



2021

Annual Comprehensive Financial Report

CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2021



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2021

**CITY OF DULUTH, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
DECEMBER 31, 2021**

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INTRODUCTORY SECTION



Finance Department

Room 120
411 West First Street
Duluth, Minnesota 55802

 218-730-5350

June 24, 2022

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, 2021.

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, 2021. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

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

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

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

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

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering, and aviation. According to the Minnesota Department of Economic Development and Employment (DEED), Duluth's unemployment rate averaged 3.46% in 2021, and was as low as 2.2% at year-end, recovering from 2020's Covid pandemic affected high unemployment average of 6.3%, and is again now comparable to the pre-Covid unemployment rate of 3.2%. The total number of jobs in Duluth reported to the state in 2021 averaged 54,498, and peaked at 55,784 during the fourth quarter, and has recovered from the 2020 second quarter low of 49,951, during the onset of the COVID-19 pandemic.

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 SF50 Vision Jet was awarded the prestigious 2017 Robert J. Collier Trophy for "the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety in air or space vehicles..." and is on display at the Smithsonian's Air and Space Museum in Washington DC.

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

While the COVID-19 pandemic caused a downturn in Duluth's key industry of tourism in 2020, in 2021 tourism recovered and was comparable to pre-Covid revenues. Approximately 6.7 million visitors come to Duluth annually and inject more than \$950 million each year directly into the immediate area. Duluth has become a top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. 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- the 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; Spirit Mountain Ski and Recreation Area—a year-round recreation area with the Midwest's longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. The City has 129 municipal parks encompassing over 3,264 acres, a public golf course, zoo, and over 150 miles of trails for hikers, bicyclists, and cross-country skiers. Duluth's 104-mile Traverse Mountain Biking Trail system is close to completion, and is rated as one of only six "Gold Level" Ride Centers in the world by the International Mountain Bicycling Association (IMBA). Duluth hosts world-class special events such as Grandma's Marathon, the 16th largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. 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. Starting in May 2022, international cruise line company Viking Expeditions will be operating their Thunder Bay, Canada to Milwaukee, Wisconsin "Undiscovered Great Lakes" 8-day Great Lakes cruise, which will visit Duluth, dock in the harbor, and offer daytime expedition trips to Duluth's various attractions and outdoor experiences. 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 steps away from charming Canal Park and Downtown Duluth, offering shops, restaurants and hotels, and you can enjoy panoramic views of the Aerial Lift Bridge and Duluth Harbor from your event space. 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, which is in its 11th year of operations. In addition, the DECC is the proud home of the Duluth Curling Club, the 2018 Olympic gold medal team; and, also has the Duluth 10 Movie Theater complex. Bayfront Festival Park is under the management of the DECC for its 10th year, and hosts concerts and events, including Bentleyville, Duluth Fourth Fest, Blues Fest, Pride Festival, Tributefest, and All Pints North Brewfest. The DECC's history of, and commitment to, sustainability means that all the events they host bring both economic and environmental benefits to the City.

According to DEED, 41% of Duluth's adults 18 and over hold a college degree. 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 9,884 students in 2021. Undergraduate students can choose from 16 bachelor's degrees in 89 majors, and 77 minors as well as seven certificates. UMD also offers graduate programs in 25 fields, 13 minors, and three certificates. The University of Minnesota Medical School and the University of Minnesota College of Pharmacy, both have programs on the UMD campus. In addition to offering the EdD, UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs.
- The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider" and in 2014 was named by Money Magazine to the top third of all four-year colleges in the country, based on graduation rates, educational quality, affordability, and alumni earnings. Forbes Magazine named CSS in its "Top Colleges" list for 2017 based on outcomes, measured by student satisfaction, post-graduate success and academic success. CSS has 6 academic schools, and offers degrees in more than 75 undergraduate majors, minors and pre-professionals: 15 masters, and four doctoral programs, with a total 2021 enrollment of 3,512 students.

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

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (22.9% of total General Fund expenditures and transfers) exceeds the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned fund balance should fall within the following range of General Fund expenditures and transfers: 16% as a minimum, 17% as a moderate scenario, with 18% regarded as optimum ^[1].

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, 2021, the Community Investment Fund reported a fund balance of \$32.6 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$30.5 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$99.9 million on December 31, 2021. 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, 2021, retiree health care premium costs of \$747,299 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. Fiscal year 2020 was the first full year of collections for the City in regard to this new tax. It is estimated that the additional tax will garner an additional \$7 million annually to be designated 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 America Rescue Plan. The City received the first half of this payment in May of 2021 and the remaining funds will be received in 2022. The funds will be used to support improvement in outdoor spaces, leverage an increase

^[1] Policy was updated to reflect the Government Finance Officers Association's best practice and current practice.

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, 2020. This was the forty-fifth 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 2021. 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.

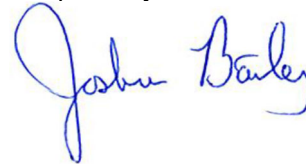
When looking at a report such as this ACFR, it is sometimes difficult to comprehend how much time and effort is devoted by employees from the beginning of the audit to the final printing and distribution of the ACFR. As the requirements and demands of financial reporting in government increase, so too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

Respectfully submitted,



Jennifer Carlson, CPA
Finance Director

Respectfully submitted,



Joshua Bailey,
City Auditor

ELECTED AND APPOINTED OFFICIALS CITY OF DULUTH, MINNESOTA

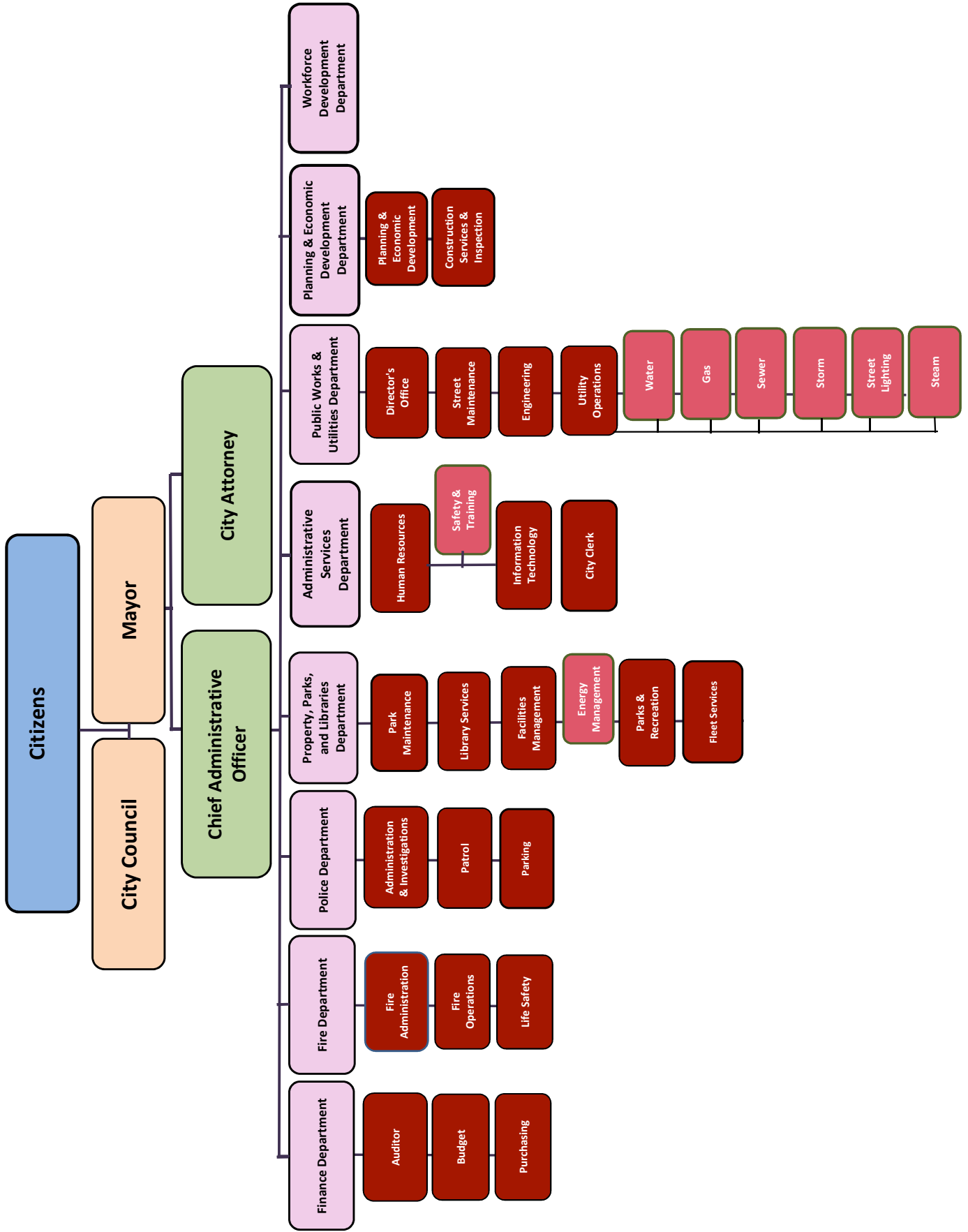
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Emily Larson		2024
City Council		
Azrin Awal	At large	2026
Arik Forsman	At large	2024
Noah Hobbs	At large	2024
Terese Tomanek	At large	2024
Gary Anderson	1	2024
Mike Mayou	2	2026
Roz Randorf	3	2024
Renee Van Nett	4	2026
Janet Kennedy	5	2024

*All terms expire in January

APPOINTED POSITION

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

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Duluth
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2021, 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, 2021.

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, 2021, including the Spirit Mountain Recreation Area Authority component unit as of April 30, 2021, 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 2021, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Implementation Guide 2019-1, *Implementation Guidance Update – 2019*, 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 General Employees Plan and Police and Fire Plan Schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Combining and Individual and 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.

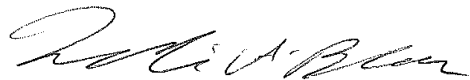
Other Information

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 reports dated June 24, 2022 on our consideration of the City of Duluth’s and the Duluth Economic Development Authority component unit’s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is 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 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



DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

June 24, 2022

Management's Discussion and Analysis

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**
(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, 2021, 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, 2021, by \$522.5 million; this amount is identified as net position.
- As of December 31, 2021, the City's governmental funds reported combined ending fund balances of \$111.4 million.
- Restricted fund balances were \$48.7 million of fund balance or 43.7%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$62.7 million, or 56.3%, 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, 2021, the trust reported net position totaling \$99.9 million.
- As of December 31, 2021, the General Fund's unrestricted, unassigned fund balance was \$21.3 million, or 22.9% 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, deferred inflows of resources, and liabilities, with the net difference between the four reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The Statement of Activities shows how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected taxes and vacation days that are earned, but not used.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 fleet services, self-insurance, employee medical benefits, and compensated absences. Because these services predominantly benefit governmental functions rather than business-type functions, they have been included with the governmental activities portion of the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are included in the combining and individual fund section of this report.

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

An additional portion of the City's net position (12.0%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

CITY OF DULUTH, MINNESOTA
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DECEMBER 31, 2021
(unaudited)

	Governmental Activities		Business-type Activities		Total	
	2020		2020		2020	
	2021	(Restated)	2021	2020	2021	(Restated)
Current and other assets	\$ 192,847	\$ 147,754	\$ 63,408	\$ 59,403	\$ 256,255	\$ 207,157
Capital assets	323,677	320,923	325,476	319,753	649,153	640,676
Total assets	<u>\$ 516,524</u>	<u>\$ 468,677</u>	<u>\$ 388,884</u>	<u>\$ 379,156</u>	<u>\$ 905,408</u>	<u>\$ 847,833</u>
Deferred outflows of resources	\$ 43,343	\$ 20,999	\$ 7,740	\$ 1,437	\$ 51,083	\$ 22,436
Long-term liabilities outstanding	\$ 222,671	\$ 266,579	\$ 56,181	\$ 65,690	\$ 278,852	\$ 332,269
Other liabilities	47,715	19,014	11,554	11,283	59,269	30,297
Total liabilities	<u>\$ 270,386</u>	<u>\$ 285,593</u>	<u>\$ 67,735</u>	<u>\$ 76,973</u>	<u>\$ 338,121</u>	<u>\$ 362,566</u>
Deferred inflows of resources	\$ 80,016	\$ 42,181	\$ 15,891	\$ 5,949	\$ 95,907	\$ 48,130
Net position:						
Net investment in capital assets	\$ 274,610	\$ 269,467	\$ 278,507	\$ 272,755	\$ 553,117	\$ 542,222
Restricted	59,986	57,117	2,560	2,462	62,546	59,579
Unrestricted	(125,131)	(164,682)	31,931	22,454	(93,200)	(142,228)
Total net position	<u>\$ 209,465</u>	<u>\$ 161,902</u>	<u>\$ 312,998</u>	<u>\$ 297,671</u>	<u>\$ 522,463</u>	<u>\$ 459,573</u>

Overall, the City's net position improved in 2021. The City's total net position increased \$62.9 million, an increase of 13.7%. Net position invested in capital assets increased largely due to the City's utility infrastructure replacement along with the Superior Street reconstruction project and major reconstruction of the City's Lakewalk due to storm damage that occurred in prior years. In addition, strong investment returns contributed to a significant reduction in the City's OPEB liability calculation and growth of the City's Community Investment Trust Fund portfolio. The City's net pension liability decreased significantly in 2021 due to strong investment returns.

In governmental activities the increase in assets was due to strong investment returns and continued investment in capital assets. Capital additions, especially as they relate to the Lakewalk reconstruction, 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 2021, the City received its first share of federal funding associated with the US Treasury's Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The City received approximately \$29 million associated with this program to assist the City in dealing with negative impacts associated with the recent pandemic. In governmental activities, the decrease in total liabilities of \$15.4 million was largely due to a net OPEB liability and net pension liability decrease which was partially offset by an increase in unearned revenue, due to funds being received up-front, associated with the SLFRF program. Both the City's OPEB liability and pension liability are based on actuarial calculations. Changes in actuarial assumptions, differences between actual and projected investment earnings, and other factors are reported as deferred outflows and deferred inflows, and are amortized and expensed over several years in accordance with the Governmental Accounting Standards Board (GASB). Due to the large dollar amount that can be associated with these actuarially determined calculations, it is expected that substantial changes can occur from year to year in amounts reported as deferred inflows and outflows. See Notes 14 and 15 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 \$9.7 million is largely due to capital related spending. Improvements to utility infrastructure have been partially funded by grant funds for Steam Utility improvements and other utility improvements associated with the I-35 corridor project. Long-term liabilities decreased due to the pay down of utility related bonds and notes and a reduction in net pension liability.

CITY OF DULUTH, MINNESOTA
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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):

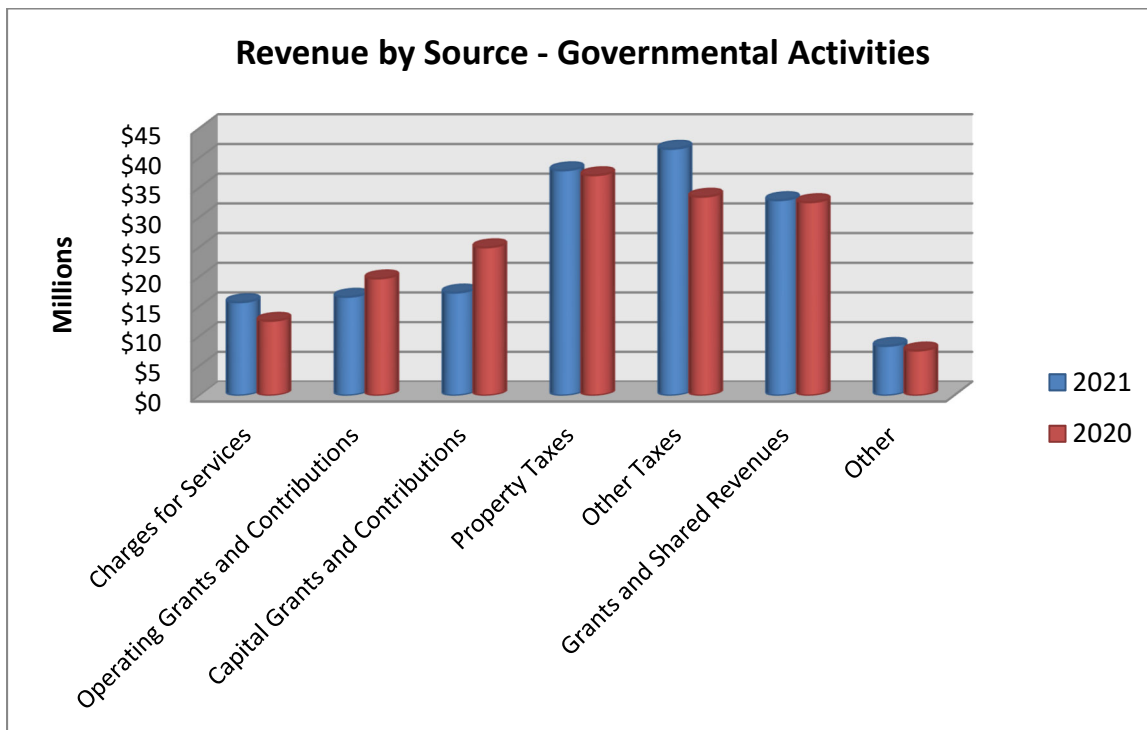
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 15,691	\$ 12,554	\$ 96,422	\$ 88,209	\$ 112,113	\$ 100,763
Operating grants and contributions	16,606	19,699	-	-	16,606	19,699
Capital grants and contributions	17,318	24,939	1,770	16,949	19,088	41,888
General revenues:						
Property taxes	37,906	37,076	-	-	37,906	37,076
Other taxes	41,525	33,456	-	-	41,525	33,456
Grants and shared revenues not restricted to specific programs	32,879	32,536	-	-	32,879	32,536
Other	8,338	7,558	(215)	276	8,123	7,834
Total revenues	<u>170,263</u>	<u>167,818</u>	<u>97,977</u>	<u>105,434</u>	<u>268,240</u>	<u>273,252</u>
Expenses:						
General government	31,459	31,746	-	-	31,459	31,746
Public safety	35,650	42,105	-	-	35,650	42,105
Public works	24,858	26,886	-	-	24,858	26,886
Culture and recreation	16,504	10,419	-	-	16,504	10,419
Urban and economic development	15,130	11,375	-	-	15,130	11,375
Interest	3,612	3,398	-	-	3,612	3,398
Water	-	-	9,055	9,702	9,055	9,702
Gas	-	-	35,255	29,784	35,255	29,784
Sewer	-	-	15,500	16,220	15,500	16,220
Stormwater	-	-	3,259	3,523	3,259	3,523
Steam	-	-	9,168	8,296	9,168	8,296
Golf	-	-	1,276	1,271	1,276	1,271
Parking	-	-	3,402	2,924	3,402	2,924
Priley drive parking facility	-	-	1,222	1,231	1,222	1,231
Total expenses	<u>127,213</u>	<u>125,929</u>	<u>78,137</u>	<u>72,951</u>	<u>205,350</u>	<u>198,880</u>
Increase (decrease) in net position before transfers and special item	43,050	41,889	19,840	32,483	62,890	74,372
Special item: Spirit Mountain loan reduction	-	(900)	-	-	-	(900)
Transfers	4,513	3,242	(4,513)	(3,242)	-	-
Increase in net position	<u>47,563</u>	<u>44,231</u>	<u>15,327</u>	<u>29,241</u>	<u>62,890</u>	<u>73,472</u>
Net position, January 1	172,531	128,300	297,671	268,430	470,202	396,730
Restatement	<u>(10,629)</u>	-	-	-	<u>(10,629)</u>	-
Net position, January 1, restated	<u>161,902</u>	<u>128,300</u>	<u>297,671</u>	<u>268,430</u>	<u>459,573</u>	<u>396,730</u>
Net position, December 31	<u>\$ 209,465</u>	<u>\$ 172,531</u>	<u>\$ 312,998</u>	<u>\$ 297,671</u>	<u>\$ 522,463</u>	<u>\$ 470,202</u>

**CITY OF DULUTH, MINNESOTA
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 (unaudited)

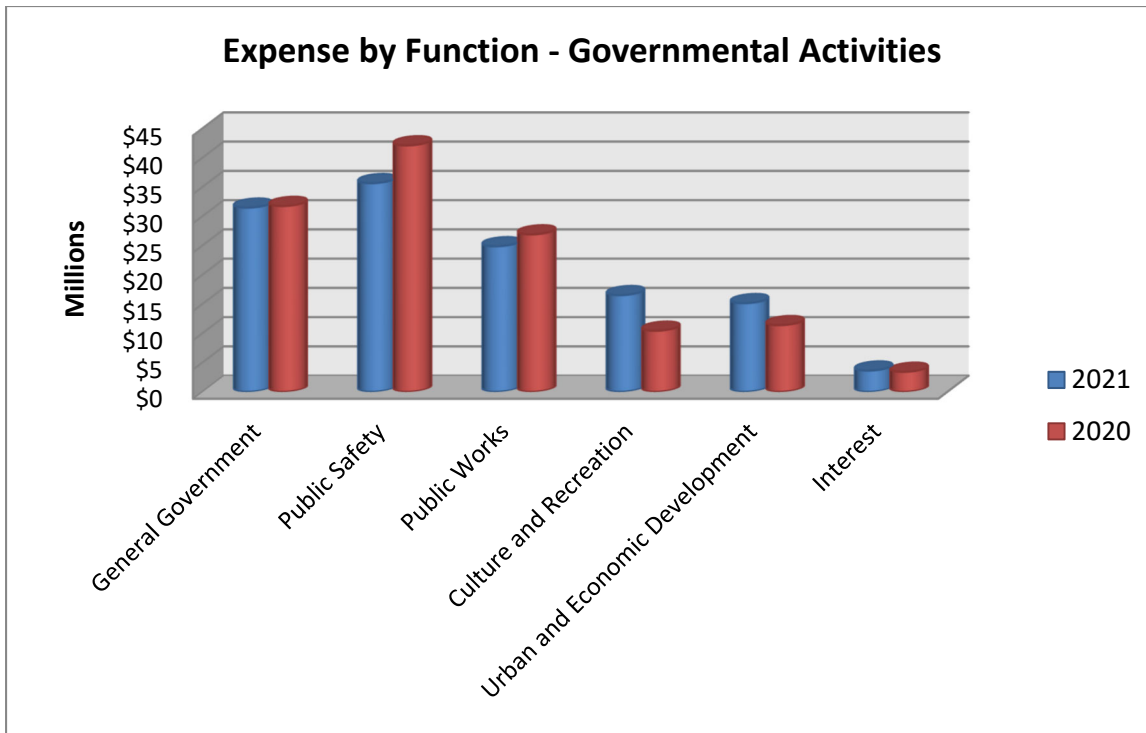
Governmental activities revenue increased by \$2.4 million in 2021. This increase is due to increased sales tax offset by a decrease in capital and operating grant related funding. Tourism tax related collections were severely impacted by the pandemic in 2020 and bounced back in 2021. The City's property tax levy increased 2.98% from 2020 to 2021. This increase provided additional streetlight funding and helped cover increased debt service costs. The strong stock market performance in 2021 resulted in \$6.6 million in investment revenue for the Community Investment Trust fund. Business-type activities revenue decreased \$7.4 million. The decrease in revenue is associated with lower capital funded expenditures in 2021 partially offset by increased utility and parking related revenue. Decreased utility revenue, which can be largely attributed to lower capital grants and contributions revenue, was largely offset by an increase in charges for services revenue. Variable water rates and variable sewer rates both increased. There were no changes to natural gas rates. The majority of the increase in utility charges for service revenue was in the Gas fund and was mainly due to an increase in gas prices in 2021.

Total expenses increased \$1.3 million for governmental activities. Changes in expenditures are becoming more difficult to easily analyze at the surface level due to the impact of GASB Statements No. 68 (pension liability) and 75 (OBEB liability). These liabilities, and associated deferred inflows and outflows, are actuarially determined. Changes in actuarial assumptions, investment performance, and other factors are not expensed immediately, but instead are reported as deferred inflows and outflows and expensed over future years. Further detail on these two items can be found in Notes 14 and 15 of the financial statements. In 2021, the City had increased expenditures in culture and recreation and urban and economic development. The expenditure increase in culture and recreation can be explained by increased parks and zoo expenditures in 2021 as pandemic related issues began to diminish. The increase in urban and economic development spending is associated with additional grant related spending.

Business-type activities expenses increased \$5.2 million. The majority of the increase was in the Gas fund. The increased expenses in the Gas fund was due to the increased cost of natural gas.



**CITY OF DULUTH, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2021
 (unaudited)**



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, 2021, the City’s governmental funds reported combined ending fund balances of \$111.4 million, an increase of \$19.7 million from 2020. Of the total fund balance amount, \$62.7 million, or 56.3%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$38.9 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Trust Special Revenue fund makes up 83.8% of the committed fund balance. Restricted fund balance of \$48.7 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, 2021, fund balance of the General Fund was \$25.6 million, with \$21.3 million, or 83.0% 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 22.9% and total fund balance is 27.6% of total General Fund expenditures. The General Fund’s fund balance increased \$4.5 million in 2021. Strong sales tax and building inspection fees were large driving forces behind the fund balance increase.

The Community Investment Trust Special Revenue fund balance increased \$2.0 million in 2021. This increase was due to the performance of the portfolio holdings in a strong year for the stock market offset by a \$4.0 million withdrawal to fund the City’s Housing Trust Fund.

The Local Fiscal Recovery Special Revenue fund was established in 2021. The City received over \$29 million in 2021 related to the US Treasury’s Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program.

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(unaudited)

The City will receive another \$29 million in 2022 and the City will spend the funds on a variety of projects in the upcoming years.

The General Obligation Debt Service Fund's fund balance increased by \$0.6 million. Property tax collections continue to be strong and enable the City to make scheduled debt payments.

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	
	2021	2020	2021	2020
	Priley Drive Parking Facility	\$ 466	\$ 402	\$ (285)
Water	9,527	4,666	6,561	4,979
Gas	5,819	5,329	2,870	4,760
Sewer	6,764	4,226	5,075	7,379
Steam	(553)	(460)	(1,180)	9,491

Change in net position for the Water, Gas, and Sewer funds remained relatively stable from 2020 to 2021. The Steam fund incurred additional capital outlay associated with the Superior Street reconstruction process. These expenditures contributed to the decrease in the Steam fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$2.0 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$0.2 million appropriation increase for prior year carryovers;
- \$0.3 million appropriation for grants, gifts and donations; and
- \$1.5 million appropriation for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$4.0 million. This favorable variance can be attributed to higher than anticipated sales tax revenue and building inspection fees.
- Expenditures and transfers were under budget by \$0.4 million due primarily to savings in personnel costs.

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CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, was \$649.2 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2021, the City's total investment in capital assets, net of accumulated depreciation, increased by \$8.5 million. Major capital assets additions in 2021 included: Superior Street reconstruction of \$3.0 million, Lakewalk reconstruction of \$2.0 million, and utility related infrastructure improvements of \$10.3 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Capital Assets:				
Land and improvements	\$ 22,859	\$ 22,859	\$ 4,649	\$ 4,649
Buildings	38,918	40,484	44,587	46,236
Equipment	9,756	11,334	35,521	34,406
Infrastructure	227,781	193,073	219,913	208,593
Construction in progress	24,363	53,173	20,806	25,869
Total	<u>\$ 323,677</u>	<u>\$ 320,923</u>	<u>\$ 325,476</u>	<u>\$ 319,753</u>

LONG-TERM DEBT

The City had \$142.0 million of bonded debt outstanding as of December 31, 2021. Of this amount, \$105.2 million of debt is backed by the full faith and credit of the City. The City had \$0.6 million of special assessment debt for which the City is obligated only to the extent that collections from special assessments are insufficient to retire the outstanding bonds. The City has a contingent liability for the \$36.1 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance 12/31/21	Balance 12/31/20
Governmental Activities:		
General Obligation Bonds	\$ 81,360	\$ 85,985
General Obligation Tax Abatement Bonds	9,695	10,915
Special Assessment Debt with Government Commitment	645	1,620
General Obligation Certificates	14,185	13,700
Total Governmental Activities Bonded Debt	<u>\$ 105,885</u>	<u>\$ 112,220</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 36,123</u>	<u>\$ 38,985</u>

During 2021, the City's total bonded debt decreased by \$9.2 million.

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In 2021, the City issued \$1.5 million of general obligation bonds, \$2.8 million of general obligation airport improvement refunding bonds, \$3.7 million general obligation tax abatement refunding bonds, and \$3.9 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 \$143.6 million, which is significantly higher than the City's net debt of \$37.8 million. Additional information about the City's long-term debt can be found in Note 11 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2022 General Fund budget is \$99.3 million. State local government aid (LGA) payments are anticipated to supply 30.9% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for cities of different sizes. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes increased LGA from \$27.4 million in 2011 to \$30.5 million in 2021.

In 2021, the City contracted with an actuary to calculate its annual required contribution for OBEB in accordance with GASB Statement No. 75. For the year ended December 31, 2021, the City made contributions of \$0.5 million to an irrevocable trust and paid out \$12.3 million in retiree claims. As of December 31, 2021, the City's net OBEB liability is \$49.6 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 114,910,856	\$ 17,699,426	\$ 132,610,282	\$ 22,185,502
Investments, at fair value	32,580,415	-	32,580,415	-
Assets held by trustee	10,973,760	-	10,973,760	-
Receivables, net	28,236,329	13,640,832	41,877,161	10,038,092
Due from primary government	-	-	-	890,623
Internal balances	(2,590,409)	2,590,409	-	-
Due from component units	303,761	16,550	320,311	-
Due from other governments	8,109,390	2,040,911	10,150,301	2,436,438
Inventories	268,599	3,274,130	3,542,729	628,961
Prepays	54,003	19,475,628	19,529,631	197,985
Restricted assets				
Cash and cash equivalents	-	3,114,551	3,114,551	837,746
Accounts receivable	-	-	-	87,294
Loans receivable	-	1,555,086	1,555,086	-
Grants receivable	-	-	-	3,588,278
Planning and development costs	-	-	-	2,558,504
Capital assets (Note 7)				
Non-depreciable	47,222,132	25,455,201	72,677,333	11,328,719
Depreciable, net	276,454,702	300,021,244	576,475,946	246,741,826
Total Assets	516,523,538	388,883,968	905,407,506	301,519,968
Deferred Outflows of Resources				
Deferred pension obligation outflows	39,537,153	5,558,921	45,096,074	1,341,167
Deferred OPEB outflows	1,738,018	1,969,946	3,707,964	817,344
Deferred loss from debt refunding	2,067,508	211,446	2,278,954	-
Total Deferred Outflows of Resources	43,342,679	7,740,313	51,082,992	2,158,511
Liabilities				
Accounts payable and other short-term liabilities	14,159,055	8,957,021	23,116,076	3,853,145
Accrued interest payable	1,590,104	441,465	2,031,569	-
Due to primary government	-	-	-	1,224,680
Due to component unit	890,623	-	890,623	-
Due to other government	305,496	967,202	1,272,698	3,258,349
Unearned revenues	30,769,749	1,188,577	31,958,326	2,367,637
Noncurrent liabilities				
Due within one year	15,602,491	6,870,929	22,473,420	2,118,554
Due in more than one year	109,334,989	41,532,478	150,867,467	5,883,520
Other postemployment benefits liability	67,471,228	-	67,471,228	4,971,734
Net pension liability	30,261,898	7,777,982	38,039,880	2,998,445
Total Liabilities	270,385,633	67,735,654	338,121,287	26,676,064
Deferred Inflows of Resources				
Deferred pension obligation inflows	56,803,709	7,509,311	64,313,020	3,284,660
Deferred OPEB inflows	23,212,302	8,381,310	31,593,612	466,233
Total Deferred Inflows of Resources	80,016,011	15,890,621	95,906,632	3,750,893
Net Position				
Net investment in capital assets	274,609,405	278,507,370	553,116,775	250,742,266
Restricted for:				
General government	10,844,484	-	10,844,484	-
Public safety	1,331,686	-	1,331,686	-
Public works	1,735,673	1,604,790	3,340,463	-
Culture and recreation	3,894,804	-	3,894,804	-
Urban and economic development	9,218,591	-	9,218,591	-
Debt service	20,863,807	955,385	21,819,192	-
Capital outlay	12,096,882	-	12,096,882	10,487,798
Unrestricted	(125,130,759)	31,930,461	(93,200,298)	12,021,458
Total Net Position	\$ 209,464,573	\$ 312,998,006	\$ 522,462,579	\$ 273,251,522

