000	36,489	0	51,341	965,000	213,014	1,178,014	8,430,000	10.27%	2025
2026	525,000	112,088	460,000	32,025	95,000	66,754	1,080,000	210,866	1,290,866	7,350,000	21.77%	2026
2027	540,000	97,755	465,000	26,473	115,000	63,551	1,120,000	187,779	1,307,779	6,230,000	33.69%	2027
2028	555,000	81,870	475,000	19,888	115,000	60,044	1,145,000	161,801	1,306,801	5,085,000	45.88%	2028
2029	570,000	64,995	475,000	12,406	120,000	56,490	1,165,000	133,891	1,298,891	3,920,000	58.28%	2029
2030	590,000	47,595	485,000	4,244	125,000	52,784	1,200,000	104,623	1,304,623	2,720,000	71.05%	2030
2031	605,000	29,216			130,000	48,830	735,000	78,046	813,046	1,985,000	78.87%	2031
2032	625,000	9,844			135,000	44,589	760,000	54,433	814,433	1,225,000	86.96%	2032
2033					135,000	40,168	135,000	40,168	175,168	1,090,000	88.40%	2033
2034					140,000	35,630	140,000	35,630	175,630	950,000	89.89%	2034
2035					145,000	30,891	145,000	30,891	175,891	805,000	91.43%	2035
2036					150,000	25,913	150,000	25,913	175,913	655,000	93.03%	2036
2037					155,000	20,689	155,000	20,689	175,689	500,000	94.68%	2037
2038					160,000	15,215	160,000	15,215	175,215	340,000	96.38%	2038
2039					165,000	9,445	165,000	9,445	174,445	175,000	98.14%	2039
2040					175,000	3,238	175,000	3,238	178,238	0	100.00%	2040
	4,520,000	568,547	2,815,000	131,524	2,060,000	625,570	9,395,000	1,325,640	10,720,640			

\* Preliminary, subject to change.

1) This represents the \$2,060,000 Tax Abatement Portion of the \$7,790,000 General Obligation Bonds, Series 2024B.

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Tax Increment Revenues  
(As of 10/30/2024)

Taxable TIF Refunding Bonds Series 2012F								
Dated	11/27/2012							
Amount	\$10,270,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	920,000	38,063	920,000	38,063	958,063	945,000	49.33%	2025
2026	945,000	12,994	945,000	12,994	957,994	0	100.00%	2026
	1,865,000	51,056	1,865,000	51,056	1,916,056			

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 10/30/2024)

	G.O. Bonds Series 2013D		Capital Improvement Bonds Series 2014E		Capital Improvement Bonds Series 2015A		Capital Improvement Bonds Series 2016C		Capital Improvement Bonds Series 2017A	
Dated	12/18/2013		10/30/2014		11/05/2015		11/09/2016		11/21/2017	
Amount	\$1,460,000		\$1,115,000		\$1,615,000		\$1,135,000		\$1,545,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	105,000	20,769	125,000	1,563	175,000	7,109	125,000	13,100	160,000	17,700
2026	110,000	16,600			175,000	2,625	130,000	8,000	165,000	12,825
2027	115,000	12,100					135,000	2,700	170,000	7,800
2028	120,000	7,400							175,000	2,625
2029	125,000	2,500								
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
2038										
2039										
	575,000	59,369	125,000	1,563	350,000	9,734	390,000	23,800	670,000	40,950

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City of Duluth, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 10/30/2024)

	Capital Improvement Bonds Series 2018B		Capital Improvement Bonds Series 2019A		Capital Equipment Notes Series 2019B		Capital Improvement Refunding Bonds Series 2019C		Capital Improvement Bonds Series 2020A	
Dated	10/17/2018		10/09/2019		10/09/2019		10/09/2019		10/21/2020	
Amount	\$1,310,000		\$1,190,000		\$3,070,000		\$9,755,000		\$1,640,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	135,000	33,875	115,000	36,875	685,000	17,125	755,000	342,125	160,000	33,750
2026	140,000	27,000	125,000	30,875			795,000	303,375	160,000	28,950
2027	150,000	19,750	130,000	24,500			835,000	262,625	165,000	24,075
2028	155,000	12,125	135,000	17,875			875,000	219,875	170,000	19,050
2029	165,000	4,125	140,000	11,000			920,000	175,000	175,000	13,875
2030			150,000	3,750			965,000	127,875	185,000	8,475
2031							1,010,000	78,500	190,000	2,850
2032							1,065,000	26,625		
2033										
2034										
2035										
2036										
2037										
2038										
2039										
	745,000	96,875	795,000	124,875	685,000	17,125	7,220,000	1,536,000	1,205,000	131,025

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City of Duluth, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 10/30/2024)

	Capital Equipment Notes Series 2020B		G.O. Bonds (Lakewalk Restoration) Series 2020E		Capital Improvement Bonds Series 2021A		Capital Equipment Notes Series 2021B		Capital Improvement Bonds Series 2022A	
Dated	10/21/2020		10/21/2020		11/03/2021		11/03/2021		11/01/2022	
Amount	\$2,960,000		\$4,150,000		\$1,490,000		\$3,935,000		\$1,685,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	620,000	38,200	255,000	66,150	130,000	60,000	795,000	105,375	145,000	74,875
2026	645,000	12,900	260,000	61,000	140,000	53,250	835,000	64,625	150,000	67,500
2027			265,000	55,750	145,000	46,125	875,000	21,875	155,000	59,875
2028			270,000	50,400	155,000	38,625			165,000	51,875
2029			275,000	44,950	160,000	30,750			175,000	43,375
2030			285,000	39,350	170,000	22,500			180,000	34,500
2031			290,000	33,600	180,000	13,750			190,000	25,250
2032			295,000	27,750	185,000	4,625			200,000	15,500
2033			300,000	21,800					210,000	5,250
2034			305,000	15,750						
2035			315,000	9,550						
2036			320,000	3,200						
2037										
2038										
2039										
	1,265,000	51,100	3,435,000	429,250	1,265,000	269,625	2,505,000	191,875	1,570,000	378,000

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City of Duluth, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Taxes  
(As of 10/30/2024)

Capital Equipment Notes Series 2022B		Capital Improvement Bonds Series 2023A		Capital Equipment Bonds Series 2023B		Lake Front Restoration Bonds Series 2023C		Capital Imp Plan Bonds & Equipment Notes 1) Series 2024B								
Dated	11/01/2022		11/08/2023		11/08/2023		11/08/2023		10/30/2024							
Amount	\$3,360,000		\$1,795,000		\$3,350,000		\$1,995,000		\$5,730,000*							
Maturity	02/01		02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	645,000	123,125	125,000	82,275	575,000	153,125	75,000	89,456	0	133,053	5,905,000	1,449,625	7,354,625	32,550,000	15.36%	2025
2026	680,000	90,000	150,000	75,400	645,000	122,625	100,000	85,081	835,000	164,016	6,240,000	1,226,648	7,466,648	26,310,000	31.58%	2026
2027	710,000	55,250	160,000	67,650	675,000	89,625	105,000	79,956	905,000	137,481	5,695,000	967,138	6,662,138	20,615,000	46.39%	2027
2028	750,000	18,750	165,000	59,525	710,000	55,000	110,000	74,581	935,000	109,421	4,890,000	737,128	5,627,128	15,725,000	59.11%	2028
2029			175,000	51,025	745,000	18,625	115,000	68,956	960,000	80,763	4,130,000	544,944	4,674,944	11,595,000	69.85%	2029
2030			185,000	42,025			120,000	63,081	990,000	51,265	3,230,000	392,821	3,622,821	8,365,000	78.25%	2030
2031			195,000	32,525			125,000	56,956	205,000	32,939	2,385,000	276,370	2,661,370	5,980,000	84.45%	2031
2032			205,000	22,525			135,000	50,456	215,000	26,216	2,300,000	173,698	2,473,698	3,680,000	90.43%	2032
2033			215,000	13,100			140,000	43,581	220,000	19,093	1,085,000	102,824	1,187,824	2,595,000	93.25%	2033
2034			220,000	4,400			145,000	37,181	230,000	11,668	900,000	68,999	968,999	1,695,000	95.59%	2034
2035							150,000	31,281	235,000	3,936	700,000	44,768	744,768	995,000	97.41%	2035
2036							160,000	24,981			480,000	28,181	508,181	515,000	98.66%	2036
2037							165,000	18,278			165,000	18,278	183,278	350,000	99.09%	2037
2038							170,000	11,263			170,000	11,263	181,263	180,000	99.53%	2038
2039							180,000	3,825			180,000	3,825	183,825	0	100.00%	2039
	2,785,000	287,125	1,795,000	450,450	3,350,000	439,000	1,995,000	738,916	5,730,000	769,851	38,455,000	6,046,507	44,501,507			

\* Preliminary, subject to change.

1) This represents the \$5,730,000 Capital Imp Plan & Equipment Notes Portions of the \$7,790,000 General Obligation Bonds, Series 2024B.

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Tourism Tax Revenues  
(As of 10/30/2024)

	Taxable Tourism Tax Revenue Bonds Series 2014C		Tourism Tax Revenue Bonds Series 2014D		Taxable Tourism Tax Revenue Bonds Series 2015E							
Dated Amount	10/30/2014 \$2,330,000		10/30/2014 \$2,150,000		11/05/2015 \$13,520,000							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	165,000	34,568	105,000	41,634	765,000	225,770	1,035,000	301,972	1,336,972	8,295,000	11.09%	2025
2026	170,000	29,248	105,000	38,353	790,000	202,248	1,065,000	269,848	1,334,848	7,230,000	22.51%	2026
2027	175,000	23,423	110,000	34,994	815,000	177,160	1,100,000	235,576	1,335,576	6,130,000	34.30%	2027
2028	180,000	17,210	115,000	31,478	840,000	150,050	1,135,000	198,738	1,333,738	4,995,000	46.46%	2028
2029	185,000	10,638	115,000	27,884	870,000	120,755	1,170,000	159,277	1,329,277	3,825,000	59.00%	2029
2030	195,000	3,608	120,000	24,138	910,000	89,150	1,225,000	116,895	1,341,895	2,600,000	72.13%	2030
2031			125,000	20,156	950,000	55,195	1,075,000	75,351	1,150,351	1,525,000	83.65%	2031
2032			130,000	15,931	990,000	18,810	1,120,000	34,741	1,154,741	405,000	95.66%	2032
2033			130,000	11,544			130,000	11,544	141,544	275,000	97.05%	2033
2034			135,000	7,055			135,000	7,055	142,055	140,000	98.50%	2034
2035			140,000	2,380			140,000	2,380	142,380	0	100.00%	2035
	1,070,000	118,693	1,330,000	255,548	6,930,000	1,039,138	9,330,000	1,413,378	10,743,378			

City of Duluth, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Utility Revenues  
(As of 10/30/2024)

	Utility Revenue Bonds Series 2009E		Sewer Utility Revenue Note		Sewer Utility Revenue Note		Water Utility Revenue Note		Water Utility Revenue Note	
Dated	12/17/2009		08/31/2010		08/31/2010		08/31/2010		12/07/2010	
Amount	\$4,465,000		\$8,504,224		\$3,753,059		\$1,293,200		\$3,344,131	
Maturity	02/01		08/20		08/20		08/20		08/20	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	75,000	1,500	609,000	7,661	273,000	3,434	93,000	1,170	247,000	2,658
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
2042										
	75,000	1,500	609,000	7,661	273,000	3,434	93,000	1,170	247,000	2,658

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City of Duluth, Minnesota  
Schedule of Bonded Indebtedness continued  
General Obligation Debt Secured by Utility Revenues  
(As of 10/30/2024)

	Water Utility Revenue Note		Water Utility Revenue Note		Water Utility Revenue Bonds Series 2018D		Water Utility Revenue Note Series 2022A							
Dated	11/18/2011		02/25/2014		10/17/2018		01/25/2022							
Amount	\$1,221,631		\$4,778,806		\$4,050,000		\$3,857,531							
Maturity	08/20		08/20		02/01		08/20							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2025	84,000	2,088	316,000	16,090	255,000	87,013	175,000	34,373	2,127,000	155,986	2,282,986	7,297,000	22.57%	2025
2026	87,000	1,062	318,000	12,930	260,000	79,288	176,000	32,618	841,000	125,897	966,897	6,456,000	31.49%	2026
2027			322,000	9,750	270,000	71,338	178,000	30,852	770,000	111,940	881,940	5,686,000	39.66%	2027
2028			325,000	6,530	275,000	63,163	180,000	29,067	780,000	98,759	878,759	4,906,000	47.94%	2028
2029			328,000	3,280	285,000	54,763	182,000	27,262	795,000	85,304	880,304	4,111,000	56.38%	2029
2030					295,000	46,063	184,000	25,436	479,000	71,499	550,499	3,632,000	61.46%	2030
2031					305,000	36,872	185,000	23,591	490,000	60,462	550,462	3,142,000	66.66%	2031
2032					315,000	26,988	187,000	21,735	502,000	48,723	550,723	2,640,000	71.99%	2032
2033					325,000	16,588	189,000	19,859	514,000	36,447	550,447	2,126,000	77.44%	2033
2034					335,000	5,653	191,000	17,964	526,000	23,617	549,617	1,600,000	83.02%	2034
2035							193,000	16,048	193,000	16,048	209,048	1,407,000	85.07%	2035
2036							195,000	14,112	195,000	14,112	209,112	1,212,000	87.14%	2036
2037							197,000	12,156	197,000	12,156	209,156	1,015,000	89.23%	2037
2038							199,000	10,180	199,000	10,180	209,180	816,000	91.34%	2038
2039							201,000	8,184	201,000	8,184	209,184	615,000	93.47%	2039
2040							203,000	6,168	203,000	6,168	209,168	412,000	95.63%	2040
2041							205,000	4,132	205,000	4,132	209,132	207,000	97.80%	2041
2042							207,000	2,076	207,000	2,076	209,076	0	100.00%	2042
	171,000	3,150	1,609,000	48,580	2,920,000	487,725	3,427,000	335,815	9,424,000	891,693	10,315,693			

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2023/24 Taxable Net Tax Capacity	% In City	Total G.O. Debt <sup>2</sup>	City's Proportionate Share
St. Louis County	\$284,608,403	38.9850%	\$113,510,000	\$44,251,874
I.S.D. No. 704 (Proctor Public Schools)	16,923,427	7.8752%	18,745,000 <sup>3</sup>	1,476,206
I.S.D. No. 709 (Duluth)	123,761,321	88.5752%	76,925,833 <sup>3</sup>	<u>68,137,210</u>
City's Share of Total Overlapping Debt				<u>\$113,865,290</u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$10,919,533,017</b>	<b>Debt/ Per Capita 86,788<sup>1</sup></b>
Direct G.O. Debt Secured By:			
Airport Revenues	\$4,905,000		
Lodging and Sales Tax Revenues	29,590,000		
State Aids	1,620,000		
Steam Utility Revenues	15,330,000		
Tax Abatement Revenues*	9,395,000		
Tax Increment Revenues	1,865,000		
Taxes*	38,455,000		
Tourism Tax Revenues	9,330,000		
Utility Revenues	9,424,000		
Total General Obligation Debt*	<u>\$119,914,000</u>		
Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup>	<u>(70,199,000)</u>		
Tax Supported General Obligation Debt*	<u>\$49,715,000</u>	0.46%	\$572.83
City's Share of Total Overlapping Debt	<u>\$113,865,290</u>	<u>1.04%</u>	<u>\$1,311.99</u>
Total*	<u><u>\$163,580,290</u></u>	<u><u>1.50%</u></u>	<u><u>\$1,884.83</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Estimated 2023 population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

## TAX LEVIES, COLLECTIONS AND RATES

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date	% Collected
2019/20	\$36,444,668	\$35,921,288	\$36,397,868	99.87%
2020/21	37,454,376	37,051,644	37,367,824	99.77%
2021/22	40,901,827	40,445,167	40,726,324	99.57%
2022/23	43,926,309	43,398,471	43,404,927	98.81%
2023/24	45,214,555	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>2</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

### TAX CAPACITY RATES<sup>3</sup>

	2019/20	2020/21	2021/22	2022/23	2023/24
St. Louis County	70.990%	69.341%	70.388%	63.514%	58.938%
City of Duluth	42.997%	41.696%	43.723%	40.903%	38.402%
I.S.D. No. 704 (Proctor Public Schools)	26.864%	26.704%	27.249%	23.440%	22.092%
I.S.D. No. 709 (Duluth)	31.819%	30.212%	31.644%	27.992%	26.729%
ARDC	0.171%	0.171%	0.167%	0.150%	0.131%
Duluth HRA	1.524%	1.429%	1.454%	1.548%	1.538%
Duluth Transit Authority	2.118%	1.995%	1.903%	2.152%	1.960%
Seaway Port Authority	1.542%	1.543%	1.549%	1.410%	1.481%
SLC Railroad	0.863%	0.827%	0.851%	0.759%	0.747%

#### *Referendum Market Value Rates:*

I.S.D. No. 704 (Proctor Public Schools)	0.13920%	0.13606%	0.13099%	0.11818%	0.12489%
I.S.D. No. 709 (Duluth)	0.15286%	0.15304%	0.14166%	0.12400%	0.14859%

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by St. Louis County.

<sup>1</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>2</sup> Second half tax payments on agricultural property are due on November 15th of each year.

<sup>3</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

## THE ISSUER

### CITY GOVERNMENT

The City was organized as a municipality in 1857. The City operates under a home rule charter form of government consisting of a nine-member City Council of which the Mayor is not a voting member. The Mayor, Finance Director, City Clerk and City Administrator are responsible for administrative details and financial records.

### EMPLOYEES; PENSIONS; UNIONS

The City currently has 900 full-time, eleven (11) part-time, and 26 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

#### Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME	December 31, 2024
Confidential Unit of the City of Duluth - represented by Chicago and Midwest regional Joint Board, affiliated with Workers United/SEIU	December 31, 2024
Law Enforcement Labor Services Local 363	December 31, 2026
Law Enforcement Labor Services Local 503	December 31, 2026
Law Enforcement Labor Services Local 538	December 31, 2026
Duluth Supervisory Association	December 31, 2024
Local 101, International Association of Fire Fighters	December 31, 2024

### POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$152,674,880 as of December 31, 2024. In July of 2007, the City established an irrevocable trust. As of December 31, 2024, the net position of the trust was \$94,232,302. Future OPEB costs will be paid partially from the trust and partially from operating funds.

**Source:** The City's most recent Audit.

**LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

**MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

**FUNDS ON HAND** (as of September 16, 2024)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$22,552,264
Special Revenue	50,356,759
Debt Service	14,690,323
Capital Projects	(9,421,871)
Enterprise Funds	50,219,123
Internal Service	3,874,367
Community Investment Trust (Special Revenue Fund)	36,903,999
OPEB Trust	<u>124,074,784</u>
 Total Funds on Hand	 <u><u>\$293,249,747</u></u>

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	<b>2020 Audited</b>	<b>2021 Audited</b>	<b>2023 Audited</b>
<b>Priley Drive Parking Facility</b>			
Total Operating Revenues	\$434,544	\$484,414	\$513,136
Less: Operating Expenses	<u>(745,968)</u>	<u>(786,949)</u>	<u>(854,591)</u>
Operating Income	(\$311,424)	(\$302,535)	(\$341,455)
Plus: Depreciation	<u>520,571</u>	<u>520,571</u>	<u>520,571</u>
Revenues Available for Debt Service	<u><u>\$209,147</u></u>	<u><u>\$218,036</u></u>	<u><u>\$179,116</u></u>
<b>Water</b>			
Total Operating Revenues	\$15,920,408	\$16,013,881	\$17,438,419
Less: Operating Expenses	<u>(9,242,083)</u>	<u>(11,200,275)</u>	<u>(12,415,835)</u>
Operating Income	\$6,678,325	\$4,813,606	\$5,022,584
Plus: Depreciation	<u>1,797,168</u>	<u>1,820,159</u>	<u>1,824,866</u>
Revenues Available for Debt Service	<u><u>\$8,475,493</u></u>	<u><u>\$6,633,765</u></u>	<u><u>\$6,847,450</u></u>
<b>Gas</b>			
Total Operating Revenues	\$41,070,876	\$59,696,900	\$46,197,830
Less: Operating Expenses	<u>(35,456,995)</u>	<u>(47,961,236)</u>	<u>(36,402,744)</u>
Operating Income	\$5,613,881	\$11,735,664	\$9,795,086
Plus: Depreciation	<u>1,563,784</u>	<u>1,590,052</u>	<u>1,577,748</u>
Revenues Available for Debt Service	<u><u>\$7,177,665</u></u>	<u><u>\$13,325,716</u></u>	<u><u>\$11,372,834</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$19,836,926	\$20,375,543	\$21,845,445
Less: Operating Expenses	<u>(15,540,859)</u>	<u>(16,745,336)</u>	<u>(17,325,773)</u>
Operating Income	\$4,296,067	\$3,630,207	\$4,519,672
Plus: Depreciation	<u>2,129,537</u>	<u>2,181,715</u>	<u>2,177,893</u>
Revenues Available for Debt Service	<u><u>\$6,425,604</u></u>	<u><u>\$5,811,922</u></u>	<u><u>\$6,697,565</u></u>
<b>Steam</b>			
Total Operating Revenues	\$8,229,505	\$10,828,835	\$9,075,372
Less: Operating Expenses	<u>(8,854,378)</u>	<u>(11,488,931)</u>	<u>(9,506,489)</u>
Operating Income	(\$624,873)	(\$660,096)	(\$431,117)
Plus: Depreciation	<u>1,581,712</u>	<u>1,631,470</u>	<u>1,693,501</u>
Revenues Available for Debt Service	<u><u>\$956,839</u></u>	<u><u>\$971,374</u></u>	<u><u>\$1,262,384</u></u>

## SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2023 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2024 Adopted Budget <sup>1</sup>
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	
<b>Revenues</b>					
Taxes	\$39,777,643	\$42,430,725	\$49,427,144	\$51,842,603	\$49,907,700
Special assessments	509,774	477,683	486,628	542,952	438,800
Licenses and permits	1,850,737	1,996,389	2,220,506	2,097,501	2,105,700
Intergovernmental	35,048,484	35,316,134	43,908,125	44,951,454	39,726,100
Charges for services	6,801,038	9,293,876	7,275,521	8,540,528	6,941,500
Fine and forfeitures	326,229	341,218	275,179	361,436	232,000
Investment Income (Loss)	150,413	(105,772)	(328,535)	62,091	0
Miscellaneous	2,071,819	1,768,924	1,775,530	2,178,882	552,700
<b>Total Revenues</b>	<u>\$86,536,137</u>	<u>\$91,519,177</u>	<u>\$105,040,098</u>	<u>\$110,577,447</u>	<u>\$99,904,500</u>
<b>Expenditures</b>					
Current:					
General government	\$27,874,798	\$28,983,447	\$32,297,659	\$36,326,695	\$35,743,500
Public safety	43,776,064	43,497,374	47,471,169	47,802,954	49,502,300
Public works	12,536,809	12,474,141	13,825,626	13,464,998	15,516,600
Culture and recreation	3,859,426	4,354,826	4,450,887	4,789,863	5,630,100
Urban and economic development	3,435,967	3,558,896	6,585,861	6,642,194	4,363,200
Debt service	0	0	133,781	602,520	0
Capital outlay	598,194	23,944	84,265	0	0
<b>Total Expenditures</b>	<u>\$92,081,258</u>	<u>\$92,892,628</u>	<u>\$104,849,248</u>	<u>\$109,629,224</u>	<u>\$110,755,700</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(\$5,545,121)</u>	<u>(\$1,373,451)</u>	<u>\$190,850</u>	<u>\$948,223</u>	<u>(\$10,851,200)</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of SBITA	\$0	\$0	\$0	\$2,073,320	\$0
Transfers in	10,074,437	8,617,777	9,387,487	12,698,616	10,999,400
Transfers (out)	(213,593)	(2,753,000)	(6,326,581)	(6,671,865)	(9,348,200)
<b>Total Other Financing Sources (Uses)</b>	<u>9,860,844</u>	<u>5,864,777</u>	<u>3,060,906</u>	<u>8,100,071</u>	<u>1,651,200</u>
<b>Special Item</b>					
Reduction of Spirit Mountain Loan	(900,000)	0	0	0	0
<b>Net changes in Fund Balances</b>	<u>\$3,415,723</u>	<u>\$4,491,326</u>	<u>\$3,251,756</u>	<u>\$9,048,294</u>	<u>(\$9,200,000)</u>
General Fund Balance January 1	\$17,689,159	\$21,104,882	\$25,596,208	\$28,847,964	
Prior Period Adjustment	0	0	0	1,304,760	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	<u>\$21,104,882</u>	<u>\$25,596,208</u>	<u>\$28,847,964</u>	<u>\$39,201,018</u>	
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Restricted	\$329,336	\$326,903	\$200,387	\$194,453	
Committed	32,186	34,120	17,999	16,995	
Assigned	3,886,800	3,978,786	7,302,662	10,504,760	
Unassigned	16,856,560	21,256,399	21,326,916	28,484,810	
<b>Total</b>	<u>\$21,104,882</u>	<u>\$25,596,208</u>	<u>\$28,847,964</u>	<u>\$39,201,018</u>	

<sup>1</sup> The 2024 budget was adopted on December 18, 2023.



## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 86,697 and a 2023 population estimate of 86,788, and comprising an area of 67.79 square miles, is located in the northeast quadrant of the State of Minnesota on the southwest tip of Lake Superior.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Essentia Health (SMDC)	Healthcare/Hospital	7,217
St. Luke's Hospital	Healthcare/Hospital	3,573
St. Louis County	County government and services	1,881
I.S.D. No. 709 (Duluth)	Elementary and secondary education	1,782
University of Minnesota Duluth	Schools- Universities	1,744
Allete (Minnesota Power)	Electric utility	1,559
Duluth Air National Guard Base	Military	1,000
The City	Municipal government and services	937
United Health Care	Insurance	900
State of MN Transportation	Government offices-State	300

**Source:** The City, Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

**BUILDING PERMITS** (as of September 18, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	53	57	64	45	46
Valuation	\$7,513,594	\$8,457,302	\$10,103,188	\$10,893,056	\$7,764,414
<u>New Multiple Family Buildings</u>					
No. of building permits	10	11	11	7	3
Valuation	\$20,956,831	\$10,320,239	\$34,329,880	\$70,068,208	\$60,704,835
<u>New Commercial/Industrial</u>					
No. of building permits	27	4	9	9	12
Valuation	\$139,665,322	\$315,098,024	\$24,463,786	\$26,747,112	\$56,411,826
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	6,621	N/A	N/A	2,407	1,904
Valuation	\$391,763,293	\$429,747,180	\$198,636,492	\$301,179,099	\$219,273,932

**Source:** The City.

**U.S. CENSUS DATA****Population Trend:** The City

2010 U.S. Census population	86,265
2020 U.S. Census population	86,697
Percent of Change 2010 - 2020	0.50%
2023 State Demographer Population Estimate	86,788

## Income and Age Statistics

	<b>The City</b>	<b>St. Louis County</b>	<b>State of Minnesota</b>	<b>United States</b>
2022 per capita income	\$37,433	\$37,850	\$44,947	\$41,261
2022 median household income	\$63,545	\$66,491	\$74,313	\$75,149
2022 median family income	\$92,772	\$90,120	\$107,072	\$92,646
2022 median gross rent	\$990	\$927	\$1,178	\$1,268
2022 median value owner occupied units	\$209,800	\$192,900	\$286,800	\$281,900
2022 median age	34.7 yrs.	41.2 yrs.	38.5 yrs.	38.5 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2022 per capita income	83.28%	90.72%
City % of 2022 median family income	86.64%	100.14%

## Housing Statistics

	<b><u>The City</u></b>		
	<b>2020</b>	<b>2023</b>	<b>Percent of Change</b>
All Housing Units	37,104	37,308	0.55%

**Source:** 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
<b>Year</b>	<b>St. Louis County</b>	<b>St. Louis County</b>	<b>State of Minnesota</b>
2020	94,222	7.3%	6.3%
2021	95,373	4.1%	3.7%
2022	96,942	3.1%	2.7%
2023	97,053	3.2%	2.8%
2024, August	93,793	4.3%	3.9%

**Source:** Minnesota Department of Employment and Economic Development.

### FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse changes in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.



# 2023

## Annual Comprehensive Financial Report



CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2023





# ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Department of Finance**

For the Fiscal Year Ended December 31, 2023

**CITY OF DULUTH, MINNESOTA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
DECEMBER 31, 2023**

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# INTRODUCTORY SECTION



## Finance Department

Room 120  
411 West First Street  
Duluth, Minnesota 55802

 218-730-5350

June 20, 2024

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, 2023.

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, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

## GOVERNMENT PROFILE

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

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

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

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

## LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering, and aviation. According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's unemployment rate averaged 2.5% in 2023, and was as low as 1.5% in October. The total number of jobs in Duluth reported to the state in 2023 averaged 55,860.

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 750 vessels visit in 2023. 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), in addition to dry & liquid bulk commodities, general cargo, heavy lift, and wind energy components. It is recognized worldwide as the heaviest lift port on the Great Lakes for its expertise in handling wind energy & project cargoes, wood pulp, paper, steel coils, and containerized cargoes. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior, on average, support approximately 7,136 port connected jobs and generate approximately \$569 million in annual income, contributes over \$1.6 billion to the local/regional business economy, and generates \$215 million in Local, State, and Federal taxes.

According to DEED, Duluth's aviation industry grew 112% between 2013 and 2018, with key anchors like Cirrus Aircraft, American Precision Avionics, and Greystar Electronics contributing millions to the regional economy, and directly supporting over 1,100 jobs in the Duluth metro area. Cirrus Aircraft's headquarters and main manufacturing facilities are located in Duluth, and is the largest single-engine aircraft manufacturer in their class, reporting billings of \$930 million in 2023, up 20% from 2022. Cirrus markets several versions of its three certified single-engine light aircraft models: the SR20 (certified in 1998), SR22 (certified in 2000), and SR22T (certified in 2010). As of April 2023, Cirrus had delivered more than 9,000 SR-aircraft in over 20 years of production, and has been the world's largest producer of piston-powered aircraft since 2013. Cirrus certified and began deliveries of the Vision SF50 very light jet in 2016. Upon its delivery, the aircraft became the first civilian single-engine jet to enter the market, and is often referred to as a "personal jet". In 2023, the SF50 Vision Jet had the highest number of deliveries among all corporate jets, accounting for 96 of the overall 730 recorded. 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..." and 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 it's flagship "Innovation Center" to support engineering, design, testing, product development and other technical operations by the company. This facility opened in September 2023.

Duluth is located on the southwestern tip of Lake Superior. Lake Superior, the largest of the Great Lakes, is not only an economic engine for the community but is treasured for its picturesque beauty. Duluth has experienced growth in tourism and recreation travel, and has become a top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth attracts over 6.7 million visitors annually, injecting more than \$950 million each year directly into the immediate area. In 2023, the City's tourism revenue increased 7% over 2022's. Duluth offers a variety of attractions and outdoor activities, including: Canal Park- Duluth's historic waterfront district with its variety of hotels, restaurants, and shops, and home to the famous Aerial Lift Bridge, which is Minnesota's most frequented tourist attraction; the Lakewalk- a 7.5 mile recreational trail on the shores of Lake Superior; Bayfront Festival Park- a 20 acre waterfront park with a seasonal amphitheater, that hosts outdoor summertime concerts and events, and during the holiday season, the Bentleyville Tour of Lights, America's largest free walk-through holiday light display. Bayfront Festival Park was named the "Best Outdoor Music Venue" in 2014's "Best of Minnesota" poll by the Minneapolis Star Tribune. Duluth is also home to the Great Lakes Aquarium-a \$30 million freshwater aquarium featuring more than 20 exhibits; and, Spirit Mountain Ski and Recreation Area-a year-round recreation area with the Midwest's longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. The City has 162 municipal parks encompassing over 9,715 acres, a public golf course, zoo, and over 150 miles of trails for hikers, bicyclists, and cross-country skiers. Duluth's 104-mile Traverse Mountain Biking Trail system is rated as one of only six "Gold Level" Ride Centers in the world by the International Mountain Bicycling Association (IMBA). Duluth hosts world-class special events such as Grandma's Marathon, the 16<sup>th</sup> largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. Duluth is visited annually by two cruise lines, Viking Cruises "Undiscovered Great Lakes" cruises, and Pearl Seas Cruises "Great Lakes Explorer" cruises. In 2023, the City had 11 cruise ship arrivals, bringing 4,000 visitors to the City for daytime expeditions to Duluth's various attractions and outdoor experiences.

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

Located on the shores of Lake Superior, the Duluth Entertainment Convention Center (DECC) is the epicenter of entertainment in Duluth, and offers world-class events spanning conventions, sports, arts and entertainment. The DECC is home to the Duluth Superior Symphony Orchestra, Broadway performances, concerts, home and sports shows, the Minnesota Ballet, UMD Men's and Women's Bulldog Hockey and the *William A. Irvin* ore boat museum. The DECC's facility's 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.

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

- The University of Minnesota Duluth (UMD) is a comprehensive regional university and adds a total annual economic impact on the region of over \$500 million. UMD had fall enrollment of 9,675 students in 2023. Undergraduate students can choose from 17 bachelor's degrees in 89 majors, and 76 minors as well as five 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 (CSS) has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider" and in 2014 was named by Money Magazine to the top third of all four-year colleges in

the country, based on graduation rates, educational quality, affordability, and alumni earnings. Forbes Magazine named CSS in its “Top Colleges” list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. St. Scholastica has 3 academic schools, and offers degrees in 61 undergraduate majors, minors and pre-professionals: 14 masters, and five doctoral programs, with a total 2023 enrollment of 2,978 students.

- Lake Superior College (LSC) is a two-year community and technical college in Duluth and is a member of the Minnesota State College System and has the third lowest college tuition in the State of Minnesota. Lake Superior College was recently ranked among the 20 best community colleges in the nation for quality and affordability; and, was ranked 41<sup>st</sup> among “50 Best Community Colleges in the Nation” by College Consensus, an organization that combines all the most reputable college ranking publishers and real student reviews. The college offers pre-baccalaureate majors for students interested in transferring to 4-year educational institutions, as well as more than 90+ certificate, diploma and associate degree programs in career and technical fields. LSC's Continuing Education/Customized Training division collaborates with area businesses and industry to design specialized opportunities for entry-level and advanced education. While courses are typically offered in traditional classroom and lab settings, LSC also offers nearly 200 courses online.

## LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund as of December 31, 2023 is 24.8% 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, 2023, the Community Investment Fund reported a fund balance of \$31.6 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$38.4 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$108.5 million on December 31, 2023. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare premium costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2023, retiree health care premium costs of \$1,228,479 were funded by the irrevocable trust. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

## MAJOR INITIATIVES

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

State legislation created a Duluth Regional Exchange District that will support the two regional health care systems headquartered in downtown Duluth. Essentia Health and St. Luke's Hospital are constructing new facilities that will

result in a combined investment exceeding \$1 billion in downtown Duluth. This investment will be the largest private development in Duluth's history and will act as a catalyst for additional development activity in the downtown area. Included in the State legislation was \$97.2 million earmarked for public improvements including parking ramps and street and utility improvements in the District. Site work began in 2019 and work on the project will continue for several years.

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

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2022. 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 2023. 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.

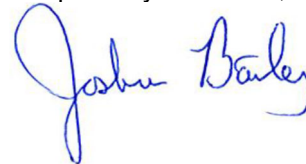
When looking at a report such as this ACFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the ACFR. As the requirements and demands of financial reporting in government increase, so too 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,

A handwritten signature in blue ink, appearing to read "J. Carlson".

Jennifer Carlson, CPA  
Finance Director

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Joshua Bailey".

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

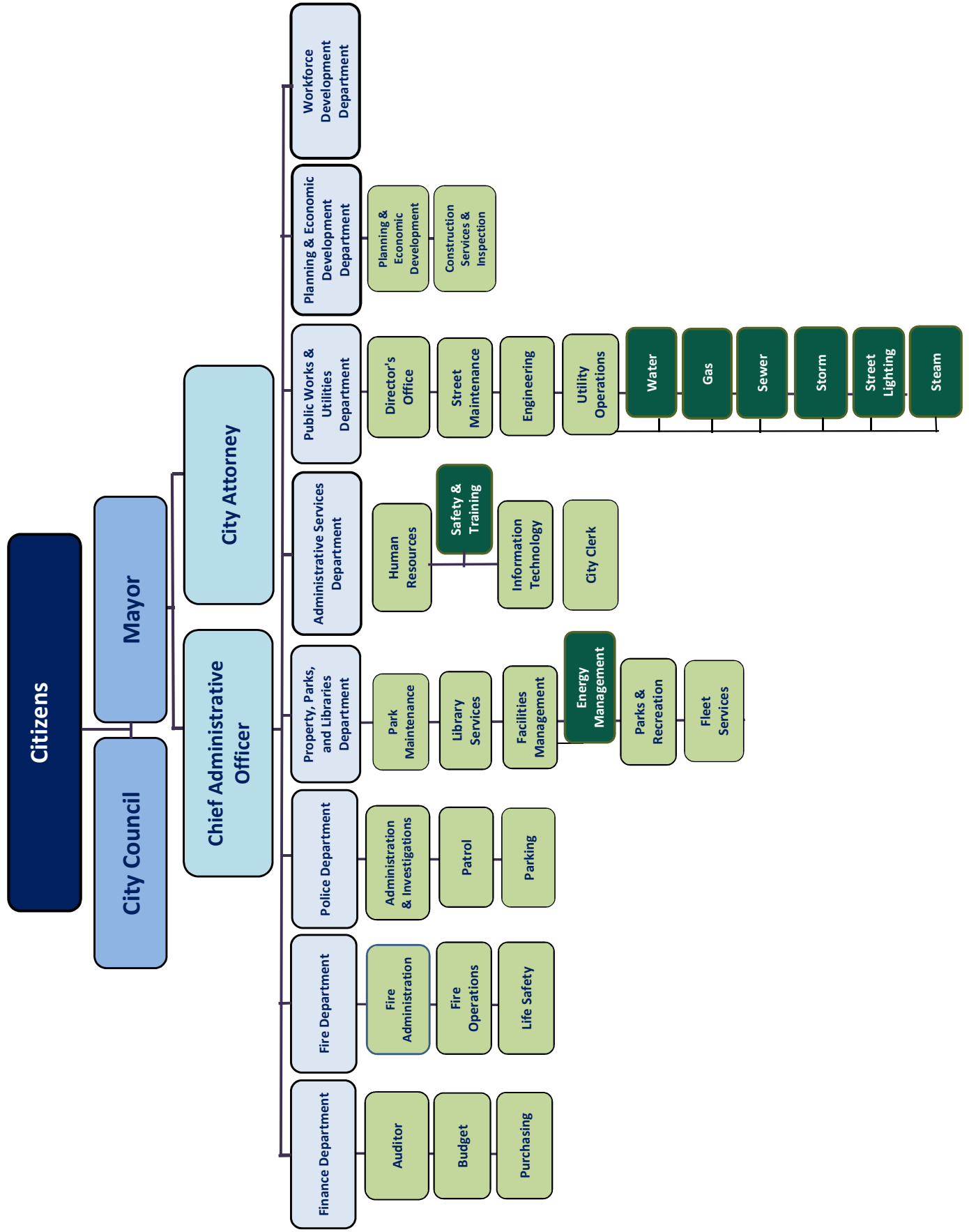
\*All terms expire in January

#### APPOINTED POSITION

Attorney	Jessica Fralich
Auditor	Joshua Bailey
Chief Administrative Officer	David Montgomery
Finance Director	Jennifer Carlson
Chief of Police	Mike Ceynowa
Director of Administrative Services	Benjamin VanTassel
Director of Planning and Economic Development	Chad Ronchetti
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, 2022

*Christopher P. Morill*

Executive Director/CEO

# FINANCIAL SECTION



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes of the Spirit Mountain Recreation Area Authority component unit's activities are included as of and for the year ended April 30, 2023.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of December 31, 2023, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2023, 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.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

#### ***Required Supplementary Information***

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

### **Supplementary Information**

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

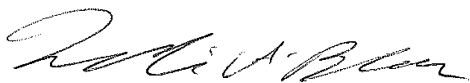
### **Other Information**

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and compliance.



Julie Blaha  
State Auditor



Chad Struss, CPA  
Deputy State Auditor

June 20, 2024

# Management's Discussion and Analysis

**CITY OF DULUTH, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**  
(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, 2023, 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, 2023, by \$680.6 million; this amount is identified as net position.
- As of December 31, 2023, the City's governmental funds reported combined ending fund balances of \$132.5 million.
- Restricted fund balances were \$61.9 million of fund balance or 46.7%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$70.6 million, or 53.3%, 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, 2023, the trust reported net position totaling \$108.5 million.
- As of December 31, 2023, the General Fund's unrestricted, unassigned fund balance was \$28.5 million, or 26.3% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The City's governmental activities include general government, public safety, public works, culture and recreation, and urban and economic development. The City's business-type activities include water, gas, sewer, stormwater, steam, municipal golf courses, 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**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**  
(unaudited)

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

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

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

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

### **Proprietary Funds**

The City maintains two different types of proprietary funds. The first type 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 the Priley Drive Parking Facility, Water, Gas, Sewer, and Steam funds, all of which are considered to be major funds. Data from the remaining enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds are included in the combining and individual fund section of this report.