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, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 31,458,665	\$ 5,693,386	\$ 232,070	\$ 2,395
Public safety	35,650,206	2,185,593	4,682,419	213,011
Public works	24,858,279	229,532	1,696,778	8,539,694
Culture and recreation	16,503,956	2,051,782	1,192,309	8,178,633
Urban and economic development	15,130,262	5,530,373	8,803,049	384,049
Interest	3,611,430	-	-	-
Total Governmental Activities	<u>127,212,798</u>	<u>15,690,666</u>	<u>16,606,625</u>	<u>17,317,782</u>
Business-type activities				
Water	9,054,609	15,920,408	-	154,087
Gas	35,254,902	41,070,876	-	105,745
Sewer	15,500,002	19,836,926	-	1,040,374
Stormwater	3,259,324	6,298,247	-	39,146
Steam	9,167,833	8,229,505	-	-
Golf	1,275,995	1,378,539	-	-
Parking	3,401,867	3,253,133	-	430,757
Priley Drive parking facility	1,222,210	434,544	-	-
Total Business-type Activities	<u>78,136,742</u>	<u>96,422,178</u>	<u>-</u>	<u>1,770,109</u>
Total Primary Government	<u>\$ 205,349,540</u>	<u>\$ 112,112,844</u>	<u>\$ 16,606,625</u>	<u>\$ 19,087,891</u>
Component units				
Duluth Economic Development Authority	\$ 8,214,451	\$ 1,066,448	\$ 138,469	\$ -
Duluth Entertainment and Convention Center Authority	9,151,367	5,585,507	1,251,745	200,000
Duluth Airport Authority	16,317,871	5,934,647	-	4,506,006
Duluth Transit Authority	25,287,415	1,828,416	13,524,305	763,939
Spirit Mountain Recreation Area Authority	4,241,710	3,430,953	-	620,700
Total Component Units	<u>\$ 63,212,814</u>	<u>\$ 17,845,971</u>	<u>\$ 14,914,519</u>	<u>\$ 6,090,645</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government				
Governmental activities				
General government	\$ (25,530,814)	\$ -	\$ (25,530,814)	\$ -
Public safety	(28,569,183)	-	(28,569,183)	-
Public works	(14,392,275)	-	(14,392,275)	-
Culture and recreation	(5,081,232)	-	(5,081,232)	-
Urban and economic development	(412,791)	-	(412,791)	-
Interest	(3,611,430)	-	(3,611,430)	-
Total Governmental Activities	<u>(77,597,725)</u>	<u>-</u>	<u>(77,597,725)</u>	<u>-</u>
Business-type activities				
Water	-	7,019,886	7,019,886	-
Gas	-	5,921,719	5,921,719	-
Sewer	-	5,377,298	5,377,298	-
Stormwater	-	3,078,069	3,078,069	-
Steam	-	(938,328)	(938,328)	-
Golf	-	102,544	102,544	-
Parking	-	282,023	282,023	-
Priley Drive parking facility	-	(787,666)	(787,666)	-
Total Business-type Activities	<u>-</u>	<u>20,055,545</u>	<u>20,055,545</u>	<u>-</u>
Total Primary Government	<u>(77,597,725)</u>	<u>20,055,545</u>	<u>(57,542,180)</u>	<u>-</u>
Component units				
Duluth Economic Development Authority	-	-	-	(7,009,534)
Duluth Entertainment and Convention Center Authority	-	-	-	(2,114,115)
Duluth Airport Authority	-	-	-	(5,877,218)
Duluth Transit Authority	-	-	-	(9,170,755)
Spirit Mountain Recreation Area Authority	-	-	-	(190,057)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,361,679)</u>
General Revenues				
Property taxes	37,905,624	-	37,905,624	4,860,405
Sales taxes	37,516,898	-	37,516,898	1,979,567
Franchise taxes	3,639,703	-	3,639,703	-
Other taxes	367,909	-	367,909	-
Grants and shared revenues not restricted to specific programs	32,879,084	-	32,879,084	-
Investment income	6,094,046	(225,528)	5,868,518	71,627
Gain on sale or disposition of capital assets	-	3,026	3,026	13,126
Miscellaneous	2,244,648	6,784	2,251,432	630,839
Transfers	4,512,811	(4,512,811)	-	-
Total General Revenues and Transfers	<u>125,160,723</u>	<u>(4,728,529)</u>	<u>120,432,194</u>	<u>7,555,564</u>
Change in Net Position	47,562,998	15,327,016	62,890,014	(16,806,115)
Net Position - Beginning, as restated (Note 1)	161,901,575	297,670,990	459,572,565	290,057,637
Net Position - Ending	<u>\$ 209,464,573</u>	<u>\$ 312,998,006</u>	<u>\$ 522,462,579</u>	<u>\$ 273,251,522</u>

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>Local Fiscal Recovery</u>	<u>Community Investment Trust</u>	<u>General Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 21,743,980	\$ 29,133,204	\$ -	\$ 14,865,479	\$ 44,254,699	\$109,997,362
Investments, at fair value	-	-	32,580,415	-	-	32,580,415
Receivables, net						
Taxes	3,563,496	-	-	276,958	2,805,937	6,646,391
Accounts	774,996	-	-	-	280,537	1,055,533
Assessments	756,795	-	-	-	1,883,315	2,640,110
Loans	1,864,868	-	-	11,035,000	3,982,797	16,882,665
Due from other funds	478,304	-	-	270,678	4,432,580	5,181,562
Due from component units	200,061	-	-	-	103,700	303,761
Interfund loan receivables	6,867,878	-	-	-	-	6,867,878
Due from other governments	634,254	-	-	-	7,475,131	8,109,385
Prepays	-	-	-	-	4,003	4,003
Total Assets	<u>36,884,632</u>	<u>29,133,204</u>	<u>32,580,415</u>	<u>26,448,115</u>	<u>65,222,699</u>	<u>190,269,065</u>
Liabilities						
Accounts payable	2,924,168	-	-	-	945,547	3,869,715
Contracts payable	104,859	131,423	-	-	7,601,531	7,837,813
Due to other funds	2,657,961	120,860	-	-	1,424,306	4,203,127
Due to component units	5	-	-	-	890,618	890,623
Interfund loan payable	-	-	-	-	4,129,500	4,129,500
Due to other governments	35,789	-	-	-	148,894	184,683
Accrued salaries payable	2,158,291	-	-	-	78,573	2,236,864
Unearned revenue	28,216	28,784,748	-	-	1,857,816	30,670,780
Total Liabilities	<u>7,909,289</u>	<u>29,037,031</u>	<u>-</u>	<u>-</u>	<u>17,076,785</u>	<u>54,023,105</u>
Deferred Inflows of Resources						
Unavailable revenue	3,379,135	-	-	11,217,297	10,221,377	24,817,809
Fund Balances						
Restricted	326,903	96,173	-	15,230,818	33,050,332	48,704,226
Committed	34,120	-	32,580,415	-	6,256,430	38,870,965
Assigned	3,978,786	-	-	-	4,979,933	8,958,719
Unassigned	21,256,399	-	-	-	(6,362,158)	14,894,241
Total Fund Balances	<u>25,596,208</u>	<u>96,173</u>	<u>32,580,415</u>	<u>15,230,818</u>	<u>37,924,537</u>	<u>111,428,151</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 36,884,632</u>	<u>\$ 29,133,204</u>	<u>\$ 32,580,415</u>	<u>\$ 26,448,115</u>	<u>\$ 65,222,699</u>	<u>\$190,269,065</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, 2021**

Fund Balance-total governmental funds		\$ 111,428,151
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 \$614,478,728, and the accumulated depreciation is \$290,939,021.		323,539,707
Other long-term assets are not available to pay for current period expenditures, and therefore are deferred in the funds.		24,095,826
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	39,048,536	
Deferred OPEB outflows	1,738,018	
Deferred loss from debt refunding	2,067,508	
Deferred pension obligation inflows	(56,143,658)	
Deferred OPEB inflows	(23,212,302)	
	(36,501,898)	
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 \$9,642,557 less \$6,265,922 attributed to business-type activities.		3,376,635
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	117,834,285	
Other post employment benefits	67,471,228	
Net pension liability	29,578,231	
Interest accrued on long-term debt	1,590,104	
	(216,473,848)	
Net position of governmental activities		\$ 209,464,573

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, 2021

	<u>General</u>	<u>Local Fiscal Recovery</u>	<u>Community Investment Trust</u>	<u>General Obligation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes						
Property taxes	\$ 22,071,386	\$ -	\$ -	\$ 7,283,150	\$ 8,649,967	\$ 38,004,503
Sales taxes	16,367,571	-	-	-	21,149,327	37,516,898
Other taxes	3,991,768	-	-	-	15,844	4,007,612
Licenses and permits	1,996,389	-	-	-	155,272	2,151,661
Intergovernmental revenues	35,316,134	153,321	-	830,613	28,473,419	64,773,487
Charges for services	9,293,876	-	-	-	1,855,625	11,149,501
Fines and forfeits	341,218	-	-	-	364,908	706,126
Special assessments	477,683	-	-	-	558,522	1,036,205
Investment income	(105,772)	96,173	6,550,078	(122,582)	(263,721)	6,154,176
Miscellaneous revenues	1,768,924	-	-	2,621,025	3,441,631	7,831,580
Total Revenues	<u>91,519,177</u>	<u>249,494</u>	<u>6,550,078</u>	<u>10,612,206</u>	<u>64,400,794</u>	<u>173,331,749</u>
Expenditures						
Current						
General government	28,983,447	-	-	470,942	1,613,647	31,068,036
Public safety	43,497,374	-	-	-	2,949,029	46,446,403
Public works	12,474,141	-	-	-	4,439,998	16,914,139
Culture and recreation	4,354,826	-	-	-	9,888,395	14,243,221
Urban and economic development	3,558,896	-	-	-	13,095,475	16,654,371
Debt service						
Principal retirement	-	-	-	10,890,000	990,000	11,880,000
Interest and fiscal fees	-	-	-	4,016,724	116,194	4,132,918
Bond issuance costs	-	-	-	81,439	82,408	163,847
Capital outlay	23,944	153,321	-	-	22,853,741	23,031,006
Total Expenditures	<u>92,892,628</u>	<u>153,321</u>	<u>-</u>	<u>15,459,105</u>	<u>56,028,887</u>	<u>164,533,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,373,451)</u>	<u>96,173</u>	<u>6,550,078</u>	<u>(4,846,899)</u>	<u>8,371,907</u>	<u>8,797,808</u>
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	5,425,000	5,425,000
Issuance of refunding bonds	-	-	-	6,550,000	-	6,550,000
Premium on issuance of bonds	-	-	-	-	937,362	937,362
Payment to refunded bond escrow agent	-	-	-	(6,445,000)	-	(6,445,000)
Transfers in	8,617,777	-	-	5,309,710	19,851,653	33,779,140
Transfers out	(2,753,000)	-	(4,547,392)	-	(22,063,624)	(29,364,016)
Total Other Financing Sources (Uses)	<u>5,864,777</u>	<u>-</u>	<u>(4,547,392)</u>	<u>5,414,710</u>	<u>4,150,391</u>	<u>10,882,486</u>
Net Change in Fund Balances	4,491,326	96,173	2,002,686	567,811	12,522,298	19,680,294
Fund Balances - January 1, 2021	21,104,882	-	30,577,729	14,663,007	25,402,239	91,747,857
Fund Balances - December 31, 2021	<u>\$ 25,596,208</u>	<u>\$ 96,173</u>	<u>\$ 32,580,415</u>	<u>\$ 15,230,818</u>	<u>\$ 37,924,537</u>	<u>\$111,428,151</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, 2021**

Net change in fund balances - total governmental funds \$ 19,680,294

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

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

Capital outlay	21,394,960	
Depreciation expense	<u>(18,628,864)</u>	
Excess of capital outlay over depreciation expense		2,766,096

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$1,867,218 from internal funds less \$906,417 attributed to business-type activities is reported with governmental activities. 960,801

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:
Bonds issued, including a bond premium of \$937,262 (12,912,362)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:
Bond principal retirement 18,325,000

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues decreased by this amount this year. (2,397,999)

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	110,191	
Decrease in net other post employment benefits payable and related deferred inflows and deferred outflows	11,765,071	
Decrease in pension obligation and related deferred inflows and deferred outflows	8,420,664	
Increase in allowance for doubtful accounts	(34,380)	
Amortization of deferred loss on debt refunding	(171,104)	
Amortization of bond premiums	<u>1,050,726</u>	
Total additional expenditures		<u>21,141,168</u>

Change in net position of governmental activities \$ 47,562,998

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, 2021

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis)	Modified Budget
			(Note 2)	Increase
				(Decrease)
Revenues				
Taxes	\$ 38,309,400	\$ 38,309,400	\$ 42,430,725	\$ 4,121,325
Licenses and permits	1,719,000	1,719,000	1,996,389	277,389
Intergovernmental revenues	34,444,200	34,845,887	35,316,134	470,247
Charges for services	6,693,600	6,693,600	9,293,876	2,600,276
Fines and forfeits	379,900	379,900	341,218	(38,682)
Special assessments	488,900	529,200	477,683	(51,517)
Investment income	-	-	(105,772)	(105,772)
Miscellaneous revenues	401,600	1,328,127	1,768,924	440,797
Total Revenues	82,436,600	83,805,114	91,519,177	7,714,063
Expenditures				
Current				
General government	29,212,100	30,081,142	29,062,377	1,018,765
Public safety	42,757,300	43,787,238	43,530,231	257,007
Public works	13,467,800	13,645,693	12,535,736	1,109,957
Culture and recreation	5,006,000	4,690,492	4,447,064	243,428
Urban and economic development	3,677,000	3,685,930	3,596,006	89,924
Total Expenditures	94,120,200	95,890,495	93,171,414	2,719,081
Excess (Deficiency) of Revenues Over Expenditures	(11,683,600)	(12,085,381)	(1,652,237)	10,433,144
Other Financing Sources (Uses)				
Transfers in	8,083,000	8,464,056	8,617,777	153,721
Transfers out	(225,000)	(425,000)	(2,753,000)	(2,328,000)
Fund balance reserves	3,825,600	3,825,600	-	(3,825,600)
Total Other Financing Sources (Uses)	11,683,600	11,864,656	5,864,777	(5,999,879)
Net Change in Fund Balance - Budgetary Basis	-	(220,725)	4,212,540	4,433,265
Net Adjustments to Reflect Operations in Accordance with Generally Accepted Accounting Principles	-	-	278,786	278,786
Net Change in Fund Balance - GAAP Basis	-	(220,725)	4,491,326	\$ 4,712,051
Fund Balance - January 1, 2021	17,689,159	16,771,538	21,104,882	
Fund Balance - December 31, 2021	\$ 17,689,159	\$ 16,550,813	\$ 25,596,208	

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, 2021**

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Assets				
Current assets				
Cash and cash equivalents	\$ 575,547	\$ 7,325,298	\$ 1,397,481	\$ 3,267,553
Restricted cash and cash equivalents				
Customer deposits	-	-	1,845,869	-
Construction	-	169,660	-	955,385
Loans	-	-	143,637	-
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	23,290	1,441,042	8,084,519	1,867,724
Restricted loans	-	-	450,861	-
Assessments	-	13,327	198	12,826
Due from other funds	-	120,860	-	-
Due from component units	-	-	-	-
Due from other governments	-	156	1,226,949	813,806
Inventories	-	1,269,908	1,250,047	87,682
Prepays	-	5,005,523	6,465,329	5,000,366
Total current assets	598,837	15,345,774	20,864,890	12,005,342
Noncurrent assets				
Assessments receivable	-	64,749	6,272	69,366
Restricted loans receivable	-	-	1,082,566	-
Capital assets, net	17,872,944	67,909,958	62,707,256	101,098,261
Total noncurrent assets	17,872,944	67,974,707	63,796,094	101,167,627
Total Assets	18,471,781	83,320,481	84,660,984	113,172,969
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	-	-	-
Deferred pension obligation outflows	-	1,528,552	2,232,684	924,076
Deferred OPEB outflows	-	652,426	950,459	253,176
Total Deferred Outflows of Resources	-	2,180,978	3,183,143	1,177,252
Liabilities				
Current liabilities				
Accounts payable	16,268	251,647	3,674,020	51,349
Contracts payable	-	226,821	748,504	233,496
Claims payable	-	-	-	-
Notes payable	-	715,000	-	1,375,000
Leases payable	-	275,156	252,227	236,940
Due to other funds	-	23,333	26,400	8,726
Interfund loan payable	-	-	-	-
Due to other governments	-	37,228	108,828	790,087
Accrued interest payable	116,868	75,837	10,156	47,670
Accrued salaries payable	-	164,559	233,068	93,898
Compensated absences	-	267,621	421,060	179,244
Unearned revenue	-	72,307	1,034,431	48,923
Deposits	-	-	1,845,869	-
Revenue bonds payable	183,588	340,000	-	405,000
Total current liabilities	316,724	2,449,509	8,354,563	3,470,333

(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, 2021**

Business-type Activities - Enterprise Funds

	Priley Drive Parking Facility	Water	Gas	Sewer
Noncurrent liabilities				
Notes payable	-	3,574,000	-	3,268,000
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	-	-	30,208	-
Leases payable	-	432,599	396,549	372,515
Net pension liability	-	2,138,733	3,123,947	1,292,957
Revenue bonds payable	11,634,576	3,468,154	-	646,096
Total noncurrent liabilities	<u>11,634,576</u>	<u>9,613,486</u>	<u>3,550,704</u>	<u>5,579,568</u>
Total Liabilities	<u>11,951,300</u>	<u>12,062,995</u>	<u>11,905,267</u>	<u>9,049,901</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	2,064,855	3,016,039	1,248,295
Deferred OPEB inflows	-	2,572,267	3,440,608	1,537,555
Total Deferred Inflows of Resources	<u>-</u>	<u>4,637,122</u>	<u>6,456,647</u>	<u>2,785,850</u>
Net Position				
Net investment in capital assets	6,054,780	59,274,709	62,058,480	94,794,710
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	955,385
Restricted for loans	-	-	1,604,790	-
Unrestricted	465,701	9,526,633	5,818,943	6,764,375
Total Net Position	<u>\$ 6,520,481</u>	<u>\$ 68,801,342</u>	<u>\$ 69,482,213</u>	<u>\$ 102,514,470</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 181,039	\$ 4,952,508	\$ 17,699,426	\$ 4,913,494
Restricted cash and cash equivalents				
Customer deposits	-	-	1,845,869	-
Construction	-	-	1,125,045	-
Loans	-	-	143,637	-
Restricted assets held by trustee	-	-	-	10,973,760
Receivables, net				
Accounts	1,336,559	698,520	13,451,654	1,733,614
Restricted loans	-	-	450,861	-
Assessments	-	21,862	48,213	-
Due from other funds	33,142	9,618	163,620	461,736
Due from component units	-	16,550	16,550	-
Due from other governments	-	-	2,040,911	5
Inventories	550,509	115,984	3,274,130	268,599
Prepays	-	3,004,410	19,475,628	50,000
Total current assets	2,101,249	8,819,452	59,735,544	18,401,208
Noncurrent assets				
Assessments receivable	-	578	140,965	-
Restricted loans receivable	21,659	-	1,104,225	-
Capital assets, net	37,409,146	38,478,880	325,476,445	137,127
Total noncurrent assets	37,430,805	38,479,458	326,721,635	137,127
Total Assets	39,532,054	47,298,910	386,457,179	18,538,335
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	211,446	211,446	-
Deferred pension obligation outflows	-	873,609	5,558,921	488,617
Deferred OPEB outflows	-	113,885	1,969,946	-
Total Deferred Outflows of Resources	-	1,198,940	7,740,313	488,617
Liabilities				
Current liabilities				
Accounts payable	910,166	88,755	4,992,205	164,797
Contracts payable	221,923	50,060	1,480,804	93
Claims payable	-	-	-	2,171,574
Notes payable	-	-	2,090,000	-
Leases payable	-	-	764,323	-
Due to other funds	1,368,909	9,320	1,436,688	167,103
Interfund loan payable	-	852,445	852,445	335,934
Due to other governments	30,949	110	967,202	120,813
Accrued interest payable	143,922	47,012	441,465	-
Accrued salaries payable	-	96,261	587,786	49,773
Compensated absences	-	155,093	1,023,018	3,225,917
Unearned revenue	-	32,916	1,188,577	98,969
Deposits	-	50,357	1,896,226	-
Revenue bonds payable	1,060,000	1,005,000	2,993,588	-
Total current liabilities	3,735,869	2,387,329	20,714,327	6,334,973

(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, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Steam	Other Enterprise Funds	Total Enterprise Funds	
Noncurrent liabilities				
Notes payable	-	-	6,842,000	-
Claims payable	-	-	-	1,219,351
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	-	30,208	486,353
Leases payable	-	-	1,201,663	-
Net pension liability	-	1,222,345	7,777,982	683,667
Revenue bonds payable	14,063,878	3,645,903	33,458,607	-
Total noncurrent liabilities	<u>14,063,878</u>	<u>6,418,248</u>	<u>50,860,460</u>	<u>2,389,371</u>
Total Liabilities	<u>17,799,747</u>	<u>8,805,577</u>	<u>71,574,787</u>	<u>8,724,344</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	1,180,122	7,509,311	660,051
Deferred OPEB inflows	-	830,880	8,381,310	-
Total Deferred Inflows of Resources	<u>-</u>	<u>2,011,002</u>	<u>15,890,621</u>	<u>660,051</u>
Net Position				
Net investment in capital assets	22,285,268	34,039,423	278,507,370	137,127
Restricted for health insurance trust	-	-	-	10,748,311
Restricted for special accounts	-	-	955,385	-
Restricted for loans	-	-	1,604,790	-
Unrestricted	(552,961)	3,641,848	25,664,539	(1,242,881)
Total Net Position	<u>\$ 21,732,307</u>	<u>\$ 37,681,271</u>	<u>\$ 306,732,084</u>	<u>\$ 9,642,557</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.

	6,265,922
Net position of business-type activities	<u>\$ 312,998,006</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, 2021

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Priley Drive Parking Facility</u>	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
Operating Revenues				
Sales	\$ -	\$ -	\$ 39,436,399	\$ -
Charges for services	434,544	15,790,658	1,006,006	19,589,773
Fines and forfeits	-	-	-	-
Miscellaneous revenues	-	129,750	628,471	247,153
Total Operating Revenues	<u>434,544</u>	<u>15,920,408</u>	<u>41,070,876</u>	<u>19,836,926</u>
Operating Expenses				
Cost of sales and services	-	-	25,527,796	-
Personal services	-	3,780,259	5,538,423	2,341,243
Supplies	-	1,035,684	1,202,671	234,025
Utilities	30,851	1,309,923	33,574	117,553
Other services and charges	194,546	1,319,049	1,590,747	10,718,501
Depreciation	520,571	1,797,168	1,563,784	2,129,537
Medical and insurance	-	-	-	-
Total Operating Expenses	<u>745,968</u>	<u>9,242,083</u>	<u>35,456,995</u>	<u>15,540,859</u>
Operating Income (Loss)	<u>(311,424)</u>	<u>6,678,325</u>	<u>5,613,881</u>	<u>4,296,067</u>
Nonoperating Revenues (Expenses)				
Investment income	(4,013)	(28,198)	(73,065)	(13,249)
Intergovernmental revenue	-	-	-	-
Gain (loss) on sale or disposition of capital assets	-	3,026	(4,117)	(794)
Interest and fiscal fees	<u>(476,242)</u>	<u>(192,141)</u>	<u>(27,713)</u>	<u>(128,934)</u>
Total Nonoperating Revenues (Expenses)	<u>(480,255)</u>	<u>(217,313)</u>	<u>(104,895)</u>	<u>(142,977)</u>
Income (Loss) Before Contributions and Transfers	(791,679)	6,461,012	5,508,986	4,153,090
Capital contributions	-	154,087	105,745	1,040,374
Transfers in	506,648	100,000	-	-
Transfers out	-	(154,233)	(2,744,522)	(118,549)
Change in Net Position	<u>(285,031)</u>	<u>6,560,866</u>	<u>2,870,209</u>	<u>5,074,915</u>
Total Net Position - January 1, 2021	<u>6,805,512</u>	<u>62,240,476</u>	<u>66,612,004</u>	<u>97,439,555</u>
Total Net Position - December 31, 2021	<u>\$ 6,520,481</u>	<u>\$ 68,801,342</u>	<u>\$ 69,482,213</u>	<u>\$102,514,470</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, 2021

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Steam</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Sales	\$ -	\$ 335,261	\$ 39,771,660	\$ 2,019,580
Charges for services	7,731,308	9,592,921	54,145,210	27,114,336
Fines and forfeits	-	848,376	848,376	-
Miscellaneous revenues	498,197	153,361	1,656,932	3,512,676
Total Operating Revenues	<u>8,229,505</u>	<u>10,929,919</u>	<u>96,422,178</u>	<u>32,646,592</u>
Operating Expenses				
Cost of sales and services	-	166,808	25,694,604	1,774,013
Personal services	-	2,693,404	14,353,329	5,341,482
Supplies	3,415,856	539,189	6,427,425	41,667
Utilities	315,615	168,067	1,975,583	36,401
Other services and charges	3,541,195	3,199,293	20,563,331	3,749,328
Depreciation	1,581,712	1,110,046	8,702,818	61,101
Medical and insurance	-	-	-	19,812,939
Total Operating Expenses	<u>8,854,378</u>	<u>7,876,807</u>	<u>77,717,090</u>	<u>30,816,931</u>
Operating Income (Loss)	<u>(624,873)</u>	<u>3,053,112</u>	<u>18,705,088</u>	<u>1,829,661</u>
Nonoperating Revenues (Expenses)				
Investment income	(65,239)	(41,764)	(225,528)	(60,130)
Intergovernmental revenue	-	6,784	6,784	-
Gain (loss) on sale or disposition of capital assets	-	(779)	(2,664)	-
Interest and fiscal fees	<u>(335,295)</u>	<u>(160,054)</u>	<u>(1,320,379)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(400,534)</u>	<u>(195,813)</u>	<u>(1,541,787)</u>	<u>(60,130)</u>
Income (Loss) Before Contributions and Transfers	(1,025,407)	2,857,299	17,163,301	1,769,531
Capital contributions	-	469,903	1,770,109	-
Transfers in	-	-	606,648	100,000
Transfers out	<u>(154,492)</u>	<u>(1,947,663)</u>	<u>(5,119,459)</u>	<u>(2,313)</u>
Change in Net Position	(1,179,899)	1,379,539	14,420,599	1,867,218
Total Net Position - January 1, 2021	22,912,206	36,301,732	292,311,485	7,775,339
Total Net Position - December 31, 2021	<u>\$ 21,732,307</u>	<u>\$ 37,681,271</u>	<u>\$306,732,084</u>	<u>\$ 9,642,557</u>

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

Change in net position	\$ 14,420,599
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	906,417
Change in net position of business-type activities	<u>\$ 15,327,016</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, 2021**

	Business-type Activities - Enterprise Funds			
	Priley Drive Parking Facility	Water	Gas	Sewer
Cash Flows from Operating Activities				
Cash received from customers	\$ 432,542	\$ 15,837,964	\$ 38,865,686	\$ 19,644,569
Cash paid to suppliers	(212,398)	(3,604,215)	(28,362,685)	(11,269,512)
Cash paid to employees	-	(5,935,176)	(8,314,929)	(3,413,117)
Other operating revenues	-	39,447	65,461	212,022
Net cash provided (used) by operating activities	<u>220,144</u>	<u>6,338,020</u>	<u>2,253,533</u>	<u>5,173,962</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	506,648	101,019	1,103	563
Transfers to other funds	-	(154,233)	(2,744,758)	(118,549)
Operating grants	-	-	-	-
Interfund financing	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>506,648</u>	<u>(53,214)</u>	<u>(2,743,655)</u>	<u>(117,986)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	47,587	108,114	1,871,240
Principal paid on bonds, notes and capitalized leases	(171,476)	(1,302,017)	(242,931)	(2,375,210)
Interest paid on bonds, notes and capitalized leases	(477,938)	(210,122)	(31,516)	(160,118)
Sale of capital assets	-	6,109	2,432	517
Acquisition or construction of capital assets	-	(2,218,503)	(3,713,488)	(2,678,921)
Net cash provided (used) by capital and related financing activities	<u>(649,414)</u>	<u>(3,676,946)</u>	<u>(3,877,389)</u>	<u>(3,342,492)</u>
Cash Flows from Investing Activities				
Investment earnings	(4,013)	(28,198)	(73,065)	(13,249)
Net increase (decrease) in cash and cash equivalents	73,365	2,579,662	(4,440,576)	1,700,235
Cash and cash equivalents - January 1, 2021	502,182	4,915,296	7,827,563	2,522,703
Cash and cash equivalents - December 31, 2021	<u>\$ 575,547</u>	<u>\$ 7,494,958</u>	<u>\$ 3,386,987</u>	<u>\$ 4,222,938</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (311,424)	\$ 6,678,325	\$ 5,613,881	\$ 4,296,067
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	520,571	1,797,168	1,563,784	2,129,537
Change in assets and liabilities:				
Decrease (increase) in receivables	(2,002)	(77,437)	(2,552,109)	(41,058)
Decrease (increase) in inventories	-	12,554	64,927	13,338
Decrease (increase) in prepaids	-	(1,995,103)	(3,215,747)	(1,243,301)
Decrease (increase) in deferred pension obligation outflows	-	(1,193,377)	(1,768,238)	(729,719)
Decrease (increase) in OPEB outflows	-	(652,426)	(950,459)	(253,176)
Increase (decrease) in payables	12,999	118,367	819,548	(134,818)
Increase (decrease) in unearned revenues	-	(4,568)	173,813	(10,484)
Increase (decrease) in deferred pension obligation inflows	-	1,869,772	2,745,716	1,135,173
Increase (decrease) in pension liability	-	(1,152,571)	(1,436,752)	(615,557)
Increase (decrease) in OPEB inflows	-	937,316	1,195,169	627,960
Total adjustments	<u>531,568</u>	<u>(340,305)</u>	<u>(3,360,348)</u>	<u>877,895</u>
Net cash provided (used) by operating activities	<u>\$ 220,144</u>	<u>\$ 6,338,020</u>	<u>\$ 2,253,533</u>	<u>\$ 5,173,962</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, 2021**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Steam</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Cash Flows from Operating Activities				
Cash received from customers	\$ 8,240,156	\$ 10,665,861	\$ 93,686,778	\$ 31,737,536
Cash paid to suppliers	(6,953,367)	(4,057,518)	(54,459,695)	(24,412,634)
Cash paid to employees	-	(3,201,885)	(20,865,107)	(5,620,755)
Other operating revenues	8,460	124,123	449,513	50,866
Net cash provided (used) by operating activities	<u>1,295,249</u>	<u>3,530,581</u>	<u>18,811,489</u>	<u>1,755,013</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	461	609,794	-
Transfers to other funds	(154,492)	(1,955,746)	(5,127,778)	-
Operating grants	-	6,784	6,784	-
Interfund financing	-	(187,964)	(187,964)	(50,787)
Net cash provided (used) by noncapital financing activities	<u>(154,492)</u>	<u>(2,136,465)</u>	<u>(4,699,164)</u>	<u>(50,787)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	317,888	523,761	2,868,590	-
Principal paid on bonds, notes and capitalized leases	(670,000)	(985,000)	(5,746,634)	-
Interest paid on bonds, notes and capitalized leases	(308,245)	(124,843)	(1,312,782)	-
Sale of capital assets	-	-	9,058	-
Acquisition or construction of capital assets	(5,825,096)	(890,537)	(15,326,545)	(49,132)
Net cash provided (used) by capital and related financing activities	<u>(6,485,453)</u>	<u>(1,476,619)</u>	<u>(19,508,313)</u>	<u>(49,132)</u>
Cash Flows from Investing Activities				
Investment earnings	(65,239)	(41,764)	(225,528)	(60,130)
Net increase (decrease) in cash and cash equivalents	(5,409,935)	(124,267)	(5,621,516)	1,594,964
Cash and cash equivalents - January 1, 2021	5,590,974	5,076,775	26,435,493	14,292,290
Cash and cash equivalents - December 31, 2021	<u>\$ 181,039</u>	<u>\$ 4,952,508</u>	<u>\$ 20,813,977</u>	<u>\$ 15,887,254</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (624,873)	\$ 3,053,112	\$ 18,705,088	\$ 1,829,661
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,581,712	1,110,046	8,702,818	61,101
Change in assets and liabilities:				
Decrease (increase) in receivables	12,603	(129,727)	(2,789,730)	(1,013,274)
Decrease (increase) in inventories	(43,578)	7,406	54,647	(68,338)
Decrease (increase) in prepaids	8,816	(621,775)	(7,067,110)	-
Decrease (increase) in deferred pension obligation outflows	-	(698,236)	(4,389,570)	(384,075)
Decrease (increase) in OPEB outflows	-	(113,885)	(1,969,946)	-
Increase (decrease) in payables	360,569	11,821	1,188,486	1,081,015
Increase (decrease) in unearned revenues	-	(18,730)	140,031	(7,383)
Increase (decrease) in deferred pension obligation inflows	-	1,078,050	6,828,711	599,205
Increase (decrease) in pension liability	-	(499,757)	(3,704,637)	(342,899)
Increase (decrease) in OPEB inflows	-	352,256	3,112,701	-
Total adjustments	<u>1,920,122</u>	<u>477,469</u>	<u>106,401</u>	<u>(74,648)</u>
Net cash provided (used) by operating activities	<u>\$ 1,295,249</u>	<u>\$ 3,530,581</u>	<u>\$ 18,811,489</u>	<u>\$ 1,755,013</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, 2021**

Noncash Investing, Capital and Financing Activities

Water

Capital contributions are reported net of timing differences totaling (\$106,500) due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$2,369 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$830,866 due to receivables.