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

### **Fiduciary Funds**

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

An additional portion of the City's net position (14.1%) 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 239,122	\$ 229,552	\$ 89,962	\$ 83,118	\$ 329,084	\$ 312,670
Capital assets*	352,947	339,890	343,924	334,403	696,871	674,293
Total assets	<u>\$ 592,069</u>	<u>\$ 569,442</u>	<u>\$ 433,886</u>	<u>\$ 417,521</u>	<u>\$ 1,025,955</u>	<u>\$ 986,963</u>
Deferred outflows of resources	\$ 79,975	\$ 77,615	\$ 11,337	\$ 10,624	\$ 91,312	\$ 88,239
Long-term liabilities outstanding*	\$ 255,083	\$ 321,470	\$ 50,132	\$ 60,096	\$ 305,215	\$ 381,566
Other liabilities	43,316	68,730	11,837	14,752	55,153	83,482
Total liabilities	<u>\$ 298,399</u>	<u>\$ 390,200</u>	<u>\$ 61,969</u>	<u>\$ 74,848</u>	<u>\$ 360,368</u>	<u>\$ 465,048</u>
Deferred inflows of resources	\$ 71,728	\$ 10,410	\$ 4,609	\$ 2,823	\$ 76,337	\$ 13,233
Net position:						
Net investment in capital assets	\$ 296,939	\$ 285,470	\$ 304,527	\$ 289,769	\$ 601,466	\$ 575,239
Restricted	93,823	71,315	2,042	2,016	95,865	73,331
Unrestricted	(88,845)	(110,338)	72,076	58,689	(16,769)	(51,649)
Total net position	<u>\$ 301,917</u>	<u>\$ 246,447</u>	<u>\$ 378,645</u>	<u>\$ 350,474</u>	<u>\$ 680,562</u>	<u>\$ 596,921</u>

\* Includes restatement of 2022 amounts for SBITA assets and SBITA liability per GASB Statement No. 96.

Overall, the City's net position improved in 2023. The City's total net position increased \$83.6 million, an increase of 14%. Net position invested in capital assets increased largely due to the City's utility infrastructure replacement along with construction activity for the City Hall mechanical, electrical and plumbing (MEP) project. The City Hall MEP project is funded through an allocation of SLFRF funds. 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 2023 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 \$91.8 million was largely due to a decrease in unearned revenue due to funds incurred during the year associated with the SLFRF program. In addition, the pension liability decreased in the year 2023. Both the City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows, and are amortized and expensed over several years in accordance with the Governmental Accounting Standards Board (GASB). Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred outflows and inflows. Positive returns in the stock market and changes in actuarial assumptions were the primary driving force behind the decrease in the City's pension liability. See Notes 13 and 14 of the financial statements for more details on the City's pension and OPEB liabilities.

For business-type activities, the increase in total assets of \$16.4 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 decrease in total liabilities of \$12.9 million was largely due to the pension liability calculation. In addition, there was a decrease in utility related bonds and notes due to principal paid in 2023.

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 17,797	\$ 14,920	\$ 108,451	\$ 120,514	\$ 126,248	\$ 135,434
Operating grants and contributions	32,179	29,537	79	21	32,258	29,558
Capital grants and contributions	26,162	38,202	8,973	16,064	35,135	54,266
General revenues:						
Property taxes	44,255	41,226	-	-	44,255	41,226
Other taxes	48,637	47,701	-	-	48,637	47,701
Grants and shared revenues not restricted to specific programs	33,415	33,277	-	-	33,415	33,277
Other	14,462	(4,962)	140	(425)	14,602	(5,387)
Total revenues	216,907	199,901	117,643	136,174	334,550	336,075
Expenses:						
General government	37,154	34,203	-	-	37,154	34,203
Public safety	50,793	48,452	-	-	50,793	48,452
Public works	31,562	27,916	-	-	31,562	27,916
Culture and recreation	19,884	17,034	-	-	19,884	17,034
Urban and economic development	21,650	33,442	-	-	21,650	33,442
Interest	3,337	3,298	-	-	3,337	3,298
Water	-	-	12,107	11,098	12,107	11,098
Gas	-	-	36,073	47,848	36,073	47,848
Sewer	-	-	17,187	16,745	17,187	16,745
Stormwater	-	-	4,772	3,910	4,772	3,910
Steam	-	-	9,770	11,781	9,770	11,781
Golf	-	-	1,356	1,286	1,356	1,286
Parking	-	-	3,897	3,293	3,897	3,293
Priley drive parking facility	-	-	1,315	1,255	1,315	1,255
Broadband fiber	-	-	52	56	52	56
Total expenses	164,380	164,345	86,529	97,272	250,909	261,617
Increase (decrease) in net position before transfers	52,527	35,556	31,114	38,902	83,641	74,458
Transfers	2,943	1,426	(2,943)	(1,426)	-	-
Increase in net position	55,470	36,982	28,171	37,476	83,641	74,458
Net position, January 1	246,447	209,465	350,474	312,998	596,921	522,463
Net position, December 31	\$ 301,917	\$ 246,447	\$ 378,645	\$ 350,474	\$ 680,562	\$ 596,921

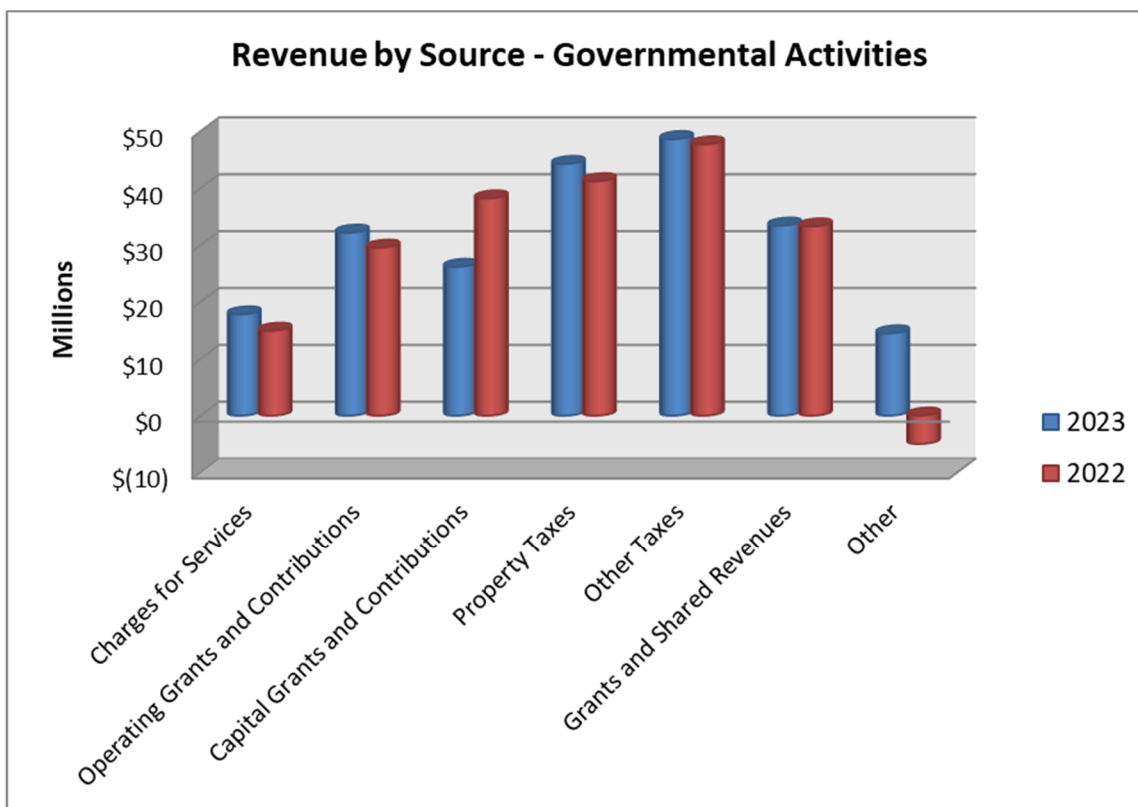
Governmental activities revenue increased by \$17.0 million in 2023. This increase is largely due to positive investment returns in 2023 along with increased sales and property tax revenue. Tourism tax related collections continued a strong recovery from the negative impacts of the pandemic in 2020. Tourism related sales taxes increased 6.9% in 2023. The City's property tax levy increased 7.9% from 2022 to 2023. This increase provided funding for the City's increased operational costs. The stock market performance in 2023 resulted in a \$5.8 million investment revenue gain for the Community Investment Trust fund.

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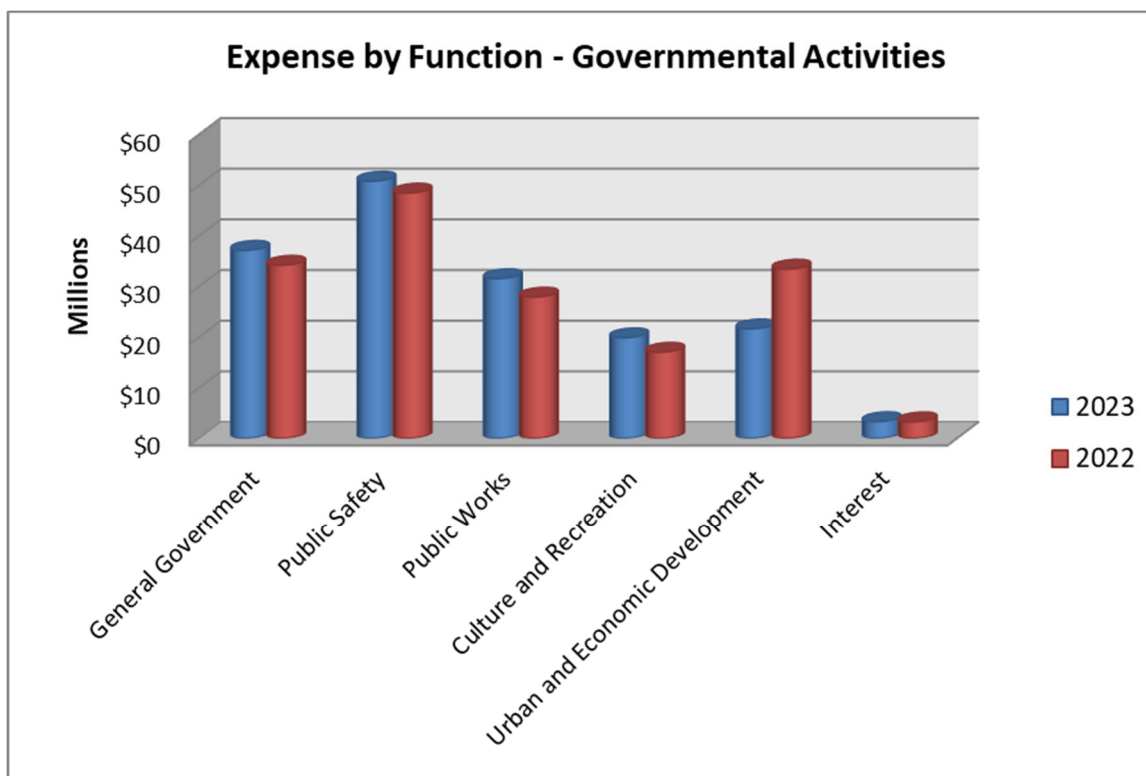
Business-type activities revenue decreased by \$18.5 million. The decrease in revenue is largely associated with lower natural gas prices which resulted in a substantial decrease in natural gas sales from 2022 to 2023. The City completed additional SLFRF funded improvements in the water fund including water mains and water meters in 2023.

Expenses remained relatively stable 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.

Business-type activities expenses decreased \$10.7 million. The majority of the decrease was in the Gas fund due to the decreased cost of natural gas.



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### **FUND FINANCIAL ANALYSIS**

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

### **GOVERNMENTAL FUNDS**

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

As of December 31, 2023, the City's governmental funds reported combined ending fund balances of \$132.5 million, an increase of \$16.0 million from 2022. Of the total fund balance amount, \$70.6 million, or 53.3%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$35.2 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 89.8% of the committed fund balance. Restricted fund balance of \$61.9 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, 2023, fund balance of the General Fund was \$39.2 million, with \$28.5 million, or 72.7% 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 26.3% and total fund balance is 36.2% of total General Fund expenditures. The General Fund's fund balance increased \$10.4 million in 2023. Property tax collections along with transfers from the Gas fund and Parking funds were a large driving force behind the fund balance increase.

The Disaster Recovery Special Revenue fund balance decreased \$2.7 million in 2023. This is primarily due to expenditures related to storm surges in 2018 and 2022.

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The Local Fiscal Recovery Special Revenue fund was established in 2021. The City received over \$58 million combined in the years 2021 and 2022 related to the US Treasury's Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The funds will be used on a variety of projects such as water related infrastructure, low income housing, and building ventilation improvements. \$8.7 million in funds were expended primarily on City Hall ventilation in 2023.

The Community Investment Trust Special Revenue fund balance increased \$5.2 million in 2023. This increase was due to the performance of the portfolio holdings in a strong stock market year.

**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	
	2023	2022	2023	2022
Priley Drive Parking Facility	\$ 541	\$ 499	\$ (301)	\$ (272)
Water	16,559	13,997	8,618	11,449
Gas	17,930	13,314	5,652	8,644
Sewer	12,150	10,260	4,376	3,295
Steam	111	3,853	(324)	6,898

Unrestricted net position for the major proprietary funds above increased by \$5.4 million from 2022 to 2023. A large portion of this increase was in the Gas fund of \$4.6 million. Natural gas prices were lower in 2023 as compared to the year 2022. The operating expenses in the Gas fund are 24% less in the year 2023 as a result of the decrease in natural gas prices. Overall, the change in the total net position for the above funds was an increase of \$18.0 million. Of particular note, the Water fund had an increase in total net position of \$8.6 million. There was \$3.7 million in capital contributions related to SLFRF funding primarily for the water meter replacement project recorded in the Water fund in 2023. These revenues contributed to the increase in the Water fund net position.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year there was an \$8.5 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$0.9 million appropriation increase for prior year carryovers; and
- \$7.6 million appropriation increase for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$11.8 million. This favorable variance can be attributed to higher than anticipated sales tax revenue, building inspection fees, and the implementation of GASB 96 including the recording of SBITA proceeds.
- Expenditures and transfers were over budget by \$1.9 million due to the implementation of GASB 96.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, was \$696.9 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, utility-related infrastructure, and right-to-use leased assets. In 2023, the City's total investment in capital assets, net of accumulated depreciation, increased by \$22.6 million. Major capital asset additions for governmental activities in 2023 included: City Hall MEP project of \$8.5 million, Seawall reconstruction of \$3.7 million, 2023 street preservation of \$3.6 million, and Lincoln Park improvements of \$3.5 million. Major capital asset additions for business-type activities in 2023 included: 1<sup>st</sup> Avenue East hot water extension of \$2.5 million, two blanket gas projects for \$2.4 million, Hidden Valley water main of \$1.8 million, and citywide CIPP lining for \$1.4 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2023	2022*	2023	2022
Capital Assets:				
Land and improvements	\$ 23,531	\$ 22,859	\$ 4,649	\$ 4,649
Buildings	28,047	35,549	41,325	42,960
Equipment	7,269	5,124	41,855	39,923
Infrastructure	254,701	243,855	232,217	229,757
Right-to-use assets	6,342	5,215	-	-
Construction in progress	33,057	27,287	23,878	17,114
Total	<u>\$ 352,947</u>	<u>\$ 339,889</u>	<u>\$ 343,924</u>	<u>\$ 334,403</u>

\* Includes restatement of 2022 amounts for SBITA assets per GASB Statement No. 96.

**LONG-TERM DEBT**

The City had \$127.1 million of bonded debt outstanding as of December 31, 2023. Of this amount, \$96.8 million of debt is backed by the full faith and credit of the City. The City has a contingent liability for the \$30.3 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):



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	Balance 12/31/23	Balance 12/31/22
Governmental Activities:		
General Obligation Bonds	\$ 74,510	\$ 77,220
General Obligation Tax Abatement Bonds	8,285	9,215
Special Assessment Debt with Government Commitment	-	185
General Obligation Certificates	14,020	14,125
	<u>\$ 96,815</u>	<u>\$ 100,745</u>
Total Governmental Activities Bonded Debt		
Business-type Activities:		
Revenue and General Obligation Bonds	\$ 30,296	\$ 33,098

During 2023, the City's total bonded debt decreased by \$6.7 million.

In 2023, the City issued \$3.8 million of general obligation bonds and \$3.4 million of general obligation certificates. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$184.3 million, which is significantly higher than the City's net debt of \$36.6 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 2024 General Fund budget is \$120.1 million. State local government aid (LGA) payments are anticipated to supply 29.3% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

Since its inception in 1971, state aid has undergone many changes. These changes include modifications to the formula, legislative cuts, and governor unallotments in times of state budget deficits. From 2010 through 2014, local government aid to the City was reduced below the 2009 level. From 2014 through 2019, LGA remained relatively flat. In 2020, the City saw an increase of \$578 thousand and in 2024 the City's state aid amount is \$35.2 million. The City continues to lobby the State Legislature to grow LGA by inflation in future years.

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, 2023, the City made contributions of \$6.7 million to an irrevocable trust and paid out \$9.0 million in retiree claims. As of December 31, 2023, the City's net OPEB liability is \$72.7 million.

Adapting to significant changes in levels of state aids, 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](mailto:jbailey@duluthmn.gov).

# Basic Financial Statements

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF NET POSITION**  
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	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 135,867,557	\$ 52,069,148	\$ 187,936,705	\$ 30,242,745
Investments, at fair value	31,634,458	-	31,634,458	-
Assets held by trustee	18,695,833	-	18,695,833	-
Receivables, net	31,135,634	13,159,561	44,295,195	22,230,231
Due from primary government	-	-	-	1,247,154
Internal balances	(5,339,321)	5,339,321	-	-
Due from component units	99,931	-	99,931	-
Due from other governments	26,695,036	935,781	27,630,817	5,761,494
Inventories	279,408	4,104,942	4,384,350	876,743
Prepays	52,917	8,809,144	8,862,061	196,890
Restricted assets				
Cash and cash equivalents	-	3,931,349	3,931,349	2,081,086
Accounts receivable	-	-	-	275,712
Loans receivable	-	1,612,752	1,612,752	-
Grants receivable	-	-	-	6,100,441
Capital assets (Note 7)				
Non-depreciable	56,587,563	28,527,886	85,115,449	16,430,849
Depreciable and amortizable, net	296,359,688	315,396,155	611,755,843	240,300,244
Total Assets	592,068,704	433,886,039	1,025,954,743	325,743,589
<b>Deferred Outflows of Resources</b>				
Deferred pension obligation outflows	60,100,409	2,347,878	62,448,287	3,808,931
Deferred OPEB outflows	18,149,594	8,881,167	27,030,761	651,401
Deferred loss from debt refunding	1,725,300	108,075	1,833,375	-
Total Deferred Outflows of Resources	79,975,303	11,337,120	91,312,423	4,460,332
<b>Liabilities</b>				
Accounts payable and other short-term liabilities	20,791,215	9,062,411	29,853,626	9,873,471
Accrued interest payable	1,540,632	348,302	1,888,934	1,082
Due to primary government	-	-	-	122,840
Due to component unit	1,247,154	-	1,247,154	-
Due to other government	221,989	1,032,190	1,254,179	82,086
Unearned revenues	19,515,147	1,394,444	20,909,591	2,795,040
Noncurrent liabilities				
Due within one year	17,642,744	6,343,584	23,986,328	2,548,313
Due in more than one year	102,856,360	34,436,102	137,292,462	5,904,902
Other postemployment benefits liability due in more than one year	79,351,169	-	79,351,169	4,413,867
Net pension liability due in more than one year	55,232,878	9,351,928	64,584,806	6,639,488
Total Liabilities	298,399,288	61,968,961	360,368,249	32,381,089
<b>Deferred Inflows of Resources</b>				
Lease related	2,064,533	1,416,146	3,480,679	12,913,194
Deferred pension obligation inflows	61,621,012	3,192,655	64,813,667	2,071,947
Deferred OPEB inflows	8,042,581	-	8,042,581	928,719
Total Deferred Inflows of Resources	71,728,126	4,608,801	76,336,927	15,913,860
<b>Net Position</b>				
Net investment in capital assets	296,939,221	304,527,203	601,466,424	242,168,857
Restricted for:				
General government	17,200,518	-	17,200,518	-
Public safety	5,161,820	-	5,161,820	-
Public works	2,140,481	1,514,352	3,654,833	-
Culture and recreation	4,684,027	-	4,684,027	-
Urban and economic development	13,637,524	-	13,637,524	-
Debt service	22,849,865	527,670	23,377,535	-
Capital outlay	28,148,897	-	28,148,897	19,210,962
Unrestricted	(88,845,760)	72,076,172	(16,769,588)	20,529,153
Total Net Position	\$ 301,916,593	\$ 378,645,397	\$ 680,561,990	\$ 281,908,972

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, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental activities				
General government	\$ 37,154,531	\$ 7,367,932	\$ 3,957,602	\$ 8,292,065
Public safety	50,793,519	2,583,212	8,579,732	31,974
Public works	31,561,724	139,784	7,359,752	14,072,753
Culture and recreation	19,883,844	2,260,828	1,940,242	3,419,107
Urban and economic development	21,649,907	5,444,986	10,341,587	345,659
Interest	3,336,685	-	-	-
Total Governmental Activities	164,380,210	17,796,742	32,178,915	26,161,558
Business-type activities				
Water	12,106,676	17,438,419	-	3,730,580
Gas	36,073,458	46,197,830	-	223,894
Sewer	17,186,613	21,845,445	-	10,349
Stormwater	4,772,165	7,643,222	79,481	24,327
Steam	9,769,975	9,075,372	-	599,656
Golf	1,355,661	1,392,727	-	-
Parking	3,897,291	4,345,389	-	935,284
Priley Drive parking facility	1,315,057	513,136	-	-
Broadband fiber	52,277	-	-	3,448,971
Total Business-type Activities	86,529,173	108,451,540	79,481	8,973,061
Total Primary Government	\$ 250,909,383	\$ 126,248,282	\$ 32,258,396	\$ 35,134,619
<b>Component units</b>				
Duluth Economic Development Authority	\$ 11,697,963	\$ 878,873	\$ 2,570,803	\$ 4,040,512
Duluth Entertainment and Convention Center Authority	19,011,404	10,546,092	-	200,000
Duluth Airport Authority	17,506,591	4,502,637	-	16,598,423
Duluth Transit Authority	27,792,141	2,503,995	26,595,193	6,885,793
Spirit Mountain Recreation Area Authority	7,254,151	6,307,930	-	732,369
Total Component Units	\$ 83,262,250	\$ 24,739,527	\$ 29,165,996	\$ 28,457,097

(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, 2023**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Primary Government</b>				
Governmental activities				
General government	\$ (17,536,932)	\$ -	\$ (17,536,932)	\$ -
Public safety	(39,598,601)	-	(39,598,601)	-
Public works	(9,989,435)	-	(9,989,435)	-
Culture and recreation	(12,263,667)	-	(12,263,667)	-
Urban and economic development	(5,517,675)	-	(5,517,675)	-
Interest	(3,336,685)	-	(3,336,685)	-
Total Governmental Activities	(88,242,995)	-	(88,242,995)	-
Business-type activities				
Water	-	9,062,323	9,062,323	-
Gas	-	10,348,266	10,348,266	-
Sewer	-	4,669,181	4,669,181	-
Stormwater	-	2,974,865	2,974,865	-
Steam	-	(94,947)	(94,947)	-
Golf	-	37,066	37,066	-
Parking	-	1,383,382	1,383,382	-
Priley Drive parking facility	-	(801,921)	(801,921)	-
Broadband fiber	-	3,396,694	3,396,694	-
Total Business-type Activities	-	30,974,909	30,974,909	-
Total Primary Government	(88,242,995)	30,974,909	(57,268,086)	-
<b>Component units</b>				
Duluth Economic Development Authority	-	-	-	(4,207,775)
Duluth Entertainment and Convention Center Authority	-	-	-	(8,265,312)
Duluth Airport Authority	-	-	-	3,594,469
Duluth Transit Authority	-	-	-	8,192,840
Spirit Mountain Recreation Area Authority	-	-	-	(213,852)
Total Component Units	-	-	-	(899,630)
<b>General Revenues</b>				
Property taxes	44,255,331	-	44,255,331	6,136,432
Sales taxes	43,924,005	-	43,924,005	2,376,551
Franchise taxes	4,405,732	-	4,405,732	-
Other taxes	307,332	-	307,332	-
Grants and shared revenues not restricted to specific programs	33,415,083	-	33,415,083	-
Investment income	7,601,976	76,968	7,678,944	1,499,101
Gain (loss) on sale or disposition of capital assets	-	62,643	62,643	-
Miscellaneous	6,859,587	-	6,859,587	5,051,662
Transfers	2,943,530	(2,943,530)	-	-
Total General Revenues and Transfers	143,712,576	(2,803,919)	140,908,657	15,063,746
Change in Net Position	55,469,581	28,170,990	83,640,571	14,164,116
Net Position - Beginning, as restated (Note 1)	246,447,012	350,474,407	596,921,419	267,744,856
Net Position - Ending	\$ 301,916,593	\$ 378,645,397	\$ 680,561,990	\$ 281,908,972

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

**CITY OF DULUTH, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	General	Disaster Recovery	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 35,660,965	\$ -	\$ 19,635,635	\$ -	\$ 74,407,253	\$129,703,853
Investments, at fair value	-	-	-	31,634,458	-	31,634,458
Receivables, net						
Taxes	4,272,402	-	-	-	3,527,321	7,799,723
Accounts	677,161	-	-	-	859,811	1,536,972
Assessments	1,294,844	-	-	-	1,625,846	2,920,690
Loans	1,757,268	-	-	-	15,552,049	17,309,317
Leases	-	-	-	-	2,146,331	2,146,331
Due from other funds	1,123,750	240,556	-	-	4,836,487	6,200,793
Due from component units	5,106	-	-	-	94,825	99,931
Interfund loan receivables	7,483,067	-	-	-	-	7,483,067
Due from other governments	586,128	4,407,200	-	-	21,701,708	26,695,036
Prepays	-	-	-	-	2,917	2,917
Total Assets	<u>52,860,691</u>	<u>4,647,756</u>	<u>19,635,635</u>	<u>31,634,458</u>	<u>124,754,548</u>	<u>233,533,088</u>
<b>Liabilities</b>						
Accounts payable	3,509,429	3,751	-	-	1,114,851	4,628,031
Contracts payable	370,942	1,259,138	970,715	-	10,996,751	13,597,546
Due to other funds	3,539,195	24,712	360,049	-	2,917,496	6,841,452
Due to component units	-	-	-	-	1,247,154	1,247,154
Interfund loan payable	-	4,624,880	-	-	126,648	4,751,528
Due to other governments	105,744	-	-	-	79,916	185,660
Accrued salaries payable	2,204,176	3,424	-	-	112,842	2,320,442
Unearned revenue	31,210	606,130	18,411,798	-	359,371	19,408,509
Total Liabilities	<u>9,760,696</u>	<u>6,522,035</u>	<u>19,742,562</u>	<u>-</u>	<u>16,955,029</u>	<u>52,980,322</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	3,898,977	4,403,631	-	-	37,699,151	46,001,759
Lease related	-	-	-	-	2,064,533	2,064,533
Total Deferred Inflows of Resources	<u>3,898,977</u>	<u>4,403,631</u>	<u>-</u>	<u>-</u>	<u>39,763,684</u>	<u>48,066,292</u>
<b>Fund Balances</b>						
Restricted	194,453	-	-	-	61,694,804	61,889,257
Committed	16,995	-	-	31,634,458	3,591,641	35,243,094
Assigned	10,504,760	-	-	-	6,131,450	16,636,210
Unassigned	28,484,810	(6,277,910)	(106,927)	-	(3,382,060)	18,717,913
Total Fund Balances	<u>39,201,018</u>	<u>(6,277,910)</u>	<u>(106,927)</u>	<u>31,634,458</u>	<u>68,035,835</u>	<u>132,486,474</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 52,860,691</u>	<u>\$ 4,647,756</u>	<u>\$ 19,635,635</u>	<u>\$ 31,634,458</u>	<u>\$124,754,548</u>	<u>\$233,533,088</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, 2023**

Fund Balance-total governmental funds	\$ 132,486,474
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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 \$677,155,089, and the accumulated depreciation and amortization is \$324,369,422.	352,785,667
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Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.	45,333,709
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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	59,877,884	
Deferred OPEB outflows	18,149,594	
Deferred loss from debt refunding	1,725,300	
Deferred pension obligation inflows	(61,318,422)	
Deferred OPEB inflows	(8,042,581)	
		10,391,775

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 \$18,070,055 less \$7,966,459 attributed to business-type activities.	10,103,596
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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	107,421,542	
SBITA payable	2,306,254	
Leases payable	4,218,501	
Other post employment benefits	79,351,169	
Net pension liability	54,346,530	
Interest accrued on long-term debt	1,540,632	
		(249,184,628)

Net position of governmental activities	\$ 301,916,593
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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, 2023**

	General	Disaster Recovery	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes						
Property taxes	\$28,107,938	\$ -	\$ -	\$ -	\$ 16,075,156	\$ 44,183,094
Sales taxes	19,032,816	-	-	-	24,891,189	43,924,005
Other taxes	4,701,849	-	-	-	11,214	4,713,063
Licenses and permits	2,097,501	-	-	-	146,346	2,243,847
Intergovernmental revenues	44,951,454	7,326	8,736,537	-	23,583,521	77,278,838
Charges for services	8,540,528	-	-	-	2,018,840	10,559,368
Fines and forfeits	361,436	-	-	-	129,343	490,779
Special assessments	542,952	-	-	-	581,938	1,124,890
Investment income	62,091	-	321,495	5,754,657	705,701	6,843,944
Miscellaneous revenues	2,178,882	-	-	-	5,952,271	8,131,153
Total Revenues	<u>110,577,447</u>	<u>7,326</u>	<u>9,058,032</u>	<u>5,754,657</u>	<u>74,095,519</u>	<u>199,492,981</u>
<b>Expenditures</b>						
Current						
General government	32,901,702	-	-	-	2,425,985	35,327,687
Public safety	47,335,627	148,418	-	-	2,458,654	49,942,699
Public works	13,268,602	121,767	-	-	4,175,595	17,565,964
Culture and recreation	4,789,863	2,191,641	-	-	8,691,536	15,673,040
Urban and economic development	6,589,854	-	-	-	15,391,188	21,981,042
Debt service						
Principal retirement	550,701	-	-	-	11,332,380	11,883,081
Interest and fiscal fees	51,819	-	-	-	3,796,117	3,847,936
Bond issuance costs	-	-	-	-	198,015	198,015
Capital outlay	2,836,296	-	8,736,537	-	27,817,497	39,390,330
Total Expenditures	<u>108,324,464</u>	<u>2,461,826</u>	<u>8,736,537</u>	<u>-</u>	<u>76,286,967</u>	<u>195,809,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,252,983</u>	<u>(2,454,500)</u>	<u>321,495</u>	<u>5,754,657</u>	<u>(2,191,448)</u>	<u>3,683,187</u>
<b>Other Financing Sources (Uses)</b>						
Issuance of bonds	-	-	-	-	7,140,000	7,140,000
Issuance of SBITA	2,073,320	-	-	-	-	2,073,320
Premium on issuance of bonds	-	-	-	-	242,428	242,428
Transfers in	12,698,616	747,256	-	-	22,327,047	35,772,919
Transfers out	(6,671,865)	(1,000,000)	-	(594,975)	(24,620,349)	(32,887,189)
Total Other Financing Sources (Uses)	<u>8,100,071</u>	<u>(252,744)</u>	<u>-</u>	<u>(594,975)</u>	<u>5,089,126</u>	<u>12,341,478</u>
Net Change in Fund Balances	10,353,054	(2,707,244)	321,495	5,159,682	2,897,678	16,024,665
Fund Balances - January 1, 2023	28,847,964	(3,570,666)	(428,422)	26,474,776	65,138,157	116,461,809
Fund Balances - December 31, 2023	<u>\$39,201,018</u>	<u>\$ (6,277,910)</u>	<u>\$ (106,927)</u>	<u>\$ 31,634,458</u>	<u>\$ 68,035,835</u>	<u>\$132,486,474</u>

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



**CITY OF DULUTH, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net change in fund balances - total governmental funds \$ 16,024,665

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	38,644,067	
Depreciation and amortization expense	(21,451,233)	
Excess of capital outlay over depreciation expense		17,192,834

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	(4,076,709)
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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 \$5,310,522 from internal funds less \$1,190,176 attributed to business-type activities is reported with governmental activities.

4,120,346

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, SBITA, and leases, including a bond premium of \$242,428	(9,455,748)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond, lease, SBITA, and purchase agreement principal retirement	12,248,812
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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.

15,245,866

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	36,521	
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	9,340,133	
Increase in pension obligation and related deferred inflows and deferred outflows	(6,361,529)	
Decrease in allowance for doubtful accounts	90,033	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	1,235,461	
Total additional expenditures		4,169,515

Change in net position of governmental activities	\$ 55,469,581
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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, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Actual to</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Modified Budget</b>
			<b>(Note 2)</b>	<b>Increase</b>
				<b>(Decrease)</b>
<b>Revenues</b>				
Taxes	\$ 47,262,850	\$ 47,337,850	\$ 51,842,603	\$ 4,504,753
Licenses and permits	1,908,100	1,908,100	2,097,501	189,401
Intergovernmental revenues	35,230,400	42,652,764	44,951,454	2,298,690
Charges for services	6,504,600	6,504,600	8,540,528	2,035,928
Fines and forfeits	300,500	301,948	361,436	59,488
Special assessments	438,800	499,578	542,952	43,374
Investment income	-	-	62,091	62,091
Miscellaneous revenues	534,000	1,943,192	2,178,882	235,690
Total Revenues	92,179,250	101,148,032	110,577,447	9,429,415
<b>Expenditures</b>				
Current				
General government	34,560,850	35,269,027	36,326,695	(1,057,668)
Public safety	47,306,100	48,531,882	47,802,954	728,928
Public works	14,453,900	14,567,004	13,464,998	1,102,006
Culture and recreation	5,235,700	4,981,984	4,789,863	192,121
Urban and economic development	4,029,600	6,645,668	6,642,194	3,474
Debt service				
Principal retirement	-	550,701	550,701	-
Interest and fiscal fees	-	51,819	51,819	-
Total Expenditures	105,586,150	110,598,085	109,629,224	968,861
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,406,900)	(9,450,053)	948,223	10,398,276
<b>Other Financing Sources (Uses)</b>				
Issuance of SBITA	-	-	2,073,320	2,073,320
Transfers in	13,687,600	12,355,295	12,698,616	343,321
Transfers out	(280,700)	(3,807,189)	(6,671,865)	(2,864,676)
Total Other Financing Sources (Uses)	13,406,900	8,548,106	8,100,071	(448,035)
Net Change in Fund Balance - Budgetary Basis	-	(901,947)	9,048,294	9,950,241
Net Adjustments to Reflect Operations In Accordance With Generally Accepted Accounting Principles	-	-	1,304,760	1,304,760
Net Change in Fund Balance - GAAP Basis	-	(901,947)	10,353,054	\$ 11,255,001
Fund Balance - January 1, 2023	17,689,159	15,897,238	28,847,964	
Fund Balance - December 31, 2023	\$ 17,689,159	\$ 14,995,291	\$ 39,201,018	

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, 2023**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Priley Drive Parking Facility</b>	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 637,579	\$ 12,963,111	\$ 12,942,510	\$ 9,058,967
Restricted cash and cash equivalents				
Customer deposits	-	-	1,664,215	-
Construction	-	-	-	527,670
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	20,606	1,587,346	5,842,240	2,129,325
Restricted loans	-	-	304,372	-
Assessments	-	10,879	7,994	12,914
Leases receivable	-	-	-	-
Due from other funds	-	430,667	14,462	38,647
Interfund loan receivable	-	-	420,296	-
Due from other governments	-	318,528	-	154,511
Inventories	-	1,693,989	1,546,251	118,458
Prepays	-	1,636,126	2,481,969	2,912,476
Total current assets	658,185	18,640,646	25,224,309	14,952,968
Noncurrent assets				
Assessments receivable	-	49,269	78,672	62,680
Restricted loans receivable	-	-	1,292,014	-
Leases receivable	-	-	-	-
Capital assets, net	16,831,802	82,112,827	64,469,916	99,988,549
Total noncurrent assets	16,831,802	82,162,096	65,840,602	100,051,229
Total Assets	17,489,987	100,802,742	91,064,911	115,004,197
<b>Deferred Outflows of Resources</b>				
Deferred loss from debt refunding	-	-	-	-
Deferred pension obligation outflows	-	673,656	921,608	377,086
Deferred OPEB outflows	-	2,767,332	3,884,315	1,458,372
Total Deferred Outflows of Resources	-	3,440,988	4,805,923	1,835,458
<b>Liabilities</b>				
Current liabilities				
Accounts payable	3,738	368,207	2,801,415	347,254
Contracts payable	-	779,925	455,865	567,716
Claims payable	-	-	-	-
Notes payable	-	904,000	-	1,201,000
Purchase agreement payable	-	146,915	134,672	126,510
Due to other funds	-	114,709	30,621	42,375
Interfund loan payable	-	-	-	-
Due to other governments	-	52,984	116,175	843,429
Accrued interest payable	112,991	65,456	2,108	16,517
Accrued salaries payable	-	165,274	232,147	92,521
Compensated absences	-	316,814	458,522	170,475
Unearned revenue	-	69,291	1,219,197	49,766
Deposits	-	-	1,664,215	-
Revenue bonds payable	168,106	261,000	-	194,000
Total current liabilities	284,835	3,244,575	7,114,937	3,651,563

(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, 2023**

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Priley Drive Parking Facility</b>	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
Noncurrent liabilities				
Notes payable	-	5,547,000	-	882,000
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	-	39,999	52,656	29,002
Net pension liability	-	2,683,268	3,670,892	1,501,986
Revenue bonds payable	11,257,985	2,945,245	-	76,771
Total noncurrent liabilities	11,257,985	11,215,512	3,723,548	2,489,759
Total Liabilities	11,542,820	14,460,087	10,838,485	6,141,322
<b>Deferred Inflows of Resources</b>				
Deferred pension obligation inflows	-	916,041	1,253,206	512,763
Lease related	-	-	-	-
Total Deferred Inflows of Resources	-	916,041	1,253,206	512,763
<b>Net Position</b>				
Net investment in capital assets	5,405,711	72,308,667	64,335,244	97,508,268
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	527,670
Restricted for loans	-	-	1,514,352	-
Unrestricted	541,456	16,558,935	17,929,547	12,149,632
Total Net Position	\$ 5,947,167	\$ 88,867,602	\$ 83,779,143	\$ 110,185,570

(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, 2023**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Steam</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ -	\$ 16,466,981	\$ 52,069,148	\$ 6,163,704
Restricted cash and cash equivalents				
Customer deposits	-	-	1,664,215	-
Construction	-	1,739,464	2,267,134	-
Restricted assets held by trustee	-	-	-	18,695,833
Receivables, net				
Accounts	958,613	939,132	11,477,262	90,651
Restricted loans	-	-	304,372	-
Assessments	-	25,075	56,862	-
Leases receivable	-	281,629	281,629	-
Due from other funds	18,736	74,863	577,375	673,873
Interfund loan receivable	-	-	420,296	-
Due from other governments	462,742	-	935,781	-
Inventories	582,517	163,727	4,104,942	279,408
Prepays	45,000	1,733,573	8,809,144	50,000
Total current assets	2,067,608	21,424,444	82,968,160	25,953,469
Noncurrent assets				
Assessments receivable	-	1,383	192,004	-
Restricted loans receivable	16,366	-	1,308,380	-
Leases receivable	-	1,151,804	1,151,804	-
Capital assets, net	41,092,054	39,428,893	343,924,041	161,584
Total noncurrent assets	41,108,420	40,582,080	346,576,229	161,584
Total Assets	43,176,028	62,006,524	429,544,389	26,115,053
<b>Deferred Outflows of Resources</b>				
Deferred loss from debt refunding	-	108,075	108,075	-
Deferred pension obligation outflows	-	375,528	2,347,878	222,525
Deferred OPEB outflows	-	771,148	8,881,167	-
Total Deferred Outflows of Resources	-	1,254,751	11,337,120	222,525
<b>Liabilities</b>				
Current liabilities				
Accounts payable	828,456	140,732	4,489,802	186,132
Contracts payable	311,574	189,841	2,304,921	4,470
Claims payable	-	-	-	1,591,835
Notes payable	-	-	2,105,000	-
Purchase agreement payable	-	-	408,097	-
Due to other funds	271,504	145,656	604,865	5,724
Interfund loan payable	420,296	1,049,648	1,469,944	131,891
Due to other governments	19,147	455	1,032,190	36,329
Accrued interest payable	121,741	29,489	348,302	-
Accrued salaries payable	-	106,808	596,750	54,594
Compensated absences	-	206,570	1,152,381	3,590,048
Unearned revenue	-	56,190	1,394,444	106,638
Deposits	-	6,723	1,670,938	-
Revenue bonds payable	1,160,000	895,000	2,678,106	-
Total current liabilities	3,132,718	2,827,112	20,255,740	5,707,661

(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, 2023**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Steam</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
Noncurrent liabilities				
Notes payable	-	-	6,429,000	-
Claims payable	-	-	-	790,601
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	735	122,392	580,323
Net pension liability	-	1,495,782	9,351,928	886,348
Revenue bonds payable	11,736,983	1,867,726	27,884,710	-
Total noncurrent liabilities	11,736,983	4,914,243	45,338,030	2,257,272
Total Liabilities	14,869,701	7,741,355	65,593,770	7,964,933
<b>Deferred Inflows of Resources</b>				
Deferred pension obligation inflows	-	510,645	3,192,655	302,590
Lease related	-	1,416,146	1,416,146	-
Total Deferred Inflows of Resources	-	1,926,791	4,608,801	302,590
<b>Net Position</b>				
Net investment in capital assets	28,195,071	36,774,242	304,527,203	161,584
Restricted for health insurance trust	-	-	-	17,200,518
Restricted for special accounts	-	-	527,670	-
Restricted for loans	-	-	1,514,352	-
Unrestricted	111,256	16,818,887	64,109,713	707,953
Total Net Position	<u>\$ 28,306,327</u>	<u>\$ 53,593,129</u>	<u>\$ 370,678,938</u>	<u>\$ 18,070,055</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.			7,966,459	
Net position of business-type activities			<u>\$ 378,645,397</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, 2023**

	<b>Business-type Activities Enterprise Funds</b>			
	<b>Priley Drive Parking Facility</b>	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>Operating Revenues</b>				
Sales	\$ -	\$ -	\$ 44,143,745	\$ -
Charges for services	513,136	17,257,538	1,102,380	21,679,967
Fines and forfeits	-	-	-	-
Miscellaneous revenues	-	180,881	951,705	165,478
Total Operating Revenues	<u>513,136</u>	<u>17,438,419</u>	<u>46,197,830</u>	<u>21,845,445</u>
<b>Operating Expenses</b>				
Cost of sales and services	-	-	23,994,788	-
Personal services	-	5,835,502	7,806,341	3,037,204
Supplies	-	1,586,867	1,072,398	386,378
Utilities	38,188	1,767,698	37,180	150,419
Other services and charges	295,832	1,400,902	1,914,289	11,573,879
Depreciation	520,571	1,824,866	1,577,748	2,177,893
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>854,591</u>	<u>12,415,835</u>	<u>36,402,744</u>	<u>17,325,773</u>
Operating Income (Loss)	<u>(341,455)</u>	<u>5,022,584</u>	<u>9,795,086</u>	<u>4,519,672</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	2,492	19,900	24,315	20,981
Intergovernmental revenue	-	-	-	-
Gain (loss) on sale or disposition of capital assets	-	32,438	26,159	1,288
Interest and fiscal fees	(460,466)	(171,655)	(8,472)	(55,697)
Total Nonoperating Revenues (Expenses)	<u>(457,974)</u>	<u>(119,317)</u>	<u>42,002</u>	<u>(33,428)</u>
Income (Loss) Before Contributions and Transfers	(799,429)	4,903,267	9,837,088	4,486,244
Capital contributions	-	3,730,580	223,894	10,349
Transfers in	498,422	205,618	-	38,647
Transfers out	-	(221,800)	(4,408,370)	(159,550)
Change in Net Position	(301,007)	8,617,665	5,652,612	4,375,690
Total Net Position - January 1, 2023	<u>6,248,174</u>	<u>80,249,937</u>	<u>78,126,531</u>	<u>105,809,880</u>
Total Net Position - December 31, 2023	<u>\$ 5,947,167</u>	<u>\$ 88,867,602</u>	<u>\$ 83,779,143</u>	<u>\$ 110,185,570</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, 2023**

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Steam</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Operating Revenues</b>				
Sales	\$ -	\$ 315,040	\$ 44,458,785	\$ 2,442,415
Charges for services	8,602,683	11,879,082	61,034,786	33,759,652
Fines and forfeits	-	1,011,840	1,011,840	-
Miscellaneous revenues	472,689	175,376	1,946,129	1,014,013
Total Operating Revenues	<u>9,075,372</u>	<u>13,381,338</u>	<u>108,451,540</u>	<u>37,216,080</u>
<b>Operating Expenses</b>				
Cost of sales and services	-	157,630	24,152,418	2,232,810
Personal services	-	3,486,870	20,165,917	6,324,833
Supplies	3,517,148	330,137	6,892,928	46,138
Utilities	387,739	190,237	2,571,461	44,459
Other services and charges	3,908,101	4,839,969	23,932,972	3,261,553
Depreciation	1,693,501	1,107,964	8,902,543	58,612
Medical and insurance	-	-	-	20,752,985
Total Operating Expenses	<u>9,506,489</u>	<u>10,112,807</u>	<u>86,618,239</u>	<u>32,721,390</u>
Operating Income (Loss)	<u>(431,117)</u>	<u>3,268,531</u>	<u>21,833,301</u>	<u>4,494,690</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	-	9,280	76,968	758,032
Intergovernmental revenue	-	3,552,779	3,552,779	-
Gain (loss) on sale or disposition of capital assets	2,758	-	62,643	-
Interest and fiscal fees	(280,797)	(124,023)	(1,101,110)	-
Total Nonoperating Revenues (Expenses)	<u>(278,039)</u>	<u>3,438,036</u>	<u>2,591,280</u>	<u>758,032</u>
Income (Loss) Before Contributions and Transfers	(709,156)	6,706,567	24,424,581	5,252,722
Capital contributions	599,656	935,284	5,499,763	-
Transfers in	-	3,288,374	4,031,061	57,800
Transfers out	(214,571)	(1,970,300)	(6,974,591)	-
Change in Net Position	(324,071)	8,959,925	26,980,814	5,310,522
Total Net Position - January 1, 2023	<u>28,630,398</u>	<u>44,633,204</u>	<u>343,698,124</u>	<u>12,759,533</u>
Total Net Position - December 31, 2023	<u>\$ 28,306,327</u>	<u>\$ 53,593,129</u>	<u>\$ 370,678,938</u>	<u>\$ 18,070,055</u>

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

Change in net position	\$ 26,980,814
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,190,176
Change in net position of business-type activities	<u>\$ 28,170,990</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, 2023**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Priley Drive Parking Facility</b>	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 510,536	\$ 17,261,190	\$ 49,826,429	\$ 21,517,557
Cash paid to suppliers	(335,229)	(5,119,182)	(30,670,556)	(11,863,083)
Cash paid to employees	-	(6,044,424)	(8,167,895)	(3,295,607)
Other operating revenues	-	80,143	105,975	155,979
Net cash provided (used) by operating activities	175,307	6,177,727	11,093,953	6,514,846
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	498,422	135,000	-	-
Transfers to other funds	-	(221,800)	(4,408,370)	(159,550)
Operating grants	-	-	-	-
Interfund financing	-	-	(420,296)	-
Net cash provided (used) by noncapital financing activities	498,422	(86,800)	(4,828,666)	(159,550)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital grants and contributions	-	5,953,239	143,500	8,473
Issuance of revenue bonds and notes	-	602,882	-	-
Principal paid on bonds, notes and purchase agreements	(177,105)	(1,435,684)	(261,877)	(1,790,005)
Interest paid on bonds, notes and purchase agreements	(462,218)	(182,613)	(12,572)	(74,962)
Sale of capital assets	-	32,438	26,159	1,288
Acquisition or construction of capital assets	-	(7,266,953)	(2,292,571)	(2,318,952)
Net cash provided (used) by capital and related financing activities	(639,323)	(2,296,691)	(2,397,361)	(4,174,158)
<b>Cash Flows from Investing Activities</b>				
Investment earnings	2,492	19,900	24,315	20,981
Net increase (decrease) in cash and cash equivalents	36,898	3,814,136	3,892,241	2,202,119
Cash and cash equivalents - January 1, 2023	600,681	9,148,975	10,714,484	7,384,518
Cash and cash equivalents - December 31, 2023	<u>\$ 637,579</u>	<u>\$ 12,963,111</u>	<u>\$ 14,606,725</u>	<u>\$ 9,586,637</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	\$ (341,455)	\$ 5,022,584	\$ 9,795,086	\$ 4,519,672
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	520,571	1,824,866	1,577,748	2,177,893
Change in assets and liabilities:				
Decrease (increase) in receivables	(2,600)	(68,864)	3,470,926	(142,176)
Decrease (increase) in inventories	-	(177,360)	(91,643)	(22,803)
Decrease (increase) in prepaids	-	878,177	1,262,777	258,657
Decrease (increase) in deferred pension obligation outflows	-	528,106	748,680	326,883
Decrease (increase) in OPEB outflows	-	(839,189)	(1,289,507)	(343,826)
Increase (decrease) in payables	(1,209)	(129,838)	(3,044,615)	283,883
Increase (decrease) in unearned revenues	-	(14,867)	(58,067)	(12,305)
Increase (decrease) in lease inflows	-	-	-	-
Increase (decrease) in deferred pension obligation inflows	-	782,176	1,067,152	434,348
Increase (decrease) in pension liability	-	(1,333,880)	(1,912,407)	(851,181)
Increase (decrease) in OPEB inflows	-	(294,184)	(432,177)	(114,199)
Total adjustments	516,762	1,155,143	1,298,867	1,995,174
Net cash provided (used) by operating activities	<u>\$ 175,307</u>	<u>\$ 6,177,727</u>	<u>\$ 11,093,953</u>	<u>\$ 6,514,846</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Steam</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 9,833,589	\$ 13,028,836	\$ 111,978,137	\$ 37,046,258
Cash paid to suppliers	(8,071,729)	(5,430,799)	(61,490,578)	(27,531,668)
Cash paid to employees	-	(3,443,496)	(20,951,422)	(5,920,375)
Other operating revenues	16,960	149,164	508,221	12,820
Net cash provided (used) by operating activities	1,778,820	4,303,705	30,044,358	3,607,035
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	-	3,217,756	3,851,178	-
Transfers to other funds	(214,571)	(623,600)	(5,627,891)	-
Operating grants	-	120,238	120,238	-
Interfund financing	420,296	66,053	66,053	(46,748)
Net cash provided (used) by noncapital financing activities	205,725	2,780,447	(1,590,422)	(46,748)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital grants and contributions	2,275,759	4,387,294	12,768,265	-
Issuance of revenue bonds and notes	-	-	602,882	-
Principal paid on bonds, notes and purchase agreements	(1,130,000)	(880,000)	(5,674,671)	-
Interest paid on bonds, notes and purchase agreements	(311,443)	(81,819)	(1,125,627)	-
Sale of capital assets	2,758	-	62,643	-
Acquisition or construction of capital assets	(3,481,050)	(2,292,416)	(17,651,942)	-
Net cash provided (used) by capital and related financing activities	(2,643,976)	1,133,059	(11,018,450)	-
<b>Cash Flows from Investing Activities</b>				
Investment earnings	-	9,280	76,968	758,032
Net increase (decrease) in cash and cash equivalents	(659,431)	8,226,491	17,512,454	4,318,319
Cash and cash equivalents - January 1, 2023	659,431	9,979,954	38,488,043	20,541,218
Cash and cash equivalents - December 31, 2023	\$ -	\$ 18,206,445	\$ 56,000,497	\$ 24,859,537
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	\$ (431,117)	\$ 3,268,531	\$ 21,833,301	\$ 4,494,690
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,693,501	1,107,964	8,902,543	58,612
Change in assets and liabilities:				
Decrease (increase) in receivables	800,346	(79,004)	3,978,628	(152,166)
Decrease (increase) in inventories	(38,892)	(28,486)	(359,184)	(24,457)
Decrease (increase) in prepaids	(24,189)	162,159	2,537,581	-
Decrease (increase) in deferred pension obligation outflows	-	276,530	1,880,199	155,437
Decrease (increase) in OPEB outflows	-	(172,494)	(2,645,016)	-
Increase (decrease) in payables	(220,829)	185,778	(2,926,830)	(802,550)
Increase (decrease) in unearned revenues	-	(76,388)	(161,627)	(5,947)
Increase (decrease) in lease inflows	-	(44,983)	(44,983)	-
Increase (decrease) in deferred pension obligation inflows	-	438,012	2,721,688	260,489
Increase (decrease) in pension liability	-	(683,864)	(4,781,332)	(377,073)
Increase (decrease) in OPEB inflows	-	(50,050)	(890,610)	-
Total adjustments	2,209,937	1,035,174	8,211,057	(887,655)
Net cash provided (used) by operating activities	\$ 1,778,820	\$ 4,303,705	\$ 30,044,358	\$ 3,607,035

(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, 2023**

**Noncash Investing, Capital and Financing Activities**

Water

Capital contributions are reported net of timing differences totaling \$2,222,659 due to receivables.

Gas

Capital contributions are reported net of timing differences totaling (\$80,394) due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling (\$1,876) due to receivables.

Steam

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

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

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2023**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Custodial Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 578,085	\$ 2,019,544
Receivables		
Loans	-	834,198
Accounts receivable	1,325,221	-
Investments, at fair value		
Fixed income pool	20,148,388	-
Equity pool	86,433,713	-
	<hr/>	<hr/>
Total Assets	<hr/> 108,485,407 <hr/>	<hr/> 2,853,742 <hr/>
<b>Liabilities</b>		
Contracts payable	-	11,360
	<hr/>	<hr/>
Total Liabilities	<hr/> - <hr/>	<hr/> 11,360 <hr/>
<b>Net Position</b>		
Restricted for		
Postemployment benefits other than pensions	108,485,407	-
Other organizations	-	2,842,382
	<hr/>	<hr/>
Total Net Position	<hr/> \$ 108,485,407 <hr/>	<hr/> \$ 2,842,382 <hr/>

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

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Custodial Fund</b>
<b>Additions</b>		
Employer contributions	\$ 14,521,145	\$ -
Investment earnings		
Interest and dividends	1,928,883	97,138
Net increase (decrease) in fair value of investments	16,714,138	14,077
Less investment expenses	(8,707)	-
Interest on loans	-	32,328
Other reimbursements	-	4,580
	<hr/>	<hr/>
Total Additions	33,155,459	148,123
	<hr/>	<hr/>
<b>Deductions</b>		
Benefits	9,029,620	-
Legal services	-	23,711
Professional services	-	4,491
Uncollectible accounts	-	114,535
Grants & awards	-	219,050
Other services and charges	-	55,444
Board meeting expense	-	869
	<hr/>	<hr/>
Total Deductions	9,029,620	418,100
	<hr/>	<hr/>
Change in Net Position	24,125,839	(269,977)
	<hr/>	<hr/>
Net Position - January 1, 2023	84,359,568	3,112,359
	<hr/>	<hr/>
Net Position - December 31, 2023	\$ 108,485,407	\$ 2,842,382
	<hr/>	<hr/>

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, 2023**

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
<b>Assets</b>						
Cash and cash equivalents	\$ 7,380,521	\$ 1,922,319	\$ 7,820,281	\$10,849,540	\$ 2,270,084	\$ 30,242,745
Receivables, net						
Taxes	1,091	-	-	27,421	-	28,512
Accounts	35,556	1,175,233	605,967	121,738	258,099	2,196,593
Loans	6,409,835	-	-	-	-	6,409,835
Grants	-	-	40,928	-	-	40,928
Leases receivable	1,549,848	875,896	29,630	33,252	573,178	3,061,804
Due from primary government	-	1,247,154	-	-	-	1,247,154
Due from other governments	-	-	-	5,761,494	-	5,761,494
Inventories	-	188,887	23,985	561,047	102,824	876,743
Prepays	-	13,424	56,408	14,396	112,662	196,890
Restricted assets						
Cash and cash equivalents	-	2,010,192	70,894	-	-	2,081,086
Accounts receivable	-	214,377	61,335	-	-	275,712
Grants receivable	-	-	6,100,441	-	-	6,100,441
Leases receivable	-	8,109,441	2,229,714	153,404	-	10,492,559
Capital assets, net						
Non-depreciable	3,726,362	905,601	8,864,172	222,367	2,712,347	16,430,849
Depreciable and amortizable	1,559,747	67,085,152	117,581,081	41,114,189	12,960,075	240,300,244
Total Assets	20,662,960	83,747,676	143,484,836	58,858,848	18,989,269	325,743,589
<b>Deferred Outflows of Resources</b>						
Deferred pension obligation outflows	-	2,598,190	408,765	-	801,976	3,808,931
Deferred OPEB outflows	-	425,406	225,995	-	-	651,401
Total Deferred Outflows of Resources	-	3,023,596	634,760	-	801,976	4,460,332
<b>Liabilities</b>						
Accounts payable and other						
short-term liabilities	27,968	838,494	488,524	1,600,249	346,893	3,302,128
Contracts payable	402,499	51	4,224,865	125,843	-	4,753,258
Accrued interest payable	-	1,082	-	-	-	1,082
Due to primary government	-	8,825	71	5,035	108,909	122,840
Due to other government	-	34,258	-	3,720	44,108	82,086
Unearned revenues	-	1,198,572	184,135	175,221	1,237,112	2,795,040
Deposits	-	1,818,085	-	-	-	1,818,085
Non-current liabilities						
Due within one year	17,404	423,014	1,077,778	642,225	387,892	2,548,313
Due in more than one year	1,532,444	592,016	3,294,112	44,161	442,169	5,904,902
Other postemployment benefits liability	-	1,356,924	3,056,943	-	-	4,413,867
Net pension liability	-	3,573,216	1,252,584	-	1,813,688	6,639,488
Total Liabilities	1,980,315	9,844,537	13,579,012	2,596,454	4,380,771	32,381,089
<b>Deferred Inflows of Resources</b>						
Lease related	1,559,748	8,469,446	2,155,144	166,668	562,188	12,913,194
Deferred pension obligation inflows	-	1,457,732	402,277	-	211,938	2,071,947
Deferred OPEB inflows	-	493,391	435,328	-	-	928,719
Total Deferred Inflows of Resources	1,559,748	10,420,569	2,992,749	166,668	774,126	15,913,860
<b>Net Position</b>						
Net investment in capital assets	3,736,261	67,292,252	114,917,011	41,262,120	14,961,213	242,168,857
Restricted for						
Capital projects	5,488,480	-	-	13,722,482	-	19,210,962
Unrestricted	7,898,156	(786,086)	12,630,824	1,111,124	(324,865)	20,529,153
Total Net Position	\$17,122,897	\$ 66,506,166	\$127,547,835	\$56,095,726	\$14,636,348	\$281,908,972

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, 2023**

<b><u>Functions/Programs</u></b>	<b><u>Program Revenues</u></b>		
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>
<b>Duluth Economic Development Authority</b>			
Governmental activities			
Economic development	\$ 11,697,963	\$ 878,873	\$ 2,570,803
			\$ 4,040,512
<b>Duluth Entertainment and Convention Center Authority</b>			
Business-type activities			
Entertainment and convention facility	19,011,404	10,546,092	-
			200,000
<b>Duluth Airport Authority</b>			
Business-type activities			
Airport facility	17,506,591	4,502,637	-
			16,598,423
<b>Duluth Transit Authority</b>			
Business-type activities			
Public transportation	27,792,141	2,503,995	26,595,193
			6,885,793
<b>Spirit Mountain Recreation Area Authority</b>			
Business-type activities			
Ski hill operations	7,254,151	6,307,930	-
			732,369
<b>Total Component Units</b>	<b>\$ 83,262,250</b>	<b>\$ 24,739,527</b>	<b>\$ 29,165,996</b>
			<b>\$ 28,457,097</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>					<b>Totals</b>
	<b>Duluth Economic Development Authority</b>	<b>Duluth Entertainment and Convention Center Authority</b>	<b>Duluth Airport Authority</b>	<b>Duluth Transit Authority</b>	<b>Spirit Mountain Recreation Area Authority</b>	
<b>Duluth Economic Development Authority</b>						
Governmental activities						
Economic development	\$ (4,207,775)	\$ -	\$ -	\$ -	\$ -	\$ (4,207,775)
<b>Duluth Entertainment and Convention Center Authority</b>						
Business-type activities						
Entertainment and convention facility	-	(8,265,312)	-	-	-	(8,265,312)
<b>Duluth Airport Authority</b>						
Business-type activities						
Airport facility	-	-	3,594,469	-	-	3,594,469
<b>Duluth Transit Authority</b>						
Business-type activities						
Public transportation	-	-	-	8,192,840	-	8,192,840
<b>Spirit Mountain Recreation Area Authority</b>						
Business-type activities						
Ski hill operations	-	-	-	-	(213,852)	(213,852)
<b>Total Component Units</b>						(899,630)
<b>General Revenues</b>						
Property taxes	3,962,016	-	-	2,174,416	-	6,136,432
Sales taxes	-	2,376,551	-	-	-	2,376,551
Investment income	360,987	341,609	425,303	324,672	46,530	1,499,101
Miscellaneous	24,448	1,754,686	2,631,277	60,506	580,745	5,051,662
<b>Total General Revenues</b>	<b>4,347,451</b>	<b>4,472,846</b>	<b>3,056,580</b>	<b>2,559,594</b>	<b>627,275</b>	<b>15,063,746</b>
<b>Change in Net Position</b>	<b>139,676</b>	<b>(3,792,466)</b>	<b>6,651,049</b>	<b>10,752,434</b>	<b>413,423</b>	<b>14,164,116</b>
<b>Net Position - Beginning, as restated (Note 1)</b>	<b>16,983,221</b>	<b>70,298,632</b>	<b>120,896,786</b>	<b>45,343,292</b>	<b>14,222,925</b>	<b>267,744,856</b>
<b>Net Position - Ending</b>	<b>\$ 17,122,897</b>	<b>\$ 66,506,166</b>	<b>\$ 127,547,835</b>	<b>\$ 56,095,726</b>	<b>\$ 14,636,348</b>	<b>\$ 281,908,972</b>

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, 2023**

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**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**GUIDE TO NOTES (continued)**

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**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023**

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

<b>Internal Service Funds</b>	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.
<b>Trust Fund</b>	This fund accounts for an irrevocable trust established for funding other postemployment benefits for eligible retired employees under a single-employer defined benefit plan.
<b>Custodial Fund</b>	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, 2023**

**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, 2023. 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, 2023**

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

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.

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

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES / UNEARNED REVENUE**

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

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

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



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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.

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

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

**RESTRICTED ASSETS**

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

**CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, trails, and similar items), and right-to-use assets acquired under leasing arrangements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment, \$50,000 for buildings and infrastructure, and all property which has an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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, 2023**

**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 EQUITY**

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Information Technology Arrangements*, which establishes criteria for accounting and financial reporting for certain contracts that control the right to use another party's IT software. The implementation of this statement resulted in changing the presentation of the basic financial statements by increasing the beginning balance of the right to use capital assets and the beginning balance of the liability by \$697,548.

Information on the impact of GASB 96 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, 2023 year-end, GASB 96 has not yet been implemented for Spirit Mountain Recreation Area Authority. Spirit Mountain did implement GASB No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases for the year ended April 30, 2023. Information on the impact of GASB 87 on the Spirit Mountain Recreation Authority can be found in its separately issued report.

PRIOR PERIOD RESTATEMENT

During the current year, the Duluth Airport Authority has identified \$2,387,321 of 2022 expenditures to be applied to the Airport Rescues Grants received under the Airport Improvement Program, assistance listing 20.106. Had these expenditures been identified during 2022, federal grant revenue would have increased by this amount. Beginning net position has been restated in the current year to reflect this subsequent change.

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**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, 2023. An auditor's report on compliance and internal accounting control will be issued at a later date.

**DEFICIT FUND EQUITY**

The Local Fiscal Recovery fund had a deficit net position of \$106,927 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 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 - \$6,277,910, Home Investment Partnerships Program - \$322,175, and Senior Employment - \$2,553. These deficits will be eliminated upon receipt of the grant funds. The Lake Superior Zoo deficit fund balance of \$38,512 will be eliminated through operational changes and efficiencies.

Street Improvement debt service fund had a deficit balance of \$49,112 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: Capital Improvements - \$1,111,364 and Regional Exchange District - \$1,858,344 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 - \$20,111 due to change in fair value of investments. This will be eliminated upon holding pooled investments to maturity or a change in market interest rates, Fleet Services - \$588,030 which will be eliminated through future charges.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**3. DEPOSITS AND INVESTMENTS**

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

Government-wide Statement of Net Position

Governmental Activities

Cash and cash equivalents	\$ 135,867,557
Investments, at fair value	31,634,458
Assets held by trustee	18,695,833

Business-type Activities

Cash and cash equivalents	52,069,148
Cash and cash equivalents - restricted assets	3,931,349

Discrete Component Units

Cash and cash equivalents	30,242,745
Cash and cash equivalents - restricted assets	2,081,086

Statement of Fiduciary Net Position

Cash and cash equivalents	2,597,629
Investments, at fair value	106,582,101

Total Cash and Investments

\$ 383,701,906

**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, 2023, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

**INVESTMENTS**

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

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**3. DEPOSITS AND INVESTMENTS** (continued)

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

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

4) time deposits that are fully insured by the Federal Deposit Insurance Corporation, 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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**3. DEPOSITS AND INVESTMENTS** (continued)

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

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

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

At December 31, 2023, the City had the following investments:

Investment Type	Fair Value	Less than 1 year	1-5 years	Over 5 Years
U.S. Government Agency Securities	\$ 174,237,387	\$ 161,940,598	\$ 11,869,924	\$ 426,865
Negotiable Certificates of Deposit	24,870,737	8,205,306	16,665,431	-
Municipal Bonds	24,757,554	1,233,563	19,322,533	4,201,458
Commercial Paper	2,887,427	2,887,427	-	-
Mutual Funds	147,825,728	147,825,728	-	-
Total Investments	374,578,833	\$ 322,092,622	\$ 47,857,888	\$ 4,628,323
Deposits	9,123,073			
Total Deposits and Investments	<u>\$ 383,701,906</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, 2023, is as follows:

<u>S &amp; P Rating</u>	<u>Fair Value</u>
AAA	\$ 13,242,431
AA+	90,196,735
AA	5,033,781
AA-	1,086,129
A+	492,705
 <u>Moody's Rating</u>	
Aaa	97,372,239
Aa1	626,737
Aa2	458,270
Aa3	95,083
P-1	2,887,427

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. DEPOSITS AND INVESTMENTS** (continued)

<u>Not Rated</u>	
Mutual Funds	138,216,559
Negotiable Certificates of Deposit	24,870,737
Total	<u>\$ 374,578,833</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, 2023, 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	\$ 70,460,195
United States Treasury	\$ 100,555,692

*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, 2023, the City of Duluth had the following recurring fair value measurements.

Investments By Fair Value Level	12/31/2023	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
U.S. Government Agency Securities	\$ 174,237,387	\$ 100,555,692	\$ 73,681,695	\$ -
Negotiable Certificates of Deposit	24,870,737	-	24,870,737	-
Municipal Bonds	24,757,554	-	24,757,554	-
Commercial Paper	2,887,427	-	2,887,427	-
Total Investments by Fair Value	<u>\$ 226,753,105</u>	<u>\$ 100,555,692</u>	<u>\$ 126,197,413</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	<u>9,609,169</u>			
Total Investments by Fair Value and Measured at NAV	236,362,274			
Deposits	9,123,073			
State Board of Investment Funds	138,216,559			
Total Deposits and Investments	<u>\$ 383,701,906</u>			

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



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**3. DEPOSITS AND INVESTMENTS** (continued)

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

The City holds \$86,433,713 in the Internal Equity Pool and \$20,148,388 in the Internal Fixed Pool, with the State Board of Investment, an external investment pool, related to the City's Other Postemployment Benefits Trust Fund. The fair value of the investment is the fair value per share of the underlying portfolio. Pursuant to Minnesota Statute § 353.95, the City may only redeem these funds for the use of postemployment benefits. The City invests in this pool due to the increased investment authority, historical rates of return on investments, and the reduction of the postemployment benefit liability recorded in its financial statements.

The City also holds \$25,488,029 in the Internal Equity Pool and \$6,146,429 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, 2023, was 98.6%.

**5. RECEIVABLES**

Receivables as of December 31, 2023 for the City's governmental and business-type activities are below.

	Gross Receivable	Allowance	Net Receivable	Not expected to be collected within one year
Governmental Activities				
Taxes receivable	\$ 8,085,168	\$ (285,445)	\$ 7,799,723	\$ -
Accounts receivable	1,643,542	(15,919)	1,627,623	-
Assessments receivable	2,920,690	-	2,920,690	2,292,224
Loans receivable	17,309,318	(668,051)	16,641,267	15,161,266
Leases receivable	2,146,331	-	2,146,331	1,706,495
Due from component units	99,931	-	99,931	-
Due from other governments	26,695,036	-	26,695,036	-
Total Governmental Activities	<u>\$ 58,900,016</u>	<u>\$ (969,415)</u>	<u>\$ 57,930,601</u>	<u>\$ 19,159,985</u>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**5. RECEIVABLES** (continued)

	Gross Receivable	Allowance	Net Receivable	Not expected to be collected within one year
Business-type Activities				
Accounts receivable	\$ 12,445,083	\$ (967,821)	\$ 11,477,262	\$ -
Loans receivable	1,629,332	(16,580)	1,612,752	1,308,380
Assessments receivable	248,866	-	248,866	192,004
Leases receivable	1,433,433	-	1,433,433	1,151,804
Due from other governments	935,781	-	935,781	-
Total Business-type Activities	<u>\$ 16,692,495</u>	<u>\$ (984,401)</u>	<u>\$ 15,708,094</u>	<u>\$ 2,652,188</u>

**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, 2023:

General	
Assessments	\$ 1,294,843
Grants	191,788
Loans	1,757,268
Other unavailable revenue	88,877
Taxes	566,201
Disaster Recovery	
Grants	4,403,631
Nonmajor	
Assessments	1,625,846
Grants	16,449,991
Leases	2,064,533
Loans	18,767,049
Other unavailable revenue	514,269
Taxes	341,996
Total for Governmental Funds	<u>\$ 48,066,292</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**7. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

<u>PRIMARY GOVERNMENT</u>	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,859,321	\$ 671,680	\$ -	\$ 23,531,001
Construction in progress	27,286,823	31,913,728	26,143,989	33,056,562
Total capital assets, not being depreciated	50,146,144	32,585,408	26,143,989	56,587,563
Capital assets, being depreciated/amortized:				
Buildings	98,073,282	-	6,705,331	91,367,951
Equipment	45,737,333	6,033,996	892,214	50,879,115
Infrastructure	448,312,207	24,125,969	-	472,438,176
Right-to-use assets:				
Land	526,333	-	-	526,333
Buildings	4,059,393	-	-	4,059,393
Equipment	196,415	-	-	196,415
SBITA	697,548	2,073,320	-	2,770,868
Total capital assets being depreciated/amortized	597,602,511	32,233,285	7,597,545	622,238,251
Less accumulated depreciation/amortization for:				
Buildings	62,524,005	3,461,146	2,664,819	63,320,332
Equipment	40,613,353	3,821,793	825,380	43,609,766
Infrastructure	204,457,338	13,279,890	-	217,737,228
Right-to-use assets:				
Land	11,442	11,442	-	22,884
Buildings	213,496	363,264	-	576,760
Equipment	39,283	39,283	-	78,566
SBITA	-	533,027	-	533,027
Total accumulated depreciation/amortization	307,858,917	21,509,845	3,490,199	325,878,563
Total capital assets, being depreciated/amortized, net	289,743,594	10,723,440	4,107,346	296,359,688
Governmental activities capital and lease assets, net	\$339,889,738	\$43,308,848	\$30,251,335	\$352,947,251
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ -	\$ -	\$ 4,649,458
Construction in progress	17,113,599	13,693,684	6,928,855	23,878,428
Total capital assets, not being depreciated	21,763,057	13,693,684	6,928,855	28,527,886
Capital assets, being depreciated:				
Buildings	83,374,728	13,648	-	83,388,376
Equipment	76,413,237	4,714,790	752,942	80,375,085
Infrastructure	309,012,262	6,930,586	-	315,942,848
Total capital assets, being depreciated	468,800,227	11,659,024	752,942	479,706,309
Less accumulated depreciation for:				
Buildings	40,415,112	1,648,345	-	42,063,457
Equipment	36,490,516	2,783,160	752,942	38,520,734
Infrastructure	79,254,925	4,471,038	-	83,725,963
Total accumulated depreciation	156,160,553	8,902,543	752,942	164,310,154
Total capital assets, being depreciated, net	312,639,674	2,756,481	-	315,396,155
Business-type activities capital assets, net	\$334,402,731	\$16,450,165	\$ 6,928,855	\$343,924,041

\* The beginning balance has been restated due to the implementation of GASB 96.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**7. CAPITAL ASSETS** (continued)

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

Governmental activities:	
General government	\$ 1,756,634
Public safety	2,974,840
Public works, including depreciation of general infrastructure assets	12,213,960
Culture and recreation	4,026,790
Urban and economic development	479,009
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	58,612
Total depreciation/amortization expense - governmental activities	<u>\$21,509,845</u>

Business-type activities:	
Parking	\$ 561,455
Priley Drive Parking Facility	520,571
Water	1,824,866
Gas	1,577,748
Sewer	2,177,893
Golf	102,228
Stormwater	444,281
Steam	1,693,501
Total depreciation expense - business-type activities	<u>\$ 8,902,543</u>

**COMPONENT UNITS**

	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 11,074,237	\$ 5,906	\$ 480,829	\$ 10,599,314
Construction in progress	3,296,346	19,217,335	16,682,146	5,831,535
Total capital assets, not being depreciated	<u>14,370,583</u>	<u>19,223,241</u>	<u>17,162,975</u>	<u>16,430,849</u>
Capital assets, being depreciated/amortized:				
Buildings	301,559,476	6,975,362	4,413,096	304,121,742
Equipment	89,277,355	8,512,978	1,257,671	96,532,662
Infrastructure	158,734,030	15,049,217	-	173,783,247
Other	7,277,557	116,721	-	7,394,278
Software Subscriptions	171,617	73,235	-	244,852
Leases	1,633,966	-	-	1,633,966
Total capital assets being depreciated/amortized	<u>558,654,001</u>	<u>30,727,513</u>	<u>5,670,767</u>	<u>583,710,747</u>
Less accumulated depreciation/amortization for:				
Buildings	147,305,039	9,203,051	328,794	156,179,296
Equipment	64,538,014	5,052,747	1,255,802	68,334,959
Infrastructure	107,072,192	7,707,795	-	114,779,987
Other	3,451,022	502,120	-	3,953,142
Software Subscriptions	-	90,007	-	90,007
Leases	36,925	36,187	-	73,112
Total accumulated depreciation/amortization	<u>322,403,192</u>	<u>22,591,907</u>	<u>1,584,596</u>	<u>343,410,503</u>
Total capital assets, being depreciated/amortized, net	<u>236,250,809</u>	<u>8,135,606</u>	<u>4,086,171</u>	<u>240,300,244</u>
Component units capital and lease assets, net	<u>\$250,621,392</u>	<u>\$27,358,847</u>	<u>\$21,249,146</u>	<u>\$256,731,093</u>

\* The beginning balance has been restated due to the implementation of GASB 96.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. CAPITAL ASSETS** (continued)

Depreciation/amortization expense was charged to component units as follows:	
Duluth Economic Development Authority	\$ 35,449
Duluth Entertainment and Convention Center Authority	3,599,420
Duluth Airport Authority	11,379,209
Duluth Transit Authority	6,406,202
Spirit Mountain Recreation Area Authority	1,171,627
Total depreciation/amortization expense - component units	<u>\$ 22,591,907</u>

**8. PURCHASE AND CONSTRUCTION COMMITMENTS**

At December 31, 2023, the City had construction commitments of approximately \$14,360,574 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, 2023, the City had purchase commitments represented by open encumbrances. These are included as part of fund balance as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 1,192,061
Disaster Recovery Fund	125,733
Local Fiscal Recovery	1,293,157
Other Governmental Funds	64,792,869
Total Purchase Commitments	<u>\$ 67,403,820</u>

**DISASTER DAMAGE REPAIR COMMITMENTS**

The City continues to incur significant damage to its shoreline and other infrastructure due to storm surges and flooding. The most recent disaster that qualified for FEMA Public Assistance occurred in April 2023. The City estimates the cost for repair and mitigation work to be approximately \$5-6 million as of December 31, 2023.

**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, 2023**

**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's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$101,169 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 2022 and 2023 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2022	\$ 1,487,518	16,748	229,978	\$ 1,274,288
2023	\$ 1,274,288	(173,161)	193,226	\$ 907,901

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 2022 and 2023 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2022	\$ 1,903,407	14,902,165	14,663,092	\$ 2,142,480
2023	\$ 2,142,480	16,337,305	17,005,250	\$ 1,474,535

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**10. LONG-TERM DEBT**

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2023, follows:

	Balance 01/01/23*	Additions	Deletions	Balance 12/31/23	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds	\$ 77,220,000	\$ 3,790,000	\$ 6,500,000	\$ 74,510,000	\$ 6,930,000
General Obligation - Tax Abatement	9,215,000	-	930,000	8,285,000	950,000
Special Assessment Debt with Government Commitment	185,000	-	185,000	-	-
General Obligation Certificates	14,125,000	3,350,000	3,455,000	14,020,000	3,430,000
Add Deferred Amounts:					
For Bond Premiums	8,591,411	242,428	1,235,461	7,598,378	-
Revenue Notes	2,571,000	-	20,000	2,551,000	30,000
Leases	4,546,968	-	328,467	4,218,501	346,467
SBITA	697,548	2,073,320	464,614	2,306,254	408,663
Purchase Agreement	822,895	-	365,731	457,164	365,731
Compensated Absences	3,819,419	3,819,308	3,468,356	4,170,371	3,590,048
Claims and Judgments	3,416,768	16,164,144	17,198,476	2,382,436	1,591,835
<b>Total Governmental Long-Term Liabilities</b>	<b>\$125,211,009</b>	<b>\$29,439,200</b>	<b>\$34,151,105</b>	<b>\$120,499,104</b>	<b>\$ 17,642,744</b>
<b>Business-Type Activities</b>					
Bonds Payable					
Revenue and General Obligation Bonds	\$ 33,098,196	\$ -	\$ 2,802,105	\$ 30,296,091	\$ 2,678,106
Add Deferred Amounts					
For Bond Premiums	293,469	-	26,744	266,725	-
General Obligation Public Facilities Authority Notes	10,200,179	412,821	2,079,000	8,534,000	2,105,000
Purchase Agreement	1,201,663	-	793,566	408,097	408,097
Compensated Absences	1,168,927	1,258,307	1,152,461	1,274,773	1,152,381
<b>Total Business-Type Long-Term Liabilities</b>	<b>\$ 45,962,434</b>	<b>\$ 1,671,128</b>	<b>\$ 6,853,876</b>	<b>\$ 40,779,686</b>	<b>\$ 6,343,584</b>
<b>Component Unit Activities</b>					
Duluth Economic Development Authority					
Leases	\$ 1,566,745	\$ -	\$ 16,897	\$ 1,549,848	\$ 17,404
Duluth Entertainment and Convention Center Authority					
SBITA	67,185	45,735	49,349	63,571	48,278
Financed Purchase	700,000	-	65,070	634,930	58,207
Compensated Absences	312,003	248,152	243,626	316,529	316,529
Duluth Airport Authority					
Loans Payable	5,095,000	-	930,000	4,165,000	955,000
Compensated Absences	126,146	103,295	106,663	122,778	122,778
Unearned Revenue	120,205	-	36,093	84,112	-
Duluth Transit Authority					
Leases	1,886	-	737	1,149	760
SBITA	104,432	27,500	58,645	73,287	29,515
Compensated Absences	642,104	611,950	642,104	611,950	611,950

(continued)

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**10. LONG-TERM DEBT** (continued)

	Balance 01/01/23	Additions	Deletions	Balance 12/31/23	Due Within One Year
Spirit Mountain Recreation Area Authority					
Financed Purchase	682,589	360,000	331,380	711,209	269,040
Compensated Absences	114,115	118,852	114,115	118,852	118,852
Total Component Unit Long-Term Liabilities	<u>\$ 9,532,410</u>	<u>\$ 1,515,484</u>	<u>\$ 2,594,679</u>	<u>\$ 8,453,215</u>	<u>\$ 2,548,313</u>

\* The beginning balance has been restated due to the implementation of GASB 96.

**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
2024	\$ 2,835,999	\$ 6,930,000	\$ 554,468	\$ 3,430,000	\$ 177,118	\$ 950,000
2025	2,675,175	7,265,000	436,950	3,320,000	161,673	965,000
2026	2,432,664	7,495,000	290,150	2,805,000	144,112	985,000
2027	2,155,604	6,890,000	166,750	2,260,000	124,228	1,005,000
2028	1,869,452	7,145,000	73,750	1,460,000	101,757	1,030,000
2029-2033	4,875,956	32,110,000	18,625	745,000	168,300	3,350,000
2034-2038	268,620	6,495,000	-	-	-	-
2039-2043	3,825	180,000	-	-	-	-
Total	<u>\$ 17,117,295</u>	<u>\$ 74,510,000</u>	<u>\$ 1,540,693</u>	<u>\$ 14,020,000</u>	<u>\$ 877,188</u>	<u>\$ 8,285,000</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
2024	\$ 69,825	\$ 30,000
2025	69,025	2,521,000
Total	<u>\$ 138,850</u>	<u>\$ 2,551,000</u>



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. LONG-TERM DEBT** (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, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City, as a lessee, has entered into lease agreements involving land, equipment and facility space. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide Statement of Net Position.