Steam

Capital contributions are reported net of timing differences totaling \$317,888 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, 2021**

	Other Postemployment Benefits Trust Fund	Custodial Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 45,693	\$ 1,162,157
Receivables		
Loans	-	549,246
Accounts receivable	134,005	-
Investments, at fair value		
Fixed income pool	20,608,233	-
Equity pool	79,125,299	-
	<u>99,913,230</u>	<u>1,711,403</u>
Total Assets	<u>99,913,230</u>	<u>1,711,403</u>
Liabilities		
Contracts payable	-	650
	<u>-</u>	<u>650</u>
Total Liabilities	<u>-</u>	<u>650</u>
Net Position		
Restricted for		
Postemployment benefits other than pensions	99,913,230	-
Other organizations	-	1,710,753
	<u>-</u>	<u>1,710,753</u>
Total Net Position	<u>\$ 99,913,230</u>	<u>\$ 1,710,753</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Other Postemployment Benefits Trust Fund	Custodial Fund
Additions		
Employer contributions	\$ 12,041,435	\$ -
Investment earnings		
Interest and dividends	1,488,679	7,478
Net increase (decrease) in fair value of investments	16,017,806	(11,539)
Less investment expenses	(5,375)	-
Interest on loans	-	23,719
Other reimbursements	-	6,000
Total Additions	<u>29,542,545</u>	<u>25,658</u>
Deductions		
Benefits	12,304,499	-
Legal services	-	7,118
Professional services	-	5,850
Other services and charges	-	40,524
Total Deductions	<u>12,304,499</u>	<u>53,492</u>
Change in net position	17,238,046	(27,834)
Net Position - January 1, 2021	<u>82,675,184</u>	<u>1,738,587</u>
Net Position - December 31, 2021	<u>\$ 99,913,230</u>	<u>\$ 1,710,753</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2021**

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Assets						
Cash and cash equivalents	\$ 8,842,944	\$ 2,398,126	\$ 4,864,926	\$ 5,039,036	\$ 1,040,470	\$ 22,185,502
Receivables, net						
Taxes	64,565	-	-	1,967	-	66,532
Accounts	47,626	915,487	759,603	679,234	242,820	2,644,770
Loans	7,094,857	-	-	-	-	7,094,857
Grants	-	-	231,933	-	-	231,933
Due from primary government	-	888,538	2,080	5	-	890,623
Due from other governments	-	-	-	2,436,438	-	2,436,438
Inventories	-	148,331	23,083	390,206	67,341	628,961
Prepays	-	58,122	58,500	-	81,363	197,985
Restricted assets						
Cash and cash equivalents	-	752,889	84,857	-	-	837,746
Accounts receivable	-	3,702	83,592	-	-	87,294
Grants receivable	-	-	3,588,278	-	-	3,588,278
Planning and development costs	-	-	2,558,504	-	-	2,558,504
Capital assets, net						
Non-depreciable	4,005,903	973,759	3,545,914	222,367	2,580,776	11,328,719
Depreciable	5,885,631	72,794,551	109,592,820	44,772,471	13,696,353	246,741,826
Total Assets	<u>25,941,526</u>	<u>78,933,505</u>	<u>125,394,090</u>	<u>53,541,724</u>	<u>17,709,123</u>	<u>301,519,968</u>
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	539,536	673,135	-	128,496	1,341,167
Deferred OPEB outflows	-	456,345	360,999	-	-	817,344
Total Deferred Outflows of Resources	<u>-</u>	<u>995,881</u>	<u>1,034,134</u>	<u>-</u>	<u>128,496</u>	<u>2,158,511</u>
Liabilities						
Accounts payable and other						
short-term liabilities	129,042	703,970	387,760	1,589,765	179,010	2,989,547
Contracts payable	5,000	51	218,595	-	-	223,646
Due to primary government	16,550	1,200	61	-	1,206,869	1,224,680
Due to other government	3,224,258	-	-	-	34,091	3,258,349
Unearned revenues	-	1,019,549	235,716	176,578	935,794	2,367,637
Deposits	-	639,952	-	-	-	639,952
Non-current liabilities						
Due within one year	-	96,342	1,042,227	618,270	361,715	2,118,554
Due in more than one year	-	-	5,241,531	-	641,989	5,883,520
Other postemployment benefits liability	-	1,592,827	3,378,907	-	-	4,971,734
Net pension liability	-	687,542	883,984	-	1,426,919	2,998,445
Total Liabilities	<u>3,374,850</u>	<u>4,741,433</u>	<u>11,388,781</u>	<u>2,384,613</u>	<u>4,786,387</u>	<u>26,676,064</u>
Deferred Inflows of Resources						
Deferred pension obligation inflows	-	2,304,017	813,532	-	167,111	3,284,660
Deferred OPEB inflows	-	350,219	116,014	-	-	466,233
Total Deferred Inflows of Resources	<u>-</u>	<u>2,654,236</u>	<u>929,546</u>	<u>-</u>	<u>167,111</u>	<u>3,750,893</u>
Net Position						
Net investment in capital assets	9,699,034	73,768,310	106,905,139	44,994,838	15,374,945	250,742,266
Restricted for						
Capital projects	5,079,699	-	-	5,408,099	-	10,487,798
Unrestricted	<u>7,787,943</u>	<u>(1,234,593)</u>	<u>7,204,758</u>	<u>754,174</u>	<u>(2,490,824)</u>	<u>12,021,458</u>
Total Net Position	<u>\$22,566,676</u>	<u>\$ 72,533,717</u>	<u>\$114,109,897</u>	<u>\$51,157,111</u>	<u>\$12,884,121</u>	<u>\$273,251,522</u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Economic Development Authority				
Governmental activities				
Economic development	\$ 8,214,451	\$ 1,066,448	\$ 138,469	\$ -
Duluth Entertainment and Convention Center Authority				
Business-type activities				
Entertainment and convention facility	9,151,367	5,585,507	1,251,745	200,000
Duluth Airport Authority				
Business-type activities				
Airport facility	16,317,871	5,934,647	-	4,506,006
Duluth Transit Authority				
Business-type activities				
Public transportation	25,287,415	1,828,416	13,524,305	763,939
Spirit Mountain Recreation Area Authority				
Business-type activities				
Ski hill operations	4,241,710	3,430,953	-	620,700
Total Component Units	<u>\$ 63,212,814</u>	<u>\$ 17,845,971</u>	<u>\$ 14,914,519</u>	<u>\$ 6,090,645</u>

(continued)

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Duluth Economic Development Authority						
Governmental activities						
Economic development	\$ (7,009,534)	\$ -	\$ -	\$ -	\$ -	\$ (7,009,534)
Duluth Entertainment and Convention Center Authority						
Business-type activities						
Entertainment and convention facility	-	(2,114,115)	-	-	-	(2,114,115)
Duluth Airport Authority						
Business-type activities						
Airport facility	-	-	(5,877,218)	-	-	(5,877,218)
Duluth Transit Authority						
Business-type activities						
Public transportation	-	-	-	(9,170,755)	-	(9,170,755)
Spirit Mountain Recreation Area Authority						
Business-type activities						
Ski hill operations	-	-	-	-	(190,057)	(190,057)
Total Component Units						(24,361,679)
General Revenues						
Property taxes	3,193,509	-	-	1,666,896	-	4,860,405
Sales taxes	-	1,979,567	-	-	-	1,979,567
Grants and shared revenues not restricted to specific programs						-
Investment income	(16,996)	10,847	35,399	40,080	2,297	71,627
Gain on sale of capital assets	-	5,000	8,126	-	-	13,126
Miscellaneous	62,118	562,875	-	-	5,846	630,839
Total General Revenues and Transfers	3,238,631	2,558,289	43,525	1,706,976	8,143	7,555,564
Change in Net Position	(3,770,903)	444,174	(5,833,693)	(7,463,779)	(181,914)	(16,806,115)
Net Position - Beginning	26,337,579	72,089,543	119,943,590	58,620,890	13,066,035	290,057,637
Net Position - Ending	<u>\$ 22,566,676</u>	<u>\$ 72,533,717</u>	<u>\$ 114,109,897</u>	<u>\$ 51,157,111</u>	<u>\$ 12,884,121</u>	<u>\$ 273,251,522</u>

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, 2021**

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021. 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 is reported as interfund loans receivable/payable. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 services, 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category: unavailable revenue, deferred pension obligations, and OPEB inflows. Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue arises under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resource in the period that the amounts become available. The 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, 2021**

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 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, 2021**

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.

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2021, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

USE OF ESTIMATES

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

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 PRINCIPLE

For the year ended December 31, 2021, the City implemented GASB Implementation Guide 2019-1. This guidance provided further guidance on when assets (receivables) can be recognized for voluntary nonexchange revenue related to natural disasters. Beginning net position has been restated as noted below.

The above restatement had the following impact on previously reported balances.

<u>Statement of Activities</u>	<u>Governmental Activities</u>
Net Position, January 1, 2021, as previously reported	\$ 172,530,777
Change in accounting principle	<u>(10,629,202)</u>
Net Position, January 1, 2021, as restated	<u>\$ 161,901,575</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 capital leases are not budgeted.

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2021. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$6,268,974, Home Investment Partnerships Program - \$24,026, and Senior Employment - \$4,659. These deficits will be eliminated upon receipt of the grant funds.

The following capital project fund had a deficit fund balance at the end of the current fiscal year: Regional Exchange District - \$28,391 which will be eliminated through future grant proceeds.

The following debt service fund had a deficit fund balance at the end of the current fiscal year: Special Assessment - \$36,108 which will be eliminated through future special assessment collections.

The following internal service funds had a deficit net position at the end of the current fiscal year: Fleet Services - \$660,454 which will be eliminated through future charges; and Self-Insurance - \$457,787 which will be eliminated through future operational changes.

The Golf enterprise fund had a deficit net position of \$1,300,062 at the end of the current fiscal year which will be eliminated through operational changes and efficiencies.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

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	\$ 114,910,856
Investments, at fair value	32,580,415
Assets held by trustee	10,973,760
Business-type Activities	
Cash and cash equivalents	17,699,426
Cash and cash equivalents - restricted assets	3,114,551
Discrete Component Units	
Cash and cash equivalents	22,185,502
Cash and cash equivalents - restricted assets	837,746

Statement of Fiduciary Net Position

Cash and cash equivalents	1,207,850
Investments, at fair value	99,733,532

Total Cash and Investments	<u><u>\$ 303,243,638</u></u>
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DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2021, 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, 2021**

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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

8) agreements or contracts for:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, 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	\$ 40,247,180	\$ 32,723,770	\$ 7,523,410	\$ -
Negotiable Certificates of Deposit	20,340,621	5,242,008	15,098,613	-
Municipal Bonds	11,288,682	1,527,008	9,761,674	-
Commercial Paper	6,709,393	6,709,393	-	-
Mutual Funds	221,005,913	221,005,913	-	-
Total Investments	299,591,789	\$ 267,208,092	\$ 32,383,697	\$ -
Deposits	3,651,849			
Total Deposits and Investments	<u>\$ 303,243,638</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, 2021, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 6,968,999
AA+	41,320,724
AA	2,755,826
<u>Moody's Rating</u>	
Aaa	89,182,279
P-1	6,709,393
<u>Not Rated</u>	
Mutual Funds	132,313,947
Negotiable Certificates of Deposit	20,340,621
Total	<u>\$ 299,591,789</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2021, 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	\$ 30,846,853

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, 2021, the City of Duluth had the following recurring fair value measurements.

Investments By Fair Value Level	12/31/2021	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
U.S. Government Agency Securities	\$ 40,247,180	\$ 8,048,316	\$ 32,198,864	\$ -
Negotiable Certificates of Deposit	20,340,621	-	20,340,621	-
Municipal Bonds	11,288,682	-	11,288,682	-
Commercial Paper	6,709,393	-	6,709,393	-
Total Investments by Fair Value	<u>\$ 78,585,876</u>	<u>\$ 8,048,316</u>	<u>\$ 70,537,560</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Mutual Funds	<u>88,691,966</u>			
Total Investments by Fair Value and Measured at NAV	167,277,842			
Deposits	3,651,849			
State Board of Investment Funds	132,313,947			
Total Deposits and Investments	<u>\$ 303,243,638</u>			

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

3. DEPOSITS AND INVESTMENTS (continued)

The City holds \$79,125,299 in the Internal Equity Pool and \$20,608,233 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 \$25,636,603 in the Internal Equity Pool, \$6,943,806 in the Internal Fixed Pool, and \$6 in the Cash 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, 2021, was 98.7%.

5. RECEIVABLES

Receivables as of December 31, 2021 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	\$ 6,929,927	\$ (283,536)	\$ 6,646,391	\$ -
Accounts receivable	2,815,577	(26,430)	2,789,147	-
Assessments receivable	2,640,110	-	2,640,110	2,257,828
Loans receivable	16,882,665	(721,984)	16,160,681	14,740,681
Due from component units	768,871	(465,110)	303,761	100,000
Due from other governments	8,109,390	-	8,109,390	-
Total Governmental Activities	\$ 38,146,540	\$ (1,497,060)	\$ 36,649,480	\$ 17,098,509
Business Activities:				
Accounts receivable	\$ 14,368,671	\$ (917,017)	\$ 13,451,654	\$ -
Assessments receivable	189,178	-	189,178	140,965
Loans receivable	1,561,924	(6,838)	1,555,086	1,104,225
Due from component units	16,550	-	16,550	-
Due from other governments	2,040,911	-	2,040,911	-
Total Business Activities	\$ 18,177,234	\$ (923,855)	\$ 17,253,379	\$ 1,245,190

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following schedule shows the detail of deferred inflows of resources at December 31, 2021:

General		
Assessments	\$	756,794
Grants		163,000
Loans		1,864,868
Other unavailable revenue		77,077
Taxes		517,396
General Obligation		
Loans		11,035,000
Taxes		182,297
Nonmajor		
Assessments		1,883,315
Grants		4,249,122
Loans		3,877,401
Other unavailable revenue		21,558
Taxes		189,981
Total for Governmental Funds		<u>\$ 24,817,809</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,859,321	\$ -	\$ -	\$ 22,859,321
Construction in progress	53,173,350	19,731,546	48,542,085	24,362,811
Total capital assets, not being depreciated	<u>76,032,671</u>	<u>19,731,546</u>	<u>48,542,085</u>	<u>47,222,132</u>
Capital assets, being depreciated:				
Buildings	95,855,423	2,036,413	-	97,891,836
Equipment	53,458,639	2,015,460	3,486,673	51,987,426
Infrastructure	372,437,972	46,465,498	-	418,903,470
Total capital assets being depreciated	<u>521,752,034</u>	<u>50,517,371</u>	<u>3,486,673</u>	<u>568,782,732</u>
Less accumulated depreciation for:				
Buildings	55,371,860	3,601,674	-	58,973,534
Equipment	42,125,105	3,380,337	3,273,665	42,231,777
Infrastructure	179,365,033	11,757,686	-	191,122,719
Total accumulated depreciation	<u>276,861,998</u>	<u>18,739,697</u>	<u>3,273,665</u>	<u>292,328,030</u>
Total capital assets, being depreciated, net	<u>244,890,036</u>	<u>31,777,674</u>	<u>213,008</u>	<u>276,454,702</u>
Governmental activities capital assets, net	<u>\$ 320,922,707</u>	<u>\$ 51,509,220</u>	<u>\$ 48,755,093</u>	<u>\$ 323,676,834</u>

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,649,458	\$ -	\$ -	\$ 4,649,458
Construction in progress	25,868,743	13,811,806	18,874,806	20,805,743
Total capital assets, not being depreciated	<u>30,518,201</u>	<u>13,811,806</u>	<u>18,874,806</u>	<u>25,455,201</u>
Capital assets, being depreciated:				
Buildings	83,354,293	-	-	83,354,293
Equipment	66,134,398	4,079,529	550,379	69,663,548
Infrastructure	279,397,745	15,438,165	-	294,835,910
Total capital assets, being depreciated	<u>428,886,436</u>	<u>19,517,694</u>	<u>550,379</u>	<u>447,853,751</u>
Less accumulated depreciation for:				
Buildings	37,118,910	1,648,100	-	38,767,010
Equipment	31,728,246	2,953,455	538,655	34,143,046
Infrastructure	70,804,804	4,117,647	-	74,922,451
Total accumulated depreciation*	<u>139,651,960</u>	<u>8,719,202</u>	<u>538,655</u>	<u>147,832,507</u>
Total capital assets, being depreciated, net	<u>289,234,476</u>	<u>10,798,492</u>	<u>11,724</u>	<u>300,021,244</u>
Business-type activities capital assets, net	<u>\$ 319,752,677</u>	<u>\$ 24,610,298</u>	<u>\$ 18,886,530</u>	<u>\$ 325,476,445</u>

* Accumulated depreciation on assets transferred from governmental activities to business-type activities was \$16,385.

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

Governmental activities:	
General government	\$ 1,676,852
Public safety	2,531,166
Public works, including depreciation of general infrastructure assets	11,412,933
Culture and recreation	2,853,419
Urban and economic development	154,494
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	110,833
Total depreciation expense - governmental activities	<u>\$ 18,739,697</u>
Business-type activities:	
Parking	\$ 573,987
Priley Drive Parking Facility	520,571
Water	1,797,168
Gas	1,563,784
Sewer	2,129,537
Golf	87,569
Stormwater	448,490
Steam	1,581,711
Total depreciation expense - business-type activities	<u>\$ 8,702,817</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. CAPITAL ASSETS (continued)

<u>COMPONENT UNITS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 10,872,949	\$ -	\$ -	\$ 10,872,949
Construction in progress	660,599	3,358,232	3,563,061	455,770
Total capital assets, not being depreciated	<u>11,533,548</u>	<u>3,358,232</u>	<u>3,563,061</u>	<u>11,328,719</u>
Capital assets, being depreciated:				
Buildings	325,675,642	2,943,931	31,581	328,587,992
Equipment	91,164,278	2,426,233	1,282,792	92,307,719
Infrastructure	149,316,012	707,870	1,158,673	148,865,209
Other	1,055,140	-	-	1,055,140
Total capital assets being depreciated	<u>567,211,072</u>	<u>6,078,034</u>	<u>2,473,046</u>	<u>570,816,060</u>
Less accumulated depreciation for:				
Buildings	149,412,302	10,204,030	31,581	159,584,751
Equipment	59,814,312	5,041,397	1,204,756	63,650,953
Infrastructure	92,557,171	7,582,981	-	100,140,152
Other	652,137	46,241	-	698,378
Total accumulated depreciation	<u>302,435,922</u>	<u>22,874,649</u>	<u>1,236,337</u>	<u>324,074,234</u>
Total capital assets, being depreciated, net	<u>264,775,150</u>	<u>(16,796,615)</u>	<u>1,236,709</u>	<u>246,741,826</u>
Component unit capital assets, net	<u>\$ 276,308,698</u>	<u>\$ (13,438,383)</u>	<u>\$ 4,799,770</u>	<u>\$ 258,070,545</u>

Depreciation expense was charged to component units as follows:

Duluth Economic Development Authority	\$ 905,481
Duluth Entertainment and Convention Center Authority	3,596,287
Duluth Airport Authority	10,859,209
Duluth Transit Authority	6,411,700
Spirit Mountain Recreation Area Authority	1,101,972
Total depreciation expense - component units	<u>\$ 22,874,649</u>

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2021, the City had construction commitments of approximately \$12,300,691 for various utility improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

At December 31, 2021, 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	\$ 250,352
Local Fiscal Recovery	596,979
Other Governmental Funds	17,781,980
Total Purchase Commitments	<u>\$ 18,629,311</u>

DISASTER DAMAGE REPAIR COMMITMENTS

The City incurred significant damage to its shoreline infrastructure due to three unprecedented storm surges in October 2017, April 2018, and again in October 2018. The City submitted requests for federal and state aid for repair and mitigation work which is estimated to be \$33 million as of December 31, 2021.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

9. RISK MANAGEMENT

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

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

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

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

Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$179,638 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 2020 and 2021 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2020	\$ 1,079,236	358,741	355,202	\$ 1,082,775
2021	\$ 1,082,775	1,211,258	806,515	\$ 1,487,518

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

9. RISK MANAGEMENT (continued)

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 2020 and 2021 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2020	\$ 2,646,416	11,651,237	12,967,061	\$ 1,330,592
2021	\$ 1,330,592	15,312,014	14,739,199	\$ 1,903,407

10. LEASE OBLIGATIONS

OPERATING LEASES

The City and its component units are committed under various operating leases for small tracts of land or pipe right-of-way, parking facilities and equipment. The following is a summary of the approximate operating lease expense for 2021:

<u>Type of Property</u>	Governmental Activities	Business-Type Activities	Component Units
Impound lot	\$ 3,724	\$ -	\$ -
Land & right-of-way	21,102	5,030	62,039
Buildings	533,094	-	-
Equipment	511,843	74,826	6,080
Total Expense	<u>\$ 1,069,763</u>	<u>\$ 79,856</u>	<u>\$ 68,119</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. LEASE OBLIGATIONS (continued)

NONCANCELABLE OPERATING LEASES

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2021:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2022	\$ 16,002	\$ 62,039
2023	1,000	62,039
2024	1,000	62,039
2025	1,000	62,039
2026	1,000	62,039
2027-2031	5,000	310,195
2032-2036	5,000	310,195
2037-2041	5,000	310,195
2042-2046	5,000	62,048
2047-2051	5,000	-
2052-2056	5,000	-
2057-2061	4,000	-
Total minimum payments required	<u>\$ 54,002</u>	<u>\$ 1,302,828</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$1,302,828 at December 31, 2021.

CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2021, consist of the following capital assets shown at original costs as summarized below:

<u>Type of Property</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Equipment	\$ 9,377,739	\$ 3,177,967
Less: Accumulated amortization	(7,814,783)	(1,666,303)
Total Expense	<u>\$ 1,562,956</u>	<u>\$ 1,511,664</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2022	\$ 831,660	\$ 294,659
2023	831,661	322,066
2024	415,830	213,208
2025	-	136,447
Total minimum lease payments	<u>2,079,151</u>	<u>966,380</u>
Less: Imputed interest	(113,165)	(64,196)
Present value of minimum lease payments	<u>\$ 1,965,986</u>	<u>\$ 902,184</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

11. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2021, follows:

	Balance 01/01/21	Additions	Deletions	Balance 12/31/21	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 85,985,000	\$ 4,335,000	\$ 8,960,000	\$ 81,360,000	\$ 5,825,000
General Obligation - Tax Abatement	10,915,000	3,705,000	4,925,000	9,695,000	480,000
Special Assessment Debt with					
Government Commitment	1,620,000	-	975,000	645,000	460,000
General Obligation Certificates	13,700,000	3,935,000	3,450,000	14,185,000	3,420,000
Add Deferred Amounts:					
For Bond Premiums	9,471,649	937,362	1,050,726	9,358,285	-
Revenue Notes	2,606,000	-	15,000	2,591,000	20,000
Compensated Absences	3,864,118	3,026,183	3,178,031	3,712,270	3,225,917
Claims and Judgments	2,413,367	16,523,272	15,545,714	3,390,925	2,171,574
Total Governmental Long-Term Liabilities	\$ 130,575,134	\$ 32,461,817	\$ 38,099,471	\$ 124,937,480	\$ 15,602,491
Business-Type Activities					
Bonds Payable					
Revenue and General Obligation Bonds	\$ 38,984,640	\$ -	\$ 2,861,476	\$ 36,123,164	\$ 2,993,588
Add Deferred Amounts					
For Bond Premiums	378,005	-	48,974	329,031	-
General Obligation Public					
Facilities Authority Notes	11,081,000	-	2,149,000	8,932,000	2,090,000
Capital Leases Payable	2,702,144	-	736,158	1,965,986	764,323
Compensated Absences	1,062,132	1,076,497	1,085,403	1,053,226	1,023,018
Total Business-Type Long-Term Liabilities	\$ 54,207,921	\$ 1,076,497	\$ 6,881,011	\$ 48,403,407	\$ 6,870,929
Component Unit Activities					
Duluth Entertainment and Convention Center Authority					
Compensated Absences	\$ 78,981	\$ 112,979	\$ 95,618	\$ 96,342	\$ 96,342
Duluth Transit Authority					
Compensated Absences	593,786	618,270	593,786	618,270	618,270
Duluth Airport Authority					
Loans Payable	7,462,223	2,845,000	4,292,223	6,015,000	920,000
Compensated Absences	123,329	112,047	113,149	122,227	122,227
Unearned Revenue	207,686	-	61,155	146,531	-
Spirit Mountain Recreation Area Authority					
Capital Leases Payable	869,734	32,450	-	902,184	260,195
Compensated Absences	125,460	101,520	125,460	101,520	101,520
Total Component Unit Long-Term Liabilities	\$ 9,461,199	\$ 3,822,266	\$ 5,281,391	\$ 8,002,074	\$ 2,118,554

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2022	\$ 2,977,747	\$ 5,825,000	\$ 515,395	\$ 3,420,000	\$ 190,890	\$ 480,000
2023	2,820,566	6,500,000	422,549	3,455,000	190,564	930,000
2024	2,625,513	6,815,000	278,475	2,855,000	177,118	950,000
2025	2,428,569	6,920,000	160,700	2,100,000	161,673	965,000
2026	2,204,683	7,095,000	77,525	1,480,000	144,112	985,000
2027-2031	7,028,558	32,105,000	21,875	875,000	384,441	4,760,000
2032-2036	1,052,120	16,100,000	-	-	9,844	625,000
Total	<u>\$ 21,137,756</u>	<u>\$ 81,360,000</u>	<u>\$ 1,476,519</u>	<u>\$ 14,185,000</u>	<u>\$ 1,258,642</u>	<u>\$ 9,695,000</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
2022	\$ 70,858	\$ 20,000
2023	70,349	20,000
2024	69,826	30,000
2025	69,025	2,521,000
Total	<u>\$ 280,058</u>	<u>\$ 2,591,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$645,000 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

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

Year Ending December 31	Special Assessment Bonds	
	Interest	Principal
2022	\$ 16,600	\$ 460,000
2023	3,700	185,000
Total	<u>\$ 20,300</u>	<u>\$ 645,000</u>

Other Debt

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2022	\$ 1,051,789	\$ 2,993,588	\$ 108,649	\$ 2,090,000
2023	972,577	2,944,517	82,260	1,908,000
2024	891,140	2,842,425	57,843	1,932,000
2025	811,032	2,790,855	33,101	1,622,000
2026	730,927	2,789,828	13,993	405,000
2027-2031	2,919,023	6,734,302	19,560	975,000
2032-2036	1,976,734	6,198,707	-	-
2037-2041	1,074,155	6,070,436	-	-
2042-2046	144,992	2,758,506	-	-
Total	<u>\$ 10,572,369</u>	<u>\$ 36,123,164</u>	<u>\$ 315,406</u>	<u>\$ 8,932,000</u>

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.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

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

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities			
General Obligation Bonds Payable			
Capital Improvement	11/29/2011	\$ 215,000	
Airport Improvement	12/18/2013	2,260,000	
Capital Improvement	12/18/2013	595,000	
Capital Improvement - Lakewalk	12/18/2013	870,000	
Wade Stadium Improvement	10/30/2014	1,535,000	
Spirit Mountain Improvement	10/30/2014	1,625,000	
Capital Improvement	10/30/2014	475,000	
Capital Improvement	11/05/2015	850,000	
Airport Improvement	11/05/2015	2,055,000	
Capital Improvement - 1/2 & 1/2	11/05/2015	9,075,000	
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	30,600,000	
Capital Improvement	11/09/2016	735,000	
Capital Improvement	11/21/2017	1,135,000	
Capital Improvement - Seawall	02/14/2018	3,765,000	
Capital Improvement	10/17/2018	1,110,000	
Capital Improvement	10/09/2019	1,110,000	
Capital Improvement Refunding	10/09/2019	9,280,000	
Capital Improvement	10/21/2020	1,640,000	
Capital Improvement - Lakewalk	10/21/2020	4,150,000	
State Aid Street Improvement	10/21/2020	3,945,000	
Capital Improvement	11/03/2021	1,490,000	
Airport Improvement - Refunding	11/03/2021	<u>2,845,000</u>	
Total General Obligation Bonds Payable			81,360,000
General Obligation Tax Abatement			
GO Tax Abatement (Cirrus)	03/22/2016	\$ 5,990,000	
GO Tax Abatement Refunding	11/03/2021	<u>3,705,000</u>	
			9,695,000
Special Assessment Debt with Government Commitment	1 issue	<u>645,000</u>	645,000
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable	6 issues	<u>14,185,000</u>	<u>14,185,000</u>
Total Governmental Activities Debt			<u>\$ 105,885,000</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Business-type Activities Debt			
Revenue and General Obligation Bonds Payable			
Parking Fund	1 issue	\$ 4,500,000	
Priley Drive Parking Facility	1 issue	11,818,164	
Water Fund	3 issues	3,777,000	
Steam Fund	3 issues	14,850,000	
Sewer Fund	4 issues	1,033,000	
Stormwater Fund	1 issue	<u>145,000</u>	
Total Revenue and General Obligation Bonds Payable			<u>36,123,164</u>
Total Business-type Activities Debt			<u>\$ 36,123,164</u>
Total Bonds Payable			<u>\$ 142,008,164</u>
Deductions Allowable			
Airport Improvement	12/18/2013	\$ 2,260,000	
Wade Stadium Improvement	10/30/2014	1,535,000	
Spirit Mountain Improvement	10/30/2014	1,625,000	
Airport Improvement	11/05/2015	2,055,000	
Capital Improvement 1/2 & 1/2	11/05/2015	9,075,000	
Duluth Entertainment and Convention Center Authority Refunding	03/22/2016	30,600,000	
GO Tax Abatement (Cirrus)	03/22/2016	5,990,000	
Capital Improvement - Seawall	02/14/2018	3,765,000	
Street Improvement	10/21/2020	3,945,000	
Airport Improvement Refunding	11/03/2021	2,845,000	
GO Tax Abatement Refunding	11/03/2021	3,705,000	
Special Assessment		645,000	
Parking Fund		4,500,000	
Priley Drive Parking Facility		11,818,164	
Water Fund		3,777,000	
Steam Fund		14,850,000	
Sewer Fund		1,033,000	
Stormwater Fund		<u>145,000</u>	
Total Deductions Allowable			<u>104,168,164</u>
Net Debt			<u>\$ 37,840,000</u>
Legal Debt Margin for Duluth			
Taxable Market Value (7,179,732,200 X 2%)			<u>\$ 143,594,644</u>

<u>Overlapping Debt to Duluth</u>			
<u>Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$ 74,922,602	88.68%	\$ 66,443,237
Independent School District 704	22,675,000	7.68%	1,742,510
St. Louis County	157,660,000	39.34%	<u>62,024,063</u>
			<u>\$130,209,810</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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

In 2021 the City issued \$3,705,000 General Obligation Tax Abatement Refunding Bonds. The transaction resulted in a net present value savings of \$173,640 and a reduction in future debt service payments of \$181,854. The proceeds from this issue were used to advance refund the City's Series 2012A General Obligation Tax Abatement Bonds.

In 2021 the City issued \$2,845,000 Airport Improvement Refunding Bonds. The transaction resulted in a net present value savings of \$169,641 and a reduction in future debt service payments of \$202,704. The proceeds from this issue were used to refund the City's Series 2012B Taxable GO Airport Improvement Bonds.

The following refunded bonds are scheduled to be recalled on February 1, 2022.

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2012A	2/23/2012	Spirit Mountain Tax	\$ 4,055,000
2012B	5/24/2012	Airport Improvement	\$ 3,905,000

Advance Refunding Bonds

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

All advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities			
Current Refunding Bonds			
Street Improvement	11/05/2015	\$ 2,630,000	\$ 645,000
Capital Improvement Refunding	10/09/2019	9,755,000	9,280,000
Airport Improvement Refunding	11/03/2021	2,845,000	2,845,000
GO Tax Abatement Refunding	11/03/2021	3,705,000	3,705,000
Advance Refunding Bonds			
Duluth Entertainment and Convention Center Improvement Refunding	03/22/2016	33,470,000	30,600,000
Total Governmental Activities		<u>\$ 52,405,000</u>	<u>\$ 47,075,000</u>
Business-type Activities			
Current Refunding Bonds			
Steam Utility Revenue and General Obligation	11/27/2012	\$ 5,475,000	\$ 440,000
Water Utility Revenue and General Obligation	11/05/2015	515,000	90,000
Sewer Utility Revenue and General Obligation	11/05/2015	1,110,000	340,000
Sewer Utility Revenue and General Obligation	11/05/2015	350,000	60,000
Stormwater Utility Revenue and General Obligation	11/05/2015	790,000	145,000
Advance Refunding Bonds			
Parking Improvements	11/27/2012	10,270,000	4,500,000
Total Business-type Activities		<u>\$ 18,510,000</u>	<u>\$ 5,575,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

11. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2021, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities					
General Obligation Bonds Payable					
General Obligation					
Capital Improvement	3.00%	02/01; 08/01	11-29-11 02-01-22	\$ 1,870,000	\$ 215,000
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13 02-01-29	3,400,000	2,260,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13 02-01-24	1,795,000	595,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13 02-01-29	1,460,000	870,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14 02-01-30	2,330,000	1,535,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14 02-01-35	2,150,000	1,625,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14 02-01-25	1,115,000	475,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-26	1,615,000	850,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15 02-01-31	2,855,000	2,055,000
Capital Improvement - 1/2 & 1/2	3.00 to 3.80%	02/01; 08/01	11-05-15 02-01-32	13,520,000	9,075,000
Duluth Entertainment and Convention					
Center Improvement Refunding	3.00 to 5.00%	02/01; 08/01	03-22-16 02-01-34	33,470,000	30,600,000
Capital Improvement	4.00%	02/01; 08/01	11-09-16 02-01-27	1,135,000	735,000
Capital Improvement	3.00%	02/01; 08/01	11-21-17 02-01-28	1,545,000	1,135,000
Capital Improvement - Seawall	3.00%	02/01; 08/01	02-14-18 02-01-34	4,450,000	3,765,000
Capital Improvement	5.00%	02/01; 08/01	10-17-18 02-01-29	1,310,000	1,110,000
Capital Improvement	5.00%	02/01; 08/01	10-09-19 02-01-30	1,190,000	1,110,000
Capital Improvement Refunding	5.00%	02/01; 08/01	10-09-19 02-01-32	9,755,000	9,280,000
Capital Improvement	3.00%	02/01; 08/01	10-21-20 02-01-31	1,640,000	1,640,000
Capital Improvement - Lakewalk	2.00%	02/01; 08/01	10-21-20 02-01-36	4,150,000	4,150,000
State Aid Street Improvement	1.50%	02/01; 08/01	10-21-20 02-01-26	3,945,000	3,945,000
Capital Improvement	5.00%	02/01; 08/01	11-03-21 02-01-32	1,490,000	1,490,000
Airport Improvement Refunding	0.25 to 1.75%	02/01; 08/01	11-03-21 02-01-28	2,845,000	2,845,000
Total General Obligation				<u>99,035,000</u>	<u>81,360,000</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	5,990,000
GO Tax Abatement Refunding	0.25 to 1.75%	02/01; 08/01	11-03-21 02-01-30	3,705,000	3,705,000
Total General Obligation - Tax Abatement				<u>11,525,000</u>	<u>9,695,000</u>
Special Assessment Debt with Government Commitment					
Street Improvement Refunding	4.00%	02/01; 08/01	11-05-15 02-01-23	2,630,000	645,000
Total Special Assessment Debt with Government Commitment				<u>2,630,000</u>	<u>645,000</u>
General Obligation Certificates Payable					
Equipment	4.00%	02/01; 08/01	11-09-16 02-01-22	3,565,000	775,000
Equipment	3.00 to 4.00%	02/01; 08/01	11-21-17 02-01-23	3,615,000	1,530,000
Equipment	3.00 to 5.00%	02/01; 08/01	10-17-18 02-01-24	3,885,000	2,435,000
Equipment	5.00%	02/01; 08/01	10-09-19 02-01-25	3,070,000	2,550,000
Equipment	4.00%	02/01; 08/01	10-21-20 02-01-26	2,960,000	2,960,000
Equipment	5.00%	02/01; 08/01	11-03-21 02-01-27	3,935,000	3,935,000
Total General Obligation Certificates Payable				<u>21,030,000</u>	<u>14,185,000</u>
Total Governmental Activities				<u>\$134,220,000</u>	<u>\$105,885,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

11. LONG-TERM DEBT (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Business-type Activities					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12 02-01-26	\$ 10,270,000	\$ 4,500,000
Priley Drive Parking Facility					
Parking Improvement Tax Increment	4.00%	04/01; 10/01	05-15-14 04-01-44	11,500,000	11,818,164
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	47,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	515,000	90,000
Water Utility Revenue and General Obligation	3.00 to 3.38%	02/01; 08/01	10-17-18 02-01-34	4,050,000	3,640,000
Total Water Fund				4,761,000	3,777,000
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	1.00 to 2.13%	02/01; 08/01	11-27-12 02-01-22	5,475,000	440,000
Steam Utility Revenue and General Obligation	3.00 to 3.20%	02/01; 08/01	11-05-15 02-01-27	4,015,000	3,915,000
Steam Utility Revenue and General Obligation	2.00 to 2.40%	02/01; 08/01	10-21-20 02-01-41	10,495,000	10,495,000
Total Steam Fund				19,985,000	14,850,000
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	343,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	290,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-23	1,110,000	340,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	350,000	60,000
Total Sewer Fund				3,809,000	1,033,000
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	790,000	145,000
Total Business-type Activities				\$ 51,115,000	\$ 36,123,164