The City recognized 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, 2023, 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
2024	\$ 122,444	\$ 346,467
2025	111,811	365,257
2026	100,605	384,864
2027	88,799	363,684
2028	77,619	383,778
2029-2033	227,625	1,381,797
2034-2038	101,441	596,885
2039-2043	56,660	46,467
2044-2048	49,259	53,868
2049-2053	40,679	62,448
2054-2058	30,733	72,394
2059-2063	19,202	83,925
2064-2068	5,835	76,667
Present Value of Minimum Leased Payments	<u>\$ 1,032,712</u>	<u>\$ 4,218,501</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) for a minimal contractual period greater than one year, 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, 2023, 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, 2023**

**10. LONG-TERM DEBT** (continued)

Governmental Activities

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 69,020	\$ 408,663
2025	56,754	581,228
2026	39,313	598,669
2027	21,388	356,934
2028	10,823	360,760
Present Value of Minimum Leased Payments	<u>\$ 197,298</u>	<u>\$ 2,306,254</u>

Purchase Agreement

The City has a purchase agreement for 20 motor graders for street maintenance. As of December 31, 2023, there is a remaining term of 15 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>
2024	\$ 365,731
2025	91,433
Total	<u>\$ 457,164</u>

Other Debt

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

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

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2024	\$ 897,450	\$ 2,678,106	\$ 91,786	\$ 2,105,000
2025	822,156	2,779,731	67,474	1,797,000
2026	742,500	2,778,254	46,610	581,000
2027	673,993	1,892,324	40,602	500,000
2028	629,001	1,141,961	35,597	505,000
2029-2033	2,617,190	6,245,930	121,163	1,255,000
2034-2038	1,699,531	5,786,497	70,461	975,000
2039-2043	770,060	6,993,288	20,561	816,000
Total	<u>\$ 8,851,881</u>	<u>\$ 30,296,091</u>	<u>\$ 494,254</u>	<u>\$ 8,534,000</u>

Purchase Agreement

The City has a purchase agreement for an automated meter reading system with a final payment in February 2024. The payment remaining on this agreement is shown in the table below:

Business-Type Activities

Year Ending December 31	Interest	Principal
2024	\$ 7,733	\$ 408,097

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

SCHEDULE OF BONDED INDEBTEDNESS

	Issue Date	Amount Outstanding	Total
Governmental Activities			
General Obligation Bonds Payable			
Airport Improvement	12/18/2013	\$ 1,760,000	
Capital Improvement	12/18/2013	205,000	
Capital Improvement - Lakewalk	12/18/2013	675,000	
Wade Stadium Improvement	10/30/2014	1,230,000	
Spirit Mountain Improvement	10/30/2014	1,430,000	
Capital Improvement	10/30/2014	245,000	

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. LONG-TERM DEBT** (continued)

	Issue Date	Amount Outstanding	Total
Capital Improvement	11/05/2015	520,000	
Airport Improvement	11/05/2015	1,690,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	7,665,000	
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	28,055,000	
Capital Improvement	11/09/2016	510,000	
Capital Improvement	11/21/2017	830,000	
Capital Improvement - Seawall	02/14/2018	3,275,000	
Capital Improvement	10/17/2018	875,000	
Capital Improvement	10/09/2019	905,000	
Capital Improvement Refunding	10/09/2019	7,940,000	
Capital Improvement	10/21/2020	1,360,000	
Capital Improvement - Lakewalk	10/21/2020	3,685,000	
State Aid Street Improvement	10/21/2020	2,410,000	
Capital Improvement	11/03/2021	1,390,000	
Airport Improvement - Refunding	11/03/2021	2,380,000	
Capital Improvement	11/01/2022	1,685,000	
Capital Improvement	11/08/2023	1,795,000	
Capital Improvement - Lake Front	11/08/2023	1,995,000	
Total General Obligation Bonds Payable			74,510,000
General Obligation Tax Abatement			
GO Tax Abatement (Cirrus)	03/22/2016	\$ 5,020,000	
GO Tax Abatement Refunding	11/03/2021	3,265,000	
Total General Obligation Tax Abatement			8,285,000
General Long-Term Debt Certificates Payable			
General Obligation Certificates Payable	6 issues	14,020,000	14,020,000
Total Governmental Activities Debt			<u>\$ 96,815,000</u>
Business-type Activities Debt			
Revenue and General Obligation Bonds Payable			
Parking Fund	1 issue	\$ 2,760,000	
Priley Drive Parking Facility	1 issue	11,426,091	
Water Fund	2 issues	3,181,000	
Steam Fund	2 issues	12,660,000	
Sewer Fund	2 issues	269,000	
Total Revenue and General Obligation Bonds Payable			30,296,091
Total Business-type Activities Debt			<u>\$ 30,296,091</u>
Total Bonds Payable			<u>\$ 127,111,091</u>
Deductions Allowable			
Airport Improvement	12/18/2013	\$ 1,760,000	
Wade Stadium Improvement	10/30/2014	1,230,000	
Spirit Mountain Improvement	10/30/2014	1,430,000	
Airport Improvement	11/05/2015	1,690,000	
Capital Improvement 1/2 & 1/2	11/05/2015	7,665,000	
Duluth Entertainment and Convention Center Authority Refunding	03/22/2016	28,055,000	
GO Tax Abatement (Cirrus)	03/22/2016	5,020,000	
Capital Improvement - Seawall	02/14/2018	3,275,000	
Street Improvement	10/21/2020	2,410,000	
Airport Improvement Refunding	11/03/2021	2,380,000	

(continued)

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**10. LONG-TERM DEBT** (continued)

	Issue Date	Amount Outstanding	Total
GO Tax Abatement Refunding	11/03/2021	3,265,000	
Capital Improvement - Lake Front	11/08/2023	1,995,000	
Parking Fund		2,760,000	
Priley Drive Parking Facility		11,426,091	
Water Fund		3,181,000	
Steam Fund		12,660,000	
Sewer Fund		269,000	
Total Deductions Allowable			90,471,091
Net Debt			<u>\$ 36,640,000</u>
Legal Debt Margin for Duluth			
Taxable Market Value (9,216,776,600 X 2%)			<u>\$184,335,532</u>

<u>Overlapping Debt to Duluth</u>			
Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$63,872,602	88.58%	\$ 56,575,311
Independent School District 704	19,990,000	7.88%	1,574,262
St. Louis County	135,695,000	38.99%	52,900,727
			<u>\$111,050,300</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:

	Issue Date	Issue Amount	Balance
Governmental Activities			
Current Refunding Bonds			
Capital Improvement Refunding	10/09/2019	9,755,000	7,940,000
Airport Improvement Refunding	11/03/2021	2,845,000	2,380,000
GO Tax Abatement Refunding	11/03/2021	3,705,000	3,265,000
Advance Refunding Bonds			
Duluth Entertainment and Convention Center			
Improvement Refunding	03/22/2016	33,470,000	28,055,000
Total Governmental Activities		<u>\$ 49,775,000</u>	<u>\$ 41,640,000</u>
Business-type Activities			
Advance Refunding Bonds			
Parking Improvements	11/27/2012	10,270,000	2,760,000
Total Business-type Activities		<u>\$ 10,270,000</u>	<u>\$ 2,760,000</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**10. LONG-TERM DEBT** (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2023, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	<u>Interest Rate and Dates</u>		<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
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	1,760,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13	02-01-24	1,795,000	205,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	675,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	1,230,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	1,430,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14	02-01-25	1,115,000	245,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	520,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	1,690,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	7,665,000
Duluth Entertainment and						
Convention Center Improvement	3.00 to 5.00%	02/01; 08/01	03-22-16	02-01-34	33,470,000	28,055,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16	02-01-27	1,135,000	510,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17	02-01-28	1,545,000	830,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18	02-01-34	4,450,000	3,275,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18	02-01-29	1,310,000	875,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19	02-01-30	1,190,000	905,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19	02-01-32	9,755,000	7,940,000
Capital Improvement	3.00%	02/01; 08/01	10-21-20	02-01-31	1,640,000	1,360,000
Capital Improvement - Lakewalk	2.00%	02/01; 08/01	10-21-20	02-01-36	4,150,000	3,685,000
State Aid Street Improvement	1.50%	02/01; 08/01	10-21-20	02-01-26	3,945,000	2,410,000
Capital Improvement	5.00%	02/01; 08/01	11-03-21	02-01-32	1,490,000	1,390,000
Airport Improvement Refunding	0.25 to 1.50%	02/01; 08/01	11-03-21	02-01-28	2,845,000	2,380,000
Capital Improvement	5.00%	02/01; 08/01	11-01-22	02-01-33	1,685,000	1,685,000
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
Total General Obligation					<u>102,640,000</u>	<u>74,510,000</u>
General Obligation -Tax Abatement						
GO Tax Abatement (Cirrus)	1.00 to 3.15%	02/01; 08/01	03-22-16	02-01-32	7,820,000	5,020,000
GO Tax Abatement Refunding	0.25 to 1.75%	02/01; 08/01	11-03-21	02-01-30	3,705,000	3,265,000
Total General Obligation - Tax Abatement					<u>11,525,000</u>	<u>8,285,000</u>
General Obligation Certificates Payable						
Equipment	3.00 to 5.00%	02/01; 08/01	10-17-18	02-01-24	3,885,000	845,000
Equipment	5.00%	02/01; 08/01	10-09-19	02-01-25	3,070,000	1,340,000
Equipment	4.00%	02/01; 08/01	10-21-20	02-01-26	2,960,000	1,865,000
Equipment	5.00%	02/01; 08/01	11-03-21	02-01-27	3,935,000	3,260,000
Equipment	5.00%	02/01; 08/01	11-01-22	02-01-28	3,360,000	3,360,000
Equipment	5.00%	02/01; 08/01	11-08-23	02-01-29	3,350,000	3,350,000
Total General Obligation Certificates Payable					<u>20,560,000</u>	<u>14,020,000</u>
Total Governmental Activities					<u>\$134,725,000</u>	<u>\$ 96,815,000</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**10. LONG-TERM DEBT** (continued)

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Business-type Activities					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	1.00 to 2.75% 02/01; 08/01	11-27-12	02-01-26	\$ 10,270,000	\$ 2,760,000
Priley Drive Parking Facility					
Parking Improvement Tax Increment	4.00% 04/01; 10/01	05-15-14	04-01-44	11,500,000	11,426,091
Water Fund					
Water Utility Revenue and General Obligation	2.00 to 4.00% 02/01; 08/01	02-19-09	02-01-24	196,000	16,000
Water Utility Revenue and General Obligation	3.00 to 3.38% 02/01; 08/01	10-17-18	02-01-34	4,050,000	3,165,000
Total Water Fund				4,246,000	3,181,000
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	2,980,000
Steam Utility Revenue and General Obligation	2.00 to 2.40% 02/01; 08/01	10-21-20	02-01-41	10,495,000	9,680,000
Total Steam Fund				14,510,000	12,660,000
Sewer Fund					
Sewer Utility Revenue and General Obligation	2.00 to 4.00% 02/01; 08/01	02-19-09	02-01-24	1,444,000	119,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00% 02/01; 08/01	12-17-09	02-01-25	905,000	150,000
Total Sewer Fund				2,349,000	269,000
Total Business-type Activities				\$ 42,875,000	\$ 30,296,091

**NOTES PAYABLE BY ISSUE**

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
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	\$ 2,551,000
Total Governmental Activities				\$ 2,636,000	\$ 2,551,000
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	\$ 184,000
Public Facilities Authority Note	1.076% 02/20; 08/20	12-14-10	08-20-25	3,344,131	491,000
Public Facilities Authority Note	1.221% 02/20; 08/20	11-29-11	08-20-26	1,221,631	254,000
Public Facilities Authority Note	1.000% 02/20; 08/20	03-24-14	08-20-29	4,778,806	1,922,000
Public Facilities Authority Note	1.003% 02/20; 08/20	01-24-22	08-20-42	3,857,531	3,600,000
Total Water Fund				14,495,299	6,451,000
Sewer Fund					
Public Facilities Authority Note	1.969% 02/20; 08/20	08-20-09	08-20-24	796,835	62,000
Public Facilities Authority Note	2.017% 02/20; 08/20	11-25-09	08-20-24	2,414,150	194,000
Public Facilities Authority Note	1.258% 02/20; 08/20	07-28-10	08-20-25	3,753,059	542,000
Public Facilities Authority Note	1.258% 02/20; 08/20	07-28-10	08-20-25	8,504,224	1,210,000
Public Facilities Authority Note	1.000% 02/20; 08/20	10-29-14	08-20-24	860,847	75,000
Total Sewer Fund				16,329,115	2,083,000
Total Business-type Activities				\$ 30,824,414	\$ 8,534,000

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**11. FUND EQUITY**

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2023 are as follows:

	General Fund	Disaster Recovery	Local Fiscal Recovery	Community Investment Trust	Other Governmental Funds	Total Fund Balance
Fund Balances:						
Spendable:						
Restricted for:						
Forfeitures	\$ 194,453	\$ -	\$ -	\$ -	\$ 95,383	\$ 289,836
Capital Projects	-	-	-	-	7,919,189	\$ 7,919,189
Community Development	-	-	-	-	369,877	\$ 369,877
Employment	-	-	-	-	888,773	\$ 888,773
Parks and Recreation	-	-	-	-	2,026,342	\$ 2,026,342
Public Access Television	-	-	-	-	675,901	\$ 675,901
Public Safety	-	-	-	-	3,695,271	\$ 3,695,271
Public Works	-	-	-	-	18,285,416	\$ 18,285,416
Economic Development	-	-	-	-	1,141,426	\$ 1,141,426
Library	-	-	-	-	772,686	\$ 772,686
Tourism	-	-	-	-	3,136,764	\$ 3,136,764
Debt Service	-	-	-	-	22,687,776	\$ 22,687,776
Committed for:						
General Government	-	-	-	-	586,776	\$ 586,776
Community Development	-	-	-	-	1,381,597	\$ 1,381,597
Community Investment	-	-	-	31,634,458	-	\$ 31,634,458
Energy Program	-	-	-	-	313,603	\$ 313,603
Municipal Arts	-	-	-	-	173,814	\$ 173,814
Parks and Recreation	-	-	-	-	266,809	\$ 266,809
Public Safety	16,995	-	-	-	869,042	\$ 886,037
Assigned to:						
General Government	5,310,197	-	-	-	-	\$ 5,310,197
Energy Program	-	-	-	-	1,296,019	\$ 1,296,019
Parks and Recreation	500,000	-	-	-	-	\$ 500,000
Public Safety	445,827	-	-	-	544,900	\$ 990,727
Public Works	4,196,396	-	-	-	-	\$ 4,196,396
Economic Development	52,340	-	-	-	2,205,826	\$ 2,258,166
Capital Projects	-	-	-	-	2,084,705	\$ 2,084,705
Unassigned	28,484,810	(6,277,910)	(106,927)	-	(3,382,060)	\$ 18,717,913
Total Fund Balances	<u>\$39,201,018</u>	<u>\$ (6,277,910)</u>	<u>\$ (106,927)</u>	<u>\$31,634,458</u>	<u>\$68,035,835</u>	<u>\$132,486,474</u>



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Steam Enterprise	17,306
	Nonmajor Governmental Funds	2,688,014
	Internal Service Funds	593,319
	Disaster Recovery Fund	240,556
Local Fiscal Recovery Funds	Water Enterprise	360,049
Water Enterprise	General Fund	16,319
	Nonmajor Governmental Funds	84,930
	Internal Service Funds	13,460
Gas Enterprise	General Fund	16,319
	Internal Service Funds	14,302
Sewer Enterprise	General Fund	16,319
	Nonmajor Governmental Funds	15,195
	Internal Service Funds	10,861
Steam Enterprise	Nonmajor Governmental Funds	270,280
	Internal Service Funds	1,224
Nonmajor Governmental Funds	General Fund	1,058,474
	Water Enterprise	70,618
	Gas Enterprise	14,462
	Sewer Enterprise	38,647
	Nonmajor Governmental Funds	1,627,479
	Nonmajor Enterprise Funds	74,863
	Internal Service Funds	32,953
Nonmajor Enterprise Funds	General Fund	16,319
	Steam Enterprise	1,430
	Nonmajor Governmental Funds	120,515
	Internal Service Funds	7,392
Internal Service Funds	Nonmajor Governmental Funds	5,724
Disaster Recovery Fund	Nonmajor Governmental Funds	24,350
	Internal Service Funds	362
Total		(1,2,3) <u>\$ 7,452,041</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 6,200,793
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	577,375
	Governmental Activities - Internal Service Funds	673,873
Total		<u>\$ 7,452,041</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2023.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Airport Authority	(1,2,3) \$ 71
	Duluth Transit Authority	(1,2,3) 5,035
Nonmajor Governmental Funds	Spirit Mountain Recreation Area	(1,2,3) 86,000
	Duluth Entertainment Convention Center	8,825
Total Due From Component Units		<u>\$ 99,931</u>
Total Due To Primary Government		\$ 122,840
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2023		(108,909)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2023		86,000
Total Due From Component Units		<u>\$ 99,931</u>
Component Unit:	Primary Government:	
Duluth Entertainment and		
Convention Center Authority	Nonmajor Governmental Funds	\$ 1,247,154
Total Due From Primary Government		<u>\$ 1,247,154</u>
Total Due To Component Units		<u>\$ 1,247,154</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, 2023 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	\$ 7,483,067
Gas Enterprise	420,296
	<u>\$ 7,903,363</u>
<u>Payable Fund</u>	
Disaster Recovery Fund	\$ 4,624,880
Nonmajor Governmental Funds	126,648
Nonmajor Enterprise Funds	2,599,648
Internal Service Funds	131,891
Steam Enterprise	420,296
Total	<u>\$ 7,903,363</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, are as follows:

Transfer to, reported in fund:	Transfer from, reported in fund:	Amount
General Fund	Community Investment Trust	(3) \$ 594,975
	Water Enterprise	(1,3) 221,800
	Gas Enterprise	(1,2,3) 4,333,370
	Sewer Enterprise	(1,3) 159,550
	Steam Enterprise	(2) 214,571
	Nonmajor Governmental Funds	(1,3) 4,204,050
	Nonmajor Enterprise Funds	(1,3) 1,970,300
	Disaster Recovery Fund	(3) 1,000,000
Priley Drive Parking Facility		
Enterprise Fund	Nonmajor Governmental Funds	(1) 498,422
Water Enterprise	Nonmajor Governmental Funds	(1) 205,618
Sewer Enterprise	Nonmajor Governmental Funds	(1) 38,647
Nonmajor Governmental Funds	General Fund	(1,3) 3,172,392
	Gas Enterprise	(3) 75,000
	Nonmajor Governmental Funds	(1,3) 19,079,655
Nonmajor Enterprise Funds	General Fund	(3) 3,201,117
	Nonmajor Governmental Funds	(1) 87,257
Disaster Recovery Fund	General Fund	(1) 240,556
	Nonmajor Governmental Funds	(1) 506,700
Internal Service Fund	General Fund	(3) 57,800
Total		<u>\$ 39,861,780</u>
Transfers out, reported in:	Statement of Revenues, Expenditures, and Changes in Fund Balances:	
	Governmental Funds	\$ 32,887,189
	Statement of Revenues, Expenditures, and Changes in Fund Net Position:	
	Business-type Activities - Enterprise Funds	6,974,591
Total		<u>\$ 39,861,780</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS**

PLAN DESCRIPTION

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

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not 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 maximum increase of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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, 2023**

**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 Police and Fire Plan, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**CONTRIBUTIONS**

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes, Chapter 353. These statutes are established and amended by the state legislature. Rates did not change from 2022.

	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, 2023**

General Employees Fund	\$ 3,100,531
Police and Fire Fund	4,882,535

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

**PENSION COSTS**

**General Employees Plan**

At December 31, 2023, the City reported a liability of \$28,736,712 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the City's proportion was 0.5139%. It was 0.5189% measured as of June 30, 2022. The City recognized pension expense of \$4,264,611 for its proportionate share of the General Employees Plan's pension expense.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS** (continued)

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The City recognized an additional \$3,560 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, 2023**

City's proportionate share of the net pension liability	\$ 28,736,712
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>792,222</u>
Total	<u><u>\$ 29,528,934</u></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, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 945,930	\$ 200,429
Changes in actuarial assumptions	4,709,502	7,876,489
Difference between projected and actual investment earnings	-	1,052,883
Changes in proportion	-	680,626
Contributions paid to PERA subsequent to the measurement date	<u>1,559,155</u>	<u>-</u>
Total	<u><u>\$ 7,214,587</u></u>	<u><u>\$ 9,810,427</u></u>

The \$1,559,155 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, 2024. 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, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 308,263
2025	(4,447,608)
2026	607,746
2027	(623,396)

Police and Fire Fund

At December 31, 2023, the City reported a liability of \$35,848,094 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS** (continued)

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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the City's proportion was 2.0759%. It was 2.1362% measured as of June 30, 2022. The City recognized pension expense of \$9,942,952 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$9 million by October 1 of each year until full funding is reached, or July 1, 2048, whichever is earlier. The City recognized an additional \$86,969 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, 2023**

City's proportionate share of the net pension liability	\$ 35,848,094
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,443,974</u>
Total	<u><u>\$ 37,292,068</u></u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the plan is 90% funded, or until the State Patrol Plan is 90% funded, whichever occurs later. The City also recognized \$186,829 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

**Police and Fire Plan**  
**Deferred Outflows of Resources and Deferred Inflows of Resources**  
**As of December 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,965,078	\$ -
Changes in actuarial assumptions	42,217,671	50,424,016
Difference between projected and actual investment earnings	-	898,271
Changes in proportion	647,093	3,680,953
Contributions paid to PERA subsequent to the measurement date	<u>2,403,858</u>	<u>-</u>
Total	<u><u>\$ 55,233,700</u></u>	<u><u>\$ 55,003,240</u></u>

The \$2,403,858 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS** (continued)

**Police and Fire Plan**  
**Schedule of Amortization of**  
**Deferred Outflows and Inflows of Resources**  
**As of December 31, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 1,412,815
2025	(45,644)
2026	8,293,388
2027	(2,502,486)
2028	(9,331,471)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2023, was \$14,207,563.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023, 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, 2023**

	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%

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, 2023 valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. For both plans, a review of inflation and investment assumptions dated 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%



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS** (continued)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.0% in 2023. This was an increase from the 6.5% and 5.4% used in 2022 for the General Employees Plan and the Police and Fire Plan, respectively. 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.

CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

The following changes in actuarial assumptions occurred in 2023:

General Employees Plan

- 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.

Police and Fire Plan

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

PENSION LIABILITY SENSITIVITY

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**13. PENSION PLANS** (continued)

**Sensitivity of the Employer's Proportionate Share of the  
Net Pension Liability to Changes in the Discount Rate  
As of December 31, 2023**

	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%	\$ 50,837,552	6.0%	\$ 71,126,894
Current	7.0%	28,736,712	7.0%	35,848,094
1.0% Increase	8.0%	10,557,932	8.0%	6,844,201

**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](http://www.mnpera.org).

**DEFINED CONTRIBUTION PLAN**

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

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2023, were:

**Total Contributions by Dollar Amount and  
Percentage of Covered Payroll Made by the Employer  
For the Year Ended December 31, 2023**

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

**COMPONENT UNITS' PENSION INFORMATION**

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to PERA. Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. Detailed information concerning each component unit's pension plan is presented in its publicly available 2023 annual report.

The Duluth Economic Development Authority has no employees. Information on the Duluth Transit Authority's pension is presented in its publicly available 2023 annual report.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, there were 1,168 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, 2023, the City contributed \$10,228,479 and retirees contributed \$228,249.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$6,720,004 were made to the irrevocable trust in 2023.

INVESTMENTS

Investment policy – The City's OPEB irrevocable trust fund is managed by the City of Duluth. All OPEB funds are invested with the Minnesota State Board of Investment (SBI). It is the policy of the City to pursue an investment strategy that reduces risk through the diversification of the portfolio. The City's target asset allocation as of December 31, 2023 is:

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

*Rate of return* – For the year ended December 31, 2023, the annual money-weighted return on investments, net of investment expense, was 19.86%. 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, 2023**

**14. OTHER POSTEMPLOYMENT BENEFITS** (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2023, were as follows:

Total OPEB liability	\$ 181,141,943
Plan fiduciary net position	(108,485,407)
City's net OPEB liability	<u>\$ 72,656,536</u>
Plan fiduciary net position as a percentage of the total OPEB liability	59.89%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of \$79,351,169 and the business-type activities report a prepaid asset of \$6,694,633.

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance at 1/1/23	\$ 151,294,204	\$ 84,359,568	\$ 66,934,636
Changes for the year:			
Service cost	1,706,844	-	1,706,844
Interest	8,624,583	-	8,624,583
Contributions - employer	-	14,521,145	(14,521,145)
Difference between expected and actual experience	(787,842)	-	(787,842)
Changes in assumptions	29,333,774	-	29,333,774
Difference between actual and projected earnings	-	13,692,252	(13,692,252)
Projected earnings	-	4,950,769	(4,950,769)
Benefit payments	(9,029,620)	(9,029,620)	-
Administrative expense	-	(8,707)	8,707
Net change	29,847,739	24,125,839	5,721,900
Balance at 12/31/23	<u>\$ 181,141,943</u>	<u>\$ 108,485,407</u>	<u>\$ 72,656,536</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 4.00% 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% initially, reduced incrementally to an ultimate rate of 5.00% after six years.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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	1.50%
Expected Real Rate of Return	1.50%
Inflation Rate	2.50%
Total Investment Rate of Return	4.00%

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	4.00%
S&P Municipal Bond 20-Year High-Grade Rate Index	4.00%
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	4.00%

*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 (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
Net OPEB liability (asset)	\$ 94,066,691	\$ 72,656,536	\$ 57,358,180

*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**  
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**14. OTHER POSTEMPLOYMENT BENEFITS** (continued)

	Healthcare Cost		
	1% Decrease (6.5% decrease to 4.0%)	Trend Rate (7.5% decrease to 5.0%)	1% Increase (8.5% decrease to 6.0%)
Net OPEB liability (asset)	\$ 55,373,470	\$ 72,656,556	\$ 96,414,636

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

For the year ended December 31, 2023, the City recognized OPEB expenses of \$10,169,127. At December 31, 2023, 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*	\$ 4,072,533	\$ 7,890,574
Changes in actuarial assumptions	21,580,930	-
Difference between expected and actual economic experience	1,377,298	152,007
Total	<u>\$ 27,030,761</u>	<u>\$ 8,042,581</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
2024	\$ 3,084,718
2025	5,065,743
2026	7,866,983
2027	2,970,736

**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, 2023, the City recognized OPEB expenses of \$366,000.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**15. SEGMENT INFORMATION**

The City has issued revenue bonds for the following nonmajor enterprise fund: Parking, which accounts for the municipal parking ramps, lots, and meters. Summary financial information for this fund for fiscal year ended December 31, 2023, is presented below:

**CONDENSED STATEMENT OF NET POSITION**

	<u>Parking</u>
Assets	
Current assets	\$ 4,224,523
Capital assets	16,375,984
Noncurrent assets	1,151,804
Total Assets	<u>21,752,311</u>
Deferred Outflows of Resources	<u>171,795</u>
Liabilities	
Current liabilities	1,033,225
Due to other funds	2,597
Noncurrent liabilities	2,122,268
Total Liabilities	<u>3,158,090</u>
Deferred Inflows of Resources	<u>1,502,793</u>
Net Position	
Net investment in capital assets	13,721,333
Unrestricted	3,541,890
Total Net Position	<u>\$ 17,263,223</u>

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

	<u>Parking</u>
Operating Revenues (Expenses)	
Charges (pledged against bonds)	\$ 4,345,389
Depreciation expense	(561,455)
Other operating expenses	(3,211,813)
Operating Income	<u>572,121</u>
Nonoperating Revenues (Expenses)	
Investment earnings	888
Interest expense	(124,023)
Capital contributions	935,284
Transfers in	701,117
Transfers out	(1,422,900)
Change in Net Position	662,487
Beginning Net Position	16,600,736
Ending Net Position	<u>\$ 17,263,223</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**15. SEGMENT INFORMATION** (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking</u>
Net Cash Provided (Used) by	
Operating activities	\$ 1,026,215
Noncapital financing activities	624,917
Capital and related financing activities	(22,943)
Investing activities	888
Net Increase (Decrease)	1,629,077
Beginning Cash and Cash Equivalents	2,176,848
Ending Cash and Cash Equivalents	<u>\$ 3,805,925</u>

**16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

LAKE SUPERIOR CENTER

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

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

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2023.

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.



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**16. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES** (continued)

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 \$2,684,752 to the Duluth Housing and Redevelopment Authority in 2023.

**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, 2022 (the most recent available) was:

Total Assets	\$	27,683
Total Liabilities		18,235
Total Net Position		9,448
Total Revenues		103,200
Total Expenditures		138,461
Change in Net Position	\$	(35,261)

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

**TAX INCREMENT ASSISTANCE**

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2023, follows:

	Maximum Assistance	2023 Tax Rebate
Bluestone Commons	\$ 9,896,864	\$ 974,009
Board of Trade Housing, Three D I, LLC	\$ 1,800,000	\$ 81,657
Central Hillside Development, LLP	\$ 106,538	\$ 35,903
Garfield Business Park, LLC	\$ 611,069	\$ 65,902
Harbor Bay	\$ 1,581,931	\$ 402,014
Kenwood Village, LLC	\$ 2,607,733	\$ 259,884
NorShor Theatre, LLC	\$ 671,990	\$ 213,588
Pier B, LLC	\$ 3,212,588	\$ 262,869
Sherman Associates Hotel/Condominium	\$ 5,000,000	\$ 266,984

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**16. 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, 2023, are as follows:

Entity	Series	Issued	Principal
Benedictine Health Center	2021A	\$ 73,405,000	\$ 68,270,000
Benedictine Health Center	2021B	\$ 19,300,000	\$ 17,515,133
Benedictine Health Center	2021C	\$ 19,000,000	\$ 17,225,568
Benedictine Health Systems	2023	\$ 14,600,000	\$ 14,600,000
Essentia Health	2018A	\$ 682,285,000	\$ 674,865,000
Essentia Health	2020C	\$ 116,955,000	\$ 75,500,000
Essentia Health	2020D	\$ 65,000,000	\$ 60,780,000
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 7,454,049
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 4,791,417
Ikonics	2016	\$ 3,415,000	\$ 2,291,105
St. Luke's Hospital	2018A	\$ 19,750,000	\$ 17,955,899
St. Luke's Hospital	2018B	\$ 19,750,000	\$ 17,955,899
St. Luke's Hospital	2021A	\$ 14,725,000	\$ 14,725,000
St. Luke's Hospital	2022A	\$ 49,000,000	\$ 47,495,000
St. Luke's Hospital	2022B	\$ 76,110,000	\$ 76,110,000

**17. TAX ABATEMENT**

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

The City has entered into a property tax agreement with a real estate developer for constructing residential rental units, pursuant to Minnesota Statutes § 469.1812 through 469.1815, which allows local governments to grant property tax abatements not to exceed the larger of 10% of net tax capacity or \$200,000. The tax abatement is effective for taxes payable in 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, 2023**

**17. 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.

**18. SUBSEQUENT EVENT**

Pursuant to Section 55 of the City Charter, Minnesota Laws 1979, Chapter 113, and Minnesota Statutes, Chapter 475, the City sold \$3,830,000 in Steam General Obligation Revenue bonds in February of 2024. The proceeds of the bonds will be used for municipal steam capital improvements. The bonds are payable primarily from net revenues generated by the Steam fund.

# 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, 2023**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
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%
	<b>2022</b>	<b>2023</b>			
Total OPEB liability					
Service cost	\$ 1,971,187	\$ 1,706,844			
Interest	8,263,004	8,624,583			
Benefit payments	(11,323,522)	(9,029,620)			
Changes in assumptions	2,087,148	29,333,774			
Difference in expected vs. actual experience	820,051	(787,842)			
Net change in total OPEB liability	1,817,868	29,847,739			
Total OPEB liability - beginning	149,476,336	151,294,204			
Total OPEB liability - ending (a)	<u>\$151,294,204</u>	<u>\$181,141,943</u>			
Plan fiduciary net position					
Contributions - employer	\$ 12,908,989	\$ 14,521,145			
Net investment income	(17,132,555)	18,643,021			
Benefit payments	(11,323,522)	(9,029,620)			
Administrative expense	(6,574)	(8,707)			
Net change in plan fiduciary net position	(15,553,662)	24,125,839			
Plan fiduciary net position - beginning	99,913,230	84,359,568			
Plan fiduciary net position - ending (b)	<u>\$ 84,359,568</u>	<u>\$108,485,407</u>			
City's net OPEB liability - ending (a-b)	\$ 66,934,636	\$ 72,656,536			
Plan fiduciary net position as a percentage of the total OPEB liability	55.76%	59.89%			
Covered-employee payroll	\$ 58,845,266	\$ 60,719,547			
City's net OPEB liability as a percentage of covered-employee payroll	113.75%	119.66%			

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, 2023**

**SCHEDULE OF INVESTMENT RETURNS**

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

**SCHEDULE OF CITY CONTRIBUTIONS**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
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%
	<b>2022</b>	<b>2023</b>			
Actuarially determined contribution	\$ 10,196,577	\$ 10,861,403			
Contributions in relation to the actuarially determined contribution	11,346,528	14,497,704			
Contribution deficiency (excess)	<u>\$ 1,149,951</u>	<u>\$ 3,636,301</u>			
Covered-employee payroll	\$ 58,845,266	\$ 60,719,547			
Contributions as a percentage of covered-employee payroll	19.28%	23.88%			

**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	2.5%
Healthcare cost trend rates	7.5% initially, reduced incrementally to an ultimate rate of 5.0% after six years
Salary increases	3.5%
Investment rate of return	4.0%
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, 2023**

**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
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%

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

**SCHEDULE OF CONTRIBUTIONS**  
**(LAST TEN YEARS)**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
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%

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

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

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND**  
**SCHEDULE OF CONTRIBUTIONS**  
**PERA POLICE AND FIRE PLAN**  
**DECEMBER, 31, 2023**

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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%

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

**SCHEDULE OF CONTRIBUTIONS**  
**(LAST TEN YEARS)**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to the Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
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%

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

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



**CITY OF DULUTH, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**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, 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

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.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

General Employees Fund (continued)

2020

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

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.0% per year through 2044 and 2.5% per year thereafter, to 1.25% per year.
- 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.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

General Employees Fund (continued)

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

2023

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

2022

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Police and Fire Plan (continued)

2021

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

2020

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

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Postretirement benefit increases changed to 1.0% for all years, with no trigger.
- 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.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Police and Fire Plan (continued)

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, 2023**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**CITY OF DULUTH, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

**SPECIAL REVENUE FUNDS** (continued)

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

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

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

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

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

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

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

**DEBT SERVICE FUNDS**

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

**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.

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

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Lake Superior Zoo</b>	<b>Parks</b>	<b>Special Projects</b>	<b>Opioid Remediation</b>	<b>Police Grant Programs</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,188	\$ 1,368,188	\$ 6,677,876	\$ 631,336	\$ 351,255
Receivables, net					
Taxes	-	99,126	-	-	-
Accounts	-	40,825	134,433	443,409	4,290
Assessments	-	-	516,866	-	-
Loans	-	-	-	-	-
Leases	-	-	1,148,981	-	-
Due from other funds	-	460,281	566,730	-	-
Due from component units	-	-	8,825	-	-
Due from other governments	63,750	1,633,569	116,951	-	629,995
Prepays	-	-	-	-	-
<b>Total Assets</b>	<b>66,938</b>	<b>3,601,989</b>	<b>9,170,662</b>	<b>1,074,745</b>	<b>985,540</b>
<b>Liabilities</b>					
Accounts payable	-	183,311	28,949	-	342,038
Contracts payable	105,307	105,930	125	-	151,993
Due to other funds	-	12,766	700,226	-	275,985
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	143	1,663	16,411	-	10,761
Accrued salaries payable	-	46,147	21,376	-	-
Unearned revenue	-	-	261,271	-	18,462
<b>Total Liabilities</b>	<b>105,450</b>	<b>349,817</b>	<b>1,028,358</b>	<b>-</b>	<b>799,239</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	1,272,502	580,488	443,409	114,366
Lease related	-	-	1,085,574	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>1,272,502</b>	<b>1,666,062</b>	<b>443,409</b>	<b>114,366</b>
<b>Fund Balances</b>					
Restricted	-	1,979,670	4,287,895	631,336	71,935
Committed	-	-	1,643,447	-	-
Assigned	-	-	544,900	-	-
Unassigned	(38,512)	-	-	-	-
<b>Total Fund Balances</b>	<b>(38,512)</b>	<b>1,979,670</b>	<b>6,476,242</b>	<b>631,336</b>	<b>71,935</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 66,938</b>	<b>\$ 3,601,989</b>	<b>\$ 9,170,662</b>	<b>\$ 1,074,745</b>	<b>\$ 985,540</b>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Recovery Loan Program</b>	<b>Bayfront Festival Park</b>	<b>Library Special Accounts</b>	<b>Economic Development</b>	<b>Energy Management</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 624,851	\$ 81,180	\$ 708,470	\$ 1,279,407	\$ 1,538,671
Receivables, net					
Taxes	-	-	-	-	-
Accounts	-	-	73,110	1,546	-
Assessments	-	-	-	-	-
Loans	3,831,914	-	-	630,932	-
Leases	-	-	-	500,253	177,881
Due from other funds	-	-	-	920,860	5,724
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	-	197,017
Prepays	-	-	-	-	-
Total Assets	<u>4,456,765</u>	<u>81,180</u>	<u>781,580</u>	<u>3,332,998</u>	<u>1,919,293</u>
<b>Liabilities</b>					
Accounts payable	-	2,000	3,823	-	9,441
Contracts payable	-	-	5,071	-	108,564
Due to other funds	-	-	-	-	10,578
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	3,066	-	-	1,770	-
Accrued salaries payable	-	-	-	-	4,968
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>3,066</u>	<u>2,000</u>	<u>8,894</u>	<u>1,770</u>	<u>133,551</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	3,831,914	-	-	630,932	-
Lease related	-	-	-	494,470	176,120
Total Deferred Inflows of Resources	<u>3,831,914</u>	<u>-</u>	<u>-</u>	<u>1,125,402</u>	<u>176,120</u>
<b>Fund Balances</b>					
Restricted	621,785	-	772,686	-	-
Committed	-	79,180	-	-	313,603
Assigned	-	-	-	2,205,826	1,296,019
Unassigned	-	-	-	-	-
Total Fund Balances	<u>621,785</u>	<u>79,180</u>	<u>772,686</u>	<u>2,205,826</u>	<u>1,609,622</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,456,765</u>	<u>\$ 81,180</u>	<u>\$ 781,580</u>	<u>\$ 3,332,998</u>	<u>\$ 1,919,293</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
			<b>Home</b>		
			<b>Investment</b>		
	<b>Tourism Tax</b>	<b>Public Facility</b>	<b>Partnerships</b>	<b>Community</b>	<b>Housing Trust</b>
		<b>and Program</b>	<b>Program</b>	<b>Development</b>	
<b>Assets</b>					
Cash and cash equivalents	\$ 3,096,544	\$ 41,127	\$ -	\$ 1,002,826	\$ 1,378,291
Receivables, net					
Taxes	1,085,897	575	-	-	7,978
Accounts	-	-	-	162,081	-
Assessments	-	-	-	-	-
Loans	-	-	299,410	2,614,793	-
Leases	-	-	-	-	-
Due from other funds	-	-	25,624	11,949	-
Due from component units	-	-	-	-	-
Due from other governments	156,076	-	321,521	569,012	3,215,000
Prepays	-	-	-	-	-
Total Assets	<u>4,338,517</u>	<u>41,702</u>	<u>646,555</u>	<u>4,360,661</u>	<u>4,601,269</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	3,000	-
Contracts payable	179,255	-	319,357	544,883	-
Due to other funds	1,022,498	-	7,776	30,118	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	39,930	-	-
Due to other governments	-	-	-	41,374	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	40,043	-
Total Liabilities	<u>1,201,753</u>	<u>-</u>	<u>367,063</u>	<u>659,418</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	601,667	3,331,366	3,219,672
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>601,667</u>	<u>3,331,366</u>	<u>3,219,672</u>
<b>Fund Balances</b>					
Restricted	3,136,764	41,702	-	369,877	-
Committed	-	-	-	-	1,381,597
Assigned	-	-	-	-	-
Unassigned	-	-	(322,175)	-	-
Total Fund Balances	<u>3,136,764</u>	<u>41,702</u>	<u>(322,175)</u>	<u>369,877</u>	<u>1,381,597</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,338,517</u>	<u>\$ 41,702</u>	<u>\$ 646,555</u>	<u>\$ 4,360,661</u>	<u>\$ 4,601,269</u>

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Workforce Development</b>	<b>Senior Employment</b>	<b>Street System Maintenance Utility</b>	<b>Street Improvement Sales Tax</b>	<b>Street Lighting</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 727,058	\$ -	\$ 5,210,894	\$ 8,826,142	\$ 2,246,072
Receivables, net					
Taxes	-	-	82,045	1,910,887	80,519
Accounts	-	-	-	-	117
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Leases	319,216	-	-	-	-
Due from other funds	18,326	1,861	742,800	70,401	-
Due from component units	-	-	-	-	-
Due from other governments	286,057	35,078	-	-	10,439
Prepays	-	2,917	-	-	-
<b>Total Assets</b>	<b>1,350,657</b>	<b>39,856</b>	<b>6,035,739</b>	<b>10,807,430</b>	<b>2,337,147</b>
<b>Liabilities</b>					
Accounts payable	25,214	-	107,773	-	109,431
Contracts payable	18,848	-	-	-	22,562
Due to other funds	20,788	2,713	-	528,550	1,993
Due to component units	-	-	-	-	-
Interfund loan payable	-	37,283	-	-	-
Due to other governments	2,526	-	-	-	-
Accrued salaries payable	29,143	-	-	-	11,208
Unearned revenue	16	-	-	-	549
<b>Total Liabilities</b>	<b>96,535</b>	<b>39,996</b>	<b>107,773</b>	<b>528,550</b>	<b>145,743</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	56,980	2,413	54,601	-	58,233
Lease related	308,369	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>365,349</b>	<b>2,413</b>	<b>54,601</b>	<b>-</b>	<b>58,233</b>
<b>Fund Balances</b>					
Restricted	888,773	-	5,873,365	10,278,880	2,133,171
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(2,553)	-	-	-
<b>Total Fund Balances</b>	<b>888,773</b>	<b>(2,553)</b>	<b>5,873,365</b>	<b>10,278,880</b>	<b>2,133,171</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,350,657</b>	<b>\$ 39,856</b>	<b>\$ 6,035,739</b>	<b>\$ 10,807,430</b>	<b>\$ 2,337,147</b>

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<u>Special Revenue</u>		<u>Debt Service Funds</u>		
	<u>Public Arts</u>	<u>DECC Revenue</u>	<u>General Obligation</u>	<u>Special Assessment Debt Service</u>	<u>Street Improvement Debt Service</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 176,022	\$ 5,675,232	\$ 16,936,324	\$ 40,132	\$ -
Receivables, net					
Taxes	-	-	250,619	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	104,613	57,476
Loans	-	-	8,175,000	-	-
Leases	-	-	-	-	-
Due from other funds	-	661,605	317,260	-	323
Due from component units	-	-	-	-	-
Due from other governments	-	-	49,756	54,485	-
Prepays	-	-	-	-	-
Total Assets	<u>176,022</u>	<u>6,336,837</u>	<u>25,728,959</u>	<u>199,230</u>	<u>57,799</u>
<b>Liabilities</b>					
Accounts payable	2,208	-	113,135	-	-
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	53,221	-
Due to component units	-	1,247,154	-	-	-
Interfund loan payable	-	-	-	-	49,435
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>2,208</u>	<u>1,247,154</u>	<u>113,135</u>	<u>53,221</u>	<u>49,435</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	8,337,140	104,613	57,476
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>8,337,140</u>	<u>104,613</u>	<u>57,476</u>
<b>Fund Balances</b>					
Restricted	-	5,089,683	17,278,684	41,396	-
Committed	173,814	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(49,112)
Total Fund Balances	<u>173,814</u>	<u>5,089,683</u>	<u>17,278,684</u>	<u>41,396</u>	<u>(49,112)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 176,022</u>	<u>\$ 6,336,837</u>	<u>\$ 25,728,959</u>	<u>\$ 199,230</u>	<u>\$ 57,799</u>

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<u>Debt Service</u>		<u>Capital Projects Funds</u>		
	<u>Tax Increment</u>	<u>Capital Equipment</u>	<u>Permanent Improvement</u>	<u>Street Improvement Program</u>	<u>Capital Improvements</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 278,013	\$ 3,352,781	\$ 954,468	\$ 4,855,251	\$ 1,862,763
Receivables, net					
Taxes	-	-	9,675	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	946,891	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Due from other funds	-	9,762	-	998,631	24,350
Due from component units	-	-	-	-	-
Due from other governments	-	-	6,495,390	-	5,780,182
Prepays	-	-	-	-	-
Total Assets	<u>278,013</u>	<u>3,362,543</u>	<u>7,459,533</u>	<u>6,800,773</u>	<u>7,667,295</u>
<b>Liabilities</b>					
Accounts payable	-	91,151	1,333	-	79,565
Contracts payable	-	-	918,962	1,703,666	2,918,780
Due to other funds	-	-	250,284	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	128	1,458	132
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>91,151</u>	<u>1,170,707</u>	<u>1,705,124</u>	<u>2,998,477</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	6,282,534	946,890	5,780,182
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>6,282,534</u>	<u>946,890</u>	<u>5,780,182</u>
<b>Fund Balances</b>					
Restricted	278,013	3,271,392	6,292	2,064,054	-
Committed	-	-	-	-	-
Assigned	-	-	-	2,084,705	-
Unassigned	-	-	-	-	(1,111,364)
Total Fund Balances	<u>278,013</u>	<u>3,271,392</u>	<u>6,292</u>	<u>4,148,759</u>	<u>(1,111,364)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 278,013</u>	<u>\$ 3,362,543</u>	<u>\$ 7,459,533</u>	<u>\$ 6,800,773</u>	<u>\$ 7,667,295</u>



**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<b>Capital Projects Funds</b>		
	<b>Tourism and Recreational Projects</b>	<b>Regional Exchange District</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,741,888	\$ 1,741,003	\$ 74,407,253
Receivables, net			
Taxes	-	-	3,527,321
Accounts	-	-	859,811
Assessments	-	-	1,625,846
Loans	-	-	15,552,049
Leases	-	-	2,146,331
Due from other funds	-	-	4,836,487
Due from component units	86,000	-	94,825
Due from other governments	238,567	1,848,863	21,701,708
Prepays	-	-	2,917
Total Assets	<u>3,066,455</u>	<u>3,589,866</u>	<u>124,754,548</u>
<b>Liabilities</b>			
Accounts payable	12,479	-	1,114,851
Contracts payable	294,101	3,599,347	10,996,751
Due to other funds	-	-	2,917,496
Due to component units	-	-	1,247,154
Interfund loan payable	-	-	126,648
Due to other governments	484	-	79,916
Accrued salaries payable	-	-	112,842
Unearned revenue	39,030	-	359,371
Total Liabilities	<u>346,094</u>	<u>3,599,347</u>	<u>16,955,029</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	142,910	1,848,863	37,699,151
Lease related	-	-	2,064,533
Total Deferred Inflows of Resources	<u>142,910</u>	<u>1,848,863</u>	<u>39,763,684</u>
<b>Fund Balances</b>			
Restricted	2,577,451	-	61,694,804
Committed	-	-	3,591,641
Assigned	-	-	6,131,450
Unassigned	-	(1,858,344)	(3,382,060)
Total Fund Balances	<u>2,577,451</u>	<u>(1,858,344)</u>	<u>68,035,835</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,066,455</u>	<u>\$ 3,589,866</u>	<u>\$ 124,754,548</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Lake Superior Zoo</b>	<b>Parks</b>	<b>Special Projects</b>	<b>Opioid Remediation</b>	<b>Police Grant Programs</b>
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ 2,868,649	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	107,949	37,497	-	-
Intergovernmental revenues	222,500	559,110	5,333,095	-	2,589,095
Charges for services	1,686,043	104,151	190,312	-	-
Fines and forfeits	-	-	4,211	-	125,132
Special assessments	-	-	-	-	-
Investment income	-	19,285	(14,764)	25,735	702
Miscellaneous revenues	142,418	397,468	1,196,998	123,961	8,653
Total Revenues	2,050,961	4,056,612	6,747,349	149,696	2,723,582
<b>Expenditures</b>					
Current					
General government	-	-	37,071	-	-
Public safety	-	-	1,069,165	14,000	1,263,000
Public works	-	-	-	-	-
Culture and recreation	2,564,657	3,937,675	131,992	-	-
Urban and economic development	-	-	47,678	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	842,219	183,581	-	25,760
Total Expenditures	2,564,657	4,779,894	1,469,487	14,000	1,288,760
Excess (Deficiency) of Revenues Over (Under) Expenditures	(513,696)	(723,282)	5,277,862	135,696	1,434,822
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	529,100	544,900	-	-
Transfers out	-	(337,364)	(1,379,536)	-	(1,554,693)
Total Other Financing Sources (Uses)	510,000	191,736	(834,636)	-	(1,554,693)
Net Change in Fund Balances	(3,696)	(531,546)	4,443,226	135,696	(119,871)
Fund Balances - January 1, 2023	(34,816)	2,511,216	2,033,016	495,640	191,806
Fund Balances - December 31, 2023	\$ (38,512)	\$ 1,979,670	\$ 6,476,242	\$ 631,336	\$ 71,935

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Recovery Loan Program</b>	<b>Bayfront Festival Park</b>	<b>Library Special Accounts</b>	<b>Economic Development</b>	<b>Energy Management</b>
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	1,750	255,888
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	5,178	997	4,093	3,248	9,806
Miscellaneous revenues	-	56,475	173,661	273,602	27,084
Total Revenues	<u>5,178</u>	<u>57,472</u>	<u>177,754</u>	<u>278,600</u>	<u>292,778</u>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	510,463
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	20,523	174,104	-	-
Urban and economic development	-	-	-	1,854	-
Debt service					
Principal retirement	-	-	-	5,454	-
Interest and fiscal fees	-	-	-	15,171	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	96,283	21,372	-	215,833
Total Expenditures	<u>-</u>	<u>116,806</u>	<u>195,476</u>	<u>22,479</u>	<u>726,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,178</u>	<u>(59,334)</u>	<u>(17,722)</u>	<u>256,121</u>	<u>(433,518)</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	920,860	226,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,860</u>	<u>226,000</u>
Net Change in Fund Balances	5,178	(59,334)	(17,722)	1,176,981	(207,518)
Fund Balances - January 1, 2023	616,607	138,514	790,408	1,028,845	1,817,140
Fund Balances - December 31, 2023	<u>\$ 621,785</u>	<u>\$ 79,180</u>	<u>\$ 772,686</u>	<u>\$ 2,205,826</u>	<u>\$ 1,609,622</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
			<b>Home</b>		
			<b>Investment</b>		
			<b>Partnerships</b>	<b>Community</b>	
	<b>Tourism Tax</b>	<b>Public Facility</b>	<b>Program</b>	<b>Development</b>	<b>Housing Trust</b>
		<b>and Program</b>			
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 289,298
Sales taxes	14,741,493	-	-	-	-
Other taxes	-	11,214	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	262,699	2,763,221	-
Charges for services	-	-	-	-	36,803
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	9,826	136	-	47,620	33,052
Miscellaneous revenues	-	-	-	196,170	215,000
<b>Total Revenues</b>	<b>14,751,319</b>	<b>11,350</b>	<b>262,699</b>	<b>3,007,011</b>	<b>574,153</b>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	-
Public safety	-	788	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	4,546,783	-	558,268	3,692,048	2,025,000
Debt service					
Principal retirement	-	-	-	20,000	-
Interest and fiscal fees	-	-	-	70,349	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	5,329	-	-	-
<b>Total Expenditures</b>	<b>4,546,783</b>	<b>6,117</b>	<b>558,268</b>	<b>3,782,397</b>	<b>2,025,000</b>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	10,204,536	5,233	(295,569)	(775,386)	(1,450,847)
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(9,782,735)	-	-	(42,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(9,782,735)</b>	<b>-</b>	<b>-</b>	<b>(42,500)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>421,801</b>	<b>5,233</b>	<b>(295,569)</b>	<b>(817,886)</b>	<b>(1,450,847)</b>
Fund Balances - January 1, 2023	2,714,963	36,469	(26,606)	1,187,763	2,832,444
Fund Balances - December 31, 2023	\$ 3,136,764	\$ 41,702	\$ (322,175)	\$ 369,877	\$ 1,381,597

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Special Revenue Funds</b>				
	<b>Workforce Development</b>	<b>Senior Employment</b>	<b>Street System Maintenance Utility</b>	<b>Street Improvement Sales Tax</b>	<b>Street Lighting</b>
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ 2,278,360	\$ -	\$ 2,519,805
Sales taxes	-	-	-	10,149,696	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	900
Intergovernmental revenues	3,162,121	321,963	-	-	-
Charges for services	-	-	-	-	1,531
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	1,670	-	15,837	12,234	5,477
Miscellaneous revenues	190,701	-	65	-	61,078
<b>Total Revenues</b>	<b>3,354,492</b>	<b>321,963</b>	<b>2,294,262</b>	<b>10,161,930</b>	<b>2,588,791</b>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	1,201,519	42,511	1,840,819
Culture and recreation	-	-	-	-	-
Urban and economic development	2,958,232	309,092	-	-	-
Debt service					
Principal retirement	199,930	-	36,996	-	-
Interest and fiscal fees	64,036	-	4,643	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	81,432	64,063	62,248
<b>Total Expenditures</b>	<b>3,222,198</b>	<b>309,092</b>	<b>1,324,590</b>	<b>106,574</b>	<b>1,903,067</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	132,294	12,871	969,672	10,055,356	685,724
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	23,660	-	742,800	-	-
Transfers out	-	(14,688)	(214,057)	(7,328,846)	(101,325)
<b>Total Other Financing Sources (Uses)</b>	<b>23,660</b>	<b>(14,688)</b>	<b>528,743</b>	<b>(7,328,846)</b>	<b>(101,325)</b>
<b>Net Change in Fund Balances</b>	<b>155,954</b>	<b>(1,817)</b>	<b>1,498,415</b>	<b>2,726,510</b>	<b>584,399</b>
<b>Fund Balances - January 1, 2023</b>	<b>732,819</b>	<b>(736)</b>	<b>4,374,950</b>	<b>7,552,370</b>	<b>1,548,772</b>
<b>Fund Balances - December 31, 2023</b>	<b>\$ 888,773</b>	<b>\$ (2,553)</b>	<b>\$ 5,873,365</b>	<b>\$ 10,278,880</b>	<b>\$ 2,133,171</b>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Special Revenue</u>		<u>Debt Service Funds</u>		
	<u>Public Arts</u>	<u>DECC Revenue</u>	<u>General Obligation</u>	<u>Special Assessment Debt Service</u>	<u>Street Improvement Debt Service</u>
<b>Revenues</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ 7,287,732	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	826,150	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	20,209	15,627
Investment income	543	20,959	68,737	(79)	-
Miscellaneous revenues	476	-	2,178,406	-	-
Total Revenues	1,019	20,959	10,361,025	20,130	15,627
<b>Expenditures</b>					
Current					
General government	-	-	833,139	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	28,389	-	-	-	-
Urban and economic development	-	1,247,154	-	-	-
Debt service					
Principal retirement	-	-	10,885,000	-	185,000
Interest and fiscal fees	-	-	3,637,693	-	4,225
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	28,389	1,247,154	15,355,832	-	189,225
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(27,370)	(1,226,195)	(4,994,807)	20,130	(173,598)
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	50,000	4,632,892	5,668,435	-	-
Transfers out	-	(3,036,900)	-	-	-
Total Other Financing Sources (Uses)	50,000	1,595,992	5,668,435	-	-
Net Change in Fund Balances	22,630	369,797	673,628	20,130	(173,598)
Fund Balances - January 1, 2023	151,184	4,719,886	16,605,056	21,266	124,486
Fund Balances - December 31, 2023	\$ 173,814	\$ 5,089,683	\$ 17,278,684	\$ 41,396	\$ (49,112)

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Debt Service</u>		<u>Capital Projects Funds</u>		
	<u>Tax Increment</u>	<u>Capital Equipment</u>	<u>Permanent Improvement</u>	<u>Street Improvement Program</u>	<u>Capital Improvements</u>
<b>Revenues</b>					
Taxes					
Property taxes	\$ 553,802	\$ -	\$ 277,510	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	2,437,984	-	3,196
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	546,102	-
Investment income	-	113,811	(2,583)	23,615	62,767
Miscellaneous revenues	-	-	-	305,055	150,000
Total Revenues	<u>553,802</u>	<u>113,811</u>	<u>2,712,911</u>	<u>874,772</u>	<u>215,963</u>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	1,045,312
Public safety	-	-	-	-	111,701
Public works	-	-	328,986	761,760	-
Culture and recreation	-	-	-	-	1,815,687
Urban and economic development	5,079	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	62,359	-	-	135,656
Capital outlay	-	3,829,283	3,982,705	7,503,267	4,277,909
Total Expenditures	<u>5,079</u>	<u>3,891,642</u>	<u>4,311,691</u>	<u>8,265,027</u>	<u>7,386,265</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>548,723</u>	<u>(3,777,831)</u>	<u>(1,598,780)</u>	<u>(7,390,255)</u>	<u>(7,170,302)</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	-	3,350,000	-	-	3,790,000
Premium on issuance of bonds	-	120,421	-	-	122,007
Transfers in	-	-	798,228	6,753,695	541,672
Transfers out	(498,422)	-	(179,883)	-	-
Total Other Financing Sources (Uses)	<u>(498,422)</u>	<u>3,470,421</u>	<u>618,345</u>	<u>6,753,695</u>	<u>4,453,679</u>
Net Change in Fund Balances	50,301	(307,410)	(980,435)	(636,560)	(2,716,623)
Fund Balances - January 1, 2023	227,712	3,578,802	986,727	4,785,319	1,605,259
Fund Balances - December 31, 2023	<u>\$ 278,013</u>	<u>\$ 3,271,392</u>	<u>\$ 6,292</u>	<u>\$ 4,148,759</u>	<u>\$ (1,111,364)</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Capital Projects Funds</b>		
	<b>Tourism and Recreational Projects</b>	<b>Regional Exchange District</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ -	\$ -	\$ 16,075,156
Sales taxes	-	-	24,891,189
Other taxes	-	-	11,214
Licenses and permits	-	-	146,346
Intergovernmental revenues	1,168,454	3,676,295	23,583,521
Charges for services	-	-	2,018,840
Fines and forfeits	-	-	129,343
Special assessments	-	-	581,938
Investment income	194,621	43,178	705,701
Miscellaneous revenues	255,000	-	5,952,271
<b>Total Revenues</b>	<b>1,618,075</b>	<b>3,719,473</b>	<b>74,095,519</b>
<b>Expenditures</b>			
Current			
General government	-	-	2,425,985
Public safety	-	-	2,458,654
Public works	-	-	4,175,595
Culture and recreation	18,509	-	8,691,536
Urban and economic development	-	-	15,391,188
Debt service			
Principal retirement	-	-	11,332,380
Interest and fiscal fees	-	-	3,796,117
Bond issuance costs	-	-	198,015
Capital outlay	3,819,275	2,806,938	27,817,497
<b>Total Expenditures</b>	<b>3,837,784</b>	<b>2,806,938</b>	<b>76,286,967</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,219,709)	912,535	(2,191,448)
<b>Other Financing Sources (Uses)</b>			
Issuance of bonds	-	-	7,140,000
Premium on issuance of bonds	-	-	242,428
Transfers in	384,805	-	22,327,047
Transfers out	(149,400)	-	(24,620,349)
<b>Total Other Financing Sources (Uses)</b>	<b>235,405</b>	<b>-</b>	<b>5,089,126</b>
<b>Net Change in Fund Balances</b>	<b>(1,984,304)</b>	<b>912,535</b>	<b>2,897,678</b>
Fund Balances - January 1, 2023	4,561,755	(2,770,879)	65,138,157
<b>Fund Balances - December 31, 2023</b>	<b>\$ 2,577,451</b>	<b>\$ (1,858,344)</b>	<b>\$ 68,035,835</b>



**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Original Budget</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Actual to Modified Budget Increase (Decrease)</b>
<b>Taxes</b>				
General property				
Current	\$ 28,114,150	\$ 28,114,150	\$ 27,872,606	\$ (241,544)
Delinquent	150,000	150,000	135,019	(14,981)
Mobile home	80,000	80,000	100,313	20,313
Forfeited tax sale apportionment	10,000	10,000	14,428	4,428
Franchise	3,800,000	3,800,000	4,405,731	605,731
Sales taxes	15,000,000	15,075,000	19,032,816	3,957,816
Charitable gambling	20,000	20,000	40,372	20,372
Other	88,700	88,700	241,318	152,618
<b>Total Taxes</b>	<b>47,262,850</b>	<b>47,337,850</b>	<b>51,842,603</b>	<b>4,504,753</b>
<b>Licenses and Permits</b>				
Liquor and non-intoxicating liquor	426,200	426,200	465,129	38,929
Health	24,500	24,500	27,428	2,928
Police protective	31,600	31,600	51,439	19,839
Amusement	600	600	611	11
Manufacturing and merchandising	38,600	38,600	55,128	16,528
Other	1,386,600	1,386,600	1,497,766	111,166
<b>Total Licenses and Permits</b>	<b>1,908,100</b>	<b>1,908,100</b>	<b>2,097,501</b>	<b>189,401</b>
<b>Intergovernmental revenues</b>				
<b>Shared revenues</b>				
Local government aid	30,807,800	30,807,800	30,807,820	20
Insurance premium	2,220,800	2,220,800	2,607,006	386,206
PERA contribution	-	103,420	103,420	-
<b>State grants</b>				
Minnesota Library Information Network	4,000	4,000	4,664	664
Cross country ski trail	11,000	11,000	16,060	5,060
Post training reimbursement	151,800	151,800	133,346	(18,454)
Market value credit	-	-	258	258
MSA street maintenance allotment	1,496,100	1,496,100	1,533,400	37,300
<b>Federal grants</b>				
Bulletproof Vest Partnership Program	16,000	50,353	40,033	(10,320)
COVID-19 Grant	-	7,276,345	9,150,633	1,874,288
<b>Other grants</b>				
St. Louis County	138,400	146,646	146,657	11
Payments in lieu of taxes				
Housing and Redevelopment Authority	65,000	65,000	74,113	9,113
Independent School District #709	319,500	319,500	334,044	14,544
<b>Total Intergovernmental Revenues</b>	<b>35,230,400</b>	<b>42,652,764</b>	<b>44,951,454</b>	<b>2,298,690</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Original Budget</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Actual to Modified Budget Increase (Decrease)</b>
<b>Charges for Services</b>				
<b>Departmental fees and services</b>				
Fire	4,200	4,200	-	(4,200)
Police	60,400	60,400	70,796	10,396
Engineering	170,000	170,000	-	(170,000)
Building inspection services	2,734,200	2,734,200	4,889,561	2,155,361
Attorney services	-	-	20,844	20,844
Information technology services	12,900	12,900	12,162	(738)
Grant administration services	69,000	69,000	73,662	4,662
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	70,000	70,000	89,204	19,204
Other services	-	-	15	15
<b>Departmental sales</b>				
Copier and microfilm prints	11,200	11,200	13,112	1,912
Print and plan sales	-	-	9	9
<b>Share of general expenses</b>				
Stormwater	196,800	196,800	196,800	-
Sewer	238,200	238,200	238,200	-
Steam	64,500	64,500	64,500	-
Duluth Entertainment and Convention Center Authority	13,800	13,800	13,800	-
Duluth Transit Authority	12,500	12,500	12,500	-
Duluth Airport Authority	73,200	73,200	73,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	876,400	876,400	876,400	-
Fleet Services	146,200	146,200	146,200	-
Group Health	409,800	409,800	409,863	63
Self-Insurance	734,500	734,500	734,500	-
Spirit Mountain Recreation Area Authority	27,800	27,800	26,200	(1,600)
Parking	140,500	140,500	140,500	-
Priley Drive Parking Facility	8,500	8,500	8,500	-
<b>Total Charges for Services</b>	<b>6,504,600</b>	<b>6,504,600</b>	<b>8,540,528</b>	<b>2,035,928</b>
<b>Fines and Forfeits</b>				
Parking fines	39,000	39,000	75	(38,925)
Court fines	260,000	260,000	211,483	(48,517)
Administrative fines	-	1,448	132,573	131,125
License penalties	1,500	1,500	1,196	(304)
Felony forfeitures	-	-	16,109	16,109
<b>Total Fines and Forfeits</b>	<b>300,500</b>	<b>301,948</b>	<b>361,436</b>	<b>59,488</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Original Budget</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Actual to Modified Budget Increase (Decrease)</b>
<b>Special Assessments</b>	438,800	499,578	542,952	43,374
<b>Investment Income</b>				
Fair value adjustment	-	-	62,091	62,091
<b>Miscellaneous Revenues</b>				
Concessions & Commissions	12,000	12,000	12,501	501
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	16,444	16,444
Rent and lease	82,000	82,000	92,184	10,184
Sale of equipment	-	-	115,633	115,633
Sale of land	-	-	1	1
Sale of scrap	5,000	5,000	5,302	302
Surcharge retainage	1,400	1,400	2,332	932
Refunds and reimbursements	198,600	1,597,892	1,626,909	29,017
Miscellaneous sales and services	85,000	94,900	157,576	62,676
<b>Total Miscellaneous Revenues</b>	534,000	1,943,192	2,178,882	235,690
<b>Total Revenues</b>	92,179,250	101,148,032	110,577,447	9,429,415
<b>Other Financing Sources</b>				
SBITA Proceeds	-	-	2,073,320	2,073,320
Transfers in:				
Special Projects	455,800	1,252,180	1,244,536	(7,644)
Disaster Recovery Fund	-	1,000,000	1,000,000	-
Local Fiscal Recovery Funds	3,347,500	102,500	-	(102,500)
Duluth Police Grant Programs	1,331,800	1,448,115	1,554,693	106,578
Community Investment Trust	425,000	425,000	594,975	169,975
Tourism Taxes	1,346,500	1,346,500	1,390,133	43,633
Community Development	115,700	115,700	-	(115,700)
Senior Programs	-	-	14,688	14,688
Parking Fund	1,422,900	1,422,900	1,422,900	-
Water	221,800	221,800	221,800	-
Gas	4,159,700	4,159,700	4,333,370	173,670
Sewer	159,500	159,500	159,550	50
Stormwater	547,400	547,400	547,400	-
Steam	154,000	154,000	214,571	60,571
<b>Total Other Financing Sources</b>	13,687,600	12,355,295	14,771,936	2,416,641
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 105,866,850</u>	<u>\$ 113,503,327</u>	<u>\$ 125,349,383</u>	<u>\$ 11,846,056</u>
<b>Reconciliation</b>				
Original budget as approved by Duluth City Council		\$ 105,866,850		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		25,301		
Ordinance allowable		7,611,176		
Total adjustments		<u>7,636,477</u>		
Modified budget as reported above		<u>\$ 113,503,327</u>		

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
<b>Legislative and Executive</b>							
<b>City Council</b>							
Personal services - salaries	\$ 124,200	\$ 124,200	1,4	\$ 124,200	\$ -	\$ 124,200	\$ -
Personal services - benefits	9,500	9,502	1	9,501	-	9,501	1
Other expenditures	70,700	83,748	1,2	82,482	-	82,482	1,266
<b>Total City Council</b>	204,400	217,450		216,183	-	216,183	1,267
<b>Mayor's Office</b>							
Personal services - salaries	543,300	639,661	1,4	639,659	-	639,659	2
Personal services - benefits	255,700	234,851	1	234,840	-	234,840	11
Other expenditures	24,200	22,939	1,4	22,920	-	22,920	19
<b>Total Mayor's Office</b>	823,200	897,451		897,419	-	897,419	32
<b>Chief Administrative Officer</b>							
Personal services - salaries	316,400	476,354	1,4	476,343	-	476,343	11
Personal services - benefits	142,500	146,137	1	146,138	-	146,138	(1)
Other expenditures	20,600	16,067	1	16,065	-	16,065	2
<b>Total Chief Administrative Officer</b>	479,500	638,558		638,546	-	638,546	12
<b>Attorney and Human Rights</b>							
Personal services - salaries	1,827,350	1,899,650	1,4	1,899,643	-	1,899,643	7
Personal services - benefits	773,600	754,800	1	754,755	-	754,755	45
Other expenditures	41,100	69,100	1	70,419	-	70,419	(1,319)
<b>Total Attorney and Human Rights</b>	2,642,050	2,723,550		2,724,817	-	2,724,817	(1,267)
<b>Total Legislative and Executive</b>	4,149,150	4,477,009		4,476,965	-	4,476,965	44
<b>Property, Parks and Libraries</b>							
<b>Park Maintenance</b>							
Personal services - salaries	1,758,500	1,772,700	1,4	1,610,409	-	1,610,409	162,291
Personal services - benefits	837,700	837,700		664,094	-	664,094	173,606
Other expenditures	943,000	948,856	4	1,105,783	-	1,105,783	(156,927)
<b>Total Park Maintenance</b>	3,539,200	3,559,256		3,380,286	-	3,380,286	178,970
<b>Library Services</b>							
Personal services - salaries	3,024,100	2,933,300	1,4	2,921,936	-	2,921,936	11,364
Personal services - benefits	1,456,400	1,352,200	1	1,233,936	-	1,233,936	118,264
Other expenditures	755,200	830,750	1,2	1,152,357	-	1,152,357	(321,607)
<b>Total Library Services</b>	5,235,700	5,116,250		5,308,229	-	5,308,229	(191,979)
<b>Facilities Management</b>							
Personal services - salaries	2,057,400	2,118,100	1,4	2,092,724	-	2,092,724	25,376
Personal services - benefits	978,100	931,500	1	866,410	-	866,410	65,090
Other expenditures	2,879,300	2,896,530	2	2,973,271	-	2,973,271	(76,741)
<b>Total Facilities Management</b>	5,914,800	5,946,130		5,932,405	-	5,932,405	13,725
<b>Total Property, Parks and Libraries</b>	14,689,700	14,621,636		14,620,920	-	14,620,920	716

(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, 2023**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
<b>Administrative Services</b>							
<b>Human Resources</b>							
Personal services - salaries	802,500	917,991	1,4	855,716	-	855,716	62,275
Personal services - benefits	372,200	388,047	1	376,438	-	376,438	11,609
Other expenditures	90,500	82,709	1	82,673	-	82,673	36
<b>Total Human Resources</b>	1,265,200	1,388,747		1,314,827	-	1,314,827	73,920
<b>Information Technology</b>							
Personal services - salaries	2,048,900	1,982,918	1,4	1,980,966	-	1,980,966	1,952
Personal services - benefits	908,800	868,052	1	865,455	-	865,455	2,597
Other expenditures	1,095,100	1,247,826	1,2	1,212,927	-	1,212,927	34,899
Capital outlay	-	-		2,073,320	-	2,073,320	(2,073,320)
<b>Total Information Technology</b>	4,052,800	4,098,796		6,132,668	-	6,132,668	(2,033,872)
<b>Clerk</b>							
Personal services - salaries	549,500	598,954	1,4	598,952	-	598,952	2
Personal services - benefits	265,900	238,749	1	237,365	-	237,365	1,384
Other expenditures	85,700	82,194	1	209,276	-	209,276	(127,082)
Capital outlay	-	75,246	1,4	-	62,895	62,895	12,351
<b>Total Clerk</b>	901,100	995,143		1,045,593	62,895	1,108,488	(113,345)
<b>Total Administrative Services</b>	6,219,100	6,482,686		8,493,088	62,895	8,555,983	(2,073,297)
<b>Finance</b>							
<b>Budget</b>							
Personal services - salaries	660,200	669,006	1,4	657,684	-	657,684	11,322
Personal services - benefits	285,400	285,694	1	285,015	-	285,015	679
Other expenditures	37,100	42,100	1	40,261	-	40,261	1,839
<b>Total Budget</b>	982,700	996,800		982,960	-	982,960	13,840
<b>Auditor</b>							
Personal services - salaries	738,800	788,086	1,4	790,084	-	790,084	(1,998)
Personal services - benefits	302,900	363,882	1	335,683	-	335,683	28,199
Other expenditures	304,100	314,930	1	335,519	-	335,519	(20,589)
<b>Total Auditor</b>	1,345,800	1,466,898		1,461,286	-	1,461,286	5,612
<b>Purchasing</b>							
Personal services - salaries	384,700	394,335	1,4	394,336	-	394,336	(1)
Personal services - benefits	228,600	196,665	1	196,382	-	196,382	283
Other expenditures	14,200	14,200		33,923	-	33,923	(19,723)
<b>Total Purchasing</b>	627,500	605,200		624,641	-	624,641	(19,441)
<b>Total Finance</b>	2,956,000	3,068,898		3,068,887	-	3,068,887	11

(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, 2023**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
<b>Planning and Construction Services</b>							
<b>Planning and Development</b>							
Personal services - salaries	1,128,900	1,023,612	1,4	1,021,230	-	1,021,230	2,382
Personal services - benefits	466,100	473,394	1	473,393	-	473,393	1
Other expenditures	66,900	163,694	1,4	123,627	52,340	175,967	(12,273)
<b>Total Planning and Development</b>	<u>1,661,900</u>	<u>1,660,700</u>		<u>1,618,250</u>	<u>52,340</u>	<u>1,670,590</u>	<u>(9,890)</u>
<b>Construction Services and Inspection</b>							
Personal services - salaries	1,495,300	1,547,000	1,4	1,545,048	-	1,545,048	1,952
Personal services - benefits	718,300	688,300	1	687,611	-	687,611	689
Other expenditures	154,100	221,100	1	213,827	-	213,827	7,273
<b>Total Construction Services and Inspection</b>	<u>2,367,700</u>	<u>2,456,400</u>		<u>2,446,486</u>	<u>-</u>	<u>2,446,486</u>	<u>9,914</u>
<b>Total Planning and Construction Services</b>	<u>4,029,600</u>	<u>4,117,100</u>		<u>4,064,736</u>	<u>52,340</u>	<u>4,117,076</u>	<u>24</u>
<b>Fire</b>							
<b>Administration</b>							
Personal services - salaries	640,700	621,315	1,4	621,315	-	621,315	-
Personal services - benefits	265,600	269,951	1	269,951	-	269,951	-
Other expenditures	56,200	72,619	1,4	72,620	-	72,620	(1)
<b>Total Administration</b>	<u>962,500</u>	<u>963,885</u>		<u>963,886</u>	<u>-</u>	<u>963,886</u>	<u>(1)</u>
<b>Operations</b>							
Personal services - salaries	11,169,600	12,030,195	1,3,4	12,030,195	-	12,030,195	-
Personal services - benefits	5,573,300	5,660,618	1,4	5,660,567	-	5,660,567	51
Other expenditures	819,800	838,739	1	794,301	44,438	838,739	-
<b>Total Operations</b>	<u>17,562,700</u>	<u>18,529,552</u>		<u>18,485,063</u>	<u>44,438</u>	<u>18,529,501</u>	<u>51</u>
<b>Life Safety</b>							
Personal services - salaries	980,400	926,698	1,4	926,698	-	926,698	-
Personal services - benefits	441,000	421,228	1	421,227	-	421,227	1
Other expenditures	100,300	119,009	1,4	119,009	-	119,009	-
<b>Total Life Safety</b>	<u>1,521,700</u>	<u>1,466,935</u>		<u>1,466,934</u>	<u>-</u>	<u>1,466,934</u>	<u>1</u>
<b>Total Fire</b>	<u>20,046,900</u>	<u>20,960,372</u>		<u>20,915,883</u>	<u>44,438</u>	<u>20,960,321</u>	<u>51</u>
<b>Police</b>							
<b>Administration and Investigation</b>							
Personal services - salaries	17,597,700	17,184,863	1,3,4	17,004,286	-	17,004,286	180,577
Personal services - benefits	8,081,000	7,650,090	1,4	7,325,240	-	7,325,240	324,850
Other expenditures	1,428,700	2,387,763	1,2,4	2,870,293	24,073	2,894,366	(506,603)
Capital outlay	-	400,000	1	21,500	377,316	398,816	1,184
<b>Total Administration and Investigation</b>	<u>27,107,400</u>	<u>27,622,716</u>		<u>27,221,319</u>	<u>401,389</u>	<u>27,622,708</u>	<u>8</u>
<b>Police Special Accounts</b>							
Personal services - salaries	-	-		25	-	25	(25)
Other expenditures	151,800	373,982	1,2,4	190,008	-	190,008	183,974
<b>Total Police Special Accounts</b>	<u>151,800</u>	<u>373,982</u>		<u>190,033</u>	<u>-</u>	<u>190,033</u>	<u>183,949</u>
<b>Total Police</b>	<u>27,259,200</u>	<u>27,996,698</u>		<u>27,411,352</u>	<u>401,389</u>	<u>27,812,741</u>	<u>183,957</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, 2023**

	Budget			Actual			Increase (Decrease)
	Original	Modified	Note	Expended	Encumbered	Totals	
<b>Public Works and Utilities</b>							
<b>Public Works Director's Office</b>							
Personal services - salaries	62,900	63,592	1,4	63,592	-	63,592	-
Personal services - benefits	28,000	28,787	1	28,551	-	28,551	236
Other expenditures	900	900		727	-	727	173
<b>Total Public Works Director's Office</b>	<u>91,800</u>	<u>93,279</u>		<u>92,870</u>	<u>-</u>	<u>92,870</u>	<u>409</u>
<b>Street Maintenance</b>							
Personal services - salaries	3,057,300	2,973,608	1,4	2,856,664	-	2,856,664	116,944
Personal services - benefits	1,462,600	1,462,600		1,373,695	-	1,373,695	88,905
Other expenditures	4,191,400	4,328,778	1,2	4,427,808	196,396	4,624,204	(295,426)
<b>Total Street Maintenance</b>	<u>8,711,300</u>	<u>8,764,986</u>		<u>8,658,167</u>	<u>196,396</u>	<u>8,854,563</u>	<u>(89,577)</u>
<b>Engineering</b>							
Personal services - salaries	1,349,200	1,370,500	1,4	1,344,847	-	1,344,847	25,653
Personal services - benefits	616,600	616,600		602,385	-	602,385	14,215
Other expenditures	145,800	166,585	2	117,249	-	117,249	49,336
<b>Total Engineering</b>	<u>2,111,600</u>	<u>2,153,685</u>		<u>2,064,481</u>	<u>-</u>	<u>2,064,481</u>	<u>89,204</u>
<b>Total Public Works and Utilities</b>	<u>10,914,700</u>	<u>11,011,950</u>		<u>10,815,518</u>	<u>196,396</u>	<u>11,011,914</u>	<u>36</u>
<b>Transfers and Other Functions</b>							
Business improvement district	370,000	430,778	4	430,776	-	430,776	2
Public access television	182,000	182,000		182,000	-	182,000	-
State sales tax administration	120,000	110,000	1	85,022	-	85,022	24,978
Parking fine administration	-	34,000	1,2	23,526	10,200	33,726	274
Capital program	33,000	1,000,000	1	741,476	247,159	988,635	11,365
Benefits administration	123,000	155,703	1,2,4	148,120	-	148,120	7,583
Retiree insurance	7,399,100	9,112,578	1,4	9,072,973	-	9,072,973	39,605
Self insurance	2,400,000	2,400,000		2,400,000	-	2,400,000	-
PERA contribution	457,500	263,976	1,4	104,020	-	104,020	159,956
Transfers and accruals	3,117,700	6,513,532	1,4	6,637,633	174,252	6,811,885	(298,353)
Other functions	1,400,200	1,466,358	1,2	1,303,434	115,691	1,419,125	47,233
<b>Total Transfers and Other Functions</b>	<u>15,602,500</u>	<u>21,668,925</u>		<u>21,128,980</u>	<u>547,302</u>	<u>21,676,282</u>	<u>(7,357)</u>
<b>Total Expenditures and Encumbrances</b>	<u>\$ 105,866,850</u>	<u>\$ 114,405,274</u>		<u>\$ 114,996,329</u>	<u>\$ 1,304,760</u>	<u>\$ 116,301,089</u>	<u>\$ (1,895,815)</u>
<b>Reconciliation</b>							
Original budget as approved by Duluth City Council	\$ 105,866,850						
Adjustments made in accordance with Budget Ordinance							
Note 1	-			Departmental transfers made in accordance with budget ordinance.			
Note 2	901,947			Encumbrance, contract, reserve, or designation carryovers from prior year.			
Note 3	25,301			Grants, gifts, and donations in accordance with budget ordinance.			
Note 4	7,611,176			Other allowable additions made in accordance with budget ordinance.			
<b>Total adjustments</b>	<u>8,538,424</u>						
<b>Modified budget as reported above</b>	<u>\$ 114,405,274</u>						

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF EXPENDITURES/TRANSFERS OUT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Personal Services Salaries</b>	<b>Personal Services Benefits</b>	<b>Other Expenditures</b>	<b>Capital Outlay</b>	<b>Transfers</b>	<b>Total Actual</b>
<b>General Government:</b>						
<b>Legislative and Executive</b>						
City Council	\$ 124,200	\$ 9,501	\$ 82,482	\$ -	\$ -	\$ 216,183
Mayor's Office	639,659	234,840	22,920	-	-	897,419
Chief Administrative Officer	476,343	146,138	16,065	-	-	638,546
Attorney and Human Rights	1,899,643	754,755	69,069	-	1,350	2,724,817
<b>Total Legislative and Executive</b>	<b>3,139,845</b>	<b>1,145,234</b>	<b>190,536</b>	<b>-</b>	<b>1,350</b>	<b>4,476,965</b>
<b>Property, Parks and Libraries</b>						
Facilities Management	2,092,724	866,410	2,528,828	-	415,000	5,902,962
Other Functions	-	2,205,935	2,590,471	741,476	3,785,388	9,323,270
<b>Total Property, Parks and Libraries</b>	<b>2,092,724</b>	<b>3,072,345</b>	<b>5,119,299</b>	<b>741,476</b>	<b>4,200,388</b>	<b>15,226,232</b>
<b>Administrative Services</b>						
Human Resources	855,716	376,438	82,673	-	-	1,314,827
Information Technology	1,980,966	865,455	841,345	2,073,320	-	5,761,086
Clerk	598,952	237,365	82,171	-	127,105	1,045,593
<b>Total Administrative Services</b>	<b>3,435,634</b>	<b>1,479,258</b>	<b>1,006,189</b>	<b>2,073,320</b>	<b>127,105</b>	<b>8,121,506</b>
<b>Finance</b>						
Budget	657,684	285,015	40,261	-	-	982,960
Auditor	790,084	335,683	335,519	-	-	1,461,286
Purchasing	394,336	196,382	10,088	-	23,835	624,641
<b>Total Finance</b>	<b>1,842,104</b>	<b>817,080</b>	<b>385,868</b>	<b>-</b>	<b>23,835</b>	<b>3,068,887</b>
<b>Benefits</b>						
Benefits Administration	-	-	101,317	-	-	101,317
Retiree Insurance	-	9,072,973	-	-	-	9,072,973
PERA Contribution	-	1,296	-	-	-	1,296
<b>Total Benefits</b>	<b>-</b>	<b>9,074,269</b>	<b>101,317</b>	<b>-</b>	<b>-</b>	<b>9,175,586</b>
<b>Total General Government</b>	<b>10,510,307</b>	<b>15,588,186</b>	<b>6,803,209</b>	<b>2,814,796</b>	<b>4,352,678</b>	<b>40,069,176</b>
<b>Public Safety:</b>						
<b>Fire</b>						
Administration	621,315	269,951	72,620	-	-	963,886
Operations	12,030,195	5,660,567	794,301	-	-	18,485,063
Life Safety	926,698	421,227	119,009	-	-	1,466,934
<b>Total Fire</b>	<b>13,578,208</b>	<b>6,351,745</b>	<b>985,930</b>	<b>-</b>	<b>-</b>	<b>20,915,883</b>
<b>Police</b>						
Administration and Investigation	17,004,286	7,325,240	1,799,946	21,500	1,008,637	27,159,609
Police Special Accounts	25	-	190,008	-	-	190,033
<b>Total Police</b>	<b>17,004,311</b>	<b>7,325,240</b>	<b>1,989,954</b>	<b>21,500</b>	<b>1,008,637</b>	<b>27,349,642</b>
<b>Benefits</b>						
PERA Contribution	-	100,239	-	-	-	100,239
<b>Total Public Safety</b>	<b>30,582,519</b>	<b>13,777,224</b>	<b>2,975,884</b>	<b>21,500</b>	<b>1,008,637</b>	<b>48,365,764</b>

(continued)



**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF EXPENDITURES/TRANSFERS OUT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Personal Services Salaries</b>	<b>Personal Services Benefits</b>	<b>Other Expenditures</b>	<b>Capital Outlay</b>	<b>Transfers</b>	<b>Total Actual</b>
<b>Public Works</b>						
<b>Property, Parks and Libraries</b>						
Park Maintenance	1,610,409	664,094	925,983	-	179,800	3,380,286
<b>Public Works and Utilities</b>						
Public Works Director's Office	63,592	28,551	727	-	-	92,870
Street Maintenance	2,856,664	1,373,695	3,679,985	-	742,800	8,653,144
Engineering	1,344,847	602,385	116,849	-	400	2,064,481
<b>Total Public Works and Utilities</b>	4,265,103	2,004,631	3,797,561	-	743,200	10,810,495
<b>Benefits</b>						
PERA Contribution	-	821	-	-	-	821
<b>Total Public Works</b>	5,875,512	2,669,546	4,723,544	-	923,000	14,191,602
<b>Culture and Recreation</b>						
<b>Property, Parks and Libraries</b>						
Library Services	2,921,936	1,233,936	633,495	-	384,100	5,173,467
<b>Benefits</b>						
PERA Contribution	-	496	-	-	-	496
<b>Total Culture and Recreation</b>	2,921,936	1,234,432	633,495	-	384,100	5,173,963
<b>Urban and Economic Development</b>						
<b>Planning and Construction Services</b>						
Planning and Development	1,021,230	473,393	123,627	-	-	1,618,250
Construction Services and Inspection	1,545,048	687,611	210,377	-	3,450	2,446,486
Other Functions	-	-	2,528,000	-	-	2,528,000
<b>Total Planning and Construction Services</b>	2,566,278	1,161,004	2,862,004	-	3,450	6,592,736
<b>Benefits</b>						
PERA Contribution	-	568	-	-	-	568
<b>Total Urban and Economic Development</b>	2,566,278	1,161,572	2,862,004	-	3,450	6,593,304
<b>Debt Service</b>						
Principal retirement	-	-	550,701	-	-	550,701
Interest and fiscal fees	-	-	51,819	-	-	51,819
<b>Total Debt Service</b>	-	-	602,520	-	-	602,520
<b>Total Expenditures/Transfers Out</b>	<u>\$ 52,456,552</u>	<u>\$ 34,430,960</u>	<u>\$ 18,600,656</u>	<u>\$ 2,836,296</u>	<u>\$ 6,671,865</u>	<u>\$ 114,996,329</u>