NOTES PAYABLE BY ISSUE

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities					
Revenue Note					
U.S. Dept. of Housing and Urban Development				\$ 2,636,000	\$ 2,591,000
Total Governmental Activities	2.54 to 2.74%	01/22; 07/22	03-28-19 08-01-25	\$ 2,636,000	\$ 2,591,000

(continued)

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

11. LONG-TERM DEBT (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding
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	\$ 363,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-14-10 08-20-25	3,344,131	972,000
Public Facilities Authority Note	1.221%	02/20; 08/20	11-29-11 08-20-26	1,221,631	417,000
Public Facilities Authority Note	1.000%	02/20; 08/20	03-24-14 08-20-29	4,778,806	2,537,000
Total Water Fund				<u>10,637,768</u>	<u>4,289,000</u>
Sewer Fund					
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07 08-20-22	1,973,033	157,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09 08-20-24	796,835	183,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09 08-20-24	2,414,150	570,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	3,753,059	1,071,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	8,504,224	2,389,000
Public Facilities Authority Note	1.000%	02/20; 08/20	09-10-12 08-20-22	476,537	49,000
Public Facilities Authority Note	1.000%	02/20; 08/20	10-29-14 08-20-24	860,847	224,000
Total Sewer Fund				<u>18,778,685</u>	<u>4,643,000</u>
Total Business-type Activities				<u>\$ 29,416,453</u>	<u>\$ 8,932,000</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

12. FUND EQUITY

For governmental funds, fund balance is classified as 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, 2021 are as follows:

	General Fund	Local Fiscal Recovery	Community Investment Trust	General Obligation	Other Governmental Funds	Total Fund Balance
Fund Balances						
Spendable:						
Restricted for:						
General Government	\$ -	\$ 96,173	\$ -	\$ -	\$ 17	\$ 96,190
Forfeitures	326,903	-	-	-	451,212	778,115
Capital Projects	-	-	-	-	9,971,027	9,971,027
Community Development	-	-	-	-	1,179,834	1,179,834
Employment	-	-	-	-	301,720	301,720
Parks and Recreation	-	-	-	-	1,416,223	1,416,223
Public Access Television	-	-	-	-	653,373	653,373
Public Safety	-	-	-	-	968	968
Public Works	-	-	-	-	8,970,155	8,970,155
Economic Development	-	-	-	-	866,990	866,990
Library	-	-	-	-	803,517	803,517
Tourism	-	-	-	-	3,166,251	3,166,251
Debt Service	-	-	-	15,230,818	5,269,045	20,499,863
Committed for:						
General Government	-	-	-	-	483,968	483,968
Community Development	-	-	-	-	4,013,248	4,013,248
Community Investment	-	-	32,580,415	-	-	32,580,415
Energy Program	-	-	-	-	143,240	143,240
Municipal Arts	-	-	-	-	154,810	154,810
Parks and Recreation	-	-	-	-	830,738	830,738
Public Safety	34,120	-	-	-	630,426	664,546
Assigned to:						
General Government	3,554,986	-	-	-	-	3,554,986
Energy Program	-	-	-	-	2,000,000	2,000,000
Parks and Recreation	92,238	-	-	-	-	92,238
Public Safety	32,857	-	-	-	-	32,857
Public Works	261,595	-	-	-	-	261,595
Economic Development	37,110	-	-	-	608,044	645,154
Capital Projects	-	-	-	-	2,371,889	2,371,889
Unassigned	21,256,399	-	-	-	(6,362,158)	14,894,241
Total Fund Balances	\$25,596,208	\$ 96,173	\$32,580,415	\$ 15,230,818	\$ 37,924,537	\$ 111,428,151

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

13. 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, 2021 are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General Fund	Steam Enterprise	30,464
	Nonmajor Governmental Funds	2,247,073
	Nonmajor Enterprise Funds	8,083
	Internal Service Funds	372,341
Local Fiscal Recovery	Water Enterprise	120,860
Water Enterprise	Internal Service Funds	23,333
Gas Enterprise	Internal Service Funds	26,400
Sewer Enterprise	Internal Service Funds	8,726
Steam Enterprise	Nonmajor Governmental Funds	1,368,848
	Internal Service Funds	61
Nonmajor Governmental Funds	General Fund	321,580
	General Obligation	270,678
	Nonmajor Governmental Funds	806,280
	Nonmajor Enterprise Funds	1,535
	Internal Service Funds	24,233
Nonmajor Enterprise Funds	Steam Enterprise	2,678
	Internal Service Funds	6,642
Internal Service Funds	General Fund	156,724
	Nonmajor Governmental Funds	10,379
Total		(1,2,3) <u>\$ 5,806,918</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 5,181,562
	Statement of Net Position - Proprietary Funds	
	Business-type Activities - Enterprise Funds	163,620
	Governmental Activities - Internal Service Funds	461,736
Total		<u>\$ 5,806,918</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

13. 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, 2021, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2021.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Spirit Mountain Recreation Area Authority (4)	200,000
	Duluth Airport Authority (1,2,3)	61
Nonmajor Governmental Funds	Spirit Mountain Recreation Area Authority (1,2,3)	102,500
	Duluth Entertainment and Convention Center Authority (1,2,3)	1,200
Nonmajor Enterprise Funds	Duluth Economic Development Authority (1,2,3)	16,550
Total Due From Component Units		<u>\$ 320,311</u>
Total Due To Primary Government		\$ 1,224,680
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2021		(1,206,869)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2021		302,500
Total Due From Component Units		<u>\$ 320,311</u>
Component Unit:	Primary Government:	
Duluth Airport Authority	Nonmajor Governmental Funds	\$ 2,080
Duluth Transit Authority	General Fund	5
Duluth Entertainment and Convention Center Authority	Nonmajor Governmental Funds	888,538
Total Due From Primary Government		<u>\$ 890,623</u>
Total Due To Component Units		<u>\$ 890,623</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, 2021 are:

<u>Receivable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 6,867,878</u>
<u>Payable Fund</u>	
Nonmajor Governmental Funds	4,129,500
Nonmajor Enterprise Funds	2,402,444
Internal Service Funds	335,934
Total	<u>\$ 6,867,878</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

13. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: (1) debt service payments, participation in projects, and reimbursements of expenditures; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2021, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General Fund	Community Investment Trust	(1) \$ 547,392
	Water Enterprise	(1,3) 154,233
	Gas Enterprise	(1,2,3) 2,669,522
	Sewer Enterprise	(1,3) 118,549
	Steam Enterprise	(2) 154,492
	Nonmajor Governmental Funds	(1,3) 3,023,613
	Nonmajor Enterprise Funds	(1,3) 1,947,663
	Internal Service Funds	(1) 2,313
General Obligation Debt Service Fund	Nonmajor Governmental Funds	(1) 5,309,710
Priley Drive Parking Facility Enterprise Fund	Nonmajor Governmental Funds	(1) 506,648
Water Enterprise	Nonmajor Governmental Funds	(1) 100,000
Internal Service Funds	General Fund	(3) 100,000
Nonmajor Governmental Funds	General Fund	(1,3) 2,653,000
	Community Investment Trust	(3) 4,000,000
	Gas Enterprise	(3) 75,000
	Nonmajor Governmental Funds	(1,3) <u>13,123,653</u>
Total		<u>\$ 34,485,788</u>
Transfers out, reported in:	Statement of Revenues, Expenditures, and Change in Fund Balances:	
	Governmental Funds	\$ 29,364,016
	Statement of Revenues, Expenditures, and Change in Fund Net Position:	
	Business-type Activities - Enterprise Funds	5,119,459
	Governmental Activities - Internal Service Funds	2,313
Total		<u>\$ 34,485,788</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

14. PENSION PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Duluth are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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

BENEFITS PROVIDED

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

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

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

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

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

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

CONTRIBUTIONS

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes, Chapter 353. These statutes are established and amended by the state legislature. Rates did not change from 2020.

In 2021, the City and members were required to contribute the following percentages of annual covered salary:

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

The City's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Fund	\$ 2,887,146
Police and Fire Fund	4,289,374

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

PENSION COSTS

General Employees Fund

At December 31, 2021, the City reported a liability of \$22,219,141 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City's proportion was 0.5203%. It was 0.5439% measured as of June 30, 2020. The City recognized pension expense of (\$488,648) for its proportionate share of the General Employees Plan's pension expense.

The City also recognized \$54,737 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

City's proportionate share of the net pension liability	\$ 22,219,141
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>678,414</u>
Total	<u><u>\$ 22,897,555</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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 135,878	\$ 683,537
Changes in actuarial assumptions	13,566,547	505,985
Difference between projected and actual investment earnings	-	19,142,668
Changes in proportion	718,741	1,119,445
Contributions paid to PERA subsequent to the measurement date	1,458,847	-
Total	<u><u>\$ 15,880,013</u></u>	<u><u>\$ 21,451,635</u></u>

The \$1,458,847 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2022	\$ (985,915)
2023	(303,436)
2024	(492,623)
2025	(5,248,495)

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

Police and Fire Fund

At December 31, 2021, the City reported a liability of \$15,820,739 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City's proportion was 2.0496%. It was 2.2387% measured as of June 30, 2020. The City recognized pension expense of (\$2,094,024) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. 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 on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The City recognized an additional \$129,534 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

City's proportionate share of the net pension liability	\$ 15,820,739
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>711,275</u>
Total	<u>\$ 16,532,014</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90% funded, or until the State Patrol Plan is 90% funded, whichever occurs later. The City also recognized \$184,462 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,122,349	\$ -
Changes in actuarial assumptions	23,252,343	9,772,403
Difference between projected and actual investment earnings	-	29,954,140
Changes in proportion	604,363	3,134,842
Contributions paid to PERA subsequent to the measurement date	<u>2,237,006</u>	<u>-</u>
Total	<u>\$ 29,216,061</u>	<u>\$ 42,861,385</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

The \$2,237,006 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (12,225,126)
2023	(2,462,475)
2024	(2,205,615)
2025	(3,664,074)
2026	4,674,960

The total pension expense for all plans recognized by the City for the year ended December 31, 2021, was (\$2,582,672).

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire Plan, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25% for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00% as set by state statute.

Actuarial assumptions used in the June 30, 2021, 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 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.50% in 2021, which is a decrease of 1% from 2020. 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 positions 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

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- 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.

Police and Fire Plan

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

14. PENSION PLANS (continued)

PENSION LIABILITY SENSITIVITY

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

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1.0% Decrease	5.5%	\$ 45,315,705	5.5%	\$ 50,228,174
Current	6.5%	22,219,141	6.5%	15,820,739
1.0% Increase	7.5%	3,267,000	7.5%	(12,384,831)

PENSION PLAN FIDUCIARY NET POSITION

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

DEFINED CONTRIBUTION PLAN

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

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2021, were:

	Employee	Employer
Contribution amount	\$ 4,894	\$ 4,894
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 2021 annual report.

The Duluth Transit Authority and Duluth Economic Development Authority have no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2021 annual report.

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

15. 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, 2021, there were 1,089 retirees receiving health benefits from the City's health plan and 883 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, 2021, the City contributed \$9,747,299 and retirees contributed \$207,435.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$484,236 were made to the irrevocable trust in 2021.

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, 2021 is:

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

Rate of return – For the year ended December 31, 2021, the annual money-weighted return on investments, net of investment expense, was 20.99%. 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, 2021**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at December 31, 2021, were as follows:

Total OPEB liability	\$ 149,476,336
Plan fiduciary net position	(99,913,230)
City's net OPEB liability	<u>\$ 49,563,106</u>
Plan fiduciary net position as a percentage of the total OPEB liability	66.84%

The City has allocated the net OPEB liability between its governmental and business-type activities. The government activities report a net OPEB liability of \$67,471,228 and the business-type activities report a prepaid asset of \$17,908,122.

CHANGES IN THE NET OPEB LIABILITY

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a-b)</u>
Balance at 1/1/21	\$ 156,608,958	\$ 82,675,184	\$ 73,933,774
Changes for the year:			
Service cost	1,902,658	-	1,902,658
Interest	8,192,883	-	8,192,883
Contributions - employer	-	12,041,435	(12,041,435)
Difference between expected and actual experience	4,178,987	-	4,178,987
Changes in assumptions	(9,102,651)	-	(9,102,651)
Difference between actual and projected earnings	-	12,801,615	(12,801,615)
Projected earnings	-	4,704,870	(4,704,870)
Benefit payments	(12,304,499)	(12,304,499)	-
Administrative expense	-	(5,375)	5,375
Net change	<u>(7,132,622)</u>	<u>17,238,046</u>	<u>(24,370,668)</u>
Balance at 12/31/21	<u>\$ 149,476,336</u>	<u>\$ 99,913,230</u>	<u>\$ 49,563,106</u>

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

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

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

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

Single Equivalent Interest Rate (SEIR)	
Long-Term Expected Rate of Return	5.70%
S&P Municipal Bond 20-Year High-Grade Rate Index	1.93%
Administrative Expenses Paid from the Trust	0.01%
Fiscal Year in which Fiduciary Net Position is Projected	N/A
Single Equivalent Interest Rate	5.70%

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

	1% Decrease (4.7%)	Discount Rate (5.7%)	1% Increase (6.7%)
Net OPEB liability (asset)	\$ 65,125,534	\$ 49,563,106	\$ 36,734,278

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

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

15. OTHER POSTEMPLOYMENT BENEFITS (continued)

	1% Decrease (7.0% decrease to 4.0%)	Healthcare Cost Trend Rate (8.0% decrease to 5.0%)	1% Increase (9.0% decrease to 6.0%)
Net OPEB liability (asset)	\$ 35,128,913	\$ 49,563,106	\$ 66,999,160

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

For the year ended December 31, 2021, the City recognized OPEB expenses of \$17,095,620. At December 31, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 17,952,271
Changes in actuarial assumptions	-	13,641,341
Difference between expected and actual economic experience	3,707,964	-
Total	<u>\$ 3,707,964</u>	<u>\$ 31,593,612</u>

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

<u>Year Ended December 31</u>	<u>OPEB Expense Amount</u>
2022	\$ (10,450,236)
2023	(9,220,189)
2024	(5,098,124)
2025	(3,117,099)

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, 2021, the City recognized OPEB expenses of \$408,842.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

16. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following nonmajor enterprise funds: Parking, which accounts for the municipal parking ramps, lots, and meters; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ended December 31, 2021, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Parking</u>	<u>Stormwater</u>
Assets		
Current assets	\$ 2,029,171	\$ 6,758,357
Due from other funds	-	1,535
Capital assets	17,505,373	19,791,923
Noncurrent assets	-	578
Total Assets	<u>19,534,544</u>	<u>26,552,393</u>
Deferred Outflows of Resources	<u>352,553</u>	<u>846,387</u>
Liabilities		
Current liabilities	981,368	434,606
Due to other funds	4,649	4,671
Noncurrent liabilities	3,842,769	1,025,479
Total Liabilities	<u>4,828,786</u>	<u>1,464,756</u>
Deferred Inflows of Resources	<u>190,616</u>	<u>1,820,386</u>
Net Position		
Net investment in capital assets	13,211,486	19,646,353
Unrestricted	1,656,209	4,467,285
Total Net Position	<u>\$ 14,867,695</u>	<u>\$ 24,113,638</u>

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

	<u>Parking</u>	<u>Stormwater</u>
Operating Revenues (Expenses)		
Charges (pledged against bonds)	\$ 3,253,133	\$ 6,298,247
Depreciation expense	(573,987)	(448,490)
Other operating expenses	(2,666,019)	(2,912,316)
Operating Income	<u>13,127</u>	<u>2,937,441</u>
Nonoperating Revenues (Expenses)		
Investment earnings	(33,635)	(8,129)
Intergovernmental revenue	-	6,784
Gain (Loss) on sale of capital assets	-	(779)
Interest expense	(161,861)	1,807
Capital contributions	430,757	39,146
Transfers in	-	-
Transfers out	(1,414,798)	(532,865)
Change in Net Position	<u>(1,166,410)</u>	<u>2,443,405</u>
Beginning Net Position	<u>16,034,105</u>	<u>21,670,233</u>
Ending Net Position	<u>\$ 14,867,695</u>	<u>\$ 24,113,638</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

16. SEGMENT INFORMATION (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Parking</u>	<u>Stormwater</u>
Net Cash Provided (Used) by		
Operating activities	\$ 570,192	\$ 2,772,425
Noncapital financing activities	(1,422,881)	(525,620)
Capital and related financing activities	(547,595)	(929,024)
Investing activities	(33,635)	(8,129)
Net Increase (Decrease)	(1,433,919)	1,309,652
Beginning Cash and Cash Equivalents	3,410,426	1,666,349
Ending Cash and Cash Equivalents	<u>\$ 1,976,507</u>	<u>\$ 2,976,001</u>

17. 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, 2021.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

RELATED ORGANIZATION

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

Related party transactions are limited to payments by the City on various contracts for services entered into with the Authority. The City made payments on various contracts totaling \$1,380,311 to the Duluth Housing and Redevelopment Authority in 2021.

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, 2020 (the most recent available) was:

Total Assets	\$	49,815
Total Liabilities		3,480
Total Net Position		46,335
Total Revenues		79,200
Total Expenditures		49,601
Change in Net Position		29,599

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, 2021, follows:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

	Maximum Assistance	2021 Tax Rebate
Bluestone Commons	\$ 9,896,864	\$ 445,913
Central Hillside Development, LLP	\$ 178,103	\$ 16,348
Garfield Business Park, LLC	\$ 611,069	\$ 62,528
Harbor Bay	\$ 2,051,477	\$ 321,156
Kenwood Village, LLC	\$ 2,851,050	\$ 198,414
NorShore Theatre, LLC	\$ 120,387	\$ 116,340
NorShore Theatre, LLC	\$ 1,063,366	\$ 170,830
Pier B, LLC	\$ 3,379,967	\$ 237,146
Sherman Associates Hotel/Condominium	\$ 5,000,000	\$ 213,538

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, 2021, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal</u>
Benedictine Health Center	2021A	\$ 73,405,000	\$ 73,405,000
Benedictine Health Center	2021B	\$ 19,300,000	\$ 19,025,471
Benedictine Health Center	2021C	\$ 19,000,000	\$ 18,726,732
Cambia Hills	2018	\$ 26,975,000	\$ 26,685,000
Essentia Health	2018A	\$ 682,285,000	\$ 682,285,000
Essentia Health	2020C	\$ 116,955,000	\$ 103,210,000
Essentia Health	2020D	\$ 65,000,000	\$ 63,635,000
Health Sciences Education Facility Corp (Scholastica)	2015A	\$ 10,000,000	\$ 8,077,683
Health Sciences Education Facility Corp (Scholastica)	2015B	\$ 6,600,000	\$ 5,252,406
Ikonics	2016	\$ 3,415,000	\$ 2,605,933
St. Luke's Hospital	2012	\$ 81,595,000	\$ 65,740,000
St. Luke's Hospital	2018A	\$ 19,750,000	\$ 19,172,018
St. Luke's Hospital	2018B	\$ 19,750,000	\$ 19,172,018
St. Luke's Hospital	2021A	\$ 14,725,000	\$ 14,725,000
St. Luke's Hospital	2022A	\$ 49,000,000	\$ 49,000,000

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

18. TAX ABATEMENT

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

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

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

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

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

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

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

19. SUBSEQUENT EVENTS

Pursuant to Minnesota Statutes, Section 444.075 and Chapter 475 along with Section 55 of the City Charter, the City issued \$3,857,531 General Obligation Water Utility Revenue Note; Series 2022A dated February 1, 2022. The note finances improvements to the water utility system consisting of rehabilitation of the Middle Booster Station including replacement and upgrades to existing pumps, motors and piping. Water utility revenues are pledged as the primary source of repayment.

**Required Supplementary
Information**

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS AND
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2021**

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
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	222.7%	227.9%	155.8%	131.7%	87.2%

SCHEDULE OF INVESTMENT RETURNS

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

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

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

**CITY OF DULUTH, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2021**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
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	19.8%	22.6%	21.5%	18.3%	21.2%

Notes to Schedule:

Valuation date 1/1/2021

Methods and assumptions used to determine contribution rates:

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

Asset valuation method Market value

Inflation 2.2%

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

Salary increases 3.5%

Investment rate of return 5.7%

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES PLAN
DECEMBER 31, 2021**

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

Fiscal Year Ending***	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Employer's 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
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 for Employers in the General Employees Plan to report their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

** Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015.

*** The year reported for this schedule coincides with the measurement date used for the NPL.

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

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

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** The fiscal year for the Schedule of Contributions should be the employer's fiscal year end, i.e., June 30 or December 31 for most PERA employers.

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, 2021**

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

Fiscal Year Ending **	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) 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)	Employer's 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
2021	2.050%	\$ 15,820,739	\$ 711,275	\$ 16,532,014	\$ 24,782,302	63.84%	93.70%
2020	2.239%	\$ 29,508,461	\$ 695,185	\$ 30,203,646	\$ 25,263,315	116.80%	87.20%
2019	2.309%	\$ 24,576,314	N/A	\$ 24,576,314	\$ 24,327,497	101.02%	89.30%
2018	2.195%	\$ 23,397,505	N/A	\$ 23,397,505	\$ 23,134,636	101.14%	88.80%
2017	2.311%	\$ 31,201,250	N/A	\$ 31,201,250	\$ 23,723,278	131.52%	85.40%
2016	2.317%	\$ 92,985,242	N/A	\$ 92,985,242	\$ 22,320,623	416.59%	63.88%
2015	2.268%	\$ 25,769,787	N/A	\$ 25,769,787	\$ 20,780,650	124.01%	86.61%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015.

** The year reported for this schedule coincides with the measurement date used for the NPL.

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

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

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

** The fiscal year for the Schedule of Contributions should be the employer's fiscal year end, i.e., June 30 or December 31 for most PERA employers.

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, 2021**

OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

See Note 15 in the notes to the financial statements for additional information regarding the City's other postemployment benefits.

EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

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

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

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

DEFINED BENEFIT PENSION PLANS - CHANGES IN SIGNIFICANT PLAN PROVISION, 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

2021

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

2020

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP- 2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

General Employees Fund (continued)

- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

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

2017

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Police and Fire Plan

2021

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

2020

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

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, 2021**

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**

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

SPECIAL REVENUE FUNDS

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

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

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

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

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

Disaster Recovery – to account for grant and aid monies associated with the 500-year flood event, which occurred in June, 2012, and continues to be used for subsequent disasters.

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

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

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

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

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

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

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

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

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

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.

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

SPECIAL REVENUE FUNDS (continued)

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.

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

Special Revenue Funds

	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs
Assets				
Cash and cash equivalents	\$ 427,891	\$ 2,533,493	\$ 2,359,390	\$ 277,987
Receivables, net				
Taxes	-	109,774	-	-
Accounts	-	9,598	53,701	-
Assessments	-	-	396,552	-
Loans	-	-	-	-
Due from other funds	-	-	11,687	-
Due from component units	-	-	1,200	-
Due from other governments	-	1,018,416	82,233	825,053
Prepays	-	-	-	-
Total Assets	427,891	3,671,281	2,904,763	1,103,040
Liabilities				
Accounts payable	69	12,574	16,745	133,816
Contracts payable	118,931	347,657	27,261	173,741
Due to other funds	-	13,357	25,443	211,084
Due to component units	-	-	-	-
Interfund loan payable	-	-	-	-
Due to other governments	-	111	20,563	-
Accrued salaries payable	-	38,897	-	-
Unearned revenue	-	830,829	268,555	15,971
Total Liabilities	119,000	1,243,425	358,567	534,612
Deferred Inflows of Resources				
Unavailable revenue	-	1,053,653	419,134	154,548
Fund Balances				
Restricted	-	1,374,203	698,264	413,880
Committed	308,891	-	1,428,798	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	308,891	1,374,203	2,127,062	413,880
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 427,891	\$ 3,671,281	\$ 2,904,763	\$ 1,103,040

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

Special Revenue Funds

	Disaster Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Economic Development
Assets					
Cash and cash equivalents	\$ -	\$ 874,038	\$ 209,443	\$ 806,331	\$ 615,115
Receivables, net					
Taxes	-	-	-	-	-
Accounts	-	-	-	753	37,756
Assessments	-	-	-	-	-
Loans	-	680,384	-	-	300,004
Due from other funds	3,776	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governments	1,444,117	-	-	-	13,789
Prepays	-	-	-	-	-
Total Assets	1,447,893	1,554,422	209,443	807,084	966,664
Liabilities					
Accounts payable	35,265	-	2,000	3,567	-
Contracts payable	1,625,098	-	-	-	58,616
Due to other funds	1,365	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	4,046,481	-	-	-	-
Due to other governments	-	112,444	-	-	-
Accrued salaries payable	2,942	-	-	-	-
Unearned revenue	649,601	-	-	-	-
Total Liabilities	6,360,752	112,444	2,000	3,567	58,616
Deferred Inflows of Resources					
Unavailable revenue	1,356,115	574,988	-	-	300,004
Fund Balances					
Restricted	-	866,990	-	803,517	-
Committed	-	-	207,443	-	-
Assigned	-	-	-	-	608,044
Unassigned	(6,268,974)	-	-	-	-
Total Fund Balances	(6,268,974)	866,990	207,443	803,517	608,044
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,447,893	\$ 1,554,422	\$ 209,443	\$ 807,084	\$ 966,664

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	Special Revenue Funds			
	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program
Assets				
Cash and cash equivalents	\$ 186,400	\$ 3,001,209	\$ 35,228	\$ 176,273
Receivables, net				
Taxes	-	918,144	218	-
Accounts	-	-	-	-
Assessments	-	-	-	-
Loans	-	-	-	387,616
Due from other funds	2,000,000	-	-	-
Due from component units	-	-	-	-
Due from other governments	-	141,371	-	163,296
Prepays	-	-	-	-
Total Assets	2,186,400	4,060,724	35,446	727,185
Liabilities				
Accounts payable	35,387	-	-	-
Contracts payable	2,156	-	-	146,500
Due to other funds	2,303	894,473	-	212,310
Due to component units	-	-	-	-
Interfund loan payable	-	-	-	-
Due to other governments	-	-	-	-
Accrued salaries payable	3,314	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	43,160	894,473	-	358,810
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	392,401
Fund Balances				
Restricted	-	3,166,251	35,446	-
Committed	143,240	-	-	-
Assigned	2,000,000	-	-	-
Unassigned	-	-	-	(24,026)
Total Fund Balances	2,143,240	3,166,251	35,446	(24,026)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,186,400	\$ 4,060,724	\$ 35,446	\$ 727,185

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

Special Revenue Funds

	Community Development	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility
Assets					
Cash and cash equivalents	\$ 958,591	\$ 4,013,248	\$ 194,407	\$ -	\$ 3,470,497
Receivables, net					
Taxes	-	-	-	-	100,133
Accounts	150,173	-	23,925	-	-
Assessments	-	-	-	-	-
Loans	2,614,793	-	-	-	-
Due from other funds	215,602	-	-	3,842	-
Due from component units	-	-	-	-	-
Due from other governments	1,563,236	-	210,830	18,682	-
Prepays	-	-	-	4,003	-
Total Assets	5,502,395	4,013,248	429,162	26,527	3,570,630
Liabilities					
Accounts payable	22,384	-	40,929	498	57,635
Contracts payable	1,414,648	-	20,227	-	-
Due to other funds	16,586	-	13,174	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	26,763	-
Due to other governments	8,255	-	1,000	-	-
Accrued salaries payable	-	-	17,546	-	-
Unearned revenue	40,044	-	1,191	-	-
Total Liabilities	1,501,917	-	94,067	27,261	57,635
Deferred Inflows of Resources					
Unavailable revenue	2,820,644	-	33,375	3,925	67,835
Fund Balances					
Restricted	1,179,834	-	301,720	-	3,445,160
Committed	-	4,013,248	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(4,659)	-
Total Fund Balances	1,179,834	4,013,248	301,720	(4,659)	3,445,160
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,502,395	\$ 4,013,248	\$ 429,162	\$ 26,527	\$ 3,570,630

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	Special Revenue Funds			Debt Service Funds	
	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue	Special Assessment Debt Service
Assets					
Cash and cash equivalents	\$ 2,197,888	\$ 1,798,800	\$ 156,890	\$ 4,836,432	\$ -
Receivables, net					
Taxes	1,591,434	74,763	-	-	-
Accounts	-	431	-	-	-
Assessments	-	-	-	-	249,021
Loans	-	-	-	-	-
Due from other funds	-	6,060	-	572,561	-
Due from component units	-	-	-	-	-
Due from other governments	-	18,538	-	-	34,049
Prepays	-	-	-	-	-
Total Assets	3,789,322	1,898,592	156,890	5,408,993	283,070
Liabilities					
Accounts payable	-	93,598	-	-	-
Contracts payable	-	8,443	-	-	-
Due to other funds	-	760	-	-	33,451
Due to component units	-	-	2,080	888,538	-
Interfund loan payable	-	-	-	-	36,706
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	15,874	-	-	-
Unearned revenue	-	150	-	-	-
Total Liabilities	-	118,825	2,080	888,538	70,157
Deferred Inflows of Resources					
Unavailable revenue	-	44,094	-	-	249,021
Fund Balances					
Restricted	3,789,322	1,735,673	-	4,520,455	-
Committed	-	-	154,810	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(36,108)
Total Fund Balances	3,789,322	1,735,673	154,810	4,520,455	(36,108)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,789,322	\$ 1,898,592	\$ 156,890	\$ 5,408,993	\$ 283,070

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		
	<u>Street Improvement Debt Service</u>	<u>Tax Increment</u>	<u>Capital Equipment</u>	<u>Permanent Improvement</u>	<u>Street Improvement Program</u>
Assets					
Cash and cash equivalents	\$ 575,183	\$ 171,917	\$ 3,733,755	\$ 2,511,431	\$ 4,129,046
Receivables, net					
Taxes	-	-	-	11,471	-
Accounts	-	-	-	4,200	-
Assessments	114,923	-	-	-	1,122,819
Loans	-	-	-	-	-
Due from other funds	1,490	-	-	81,448	1,290,114
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	1,239,511	-
Prepays	-	-	-	-	-
Total Assets	<u>691,596</u>	<u>171,917</u>	<u>3,733,755</u>	<u>3,848,061</u>	<u>6,541,979</u>
Liabilities					
Accounts payable	-	-	458,788	1,388	878
Contracts payable	-	-	170,932	2,341,335	469,147
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	6,521	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>636,241</u>	<u>2,342,723</u>	<u>470,025</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>114,923</u>	<u>-</u>	<u>-</u>	<u>990,438</u>	<u>1,122,819</u>
Fund Balances					
Restricted	576,673	171,917	3,097,514	514,900	2,577,246
Committed	-	-	-	-	-
Assigned	-	-	-	-	2,371,889
Unassigned	-	-	-	-	-
Total Fund Balances	<u>576,673</u>	<u>171,917</u>	<u>3,097,514</u>	<u>514,900</u>	<u>4,949,135</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 691,596</u>	<u>\$ 171,917</u>	<u>\$ 3,733,755</u>	<u>\$ 3,848,061</u>	<u>\$ 6,541,979</u>

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Capital Projects Funds			
	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,160,095	\$ 2,843,721	\$ -	\$ 44,254,699
Receivables, net				
Taxes	-	-	-	2,805,937
Accounts	-	-	-	280,537
Assessments	-	-	-	1,883,315
Loans	-	-	-	3,982,797
Due from other funds	246,000	-	-	4,432,580
Due from component units	102,500	-	-	103,700
Due from other governments	-	702,010	-	7,475,131
Prepays	-	-	-	4,003
Total Assets	1,508,595	3,545,731	-	65,222,699
Liabilities				
Accounts payable	29,269	757	-	945,547
Contracts payable	538,231	129,767	8,841	7,601,531
Due to other funds	-	-	-	1,424,306
Due to component units	-	-	-	890,618
Interfund loan payable	-	-	19,550	4,129,500
Due to other governments	-	-	-	148,894
Accrued salaries payable	-	-	-	78,573
Unearned revenue	-	51,475	-	1,857,816
Total Liabilities	567,500	181,999	28,391	17,076,785
Deferred Inflows of Resources				
Unavailable revenue	-	523,460	-	10,221,377
Fund Balances				
Restricted	941,095	2,840,272	-	33,050,332
Committed	-	-	-	6,256,430
Assigned	-	-	-	4,979,933
Unassigned	-	-	(28,391)	(6,362,158)
Total Fund Balances	941,095	2,840,272	(28,391)	37,924,537
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,508,595	\$ 3,545,731	\$ -	\$ 65,222,699

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds			
	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs
Revenues				
Taxes				
Property taxes	\$ -	\$ 2,885,646	\$ -	\$ -
Sales taxes	-	-	-	-
Other taxes	-	-	-	-
Licenses and permits	-	110,246	45,026	-
Intergovernmental revenues	190,000	336,054	989,914	3,166,497
Charges for services	1,598,988	95,995	160,700	-
Fines and forfeits	-	-	2,691	362,217
Special assessments	-	-	-	-
Investment income	745	(15,901)	(15,656)	(1,627)
Miscellaneous revenues	306,621	506,301	671,586	-
Total Revenues	2,096,354	3,918,341	1,854,261	3,527,087
Expenditures				
Current				
General government	-	-	238,777	-
Public safety	-	-	570,402	1,531,270
Public works	-	-	-	-
Culture and recreation	2,032,703	2,803,446	126,482	-
Urban and economic development	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	1,258,480	328,111	106,521
Total Expenditures	2,032,703	4,061,926	1,263,772	1,637,791
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,651	(143,585)	590,489	1,889,296
Other Financing Sources (Uses)				
Issuance of bonds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	510,000	15,316	-	-
Transfers out	-	(467,371)	(446,020)	(1,775,209)
Total Other Financing Sources (Uses)	510,000	(452,055)	(446,020)	(1,775,209)
Net Change in Fund Balances	573,651	(595,640)	144,469	114,087
Fund Balances - January 1, 2021	(264,760)	1,969,843	1,982,593	299,793
Fund Balances - December 31, 2021	\$ 308,891	\$ 1,374,203	\$ 2,127,062	\$ 413,880

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds				
	Disaster Recovery	Recovery Loan Program	Bayfront Festival Park	Library Special Accounts	Economic Development
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	6,926,282	-	-	-	199,025
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	(7,507)	(1,466)	(5,196)	(78)
Miscellaneous revenues	-	-	43,860	267,193	448,827
Total Revenues	6,926,282	(7,507)	42,394	261,997	647,774
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	177,202	-	-	-	-
Public works	336,908	-	-	-	-
Culture and recreation	3,183,015	-	3,247	115,068	-
Urban and economic development	-	-	-	-	208,236
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	2,070,987	-	12,880	-	-
Total Expenditures	5,768,112	-	16,127	115,068	208,236
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,158,170	(7,507)	26,267	146,929	439,538
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(10,000)	-
Total Other Financing Sources (Uses)	-	-	-	(10,000)	-
Net Change in Fund Balances	1,158,170	(7,507)	26,267	136,929	439,538
Fund Balances - January 1, 2021	(7,427,144)	874,497	181,176	666,588	168,506
Fund Balances - December 31, 2021	\$ (6,268,974)	\$ 866,990	\$ 207,443	\$ 803,517	\$ 608,044