# Proprietary Funds

**CITY OF DULUTH, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2023**

**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.

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

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

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

**INTERNAL SERVICE FUNDS**

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**NON MAJOR ENTERPRISE FUNDS**  
**DECEMBER 31, 2023**

	<b>Golf</b>	<b>Parking</b>	<b>Stormwater</b>	<b>Broadband Fiber</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ -	\$ 3,805,925	\$ 7,412,518	\$ 5,248,538	\$ 16,466,981
Restricted cash and cash equivalents					
Construction	1,739,464	-	-	-	1,739,464
Receivables, net					
Accounts	-	136,969	802,163	-	939,132
Assessments	-	-	25,075	-	25,075
Leases receivable	-	281,629	-	-	281,629
Due from other funds	-	-	74,863	-	74,863
Inventories	33,523	-	130,204	-	163,727
Prepays	4,753	-	1,728,820	-	1,733,573
Total current assets	<u>1,777,740</u>	<u>4,224,523</u>	<u>10,173,643</u>	<u>5,248,538</u>	<u>21,424,444</u>
Noncurrent assets					
Assessments receivable	-	-	1,383	-	1,383
Leases receivable	-	1,151,804	-	-	1,151,804
Capital assets, net	2,181,289	16,375,984	20,871,620	-	39,428,893
Total noncurrent assets	<u>2,181,289</u>	<u>17,527,788</u>	<u>20,873,003</u>	<u>-</u>	<u>40,582,080</u>
Total Assets	<u>3,959,029</u>	<u>21,752,311</u>	<u>31,046,646</u>	<u>5,248,538</u>	<u>62,006,524</u>
<b>Deferred Outflows of Resources</b>					
Deferred loss from debt refunding	-	108,075	-	-	108,075
Deferred pension obligation outflows	-	63,720	311,808	-	375,528
Deferred OPEB outflows	-	-	771,148	-	771,148
Total Deferred Outflows of Resources	<u>-</u>	<u>171,795</u>	<u>1,082,956</u>	<u>-</u>	<u>1,254,751</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	37,199	44,283	59,250	-	140,732
Contracts payable	75,803	10,386	103,652	-	189,841
Due to other funds	8,361	2,597	134,698	-	145,656
Interfund loan payable	1,049,648	-	-	-	1,049,648
Due to other governments	16	-	439	-	455
Accrued interest payable	-	29,489	-	-	29,489
Accrued salaries payable	-	20,643	86,165	-	106,808
Compensated absences	-	33,424	173,146	-	206,570
Unearned revenue	16,276	-	39,914	-	56,190
Deposits	6,723	-	-	-	6,723
Revenue bonds payable	-	895,000	-	-	895,000
Total current liabilities	<u>1,194,026</u>	<u>1,035,822</u>	<u>597,264</u>	<u>-</u>	<u>2,827,112</u>
Noncurrent liabilities					
Interfund loan payable	1,550,000	-	-	-	1,550,000
Compensated absences	-	735	-	-	735
Net pension liability	-	253,807	1,241,975	-	1,495,782
Revenue bonds payable	-	1,867,726	-	-	1,867,726
Total noncurrent liabilities	<u>1,550,000</u>	<u>2,122,268</u>	<u>1,241,975</u>	<u>-</u>	<u>4,914,243</u>
Total Liabilities	<u>2,744,026</u>	<u>3,158,090</u>	<u>1,839,239</u>	<u>-</u>	<u>7,741,355</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension obligation inflows	-	86,647	423,998	-	510,645
Lease related	-	1,416,146	-	-	1,416,146
Total Deferred Inflows of Resources	<u>-</u>	<u>1,502,793</u>	<u>423,998</u>	<u>-</u>	<u>1,926,791</u>
<b>Net Position</b>					
Net investment in capital assets	2,181,289	13,721,333	20,871,620	-	36,774,242
Unrestricted	(966,286)	3,541,890	8,994,745	5,248,538	16,818,887
Total Net Position	<u>\$ 1,215,003</u>	<u>\$ 17,263,223</u>	<u>\$ 29,866,365</u>	<u>\$ 5,248,538</u>	<u>\$ 53,593,129</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Golf</b>	<b>Parking</b>	<b>Stormwater</b>	<b>Broadband Fiber</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Operating Revenues</b>					
Sales	\$ 315,040	\$ -	\$ -	\$ -	\$ 315,040
Charges for services	1,067,804	3,224,900	7,586,378	-	11,879,082
Fines and forfeits	-	1,011,840	-	-	1,011,840
Miscellaneous revenues	9,883	108,649	56,844	-	175,376
Total Operating Revenues	<u>1,392,727</u>	<u>4,345,389</u>	<u>7,643,222</u>	<u>-</u>	<u>13,381,338</u>
<b>Operating Expenses</b>					
Cost of sales and services	157,630	-	-	-	157,630
Personal services	-	617,591	2,869,279	-	3,486,870
Supplies	-	43,482	286,655	-	330,137
Utilities	-	166,020	24,217	-	190,237
Other services and charges	1,095,803	2,384,720	1,307,169	52,277	4,839,969
Depreciation	102,228	561,455	444,281	-	1,107,964
Total Operating Expenses	<u>1,355,661</u>	<u>3,773,268</u>	<u>4,931,601</u>	<u>52,277</u>	<u>10,112,807</u>
Operating Income (Loss)	<u>37,066</u>	<u>572,121</u>	<u>2,711,621</u>	<u>(52,277)</u>	<u>3,268,531</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	-	888	17,937	(9,545)	9,280
Intergovernmental revenue	-	-	103,808	3,448,971	3,552,779
Interest and fiscal fees	-	(124,023)	-	-	(124,023)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(123,135)</u>	<u>121,745</u>	<u>3,439,426</u>	<u>3,438,036</u>
Income (Loss) Before Contributions and Transfers	<u>37,066</u>	<u>448,986</u>	<u>2,833,366</u>	<u>3,387,149</u>	<u>6,706,567</u>
Capital contributions	-	935,284	-	-	935,284
Transfers in	2,516,639	701,117	70,618	-	3,288,374
Transfers out	-	(1,422,900)	(547,400)	-	(1,970,300)
Change in Net Position	<u>2,553,705</u>	<u>662,487</u>	<u>2,356,584</u>	<u>3,387,149</u>	<u>8,959,925</u>
Total Net Position - January 1, 2023	<u>(1,338,702)</u>	<u>16,600,736</u>	<u>27,509,781</u>	<u>1,861,389</u>	<u>44,633,204</u>
Total Net Position - December 31, 2023	<u>\$ 1,215,003</u>	<u>\$ 17,263,223</u>	<u>\$ 29,866,365</u>	<u>\$ 5,248,538</u>	<u>\$ 53,593,129</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Golf</b>	<b>Parking</b>	<b>Stormwater</b>	<b>Broadband Fiber</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 1,355,085	\$ 4,113,876	\$ 7,559,875	\$ -	\$ 13,028,836
Cash paid to suppliers	(1,166,385)	(2,589,902)	(1,566,264)	(108,248)	(5,430,799)
Cash paid to employees	-	(606,408)	(2,837,088)	-	(3,443,496)
Other operating revenues	-	108,649	40,515	-	149,164
Net cash provided (used) by operating activities	188,700	1,026,215	3,197,038	(108,248)	4,303,705
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from other funds	2,516,639	701,117	-	-	3,217,756
Transfers to other funds	-	(76,200)	(547,400)	-	(623,600)
Operating grants	-	-	119,374	864	120,238
Interfund financing	66,053	-	-	-	66,053
Net cash provided (used) by noncapital financing activities	2,582,692	624,917	(428,026)	864	2,780,447
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital grants and contributions	-	938,876	311	3,448,107	4,387,294
Principal paid on bonds, notes and purchase agreements	-	(880,000)	-	-	(880,000)
Interest paid on bonds, notes and purchase agreements	-	(81,819)	-	-	(81,819)
Acquisition or construction of capital assets	(1,031,928)	-	(1,260,488)	-	(2,292,416)
Net cash provided (used) by capital and related financing activities	(1,031,928)	(22,943)	(1,260,177)	3,448,107	1,133,059
<b>Cash Flows from Investing Activities</b>					
Investment earnings	-	888	17,937	(9,545)	9,280
Net increase (decrease) in cash and cash equivalents	1,739,464	1,629,077	1,526,772	3,331,178	8,226,491
Cash and cash equivalents - January 1, 2023	-	2,176,848	5,885,746	1,917,360	9,979,954
Cash and cash equivalents - December 31, 2023	<u>\$ 1,739,464</u>	<u>\$ 3,805,925</u>	<u>\$ 7,412,518</u>	<u>\$ 5,248,538</u>	<u>\$ 18,206,445</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	\$ 37,066	\$ 572,121	\$ 2,711,621	\$ (52,277)	\$ 3,268,531
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	102,228	561,455	444,281	-	1,107,964
Change in assets and liabilities:					
Decrease (increase) in receivables	7,083	(77,881)	(8,206)	-	(79,004)
Decrease (increase) in inventories	(75)	-	(28,411)	-	(28,486)
Decrease (increase) in prepaids	281	-	161,878	-	162,159
Decrease (increase) in deferred pension obligation outflows	-	50,201	226,329	-	276,530
Decrease (increase) in OPEB outflows	-	-	(172,494)	-	(172,494)
Increase (decrease) in payables	86,842	18,344	136,563	(55,971)	185,778
Increase (decrease) in unearned revenues	(44,725)	-	(31,663)	-	(76,388)
Increase (decrease) in lease inflows	-	(44,983)	-	-	(44,983)
Increase (decrease) in deferred pension obligation inflows	-	73,957	364,055	-	438,012
Increase (decrease) in pension liability	-	(126,999)	(556,865)	-	(683,864)
Increase (decrease) in OPEB inflows	-	-	(50,050)	-	(50,050)
Total adjustments	151,634	454,094	485,417	(55,971)	1,035,174
Net cash provided (used) by operating activities	<u>\$ 188,700</u>	<u>\$ 1,026,215</u>	<u>\$ 3,197,038</u>	<u>\$ (108,248)</u>	<u>\$ 4,303,705</u>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2023**

	<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>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 2,470,687	\$ -	\$ 3,693,017	\$ -	\$ 6,163,704
Restricted assets held by trustee	-	18,695,833	-	-	18,695,833
Receivables, net					
Accounts	-	90,651	-	-	90,651
Due from other funds	-	-	341,275	332,598	673,873
Inventories	-	-	-	279,408	279,408
Prepays	50,000	-	-	-	50,000
Total current assets	<u>2,520,687</u>	<u>18,786,484</u>	<u>4,034,292</u>	<u>612,006</u>	<u>25,953,469</u>
Noncurrent assets					
Capital assets, net	-	-	-	161,584	161,584
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,584</u>	<u>161,584</u>
Total Assets	<u>2,520,687</u>	<u>18,786,484</u>	<u>4,034,292</u>	<u>773,590</u>	<u>26,115,053</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension obligation outflows	<u>19,206</u>	<u>-</u>	<u>-</u>	<u>203,319</u>	<u>222,525</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	1,190	4,626	-	180,316	186,132
Contracts payable	4,373	-	-	97	4,470
Claims payable	117,300	1,474,535	-	-	1,591,835
Due to other funds	-	-	5,724	-	5,724
Interfund loan payable	-	167	-	131,724	131,891
Due to other governments	35,161	-	-	1,168	36,329
Accrued salaries payable	4,892	-	-	49,702	54,594
Compensated absences	6,082	-	3,468,356	115,610	3,590,048
Unearned revenue	-	106,638	-	-	106,638
Total current liabilities	<u>168,998</u>	<u>1,585,966</u>	<u>3,474,080</u>	<u>478,617</u>	<u>5,707,661</u>
Noncurrent liabilities					
Claims payable	790,601	-	-	-	790,601
Compensated absences	-	-	580,323	-	580,323
Net pension liability	76,500	-	-	809,848	886,348
Total noncurrent liabilities	<u>867,101</u>	<u>-</u>	<u>580,323</u>	<u>809,848</u>	<u>2,257,272</u>
Total Liabilities	<u>1,036,099</u>	<u>1,585,966</u>	<u>4,054,403</u>	<u>1,288,465</u>	<u>7,964,933</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension obligation inflows	<u>26,116</u>	<u>-</u>	<u>-</u>	<u>276,474</u>	<u>302,590</u>
<b>Net Position</b>					
Net investment in capital assets	-	-	-	161,584	161,584
Restricted for health insurance trust	-	17,200,518	-	-	17,200,518
Unrestricted	1,477,678	-	(20,111)	(749,614)	707,953
Total Net Position	<u>\$ 1,477,678</u>	<u>\$ 17,200,518</u>	<u>\$ (20,111)</u>	<u>\$ (588,030)</u>	<u>\$ 18,070,055</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, 2023**

	<b>Self-Insurance</b>	<b>Group Health</b>	<b>Employee Vacation Compensation</b>	<b>Fleet Services</b>	<b>Total Governmental Activities - Internal Service Funds</b>
<b>Operating Revenues</b>					
Sales	\$ -	\$ -	\$ -	\$ 2,442,415	\$ 2,442,415
Charges for services	2,968,868	25,053,320	3,468,356	2,269,108	33,759,652
Miscellaneous revenues	71,090	930,103	-	12,820	1,014,013
Total Operating Revenues	<u>3,039,958</u>	<u>25,983,423</u>	<u>3,468,356</u>	<u>4,724,343</u>	<u>37,216,080</u>
<b>Operating Expenses</b>					
Cost of sales and services	-	-	-	2,232,810	2,232,810
Personal services	1,036,380	-	3,468,356	1,820,097	6,324,833
Supplies	4,044	-	-	42,094	46,138
Utilities	-	-	-	44,459	44,459
Other services and charges	1,553,596	1,156,649	-	551,308	3,261,553
Depreciation	-	-	-	58,612	58,612
Medical and insurance	62,379	20,690,606	-	-	20,752,985
Total Operating Expenses	<u>2,656,399</u>	<u>21,847,255</u>	<u>3,468,356</u>	<u>4,749,380</u>	<u>32,721,390</u>
Operating Income (Loss)	<u>383,559</u>	<u>4,136,168</u>	<u>-</u>	<u>(25,037)</u>	<u>4,494,690</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	12,288	730,214	15,530	-	758,032
Total Nonoperating Revenues (Expenses)	<u>12,288</u>	<u>730,214</u>	<u>15,530</u>	<u>-</u>	<u>758,032</u>
Income (Loss) Before Transfers	<u>395,847</u>	<u>4,866,382</u>	<u>15,530</u>	<u>(25,037)</u>	<u>5,252,722</u>
Transfers in	-	-	-	57,800	57,800
Change in Net Position	395,847	4,866,382	15,530	32,763	5,310,522
Total Net Position - January 1, 2023	<u>1,081,831</u>	<u>12,334,136</u>	<u>(35,641)</u>	<u>(620,793)</u>	<u>12,759,533</u>
Total Net Position - December 31, 2023	<u>\$ 1,477,678</u>	<u>\$ 17,200,518</u>	<u>\$ (20,111)</u>	<u>\$ (588,030)</u>	<u>\$ 18,070,055</u>



**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Self- Insurance</b>	<b>Group Health</b>	<b>Employee Vacation Compensation</b>	<b>Fleet Services</b>	<b>Total Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 3,039,958	\$ 25,982,798	\$ 3,220,553	\$ 4,802,949	\$ 37,046,258
Cash paid to suppliers	(2,009,394)	(22,510,464)	-	(3,011,810)	(27,531,668)
Cash paid to employees	(1,030,360)	-	(3,132,804)	(1,757,211)	(5,920,375)
Other operating revenues	-	-	-	12,820	12,820
Net cash provided (used) by operating activities	204	3,472,334	87,749	46,748	3,607,035
<b>Cash Flows from Noncapital Financing Activities</b>					
Interfund financing	-	-	-	(46,748)	(46,748)
Net cash provided (used) by noncapital financing activities	-	-	-	(46,748)	(46,748)
<b>Cash Flows from Investing Activities</b>					
Investment earnings	12,288	730,214	15,530	-	758,032
Net increase (decrease) in cash and cash equivalents	12,492	4,202,548	103,279	-	4,318,319
Cash and cash equivalents - January 1, 2023	2,458,195	14,493,285	3,589,738	-	20,541,218
Cash and cash equivalents - December 31, 2023	<u>\$ 2,470,687</u>	<u>\$ 18,695,833</u>	<u>\$ 3,693,017</u>	<u>\$ -</u>	<u>\$ 24,859,537</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	\$ 383,559	\$ 4,136,168	\$ -	\$ (25,037)	\$ 4,494,690
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	58,612	58,612
Change in assets and liabilities:					
Decrease (increase) in receivables	-	5,322	(251,072)	93,584	(152,166)
Decrease (increase) in inventories	-	-	-	(24,457)	(24,457)
Decrease (increase) in deferred pension obligation outflows	12,981	-	-	142,456	155,437
Increase (decrease) in payables	(387,775)	(663,209)	338,821	(90,387)	(802,550)
Increase (decrease) in unearned revenues	-	(5,947)	-	-	(5,947)
Increase (decrease) in deferred pension obligation inflows	22,531	-	-	237,958	260,489
Increase (decrease) in pension liability	(31,092)	-	-	(345,981)	(377,073)
Total adjustments	(383,355)	(663,834)	87,749	71,785	(887,655)
Net cash provided (used) by operating activities	<u>\$ 204</u>	<u>\$ 3,472,334</u>	<u>\$ 87,749</u>	<u>\$ 46,748</u>	<u>\$ 3,607,035</u>

# Custodial Funds

**CITY OF DULUTH, MINNESOTA  
CUSTODIAL FUNDS  
DECEMBER 31, 2023**

**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, 2023**

	<b>Custodial Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,019,544
Loans receivable	834,198
Total Assets	<u>2,853,742</u>
<b>Liabilities</b>	
Contracts payable	11,360
Total Liabilities	<u>11,360</u>
<b>Net Position</b>	
Restricted for	
Other organizations	<u>\$ 2,842,382</u>

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Custodial Fund</b>
<b>Additions</b>	
Investment earnings	
Interest earnings	\$ 97,138
Net increase (decrease) in fair value of investments	14,077
Interest on loans	32,328
Other reimbursements	4,580
Total Additions	<u>148,123</u>
<b>Deductions</b>	
Legal services	23,711
Professional services	4,491
Uncollectible accounts	114,535
Grants & awards	219,050
Other services and charges	55,444
Board meeting expense	869
Total Deductions	<u>418,100</u>
Change in Net Position	(269,977)
Net Position - January 1, 2023	3,112,359
Net Position - December 31, 2023	<u>\$ 2,842,382</u>

# Supplementary Information

**CITY OF DULUTH, MINNESOTA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE\***  
**DECEMBER 31, 2023**

**Governmental Funds Capital Assets:**

Land and land improvements	\$	23,531,002
Buildings		90,479,445
Equipment		50,096,895
Infrastructure		472,438,176
Construction in Progress		33,056,562
Right-to-use		7,553,009
		<hr/>

<b>Total Governmental Funds Capital Assets</b>	<b>\$</b>	<b>677,155,089</b>
		<hr/> <hr/>

**Investments in Governmental Funds Capital Assets:**

General fund	\$	26,086,089
Special revenue fund		46,728,523
Capital projects fund		602,397,905
Donations		1,942,572
		<hr/>

<b>Total Governmental Funds Capital Assets</b>	<b>\$</b>	<b>677,155,089</b>
		<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, 2023**

	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Right-to-use	Total
<b>Function and Activity</b>							
<b>General Government</b>							
Public Administration	\$ -	\$ -	\$ 471,207	\$ -	\$ -	\$ -	\$ 471,207
Management Information Systems	-	-	2,431,874	-	-	2,073,320	4,505,194
Facilities Management	1,636,325	8,939,902	2,386,577	23,831,520	15,373,469	57,719	52,225,512
Finance	-	-	346,749	-	-	-	346,749
<b>Total General Government</b>	<b>1,636,325</b>	<b>8,939,902</b>	<b>5,636,407</b>	<b>23,831,520</b>	<b>15,373,469</b>	<b>2,131,039</b>	<b>57,548,662</b>
<b>Public Safety</b>							
Fire	83,006	3,114,984	13,510,497	-	741,476	-	17,449,963
Police	2,000	16,627,233	8,983,472	562,251	-	591,477	26,766,433
<b>Total Public Safety</b>	<b>85,006</b>	<b>19,742,217</b>	<b>22,493,969</b>	<b>562,251</b>	<b>741,476</b>	<b>591,477</b>	<b>44,216,396</b>
<b>Public Works</b>							
Street Construction	-	-	-	405,196,076	10,256,144	-	415,452,220
Maintenance Operations	54,435	1,307,371	18,434,649	60,403	-	244,767	20,101,625
Engineering	5,145,615	3,203,413	362,372	4,047,531	-	-	12,758,931
Street Lights	-	-	546,361	6,845,060	-	-	7,391,421
<b>Total Public Works</b>	<b>5,200,050</b>	<b>4,510,784</b>	<b>19,343,382</b>	<b>416,149,070</b>	<b>10,256,144</b>	<b>244,767</b>	<b>455,704,197</b>
<b>Culture and Recreation</b>							
Libraries	51,585	7,545,988	230,632	-	-	1,748,678	9,576,883
Parks and Recreation	13,511,123	48,643,524	997,445	31,895,335	6,685,473	-	101,732,900
<b>Total Culture and Recreation</b>	<b>13,562,708</b>	<b>56,189,512</b>	<b>1,228,077</b>	<b>31,895,335</b>	<b>6,685,473</b>	<b>1,748,678</b>	<b>111,309,783</b>
<b>Urban and Economic Development</b>							
Planning and Construction Services	3,046,913	1,097,030	1,395,060	-	-	526,333	6,065,336
Workforce Development	-	-	-	-	-	2,310,715	2,310,715
<b>Total Urban and Economic Development</b>	<b>3,046,913</b>	<b>1,097,030</b>	<b>1,395,060</b>	<b>-</b>	<b>-</b>	<b>2,837,048</b>	<b>8,376,051</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 23,531,002</b>	<b>\$ 90,479,445</b>	<b>\$ 50,096,895</b>	<b>\$ 472,438,176</b>	<b>\$ 33,056,562</b>	<b>\$ 7,553,009</b>	<b>\$ 677,155,089</b>

\* 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, 2023**

	<b>Governmental Funds Capital Assets 01/01/23</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets 12/31/23</b>
<b>Function and Activity</b>				
<b>General Government</b>				
Public Administration	\$ 471,207	\$ -	\$ -	\$ 471,207
Management Information Systems	1,936,422	2,568,772	-	4,505,194
Facilities Management	45,023,236	13,959,316	6,757,041	52,225,511
Finance	346,749	-	-	346,749
<b>Total General Government</b>	<b>47,777,614</b>	<b>16,528,088</b>	<b>6,757,041</b>	<b>57,548,661</b>
<b>Public Safety</b>				
Fire	16,767,248	727,901	45,185	17,449,964
Police	24,482,823	2,492,646	209,035	26,766,434
<b>Total Public Safety</b>	<b>41,250,071</b>	<b>3,220,547</b>	<b>254,220</b>	<b>44,216,398</b>
<b>Public Works</b>				
Street Construction	402,629,196	12,823,024	-	415,452,220
Maintenance Operations	19,377,969	1,241,120	517,464	20,101,625
Engineering	12,697,855	61,076	-	12,758,931
Street Lights	7,391,421	-	-	7,391,421
<b>Total Public Works</b>	<b>442,096,441</b>	<b>14,125,220</b>	<b>517,464</b>	<b>455,704,197</b>
<b>Culture and Recreation</b>				
Libraries	9,532,366	68,636	24,119	9,576,883
Parks and Recreation	97,100,006	4,632,893	-	101,732,899
<b>Total Culture and Recreation</b>	<b>106,632,372</b>	<b>4,701,529</b>	<b>24,119</b>	<b>111,309,782</b>
<b>Urban and Economic Development</b>				
Planning and Construction Services	5,996,653	68,683	-	6,065,336
Workforce Development	2,310,715	-	-	2,310,715
<b>Total Urban and Economic Development</b>	<b>8,307,368</b>	<b>68,683</b>	<b>-</b>	<b>8,376,051</b>
<b>Total Governmental Funds Capital Assets</b>	<b>\$ 646,063,866</b>	<b>\$ 38,644,067</b>	<b>\$ 7,552,844</b>	<b>\$ 677,155,089</b>

*\* 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, 2023**

	<b>Issue Amount</b>	<b>Issue Date</b>	<b>Final Maturity</b>	<b>Jan 1 Balance</b>
<b>Governmental Activities:</b>				
<b>General Obligation Bonds Payable</b>				
<b>General Obligation - Levy Funded</b>				
Capital Improvement	\$ 1,795,000	12/18/2013	02/01/2024	\$ 405,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	775,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	360,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	685,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	625,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	985,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	995,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	1,010,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	8,625,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	1,510,000
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	3,930,000
Capital Improvement	1,490,000	11/03/2021	02/01/2032	1,490,000
Capital Improvement	1,685,000	11/01/2022	02/01/2033	1,685,000
Capital Improvement	1,795,000	11/08/2023	02/01/2034	-
<b>Total General Obligation - Levy Funded</b>				<b>23,080,000</b>
<b>General Obligation - Funded by Other Sources</b>				
Airport Improvement	3,400,000	12/18/2013	02/01/2029	2,015,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,385,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,530,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	1,875,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	8,380,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	29,395,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	3,525,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	3,190,000
Airport Improvement Refunding	2,845,000	11/03/2021	02/01/2028	2,845,000
Capital Improvement - Lake Front	1,995,000	11/08/2023	02/01/2039	-
<b>Total General Obligation - Funded by Other Sources</b>				<b>54,140,000</b>
<b>General Obligation - Tax Abatement</b>				
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	5,510,000
GO Tax Abatement Refunding	3,705,000	11/03/2021	02/01/2030	3,705,000
<b>Total General Obligation - Tax Abatement</b>				<b>9,215,000</b>
<b>Total General Obligation Bonds Payable</b>				<b>86,435,000</b>
<b>Special Assessment Debt with Government Commitment</b>				
Street Improvement Refunding	2,630,000	11/05/2015	02/01/2023	185,000
<b>General Obligation Certificates Payable</b>				
Equipment	3,615,000	11/21/2017	02/01/2023	780,000
Equipment	3,885,000	10/17/2018	02/01/2024	1,650,000
Equipment	3,070,000	10/09/2019	02/01/2025	1,960,000
Equipment	2,960,000	10/21/2020	02/01/2026	2,440,000
Equipment	3,935,000	11/03/2021	02/01/2027	3,935,000
Equipment	3,360,000	11/01/2022	02/01/2028	3,360,000
Equipment	3,350,000	11/08/2023	02/01/2029	-
<b>Total General Obligation Certificates Payable</b>				<b>14,125,000</b>
<b>Total Governmental Activities Bonds and Certificates Payable</b>				<b>\$ 100,745,000</b>
				(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF BONDS AND CERTIFICATES PAYABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2024</u>	<u>Interest Due in 2024</u>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds Payable</b>					
<b>General Obligation - Levy Funded</b>					
Capital Improvement	\$ -	\$ 200,000	\$ 205,000	\$ 205,000	\$ 3,075
Capital Improvement - Lakewalk	-	100,000	675,000	100,000	24,612
Capital Improvement	-	115,000	245,000	120,000	4,550
Capital Improvement	-	165,000	520,000	170,000	10,669
Capital Improvement	-	115,000	510,000	120,000	18,000
Capital Improvement	-	155,000	830,000	160,000	22,500
Capital Improvement	-	120,000	875,000	130,000	40,500
Capital Improvement	-	105,000	905,000	110,000	42,500
Capital Improvement Refunding	-	685,000	7,940,000	720,000	379,000
Capital Improvement	-	150,000	1,360,000	155,000	38,475
Capital Improvement - Lakewalk	-	245,000	3,685,000	250,000	71,200
Capital Improvement	-	100,000	1,390,000	125,000	66,375
Capital Improvement	-	-	1,685,000	115,000	81,375
Capital Improvement	1,795,000	-	1,795,000	-	62,389
<b>Total General Obligation - Levy Funded</b>	<u>1,795,000</u>	<u>2,255,000</u>	<u>22,620,000</u>	<u>2,480,000</u>	<u>865,220</u>
<b>General Obligation - Funded by Other Sources</b>					
Airport Improvement	-	255,000	1,760,000	265,000	68,276
Wade Stadium Improvement	-	155,000	1,230,000	160,000	39,525
Spirit Mountain Improvement	-	100,000	1,430,000	100,000	44,462
Airport Improvement	-	185,000	1,690,000	190,000	53,238
Capital Improvement - 1/2 & 1/2	-	715,000	7,665,000	735,000	248,270
Duluth Entertainment and Convention Center Improvement Refunding	-	1,340,000	28,055,000	1,485,000	1,301,575
Capital Improvement - Seawall	-	250,000	3,275,000	255,000	94,425
Street Improvement	-	780,000	2,410,000	790,000	30,225
Airport Improvement Refunding	-	465,000	2,380,000	470,000	24,060
Capital Improvement - Lake Front	1,995,000	-	1,995,000	-	66,723
<b>Total General Obligation - Funded by Other Sources</b>	<u>1,995,000</u>	<u>4,245,000</u>	<u>51,890,000</u>	<u>4,450,000</u>	<u>1,970,779</u>
<b>General Obligation - Tax Abatement</b>					
GO Tax Abatement (Cirrus)	-	490,000	5,020,000	500,000	137,458
GO Tax Abatement Refunding	-	440,000	3,265,000	450,000	39,660
<b>Total General Obligation - Tax Abatement</b>	<u>-</u>	<u>930,000</u>	<u>8,285,000</u>	<u>950,000</u>	<u>177,118</u>
<b>Total General Obligation Bonds Payable</b>	<u>3,790,000</u>	<u>7,430,000</u>	<u>82,795,000</u>	<u>7,880,000</u>	<u>3,013,117</u>
<b>Special Assessment Debt with Government Commitment</b>					
Street Improvement Refunding	-	185,000	-	-	-
<b>General Obligation Certificates Payable</b>					
Equipment	-	780,000	-	-	-
Equipment	-	805,000	845,000	845,000	21,125
Equipment	-	620,000	1,340,000	655,000	50,625
Equipment	-	575,000	1,865,000	600,000	62,600
Equipment	-	675,000	3,260,000	755,000	144,125
Equipment	-	-	3,360,000	575,000	153,625
Equipment	3,350,000	-	3,350,000	-	122,368
<b>Total General Obligation Certificates Payable</b>	<u>3,350,000</u>	<u>3,455,000</u>	<u>14,020,000</u>	<u>3,430,000</u>	<u>554,468</u>
<b>Total Governmental Activities Bonds and Certificates Payable</b>	<u>\$ 7,140,000</u>	<u>\$ 11,070,000</u>	<u>\$ 96,815,000</u>	<u>\$ 11,310,000</u>	<u>\$ 3,567,585</u>
(continued)					

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF BONDS AND CERTIFICATES PAYABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
<b>Business-type Activities:</b>				
<b>Revenue and General Obligation Bonds Payable</b>				
<b>Parking Fund</b>				
Parking Improvement Tax Increment Refunding	\$ 10,270,000	11/27/2012	02/01/2026	<u>\$ 3,640,000</u>
<b>Priley Drive Parking Facility</b>				
Parking Improvement Tax Increment (Note 1)	11,500,000	05/15/2014	04/01/2044	<u>11,603,196</u>
<b>Water Fund</b>				
Water Utility Revenue and General Obligation	196,000	02/19/2009	02/01/2024	32,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	<u>3,405,000</u>
<b>Total Water Fund</b>				<u>3,437,000</u>
<b>Steam Fund</b>				
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	3,670,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	<u>10,120,000</u>
<b>Total Steam Fund</b>				<u>13,790,000</u>
<b>Sewer Fund</b>				
Sewer Utility Revenue and General Obligation	1,444,000	02/19/2009	02/01/2024	233,000
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	220,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/05/2015	02/01/2023	<u>175,000</u>
<b>Total Sewer Fund</b>				<u>628,000</u>
<b>Total Business-type Activities Bonds Payable</b>				<u>\$ 33,098,196</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, 2023**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2024</u>	<u>Interest Due in 2024</u>
<b>Business-type Activities:</b>					
<b>Revenue and General Obligation Bonds Payable</b>					
<b>Parking Fund</b>					
Parking Improvement Tax Increment Refunding	\$ -	\$ 880,000	\$ 2,760,000	\$ 895,000	\$ 60,766
<b>Priley Drive Parking Facility</b>					
Parking Improvement Tax Increment	-	177,105	11,426,091	168,106	455,379
<b>Water Fund</b>					
Water Utility Revenue and General Obligation	-	16,000	16,000	16,000	320
Water Utility Revenue and General Obligation	-	240,000	3,165,000	245,000	94,512
<b>Total Water Fund</b>	-	256,000	3,181,000	261,000	94,832
<b>Steam Fund</b>					
Steam Utility Revenue and General Obligation	-	690,000	2,980,000	710,000	80,688
Steam Utility Revenue and General Obligation	-	440,000	9,680,000	450,000	198,905
<b>Total Steam Fund</b>	-	1,130,000	12,660,000	1,160,000	279,593
<b>Sewer Fund</b>					
Sewer Utility Revenue and General Obligation	-	114,000	119,000	119,000	2,380
Sewer Utility Revenue and General Obligation	-	70,000	150,000	75,000	4,500
Sewer Utility Revenue and General Obligation Refunding	-	175,000	-	-	-
<b>Total Sewer Fund</b>	-	359,000	269,000	194,000	6,880
<b>Total Business-type Activities Bonds Payable</b>	\$ -	\$ 2,802,105	\$ 30,296,091	\$ 2,678,106	\$ 897,450

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan 1 Balance</u>
<b>Governmental Activities:</b>				
<b>Revenue Note</b>				
U.S. Dept. of Housing and Urban Development	\$ 2,636,000	03/28/2019	08/01/2025	<u>\$ 2,571,000</u>
<b>Total Governmental Activities</b>				<u>2,571,000</u>
<b>Business-type Activities:</b>				
<b>General Obligation</b>				
<b>Water Fund</b>				
Public Facilities Authority Note	1,293,200	09/14/2010	08/20/2025	274,000
Public Facilities Authority Note	3,344,131	12/14/2010	08/20/2025	733,000
Public Facilities Authority Note	1,221,631	11/29/2011	08/20/2026	336,000
Public Facilities Authority Note	4,778,806	03/24/2014	08/20/2029	2,231,000
Public Facilities Authority Note	3,857,531	01/24/2022	08/20/2042	<u>3,358,179</u>
<b>Total Water Fund</b>				<u>6,932,179</u>
<b>Sewer Fund</b>				
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	123,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	384,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	808,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	1,803,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>150,000</u>
<b>Total Sewer Fund</b>				<u>3,268,000</u>
<b>Total Business-type Activities</b>				<u>\$ 10,200,179</u> (continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2024</u>	<u>Interest Due in 2024</u>
<b>Governmental Activities:</b>					
<b>Revenue Note</b>					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 20,000	\$ 2,551,000	\$ 30,000	\$ 69,825
<b>Total Governmental Activities</b>	<u>-</u>	<u>20,000</u>	<u>2,551,000</u>	<u>30,000</u>	<u>69,825</u>
<b>Business-type Activities:</b>					
<b>General Obligation</b>					
<b>Water Fund</b>					
Public Facilities Authority Note	-	90,000	184,000	91,000	2,315
Public Facilities Authority Note	-	242,000	491,000	244,000	5,283
Public Facilities Authority Note	-	82,000	254,000	83,000	3,101
Public Facilities Authority Note	-	309,000	1,922,000	313,000	19,220
Public Facilities Authority Note	412,821	171,000	3,600,000	173,000	33,943
<b>Total Water Fund</b>	<u>412,821</u>	<u>894,000</u>	<u>6,451,000</u>	<u>904,000</u>	<u>63,862</u>
<b>Sewer Fund</b>					
Public Facilities Authority Note	-	61,000	62,000	62,000	1,221
Public Facilities Authority Note	-	190,000	194,000	194,000	3,913
Public Facilities Authority Note	-	266,000	542,000	269,000	6,818
Public Facilities Authority Note	-	593,000	1,210,000	601,000	15,222
Public Facilities Authority Note	-	75,000	75,000	75,000	750
<b>Total Sewer Fund</b>	<u>-</u>	<u>1,185,000</u>	<u>2,083,000</u>	<u>1,201,000</u>	<u>27,924</u>
<b>Total Business-type Activities</b>	<u>\$ 412,821</u>	<u>\$ 2,079,000</u>	<u>\$ 8,534,000</u>	<u>\$ 2,105,000</u>	<u>\$ 91,786</u>

**CITY OF DULUTH, MINNESOTA**  
**BALANCE SHEET**  
**DULUTH ECONOMIC DEVELOPMENT AUTHORITY**  
**COMPONENT UNIT - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	<b>General Operating</b>	<b>Loan Programs</b>	<b>Tax Increment Assistance</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,263,001	\$ 614,089	\$ 478,931	\$ 2,024,500	\$ 7,380,521
Taxes receivable, net	-	-	1,091	-	1,091
Accounts receivable, net	35,556	-	-	-	35,556
Loans receivable, net	142,980	3,172,835	-	3,588,359	6,904,174
Leases Receivable	1,549,848	-	-	-	1,549,848
Due from other funds	109,598	-	-	474,068	583,666
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 6,293,483</u>	<u>\$ 3,786,924</u>	<u>\$ 480,022</u>	<u>\$ 6,086,927</u>	<u>\$ 16,647,356</u>
<b>Liabilities</b>					
Accounts payable	\$ 27,606	\$ -	\$ 362	\$ -	\$ 27,968
Contracts payable	402,499	-	-	-	402,499
Due to other funds	-	-	474,068	109,598	583,666
Total Liabilities	<u>430,105</u>	<u>-</u>	<u>474,430</u>	<u>109,598</u>	<u>1,014,133</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	113,035	3,172,835	689	3,588,359	6,874,918
Lease related	1,559,748	-	-	-	1,559,748
Total Deferred Inflows	<u>1,672,783</u>	<u>3,172,835</u>	<u>689</u>	<u>3,588,359</u>	<u>8,434,666</u>
<b>Fund Balances</b>					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	4,903	2,388,970	2,393,873
Committed	-	614,089	-	-	614,089
Unassigned	3,998,095	-	-	-	3,998,095
Total Fund Balances	<u>4,190,595</u>	<u>614,089</u>	<u>4,903</u>	<u>2,388,970</u>	<u>7,198,557</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,293,483</u>	<u>\$ 3,786,924</u>	<u>\$ 480,022</u>	<u>\$ 6,086,927</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.	5,093,609
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	6,380,477
Leases payable are not due and payable in the current period, and therefore are not reported in the funds.	(1,549,848)
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	102
Net position of governmental activities	<u>\$ 17,122,897</u>

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DULUTH ECONOMIC DEVELOPMENT AUTHORITY**  
**COMPONENT UNIT - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>General Operating</b>	<b>Loan Programs</b>	<b>Tax Increment Assistance</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>					
Taxes					
Tax increments	\$ -	\$ -	\$ 3,962,444	\$ -	\$ 3,962,444
Intergovernmental revenues					
City of Duluth	2,528,000	-	-	-	2,528,000
State of Minnesota grants	42,803	-	-	-	42,803
Charges for services					
Parking meters	754,148	-	-	-	754,148
Building rent	88,225	-	-	-	88,225
Other	36,500	-	-	-	36,500
Miscellaneous revenues					
Earnings on investments	238,884	23,960	13,165	84,978	360,987
Interest	-	1,622	-	-	1,622
Proceeds from sale of capital assets	3,448,107	-	-	-	3,448,107
Land sales	92,033	-	-	-	92,033
Loan principal repayments	186,965	112,829	-	-	299,794
Other	18,841	-	-	-	18,841
Total Revenues	<u>7,434,506</u>	<u>138,411</u>	<u>3,975,609</u>	<u>84,978</u>	<u>11,633,504</u>
<b>Expenditures</b>					
Current					
Urban and economic development					
Other services and charges	-	4	5,420	-	5,424
Tax increment assistance	-	-	2,563,538	-	2,563,538
Economic development projects	7,025,403	-	935,284	-	7,960,687
Capital outlay					
Urban and economic development					
Land	4,660	-	-	-	4,660
Debt service					
Principal retirement	16,897	-	-	-	16,897
Interest and fiscal fees	47,003	-	-	-	47,003
Total Expenditures	<u>7,093,963</u>	<u>4</u>	<u>3,504,242</u>	<u>-</u>	<u>10,598,209</u>
Excess of Revenues Over (Under) Expenditures	<u>340,543</u>	<u>138,407</u>	<u>471,367</u>	<u>84,978</u>	<u>1,035,295</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in					
DEDA Capital Projects	109,598	-	-	-	109,598
DEDA Debt Service	-	-	-	474,068	474,068
Total Transfers In	<u>109,598</u>	<u>-</u>	<u>-</u>	<u>474,068</u>	<u>583,666</u>
Transfers out					
DEDA General Operating	-	-	-	(109,598)	(109,598)
DEDA Capital Projects	-	-	(474,068)	-	(474,068)
Total Transfers Out	<u>-</u>	<u>-</u>	<u>(474,068)</u>	<u>(109,598)</u>	<u>(583,666)</u>
Total Other Financing Sources (Uses)	<u>109,598</u>	<u>-</u>	<u>(474,068)</u>	<u>364,470</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>450,141</u>	<u>138,407</u>	<u>(2,701)</u>	<u>449,448</u>	<u>1,035,295</u>
<b>Fund Balances</b>					
Fund Balance - January 1, 2023	<u>3,740,454</u>	<u>475,682</u>	<u>7,604</u>	<u>1,939,522</u>	<u>6,163,262</u>
Fund Balance - December 31, 2023	<u>\$ 4,190,595</u>	<u>\$ 614,089</u>	<u>\$ 4,903</u>	<u>\$ 2,388,970</u>	<u>\$ 7,198,557</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, 2023**