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds			
	Energy Management	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	12,446,594	-	-
Other taxes	-	-	15,844	-
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	668,953
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Special assessments	-	-	-	-
Investment income	98	(18,235)	(898)	582
Miscellaneous revenues	48,512	-	-	-
Total Revenues	48,610	12,428,359	14,946	669,535
Expenditures				
Current				
General government	194,925	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Urban and economic development	-	2,970,679	-	592,758
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal fees	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	-	-	65,723	-
Total Expenditures	194,925	2,970,679	65,723	592,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,315)	9,457,680	(50,777)	76,777
Other Financing Sources (Uses)				
Issuance of bonds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	2,232,000	-	-	-
Transfers out	-	(8,241,519)	-	-
Total Other Financing Sources (Uses)	2,232,000	(8,241,519)	-	-
Net Change in Fund Balances	2,085,685	1,216,161	(50,777)	76,777
Fund Balances - January 1, 2021	57,555	1,950,090	86,223	(100,803)
Fund Balances - December 31, 2021	\$ 2,143,240	\$ 3,166,251	\$ 35,446	\$ (24,026)

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds				
	Community Development	Housing Trust	Workforce Development	Senior Employment	Street System Maintenance Utility
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,491,795
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	5,667,480	-	2,608,892	398,551	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(2,707)	13,248	(2,898)	-	(26,358)
Miscellaneous revenues	232,429	-	344,478	-	87
Total Revenues	5,897,202	13,248	2,950,472	398,551	2,465,524
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	697,892
Culture and recreation	-	-	-	-	-
Urban and economic development	5,151,267	-	2,897,675	382,294	-
Debt service					
Principal retirement	15,000	-	-	-	-
Interest and fiscal fees	71,244	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	5,237,511	-	2,897,675	382,294	697,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	659,691	13,248	52,797	16,257	1,767,632
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	4,000,000	50,000	-	-
Transfers out	(52,000)	-	-	(19,850)	(75,936)
Total Other Financing Sources (Uses)	(52,000)	4,000,000	50,000	(19,850)	(75,936)
Net Change in Fund Balances	607,691	4,013,248	102,797	(3,593)	1,691,696
Fund Balances - January 1, 2021	572,143	-	198,923	(1,066)	1,753,464
Fund Balances - December 31, 2021	\$ 1,179,834	\$ 4,013,248	\$ 301,720	\$ (4,659)	\$ 3,445,160

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds			Debt Service Funds	
	Street Improvement Sales Tax	Street Lighting	Public Arts	DECC Revenue	Special Assessment Debt Service
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,430,206	\$ -	\$ -	\$ -
Sales taxes	8,702,733	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-
Charges for services	-	(58)	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	117,062
Investment income	3,418	(6,292)	(1,566)	(32,211)	(413)
Miscellaneous revenues	-	121,733	395	-	-
Total Revenues	8,706,151	2,545,589	(1,171)	(32,211)	116,649
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	43,524	1,744,488	-	-	-
Culture and recreation	-	-	21,027	-	-
Urban and economic development	-	-	-	888,538	-
Debt service					
Principal retirement	-	-	-	-	185,000
Interest and fiscal fees	-	-	-	-	4,175
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	43,524	1,744,488	21,027	888,538	189,175
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,662,627	801,101	(22,198)	(920,749)	(72,526)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	3,902,591	-
Transfers out	(6,639,001)	(59,605)	-	(2,843,750)	-
Total Other Financing Sources (Uses)	(6,639,001)	(59,605)	-	1,058,841	-
Net Change in Fund Balances	2,023,626	741,496	(22,198)	138,092	(72,526)
Fund Balances - January 1, 2021	1,765,696	994,177	177,008	4,382,363	36,418
Fund Balances - December 31, 2021	\$ 3,789,322	\$ 1,735,673	\$ 154,810	\$ 4,520,455	\$ (36,108)

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021**

	Debt Service Funds		Capital Projects Funds		
	Street Improvement Debt Service	Tax Increment	Capital Equipment	Permanent Improvement	Street Improvement Program
Revenues					
Taxes					
Property taxes	\$ -	\$ 562,942	\$ -	\$ 279,378	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	5,117,450	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	61,203	-	-	-	380,257
Investment income	(14,116)	-	(6,283)	(80,354)	(30,445)
Miscellaneous revenues	-	3,528	-	258,581	-
Total Revenues	47,087	566,470	(6,283)	5,575,055	349,812
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	477,919	122,921
Culture and recreation	-	-	-	-	-
Urban and economic development	-	4,028	-	-	-
Debt service					
Principal retirement	790,000	-	-	-	-
Interest and fiscal fees	40,775	-	-	-	-
Bond issuance costs	-	-	48,782	-	-
Capital outlay	-	-	3,740,631	8,522,530	5,023,233
Total Expenditures	830,775	4,028	3,789,413	9,000,449	5,146,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	(783,688)	562,442	(3,795,696)	(3,425,394)	(4,796,342)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	3,935,000	-	-
Premium on issuance of bonds	-	-	586,491	-	-
Transfers in	-	-	-	1,053,532	5,854,001
Transfers out	-	(506,648)	(1,084)	-	(132,991)
Total Other Financing Sources (Uses)	-	(506,648)	4,520,407	1,053,532	5,721,010
Net Change in Fund Balances	(783,688)	55,794	724,711	(2,371,862)	924,668
Fund Balances - January 1, 2021	1,360,361	116,123	2,372,803	2,886,762	4,024,467
Fund Balances - December 31, 2021	\$ 576,673	\$ 171,917	\$ 3,097,514	\$ 514,900	\$ 4,949,135

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Capital Projects Funds			
	Capital Improvements	Tourism and Recreational Projects	Regional Exchange District	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 8,649,967
Sales taxes	-	-	-	21,149,327
Other taxes	-	-	-	15,844
Licenses and permits	-	-	-	155,272
Intergovernmental revenues	604,431	1,599,890	-	28,473,419
Charges for services	-	-	-	1,855,625
Fines and forfeits	-	-	-	364,908
Special assessments	-	-	-	558,522
Investment income	3,324	(14,929)	-	(263,721)
Miscellaneous revenues	102,500	85,000	-	3,441,631
Total Revenues	710,255	1,669,961	-	64,400,794
Expenditures				
Current				
General government	1,179,945	-	-	1,613,647
Public safety	670,155	-	-	2,949,029
Public works	1,016,346	-	-	4,439,998
Culture and recreation	412,081	1,191,326	-	9,888,395
Urban and economic development	-	-	-	13,095,475
Debt service				
Principal retirement	-	-	-	990,000
Interest and fiscal fees	-	-	-	116,194
Bond issuance costs	33,626	-	-	82,408
Capital outlay	705,331	1,000,121	19,193	22,853,741
Total Expenditures	4,017,484	2,191,447	19,193	56,028,887
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,307,229)	(521,486)	(19,193)	8,371,907
Other Financing Sources (Uses)				
Issuance of bonds	1,490,000	-	-	5,425,000
Premium on issuance of bonds	350,871	-	-	937,362
Transfers in	1,572,742	661,471	-	19,851,653
Transfers out	(15,898)	(776,742)	-	(22,063,624)
Total Other Financing Sources (Uses)	3,397,715	(115,271)	-	4,150,391
Net Change in Fund Balances	90,486	(636,757)	(19,193)	12,522,298
Fund Balances - January 1, 2021	850,609	3,477,029	(9,198)	25,402,239
Fund Balances - December 31, 2021	\$ 941,095	\$ 2,840,272	\$ (28,391)	\$ 37,924,537

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Increase (Decrease)
Taxes				
General property				
Current	\$ 21,879,300	\$ 21,879,300	\$ 21,756,657	\$ (122,643)
Delinquent	150,000	150,000	225,155	75,155
Mobile home	59,700	59,700	89,574	29,874
Forfeited tax sale apportionment	10,000	10,000	18,740	8,740
Franchise	3,506,700	3,506,700	3,639,704	133,004
Sales taxes	12,600,000	12,600,000	16,367,571	3,767,571
Charitable gambling	20,000	20,000	36,852	16,852
Other	83,700	83,700	296,472	212,772
Total Taxes	38,309,400	38,309,400	42,430,725	4,121,325
Licenses and Permits				
Liquor and non-intoxicating liquor	384,700	384,700	453,709	69,009
Health	22,500	22,500	24,583	2,083
Police protective	31,300	31,300	38,854	7,554
Amusement	1,000	1,000	1,202	202
Manufacturing and merchandising	38,600	38,600	51,563	12,963
Other	1,240,900	1,240,900	1,426,478	185,578
Total Licenses and Permits	1,719,000	1,719,000	1,996,389	277,389
Intergovernmental Revenues				
Shared revenues				
Local government aid	30,247,200	30,247,200	30,543,564	296,364
Insurance premium	2,132,800	2,132,800	2,335,320	202,520
PERA contribution	-	368,733	368,733	-
State grants				
Minnesota Library Information Network	4,000	4,000	3,820	(180)
Cross country ski trail	11,000	11,000	11,000	-
Post training reimbursement	142,000	142,000	156,616	14,616
Bulletproof vests	-	32,954	32,954	-
Market value credit	-	-	200	200
MSA street maintenance allotment	1,533,400	1,533,400	1,465,349	(68,051)
Other grants				
St. Louis County	138,400	138,400	138,411	11
Payments in lieu of taxes				
Housing and Redevelopment Authority	57,400	57,400	72,095	14,695
Independent School District #709	178,000	178,000	188,072	10,072
Total Intergovernmental Revenues	34,444,200	34,845,887	35,316,134	470,247

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Increase (Decrease)</u>
Charges for Services				
Departmental fees and services				
Fire	4,200	4,200	4,200	-
Police	60,400	60,400	70,188	9,788
Engineering	1,000,000	1,000,000	1,123,914	123,914
Building inspection services	2,310,800	2,310,800	4,760,393	2,449,593
Attorney services	4,000	4,000	7,450	3,450
Information technology services	52,800	52,800	10,363	(42,437)
Grant administration services	69,000	69,000	90,540	21,540
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	70,600	70,600	87,569	16,969
Other services	-	-	45	45
Departmental sales				
Copier and microfilm prints	14,500	14,500	3,369	(11,131)
Print and plan sales	100	100	32	(68)
Book sales	100	100	-	(100)
Share of general expenses				
Stormwater	169,900	169,900	169,900	-
Sewer	230,400	230,400	230,400	-
Steam	53,200	53,200	53,200	-
Duluth Entertainment and Convention Center Authority	13,800	13,800	13,800	-
Duluth Transit Authority	10,300	10,300	10,300	-
Duluth Airport Authority	45,200	45,200	45,200	-
Duluth Economic Development Authority	400,000	400,000	400,000	-
Water and Gas	851,000	851,000	851,000	-
Fleet Services	146,200	146,200	146,200	-
Golf	8,100	8,100	-	(8,100)
Group Health	353,300	353,300	390,113	36,813
Self-Insurance	614,500	614,500	614,500	-
Spirit Mountain Recreation Area Authority	26,200	26,200	26,200	-
Parking	150,000	150,000	150,000	-
Priley Drive Parking Facility	5,000	5,000	5,000	-
Total Charges for Services	6,693,600	6,693,600	9,293,876	2,600,276
Fines and Forfeits				
Parking fines	43,400	43,400	54,723	11,323
Court fines	335,000	335,000	263,596	(71,404)
License penalties	1,500	1,500	-	(1,500)
Felony forfeitures	-	-	22,899	22,899
Total Fines and Forfeits	379,900	379,900	341,218	(38,682)

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Increase (Decrease)</u>
Special Assessments	488,900	529,200	477,683	(51,517)
Investment Income				
Fair value adjustment	-	-	(105,772)	(105,772)
Miscellaneous Revenues				
Fond du Luth proceeds	150,000	150,000	150,000	-
Police auction proceeds	-	-	6,536	6,536
Rent and lease	90,400	90,400	89,942	(458)
Sale of equipment	-	-	154,779	154,779
Sale of land	-	-	36,063	36,063
Sale of scrap	5,000	5,000	4,550	(450)
Surcharge retainage	1,400	1,400	1,783	383
Refunds and reimbursements	120,300	1,046,827	1,248,143	201,316
Miscellaneous sales and services	34,500	34,500	77,128	42,628
Total Miscellaneous Revenues	401,600	1,328,127	1,768,924	440,797
Total Revenues	82,436,600	83,805,114	91,519,177	7,714,063
Other Financing Sources				
Transfers in				
Special Projects	168,800	262,655	346,020	83,365
Duluth Police Grant Programs	1,416,500	1,627,120	1,775,209	148,089
Library Special Accounts	-	10,000	10,000	-
Community Investment Trust	425,000	425,000	547,392	122,392
Tourism Taxes	821,300	821,300	872,534	51,234
Senior Programs	-	-	19,850	19,850
Parking Fund	1,356,300	1,422,881	1,414,798	(8,083)
Water	225,075	225,075	154,233	(70,842)
Gas	2,803,875	2,803,875	2,669,522	(134,353)
Sewer	162,775	162,775	118,549	(44,226)
Stormwater	550,575	550,575	532,865	(17,710)
Steam	152,800	152,800	154,492	1,692
Self Insurance	-	-	2,313	2,313
Total Other Financing Sources	8,083,000	8,464,056	8,617,777	153,721
Fund Balance Reserves				
2020 Reserve Carryover	3,825,600	3,825,600	-	(3,825,600)
Total Fund Balance Reserves	3,825,600	3,825,600	-	(3,825,600)
Total Revenues and Other Financing Sources	<u>\$ 94,345,200</u>	<u>\$ 96,094,770</u>	<u>\$ 100,136,954</u>	<u>\$ 4,042,184</u>
Reconciliation				
Original budget as approved by Duluth City Council		\$ 94,345,200		
Adjustments made in accordance with budget ordinance provisions				
Grants, gifts, and donations		295,762		
Ordinance allowable		1,453,808		
Total adjustments		<u>1,749,570</u>		
Modified budget as reported above		<u>\$ 96,094,770</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, 2021**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Legislative and Executive							
City Council							
Personal services - salaries	\$ 124,200	\$ 124,200		\$ 124,200	\$ -	\$ 124,200	\$ -
Personal services - benefits	11,600	11,600		9,707	-	9,707	1,893
Other expenditures	70,700	70,700		56,178	-	56,178	14,522
Total City Council	206,500	206,500		190,085	-	190,085	16,415
Mayor's Office							
Personal services - salaries	507,600	507,600		515,702	-	515,702	(8,102)
Personal services - benefits	247,600	247,600		243,145	-	243,145	4,455
Other expenditures	24,200	24,200		9,063	-	9,063	15,137
Total Mayor's Office	779,400	779,400		767,910	-	767,910	11,490
Chief Administrative Officer							
Personal services - salaries	313,700	313,700		312,025	-	312,025	1,675
Personal services - benefits	147,700	147,700		141,002	-	141,002	6,698
Other expenditures	20,600	32,600	3	14,737	-	14,737	17,863
Total Chief Administrative Officer	482,000	494,000		467,764	-	467,764	26,236
Attorney and Human Rights							
Personal services - salaries	1,624,300	1,584,300	1	1,572,556	-	1,572,556	11,744
Personal services - benefits	679,400	679,400		623,134	-	623,134	56,266
Other expenditures	41,100	41,100		137,899	-	137,899	(96,799)
Total Attorney and Human Rights	2,344,800	2,304,800		2,333,589	-	2,333,589	(28,789)
Total Legislative and Executive	3,812,700	3,784,700		3,759,348	-	3,759,348	25,352
Property, Parks and Libraries							
Park Maintenance							
Personal services - salaries	1,694,100	1,694,100		1,620,140	-	1,620,140	73,960
Personal services - benefits	699,200	699,200		646,611	-	646,611	52,589
Other expenditures	884,600	1,021,600	1	1,101,711	-	1,101,711	(80,111)
Total Park Maintenance	3,277,900	3,414,900		3,368,462	-	3,368,462	46,438
Library Services							
Personal services - salaries	2,916,500	2,610,000	1,4	2,528,367	-	2,528,367	81,633
Personal services - benefits	1,334,700	1,200,700	1,4	1,060,048	-	1,060,048	140,652
Other expenditures	754,800	1,073,532	1,2	1,260,151	92,238	1,352,389	(278,857)
Total Library Services	5,006,000	4,884,232		4,848,566	92,238	4,940,804	(56,572)
Facilities Management							
Personal services - salaries	1,931,600	1,871,500	1	1,925,883	-	1,925,883	(54,383)
Personal services - benefits	919,600	884,000	1	822,659	-	822,659	61,341
Other expenditures	2,246,000	2,344,892	1,2	2,357,713	-	2,357,713	(12,821)
Total Facilities Management	5,097,200	5,100,392		5,106,255	-	5,106,255	(5,863)
Total Property, Parks and Libraries	13,381,100	13,399,524		13,323,283	92,238	13,415,521	(15,997)

(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, 2021**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Administrative Services							
Human Resources							
Personal services - salaries	801,400	801,400		806,492	-	806,492	(5,092)
Personal services - benefits	338,200	338,200		332,691	-	332,691	5,509
Other expenditures	74,500	76,153	4	49,440	4,500	53,940	22,213
Total Human Resources	1,214,100	1,215,753		1,188,623	4,500	1,193,123	22,630
Information Technology							
Personal services - salaries	1,892,500	1,892,500		1,827,770	-	1,827,770	64,730
Personal services - benefits	797,500	797,500		756,722	-	756,722	40,778
Other expenditures	972,800	988,163	2	1,085,404	37,486	1,122,890	(134,727)
Total Information Technology	3,662,800	3,678,163		3,669,896	37,486	3,707,382	(29,219)
Clerk							
Personal services - salaries	569,300	569,300		523,285	-	523,285	46,015
Personal services - benefits	206,800	206,800		199,212	-	199,212	7,588
Other expenditures	85,700	85,700		71,958	-	71,958	13,742
Total Clerk	861,800	861,800		794,455	-	794,455	67,345
Total Administrative Services	5,738,700	5,755,716		5,652,974	41,986	5,694,960	60,756
Finance							
Budget							
Personal services - salaries	686,700	663,700	1	668,556	-	668,556	(4,856)
Personal services - benefits	229,300	250,300	1	255,025	-	255,025	(4,725)
Other expenditures	37,100	39,100	1	36,000	-	36,000	3,100
Total Budget	953,100	953,100		959,581	-	959,581	(6,481)
Auditor							
Personal services - salaries	665,800	661,800	1	665,389	-	665,389	(3,589)
Personal services - benefits	309,600	308,300	1	266,765	-	266,765	41,535
Other expenditures	304,100	309,400	1	308,969	-	308,969	431
Total Auditor	1,279,500	1,279,500		1,241,123	-	1,241,123	38,377
Purchasing							
Personal services - salaries	398,400	398,400		379,982	-	379,982	18,418
Personal services - benefits	205,000	205,000		200,987	-	200,987	4,013
Other expenditures	14,200	14,200		3,935	-	3,935	10,265
Total Purchasing	617,600	617,600		584,904	-	584,904	32,696
Total Finance	2,850,200	2,850,200		2,785,608	-	2,785,608	64,592

(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, 2021**

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Planning and Construction Services							
Planning and Development							
Personal services - salaries	1,017,500	1,017,500		1,015,350	-	1,015,350	2,150
Personal services - benefits	381,400	401,400	1	401,681	-	401,681	(281)
Other expenditures	74,700	74,700		51,561	-	51,561	23,139
Total Planning and Development	1,473,600	1,493,600		1,468,592	-	1,468,592	25,008
Construction Services and Inspection							
Personal services - salaries	1,419,200	1,388,100	1	1,340,698	-	1,340,698	47,402
Personal services - benefits	638,000	632,500	1	600,093	-	600,093	32,407
Other expenditures	146,200	162,800	1	240,583	37,110	277,693	(114,893)
Total Construction Services and Inspection	2,203,400	2,183,400		2,181,374	37,110	2,218,484	(35,084)
Total Planning and Construction Services	3,677,000	3,677,000		3,649,966	37,110	3,687,076	(10,076)
Fire							
Administration							
Personal services - salaries	448,100	474,400	1	434,186	-	434,186	40,214
Personal services - benefits	183,000	198,710	1	179,096	-	179,096	19,614
Other expenditures	59,000	79,105	1,4	62,095	-	62,095	17,010
Total Administration	690,100	752,215		675,377	-	675,377	76,838
Operations							
Personal services - salaries	10,970,200	11,063,063	1,4	10,962,033	-	10,962,033	101,030
Personal services - benefits	5,023,000	5,030,222	4	5,101,978	-	5,101,978	(71,756)
Other expenditures	646,000	649,300	1	661,639	-	661,639	(12,339)
Total Operations	16,639,200	16,742,585		16,725,650	-	16,725,650	16,935
Life Safety							
Personal services - salaries	880,400	854,100	1	807,972	-	807,972	46,128
Personal services - benefits	401,500	385,790	1	348,572	-	348,572	37,218
Other expenditures	85,000	85,250	4	177,700	-	177,700	(92,450)
Total Life Safety	1,366,900	1,325,140		1,334,244	-	1,334,244	(9,104)
Total Fire	18,696,200	18,819,940		18,735,271	-	18,735,271	84,669
Police							
Administration and Investigation							
Personal services - salaries	15,686,100	16,049,207	1,3,4	15,958,848	-	15,958,848	90,359
Personal services - benefits	7,012,100	7,012,100		7,112,853	-	7,112,853	(100,753)
Other expenditures	1,270,900	1,288,968	1,3,4	1,267,326	32,857	1,300,183	(11,215)
Total Administration and Investigation	23,969,100	24,350,275		24,339,027	32,857	24,371,884	(21,609)
Police Special Accounts							
Other expenditures	92,000	297,873	1,2	203,926	-	203,926	93,947
Total Police	24,061,100	24,648,148		24,542,953	32,857	24,575,810	72,338

(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, 2021

	Budget		Note	Actual			Increase (Decrease)
	Original	Modified		Expended	Encumbered	Totals	
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	80,600	60,100	1	60,537	-	60,537	(437)
Personal services - benefits	37,600	37,600		26,559	-	26,559	11,041
Other expenditures	800	800		617	-	617	183
Total Public Works Director's Office	119,000	98,500		87,713	-	87,713	10,787
Street Maintenance							
Personal services - salaries	2,896,600	2,880,116	1,4	2,853,726	-	2,853,726	26,390
Personal services - benefits	1,353,100	1,353,100		1,337,684	-	1,337,684	15,416
Other expenditures	3,837,600	3,795,284	1,4	3,823,430	5,733	3,829,163	(33,879)
Capital outlay	-	55,000		-	48,730	48,730	6,270
Total Street Maintenance	8,087,300	8,083,500		8,014,840	54,463	8,069,303	14,197
Engineering							
Personal services - salaries	1,319,800	1,319,800		1,338,764	-	1,338,764	(18,964)
Personal services - benefits	528,000	577,500	1	584,689	-	584,689	(7,189)
Other expenditures	135,800	137,527	2	111,707	7,132	118,839	18,688
Total Engineering	1,983,600	2,034,827		2,035,160	7,132	2,042,292	(7,465)
Total Public Works and Utilities	10,189,900	10,216,827		10,137,713	61,595	10,199,308	17,519
Transfers and Other Functions:							
Business improvement district	370,000	410,300	4	410,188	-	410,188	112
Public access television	182,000	182,000		182,000	-	182,000	-
State sales tax administration	120,000	120,000		87,049	-	87,049	32,951
Parking fine administration	-	13,000	1	-	13,000	13,000	-
Capital program	47,000	122,150	1	59,506	-	59,506	62,644
Benefits administration	123,000	123,000		120,467	-	120,467	2,533
Retiree insurance	7,399,100	8,146,399	4	8,294,746	-	8,294,746	(148,347)
Self insurance	2,400,000	2,440,000	1	2,440,000	-	2,440,000	-
PERA contribution	500,000	753,583	1,4	368,733	-	368,733	384,850
Transfers and accruals	50,000	50,000		450,000	-	450,000	(400,000)
Other functions	747,200	803,008	1,2	645,823	-	645,823	157,185
Total Transfers and Other Functions	11,938,300	13,163,440		13,058,512	13,000	13,071,512	91,928
Total Expenditures and Encumbrances	\$ 94,345,200	\$ 96,315,495		\$ 95,645,628	\$ 278,786	\$ 95,924,414	\$ 391,081
Reconciliation:							
Original budget as approved by Duluth City Council	\$ 94,345,200						
Adjustments made in accordance with Budget Ordinance							
Note 1	-			- Departmental transfers made in accordance with budget ordinance.			
Note 2	220,725			Encumbrance, contract, reserve, or designation carryovers from prior year.			
Note 3	295,762			Grants, gifts, and donations in accordance with budget ordinance.			
Note 4	1,453,808			Other allowable additions made in accordance with budget ordinance.			
Total adjustments	1,970,295						
Modified budget as reported above	\$ 96,315,495						

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government						
Legislative and Executive						
City Council	\$ 124,200	\$ 9,707	\$ 56,178	\$ -	\$ -	\$ 190,085
Mayor's Office	515,702	243,145	9,063	-	-	767,910
Chief Administrative Officer	312,025	141,002	14,737	-	-	467,764
Attorney and Human Rights	1,572,556	623,134	37,899	-	100,000	2,333,589
Total Legislative and Executive	2,524,483	1,016,988	117,877	-	100,000	3,759,348
Property, Parks and Libraries						
Facilities Management	1,925,883	822,659	2,357,713	-	-	5,106,255
Other Functions	-	1,900,000	1,743,622	23,944	607,000	4,274,566
Total Property, Parks and Libraries	1,925,883	2,722,659	4,101,335	23,944	607,000	9,380,821
Administrative Services						
Human Resources	806,492	332,691	49,440	-	-	1,188,623
Information Technology	1,827,770	756,722	785,404	-	300,000	3,669,896
Clerk	523,285	199,212	71,958	-	-	794,455
Total Administrative Services	3,157,547	1,288,625	906,802	-	300,000	5,652,974
Finance						
Budget	668,556	255,025	36,000	-	-	959,581
Auditor	665,389	266,765	308,969	-	-	1,241,123
Purchasing	379,982	200,987	3,935	-	-	584,904
Total Finance	1,713,927	722,777	348,904	-	-	2,785,608
Benefits						
Benefits Administration	-	42,793	77,674	-	-	120,467
Retiree Insurance	-	8,294,746	-	-	-	8,294,746
PERA Contribution	-	20,427	-	-	-	20,427
Total Benefits	-	8,357,966	77,674	-	-	8,435,640
Total General Government	9,321,840	14,109,015	5,552,592	23,944	1,007,000	30,014,391
Public Safety						
Fire						
Administration	434,186	179,096	62,095	-	-	675,377
Operations	10,962,033	5,101,978	661,639	-	-	16,725,650
Life Safety	807,972	348,572	77,700	-	100,000	1,334,244
Total Fire	12,204,191	5,629,646	801,434	-	100,000	18,735,271
Police						
Administration and Investigation	15,958,848	7,112,853	1,267,326	-	-	24,339,027
Police Special Accounts	-	-	203,926	-	-	203,926
Total Police	15,958,848	7,112,853	1,471,252	-	-	24,542,953
Benefits						
PERA Contribution	-	319,150	-	-	-	319,150
Total Public Safety	28,163,039	13,061,649	2,272,686	-	100,000	43,597,374

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works						
Property, Parks and Libraries						
Park Maintenance	1,620,140	646,611	855,711	-	246,000	3,368,462
Public Works						
Public Works Director's Office	60,537	26,559	617	-	-	87,713
Street Maintenance	2,853,726	1,337,684	3,023,430	-	800,000	8,014,840
Engineering	1,338,764	584,689	111,707	-	-	2,035,160
Total Public Works	4,253,027	1,948,932	3,135,754	-	800,000	10,137,713
Benefits						
PERA Contribution	-	13,966	-	-	-	13,966
Total Public Works	5,873,167	2,609,509	3,991,465	-	1,046,000	13,520,141
Culture and Recreation						
Property, Parks and Libraries						
Library Services	2,528,367	1,060,048	760,151	-	500,000	4,848,566
Benefits						
PERA Contribution	-	6,260	-	-	-	6,260
Total Culture and Recreation	2,528,367	1,066,308	760,151	-	500,000	4,854,826
Urban and Economic Development						
Planning and Construction Services						
Planning and Development	1,015,350	401,681	51,561	-	-	1,468,592
Construction Services and Inspection	1,340,698	600,093	140,583	-	100,000	2,181,374
Total Planning and Construction Services	2,356,048	1,001,774	192,144	-	100,000	3,649,966
Benefits						
PERA Contribution	-	8,930	-	-	-	8,930
Total Urban and Economic Development	2,356,048	1,010,704	192,144	-	100,000	3,658,896
Total Expenditures/Transfers Out	\$ 48,242,461	\$ 31,857,185	\$ 12,769,038	\$ 23,944	\$ 2,753,000	\$ 95,645,628

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2021**

ENTERPRISE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2021**

	<u>Golf</u>	<u>Parking</u>	<u>Stormwater</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 1,976,507	\$ 2,976,001	\$ 4,952,508
Receivables, net				
Accounts	-	28,031	670,489	698,520
Assessments	-	-	21,862	21,862
Due from other funds	-	8,083	1,535	9,618
Due from component units	-	16,550	-	16,550
Inventories	25,997	-	89,987	115,984
Prepays	4,392	-	3,000,018	3,004,410
Total current assets	<u>30,389</u>	<u>2,029,171</u>	<u>6,759,892</u>	<u>8,819,452</u>
Noncurrent assets				
Assessments receivable	-	-	578	578
Capital assets, net	1,181,584	17,505,373	19,791,923	38,478,880
Total noncurrent assets	<u>1,181,584</u>	<u>17,505,373</u>	<u>19,792,501</u>	<u>38,479,458</u>
Total Assets	<u>1,211,973</u>	<u>19,534,544</u>	<u>26,552,393</u>	<u>47,298,910</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	-	211,446	-	211,446
Deferred pension obligation outflows	-	141,107	732,502	873,609
Deferred OPEB outflows	-	-	113,885	113,885
Total Deferred Outflows of Resources	<u>-</u>	<u>352,553</u>	<u>846,387</u>	<u>1,198,940</u>
Liabilities				
Current liabilities				
Accounts payable	37,584	20,995	30,176	88,755
Contracts payable	-	21,596	28,464	50,060
Due to other funds	-	4,649	4,671	9,320
Interfund loan payable	852,445	-	-	852,445
Due to other governments	110	-	-	110
Accrued interest payable	-	45,215	1,797	47,012
Accrued salaries payable	6,595	16,111	73,555	96,261
Compensated absences	-	17,451	137,642	155,093
Unearned revenue	14,944	-	17,972	32,916
Deposits	50,357	-	-	50,357
Revenue bonds payable	-	860,000	145,000	1,005,000
Total current liabilities	<u>962,035</u>	<u>986,017</u>	<u>439,277</u>	<u>2,387,329</u>
Noncurrent liabilities				
Interfund loan payable	1,550,000	-	-	1,550,000
Net pension liability	-	197,436	1,024,909	1,222,345
Revenue bonds payable	-	3,645,333	570	3,645,903
Total noncurrent liabilities	<u>1,550,000</u>	<u>3,842,769</u>	<u>1,025,479</u>	<u>6,418,248</u>
Total Liabilities	<u>2,512,035</u>	<u>4,828,786</u>	<u>1,464,756</u>	<u>8,805,577</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	-	190,616	989,506	1,180,122
Deferred OPEB inflows	-	-	830,880	830,880
Total Deferred Inflows of Resources	<u>-</u>	<u>190,616</u>	<u>1,820,386</u>	<u>2,011,002</u>
Net Position				
Net investment in capital assets	1,181,584	13,211,486	19,646,353	34,039,423
Unrestricted	(2,481,646)	1,656,209	4,467,285	3,641,848
Total Net Position	<u>\$ (1,300,062)</u>	<u>\$ 14,867,695</u>	<u>\$ 24,113,638</u>	<u>\$ 37,681,271</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, 2021

	<u>Golf</u>	<u>Parking</u>	<u>Stormwater</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues				
Sales	\$ 335,261	\$ -	\$ -	\$ 335,261
Charges for services	1,019,620	2,305,846	6,267,455	9,592,921
Fines and forfeits	-	848,376	-	848,376
Miscellaneous revenues	23,658	98,911	30,792	153,361
Total Operating Revenues	<u>1,378,539</u>	<u>3,253,133</u>	<u>6,298,247</u>	<u>10,929,919</u>
Operating Expenses				
Cost of sales and services	166,808	-	-	166,808
Personal services	-	589,479	2,103,925	2,693,404
Supplies	-	345,198	193,991	539,189
Utilities	-	145,756	22,311	168,067
Other services and charges	1,021,618	1,585,586	592,089	3,199,293
Depreciation	87,569	573,987	448,490	1,110,046
Total Operating Expenses	<u>1,275,995</u>	<u>3,240,006</u>	<u>3,360,806</u>	<u>7,876,807</u>
Operating Income (Loss)	<u>102,544</u>	<u>13,127</u>	<u>2,937,441</u>	<u>3,053,112</u>
Nonoperating Revenues (Expenses)				
Investment income	-	(33,635)	(8,129)	(41,764)
Intergovernmental revenue	-	-	6,784	6,784
Gain (loss) on sale or disposition of capital assets	-	-	(779)	(779)
Interest and fiscal fees	-	(161,861)	1,807	(160,054)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(195,496)</u>	<u>(317)</u>	<u>(195,813)</u>
Income (Loss) Before Contributions and Transfers	<u>102,544</u>	<u>(182,369)</u>	<u>2,937,124</u>	<u>2,857,299</u>
Capital contributions	-	430,757	39,146	469,903
Transfers out	-	(1,414,798)	(532,865)	(1,947,663)
Change in Net Position	102,544	(1,166,410)	2,443,405	1,379,539
Total Net Position - January 1, 2021	<u>(1,402,606)</u>	<u>16,034,105</u>	<u>21,670,233</u>	<u>36,301,732</u>
Total Net Position - December 31, 2021	<u>\$ (1,300,062)</u>	<u>\$ 14,867,695</u>	<u>\$ 24,113,638</u>	<u>\$ 37,681,271</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Golf	Parking	Stormwater	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,362,360	\$ 3,156,383	\$ 6,147,118	\$ 10,665,861
Cash paid to suppliers	(1,174,396)	(2,059,511)	(823,611)	(4,057,518)
Cash paid to employees	-	(625,591)	(2,576,294)	(3,201,885)
Other operating revenues	-	98,911	25,212	124,123
Net cash provided (used) by operating activities	<u>187,964</u>	<u>570,192</u>	<u>2,772,425</u>	<u>3,530,581</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	461	461
Transfers to other funds	-	(1,422,881)	(532,865)	(1,955,746)
Operating grants	-	-	6,784	6,784
Interfund financing	(187,964)	-	-	(187,964)
Net cash provided (used) by noncapital financing activities	<u>(187,964)</u>	<u>(1,422,881)</u>	<u>(525,620)</u>	<u>(2,136,465)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	-	415,799	107,962	523,761
Principal paid on bonds, notes and capitalized leases	-	(845,000)	(140,000)	(985,000)
Interest paid on bonds, notes and capitalized leases	-	(118,394)	(6,449)	(124,843)
Acquisition or construction of capital assets	-	-	(890,537)	(890,537)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(547,595)</u>	<u>(929,024)</u>	<u>(1,476,619)</u>
Cash Flows from Investing Activities				
Investment earnings	-	(33,635)	(8,129)	(41,764)
Net increase (decrease) in cash and cash equivalents	-	(1,433,919)	1,309,652	(124,267)
Cash and cash equivalents - January 1, 2021	-	3,410,426	1,666,349	5,076,775
Cash and cash equivalents - December 31, 2021	<u>\$ -</u>	<u>\$ 1,976,507</u>	<u>\$ 2,976,001</u>	<u>\$ 4,952,508</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ 102,544</u>	<u>\$ 13,127</u>	<u>\$ 2,937,441</u>	<u>\$ 3,053,112</u>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	87,569	573,987	448,490	1,110,046
Change in assets and liabilities:				
Decrease (increase) in receivables	-	2,161	(131,888)	(129,727)
Decrease (increase) in inventories	(3,388)	-	10,794	7,406
Decrease (increase) in prepaids	(4,392)	-	(617,383)	(621,775)
Decrease (increase) in deferred pension obligation outflows	-	(112,404)	(585,832)	(698,236)
Decrease (increase) in OPEB outflows	-	-	(113,885)	(113,885)
Increase (decrease) in payables	21,810	3,832	(13,821)	11,821
Increase (decrease) in unearned revenues	(16,179)	-	(2,551)	(18,730)
Increase (decrease) in deferred pension obligation inflows	-	173,910	904,140	1,078,050
Increase (decrease) in pension liability	-	(84,421)	(415,336)	(499,757)
Increase (decrease) in OPEB inflows	-	-	352,256	352,256
Total adjustments	<u>85,420</u>	<u>557,065</u>	<u>(165,016)</u>	<u>477,469</u>
Net cash provided (used) by operating activities	<u>\$ 187,964</u>	<u>\$ 570,192</u>	<u>\$ 2,772,425</u>	<u>\$ 3,530,581</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2021**

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 1,087,598	\$ 43,363	\$ 3,782,533	\$ -	\$ 4,913,494
Restricted assets held by trustee	-	10,973,760	-	-	10,973,760
Receivables, net					
Accounts	-	1,733,614	-	-	1,733,614
Due from other funds	100,000	-	22,434	339,302	461,736
Due from other governments	-	-	-	5	5
Inventories	-	-	-	268,599	268,599
Prepays	50,000	-	-	-	50,000
Total current assets	<u>1,237,598</u>	<u>12,750,737</u>	<u>3,804,967</u>	<u>607,906</u>	<u>18,401,208</u>
Noncurrent assets					
Capital assets, net	-	-	-	137,127	137,127
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,127</u>	<u>137,127</u>
Total Assets	<u>1,237,598</u>	<u>12,750,737</u>	<u>3,804,967</u>	<u>745,033</u>	<u>18,538,335</u>
Deferred Outflows of Resources					
Deferred pension obligation outflows	<u>41,293</u>	<u>-</u>	<u>-</u>	<u>447,324</u>	<u>488,617</u>
Liabilities					
Current liabilities					
Accounts payable	2,189	50	-	162,558	164,797
Contracts payable	-	-	-	93	93
Claims payable	268,167	1,903,407	-	-	2,171,574
Due to other funds	-	-	167,103	-	167,103
Interfund loan payable	-	-	-	335,934	335,934
Due to other governments	120,813	-	-	-	120,813
Accrued salaries payable	4,719	-	-	45,054	49,773
Compensated absences	7,883	-	3,139,024	79,010	3,225,917
Unearned revenue	-	98,969	-	-	98,969
Total current liabilities	<u>403,771</u>	<u>2,002,426</u>	<u>3,306,127</u>	<u>622,649</u>	<u>6,334,973</u>
Noncurrent liabilities					
Claims payable	1,219,351	-	-	-	1,219,351
Compensated absences	-	-	486,353	-	486,353
Net pension liability	57,776	-	-	625,891	683,667
Total noncurrent liabilities	<u>1,277,127</u>	<u>-</u>	<u>486,353</u>	<u>625,891</u>	<u>2,389,371</u>
Total Liabilities	<u>1,680,898</u>	<u>2,002,426</u>	<u>3,792,480</u>	<u>1,248,540</u>	<u>8,724,344</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	<u>55,780</u>	<u>-</u>	<u>-</u>	<u>604,271</u>	<u>660,051</u>
Net Position					
Net investment in capital assets	-	-	-	137,127	137,127
Restricted for health insurance trust	-	10,748,311	-	-	10,748,311
Unrestricted	(457,787)	-	12,487	(797,581)	(1,242,881)
Total Net Position	<u>\$ (457,787)</u>	<u>\$ 10,748,311</u>	<u>\$ 12,487</u>	<u>\$ (660,454)</u>	<u>\$ 9,642,557</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, 2021**

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 2,019,580	\$ 2,019,580
Charges for services	3,032,946	18,932,867	3,139,024	2,009,499	27,114,336
Miscellaneous revenues	51,881	3,409,924	-	50,871	3,512,676
Total Operating Revenues	<u>3,084,827</u>	<u>22,342,791</u>	<u>3,139,024</u>	<u>4,079,950</u>	<u>32,646,592</u>
Operating Expenses					
Cost of sales and services	-	-	-	1,774,013	1,774,013
Personal services	720,899	-	3,139,024	1,481,559	5,341,482
Supplies	3,899	-	-	37,768	41,667
Utilities	-	-	-	36,401	36,401
Other services and charges	1,316,130	1,989,712	-	443,486	3,749,328
Depreciation	-	-	-	61,101	61,101
Medical and insurance	902,686	18,910,253	-	-	19,812,939
Total Operating Expenses	<u>2,943,614</u>	<u>20,899,965</u>	<u>3,139,024</u>	<u>3,834,328</u>	<u>30,816,931</u>
Operating Income (Loss)	<u>141,213</u>	<u>1,442,826</u>	<u>-</u>	<u>245,622</u>	<u>1,829,661</u>
Nonoperating Revenues (Expenses)					
Investment income	(1,851)	(34,249)	(24,030)	-	(60,130)
Income (Loss) Before Transfers	<u>139,362</u>	<u>1,408,577</u>	<u>(24,030)</u>	<u>245,622</u>	<u>1,769,531</u>
Transfers in (out)					
Transfers in	100,000	-	-	-	100,000
Transfers out	(2,313)	-	-	-	(2,313)
Change in Net Position	<u>237,049</u>	<u>1,408,577</u>	<u>(24,030)</u>	<u>245,622</u>	<u>1,867,218</u>
Total Net Position - January 1, 2021	<u>(694,836)</u>	<u>9,339,734</u>	<u>36,517</u>	<u>(906,076)</u>	<u>7,775,339</u>
Total Net Position - December 31, 2021	<u>\$ (457,787)</u>	<u>\$ 10,748,311</u>	<u>\$ 12,487</u>	<u>\$ (660,454)</u>	<u>\$ 9,642,557</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Self- Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 3,084,827	\$ 20,649,533	\$ 3,989,177	\$ 4,013,999	\$ 31,737,536
Cash paid to suppliers	(1,730,398)	(20,327,099)	-	(2,355,137)	(24,412,634)
Cash paid to employees	(724,755)	-	(3,283,693)	(1,612,307)	(5,620,755)
Other operating revenues	-	-	-	50,866	50,866
Net cash provided (used) by operating activities	<u>629,674</u>	<u>322,434</u>	<u>705,484</u>	<u>97,421</u>	<u>1,755,013</u>
Cash Flows from Noncapital Financing Activities					
Interfund financing	(2,313)	(185)	-	(48,289)	(50,787)
Net cash provided (used) by noncapital financing activities	<u>(2,313)</u>	<u>(185)</u>	<u>-</u>	<u>(48,289)</u>	<u>(50,787)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	(49,132)	(49,132)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,132)</u>	<u>(49,132)</u>
Cash Flows from Investing Activities					
Investment earnings	(1,851)	(34,249)	(24,030)	-	(60,130)
Net increase (decrease) in cash and cash equivalents	625,510	288,000	681,454	-	1,594,964
Cash and cash equivalents - January 1, 2021	462,088	10,729,123	3,101,079	-	14,292,290
Cash and cash equivalents - December 31, 2021	<u>\$ 1,087,598</u>	<u>\$ 11,017,123</u>	<u>\$ 3,782,533</u>	<u>\$ -</u>	<u>\$ 15,887,254</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ 141,213	\$ 1,442,826	\$ -	\$ 245,622	\$ 1,829,661
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	61,101	61,101
Change in assets and liabilities:					
Decrease (increase) in receivables	-	(1,685,874)	687,685	(15,085)	(1,013,274)
Decrease (increase) in inventories	-	-	-	(68,338)	(68,338)
Decrease (increase) in deferred pension obligation outflows	(33,097)	-	-	(350,978)	(384,075)
Increase (decrease) in payables	493,256	572,865	17,799	(2,905)	1,081,015
Increase (decrease) in unearned revenues	-	(7,383)	-	-	(7,383)
Increase (decrease) in deferred pension obligation inflows	51,010	-	-	548,195	599,205
Increase (decrease) in pension liability	(22,708)	-	-	(320,191)	(342,899)
Total adjustments	<u>488,461</u>	<u>(1,120,392)</u>	<u>705,484</u>	<u>(148,201)</u>	<u>(74,648)</u>
Net cash provided (used) by operating activities	<u>\$ 629,674</u>	<u>\$ 322,434</u>	<u>\$ 705,484</u>	<u>\$ 97,421</u>	<u>\$ 1,755,013</u>

Custodial Funds

**CITY OF DULUTH, MINNESOTA
CUSTODIAL FUNDS
DECEMBER 31, 2021**

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, 2021**

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 1,162,157
Loans receivable	549,246
Total Assets	<u>1,711,403</u>
Liabilities	
Contracts payable	650
Total Liabilities	<u>650</u>
Net Position	
Restricted for Other organizations	<u>\$ 1,710,753</u>

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Fund</u>
Additions	
Investment earnings	
Interest earnings	\$ 7,478
Net increase (decrease) in fair value of investments	(11,539)
Interest on loans	23,719
Other reimbursements	6,000
Total Additions	<u>25,658</u>
Deductions	
Legal services	7,118
Professional services	5,850
Other services and charges	40,524
Total Deductions	<u>53,492</u>
Change in Net position	(27,834)
Net Position - January 1, 2021	1,738,587
Net Position - December 31, 2021	<u>\$ 1,710,753</u>

Supplementary Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2021**

Governmental Funds Capital Assets:

Land and land improvements	\$	22,859,321
Buildings		97,003,330
Equipment		51,349,796
Infrastructure		418,903,470
Construction in Progress		24,362,811
		<hr/>

Total Governmental Funds Capital Assets **\$ 614,478,728**

Investments in Governmental Funds Capital Assets:

General fund	\$	18,702,583
Special revenue fund		46,046,107
Capital projects fund		547,787,466
Donations		1,942,572
		<hr/>

Total Governmental Funds Capital Assets **\$ 614,478,728**

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

CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
DECEMBER 31, 2021

	Land and Land Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
Function and Activity						
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	487,215	-	-	487,215
Management Information Systems	-	-	4,252,683	-	-	4,252,683
Facilities Management	1,636,324	16,105,448	2,282,917	22,175,049	314,958	42,514,696
Finance	-	-	346,749	-	-	346,749
Total General Government	1,636,324	16,105,448	7,375,883	22,175,049	314,958	47,607,662
Public Safety						
Fire	83,006	3,114,984	12,908,454	-	635,000	16,741,444
Police	2,000	16,627,233	5,506,726	562,251	1,486,644	24,184,854
Total Public Safety	85,006	19,742,217	18,415,180	562,251	2,121,644	40,926,298
Public Works						
Street Construction	-	-	-	368,622,438	12,661,050	381,283,488
Maintenance Operations	54,435	1,258,642	16,187,555	60,403	-	17,561,035
Engineering	5,145,615	2,610,482	364,437	3,553,552	-	11,674,086
Street Lights	-	-	7,377,525	-	-	7,377,525
Total Public Works	5,200,050	3,869,124	23,929,517	372,236,393	12,661,050	417,896,134
Culture and Recreation						
Libraries	51,585	7,545,988	154,981	-	-	7,752,554
Parks and Recreation	12,839,443	48,643,523	828,920	23,929,777	9,023,006	95,264,669
Total Culture and Recreation	12,891,028	56,189,511	983,901	23,929,777	9,023,006	103,017,223
Urban and Economic Development						
Planning and Construction Services	3,046,913	1,097,030	645,315	-	242,153	5,031,411
Total Governmental Funds Capital Assets	\$ 22,859,321	\$ 97,003,330	\$ 51,349,796	\$ 418,903,470	\$ 24,362,811	\$ 614,478,728

* 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, 2021**

Function and Activity	Governmental Funds Capital Assets 01/01/21	Additions	Deductions	Governmental Funds Capital Assets 12/31/21
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	487,215	-	-	487,215
Management Information Systems	4,108,174	144,509	-	4,252,683
Facilities Management	42,277,255	468,666	231,225	42,514,696
Finance	346,749	-	-	346,749
Total General Government	47,225,712	613,175	231,225	47,607,662
Public Safety				
Fire	17,223,302	847,435	1,329,293	16,741,444
Police	23,848,380	1,497,190	1,160,716	24,184,854
Total Public Safety	41,071,682	2,344,625	2,490,009	40,926,298
Public Works				
Street Construction	367,680,930	13,642,733	40,175	381,283,488
Maintenance Operations	17,743,638	505,097	687,700	17,561,035
Engineering	11,674,086	-	-	11,674,086
Street Lights	7,377,525	-	-	7,377,525
Total Public Works	404,476,179	14,147,830	727,875	417,896,134
Culture and Recreation				
Libraries	7,752,554	-	-	7,752,554
Parks and Recreation	91,015,770	4,300,361	51,462	95,264,669
Total Culture and Recreation	98,768,324	4,300,361	51,462	103,017,223
Urban and Economic Development				
Planning and Construction Services	4,815,535	242,153	26,277	5,031,411
Total Governmental Funds Capital Assets	\$ 596,357,432	\$ 21,648,144	\$ 3,526,848	\$ 614,478,728

** 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 DECEMBER 31, 2021**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation - Levy Funded				
Capital Improvement	\$ 2,175,000	11/23/2010	02/01/2021	\$ 245,000
Capital Improvement	1,870,000	11/29/2011	02/01/2022	420,000
Capital Improvement	1,795,000	12/18/2013	02/01/2024	780,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	02/01/2029	960,000
Capital Improvement	1,115,000	10/30/2014	02/01/2025	590,000
Capital Improvement	1,615,000	11/05/2015	02/01/2026	1,010,000
Capital Improvement	1,135,000	11/09/2016	02/01/2027	835,000
Capital Improvement	1,545,000	11/21/2017	02/01/2028	1,280,000
Capital Improvement	1,310,000	10/17/2018	02/01/2029	1,220,000
Capital Improvement	1,190,000	10/09/2019	02/01/2030	1,190,000
Capital Improvement Refunding	9,755,000	10/09/2019	02/01/2032	9,755,000
Capital Improvement	1,640,000	10/21/2020	02/01/2031	1,640,000
Capital Improvement - Lakewalk	4,150,000	10/21/2020	02/01/2036	4,150,000
Capital Improvement	1,490,000	11/03/2021	02/01/2032	-
Total General Obligation - Levy Funded				<u>24,075,000</u>
General Obligation - Funded by Other Sources				
Airport Improvement	7,650,000	05/24/2012	02/01/2028	4,405,000
Airport Improvement	3,400,000	12/18/2013	02/01/2029	2,500,000
Wade Stadium Improvement	2,330,000	10/30/2014	02/01/2030	1,680,000
Spirit Mountain Improvement	2,150,000	10/30/2014	02/01/2035	1,720,000
Airport Improvement	2,855,000	11/05/2015	02/01/2031	2,230,000
Capital Improvement - 1/2 & 1/2	13,520,000	11/05/2015	02/01/2032	9,755,000
Duluth Entertainment and Convention Center Improvement Refunding	33,470,000	03/22/2016	02/01/2034	31,675,000
Capital Improvement - Seawall	4,450,000	02/14/2018	02/01/2034	4,000,000
Street Improvement	3,945,000	10/21/2020	02/01/2026	3,945,000
Airport Improvement Refunding	2,845,000	11/03/2021	02/01/2028	-
Total General Obligation - Funded by Other Sources				<u>61,910,000</u>
General Obligation - Tax Abatement				
Spirit Mountain Tax Abatement Bonds	7,055,000	02/23/2012	02/01/2030	4,455,000
GO Tax Abatement (Cirrus)	7,820,000	03/22/2016	02/01/2032	6,460,000
GO Tax Abatement Refunding	3,705,000	11/03/2021	02/01/2030	-
Total General Obligation - Tax Abatement				<u>10,915,000</u>
Total General Obligation Bonds Payable				<u>96,900,000</u>
Special Assessment Debt with Government Commitment				
General Obligation Improvement	1,985,000	09/07/2006	02/01/2021	185,000
Street Improvement Refunding	6,905,000	11/27/2012	02/01/2021	355,000
Street Improvement Refunding	2,630,000	11/05/2015	02/01/2023	1,080,000
Total Special Assessment Debt with Government Commitment				<u>1,620,000</u>
General Obligation Certificates Payable				
Equipment	3,325,000	11/05/2015	02/01/2021	705,000
Equipment	3,565,000	11/09/2016	02/01/2022	1,520,000
Equipment	3,615,000	11/21/2017	02/01/2023	2,255,000
Equipment	3,885,000	10/17/2018	02/01/2024	3,190,000
Equipment	3,070,000	10/09/2019	02/01/2025	3,070,000
Equipment	2,960,000	10/21/2020	02/01/2026	2,960,000
Equipment	3,935,000	11/03/2021	02/01/2027	-
Total General Obligation Certificates Payable				<u>13,700,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 112,220,000</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2021**

	Issued	Retired	Dec 31 Balance	Principal Due in 2022	Interest Due in 2022
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation - Levy Funded					
Capital Improvement	\$ -	\$ 245,000	\$ -	\$ -	\$ -
Capital Improvement	-	205,000	215,000	215,000	3,225
Capital Improvement	-	185,000	595,000	190,000	15,000
Capital Improvement - Lakewalk	-	90,000	870,000	95,000	31,650
Capital Improvement	-	115,000	475,000	115,000	9,712
Capital Improvement	-	160,000	850,000	165,000	17,319
Capital Improvement	-	100,000	735,000	110,000	27,200
Capital Improvement	-	145,000	1,135,000	150,000	31,800
Capital Improvement	-	110,000	1,110,000	115,000	52,625
Capital Improvement	-	80,000	1,110,000	100,000	53,000
Capital Improvement Refunding	-	475,000	9,280,000	655,000	447,625
Capital Improvement	-	-	1,640,000	130,000	47,250
Capital Improvement - Lakewalk	-	-	4,150,000	220,000	80,800
Capital Improvement	1,490,000	-	1,490,000	-	55,461
Total General Obligation - Levy Funded	1,490,000	1,910,000	23,655,000	2,260,000	872,667
General Obligation - Funded by Other Sources					
Airport Improvement	-	4,405,000	-	-	-
Airport Improvement	-	240,000	2,260,000	245,000	87,171
Wade Stadium Improvement	-	145,000	1,535,000	150,000	48,825
Spirit Mountain Improvement	-	95,000	1,625,000	95,000	48,850
Airport Improvement	-	175,000	2,055,000	180,000	64,337
Capital Improvement - 1/2 & 1/2	-	680,000	9,075,000	695,000	291,170
Duluth Entertainment and Convention Center Improvement Refunding	-	1,075,000	30,600,000	1,205,000	1,382,125
Capital Improvement - Seawall	-	235,000	3,765,000	240,000	109,350
Street Improvement	-	-	3,945,000	755,000	53,513
Airport Improvement Refunding	2,845,000	-	2,845,000	-	19,739
Total General Obligation - Funded by Other Sources	2,845,000	7,050,000	57,705,000	3,565,000	2,105,080
General Obligation - Tax Abatement					
Spirit Mountain Tax Abatement Bonds	-	4,455,000	-	-	-
GO Tax Abatement (Cirrus)	-	470,000	5,990,000	480,000	159,625
GO Tax Abatement Refunding	3,705,000	-	3,705,000	-	31,265
Total General Obligation - Tax Abatement	3,705,000	4,925,000	9,695,000	480,000	190,890
Total General Obligation Bonds Payable	8,040,000	13,885,000	91,055,000	6,305,000	3,168,637
Special Assessment Debt with Government Commitment					
General Obligation Improvement	-	185,000	-	-	-
Street Improvement Refunding	-	355,000	-	-	-
Street Improvement Refunding	-	435,000	645,000	460,000	16,600
Total Special Assessment Debt with Government Commitment	-	975,000	645,000	460,000	16,600
General Obligation Certificates Payable					
Equipment	-	705,000	-	-	-
Equipment	-	745,000	775,000	775,000	15,500
Equipment	-	725,000	1,530,000	750,000	38,400
Equipment	-	755,000	2,435,000	785,000	94,275
Equipment	-	520,000	2,550,000	590,000	112,750
Equipment	-	-	2,960,000	520,000	108,000
Equipment	3,935,000	-	3,935,000	-	146,470
Total General Obligation Certificates Payable	3,935,000	3,450,000	14,185,000	3,420,000	515,395
Total Governmental Activities Bonds and Certificates Payable	\$ 11,975,000	\$ 18,310,000	\$ 105,885,000	\$ 10,185,000	\$ 3,700,632

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2021**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment Refunding	\$ 10,270,000	11/27/2012	02/01/2026	\$ 5,345,000
Priley Drive Parking Facility				
Parking Improvement Tax Increment (Note 1)	11,500,000	05/15/2014	04/01/2044	11,989,640
Water Fund				
Water Utility Revenue and General Obligation	196,000	02/19/2009	02/01/2024	62,000
Water Utility Revenue and General Obligation Refunding	515,000	11/05/2015	02/01/2022	180,000
Water Utility Revenue and General Obligation	4,050,000	10/17/2018	02/01/2034	3,865,000
Total Water Fund				<u>4,107,000</u>
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	5,475,000	11/27/2012	02/01/2022	1,010,000
Steam Utility Revenue and General Obligation	4,015,000	11/05/2015	02/01/2027	4,015,000
Steam Utility Revenue and General Obligation	10,495,000	10/21/2020	02/01/2041	10,495,000
Total Steam Fund				<u>15,520,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	1,444,000	02/19/2009	02/01/2024	453,000
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	02/01/2025	355,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	02/01/2021	305,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/05/2015	02/01/2023	505,000
Sewer Utility Revenue and General Obligation Refunding	350,000	11/05/2015	02/01/2022	120,000
Total Sewer Fund				<u>1,738,000</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation Refunding	790,000	11/05/2015	02/01/2022	285,000
Total Business-type Activities Bonds Payable				<u>\$ 38,984,640</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 DECEMBER 31, 2021**

	Issued	Retired	Dec 31 Balance	Principal Due in 2022	Interest Due in 2022
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment Refunding	\$ -	\$ 845,000	\$ 4,500,000	\$ 860,000	\$ 100,331
Priley Drive Parking Facility					
Parking Improvement Tax Increment	-	171,476	11,818,164	183,588	470,909
Water Fund					
Water Utility Revenue and General Obligation	-	15,000	47,000	15,000	1,561
Water Utility Revenue and General Obligation Refunding	-	90,000	90,000	90,000	1,350
Water Utility Revenue and General Obligation	-	225,000	3,640,000	235,000	108,913
Total Water Fund	-	330,000	3,777,000	340,000	111,824
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	-	570,000	440,000	440,000	4,675
Steam Utility Revenue and General Obligation	-	100,000	3,915,000	245,000	115,712
Steam Utility Revenue and General Obligation	-	-	10,495,000	375,000	215,955
Total Steam Fund	-	670,000	14,850,000	1,060,000	336,342
Sewer Fund					
Sewer Utility Revenue and General Obligation	-	110,000	343,000	110,000	11,383
Sewer Utility Revenue and General Obligation	-	65,000	290,000	70,000	10,200
Sewer Utility Revenue and General Obligation Refunding	-	305,000	-	-	-
Sewer Utility Revenue and General Obligation Refunding	-	165,000	340,000	165,000	7,725
Sewer Utility Revenue and General Obligation Refunding	-	60,000	60,000	60,000	900
Total Sewer Fund	-	705,000	1,033,000	405,000	30,208
Stormwater Fund					
Stormwater Utility Revenue and General Obligation Refunding	-	140,000	145,000	145,000	2,175
Total Business-type Activities Bonds Payable	\$ -	\$ 2,861,476	\$ 36,123,164	\$ 2,993,588	\$ 1,051,789

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2021**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 2,636,000	03/28/2019	08/01/2025	<u>\$ 2,606,000</u>
Total Governmental Activities				<u>2,606,000</u>
Business-type Activities:				
General Obligation				
Water Fund				
Public Facilities Authority Note	1,293,200	09/14/2010	08/20/2025	451,000
Public Facilities Authority Note	3,344,131	12/14/2010	08/20/2025	1,208,000
Public Facilities Authority Note	1,221,631	11/29/2011	08/20/2026	497,000
Public Facilities Authority Note	4,778,806	03/24/2014	08/20/2029	<u>2,840,000</u>
Total Water Fund				<u>4,996,000</u>
Sewer Fund				
Public Facilities Authority Note	1,973,033	07/12/2007	08/20/2022	312,000
Public Facilities Authority Note	796,835	08/20/2009	08/20/2024	241,000
Public Facilities Authority Note	2,414,150	11/25/2009	08/20/2024	752,000
Public Facilities Authority Note	3,753,059	07/28/2010	08/20/2025	1,331,000
Public Facilities Authority Note	8,504,224	07/28/2010	08/20/2025	2,968,000
Public Facilities Authority Note	279,117	11/18/2011	08/20/2021	28,000
Public Facilities Authority Note	265,418	11/30/2011	08/20/2021	29,000
Public Facilities Authority Note	278,149	11/18/2011	08/20/2021	30,000
Public Facilities Authority Note	476,537	09/10/2012	08/20/2022	97,000
Public Facilities Authority Note	860,847	10/29/2014	08/20/2024	<u>297,000</u>
Total Sewer Fund				<u>6,085,000</u>
Total Business-type Activities				<u>\$ 11,081,000</u> (continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2021**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2022</u>	<u>Interest Due in 2022</u>
Governmental Activities:					
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 15,000	\$ 2,591,000	\$ 20,000	\$ 70,858
Total Governmental Activities	<u>-</u>	<u>15,000</u>	<u>2,591,000</u>	<u>20,000</u>	<u>70,858</u>
Business-type Activities:					
General Obligation					
Water Fund					
Public Facilities Authority Note	-	88,000	363,000	89,000	4,566
Public Facilities Authority Note	-	236,000	972,000	239,000	10,459
Public Facilities Authority Note	-	80,000	417,000	81,000	5,092
Public Facilities Authority Note	-	303,000	2,537,000	306,000	25,370
Total Water Fund	<u>-</u>	<u>707,000</u>	<u>4,289,000</u>	<u>715,000</u>	<u>45,487</u>
Sewer Fund					
Public Facilities Authority Note	-	155,000	157,000	157,000	1,805
Public Facilities Authority Note	-	58,000	183,000	60,000	3,603
Public Facilities Authority Note	-	182,000	570,000	186,000	11,497
Public Facilities Authority Note	-	260,000	1,071,000	263,000	13,473
Public Facilities Authority Note	-	579,000	2,389,000	586,000	30,054
Public Facilities Authority Note	-	28,000	-	-	-
Public Facilities Authority Note	-	29,000	-	-	-
Public Facilities Authority Note	-	30,000	-	-	-
Public Facilities Authority Note	-	48,000	49,000	49,000	490
Public Facilities Authority Note	-	73,000	224,000	74,000	2,240
Total Sewer Fund	<u>-</u>	<u>1,442,000</u>	<u>4,643,000</u>	<u>1,375,000</u>	<u>63,162</u>
Total Business-type Activities	<u>\$ -</u>	<u>\$ 2,149,000</u>	<u>\$ 8,932,000</u>	<u>\$ 2,090,000</u>	<u>\$ 108,649</u>

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General Operating	Loan Programs	Debt Service	Capital Projects	Total
Assets					
Cash and cash equivalents	\$ 3,382,810	\$ 372,907	\$ 986,645	\$ 4,100,582	\$ 8,842,944
Taxes receivable, net	-	-	64,565	-	64,565
Accounts receivable, net	47,490	-	-	-	47,490
Loans receivable, net	400,000	3,378,939	-	3,764,390	7,543,329
Due from other funds	108,568	-	-	989,978	1,098,546
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	4,131,368	3,751,846	1,051,210	8,854,950	17,789,374
Liabilities					
Accounts payable	89,569	-	39,473	-	129,042
Deposits held	5,000	-	-	-	5,000
Due to other funds	-	-	989,978	108,568	1,098,546
Due to primary government	-	-	16,550	-	16,550
Due to other governments	838	-	-	3,223,420	3,224,258
Total Liabilities	95,407	-	1,046,001	3,331,988	4,473,396
Deferred Inflows of Resources					
Unavailable revenue	400,000	3,378,939	1,709	3,764,390	7,545,038
Fund Balances					
Nonspendable	192,500	-	-	-	192,500
Restricted	-	-	3,500	1,758,572	1,762,072
Assigned	-	372,907	-	-	372,907
Unassigned	3,443,461	-	-	-	3,443,461
Total Fund Balances	3,635,961	372,907	3,500	1,758,572	5,770,940
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,131,368	\$ 3,751,846	\$ 1,051,210	\$ 8,854,950	

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.	9,699,034
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	7,096,566
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	136
Net position of governmental activities	\$ 22,566,676

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, 2021

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 3,221,615	\$ -	\$ 3,221,615
Intergovernmental revenues					
State of Minnesota grants	138,469	-	-	-	138,469
Charges for services					
Parking meters	602,247	-	-	-	602,247
Building rent	22,626	-	-	-	22,626
Other	441,575	-	-	-	441,575
Miscellaneous revenues					
Earnings on investments	(47,434)	1,824	4,022	24,592	(16,996)
Interest	-	2,696	-	-	2,696
Loan principal repayments	-	117,698	-	-	117,698
Other	55,454	-	-	-	55,454
Total Revenues	<u>1,212,937</u>	<u>122,218</u>	<u>3,225,637</u>	<u>24,592</u>	<u>4,585,384</u>
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	-	3,223,420	3,223,420
Economic development projects	1,846,926	-	456,413	-	2,303,339
Debt service					
Principal retirement	-	-	554,461	-	554,461
Interest and fiscal fees	-	-	1,227,750	-	1,227,750
Total Expenditures	<u>1,846,926</u>	<u>-</u>	<u>2,238,624</u>	<u>3,223,420</u>	<u>7,308,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(633,989)</u>	<u>122,218</u>	<u>987,013</u>	<u>(3,198,828)</u>	<u>(2,723,586)</u>
Other Financing Sources (Uses)					
Transfers in					
DEDA Capital Projects	108,568	-	-	-	108,568
DEDA Debt Service	-	-	-	989,978	989,978
Total Transfers In	<u>108,568</u>	<u>-</u>	<u>-</u>	<u>989,978</u>	<u>1,098,546</u>
Transfers out					
DEDA General Operating	-	-	-	(108,568)	(108,568)
DEDA Capital Projects	-	-	(989,978)	-	(989,978)
Total Transfers Out	<u>-</u>	<u>-</u>	<u>(989,978)</u>	<u>(108,568)</u>	<u>(1,098,546)</u>
Total Other Financing Sources (Uses)	<u>108,568</u>	<u>-</u>	<u>(989,978)</u>	<u>881,410</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(525,421)</u>	<u>122,218</u>	<u>(2,965)</u>	<u>(2,317,418)</u>	<u>(2,723,586)</u>
Fund Balances					
Fund Balance - January 1, 2021	4,161,382	250,689	6,465	4,075,990	8,494,526
Fund Balance - December 31, 2021	<u>\$ 3,635,961</u>	<u>\$ 372,907</u>	<u>\$ 3,500</u>	<u>\$ 1,758,572</u>	<u>\$ 5,770,940</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, 2021**

Net change in fund balances - total governmental funds	\$ (2,723,586)
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.	(905,481)
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.	(141,836)
Change in net position of governmental activities	<u><u>\$ (3,770,903)</u></u>

**DULUTH JPE TRUST
SCHEDULE OF NET POSITION
DECEMBER 31, 2021**

	Health Fund	Dental Fund	JPE Trust Total
Assets			
Cash	\$ 21,099	\$ 22,264	\$ 43,363
Investments			
Money market	2,074,431	156,785	2,231,216
U.S. government treasury securities	7,283,507	274,495	7,558,002
U.S. government agency securities	1,007,919	176,623	1,184,542
Receivables			
Other	1,731,016	2,598	1,733,614
Total Assets	<u>12,117,972</u>	<u>632,765</u>	<u>12,750,737</u>
Liabilities			
Claims payable	1,781,901	121,506	1,903,407
Accounts payable	50	-	50
Premiums received in advance	95,660	3,309	98,969
Total Liabilities	<u>1,877,611</u>	<u>124,815</u>	<u>2,002,426</u>
Net Position			
Held in Trust	<u>\$ 10,240,361</u>	<u>\$ 507,950</u>	<u>\$ 10,748,311</u>