Net change in fund balances - total governmental funds	\$ 1,035,295
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(35,449)
In the statement of activities, the contribution of a capital asset is reported, whereas in the governmental fund the capital asset is not recorded	4,040,512
In the statement of activities, the loss on the sale of property is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.	(4,521,341)
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.	(396,238)
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	16,897
Change in net position of governmental activities	<u>\$ 139,676</u>

**DULUTH JPE TRUST**  
**SCHEDULE OF NET POSITION**  
**DECEMBER 31, 2023**

	<b>Health Fund</b>	<b>Dental Fund</b>	<b>JPE Trust Total</b>
<b>Assets</b>			
Investments			
Money market	\$ 6,090,389	\$ 203,566	\$ 6,293,955
U.S. government treasury securities	11,924,999	476,879	12,401,878
Receivables			
Other	61,546	29,105	90,651
Total Assets	<u>18,076,934</u>	<u>709,550</u>	<u>18,786,484</u>
<b>Liabilities</b>			
Claims payable	1,362,077	112,458	1,474,535
Accounts payable	4,793	-	4,793
Premiums received in advance	103,194	3,444	106,638
Total Liabilities	<u>1,470,064</u>	<u>115,902</u>	<u>1,585,966</u>
<b>Net Position</b>			
Held in Trust	<u>\$ 16,606,870</u>	<u>\$ 593,648</u>	<u>\$ 17,200,518</u>

**DULUTH JPE TRUST**  
**SCHEDULE OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Health Fund</b>	<b>Dental Fund</b>	<b>JPE Trust Total</b>
<b>Additions</b>			
Health premiums			
Active employees	\$ 20,968,276	\$ -	\$ 20,968,276
Inactive employees	10,806,586	-	10,806,586
Dental premiums	-	1,079,599	1,079,599
Refunds and reimbursements			
Stop loss reimbursements	(188,783)	-	(188,783)
Prescription drug rebates	990,321	-	990,321
Miscellaneous	128,545	20	128,565
Investment earnings	702,505	27,709	730,214
Total Additions	<u>33,407,450</u>	<u>1,107,328</u>	<u>34,514,778</u>
<b>Deductions</b>			
Medical and drug claims			
Active employees	18,049,170	-	18,049,170
Inactive employees	5,192,382	-	5,192,382
Medical insurance - medicare supplement	4,252,660	-	4,252,660
Dental claims	-	997,535	997,535
Administrative fees			
Delta Dental	-	67,869	67,869
City of Duluth	409,913	-	409,913
Trust services	43,926	1,755	45,681
Consulting services	124,664	-	124,664
Wellness activities	96,128	-	96,128
Patient centered outcomes research fee	6,240	-	6,240
Stop loss insurance	406,154	-	406,154
Total Deductions	<u>28,581,237</u>	<u>1,067,159</u>	<u>29,648,396</u>
Change in Net Position	4,826,213	40,169	4,866,382
Net Position - January 1, 2023	<u>11,780,657</u>	<u>553,479</u>	<u>12,334,136</u>
Net Position - December 31, 2023	<u>\$ 16,606,870</u>	<u>\$ 593,648</u>	<u>\$ 17,200,518</u>

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
<b>Shared Revenue:</b>					
<b>State of Minnesota</b>					
Insurance Premium	\$ 2,607,006	\$ -	\$ -	\$ -	\$ 2,607,006
Local Government Aid	30,807,820	-	-	-	30,807,820
MSA Street Maintenance Allotment	1,533,400	-	-	-	1,533,400
PERA Contribution	103,420	-	-	-	103,420
<b>Total Shared Revenue</b>	<b>35,051,646</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,051,646</b>
<b>State Grants:</b>					
<b>State of Minnesota, Department of</b>					
Commerce					
Auto Theft Prevention Program	-	125,068	-	-	125,068
Education					
Minnesota Library Information Network	4,664	-	-	-	4,664
Employment and Economic Development					
Assessing Digital Inclusion	-	-	-	864	864
Dislocated Workers	-	293,071	-	-	293,071
Duluth Regional Exchange District Project	-	-	3,676,295	-	3,676,295
Pathways to Prosperity	-	676,568	-	-	676,568
VRC Office Support	-	29,755	-	-	29,755
Youth Program	-	333,742	-	-	333,742
Employment and Economic Development Total	-	1,333,136	3,676,295	864	5,010,295
Historical Society					
Large Legacy Grant	-	72,000	-	-	72,000
Human Services					
Supplemental Nutrition Assistance Program	-	63,839	-	-	63,839
Natural Resources					
Cross City Snowmobile Grant-In-Aid	-	19,455	-	-	19,455
Cross Country Ski Trail	16,060	-	-	-	16,060
Lake Superior Zoo	-	222,500	-	-	222,500
Natural Resources Total	16,060	241,955	-	-	258,015
Peace Officers Board					
Post Training Reimbursement	133,346	-	-	-	133,346
Pollution Control Agency					
Duluth Stormwater Resiliency Plan	-	-	-	79,481	79,481
Public Safety					
Firefighter Education Reimbursement	-	73,791	-	-	73,791
HAZMAT Regional Response Team	-	755,740	-	-	755,740
Minnesota Board of Firefighters Training & Education	-	4,945	-	-	4,945
Pathway to Policing Reimbursement Grants	-	4,735	-	-	4,735
Violent Crime Enforcement Team	-	405,746	-	-	405,746
Public Safety Total	-	1,244,957	-	-	1,244,957

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Revenue					
2023 Public Safety Aid	-	3,748,814	-	-	3,748,814
Local Affordable Housing Aid	-	519,641	-	-	519,641
Market Value Credit	258	-	-	-	258
Revenue Total	258	4,268,455	-	-	4,268,713
Transportation					
Local Road Improvement	-	-	106,257	-	106,257
MNDOT - Twin Ports Interchange Liaison	-	74,837	-	-	74,837
MSA Street Construction Allotment	-	-	2,679,287	-	2,679,287
MSA Street Maintenance Allotment	-	-	36,150	-	36,150
Transportation Total	-	74,837	2,821,694	-	2,896,531
<b>Total State Grants</b>	154,328	7,424,247	6,497,989	80,345	14,156,909
<b>Other Grants:</b>					
St. Louis County					
Job Training Services	-	979,434	-	-	979,434
Other	146,657	125,000	299,525	-	571,182
St. Louis County Total	146,657	1,104,434	299,525	-	1,550,616
Duluth Economic Development Authority	-	-	-	3,448,107	3,448,107
Duluth Transit Authority	-	123,753	-	-	123,753
Housing and Redevelopment Authority	74,113	262,971	-	-	337,084
Independent School District #709	334,044	-	-	-	334,044
<b>Total Other Grants</b>	554,814	1,491,158	299,525	3,448,107	5,793,604
<b>Federal Grants:</b>					
<b>Federal, Department of</b>					
Agriculture					
Cooperative Forestry Assistance	-	-	-	24,327	24,327
Commerce					
Coastal Zone Management Grant	-	350	-	-	350
Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	-	14,661	-	-	14,661
Energy					
Geothermal Coalition Agreement	-	94,327	-	-	94,327
Renewable Advancing Community Energy Resilience Agreement	-	161,561	-	-	161,561
Energy Total	-	255,888	-	-	255,888
Environmental Protection Agency					
Brownfields Assessment and Cleanup	-	1,750	-	-	1,750
Great Lakes Program	-	414,305	-	-	414,305
Environmental Protection Agency Total	-	416,055	-	-	416,055
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	-	98,581	-	-	98,581
Health and Human Services					
Temporary Assistance for Needy Families	-	13,713	-	-	13,713
Homeland Security					
Assistance to Firefighters Grant	-	31,292	-	-	31,292
Emergency Management Performance Grants	-	26,209	-	-	26,209
FEMA Disaster Assistance	-	3,568	-	-	3,568
Flood Hazard Mitigation	-	3,758	-	-	3,758
Operation Stonegarden Grant Program	-	85,321	-	-	85,321
Homeland Security Total	-	150,148	-	-	150,148

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Project and Debt Service Funds</b>	<b>Proprietary and Internal Service Funds</b>	<b>Totals</b>
Housing and Urban Development					
Community Development Block Grant	-	2,334,698	-	-	2,334,698
Emergency Solutions Grant Program	-	188,106	-	-	188,106
Home Investment Partnerships Program	-	262,699	-	-	262,699
Housing and Urban Development Total	-	2,785,503	-	-	2,785,503
Interior					
Natural Resource Stewardship	-	-	118,929	-	118,929
Outdoor Recreation, Development and Acquisition	-	-	750,000	-	750,000
Interior Total	-	-	868,929	-	868,929
Justice					
Bulletproof Vest Partnership Program	40,033	-	-	-	40,033
Comprehensive Opioid Abuse Site-Based		573,282			573,282
Crime Victim Assistance	-	57,268	-	-	57,268
Edward Byrne Memorial Formula Grant	-	71,883	-	-	71,883
Grants to Encourage Arrest Policies	-	192,289	-	-	192,289
Internet Crimes Against Children Program	-	3,237	-	-	3,237
Minneapolis Child Exploitation and Human Trafficking Task Force	-	18,869	-	-	18,869
National Sexual Assault Kit Initiative	-	616,333	-	-	616,333
Public Safety Partnership and Community Policing Grants	-	83,111	-	-	83,111
Justice Total	40,033	1,616,272	-	-	1,656,305
Labor					
Senior Community Service Employment	-	321,963	-	-	321,963
WIA Dislocated Workers Formula Grant	-	102,977	-	-	102,977
WIOA National Emergency Grants	-	68,878	-	-	68,878
Workforce Investment Act	-	510,646	-	-	510,646
Labor Total	-	1,004,464	-	-	1,004,464
Transportation					
Highway Planning and Construction	-	115,395	445,636	-	561,031
Toward Zero Deaths Law Enforcement Grant	-	83,914	-	-	83,914
Transportation Total	-	199,309	445,636	-	644,945
Treasury					
Coronavirus State and Local Fiscal Recovery Funds	9,150,633	8,736,537	-	-	17,887,170
Homeland Security Investigations	-	8,419	-	-	8,419
Treasury Total	9,150,633	8,744,956	-	-	17,895,589
<b>Total Federal Grants</b>	<b>9,190,666</b>	<b>15,299,900</b>	<b>1,314,565</b>	<b>24,327</b>	<b>25,829,458</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 44,951,454</b>	<b>\$ 24,215,305</b>	<b>\$ 8,112,079</b>	<b>\$ 3,552,779</b>	<b>\$ 80,831,617</b>

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal ALN Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Direct				
Soil and Water Conservation		10.902	\$ 24,327	\$ -
<b>U.S. Department of Commerce</b>				
Direct				
Economic Adjustment Assistance		11.307	\$ 1,299,276	\$ -
Passed Through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	22-306-02	11.419	350	-
Coastal Zone Management Administration Awards	22-306A-02	11.419	38,603	-
Coastal Zone Management Administration Awards	23-306A-01	11.419	100,000	-
(Total Coastal Zone Management Administration Awards 11.419 \$138,953)				
<b>Total U.S. Department of Commerce</b>			<b>\$ 1,438,229</b>	<b>\$ -</b>
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block				
Grants/Entitlement Grants		14.218	\$ 3,040,272	\$ 2,095,569
COVID-19 - Community Development Block				
Grants/Entitlement Grants		14.218	52,031	34,002
(Total expenditures for CDBG and Entitlement Grants Cluster \$3,092,303)				
Emergency Solutions Grant Program		14.231	224,885	195,127
COVID-19 - Emergency Solutions Grant Program		14.231	52,411	-
(Total Emergency Solutions Grant Program 14.231 \$277,296)				
Home Investment Partnerships Program		14.239	558,268	526,542
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 3,927,867</b>	<b>\$ 2,851,240</b>
<b>U.S. Department of the Interior</b>				
Direct				
Natural Resource Stewardship		15.944	\$ 118,929	\$ -
Passed Through National Fish and Wildlife Foundation				
Great Lakes Restoration	0501.22.074739	15.662	49,958	-
Passed Through Minnesota Department of Natural Resources				
Outdoor Recreation Acquisition, Development				
and Planning	LW27-01416	15.916	572,062	-
<b>Total U.S. Department of Interior</b>			<b>\$ 740,949</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Direct				
Grants to Encourage Arrest Policies and Enforcement				
of Protection Orders Program		16.590	\$ 192,289	\$ -
Bulletproof Vest Partnership Program		16.607	22,812	-
Public Safety Partnership and Community Policing Grants		16.710	12,823	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$94,890)				
Edward Byrne Memorial Justice Assistance				
Grant Program		16.738	37,803	-
National Sexual Assault Kit Initiative		16.833	666,454	-
Comprehensive Opioid Abuse Site-Based Program		16.838	577,192	-
Passed through the Minnesota Department of Public Safety				
Missing Children's Assistance	152986	16.543	4,431	-
Crime Victim Assistance	A-CVS-2022-DULUTHAO-024	16.575	57,268	-
Public Safety Partnership and Community				
Policing Grants	167077	16.710	82,067	-
(Total Public Safety Partnership and Community Policing Grants 16.710 \$94,890)				
<b>Total U.S. Department of Justice</b>			<b>\$ 1,653,139</b>	<b>\$ -</b>

(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, 2023**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal ALN Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Labor</b>				
Passed Through Senior Service America, Inc.				
Senior Community Service Employment Program	116	17.235	\$ 212,999	\$ -
(Total Senior Community Service Employment Program 17.235 \$323,780)				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	2045101	17.235	59,503	-
Senior Community Service Employment Program	3045101	17.235	45,413	-
Senior Community Service Employment Program	2045102	17.235	5,865	-
(Total Senior Community Service Employment Program 17.235 \$323,780)				
WIOA Cluster				
WIA Adult Program	1043100	17.258	34,806	-
WIA Adult Program	2043100	17.258	146,184	-
WIA Adult Program	3043100	17.258	21,601	-
Total ALN # 17.258			202,591	-
(Total expenditures for WIOA Cluster \$625,309)				
WIOA Cluster				
WIA Youth Activities	1043600	17.259	14,678	-
WIA Youth Activities	2043600	17.259	229,516	-
WIA Youth Activities	3043600	17.259	68,307	-
Total ALN # 17.259			312,501	-
(Total expenditures for WIOA Cluster \$625,309)				
COVID-19 Workforce Investment Act (WIA)				
National Emergency Grants	1040100	17.277	43,585	-
Workforce Investment Act (WIA) National Emergency Grants	1043000	17.277	24,070	-
Total ALN # 17.277			67,655	-
WIOA Cluster				
WIA Dislocated Worker Formula Grants	1048000	17.278	36,488	-
WIA Dislocated Worker Formula Grants	2048000	17.278	57,603	-
WIA Dislocated Worker Formula Grants	3048000	17.278	16,126	-
Total ALN # 17.278			110,217	-
(Total expenditures for WIOA Cluster \$625,309)				
<b>Total U.S. Department of Labor</b>			<b>\$ 1,016,744</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	1462 (1052072)	20.205	\$ 1,432,046	\$ -
Highway Planning and Construction	118-090-024	20.205	3,196	-
Highway Planning and Construction	8821224	20.205	115,395	-
Total ALN # 20.205			1,550,637	-
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC23-2023-DULUTHPD-064	20.600	24,690	-
Total ALN # 20.600				
(Total expenditures for Highway Safety Cluster \$31,184)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC23-2023-DULUTHPD-064	20.608	43,299	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC24-2024-DULUTHPD-014	20.608	9,207	-
Total ALN # 20.608			52,506	-
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC23-2023-DULUTHPD-064	20.616	6,494	-
(Total expenditures for Highway Safety Cluster \$31,184)				
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,634,327</b>	<b>\$ -</b>

(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, 2023**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal ALN Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of the Treasury</b>				
Direct				
Equitable Sharing		21.016	\$ 94,777	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027	21,536,721	-
<b>Total U.S. Department of the Treasury</b>			<b>\$ 21,631,498</b>	<b>\$ -</b>
<b>U.S. Environmental Protection Agency</b>				
Direct				
Great Lakes Program		66.469	\$ 393,555	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	1,750	-
Passed Through Minnesota Public Facilities Authority Drinking Water State Revolving Fund (DWSRF) Cluster Capitalization Grants for Drinking Water State Revolving Funds	MPFA-DWRF-L-024-FY22	66.468	602,882	-
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 998,187</b>	<b>\$ -</b>
<b>U.S. Department of Energy</b>				
Direct				
Renewable Energy Research and Development		81.087	\$ 255,888	\$ 124,052
<b>U.S. Department of Education</b>				
Passed through Minnesota Department of Employment and Economic Development Rehabilitation Services - Vocational Rehabilitation Grants to States	214048 PR 59596	84.126	\$ 6,294	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Employment and Economic Development Temporary Assistance for Needy Families	3047400	93.558	\$ 13,000	\$ -
<b>Executive Office of the President</b>				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	\$ 90,009	\$ -
<b>U.S. Department of Homeland Security</b>				
Direct				
Assistance to Firefighters Grant		97.044	\$ 31,292	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4722-DR-MN	97.036	21,304	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4531-DR-MN	97.036	3,568	-
<b>Total ALN # 97.036</b>			<b>24,872</b>	<b>-</b>
Hazard Mitigation Grant	A-HMGP-DR4531-DULUTHCI-007	97.039	68,779	-
Hazard Mitigation Grant	FEMA-4414-2DR-MN	97.039	6,402	-
<b>Total ALN # 97.039</b>			<b>75,181</b>	<b>-</b>
Emergency Management Performance Grants	A-EMPG-2021-DULUTHCI-022	97.042	23,690	-
Passed Through St. Louis County, Minnesota Homeland Security Grant Program	OPSG OO MN-St. Louis FY 20	97.067	87,081	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 242,116</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 33,672,574</b>	<b>\$ 2,975,292</b>

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, 2023**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Duluth. It does not include \$14,571,892, and \$16,496,574 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 of the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2023. 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	\$ 25,829,458
Expenditures of Equitable Sharing Funds	94,777
Expenditures of Revolving Loan Fund	
Community Development Block Grants	479,223
Police Task Force Agreements	
Homeland Security Investigations	(8,419)
Minneapolis Child Exploitation and Human Trafficking Task Force	(18,869)
Grants received more than 45 days after year-end, unavailable in 2023	
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
WIA Adult Program	4,725
WIA/WIOA Dislocated Worker Formula Grant	7,245
WIA Youth Program	412
	(continued)

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Unavailable in 2022, recognized as revenue in 2023	
Bulletproof Vest Partnership Program	(10,320)
Community Development Block Grants	(156,510)
Community Development Block Grants - CARES Act Funding	(28,792)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(3,279,436)
Edward Byrne Memorial Justice Assistance Grant Program	(37,306)
Emergency Management Performance Grants	(2,519)
Emergency Solutions Grant Program	(3,150)
Emergency Solutions Grant Program - CARES Act Funding	(11,262)
Great Lakes Program	(20,750)
High Intensity Drug Trafficking Areas Program	(248)
Home Investment Partnerships Program	(6,783)
Interagency Hazardous Materials Public Sector Training and Planning Grants	(6,187)
Outdoor Recreation Acquisition, Development and Planning	(177,938)
Public Safety Partnership and Community Policing Grants	(1,548)
Senior Community Service Employment Program	(2)
Temporary Assistance for Needy Families	(2,918)
WIA Adult Program	(16)
WIA National Emergency Grants	(1,223)
WIA/WIOA Dislocated Worker Formula Grant	(5)
WIA Youth Program	(675)
Capital grants received in enterprise funds	
Capitalization Grants for Drinking Water State Revolving Funds	602,882
Hazard Mitigation Grant	68,779
Timing Differences Between Expenditures and Related Reimbursements	(44,162)
Capital Contributions	
Coronavirus State and Local Fiscal Recovery Funds	3,649,551
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 33,672,574</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)**

Table 1

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities					
Net investment in capital assets	\$ 235,177,972	\$ 242,346,774	\$ 242,875,012	\$ 245,733,061	\$ 249,612,707
Restricted	46,063,716	43,143,639	45,703,757	46,203,035	42,919,978
Unrestricted *	<u>(45,926,755)</u>	<u>(100,062,238)</u>	<u>(113,329,374)</u>	<u>(117,374,039)</u>	<u>(181,539,392)</u>
Total Governmental Activities Net Position	<u>235,314,933</u>	<u>185,428,175</u>	<u>175,249,395</u>	<u>174,562,057</u>	<u>110,993,293</u>
Business-type Activities					
Net investment in capital assets	182,656,056	204,789,234	218,517,664	227,778,536	240,473,773
Restricted	2,881,659	2,892,969	2,072,379	2,119,974	2,114,827
Unrestricted *	<u>28,779,936</u>	<u>14,843,438</u>	<u>11,153,671</u>	<u>13,766,078</u>	<u>11,262,947</u>
Total Business-type Activities Net Position	<u>214,317,651</u>	<u>222,525,641</u>	<u>231,743,714</u>	<u>243,664,588</u>	<u>253,851,547</u>
Primary Government					
Net investment in capital assets	417,834,028	447,136,008	461,392,676	473,511,597	490,086,480
Restricted	48,945,375	46,036,608	47,776,136	48,323,009	45,034,805
Unrestricted *	<u>(17,146,819)</u>	<u>(85,218,800)</u>	<u>(102,175,703)</u>	<u>(103,607,961)</u>	<u>(170,276,445)</u>
Total Primary Government Net Position	<u>\$ 449,632,584</u>	<u>\$ 407,953,816</u>	<u>\$ 406,993,109</u>	<u>\$ 418,226,645</u>	<u>\$ 364,844,840</u>
	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental Activities					
Net investment in capital assets	\$ 251,585,123	\$ 269,467,267	\$ 274,609,405	\$ 285,470,255	\$ 296,939,221
Restricted	42,703,389	57,116,401	59,985,927	71,314,730	93,823,132
Unrestricted *	<u>(170,622,157)</u>	<u>(154,052,891)</u>	<u>(125,130,759)</u>	<u>(110,337,973)</u>	<u>(88,845,760)</u>
Total Governmental Activities Net Position	<u>123,666,355</u>	<u>172,530,777</u>	<u>209,464,573</u>	<u>246,447,012</u>	<u>301,916,593</u>
Business-type Activities					
Net investment in capital assets	253,270,775	272,754,726	278,507,370	289,768,984	304,527,203
Restricted	2,091,941	2,462,396	2,560,175	2,016,398	2,042,022
Unrestricted *	<u>17,689,259</u>	<u>22,453,868</u>	<u>31,930,461</u>	<u>58,689,025</u>	<u>72,076,172</u>
Total Business-type Activities Net Position	<u>273,051,975</u>	<u>297,670,990</u>	<u>312,998,006</u>	<u>350,474,407</u>	<u>378,645,397</u>
Primary Government					
Net investment in capital assets	504,855,898	542,221,993	553,116,775	575,239,239	601,466,424
Restricted	44,795,330	59,578,797	62,546,102	73,331,128	95,865,154
Unrestricted *	<u>(152,932,898)</u>	<u>(131,599,023)</u>	<u>(93,200,298)</u>	<u>(51,648,948)</u>	<u>(16,769,588)</u>
Total Primary Government Net Position	<u>\$ 396,718,330</u>	<u>\$ 470,201,767</u>	<u>\$ 522,462,579</u>	<u>\$ 596,921,419</u>	<u>\$ 680,561,990</u>

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

Source: Statement of Net Position

Unaudited

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

Table 2

	<b>Fiscal Year</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Expenses</b>					
Governmental Activities					
General government	\$ 27,045,420	\$ 26,652,865	\$ 28,487,636	\$ 29,490,639	\$ 31,093,037
Public safety	40,104,416	40,798,398	55,526,260	47,268,796	43,352,480
Public works	21,622,112	22,230,628	25,219,128	23,999,112	24,997,278
Culture and recreation	11,584,949	18,319,587	10,407,695	12,497,000	13,169,901
Urban and economic development	14,294,290	14,265,141	17,688,597	15,406,291	13,664,386
Interest	<u>4,338,915</u>	<u>4,619,216</u>	<u>4,543,299</u>	<u>3,951,480</u>	<u>4,025,051</u>
Total Governmental Activities Expenses	<u>118,990,102</u>	<u>126,885,835</u>	<u>141,872,615</u>	<u>132,613,318</u>	<u>130,302,133</u>
Business-type Activities					
Water	11,255,835	10,187,477	10,997,029	11,159,899	11,268,976
Gas	49,131,965	29,262,281	27,526,208	31,537,930	33,160,799
Sewer	16,963,128	16,284,112	16,034,063	16,018,954	16,835,052
Stormwater	3,701,827	3,764,611	4,208,833	3,564,421	3,430,458
Steam	7,254,245	7,666,582	8,364,984	8,298,624	8,185,310
Golf	2,020,655	2,309,016	2,068,650	1,940,477	1,853,157
Parking	2,701,445	2,550,028	2,630,605	2,748,883	2,980,182
Priley Drive parking facility	-	-	768,011	1,266,511	1,254,483
Street lighting	1,910,875	1,914,331	2,307,565	2,123,129	1,909,552
Broadband fiber	-	-	-	-	-
Total Business-type Activities Expenses	<u>94,939,975</u>	<u>73,938,438</u>	<u>74,905,948</u>	<u>78,658,828</u>	<u>80,877,969</u>
Total Primary Government Expenses	<u>\$ 213,930,077</u>	<u>\$ 200,824,273</u>	<u>\$ 216,778,563</u>	<u>\$ 211,272,146</u>	<u>\$ 211,180,102</u>
<b>Program Revenues</b>					
Governmental Activities					
Charges for services					
General government	\$ 5,018,181	\$ 4,854,823	\$ 4,934,248	\$ 5,706,995	\$ 5,869,145
Public safety	1,501,647	1,562,794	1,698,161	2,869,629	2,023,574
Public works	1,320,130	2,801,089	2,723,412	56,549	82,235
Culture and recreation	1,299,671	1,310,840	1,182,738	1,247,455	1,270,730
Urban and economic development	3,383,810	3,095,554	2,655,700	2,183,548	2,682,020
Operating grants and contributions	11,487,629	10,096,446	12,402,217	11,758,737	12,019,093
Capital grants and contributions	<u>19,388,699</u>	<u>19,174,980</u>	<u>15,968,844</u>	<u>11,096,107</u>	<u>12,912,987</u>
Total Governmental Activities Program Revenues	<u>43,399,767</u>	<u>42,896,526</u>	<u>41,565,320</u>	<u>34,919,020</u>	<u>36,859,784</u>
Business-type Activities					
Charges for services					
Water	14,529,002	14,426,316	14,479,884	14,428,987	14,910,171
Gas	58,291,132	35,495,409	31,209,095	36,122,015	39,182,666
Sewer	19,493,753	19,973,712	19,527,000	19,538,573	19,709,102
Stormwater	4,624,063	4,754,516	5,243,461	5,298,272	5,283,440
Steam	6,820,043	6,725,164	7,064,402	7,712,154	7,880,094
Golf	1,734,534	1,931,016	1,822,938	1,730,447	1,692,369
Parking	4,207,977	4,516,797	4,552,144	4,060,636	3,740,640
Priley Drive parking facility	-	-	339,417	446,597	457,088
Street lighting	2,146,270	1,922,930	1,501,926	1,399,669	1,390,572
Operating grants and contributions	76,493	-	164,101	104,170	-
Capital grants and contributions	<u>4,597,404</u>	<u>8,380,978</u>	<u>2,251,332</u>	<u>2,832,186</u>	<u>5,602,821</u>
Total Business-type Activities Program Revenues	<u>116,520,671</u>	<u>98,126,838</u>	<u>88,155,700</u>	<u>93,673,706</u>	<u>99,848,963</u>
Total Primary Government Program Revenues	<u>\$ 159,920,438</u>	<u>\$ 141,023,364</u>	<u>\$ 129,721,020</u>	<u>\$ 128,592,726</u>	<u>\$ 136,708,747</u>

(continued)

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

	<b>Fiscal Year</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (75,590,335)	\$ (83,989,309)	\$ (100,307,295)	\$ (97,694,298)	\$ (93,442,349)
Business-type Activities	<u>21,580,696</u>	<u>24,188,400</u>	<u>13,249,752</u>	<u>15,014,878</u>	<u>18,970,994</u>
Total Primary Government Net Expense	<u>\$ (54,009,639)</u>	<u>\$ (59,800,909)</u>	<u>\$ (87,057,543)</u>	<u>\$ (82,679,420)</u>	<u>\$ (74,471,355)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities					
General Revenues					
Property taxes	\$ 22,146,676	\$ 22,405,560	\$ 23,587,371	\$ 27,596,775	\$ 30,265,657
Sales taxes	22,031,014	24,305,293	24,585,124	25,188,254	26,267,168
Franchise taxes	2,013,126	2,008,194	1,998,457	3,883,316	3,997,060
Other taxes	622,015	255,491	198,546	204,587	254,096
Grants and shared revenues not restricted to specific programs	30,995,305	31,232,887	31,345,365	31,420,457	31,810,084
Investment income	2,148,194	328,502	1,805,404	3,571,853	(440,856)
Gain on sale or disposition of capital assets	54,776	-	-	-	-
Miscellaneous	1,996,119	1,323,545	1,726,300	997,006	1,689,582
Extraordinary items	-	(13,264,958)	-	-	-
Special item - reduction of Spirit Mountain loan	-	-	-	-	-
Transfers	<u>5,008,750</u>	<u>6,336,860</u>	<u>4,881,948</u>	<u>4,144,712</u>	<u>4,354,903</u>
Total Governmental Activities	<u>87,015,975</u>	<u>74,931,374</u>	<u>90,128,515</u>	<u>97,006,960</u>	<u>98,197,694</u>
Business-type Activities					
General Revenues					
Property taxes	-	220,293	647,013	756,037	751,231
Grants and shared revenues not restricted to specific programs	48,566	48,566	48,566	59,826	48,567
Investment income	468,471	124,243	99,045	86,837	43,383
Gain on sale or disposition of capital assets	58,974	79,246	2,220	57,913	81,868
Miscellaneous	122,789	56,606	53,425	90,095	61,272
Transfers	<u>(5,008,750)</u>	<u>(6,336,860)</u>	<u>(4,881,948)</u>	<u>(4,144,712)</u>	<u>(4,354,903)</u>
Total Business-type Activities	<u>(4,309,950)</u>	<u>(5,807,906)</u>	<u>(4,031,679)</u>	<u>(3,094,004)</u>	<u>(3,368,582)</u>
Total Primary Government	<u>\$ 82,706,025</u>	<u>\$ 69,123,468</u>	<u>\$ 86,096,836</u>	<u>\$ 93,912,956</u>	<u>\$ 94,829,112</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 11,425,640	\$ (9,057,935)	\$ (10,178,780)	\$ (687,338)	\$ 4,755,345
Business-type Activities	<u>17,270,746</u>	<u>18,380,494</u>	<u>9,218,073</u>	<u>11,920,874</u>	<u>15,602,412</u>
Total Primary Government	<u>\$ 28,696,386</u>	<u>\$ 9,322,559</u>	<u>\$ (960,707)</u>	<u>\$ 11,233,536</u>	<u>\$ 20,357,757</u>

(continued)



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

	<b>Fiscal Year</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<b>Expenses</b>					
Governmental Activities					
General government	\$ 31,839,444	\$ 31,745,911	\$ 31,458,665	\$ 34,202,686	\$ 37,154,531
Public safety	42,180,828	42,104,761	35,650,206	48,451,732	50,793,519
Public works	27,785,208	26,885,812	24,858,279	27,916,257	31,561,724
Culture and recreation	16,261,444	10,419,424	16,503,956	17,033,986	19,883,844
Urban and economic development	14,244,055	11,374,651	15,130,262	33,442,251	21,649,907
Interest	<u>3,909,623</u>	<u>3,397,730</u>	<u>3,611,430</u>	<u>3,298,165</u>	<u>3,336,685</u>
Total Governmental Activities Expenses	<u>136,220,602</u>	<u>125,928,289</u>	<u>127,212,798</u>	<u>164,345,077</u>	<u>164,380,210</u>
Business-type Activities					
Water	10,814,241	9,701,506	9,054,609	11,098,291	12,106,676
Gas	31,777,159	29,784,236	35,254,902	47,848,429	36,073,458
Sewer	16,259,666	16,219,816	15,500,002	16,745,422	17,186,613
Stormwater	3,571,577	3,523,521	3,259,324	3,905,912	4,772,165
Steam	8,350,276	8,296,062	9,167,833	11,781,300	9,769,975
Golf	1,771,189	1,270,959	1,275,995	1,286,227	1,355,661
Parking	3,404,851	2,923,925	3,401,867	3,293,398	3,897,291
Priley Drive parking facility	1,249,348	1,231,195	1,222,210	1,255,506	1,315,057
Street lighting	1,836,048	-	-	-	-
Broadband fiber	-	-	-	55,971	52,277
Total Business-type Activities Expenses	<u>79,034,355</u>	<u>72,951,220</u>	<u>78,136,742</u>	<u>97,270,456</u>	<u>86,529,173</u>
Total Primary Government Expenses	<u>\$ 215,254,957</u>	<u>\$ 198,879,509</u>	<u>\$ 205,349,540</u>	<u>\$ 261,615,533</u>	<u>\$ 250,909,383</u>
<b>Program Revenues</b>					
Governmental Activities					
Charges for services					
General government	\$ 5,978,363	\$ 5,732,214	\$ 5,693,386	\$ 6,087,871	\$ 7,367,932
Public safety	2,115,004	1,794,884	2,185,593	2,175,843	2,583,212
Public works	138,436	336,908	229,532	209,909	139,784
Culture and recreation	1,328,289	853,276	2,051,782	2,024,906	2,260,828
Urban and economic development	3,872,703	3,836,466	5,530,373	4,421,476	5,444,986
Operating grants and contributions	12,289,736	19,698,868	16,606,625	29,537,034	32,178,915
Capital grants and contributions	<u>12,733,125</u>	<u>24,938,476</u>	<u>17,317,782</u>	<u>38,202,388</u>	<u>26,161,558</u>
Total Governmental Activities Program Revenues	<u>38,455,656</u>	<u>57,191,092</u>	<u>49,615,073</u>	<u>82,659,427</u>	<u>76,137,215</u>
Business-type Activities					
Charges for services					
Water	15,142,128	15,099,895	15,920,408	16,013,881	17,438,419
Gas	39,886,073	36,549,373	41,070,876	59,696,900	46,197,830
Sewer	19,615,365	19,164,926	19,836,926	20,375,543	21,845,445
Stormwater	5,295,794	5,400,293	6,298,247	7,881,324	7,643,222
Steam	8,091,177	7,606,029	8,229,505	10,828,835	9,075,372
Golf	1,482,349	1,083,096	1,378,539	1,247,587	1,392,727
Parking	4,095,285	2,906,751	3,253,133	3,985,704	4,345,389
Priley Drive parking facility	452,308	398,812	434,544	484,414	513,136
Street lighting	835,761	-	-	-	-
Operating grants and contributions	60,628	-	-	20,509	79,481
Capital grants and contributions	<u>6,133,857</u>	<u>16,948,855</u>	<u>1,770,109</u>	<u>16,064,038</u>	<u>8,973,061</u>
Total Business-type Activities Program Revenues	<u>101,090,725</u>	<u>105,158,030</u>	<u>98,192,287</u>	<u>136,598,735</u>	<u>117,504,082</u>
Total Primary Government Program Revenues	<u>\$ 139,546,381</u>	<u>\$ 162,349,122</u>	<u>\$ 147,807,360</u>	<u>\$ 219,258,162</u>	<u>\$ 193,641,297</u>

(continued)

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

	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (97,764,946)	\$ (68,737,197)	\$ (77,597,725)	\$ (81,685,650)	\$ (88,242,995)
Business-type Activities	<u>22,056,370</u>	<u>32,206,810</u>	<u>20,055,545</u>	<u>39,328,279</u>	<u>30,974,909</u>
Total Primary Government Net Expense	<u>\$ (75,708,576)</u>	<u>\$ (36,530,387)</u>	<u>\$ (57,542,180)</u>	<u>\$ (42,357,371)</u>	<u>\$ (57,268,086)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities					
General Revenues					
Property taxes	\$ 32,995,611	\$ 37,075,587	\$ 37,905,624	\$ 41,225,632	\$ 44,255,331
Sales taxes	28,867,348	29,475,871	37,516,898	41,954,810	43,924,005
Franchise taxes	3,534,435	3,586,792	3,639,703	4,289,071	4,405,732
Other taxes	326,091	393,442	367,909	1,457,069	307,332
Grants and shared revenues not restricted to specific programs	31,917,733	32,535,525	32,879,084	33,276,992	33,415,083
Investment income	6,611,326	5,222,490	6,094,046	(7,481,264)	7,601,976
Gain on sale or disposition of capital assets	-	-	-	-	-
Miscellaneous	1,670,993	2,335,463	2,244,648	2,519,724	6,859,587
Extraordinary items	-	-	-	-	-
Special item - reduction of Spirit Mountain loan	-	(900,000)	-	-	-
Transfers	<u>4,514,471</u>	<u>3,242,459</u>	<u>4,512,811</u>	<u>1,426,055</u>	<u>2,943,530</u>
Total Governmental Activities	<u>110,438,008</u>	<u>112,967,629</u>	<u>125,160,723</u>	<u>118,668,089</u>	<u>143,712,576</u>
Business-type Activities					
General Revenues					
Property taxes	1,301,757	-	-	-	-
Grants and shared revenues not restricted to specific programs	48,566	-	-	-	-
Investment income	235,864	237,420	(225,528)	(465,076)	76,968
Gain on sale or disposition of capital assets	26,962	30,790	3,026	39,253	62,643
Miscellaneous	45,380	8,095	6,784	-	-
Transfers	<u>(4,514,471)</u>	<u>(3,242,459)</u>	<u>(4,512,811)</u>	<u>(1,426,055)</u>	<u>(2,943,530)</u>
Total Business-type Activities	<u>(2,855,942)</u>	<u>(2,966,154)</u>	<u>(4,728,529)</u>	<u>(1,851,878)</u>	<u>(2,803,919)</u>
Total Primary Government	<u>\$ 107,582,066</u>	<u>\$ 110,001,475</u>	<u>\$ 120,432,194</u>	<u>\$ 116,816,211</u>	<u>\$ 140,908,657</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 12,673,062	\$ 44,230,432	\$ 47,562,998	\$ 36,982,439	\$ 55,469,581
Business-type Activities	<u>19,200,428</u>	<u>29,240,656</u>	<u>15,327,016</u>	<u>37,476,401</u>	<u>28,170,990</u>
Total Primary Government	<u>\$ 31,873,490</u>	<u>\$ 73,471,088</u>	<u>\$ 62,890,014</u>	<u>\$ 74,458,840</u>	<u>\$ 83,640,571</u>

Source: Statement of Activities

Unaudited

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

Table 3

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund					
Nonspendable	\$ 258,535	\$ -	\$ -	\$ -	\$ -
Restricted	91,324	95,801	85,776	99,766	184,891
Committed	13,129	21,781	32,075	36,242	41,996
Assigned	1,634,029	2,132,059	1,616,063	2,280,311	3,236,770
Unassigned	<u>9,320,545</u>	<u>11,624,121</u>	<u>11,634,076</u>	<u>13,190,484</u>	<u>13,422,108</u>
Total General Fund	<u>11,317,562</u>	<u>13,873,762</u>	<u>13,367,990</u>	<u>15,606,803</u>	<u>16,885,765</u>
All Other Governmental Funds					
Restricted	31,233,325	44,269,018	45,235,185	42,708,250	41,801,543
Committed	19,705,618	19,846,164	21,707,282	24,583,093	23,357,054
Assigned	445,627	389,344	824,467	1,209,071	1,691,541
Unassigned	<u>(4,232,523)</u>	<u>(8,155,193)</u>	<u>(2,101,580)</u>	<u>(1,981,450)</u>	<u>(3,130,083)</u>
Total All Other Governmental Funds	<u>\$ 47,152,047</u>	<u>\$ 56,349,333</u>	<u>\$ 65,665,354</u>	<u>\$ 66,518,964</u>	<u>\$ 63,720,055</u>

	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	216,132	329,336	326,903	200,387	194,453
Committed	35,958	32,186	34,120	17,999	16,995
Assigned	2,999,900	3,886,800	3,978,786	7,302,662	10,504,760
Unassigned	<u>14,437,169</u>	<u>16,856,560</u>	<u>21,256,399</u>	<u>21,326,916</u>	<u>28,484,810</u>
Total General Fund	<u>17,689,159</u>	<u>21,104,882</u>	<u>25,596,208</u>	<u>28,847,964</u>	<u>39,201,018</u>
All Other Governmental Funds					
Restricted	39,142,316	43,943,951	48,377,323	58,223,000	61,694,804
Committed	28,493,060	32,311,536	38,836,845	31,118,465	35,226,099
Assigned	1,942,077	2,317,122	4,979,933	5,104,505	6,131,450
Unassigned	<u>(4,266,262)</u>	<u>(7,929,634)</u>	<u>(6,362,158)</u>	<u>(6,832,125)</u>	<u>(9,766,897)</u>
Total All Other Governmental Funds	<u>\$ 65,311,191</u>	<u>\$ 70,642,975</u>	<u>\$ 85,831,943</u>	<u>\$ 87,613,845</u>	<u>\$ 93,285,456</u>