DULUTH JPE TRUST
SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Additions			
Health premiums			
Active employees	\$ 19,171,449	\$ -	\$ 19,171,449
Inactive employees	10,273,615	-	10,273,615
Dental premiums	-	1,045,003	1,045,003
Refunds and reimbursements			
Stop loss reimbursements	338,121	-	338,121
Prescription drug rebates	1,137,895	-	1,137,895
Medica implementation credit	300,000	-	300,000
Medica administration reimbursement	777,322	-	777,322
Health Partners claim refunds	65,616	-	65,616
Medica aggregate reimbursement	788,850	-	788,850
Miscellaneous	2,120	-	2,120
Investment earnings	<u>(33,172)</u>	<u>(1,077)</u>	<u>(34,249)</u>
Total Additions	<u>32,821,816</u>	<u>1,043,926</u>	<u>33,865,742</u>
Deductions			
Medical and drug claims			
Active employees	16,959,747	-	16,959,747
Inactive employees	8,625,707	-	8,625,707
Medical insurance - medicare supplement	3,968,555	-	3,968,555
Dental claims	-	913,444	913,444
Administrative fees			
Health Partners	130,230	-	130,230
Medica	823,239	-	823,239
Delta Dental	-	66,422	66,422
City of Duluth	390,113	-	390,113
Trust services	33,323	1,562	34,885
Consulting services	106,489	-	106,489
Wellness activities	77,378	-	77,378
Patient centered outcomes research fee	5,617	-	5,617
Stop loss insurance	<u>355,339</u>	<u>-</u>	<u>355,339</u>
Total Deductions	<u>31,475,737</u>	<u>981,428</u>	<u>32,457,165</u>
Change in Net Position	1,346,079	62,498	1,408,577
Net Position - January 1, 2021	<u>8,894,282</u>	<u>445,452</u>	<u>9,339,734</u>
Net Position - December 31, 2021	<u>\$ 10,240,361</u>	<u>\$ 507,950</u>	<u>\$ 10,748,311</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:					
State of Minnesota					
Insurance Premium	\$ 2,335,320	\$ -	\$ -	\$ -	\$ 2,335,320
Local Government Aid	30,543,564	-	-	-	30,543,564
MSA Street Construction Allotment	-	-	2,962,366	-	2,962,366
MSA Street Maintenance Allotment	1,465,349	-	-	-	1,465,349
PERA Contribution	368,733	-	-	-	368,733
Total Shared Revenue	34,712,966	-	2,962,366	-	37,675,332
State Grants:					
State of Minnesota, Department of					
Commerce					
Auto Theft Prevention Program	-	146,818	-	-	146,818
Education					
Minnesota Library Information Network	3,820	-	-	-	3,820
Employment and Economic Development					
Dislocated Workers	-	278,854	-	-	278,854
Duluth Lake Superior Zoo Project	-	-	439,873	-	439,873
Youth Program	-	509,477	-	-	509,477
Employment and Economic Development Total	-	788,331	439,873	-	1,228,204
Human Services					
Supplemental Nutrition Assistance Program	-	24,819	-	-	24,819
Natural Resources					
Conservation Partners Legacy Grant Program					
	-	19,993	-	-	19,993
Cross City Snowmobile Grant-In-Aid	-	27,157	-	-	27,157
Cross City Trail Phase II	-	-	288,000	-	288,000
Cross Country Ski Trail	11,000	-	-	-	11,000
Duluth Traverse Legacy Project	-	-	301,477	-	301,477
Fairmont Snowmobile Recreational Trail Program	-	-	250,000	-	250,000
Lake Superior Coastal Program STAR Grant	-	-	-	6,784	6,784
Lake Superior Zoo	-	190,000	-	-	190,000
Rural Fire Grant Project	-	4,308	-	-	4,308
Natural Resources Total	11,000	241,458	839,477	6,784	1,098,719
Peace Officers Board					
Post Training Reimbursement	156,616	-	-	-	156,616
Public Safety					
Bulletproof Vests	32,954	-	-	-	32,954
Community Justice Reinvestment Grant					
	-	110,489	-	-	110,489
Crime Victim Services	-	10,745	-	-	10,745
Firefighter Education Reimbursement	-	69,453	-	-	69,453
HAZMAT Regional Response Team	-	496,295	-	-	496,295
State of Minnesota Disaster Funds	-	1,682,103	-	-	1,682,103
Violent Crime Enforcement Team	-	410,222	-	-	410,222
Public Safety Total	32,954	2,779,307	-	-	2,812,261

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Revenue					
Market Value Credit	200	-	-	-	200
Transportation					
MNDOT - Bridge Bonding	-	-	36,533	-	36,533
MNDOT - Cooperative Construction Agreement	-	-	256,846	-	256,846
MNDOT - Transportation Economic Development Program	-	-	113,350	-	113,350
MNDOT - Twin Ports Interchange Liason	-	32,320	-	-	32,320
MSA Street Construction Allotment	-	-	755,000	-	755,000
MSA Street Maintenance Allotment	-	-	75,613	-	75,613
Transportation Total	-	32,320	1,237,342	-	1,269,662
Total State Grants	204,590	4,013,053	2,516,692	6,784	6,741,119
Other Grants:					
St. Louis County					
Job Training Services	-	982,139	-	-	982,139
Other	138,411	-	38,759	-	177,170
St. Louis County Total	138,411	982,139	38,759	-	1,159,309
Duluth Transit Authority	-	95,549	-	-	95,549
Housing and Redevelopment Authority	72,095	435,747	-	-	507,842
Independent School District #709	188,072	-	-	-	188,072
Total Other Grants	398,578	1,513,435	38,759	-	1,950,772
Federal Grants:					
Federal, Department of					
Agriculture					
Forest Health Protection	-	65,000	-	-	65,000
Urban and Community Forestry Program	-	41,602	-	-	41,602
Agriculture Total	-	106,602	-	-	106,602
Commerce					
Coastal Zone Management Grant	-	-	174,313	-	174,313
Education					
Rehabilitation Services Vocational Rehabilitation Grants to States	-	13,604	-	-	13,604
Environmental Protection Agency					
Brownfields Assessment and Cleanup Cooperative	-	24,063	-	-	24,063
Community-Wide Assessment Grant	-	174,962	-	-	174,962
Great Lakes Program	-	182,302	-	-	182,302
Environmental Protection Agency Total	-	381,327	-	-	381,327
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	-	127,404	-	-	127,404
Health and Human Services					
Temporary Assistance for Needy Families	-	15,627	-	-	15,627

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Special Revenue Funds	Capital Project and Debt Service Funds	Proprietary and Internal Service Funds	Totals
Homeland Security					
Emergency Management					
Performance Grants	-	30,000	-	-	30,000
FEMA Disaster Assistance	-	5,045,832	-	-	5,045,832
Flood Hazard Mitigation	-	83,130	-	-	83,130
Port Security Grant Program	-	323,920	-	-	323,920
Operation Stonegarden Grant Program	-	108,547	-	-	108,547
Homeland Security Total	-	5,591,429	-	-	5,591,429
Housing and Urban Development					
Community Development Block Grant	-	4,159,843	-	-	4,159,843
Emergency Solutions Grant Program	-	1,218,503	-	-	1,218,503
Home Investment Partnerships Program	-	668,953	-	-	668,953
Housing and Urban Development Total	-	6,047,299	-	-	6,047,299
Interior					
Outdoor Recreation, Development and Acquisition	-	-	225,000	-	225,000
Justice					
Comprehensive Opioid Abuse Site- Based Program		458,773			458,773
Coronavirus Emergency Supplemental Funding Program	-	115,217	-	-	115,217
Crime Victim Services	-	55,193	-	-	55,193
Edward Bryne Memorial Formula Grant	-	46,071	-	-	46,071
Grants to Encourage Arrest Policies	-	152,603	-	-	152,603
Minneapolis Child Exploitation and Human Trafficking Task Force		5,004			5,004
National Sexual Assault Kit Initiative	-	602,234	-	-	602,234
Project Safe Neighborhoods	-	23,655	-	-	23,655
Public Safety Partnership and Community Policing Grants	-	477,318	-	-	477,318
Justice Total	-	1,936,068	-	-	1,936,068
Labor					
Senior Community Service Employment	-	398,551	-	-	398,551
WIA Dislocated Workers Formula Grant	-	89,551	-	-	89,551
WIOA National Emergency Grants	-	103,830	-	-	103,830
Workforce Investment Act	-	530,416	-	-	530,416
Labor Total	-	1,122,348	-	-	1,122,348
Transportation					
Highway Planning and Construction	-	-	2,064,786	-	2,064,786
MNDOT Highway Planning & Construction-CDL Licensing	-	28,255	-	-	28,255
NHTSA: DWI Officers	-	90,796	-	-	90,796
Recreational Trails Program	-	-	170,468	-	170,468
Speed and Aggressive Driving Enforcement Toward Zero Deaths Law Enforcement Grant	-	7,669	-	-	7,669
	-	156,732	-	-	156,732
Transportation Total	-	283,452	2,235,254	-	2,518,706
Treasury					
State and Local Fiscal Recovery Funds	-	153,321	-	-	153,321
Total Federal Grants	-	15,778,481	2,634,567	-	18,413,048
Total Intergovernmental Revenue	\$35,316,134	\$ 21,304,969	\$ 8,152,384	\$ 6,784	\$64,780,271

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Natural Resources Urban and Community Forestry Program	140175	10.675	\$ 41,602	\$ -
Passed Through Minnesota Department of Agriculture Forest Health Protection	JPA-196182	10.680	65,000	-
Total U.S. Department of Agriculture			\$ 106,602	\$ -
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	19-306A-02	11.419	\$ 45,014	-
Coastal Zone Management Administration Awards (Total Coastal Zone Management Administration Awards 11.419 \$54,444)	19-306A-12	11.419	9,430	\$ -
Total U.S. Department of Commerce			\$ 54,444	\$ -
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants		14.218	\$ 3,187,153	\$ 2,288,485
COVID-19 - Community Development Block Grants/Entitlement Grants (Total expenditures for CDBG - Entitlement Grants Cluster \$4,123,051)		14.218	935,898	823,404
Emergency Solutions Grant Program		14.231	185,359	183,725
COVID-19 - Emergency Solutions Grant Program (Total Emergency Solutions Grant Program 14.231 \$987,842)		14.231	802,483	720,631
Home Investment Partnerships Program		14.239	592,758	567,963
Total U.S. Department of Housing and Urban Development			\$ 5,703,651	\$ 4,584,208
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	\$ 152,603	\$ -
Bulletproof Vest Partnership Program		16.607	17,221	-
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$518,368)		16.710	359,482	-
Edward Byrne Memorial Justice Assistance Grant Program		16.738	78,378	-
National Sexual Assault Kit Initiative		16.833	601,264	-
Comprehensive Opioid Abuse Site-Based Program		16.838	462,373	-
Passed through the Minnesota Department of Public Safety				
Crime Victim Assistance	A-CVSP-2020-DULUTHAO-00036	16.575	55,193	-
Project Safe Neighborhoods	A-PSN-2020-DULUTHPD-002	16.609	23,655	-
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$518,368)	167077	16.710	158,886	-
Total U.S. Department of Justice			\$ 1,909,055	\$ -
U.S. Department of Labor				
Passed Through Senior Service America, Inc. Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$402,143)	116	17.235	\$ 245,211	\$ -
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	1045100	17.235	34,065	-
Senior Community Service Employment Program	1045101	17.235	23,580	-
Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$402,143)	9045101	17.235	99,287	-

(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, 2021**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
(U.S. Department of Labor)				
WIOA Cluster				
WIA Adult Program	0043100	17.258	142,392	-
WIA Adult Program	1043100	17.258	70,645	-
WIA Adult Program	8043100	17.258	5,120	-
WIA Adult Program	9043100	17.258	18,830	-
Total ALN # 17.258 (Total expenditures for WIOA Cluster \$614,525)			<u>236,987</u>	<u>-</u>
WIOA Cluster				
WIA Youth Activities	0043601	17.259	170,469	-
WIA Youth Activities	1043600	17.259	69,229	-
WIA Youth Activities	9043600	17.259	46,079	-
WIA Youth Activities	9043601	17.259	3,905	-
Total ALN # 17.259 (Total expenditures for WIOA Cluster \$614,525)			<u>289,682</u>	<u>-</u>
WIA National Emergency Grants	1040100	17.277	52,830	-
WIA National Emergency Grants	1043000	17.277	51,623	-
Total ALN # 17.277			<u>104,453</u>	<u>-</u>
WIOA Cluster				
WIA Dislocated Worker Formula Grants	0048000	17.278	49,464	-
WIA Dislocated Worker Formula Grants	1048000	17.278	18,297	-
WIA Dislocated Worker Formula Grants	8048000	17.278	2,650	-
WIA Dislocated Worker Formula Grants	9048000	17.278	17,445	-
Total ALN # 17.278 (Total expenditures for WIOA Cluster \$614,525)			<u>87,856</u>	<u>-</u>
Total U.S. Department of Labor			\$ 1,121,121	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	1029940	20.205	\$ 1,713,665	\$ -
Highway Planning and Construction	1029940	20.205	316,431	-
Highway Planning and Construction	OJT 8820 (221)	20.205	24,880	-
Total ALN # 20.205			<u>2,054,976</u>	<u>-</u>
Passed Through Minnesota Department of Natural Resources				
Highway Planning and Construction Cluster				
Recreational Trails Program	TRAL024	20.219	25,805	-
Recreational Trails Program	TRAL025	20.219	140,625	-
Total ALN # 20.219 (Total expenditures for Highway Planning and Construction Cluster \$2,221,406)			<u>166,430</u>	<u>-</u>
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-SPEED21-2021-DULUTHPD-041	20.600	7,669	-
State and Community Highway Safety	A-ENFRC21-2021-DULUTHPD-010	20.600	29,808	-
Total ALN # 20.600 (Total expenditures for Highway Safety Cluster \$85,334)			<u>37,477</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC21-2021-DULUTHPD-010	20.608	91,873	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-ENFRC22-2022-DULUTHPD-024	20.608	13,096	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR21-2021-DULUTHPD-003	20.608	48,971	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	A-OFFICR22-2022-DULUTHPD-0018	20.608	15,923	-
Total ALN # 20.608			<u>169,863</u>	<u>-</u>

(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, 2021**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal ALN Number	Expenditures	Passed Through to Subrecipients
(U.S. Department of Transportation)				
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC21-2021-DULUTHPD-010	20.616	16,728	-
National Priority Safety Programs	A-ENFRC22-2022-DULUTHPD-024	20.616	5,227	-
National Priority Safety Programs	A-OFFICR21-2021-DULUTHPD-003	20.616	16,324	-
National Priority Safety Programs	A-OFFICR22-2022-DULUTHPD-0018	20.616	9,578	-
Total ALN # 20.616 (Total expenditures for Highway Safety Cluster \$85,334)			<u>47,857</u>	<u>-</u>
Total U.S. Department of Transportation			\$ 2,476,603	\$ -
U.S. Department of the Treasury				
Direct				
Equitable Sharing		21.016	\$ 47,550	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds		21.027	274,182	-
Total U.S. Department of the Treasury			\$ 321,732	\$ -
U.S. Environmental Protection Agency				
Direct				
Great Lakes Program		66.469	\$ 139,085	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	199,025	-
Total U.S. Environmental Protection Agency			\$ 338,110	\$ -
U.S. Department of Education				
Passed through Minnesota Department of Employment and Economic Development				
Rehabilitation Services - Vocational Rehabilitation Grants to States	166894 PR 59596	84.126	\$ 6,271	\$ -
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	1047400	93.558	\$ 20,823	\$ -
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program		95.001	\$ 99,423	\$ -
U.S. Department of Homeland Security				
Direct				
Port Security Grant Program		97.056	324,945	-
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4069-DR-MN	97.036	\$ (119)	\$ -
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4414-DR-MN	97.036	(417,980)	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4531-DR-MN	97.036	(179,080)	-
Total ALN # 97.036			<u>(597,179)</u>	<u>-</u>
Hazard Mitigation Grant	FEMA-4414-DR-MN	97.039	83,130	-
Emergency Management Performance Grants	A-EMPG-2020-DULUTHCI-090	97.042	22,504	-
Passed Through St. Louis County, Minnesota				
Homeland Security Grant Program	OPSG FRAGO MN-St. Louis FY 18	97.067	28,325	-
Homeland Security Grant Program	OPSG OO MN-St. Louis FY 19	97.067	80,222	-
Total ALN # 97.067			<u>108,547</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ (58,053)	\$ -
Total Federal Awards			\$ 12,099,782	\$ 4,584,208

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, 2021

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 \$3,369,844, \$751,745, and \$2,737,731 in federal awards expended by the Duluth Airport Authority, Duluth Entertainment and Convention Center Authority, and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 of the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2021. 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. 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.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 18,413,048
Expenditures of Equitable Sharing Funds	47,550
Expenditures of Revolving Loan Fund	
Community Development Block Grants	428,807
Police Task Force Agreements	
Minneapolis Child Exploitation and Human Trafficking Task Force	(5,004)
Grants received more than 45 days after year-end, unavailable in 2021	
Bulletproof Vest Partnership Program	17,221
Community Development Block Grants	66,881
Community Development Block Grants - Cares Act Funding	7,194
Comprehensive Opioid Abuse Site-Based Program	3,600
Disaster Grants - Public Assistance	691,605
Edward Byrne Memorial Justice Assistance Grant Program	37,306
Emergency Solutions Grant Program	3,192
Emergency Solutions Grant Program - Cares Act Funding	5,260
High Intensity Drug Trafficking Areas Program	72,019
Highway Planning and Construction	121,691
Home Investment Partnerships Program	4,785
National Sexual Assault Kit Initiative	452
Outdoor Recreation Acquisition, Development	
and Planning	25,000
Port Security Grant Program	1,025
Public Safety Partnership and Community Policing Grants	41,623
Rehabilitation Services Vocational Rehabilitation	
Grants to States	188
Senior Community Service Employment Program	3,925
Temporary Assistance for Needy Families	5,196
WIA Adult Program	54
WIA National Emergency Grants	623
WIA/WIOA Dislocated Worker Formula Grant	26
WIOA Youth Program	215
	(continued)

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Unavailable in 2020, recognized as revenue in 2021	
Coastal Zone Management Administration Awards	(119,869)
Community Development Block Grants	(243,915)
Community Development Block Grants - Cares Act Funding	(334,627)
Coronavirus Emergency Supplemental Funding Program	(115,217)
Disaster Grants - Public Assistance	(6,334,616)
Emergency Management Performance Grants	(7,496)
Emergency Solutions Grant Program	(8,460)
Emergency Solutions Grant Program - Cares Act Funding	(226,653)
Great Lakes Program	(43,217)
High Intensity Drug Trafficking Areas Program	(100,000)
Highway Planning and Construction	(159,756)
Home Investment Partnerships Program	(80,980)
Outdoor Recreation Acquisition, Development and Planning	(250,000)
Recreational Trails Program	(4,037)
Rehabilitation Services Vocational Rehabilitation Grants to States	(3,107)
Senior Community Service Employment Program	(1,078)
WIA Adult Program	(4,013)
WIA/WIOA Dislocated Worker Formula Grant	(3,800)
WIOA Youth Program	(692)
Timing Differences Between Expenditures and Related Reimbursements	26,973
Capital Contributions	
Coronavirus State and Local Fiscal Recovery Funds	<u>120,860</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 12,099,782</u>

STATISTICAL SECTION

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

Financial Trends - Pages 161-168

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

Revenue Capacity - Pages 169-171

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

Debt Capacity - Pages 172-176

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

Demographic and Economic Information - Page 177

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

Operating Information - Pages 178-183

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

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

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities					
Net investment in capital assets	\$ 209,484,876	\$ 210,631,129	\$ 235,177,972	\$ 242,346,774	\$ 242,875,012
Restricted	36,781,284	40,778,013	46,063,716	43,143,639	45,703,757
Unrestricted *	<u>(21,202,511)</u>	<u>(27,519,849)</u>	<u>(45,926,755)</u>	<u>(100,062,238)</u>	<u>(113,329,374)</u>
Total Governmental Activities Net Position	<u>225,063,649</u>	<u>223,889,293</u>	<u>235,314,933</u>	<u>185,428,175</u>	<u>175,249,395</u>
Business-type Activities					
Net investment in capital assets	158,415,070	168,290,764	182,656,056	204,789,234	218,517,664
Restricted	1,864,068	1,877,950	2,881,659	2,892,969	2,072,379
Unrestricted *	<u>24,618,744</u>	<u>26,878,191</u>	<u>28,779,936</u>	<u>14,843,438</u>	<u>11,153,671</u>
Total Business-type Activities Net Position	<u>184,897,882</u>	<u>197,046,905</u>	<u>214,317,651</u>	<u>222,525,641</u>	<u>231,743,714</u>
Primary Government					
Net investment in capital assets	367,899,946	378,921,893	417,834,028	447,136,008	461,392,676
Restricted	38,645,352	42,655,963	48,945,375	46,036,608	47,776,136
Unrestricted *	<u>3,416,233</u>	<u>(641,658)</u>	<u>(17,146,819)</u>	<u>(85,218,800)</u>	<u>(102,175,703)</u>
Total Primary Government Net Position	<u>\$ 409,961,531</u>	<u>\$ 420,936,198</u>	<u>\$ 449,632,584</u>	<u>\$ 407,953,816</u>	<u>\$ 406,993,109</u>

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental Activities					
Net investment in capital assets	\$ 245,733,061	\$ 249,612,707	\$ 251,585,123	\$ 269,467,267	\$ 274,609,405
Restricted	46,203,035	42,919,978	42,703,389	57,116,401	59,985,927
Unrestricted *	<u>(117,374,039)</u>	<u>(181,539,392)</u>	<u>(170,622,157)</u>	<u>(154,052,891)</u>	<u>(125,130,759)</u>
Total Governmental Activities Net Position	<u>174,562,057</u>	<u>110,993,293</u>	<u>123,666,355</u>	<u>172,530,777</u>	<u>209,464,573</u>
Business-type Activities					
Net investment in capital assets	227,778,536	240,473,773	253,270,775	272,754,726	278,507,370
Restricted	2,119,974	2,114,827	2,091,941	2,462,396	2,560,175
Unrestricted *	<u>13,766,078</u>	<u>11,262,947</u>	<u>17,689,259</u>	<u>22,453,868</u>	<u>31,930,461</u>
Total Business-type Activities Net Position	<u>243,664,588</u>	<u>253,851,547</u>	<u>273,051,975</u>	<u>297,670,990</u>	<u>312,998,006</u>
Primary Government					
Net investment in capital assets	473,511,597	490,086,480	504,855,898	542,221,993	553,116,775
Restricted	48,323,009	45,034,805	44,795,330	59,578,797	62,546,102
Unrestricted *	<u>(103,607,961)</u>	<u>(170,276,445)</u>	<u>(152,932,898)</u>	<u>(131,599,023)</u>	<u>(93,200,298)</u>
Total Primary Government Net Position	<u>\$ 418,226,645</u>	<u>\$ 364,844,840</u>	<u>\$ 396,718,330</u>	<u>\$ 470,201,767</u>	<u>\$ 522,462,579</u>

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

Source: Statement of Net Position

Unaudited

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses					
Governmental Activities					
General government	\$ 40,761,298	\$ 24,455,977	\$ 27,045,420	\$ 26,652,865	\$ 28,487,636
Public safety	38,190,780	39,860,955	40,104,416	40,798,398	55,526,260
Public works	12,320,891	26,286,454	21,622,112	22,230,628	25,219,128
Culture and recreation	15,125,570	11,872,741	11,584,949	18,319,587	10,407,695
Urban and economic development	13,275,120	14,922,283	14,294,290	14,265,141	17,688,597
Interest	<u>4,907,447</u>	<u>4,535,639</u>	<u>4,338,915</u>	<u>4,619,216</u>	<u>4,543,299</u>
Total Governmental Activities Expenses	<u>124,581,106</u>	<u>121,934,049</u>	<u>118,990,102</u>	<u>126,885,835</u>	<u>141,872,615</u>
Business-type Activities					
Water	10,243,435	11,015,475	11,255,835	10,187,477	10,997,029
Gas	30,351,746	35,174,140	49,131,965	29,262,281	27,526,208
Sewer	18,216,008	17,882,780	16,963,128	16,284,112	16,034,063
Stormwater	3,447,389	3,581,689	3,701,827	3,764,611	4,208,833
Steam	7,083,477	7,692,984	7,254,245	7,666,582	8,364,984
Golf	2,192,560	2,059,673	2,020,655	2,309,016	2,068,650
Parking	2,923,741	2,901,617	2,701,445	2,550,028	2,630,605
Priley Drive parking facility	-	-	-	-	768,011
Street lighting	<u>1,583,897</u>	<u>1,545,598</u>	<u>1,910,875</u>	<u>1,914,331</u>	<u>2,307,565</u>
Total Business-type Activities Expenses	<u>76,042,253</u>	<u>81,853,956</u>	<u>94,939,975</u>	<u>73,938,438</u>	<u>74,905,948</u>
Total Primary Government Expenses	<u>\$ 200,623,359</u>	<u>\$ 203,788,005</u>	<u>\$ 213,930,077</u>	<u>\$ 200,824,273</u>	<u>\$ 216,778,563</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 4,415,328	\$ 4,675,590	\$ 5,018,181	\$ 4,854,823	\$ 4,934,248
Public safety	2,925,524	1,948,070	1,501,647	1,562,794	1,698,161
Public works	394,422	111,061	1,320,130	2,801,089	2,723,412
Culture and recreation	1,082,261	1,332,448	1,299,671	1,310,840	1,182,738
Urban and economic development	347,895	2,816,814	3,383,810	3,095,554	2,655,700
Operating grants and contributions	13,668,138	13,309,497	11,487,629	10,096,446	12,402,217
Capital grants and contributions	<u>12,230,295</u>	<u>17,878,748</u>	<u>19,388,699</u>	<u>19,174,980</u>	<u>15,968,844</u>
Total Governmental Activities Program Revenues	<u>35,063,863</u>	<u>42,072,228</u>	<u>43,399,767</u>	<u>42,896,526</u>	<u>41,565,320</u>
Business-type Activities					
Charges for services					
Water	13,911,617	14,866,657	14,529,002	14,426,316	14,479,884
Gas	34,071,373	40,587,986	58,291,132	35,495,409	31,209,095
Sewer	20,350,506	20,535,669	19,493,753	19,973,712	19,527,000
Stormwater	4,798,166	4,750,421	4,624,063	4,754,516	5,243,461
Steam	7,239,203	7,858,968	6,820,043	6,725,164	7,064,402
Golf	1,926,929	1,738,980	1,734,534	1,931,016	1,822,938
Parking	3,185,152	3,777,759	4,207,977	4,516,797	4,552,144
Priley Drive parking facility	-	-	-	-	339,417
Street lighting	2,272,395	2,147,449	2,146,270	1,922,930	1,501,926
Operating grants and contributions	-	60,699	76,493	-	164,101
Capital grants and contributions	<u>3,366,852</u>	<u>2,812,199</u>	<u>4,597,404</u>	<u>8,380,978</u>	<u>2,251,332</u>
Total Business-type Activities Program Revenues	<u>91,122,193</u>	<u>99,136,787</u>	<u>116,520,671</u>	<u>98,126,838</u>	<u>88,155,700</u>
Total Primary Government Program Revenues	<u>\$ 126,186,056</u>	<u>\$ 141,209,015</u>	<u>\$ 159,920,438</u>	<u>\$ 141,023,364</u>	<u>\$ 129,721,020</u>

(continued)

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (89,517,243)	\$ (79,861,821)	\$ (75,590,335)	\$ (83,989,309)	\$ (100,307,295)
Business-type Activities	<u>15,079,940</u>	<u>17,282,831</u>	<u>21,580,696</u>	<u>24,188,400</u>	<u>13,249,752</u>
Total Primary Government Net Expense	<u>\$ (74,437,303)</u>	<u>\$ (62,578,990)</u>	<u>\$ (54,009,639)</u>	<u>\$ (59,800,909)</u>	<u>\$ (87,057,543)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	\$ 21,379,384	\$ 21,924,954	\$ 22,146,676	\$ 22,405,560	\$ 23,587,371
Market value credit aid	9,759	-	-	-	-
Sales taxes	20,888,940	20,388,588	22,031,014	24,305,293	24,585,124
Franchise taxes	1,928,149	1,958,297	2,013,126	2,008,194	1,998,457
Other taxes	141,927	134,580	622,015	255,491	198,546
Casino shared revenues	579,478	-	-	-	-
Grants and shared revenues not restricted to specific programs	29,148,898	29,401,345	30,995,305	31,232,887	31,345,365
Investment income	506,168	(1,632,312)	2,148,194	328,502	1,805,404
Gain on sale or disposition of capital assets	19,124	550,473	54,776	-	-
Miscellaneous	1,172,063	2,694,159	1,996,119	1,323,545	1,726,300
Extraordinary items	-	-	-	(13,264,958)	-
Special item - reduction of Spirit Mountain loan	-	-	-	-	-
Transfers	<u>4,671,197</u>	<u>4,714,434</u>	<u>5,008,750</u>	<u>6,336,860</u>	<u>4,881,948</u>
Total Governmental Activities	<u>80,445,087</u>	<u>80,134,518</u>	<u>87,015,975</u>	<u>74,931,374</u>	<u>90,128,515</u>
Business-type Activities					
General Revenues					
Property taxes	-	-	-	220,293	647,013
Grants and shared revenues not restricted to specific programs	51,272	48,566	48,566	48,566	48,566
Investment income	184,954	33,206	468,471	124,243	99,045
Gain on sale or disposition of capital assets	55,623	(4,983)	58,974	79,246	2,220
Miscellaneous	-	69,099	122,789	56,606	53,425
Transfers	<u>(4,671,197)</u>	<u>(4,714,434)</u>	<u>(5,008,750)</u>	<u>(6,336,860)</u>	<u>(4,881,948)</u>
Total Business-type Activities	<u>(4,379,348)</u>	<u>(4,568,546)</u>	<u>(4,309,950)</u>	<u>(5,807,906)</u>	<u>(4,031,679)</u>
Total Primary Government	<u>\$ 76,065,739</u>	<u>\$ 75,565,972</u>	<u>\$ 82,706,025</u>	<u>\$ 69,123,468</u>	<u>\$ 86,096,836</u>
Change in Net Position					
Governmental Activities	\$ (9,072,156)	\$ 272,697	\$ 11,425,640	\$ (9,057,935)	\$ (10,178,780)
Business-type Activities	<u>10,700,592</u>	<u>12,714,285</u>	<u>17,270,746</u>	<u>18,380,494</u>	<u>9,218,073</u>
Total Primary Government	<u>\$ 1,628,436</u>	<u>\$ 12,986,982</u>	<u>\$ 28,696,386</u>	<u>\$ 9,322,559</u>	<u>\$ (960,707)</u>

(continued)

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

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Expenses					
Governmental Activities					
General government	\$ 29,490,639	\$ 31,093,037	\$ 31,839,444	\$ 31,745,911	\$ 31,458,665
Public safety	47,268,796	43,352,480	42,180,828	42,104,761	35,650,206
Public works	23,999,112	24,997,278	27,785,208	26,885,812	24,858,279
Culture and recreation	12,497,000	13,169,901	16,261,444	10,419,424	16,503,956
Urban and economic development	15,406,291	13,664,386	14,244,055	11,374,651	15,130,262
Interest	<u>3,951,480</u>	<u>4,025,051</u>	<u>3,909,623</u>	<u>3,397,730</u>	<u>3,611,430</u>
Total Governmental Activities Expenses	<u>132,613,318</u>	<u>130,302,133</u>	<u>136,220,602</u>	<u>125,928,289</u>	<u>127,212,798</u>
Business-type Activities					
Water	11,159,899	11,268,976	10,814,241	9,701,506	9,054,609
Gas	31,537,930	33,160,799	31,777,159	29,784,236	35,254,902
Sewer	16,018,954	16,835,052	16,259,666	16,219,816	15,500,002
Stormwater	3,564,421	3,430,458	3,571,577	3,523,521	3,259,324
Steam	8,298,624	8,185,310	8,350,276	8,296,062	9,167,833
Golf	1,940,477	1,853,157	1,771,189	1,270,959	1,275,995
Parking	2,748,883	2,980,182	3,404,851	2,923,925	3,401,867
Priley Drive parking facility	1,266,511	1,254,483	1,249,348	1,231,195	1,222,210
Street lighting	<u>2,123,129</u>	<u>1,909,552</u>	<u>1,836,048</u>	-	-
Total Business-type Activities Expenses	<u>78,658,828</u>	<u>80,877,969</u>	<u>79,034,355</u>	<u>72,951,220</u>	<u>78,136,742</u>
Total Primary Government Expenses	<u>\$ 211,272,146</u>	<u>\$ 211,180,102</u>	<u>\$ 215,254,957</u>	<u>\$ 198,879,509</u>	<u>\$ 205,349,540</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 5,706,995	\$ 5,869,145	\$ 5,978,363	\$ 5,732,214	\$ 5,693,386
Public safety	2,869,629	2,023,574	2,115,004	1,794,884	2,185,593
Public works	56,549	82,235	138,436	336,908	229,532
Culture and recreation	1,247,455	1,270,730	1,328,289	853,276	2,051,782
Urban and economic development	2,183,548	2,682,020	3,872,703	3,836,466	5,530,373
Operating grants and contributions	11,758,737	12,019,093	12,289,736	19,698,868	16,606,625
Capital grants and contributions	<u>11,096,107</u>	<u>12,912,987</u>	<u>12,733,125</u>	<u>24,938,476</u>	<u>17,317,782</u>
Total Governmental Activities Program Revenues	<u>34,919,020</u>	<u>36,859,784</u>	<u>38,455,656</u>	<u>57,191,092</u>	<u>49,615,073</u>
Business-type Activities					
Charges for services					
Water	14,428,987	14,910,171	15,142,128	15,099,895	15,920,408
Gas	36,122,015	39,182,666	39,886,073	36,549,373	41,070,876
Sewer	19,538,573	19,709,102	19,615,365	19,164,926	19,836,926
Stormwater	5,298,272	5,283,440	5,295,794	5,400,293	6,298,247
Steam	7,712,154	7,880,094	8,091,177	7,606,029	8,229,505
Golf	1,730,447	1,692,369	1,482,349	1,083,096	1,378,539
Parking	4,060,636	3,740,640	4,095,285	2,906,751	3,253,133
Priley Drive parking facility	446,597	457,088	452,308	398,812	434,544
Street lighting	1,399,669	1,390,572	835,761	-	-
Operating grants and contributions	104,170	-	60,628	-	-
Capital grants and contributions	<u>2,832,186</u>	<u>5,602,821</u>	<u>6,133,857</u>	<u>16,948,855</u>	<u>1,770,109</u>
Total Business-type Activities Program Revenues	<u>93,673,706</u>	<u>99,848,963</u>	<u>101,090,725</u>	<u>105,158,030</u>	<u>98,192,287</u>
Total Primary Government Program Revenues	<u>\$ 128,592,726</u>	<u>\$ 136,708,747</u>	<u>\$ 139,546,381</u>	<u>\$ 162,349,122</u>	<u>\$ 147,807,360</u>

(continued)