Source: Balance Sheet - Governmental Funds

Unaudited

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

Table 4

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>					
Taxes					
Property taxes	\$ 22,118,257	\$ 22,549,109	\$ 23,671,256	\$ 27,606,911	\$ 30,318,865
Sales taxes	22,031,014	24,305,293	24,585,124	25,188,254	26,267,167
Other taxes	2,635,141	2,263,685	2,197,003	4,087,903	4,251,157
Licenses and permits	1,737,068	1,783,741	1,786,472	1,759,507	2,053,375
Intergovernmental revenues	57,455,627	55,941,414	60,343,948	51,353,893	56,877,087
Charges for services	7,987,527	9,289,681	8,510,151	6,171,005	6,576,669
Fines and forfeits	709,213	652,033	719,928	1,906,404	604,357
Special assessments	2,458,912	1,983,776	2,095,202	1,752,933	1,605,337
Investment income	2,022,447	230,692	1,740,987	3,527,779	(559,148)
Miscellaneous revenues	<u>4,304,525</u>	<u>5,326,755</u>	<u>5,980,771</u>	<u>4,809,871</u>	<u>6,138,325</u>
Total Revenues	<u>123,459,731</u>	<u>124,326,179</u>	<u>131,630,842</u>	<u>128,164,460</u>	<u>134,133,191</u>
<b>Expenditures</b>					
General government	23,174,447	24,004,445	24,378,741	24,722,755	28,330,883
Public safety	35,512,569	37,150,741	38,524,220	39,263,288	41,552,331
Public works	12,536,734	14,388,357	14,515,792	13,194,918	15,226,399
Culture and recreation	9,645,981	15,954,443	9,117,853	9,779,866	10,530,034
Urban and economic development	13,858,327	16,906,657	24,913,908	15,022,941	13,637,293
Debt service					
Principal retirement	11,350,000	10,501,000	9,531,000	13,271,000	11,172,000
Interest and fiscal fees	4,600,843	4,577,976	4,422,939	4,603,199	4,487,446
Bond issuance costs	223,753	361,424	595,689	91,522	163,704
Capital outlay	<u>21,355,037</u>	<u>16,962,641</u>	<u>15,016,363</u>	<u>14,753,506</u>	<u>25,106,738</u>
Total Expenditures	<u>132,257,691</u>	<u>140,807,684</u>	<u>141,016,505</u>	<u>134,702,995</u>	<u>150,206,828</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(8,797,960)</u>	<u>(16,481,505)</u>	<u>(9,385,663)</u>	<u>(6,538,535)</u>	<u>(16,073,637)</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	8,055,000	21,315,000	12,520,000	5,160,000	9,645,000
Proceeds from refundings	865,000	2,630,000	33,470,000	-	-
Lease issuance	-	-	-	-	-
Issuance of SBITA	-	-	-	-	-
Premium on issuance of bonds	153,373	799,031	7,185,320	326,247	553,787
Payment to refunded bond escrow agent	(865,000)	(2,845,900)	(39,861,356)	-	-
Transfers in	16,540,403	19,136,245	22,385,436	21,369,040	21,752,295
Transfers out	<u>(11,500,627)</u>	<u>(12,799,385)</u>	<u>(17,503,488)</u>	<u>(17,224,328)</u>	<u>(17,397,392)</u>
Total Other Financing Sources (Uses)	<u>13,248,149</u>	<u>28,234,991</u>	<u>18,195,912</u>	<u>9,630,959</u>	<u>14,553,690</u>
<b>Special Item</b>					
Reduction of Spirit Mountain loan	-	-	-	-	-
Net Change in Fund Balances	<u>\$ 4,450,189</u>	<u>\$ 11,753,486</u>	<u>\$ 8,810,249</u>	<u>\$ 3,092,424</u>	<u>\$ (1,519,947)</u>
Debt Service as a Percentage of					
Noncapital Expenditures	14.1%	12.1%	11.0%	14.7%	12.4%

(continued)

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

	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Revenues</b>					
Taxes					
Property taxes	\$ 32,966,193	\$ 36,862,060	\$ 38,004,503	\$ 41,279,345	\$ 44,183,094
Sales taxes	28,867,348	29,475,871	37,516,898	41,954,810	43,924,005
Other taxes	3,860,525	3,980,234	4,007,612	5,746,140	4,713,063
Licenses and permits	2,101,757	1,951,586	2,151,661	2,379,788	2,243,847
Intergovernmental revenues	55,060,040	66,175,612	64,773,487	90,673,616	77,278,838
Charges for services	8,153,062	7,637,963	11,149,501	9,056,006	10,559,368
Fines and forfeits	698,929	593,625	706,126	326,619	490,779
Special assessments	1,614,328	1,286,902	1,036,205	1,023,492	1,124,890
Investment income	6,366,017	5,013,297	6,154,176	(7,207,018)	6,843,944
Miscellaneous revenues	<u>5,436,730</u>	<u>6,714,594</u>	<u>7,831,580</u>	<u>8,049,777</u>	<u>8,131,153</u>
Total Revenues	<u>145,124,929</u>	<u>159,691,744</u>	<u>173,331,749</u>	<u>193,282,575</u>	<u>199,492,981</u>
<b>Expenditures</b>					
General government	28,605,112	28,872,260	31,068,036	33,981,540	35,327,687
Public safety	43,494,675	45,685,465	46,446,403	49,885,396	49,942,699
Public works	18,109,557	17,009,911	16,914,139	17,817,241	17,565,964
Culture and recreation	13,815,699	8,589,874	14,243,222	13,846,671	15,673,040
Urban and economic development	14,552,236	12,134,491	16,654,371	34,290,562	21,981,042
Debt service					
Principal retirement	11,360,000	10,805,000	11,880,000	10,440,173	11,883,081
Interest and fiscal fees	4,751,307	3,984,777	4,132,918	3,855,178	3,847,936
Bond issuance costs	176,372	158,881	163,847	119,588	198,015
Capital outlay	<u>17,377,830</u>	<u>40,742,363</u>	<u>23,031,006</u>	<u>33,350,537</u>	<u>39,390,330</u>
Total Expenditures	<u>152,242,788</u>	<u>167,983,022</u>	<u>164,533,942</u>	<u>197,586,886</u>	<u>195,809,794</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(7,117,859)</u>	<u>(8,291,278)</u>	<u>8,797,807</u>	<u>(4,304,311)</u>	<u>3,683,187</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of bonds	4,260,000	12,695,000	5,425,000	5,045,000	7,140,000
Proceeds from refundings	9,755,000	-	6,550,000	-	-
Lease issuance	-	-	-	2,507,130	-
Issuance of SBITA	-	-	-	-	2,073,320
Premium on issuance of bonds Payment	2,832,464	856,705	937,362	359,784	242,428
to refunded bond escrow agent	(11,849,546)	-	(6,445,000)	-	-
Transfers in	22,471,395	32,795,673	33,779,140	33,172,754	35,772,919
Transfers out	<u>(17,956,924)</u>	<u>(29,553,214)</u>	<u>(29,364,015)</u>	<u>(31,746,699)</u>	<u>(32,887,189)</u>
Total Other Financing Sources (Uses)	<u>9,512,389</u>	<u>16,794,164</u>	<u>10,882,487</u>	<u>9,337,969</u>	<u>12,341,478</u>
<b>Special Item</b>					
Reduction of Spirit Mountain loan	-	(900,000)	-	-	-
Net Change in Fund Balances	<u>\$ 2,394,530</u>	<u>\$ 7,602,886</u>	<u>\$ 19,680,294</u>	<u>\$ 5,033,658</u>	<u>\$ 16,024,665</u>
Debt Service as a Percentage of					
Noncapital Expenditures	11.8%	11.5%	11.2%	8.6%	10.0%

General Governmental includes Capital Projects Funds.

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

Unaudited

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

Table 5

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated		Estimated	
	Market Value	Tax Capacity	Market Value	Tax Capacity
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612
2016	4,561,213,000	42,373,863	1,202,773,500	22,169,916
2017	4,694,140,900	44,079,263	1,297,252,450	23,998,224
2018	4,662,466,600	45,369,851	1,423,489,056	26,075,238
2019	4,888,714,700	47,913,563	1,504,708,550	27,222,464
2020	5,070,811,100	52,664,544	1,485,780,200	27,761,483
2021	5,475,966,200	54,961,469	1,520,972,200	30,044,372
2022	6,027,217,900	59,092,324	1,816,824,700	32,579,678
2023	7,114,160,600	70,998,731	1,928,668,000	34,588,221

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated		Estimated	
	Market Value	Tax Capacity	Market Value	Tax Capacity
2014	28,448,100	221,073	104,465,800	1,906,608
2015	33,827,800	276,580	105,380,900	1,937,051
2016	33,899,000	271,921	105,806,200	1,961,029
2017	33,802,700	333,068	99,447,550	1,815,452
2018	33,771,200	271,796	104,460,500	1,919,504
2019	33,371,800	272,762	107,862,900	1,932,529
2020	40,593,600	359,767	134,905,700	2,540,800
2021	43,568,700	373,448	139,225,100	2,667,497
2022	58,915,600	510,528	100,459,200	1,709,094
2023	59,575,100	511,654	114,372,900	1,965,678

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated		Total Estimated	Tax
	Market Value	Tax Capacity	Market Value	Rate
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,226,007	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094
2020	6,732,090,600	83,326,594	1.24%	0.42997
2021	7,179,732,200	88,046,786	1.23%	0.41696
2022	8,003,417,400	93,891,624	1.17%	0.43723
2023	9,216,776,600	108,064,284	1.17%	0.40903

Unaudited

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

Table 6 and 7

**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	
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290
2016	0.24322	0.09056	0.33378	0.31825	0.61443	0.06193	1.32839
2017	0.28416	0.09152	0.37568	0.29516	0.65056	0.06049	1.38189
2018	0.30848	0.08853	0.39701	0.28598	0.65286	0.06040	1.39625
2019	0.33397	0.08697	0.42094	0.31427	0.65174	0.06028	1.44723
2020	0.34757	0.08240	0.42997	0.29458	0.67740	0.06218	1.46413
2021	0.33559	0.08137	0.41696	0.27990	0.66280	0.05965	1.41931
2022	0.35910	0.07813	0.43723	0.29514	0.67468	0.05924	1.46629
2023	0.34051	0.06852	0.40903	0.26135	0.60983	0.06019	1.34040

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

Source: St. Louis County website

Unaudited

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

		2023			2014		
		Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
<u>Taxpayer</u>	<u>Type of Business</u>						
Minnesota Power	Electric utility	\$ 151,532,100	1	1.64%	\$ 107,933,300	1	1.93%
Summit Management LLC	Apartments & shopping mall	127,680,300	2	1.39%	27,225,800	4	0.49%
Essentia Health	Healthcare & hospital	107,194,700	3	1.16%	58,050,100	2	1.04%
Wisconsin Central Ltd	Railroad	52,729,400	4	0.57%	26,165,400	5	0.47%
Simon Property Group	Shopping mall	51,914,700	5	0.56%	42,611,400	3	0.76%
PLB Properties	Real estate development	38,663,800	6	0.42%			
Ansa Propco Partnership	Lease administration	32,097,400	7	0.35%			
St. Luke's Hospital	Healthcare & hospital	31,863,000	8	0.35%	15,902,100	8	0.28%
Endi Plaza LLC	Apartments	26,911,000	9	0.29%			
Burlington Northern	Railroad	23,776,600	10	0.26%	13,401,800	9	0.24%
Duluth HRA	Housing development				17,299,200	7	0.31%
NewPage (Stora Enso)	Paper mill				17,817,600	6	0.32%
Riverland Ag Corp	Grain elevators				13,249,100	10	0.24%
		<u>\$ 644,363,000</u>		<u>6.99%</u>	<u>\$ 339,655,800</u>		<u>6.08%</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 2023**

Table 8 and 9

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

Fiscal Year Ended December 31	Net Tax (1) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2014	22,040,149	21,498,351	97.5%	351,096	21,849,447	99.1%
2015	22,686,100	22,310,465	98.3%	311,591	22,622,056	99.7%
2016	24,233,053	23,842,607	98.4%	252,769	24,095,376	99.4%
2017	28,039,466	27,593,516	98.4%	224,759	27,818,275	99.2%
2018	30,649,272	30,083,315	98.2%	280,643	30,363,958	99.1%
2019	33,804,643	33,259,823	98.4%	283,876	33,543,699	99.2%
2020	36,444,668	35,893,735	98.5%	309,907	36,203,642	99.3%
2021	37,454,376	36,981,319	98.7%	5,184	36,986,503	98.8%
2022	40,901,827	40,380,964	98.7%	117,680	40,498,644	99.0%
2023	43,926,309	43,313,089	98.6%	-	43,313,089	98.6%

(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 2023**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 45,926,572	43.49%
Non-Homestead Residential	25,072,159	23.75%
Commercial/Industrial	31,500,833	29.83%
Agricultural	8,483	0.01%
Public Utility	1,336,086	1.27%
Railroad	1,553,256	1.47%
Seasonal/Recreational	189,563	0.18%
Total	<u>\$ 105,586,952</u>	<u>100.00%</u>

Unaudited



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

Table 10

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

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>General Obligation Tax Abatement Bonds</b>	<b>Special Assessment Debt with Government Commitment</b>	<b>General Obligation Certificates</b>	<b>Deferred Amount for Bond Premium</b>	
2014	82,936	6,705	16,814	12,340	1,419	
2015	97,340	6,350	13,080	12,670	1,910	
2016	91,300	13,805	10,765	13,250	8,418	
2017	86,615	13,435	7,320	13,670	7,917	
2018	87,485	12,605	5,165	14,295	7,648	
2019	81,370	11,770	3,125	14,050	9,605	
2020	85,985	10,915	1,620	13,700	9,472	
2021	81,360	9,695	645	14,185	9,358	
2022	77,220	9,215	185	14,125	8,591	
2023	74,510	8,285	-	14,020	7,598	

<b>Governmental Activities</b>					<b>Business-type Activities</b>
<b>Fiscal Year</b>	<b>Revenue and and General Obligation Notes</b>	<b>Leases</b>	<b>SBITA</b>	<b>Purchase Agreement</b>	<b>Revenue and and General Obligation Bonds</b>
2014	2,791	-	-	-	44,343
2015	2,735	110	-	-	42,760
2016	2,704	75	-	-	39,222
2017	2,673	38	-	-	34,927
2018	2,636	-	-	-	35,097
2019	2,621	-	-	-	31,680
2020	2,606	-	-	-	38,985
2021	2,591	-	-	-	36,123
2022	2,571	4,547	-	823	33,098
2023	2,551	4,219	2,306	457	30,296

<b>Business-type Activities</b>						
<b>Fiscal Year</b>	<b>Deferred Amount for Bond Discounts/ Premiums</b>	<b>General Obligation Notes</b>	<b>Purchase Agreement</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Per Capita*</b>
2014	401	24,581	6,704	199,034	7.64%	2,308
2015	496	23,034	5,995	206,480	7.47%	2,398
2016	377	20,519	5,385	205,820	7.60%	2,385
2017	270	18,048	4,752	189,665	6.85%	2,204
2018	223	15,474	4,094	184,722	6.38%	2,151
2019	167	13,204	3,411	171,003	5.66%	1,997
2020	378	11,081	2,702	177,444	6.04%	2,047
2021	329	8,932	1,966	165,184	5.31%	1,912
2022	293	10,200	1,202	162,070	4.98%	1,871
2023	267	8,534	408	153,451	4.50%	1,772

\*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**

Table 11 and 12

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Tax Capacity</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Percent of Net Bonded Debt to Tax Capacity</b>	<b>Net Bonded Debt per per Capita</b>
2014	86,238	62,430,044	103,399,159	18,386,236	85,012,923	136.17%	985.79
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,226,007	121,637,268	21,118,634	100,518,634	143.14%	1,167.93
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21
2020	86,697	83,326,594	120,071,649	20,558,272	99,513,377	119.43%	1,147.83
2021	86,372	88,046,786	114,598,285	20,463,755	94,134,530	106.91%	1,089.87
2022	86,619	93,891,624	109,151,411	21,698,406	87,453,005	93.14%	1,009.63
2023	*86,619	108,064,284	104,413,378	22,638,664	81,774,714	75.67%	944.07

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, 2023**

<b>Governmental Unit</b>	<b>General Obligation Debt</b>	<b>Percent Chargeable to City</b>	<b>Amount Chargeable to City</b>
Independent School District 709	\$ 63,872,602	88.58%	\$ 56,575,311
Independent School District 704	19,990,000	7.88%	1,574,262
St. Louis County	135,695,000	38.99%	52,900,727
Subtotal, Overlapping Debt			111,050,300
City of Duluth Direct Debt			113,946,297
Total Direct and Overlapping Debt			<u>\$ 224,996,597</u>

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

Unaudited

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

Table 13

	<b>Fiscal Year</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Taxable market value	\$ 5,584,098,600	\$ 5,725,483,100	\$ 5,903,691,700	\$ 6,124,643,600	\$ 6,224,187,356
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 111,681,972</u>	<u>\$ 114,509,662</u>	<u>\$ 118,073,834</u>	<u>\$ 122,492,872</u>	<u>\$ 124,483,747</u>
Debt applicable to limit:					
Total bonds payable	\$ 163,138,242	\$ 172,200,045	\$ 168,342,029	\$ 155,967,007	\$ 154,647,475
Less: Deductions allowable	<u>(123,892,674)</u>	<u>(133,220,045)</u>	<u>(129,827,029)</u>	<u>(117,767,007)</u>	<u>(112,342,475)</u>
Total net debt applicable to limit	<u>\$ 39,245,568</u>	<u>\$ 38,980,000</u>	<u>\$ 38,515,000</u>	<u>\$ 38,200,000</u>	<u>\$ 42,305,000</u>
Total net debt applicable to the limit as a percentage of debt limit	35.14%	34.04%	32.62%	31.19%	33.98%

	<b>Fiscal Year</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Taxable market value	\$ 6,534,657,950	\$ 6,732,090,600	\$ 7,179,732,200	\$ 8,003,417,400	\$ 9,216,776,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 130,693,159</u>	<u>\$ 134,641,812</u>	<u>\$ 143,594,644</u>	<u>\$ 160,068,348</u>	<u>\$ 184,335,532</u>
Debt applicable to limit:					
Total bonds payable	\$ 141,994,868	\$ 151,204,640	\$ 142,008,164	\$ 133,843,196	\$ 127,111,091
Less: Deductions allowable	<u>(103,369,868)</u>	<u>(113,429,640)</u>	<u>(104,168,164)</u>	<u>(96,638,196)</u>	<u>(90,471,091)</u>
Total net debt applicable to limit	<u>\$ 38,625,000</u>	<u>\$ 37,775,000</u>	<u>\$ 37,840,000</u>	<u>\$ 37,205,000</u>	<u>\$ 36,640,000</u>
Total net debt applicable to the limit as a percentage of debt limit	29.55%	28.06%	26.35%	23.24%	19.88%

Unaudited

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

Table 14

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b><u>WATER REVENUE BOND</u></b>							
2014	14,555,607	9,529,831	5,025,776	451,251	60,372	511,623	9.82
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
2016	14,494,396	9,008,318	5,486,078	336,473	27,326	363,799	15.08
2017	14,443,317	9,285,999	5,157,318	348,851	17,833	366,684	14.06
2018	14,891,148	9,255,377	5,635,771	99,000	110,307	209,307	26.93
2019	15,190,186	8,928,974	6,261,212	284,000	131,249	415,249	15.08
2020	15,141,893	8,183,754	6,958,139	330,000	121,967	451,967	15.40
2021	15,892,210	7,444,915	8,447,295	340,000	111,824	451,824	18.70
2022	15,894,495	9,380,116	6,514,379	256,000	102,748	358,748	18.16
2023	17,458,319	10,590,969	6,867,350	261,000	94,832	355,832	19.30
<b><u>GAS REVENUE BOND (3)</u></b>							
2014	58,554,131	47,699,256	10,854,875	922,972	136,103	1,059,075	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,286,723	25,294,510	5,992,213	902,931	55,294	958,225	6.25
2017	36,217,772	29,677,465	6,540,307	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<b><u>SEWER REVENUE BOND</u></b>							
2014	19,545,030	14,653,139	4,891,891	1,506,940	257,061	1,764,001	2.77
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,514	1,356,770	4.52
2016	19,535,232	13,608,142	5,927,090	1,357,474	159,416	1,516,890	3.91
2017	19,543,095	13,717,618	5,825,477	1,289,599	127,358	1,416,957	4.11
2018	19,715,390	14,511,632	5,203,758	1,001,000	98,647	1,099,647	4.73
2019	19,650,585	13,971,291	5,679,294	1,035,999	70,975	1,106,974	5.13
2020	19,181,956	14,268,353	4,913,603	705,000	46,695	751,695	6.54
2021	19,823,677	13,411,322	6,412,355	405,000	30,208	435,208	14.73
2022	20,286,184	14,563,621	5,722,563	359,000	17,065	376,065	15.22
2023	21,866,426	15,147,880	6,718,546	194,000	6,880	200,880	33.45
<b><u>STORMWATER REVENUE BOND (4)</u></b>							
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15
2016	5,253,324	3,670,639	1,582,685	228,121	24,001	252,122	6.28
2017	5,293,060	3,141,177	2,151,883	241,549	18,184	259,733	8.28
2018	5,280,978	2,989,079	2,291,899	130,000	13,900	143,900	15.93
2019	5,309,868	3,168,582	2,141,286	135,000	10,575	145,575	14.71
2020	5,416,282	3,209,467	2,206,815	140,000	6,450	146,450	15.07
2021	6,290,118	2,912,316	3,377,802	145,000	2,175	147,175	22.95

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
			Principal	Interest	Total		
<u>STEAM REVENUE BOND</u>							
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
2015	6,728,330	6,230,054	498,276	635,000	151,946	786,946	0.63
2016	7,069,377	6,896,627	172,750	635,000	177,553	812,553	0.21
2017	7,712,154	6,845,368	866,786	650,000	170,316	820,316	1.06
2018	7,883,080	6,761,475	1,121,605	655,000	161,013	816,013	1.37
2019	8,091,177	6,722,623	1,368,554	665,000	149,456	814,456	1.68
2020	7,671,866	6,618,824	1,053,042	670,000	306,819	976,819	1.08
2021	8,164,266	7,272,666	891,600	1,060,000	336,342	1,396,342	0.64
2022	10,821,690	9,857,461	964,229	1,130,000	309,493	1,439,493	0.67
2023	9,075,372	7,812,988	1,262,384	1,160,000	279,593	1,439,593	0.88
<u>PARKING REVENUE BOND</u>							
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,695	1,331,695	1.73
2015	4,513,311	1,794,702	2,718,609	780,000	187,419	967,419	2.81
2016	4,563,427	1,850,051	2,713,376	785,000	178,993	963,993	2.81
2017	4,054,780	1,971,083	2,083,697	795,000	167,118	962,118	2.17
2018	3,743,709	2,208,341	1,535,368	810,000	151,069	961,069	1.60
2019	4,134,908	2,642,090	1,492,818	830,000	134,669	964,669	1.55
2020	2,936,946	2,173,193	763,753	845,000	117,919	962,919	0.79
2021	3,219,498	2,666,019	553,479	860,000	100,331	960,331	0.58
2022	3,957,566	2,581,799	1,375,767	880,000	81,294	961,294	1.43
2023	4,346,277	3,211,813	1,134,464	895,000	60,766	955,766	1.19

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**

Table 15 and 16

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2014	86,238	2,605,207,475	30,210	8,809	4.4%
2015	86,110	2,763,072,824	32,088	8,819	3.3%
2016	86,293	2,709,298,125	31,396	8,632	3.9%
2017	86,066	2,770,709,396	32,193	8,547	3.5%
2018	85,884	2,894,363,625	33,701	8,844	3.2%
2019	85,618	3,020,478,591	35,279	8,706	3.3%
2020	86,697	2,937,425,075	33,882	8,896	6.7%
2021	86,372	3,113,711,612	36,050	8,358	3.3%
2022	86,619	3,254,669,603	37,575	8,487	2.4%
2023	*86,619	3,406,890,556	39,332	8,554	2.5%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

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

\* Estimate

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2023</u>			<u>2014</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 (SMD)	Healthcare / hospital	9,004	1	16.12%	4,930	1	8.26%
St. Luke's Hospital	Healthcare / hospital	3,573	2	6.40%	1,554	4	2.60%
St. Louis County	Government	2,161	3	3.87%	1,956	2	3.28%
Allete	Electric utility	1,810	4	3.24%	1,322	7	2.21%
Duluth Public Schools	Education	1,026	5	1.84%	1,426	5	2.39%
Duluth Air National Guard Base	Military	1,019	6	1.82%	1,068	8	1.79%
Pine Journal	Newspaper	1,000	7	1.79%	-	-	-
University of Minnesota Duluth	Education	985	8	1.76%	1,700	3	2.85%
United Healthcare	Insurance	900	9	1.61%	1,368	6	2.29%
City of Duluth	Government	881	10	1.58%	863	9	1.45%
US Government	Education	-	-	-	850	10	1.42%
		<u>22,359</u>		<u>40.03%</u>	<u>17,037</u>		<u>28.54%</u>

Source: Northland Connection's website.

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

Unaudited

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

Table 17

<b>Function</b>	<b>Full-time Equivalent Employees as of December 31</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
General government	127.65	131.65	132.40	134.00	126.50
Public safety					
Police	178.50	178.50	180.50	183.14	182.14
Fire	142.00	143.00	144.50	144.00	146.50
Public works	85.90	85.05	86.25	86.50	82.95
Culture and recreation					
Parks and recreation	10.00	9.75	11.75	11.95	11.70
Library	49.00	46.50	46.50	46.70	46.70
Urban and economic development	59.53	55.50	54.05	54.05	50.64
Water & Gas	132.60	128.65	129.15	133.75	134.75
Sewer	39.33	36.93	35.80	32.65	34.65
Stormwater	25.52	26.87	27.30	25.35	23.15
Parking	8.00	8.00	9.00	9.00	9.00
Street lighting	5.10	5.10	5.10	5.10	5.10
<b>Total</b>	<b><u>863.13</u></b>	<b><u>855.50</u></b>	<b><u>862.30</u></b>	<b><u>866.19</u></b>	<b><u>853.78</u></b>

<b>Function</b>	<b>Full-time Equivalent Employees as of December 31</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
General government	131.65	134.10	135.10	133.90	136.90
Public safety					
Police	182.14	180.50	183.00	183.50	184.00
Fire	146.50	148.50	148.50	148.50	150.00
Public works	83.95	82.95	82.95	82.85	83.10
Culture and recreation					
Parks and recreation	11.70	13.70	13.70	13.70	14.45
Library	46.70	46.70	47.70	47.50	48.00
Urban and economic development	57.64	56.14	55.14	58.14	60.64
Water & Gas	135.45	133.00	133.00	132.60	130.50
Sewer	33.05	33.75	33.75	33.50	33.60
Stormwater	24.05	24.80	24.80	24.75	26.75
Parking	9.00	9.00	8.00	8.00	8.00
Street lighting	5.10	5.10	5.10	5.10	5.10
<b>Total</b>	<b><u>866.93</u></b>	<b><u>868.24</u></b>	<b><u>870.74</u></b>	<b><u>872.04</u></b>	<b><u>881.04</u></b>

Source: City of Duluth Budget Office

Unaudited

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

Table 18

Function	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Police</b>					
Criminal offences	9,472	10,262	10,447	10,561	10,437
Cleared by arrest	4,070	4,081	4,062	3,802	3,267
Traffic violations	9,307	8,525	6,819	5,196	5,421
Parking violations	56,387	51,670	56,687	34,437	31,934
<b>Fire</b>					
Number of calls answered	11,114	12,231	12,799	13,239	13,255
Number of inspections conducted	1,200	1,200	4,871	7,490	7,367
<b>Public works</b>					
<b>Construction permits</b>					
Permits issued	8,042	6,721	6,838	6,548	7,599
Estimated cost of construction during year	\$ 227,952,743	\$ 211,421,792	\$ 151,343,988	\$ 121,738,089	\$ 165,364,070
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	30,749	23,122	49,125	67,300	62,925
Attendance for parks permitted event permits	-	-	-	-	-
Participation in recreation	28,304	22,586	31,555	25,210	27,197
Zoo regular customers	65,270	64,071	76,316	81,538	78,439
<b>Library</b>					
Registered borrowers	48,147	47,086	45,424	42,674	51,636
Items in collection	456,753	444,790	435,385	424,304	419,907
Items loaned	923,063	927,389	848,293	871,704	847,237
Library visits	492,106	474,982	461,403	475,363	426,082
Internet uses	118,825	109,965	92,656	90,489	81,685
Reference/research questions answered	89,232	77,896	59,321	71,253	59,579
<b>Water</b>					
Meters in service	28,131	28,134	28,134	28,243	28,345
Average number of gallons treated per month	433,676,667	431,616,667	415,642,500	408,434,167	388,512,500
Water pumped - million cubic feet	696	692	667	655	623
Water sold - million cubic feet	591	590	566	568	562
Daily average consumption in gallons	14,257,863	14,190,136	11,590,274	11,648,560	12,773,013
<b>Gas</b>					
Meters in service	26,585	26,896	28,540	28,712	28,957
MMBTU sold	5,679,683	4,885,371	4,770,804	5,218,978	5,063,708
<b>Sewer</b>					
Number of service connections	27,956	27,963	27,985	27,993	28,030
Daily average treatment in gallons	14,257,000	13,000,530	13,729,690	14,355,390	12,093,510
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	2,700	3,330	20,017	107,965	125,776
<b>Steam</b>					
Steam sold (in 1,000 lbs)	300,669	332,830	313,408	305,465	345,262
Hot water sold (MMBtu)	-	-	-	-	-
<b>Golf</b>					
Season passes	644	795	731	436	462
Skyline passes	-	1,620	2,146	1,818	1,354
Daily tickets	28,860	46,700	38,894	34,358	39,661
Carts	15,056	42,606	39,846	28,555	25,048
Rounds played	60,172	81,082	75,544	67,657	60,988

(continued)



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

Function	Fiscal Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Police</b>					
Criminal offences	10,890	7,695	8,169	6,682	6,756
Cleared by arrest	3,518	2,580	1,562	1,950	2,786
Traffic violations	4,568	10,223	7,344	3,689	2,492
Parking violations	42,684	31,556	33,028	33,928	34,311
<b>Fire</b>					
Number of calls answered	13,698	13,815	14,803	15,234	15,501
Number of inspections conducted	8,382	4,607	8,606	9,078	8,814
<b>Public works</b>					
<b>Construction permits</b>					
Permits issued	8,298	7,479	7,560	7,814	7,863
Estimated cost of construction during year	\$ 252,369,122	\$ 399,964,575	\$ 587,364,438	\$ 323,270,859	\$ 379,642,164
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	68,725	3,592	62,010	58,008	57,084
Attendance for parks permitted event permits	-	5,818	23,756	39,678	66,675
Participation in recreation	44,373	10,431	19,216	25,242	32,542
Zoo regular customers	79,128	32,533	75,366	95,627	100,815
<b>Library</b>					
Registered borrowers	52,178	39,906	40,228	39,967	51,109
Items in collection	346,516	332,450	407,845	291,174	286,068
Items loaned	868,740	373,521	549,697	402,342	762,086
Library visits	437,668	91,193	140,997	260,099	301,229
Internet uses	70,338	15,503	14,512	28,494	28,982
Reference/research questions answered	65,702	25,675	17,108	29,042	40,560
<b>Water</b>					
Meters in service	28,422	28,598	28,727	28,786	28,844
Average number of gallons treated per month	374,256,680	334,648,416	300,481,666	295,900,000	338,567,000
Water pumped - million cubic feet	600	537	482	474	571
Water sold - million cubic feet	528	464	347	389	311
Daily average consumption in gallons	12,307,089	11,002,308	9,878,849	9,726,027	11,130,970
<b>Gas</b>					
Meters in service	29,234	29,484	29,992	30,083	30,213
MMBTU sold	5,984,783	5,737,419	5,678,028	6,168,117	6,322,841
<b>Sewer</b>					
Number of service connections	28,075	27,766	28,666	28,775	27,863
Daily average treatment in gallons	14,111,340	11,002,140	10,945,300	13,380,900	11,709,315
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	82,597	2,841	13,730	16,162	11,448
<b>Steam</b>					
Steam sold (in 1,000 lbs)	350,306	293,441	284,998	335,347	356,957
Hot water sold (MMBtu)	-	-	95,165	128,444	117,226
<b>Golf</b>					
Season passes	307	183	213	215	215
Skyline passes	1,045	726	665	1,110	1,082
Daily tickets	33,223	15,924	16,508	15,279	16,906
Carts	21,079	16,649	19,609	14,470	14,781
Rounds played	51,402	39,337	41,440	32,400	31,316

Sources: Various government departments

Unaudited

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

Table 19

Function	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Police</b>					
Patrol units	93	93	97	102	123
<b>Fire</b>					
Fire stations	8	8	8	8	8
<b>Public works</b>					
<b>Miles of streets and alleys</b>					
Miles of streets - paved	472.51	473.80	475.77	475.74	475.77
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	410.98	410.98	411.08	352.00	352.13
<b>Number of street lights</b>					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,940	3,930	3,809
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	128	128	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	429.50	430.40	428.30	428.40	429.40
Number of hydrants	2,677	2,688	2,699	2,708	2,717
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	534.70	534.10	538.20	544.40	548.10
<b>Sewer</b>					
Miles of sanitary sewers	402.00	395.30	397.60	398.80	398.10
<b>Stormwater</b>					
Miles of storm sewers	435.00	398.00	405.00	412.00	413.00
<b>Steam</b>					
Miles of steam pipeline	11.00	11.00	11.00	11.00	11.00
Miles of hot water pipeline	-	-	-	-	-
<b>Golf</b>					
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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Police</b>					
Patrol units	120	120	120	104	106
<b>Fire</b>					
Fire stations	8	8	8	8	8
<b>Public works</b>					
<b>Miles of streets and alleys</b>					
Miles of streets - paved	475.77	476.13	476.31	476.27	477.39
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	352.13	352.96	353.83	354.04	355.36
<b>Number of street lights</b>					
Ornamental lamps (no. of bulbs)	3,809	3,350	3,350	3,350	3,350
Overhead street lamps	3,665	3,700	3,700	3,700	3,700
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	129	129	129	162	162
Park acreage	12,000	12,000	12,000	9,715	9,715
Number of ski hills	2	2	2	2	2
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	432.50	430.00	433.50	432.80	433.30
Number of hydrants	2,738	2,747	2,766	2,793	2,806
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	551.10	554.60	558.80	562.90	565.20
<b>Sewer</b>					
Miles of sanitary sewers	398.10	398.00	399.00	400.00	400.00
<b>Stormwater</b>					
Miles of storm sewers	413.00	415.00	418.00	415.00	415.00
<b>Steam</b>					
Miles of line	11.00	11.00	8.50	8.50	8.50
Miles of hot water pipeline	-	-	5.50	5.50	6.00
<b>Golf</b>					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

Table 20

	<b>Fiscal Year</b>				
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>COMPONENT UNITS</b>					
<b>Duluth Entertainment and Convention Center Authority (DECC)</b>					
Number of events	516	519	506	510	494
Number of conventions	45	52	47	45	46
<b>Duluth Airport Authority</b>					
Number of passengers	310,893	266,500	251,459	244,839	275,969
<b>Duluth Transit Authority</b>					
Number of buses	67	66	67	67	75
Number of routes	19	19	20	23	23
Number of passengers	3,107,305	2,850,000	2,804,000	2,786,000	2,760,000
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority</b>					
Skier visits	140,017	95,401	89,483	78,739	46,963
Season passes	6,728	5,697	4,275	3,386	4,970

	<b>Fiscal Year</b>				
	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<b>COMPONENT UNITS</b>					
<b>Duluth Entertainment and Convention Center Authority (DECC)</b>					
Number of events	515	97	190	363	420
Number of conventions	47	9	21	49	51
<b>Duluth Airport Authority</b>					
Number of passengers	313,980	129,508	218,629	241,678	250,396
<b>Duluth Transit Authority</b>					
Number of buses	75	77	72	77	84
Number of routes	23	23	23	23	15
Number of passengers	2,645,306	1,763,494	1,461,213	1,874,795	2,134,240
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority</b>					
Skier visits	94,770	104,173	89,809	104,115	105,742
Season passes	6,679	6,756	6,895	8,218	7,248

Unaudited



**FORM OF LEGAL OPINION**

(See following pages)

# FRYBERGER

— LAW FIRM —

§ \_\_\_\_\_  
**GENERAL OBLIGATION BONDS, SERIES 2024B**  
**CITY OF DULUTH, MINNESOTA**

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Duluth, Minnesota (the “Issuer”), of \$ \_\_\_\_\_ General Obligation Bonds, Series 2024B, dated as of the date hereof as the date of original issue (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Sections 410.32, 412.301, 469.1812 through 469.1815 and Section 475.521, and Chapters 469 and 475 and the Home Rule Charter of the Issuer.

For purposes of this opinion, we have examined the law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer in the authorization, sale and issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon such examination, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified copies or photocopies and the authenticity of the originals, and assuming the genuineness of the signatures thereon and the accuracy of the facts and representations stated therein, and on the basis of laws, regulations, rulings and decisions in effect on the date hereof, but excluding any legislation which may have a retroactive effective date prior to the date hereof, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.
3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise

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FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

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CLOQUET  
813 Cloquet Ave.  
Cloquet, MN 55720  
p: (218) 879-3363

DULUTH  
302 West Superior St.  
Ste 700  
Duluth, MN 55802  
p: (218) 722-0861

SUPERIOR  
1409 Hammond Ave., Suite 330  
Superior, WI 54880  
p: (715)392-7405

ST. PAUL  
c/o 302 West Superior St.  
Ste 700  
Duluth, MN 55802  
p: (651)221-1044

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tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds, other than as set forth in paragraph 3 above.

For the purpose of rendering the opinion set forth in paragraph 3 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes or in taxable net income for state tax purposes to be retroactive to the date of issuance of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Dated: October 30, 2024

Respectfully submitted,



## BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the CITY OF DULUTH, MINNESOTA (the “Issuer”) in connection with the issuance of the \$ \_\_\_\_\_ General Obligation Bonds, Series 2024B, dated October 30, 2024 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated October 15, 2024, and the award of the sale of the Obligations by the Finance Director of the Issuer, as evidenced by the Certificate as to Terms of Bond Sale dated October 22, 2024 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Code” means the Internal Revenue Code of 1986, as amended.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Preliminary Official Statement, dated \_\_\_\_\_, 2024 and Final Official Statement dated \_\_\_\_\_, 2024, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

### Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2024, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to

the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

- (a) Current Property Valuations
- (b) Direct Debt
- (c) Tax Levy & Collections
- (d) Population Trend
- (e) Employment/Unemployment Data

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, if any, or their failure to perform;
- (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (6) tender offers;
- (7) defeasances;
- (8) rating changes;
- (9) bankruptcy, insolvency, receivership or similar event of the Issuer;

or;

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including



the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12.    Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13.    Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of October 30, 2024.

CITY OF DULUTH, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Clerk

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## TERMS OF PROPOSAL

### **\$7,790,000\* GENERAL OBLIGATION BONDS, SERIES 2024B CITY OF DULUTH, MINNESOTA**

Proposals for the purchase of \$7,790,000\* General Obligation Bonds, Series 2024B (the "Bonds") of the City of Duluth, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on October 22, 2024, at which time they will be opened, read and tabulated. Consideration of the bids for award of the Bonds shall be the City Administrator and Finance Director, or either of them, by 4:00 P.M., Central Time, on the same day.

### **AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301, 469.1812 through 469.1815, and 475.521 and Chapters 469 and 475, as amended, and the Home Rule Charter of the City, by the City, for the purposes of financing the capital improvement projects pursuant to the City's Capital Improvement Plan, the purchase of capital equipment and improvements to Enger Park Golf Course. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

### **DATES AND MATURITIES**

The Bonds will be dated October 30, 2024, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$930,000	2031	\$335,000	2036	\$150,000
2027	1,020,000	2032	350,000	2037	155,000
2028	1,050,000	2033	355,000	2038	160,000
2029	1,080,000	2034	370,000	2039	165,000
2030	1,115,000	2035	380,000	2040	175,000

### **ADJUSTMENT OPTION**

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

### **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## DELIVERY

On or about October 30, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL MATTERS

Legal matters incident to the issuance and sale of the Bonds and with regard to the tax-exempt status of interest on the Bonds under existing laws are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the City. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in the Official Statement and will express no opinions with respect to such information. Additionally, except for statements on the cover page of the Official Statement and under the caption "TAX MATTERS" relating to Bond Counsel's opinion that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel has not independently verified any of the factual information contained in the Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of the Official Statement. No person is entitled to rely upon their limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained in the Official Statement. See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,696,520 plus accrued interest on the principal sum of \$7,790,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a submission.

**A good faith deposit ("Deposit") in the amount of \$155,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

### **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

### **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

### **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds shall not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

### **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate, the form of which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date of the Bonds (the "Closing Date") has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

#### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Duluth, Minnesota



# PROPOSAL FORM

The City Council  
City of Duluth, Minnesota (the "City")

October 22, 2024

RE: \$7,790,000\* General Obligation Bonds, Series 2024B (the "Bonds")  
DATED: October 30, 2024

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$7,696,520) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2026	_____ % due 2031	_____ % due 2036
_____ % due 2027	_____ % due 2032	_____ % due 2037
_____ % due 2028	_____ % due 2033	_____ % due 2038
_____ % due 2029	_____ % due 2034	_____ % due 2039
_____ % due 2030	_____ % due 2035	_____ % due 2040

The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$155,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about October 30, 2024.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

If the competitive sale requirements are not met, we elect to use either the: \_\_\_\_ 10% test, or the \_\_\_\_ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 30, 2024 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of City Council of the City of Duluth, Minnesota, on October 22, 2024.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_