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

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (97,694,298)	\$ (93,442,349)	\$ (97,764,946)	\$ (68,737,197)	\$ (77,597,725)
Business-type Activities	15,014,878	18,970,994	22,056,370	32,206,810	20,055,545
Total Primary Government Net Expense	<u>\$ (82,679,420)</u>	<u>\$ (74,471,355)</u>	<u>\$ (75,708,576)</u>	<u>\$ (36,530,387)</u>	<u>\$ (57,542,180)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities					
General Revenues					
Property taxes	\$ 27,596,775	\$ 30,265,657	\$ 32,995,611	\$ 37,075,587	\$ 37,905,624
Market value credit aid	-	-	-	-	-
Sales taxes	25,188,254	26,267,168	28,867,348	29,475,871	37,516,898
Franchise taxes	3,883,316	3,997,060	3,534,435	3,586,792	3,639,703
Other taxes	204,587	254,096	326,091	393,442	367,909
Casino shared revenues	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	31,420,457	31,810,084	31,917,733	32,535,525	32,879,084
Investment income	3,571,853	(440,856)	6,611,326	5,222,490	6,094,046
Gain on sale or disposition of capital assets	-	-	-	-	-
Miscellaneous	997,006	1,689,582	1,670,993	2,335,463	2,244,648
Extraordinary items	-	-	-	-	-
Special item - reduction of Spirit Mountain loan	-	-	-	(900,000)	-
Transfers	4,144,712	4,354,903	4,514,471	3,242,459	4,512,811
Total Governmental Activities	<u>97,006,960</u>	<u>98,197,694</u>	<u>110,438,008</u>	<u>112,967,629</u>	<u>125,160,723</u>
Business-type Activities					
General Revenues					
Property taxes	756,037	751,231	1,301,757	-	-
Grants and shared revenues not restricted to specific programs	59,826	48,567	48,566	-	-
Investment income	86,837	43,383	235,864	237,420	(225,528)
Gain on sale or disposition of capital assets	57,913	81,868	26,962	30,790	3,026
Miscellaneous	90,095	61,272	45,380	8,095	6,784
Transfers	(4,144,712)	(4,354,903)	(4,514,471)	(3,242,459)	(4,512,811)
Total Business-type Activities	<u>(3,094,004)</u>	<u>(3,368,582)</u>	<u>(2,855,942)</u>	<u>(2,966,154)</u>	<u>(4,728,529)</u>
Total Primary Government	<u>\$ 93,912,956</u>	<u>\$ 94,829,112</u>	<u>\$ 107,582,066</u>	<u>\$ 110,001,475</u>	<u>\$ 120,432,194</u>
Change in Net Position					
Governmental Activities	\$ (687,338)	\$ 4,755,345	\$ 12,673,062	\$ 44,230,432	\$ 47,562,998
Business-type Activities	11,920,874	15,602,412	19,200,428	29,240,656	15,327,016
Total Primary Government	<u>\$ 11,233,536</u>	<u>\$ 20,357,757</u>	<u>\$ 31,873,490</u>	<u>\$ 73,471,088</u>	<u>\$ 62,890,014</u>

Source: Statement of Activities

Unaudited

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Nonspendable	\$ 431,795	\$ 414,309	\$ 258,535	\$ -	\$ -
Restricted	97,811	75,741	91,324	95,801	85,776
Committed	9,067	13,454	13,129	21,781	32,075
Assigned	583,777	821,114	1,634,029	2,132,059	1,616,063
Unassigned	<u>7,587,726</u>	<u>7,746,042</u>	<u>9,320,545</u>	<u>11,624,121</u>	<u>11,634,076</u>
Total General Fund	<u>8,710,176</u>	<u>9,070,660</u>	<u>11,317,562</u>	<u>13,873,762</u>	<u>13,367,990</u>
All Other Governmental Funds					
Restricted	29,787,935	31,790,209	31,233,325	44,269,018	45,235,185
Committed	294,971	18,095,100	19,705,618	19,846,164	21,707,282
Assigned	23,258,693	576,094	445,627	389,344	824,467
Unassigned	<u>(2,995,479)</u>	<u>(5,512,643)</u>	<u>(4,232,523)</u>	<u>(8,155,193)</u>	<u>(2,101,580)</u>
Total All Other Governmental Funds	<u>\$ 50,346,120</u>	<u>\$ 44,948,760</u>	<u>\$ 47,152,047</u>	<u>\$ 56,349,333</u>	<u>\$ 65,665,354</u>

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	99,766	184,891	216,132	329,336	326,903
Committed	36,242	41,996	35,958	32,186	34,120
Assigned	2,280,311	3,236,770	2,999,900	3,886,800	3,978,786
Unassigned	<u>13,190,484</u>	<u>13,422,108</u>	<u>14,437,169</u>	<u>16,856,560</u>	<u>21,256,399</u>
Total General Fund	<u>15,606,803</u>	<u>16,885,765</u>	<u>17,689,159</u>	<u>21,104,882</u>	<u>25,596,208</u>
All Other Governmental Funds					
Restricted	42,708,250	41,801,543	39,142,316	43,943,951	48,377,323
Committed	24,583,093	23,357,054	28,493,060	32,311,536	38,836,845
Assigned	1,209,071	1,691,541	1,942,077	2,317,122	4,979,933
Unassigned	<u>(1,981,450)</u>	<u>(3,130,083)</u>	<u>(4,266,262)</u>	<u>(7,929,634)</u>	<u>(6,362,158)</u>
Total All Other Governmental Funds	<u>\$ 66,518,964</u>	<u>\$ 63,720,055</u>	<u>\$ 65,311,191</u>	<u>\$ 70,642,975</u>	<u>\$ 85,831,943</u>

Source: Balance Sheet - Governmental Funds

Unaudited

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Taxes					
Property taxes	\$ 21,336,285	\$ 21,913,489	\$ 22,118,257	\$ 22,549,109	\$ 23,671,256
Sales taxes	20,888,940	20,388,588	22,031,014	24,305,293	24,585,124
Other taxes	2,070,076	2,092,877	2,635,141	2,263,685	2,197,003
Licenses and permits	1,625,826	1,863,333	1,737,068	1,783,741	1,786,472
Intergovernmental revenues	49,469,851	55,451,614	57,455,627	55,941,414	60,343,948
Charges for services	5,891,728	6,441,338	7,987,527	9,289,681	8,510,151
Fines and forfeits	1,075,167	699,846	709,213	652,033	719,928
Special assessments	2,884,597	2,328,821	2,458,912	1,983,776	2,095,202
Investment income	430,056	(1,675,875)	2,022,447	230,692	1,740,987
Miscellaneous revenues	<u>4,124,685</u>	<u>4,521,654</u>	<u>4,304,525</u>	<u>5,326,755</u>	<u>5,980,771</u>
Total Revenues	<u>109,797,211</u>	<u>114,025,685</u>	<u>123,459,731</u>	<u>124,326,179</u>	<u>131,630,842</u>
Expenditures					
General government	34,625,147	22,290,793	23,174,447	24,004,445	24,378,741
Public safety	36,476,109	35,035,481	35,512,569	37,150,741	38,524,220
Public works	6,046,513	19,397,379	12,536,734	14,388,357	14,515,792
Culture and recreation	7,761,926	9,469,074	9,645,981	15,954,443	9,117,853
Urban and economic development	20,203,006	17,762,959	13,858,327	16,906,657	24,913,908
Debt service					
Principal retirement	13,045,000	8,655,000	11,350,000	10,501,000	9,531,000
Interest and fiscal fees	5,097,486	4,673,854	4,600,843	4,577,976	4,422,939
Bond issuance costs	280,600	203,741	223,753	361,424	595,689
Capital outlay	<u>23,247,154</u>	<u>17,169,385</u>	<u>21,355,037</u>	<u>16,962,641</u>	<u>15,016,363</u>
Total Expenditures	<u>146,782,941</u>	<u>134,657,666</u>	<u>132,257,691</u>	<u>140,807,684</u>	<u>141,016,505</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,985,730)</u>	<u>(20,631,981)</u>	<u>(8,797,960)</u>	<u>(16,481,505)</u>	<u>(9,385,663)</u>
Other Financing Sources (Uses)					
Issuance of bonds	17,980,000	10,490,000	8,055,000	21,315,000	12,520,000
Proceeds from refundings	6,905,000	-	865,000	2,630,000	33,470,000
Premium on issuance of bonds	868,419	271,507	153,373	799,031	7,185,320
Payment to refunded bond escrow agent	(7,363,043)	-	(865,000)	(2,845,900)	(39,861,356)
Transfers in	19,166,548	16,753,906	16,540,403	19,136,245	22,385,436
Transfers out	<u>(14,444,663)</u>	<u>(11,988,958)</u>	<u>(11,500,627)</u>	<u>(12,799,385)</u>	<u>(17,503,488)</u>
Total Other Financing Sources (Uses)	<u>23,112,261</u>	<u>15,526,455</u>	<u>13,248,149</u>	<u>28,234,991</u>	<u>18,195,912</u>
Special Item					
Reduction of Spirit Mountain loan	-	-	-	-	-
Net Change in Fund Balances	<u>\$ (13,873,469)</u>	<u>\$ (5,105,526)</u>	<u>\$ 4,450,189</u>	<u>\$ 11,753,486</u>	<u>\$ 8,810,249</u>
Debt Service as a Percentage of Noncapital Expenditures	14.0%	11.4%	14.1%	12.1%	11.0%

(continued)

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

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues					
Taxes					
Property taxes	\$ 27,606,911	\$ 30,318,865	\$ 32,966,193	\$ 36,862,060	\$ 38,004,503
Sales taxes	25,188,254	26,267,167	28,867,348	29,475,871	37,516,898
Other taxes	4,087,903	4,251,157	3,860,525	3,980,234	4,007,612
Licenses and permits	1,759,507	2,053,375	2,101,757	1,951,586	2,151,661
Intergovernmental revenues	51,353,893	56,877,087	55,060,040	66,175,612	64,773,487
Charges for services	6,171,005	6,576,669	8,153,062	7,637,963	11,149,501
Fines and forfeits	1,906,404	604,357	698,929	593,625	706,126
Special assessments	1,752,933	1,605,337	1,614,328	1,286,902	1,036,205
Investment income	3,527,779	(559,148)	6,366,017	5,013,297	6,154,176
Miscellaneous revenues	<u>4,809,871</u>	<u>6,138,325</u>	<u>5,436,730</u>	<u>6,714,594</u>	<u>7,831,580</u>
Total Revenues	<u>128,164,460</u>	<u>134,133,191</u>	<u>145,124,929</u>	<u>159,691,744</u>	<u>173,331,749</u>
Expenditures					
General government	24,722,755	28,330,883	28,605,112	28,872,260	31,068,036
Public safety	39,263,288	41,552,331	43,494,675	45,685,465	46,446,403
Public works	13,194,918	15,226,399	18,109,557	17,009,911	16,914,139
Culture and recreation	9,779,866	10,530,034	13,815,699	8,589,874	14,243,222
Urban and economic development	15,022,941	13,637,293	14,552,236	12,134,491	16,654,371
Debt service					
Principal retirement	13,271,000	11,172,000	11,360,000	10,805,000	11,880,000
Interest and fiscal fees	4,603,199	4,487,446	4,751,307	3,984,777	4,132,918
Bond issuance costs	91,522	163,704	176,372	158,881	163,847
Capital outlay	<u>14,753,506</u>	<u>25,106,738</u>	<u>17,377,830</u>	<u>40,742,363</u>	<u>23,031,006</u>
Total Expenditures	<u>134,702,995</u>	<u>150,206,828</u>	<u>152,242,788</u>	<u>167,983,022</u>	<u>164,533,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,538,535)</u>	<u>(16,073,637)</u>	<u>(7,117,859)</u>	<u>(8,291,278)</u>	<u>8,797,807</u>
Other Financing Sources (Uses)					
Issuance of bonds	5,160,000	9,645,000	4,260,000	12,695,000	5,425,000
Proceeds from refundings	-	-	9,755,000	-	6,550,000
Premium on issuance of bonds	326,247	553,787	2,832,464	856,705	937,362
Payment to refunded bond escrow agent	-	-	(11,849,546)	-	(6,445,000)
Transfers in	21,369,040	21,752,295	22,471,395	32,795,673	33,779,140
Transfers out	<u>(17,224,328)</u>	<u>(17,397,392)</u>	<u>(17,956,924)</u>	<u>(29,553,214)</u>	<u>(29,364,015)</u>
Total Other Financing Sources (Uses)	<u>9,630,959</u>	<u>14,553,690</u>	<u>9,512,389</u>	<u>16,794,164</u>	<u>10,882,487</u>
Special Item					
Reduction of Spirit Mountain loan	-	-	-	(900,000)	-
Net Change in Fund Balances	<u>\$ 3,092,424</u>	<u>\$ (1,519,947)</u>	<u>\$ 2,394,530</u>	<u>\$ 7,602,886</u>	<u>\$ 19,680,294</u>
Debt Service as a Percentage of Noncapital Expenditures	14.7%	12.4%	11.8%	11.5%	11.2%

General Governmental includes Capital Projects Funds.

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

Unaudited

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

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
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

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608
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

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to Total Estimated Market Value	Tax Rate
	Estimated Market Value	Tax Capacity		
	2012	5,569,039,800		
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509
2016	5,903,691,700	66,776,729	1.13%	0.33378
2017	6,124,643,600	70,226,007	1.15%	0.37568
2018	6,224,187,356	73,636,389	1.18%	0.39701
2019	6,534,657,950	77,341,318	1.18%	0.42094
2020	6,732,090,600	83,326,594	1.24%	0.42997
2021	7,179,732,200	88,046,786	1.23%	0.41696

Unaudited

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

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

Fiscal Year	City		Total Direct	Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service		Schools	County	Special	
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
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

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

Source: St. Louis County website

Unaudited

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

Taxpayer	Type of Business	2021		Percentage of Total Estimated Market Value	2012		Percentage of Total Estimated Market Value
		Estimated Market Value	Rank		Estimated Market Value	Rank	
Minnesota Power	Electric utility	\$ 153,667,900	1	2.14%	\$ 95,859,300	1	1.72%
Summit Management LLC	Apartments & shopping mall	82,008,300	2	1.14%			
Essentia Health	Healthcare & hospital	68,259,600	3	0.95%	40,325,100	3	0.72%
Simon Property, Inc.	Shopping mall	52,233,100	4	0.73%	42,987,300	2	0.77%
Wisconsin Central LLC	Railroad	37,787,300	5	0.53%	18,441,000	5	0.33%
Ansa Propco Partnership	Lease administration	32,269,900	6	0.45%			
Hall Equities Group	Hotels	24,789,000	7	0.35%			
NewPage (Stora Enso)	Paper mill	24,007,200	8	0.33%	18,113,600	7	0.33%
Burlington Northern	Railroad	22,430,600	9	0.31%			
Lift Bridge Partners LLC	Real estate development	21,540,700	10	0.30%			
IRET Properties	Property management				21,634,000	4	0.39%
Riverland Ag Corp	Grain elevators				18,334,000	6	0.33%
ZMC Hotels	Hotels				16,327,500	8	0.29%
Sherman Associates	Real estate development				15,778,000	9	0.28%
US Bank	Bank/Office building				11,634,900	10	0.21%
		<u>\$ 518,993,600</u>		<u>7.23%</u>	<u>\$ 299,434,700</u>		<u>5.37%</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 2021**

**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
2012	21,403,582	20,835,227	97.3%	406,457	21,241,684	99.2%
2013	21,966,088	21,396,584	97.4%	463,654	21,860,238	99.5%
2014	22,040,149	21,498,351	97.5%	351,096	21,849,447	99.1%
2015	22,686,100	22,310,465	98.3%	298,068	22,608,533	99.7%
2016	24,233,053	23,842,607	98.4%	238,738	24,081,345	99.4%
2017	28,039,466	27,593,516	98.4%	218,659	27,812,175	99.2%
2018	30,649,272	30,083,315	98.2%	237,947	30,321,262	98.9%
2019	33,804,643	33,259,823	98.4%	191,085	33,450,908	99.0%
2020	36,444,668	35,893,735	98.5%	248,390	36,142,125	99.2%
2021	37,454,376	36,981,319	98.7%	-	36,981,319	98.7%

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

Unaudited

**NET CAPACITY OF REAL PROPERTY BY CATEGORY
TAXES PAYABLE IN 2021**

<u>Real Estate Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 35,848,939	42.17%
Non-Homestead Residential	19,112,530	22.48%
Commercial/Industrial	26,986,488	31.75%
Agricultural	13,642	0.02%
Public Utility	1,570,858	1.84%
Railroad	1,169,646	1.38%
Seasonal/Recreational	303,738	0.36%
Total	<u>\$ 85,005,841</u>	<u>100.00%</u>

Unaudited

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

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

Fiscal Year	Governmental Activities					
	General Obligation Bonds	General Obligation Tax Abatement Bonds	Lease Revenue Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates	Deferred Amount for Bond Premium
2012	76,927	7,315	565	23,943	11,300	1,612
2013	80,754	7,290	415	20,901	12,625	1,579
2014	82,936	6,705	-	16,814	12,340	1,419
2015	97,340	6,350	-	13,080	12,670	1,910
2016	91,300	13,805	-	10,765	13,250	8,418
2017	86,615	13,435	-	7,320	13,670	7,917
2018	87,485	12,605	-	5,165	14,295	7,648
2019	81,370	11,770	-	3,125	14,050	9,605
2020	85,985	10,915	-	1,620	13,700	9,472
2021	81,360	9,695	-	645	14,185	9,358

Fiscal Year	Governmental Activities			Business Activities		
	Revenue and General Obligation Notes	Capital Leases	Revenue Bonds	Revenue and General Obligation Bonds	Deferred Amount for Bond Discounts/Premiums	
2012	2,996	-	-	41,045	(909)	
2013	2,896	-	-	37,305	505	
2014	2,791	-	-	44,343	401	
2015	2,735	110	-	42,760	496	
2016	2,704	75	-	39,222	377	
2017	2,673	38	-	34,927	270	
2018	2,636	-	-	35,097	223	
2019	2,621	-	-	31,680	167	
2020	2,606	-	-	38,985	378	
2021	2,591	-	-	36,123	329	

Fiscal Year	Business Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Notes	Capital Leases			
2012	23,084	8,041	195,919	8.27%	2,273
2013	21,904	7,385	193,559	7.71%	2,247
2014	24,581	6,704	199,034	7.64%	2,308
2015	23,034	5,995	206,480	7.47%	2,398
2016	20,519	5,385	205,820	7.60%	2,385
2017	18,048	4,752	189,665	6.85%	2,204
2018	15,474	4,094	184,722	6.38%	2,151
2019	13,204	3,411	171,003	5.66%	1,997
2020	11,081	2,702	177,444	6.04%	2,047
2021	8,932	1,966	165,184	5.31%	1,905

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
2012	86,211	61,532,873	97,154,314	17,742,090	79,412,224	129.06%	921.14
2013	86,128	61,948,785	102,247,605	19,802,762	82,444,843	133.09%	957.24
2014	86,238	62,430,044	103,399,159	18,386,236	85,012,923	136.17%	985.79
2015	86,110	64,221,257	118,269,847	19,496,773	98,773,074	153.80%	1,147.06
2016	86,293	66,776,729	126,772,630	22,581,641	104,190,989	156.03%	1,207.41
2017	86,066	70,226,007	121,637,268	21,118,634	100,518,634	143.14%	1,167.93
2018	85,884	73,636,389	122,033,234	21,344,176	100,689,058	136.74%	1,172.38
2019	85,618	77,341,318	116,794,602	20,970,230	95,824,372	123.90%	1,119.21
2020	86,697	83,326,594	120,071,649	20,558,272	99,513,377	119.43%	1,147.83
2021	*86,697	88,046,786	114,598,285	20,463,755	94,134,530	106.91%	1,085.79

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, 2021**

<u>Governmental Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$ 74,922,602	88.68%	\$ 66,443,237
Independent School District 704	22,675,000	7.68%	1,742,510
St. Louis County	157,660,000	39.34%	<u>62,024,063</u>
Subtotal, Overlapping Debt			130,209,810
City of Duluth Direct Debt			<u>117,834,285</u>
Total Direct and Overlapping Debt			<u>\$ 248,044,095</u>

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

Unaudited

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Taxable market value	\$5,569,039,800	\$5,473,015,800	\$5,584,098,600	\$5,725,483,100	\$5,903,691,700
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 111,380,796</u>	<u>\$ 109,460,316</u>	<u>\$ 111,681,972</u>	<u>\$ 114,509,662</u>	<u>\$ 118,073,834</u>
Debt applicable to limit					
Total bonds payable	\$ 161,095,000	\$ 159,290,002	\$ 163,138,242	\$ 172,200,045	\$ 168,342,029
Less: Deductions allowable	<u>(123,073,029)</u>	<u>(118,746,296)</u>	<u>(123,892,674)</u>	<u>(133,220,045)</u>	<u>(129,827,029)</u>
Total net debt applicable to limit	<u>\$ 38,021,971</u>	<u>\$ 40,543,706</u>	<u>\$ 39,245,568</u>	<u>\$ 38,980,000</u>	<u>\$ 38,515,000</u>
Total net debt applicable to the limit as a percentage of debt limit	34.14%	37.04%	35.14%	34.04%	32.62%

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Taxable market value	\$6,124,643,600	\$6,224,187,356	\$6,534,657,950	\$6,732,090,600	\$7,179,732,200
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 122,492,872</u>	<u>\$ 124,483,747</u>	<u>\$ 130,693,159</u>	<u>\$ 134,641,812</u>	<u>\$ 143,594,644</u>
Debt applicable to limit					
Total bonds payable	\$ 155,967,007	\$ 154,647,475	\$ 141,994,868	\$ 151,204,640	\$ 142,008,164
Less: Deductions allowable	<u>(117,767,007)</u>	<u>(112,342,475)</u>	<u>(103,369,868)</u>	<u>(113,429,640)</u>	<u>(104,168,164)</u>
Total net debt applicable to limit	<u>\$ 38,200,000</u>	<u>\$ 42,305,000</u>	<u>\$ 38,625,000</u>	<u>\$ 37,775,000</u>	<u>\$ 37,840,000</u>
Total net debt applicable to the limit as a percentage of debt limit	31.19%	33.98%	29.55%	28.06%	26.35%

Unaudited

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>WATER REVENUE BOND</u>							
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,372	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
<u>GAS REVENUE BOND (3)</u>							
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,103	1,059,075	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
2016	31,286,723	25,294,510	5,992,213	902,931	55,294	958,225	6.25
2017	36,217,772	29,677,465	6,540,307	480,000	29,800	509,800	12.83
2018	39,256,630	31,544,174	7,712,456	505,000	10,100	515,100	14.97
<u>SEWER REVENUE BOND</u>							
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,940	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
<u>STORMWATER REVENUE BOND</u>							
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
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>							
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
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

PARKING REVENUE BOND

2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,695	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

Notes:

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2012	86,211	2,368,110,337	27,469	8,634	6.0%
2013	86,128	2,510,223,601	29,145	8,517	5.2%
2014	86,238	2,605,207,475	30,210	8,353	4.4%
2015	86,110	2,763,072,824	32,088	8,281	3.3%
2016	86,293	2,709,298,125	31,396	8,115	3.9%
2017	86,066	2,770,709,396	32,193	8,066	3.5%
2018	85,884	2,894,363,625	33,701	8,215	2.9%
2019	85,618	3,020,478,591	35,279	8,229	3.2%
2020	86,697	2,937,415,786	33,881	8,371	6.3%
2021	*86,697	3,113,711,612	35,915	7,864	3.5%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

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

* Estimate

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2021</u>			<u>2012</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Essentia Health (SMDC)	Healthcare / hospital	6,513	1	11.95%	5,168	1	8.96%
St. Luke's Hospital	Healthcare / hospital	2,241	2	4.11%	1,602	4	2.78%
St. Louis County	Government	1,881	3	3.45%	1,956	2	3.39%
Independent School District No. 709	Education	1,450	4	2.66%	1,426	5	2.47%
Allete (Minnesota Power)	Electric utility	1,314	5	2.41%	1,419	6	2.45%
Duluth Air National Guard Base	Military	1,068	6	1.96%	1,068	8	1.85%
Cirrus Design	Aviation	1,000	7	1.83%			
United Health Care	Insurance	999	8	1.83%	1,368	7	2.37%
University of Minnesota - Duluth	Education	953	9	1.75%	1,700	3	2.95%
City of Duluth	Government	871	10	1.60%	869	9	1.51%
US Government	Government				850	10	1.47%
		<u>18,290</u>		<u>33.55%</u>	<u>17,426</u>		<u>30.20%</u>

Source: Northland Connection's website.

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

Unaudited

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

Function	Full-time Equivalent Employees as of December 31				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	115.90	125.75	127.65	131.65	132.40
Public safety					
Police	185.00	178.50	178.50	178.50	180.50
Fire	138.00	141.00	142.00	143.00	144.50
Public works	106.60	87.10	85.90	85.05	86.25
Culture and recreation					
Parks and recreation	9.00	10.00	10.00	9.75	11.75
Library	48.50	49.00	49.00	46.50	46.50
Urban and economic development	61.50	60.25	59.53	55.50	54.05
Water & Gas	131.00	133.00	132.60	128.65	129.15
Sewer	39.20	40.20	39.33	36.93	35.80
Stormwater	26.00	26.00	25.52	26.87	27.30
Parking	3.00	8.00	8.00	8.00	9.00
Street lighting	5.00	5.00	5.10	5.10	5.10
Total	868.70	863.80	863.13	855.50	862.30

Function	Full-time Equivalent Employees as of December 31				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government	134.00	126.50	131.65	134.10	135.10
Public safety					
Police	183.14	182.14	182.14	180.50	183.00
Fire	144.00	146.50	146.50	148.50	148.50
Public works	86.50	82.95	83.95	82.95	82.95
Culture and recreation					
Parks and recreation	11.95	11.70	11.70	13.70	13.70
Library	46.70	46.70	46.70	46.70	47.70
Urban and economic development	54.05	50.64	57.64	56.14	55.14
Water & Gas	133.75	134.75	135.45	133.00	133.00
Sewer	32.65	34.65	33.05	33.75	33.75
Stormwater	25.35	23.15	24.05	24.80	24.80
Parking	9.00	9.00	9.00	9.00	8.00
Street lighting	5.10	5.10	5.10	5.10	5.10
Total	866.19	853.78	866.93	868.24	870.74

Source: City of Duluth Budget Office

Unaudited

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

Function	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police					
Criminal offences	9,924	10,828	9,472	10,262	10,447
Cleared by arrest	3,785	4,473	4,070	4,081	4,062
Traffic violations	9,499	11,152	9,307	8,525	6,819
Parking violations	46,492	53,039	56,387	51,670	56,687
Fire					
Number of calls answered	9,857	10,816	11,114	12,231	12,799
Number of inspections conducted	1,200	1,200	1,200	1,200	4,871
Public works					
Construction permits					
Permits issued	8,841	8,273	7,904	6,523	6,645
Estimated cost of construction during year	\$ 140,168,765	\$ 182,714,079	\$ 227,952,743	\$ 211,421,792	\$ 151,343,988
Culture and recreation					
Parks and recreation department					
Participation in special events	18,129	40,045	30,749	23,122	49,125
Attendance for parks permitted event permits	-	-	-	-	-
Participation in recreation	35,681	27,393	28,304	22,586	31,555
Zoo regular customers	71,842	58,306	65,270	64,071	76,316
Library					
Registered borrowers	50,171	50,491	48,147	47,086	45,424
Items in collection	457,999	467,050	456,753	444,790	435,385
Items loaned	953,270	959,432	923,063	927,389	848,293
Library visits	460,918	484,917	492,106	474,982	461,403
Internet uses	89,070	106,662	118,825	109,965	92,656
Reference/research questions answered	90,155	84,838	89,232	77,896	59,321
Water					
Meters in service	28,082	28,051	28,131	28,134	28,134
Average number of gallons treated per month	468,170,000	433,795,000	433,676,667	431,616,667	415,642,500
Water pumped - million cubic feet	756	696	696	692	667
Water sold - million cubic feet	644	606	591	590	566
Daily average consumption in gallons	13,206,643	12,418,716	14,257,863	14,190,136	11,590,274
Gas					
Meters in service	27,542	27,452	26,585	26,896	28,540
MMBTU sold	4,528,009	5,355,988	5,679,683	4,885,371	4,770,804
Sewer					
Number of service connections	27,250	27,956	27,956	27,963	27,985
Daily average treatment in gallons	12,137,000	12,843,000	14,257,000	13,000,530	13,729,690
Stormwater					
Cleaning storm sewer pipe (in feet)	230,165	31,658	2,700	3,330	20,017
Steam					
Steam sold (in 1,000 lbs)	379,257	394,762	300,669	332,830	313,408
Golf					
Season passes	803	695	644	795	731
Skyline passes	-	-	-	1,620	2,146
Daily tickets	35,121	31,401	28,860	46,700	38,894
Carts	14,751	14,019	15,056	42,606	39,846
Rounds played	84,740	63,196	60,172	81,082	75,544

(continued)

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

Function	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police					
Criminal offences	10,561	10,437	10,890	7,695	8,169
Cleared by arrest	3,802	3,267	3,518	2,580	1,562
Traffic violations	5,196	5,421	4,568	10,223	7,344
Parking violations	34,437	31,934	42,684	31,556	33,028
Fire					
Number of calls answered	13,239	13,255	13,698	13,815	14,803
Number of inspections conducted	7,490	7,367	8,382	4,607	8,606
Public works					
Construction permits					
Permits issued	6,376	7,386	8,052	7,315	7,321
Estimated cost of construction during year	\$ 121,737,989	\$ 165,363,720	\$ 252,369,122	\$ 399,964,675	\$ 530,363,417
Culture and recreation					
Parks and recreation department					
Participation in special events	67,300	62,925	68,725	3,592	62,010
Attendance for parks permitted event permits	-	-	-	5,818	23,756
Participation in recreation	25,210	27,197	44,373	10,431	19,216
Zoo regular customers	81,538	78,439	79,128	32,533	75,366
Library					
Registered borrowers	42,674	51,636	52,178	39,906	40,228
Items in collection	424,304	419,907	346,516	332,450	407,845
Items loaned	871,704	847,237	868,740	373,521	549,697
Library visits	475,363	426,082	437,668	91,193	140,997
Internet uses	90,489	81,685	70,338	15,503	14,512
Reference/research questions answered	71,253	59,579	65,702	25,675	17,108
Water					
Meters in service	28,243	28,345	28,422	28,598	28,727
Average number of gallons treated per month	408,434,167	388,512,500	374,256,680	334,648,416	300,481,666
Water pumped - million cubic feet	655	623	600	537	482
Water sold - million cubic feet	568	562	528	464	347
Daily average consumption in gallons	11,648,560	12,773,013	12,307,089	11,002,308	9,878,849
Gas					
Meters in service	28,712	28,957	29,234	29,484	29,992
MMBTU sold	5,218,978	5,063,708	5,984,783	5,737,419	5,678,028
Sewer					
Number of service connections	27,993	28,030	28,075	27,766	28,666
Daily average treatment in gallons	14,355,390	12,093,510	14,111,340	11,002,140	10,945,300
Stormwater					
Cleaning storm sewer pipe (in feet)	107,965	125,776	82,597	2,841	13,730
Steam					
Steam sold (in 1,000 lbs)	305,465	345,262	350,306	293,441	284,998
Golf					
Season passes	436	462	307	183	213
Skyline passes	1,818	1,354	1,045	726	716
Daily tickets	34,358	39,661	33,223	15,924	21,159
Carts	28,555	25,048	21,079	16,649	17,365
Rounds played	67,657	60,988	51,402	39,337	41,440

Sources: Various government departments

Unaudited

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

Function	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police					
Patrol units	93	93	93	93	97
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	470.43	470.49	472.51	473.80	475.77
Miles of streets - unpaved	48.02	47.96	47.96	47.96	47.96
Miles of sidewalk	409.90	410.98	410.98	410.98	411.08
Number of street lights					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,940
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	128	128	128	128	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	19	19	17
Community clubs/field houses operated	21	21	19	19	19
Number of athletic fields	57	57	57	57	48
Number of hiking trails	14	14	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	426.74	428.30	429.50	430.40	428.30
Number of hydrants	2,597	2,671	2,677	2,688	2,699
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	520.00	527.00	534.70	534.10	538.20
Sewer					
Miles of sanitary sewers	406.20	398.00	402.00	395.30	397.60
Stormwater					
Miles of storm sewers	431.00	443.00	435.00	398.00	405.00
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

(continued)

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

Function	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police					
Patrol units	102	123	120	120	120
Fire					
Fire stations	8	8	8	8	8
Public works					
Miles of streets and alleys					
Miles of streets - paved	475.74	475.77	475.77	476.13	476.31
Miles of streets - unpaved	47.96	47.96	47.96	47.96	47.96
Miles of sidewalk	352.00	352.13	352.13	352.96	353.83
Number of street lights					
Ornamental lamps (no. of bulbs)	3,930	3,809	3,809	3,350	3,350
Overhead street lamps	3,665	3,665	3,665	3,700	3,700
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	129	129	129
Park acreage	12,000	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	17	17
Community clubs/field houses operated	19	18	17	17	17
Number of athletic fields	48	48	48	48	48
Number of hiking trails	14	14	25	25	25
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	428.40	429.40	432.50	430.00	433.50
Number of hydrants	2,708	2,717	2,738	2,747	2,766
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Gas					
Miles of gas mains	544.40	548.10	551.10	554.60	558.80
Sewer					
Miles of sanitary sewers	398.80	398.10	398.10	398.00	399.00
Stormwater					
Miles of storm sewers	412.00	413.00	413.00	415.00	418.00
Steam					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

	Fiscal Year				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	515	471	516	519	506
Number of conventions	45	51	45	52	47
Duluth Airport Authority					
Number of passengers	322,208	313,839	310,893	266,500	251,459
Duluth Transit Authority					
Number of buses	66	66	67	66	67
Number of routes	20	19	19	19	20
Number of passengers	3,278,682	3,195,020	3,107,305	2,850,000	2,804,000
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	130,013	136,990	140,017	95,401	89,483
Season passes	6,915	6,773	6,728	5,697	4,275

	Fiscal Year				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	510	494	515	97	190
Number of conventions	45	46	47	9	21
Duluth Airport Authority					
Number of passengers	244,839	275,969	313,980	129,508	218,629
Duluth Transit Authority					
Number of buses	67	75	75	77	72
Number of routes	23	23	23	23	23
Number of passengers	2,786,000	2,760,000	2,645,306	1,763,494	1,461,213
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	78,739	46,963	94,770	104,173	89,809
Season passes	3,386	4,970	6,679	6,756	6,895

Unaudited

