

2013

Comprehensive Annual Financial Report



CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2013



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2013

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2013**

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INTRODUCTORY SECTION



An Equal Opportunity Employer

City Auditor • Wayne Parson, CPA (inactive)

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June 13, 2014

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, 2013.

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, 2013. The independent auditor's report is located at the front of the financial section of this report.

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

GOVERNMENT PROFILE

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

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

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

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

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

LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Development, Duluth's unemployment averaged 5.6% for 2013, which was a significant improvement from the previous year's average unemployment rate of 6.1%. The total number of jobs reported to the state in 2013 peaked at 59,196.

Duluth also serves as a major shipping port for the region. The Seaway Port Authority of Duluth reports that close to 1,000 ships visit the Port of Duluth-Superior each year, moving roughly 40 million tons of cargo including iron ore, coal, grain, limestone, cement and salt, plus a variety of heavy-lift and project cargo. As the largest tonnage port on the Great Lakes-St. Lawrence Seaway, cargo movements through the Port of Duluth-Superior support 11,500 jobs and contribute over \$1.5 billion to the local/regional economy.

Duluth continues to excel in the key industry of tourism, bringing approximately 3.5 million visitors to Duluth. Primarily a destination for leisure travelers, efforts in growing the leisure segment along with world-class special events and conventions are producing unparalleled return on investment. According to studies for Visit Duluth, Explore Minnesota Tourism and the University of Minnesota Tourism Center, visitors inject more than \$780 million each year directly into the immediate area. Duluth has turned itself into the top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Duluth was rated by Money magazine as one of the top four Midwestern small cities, based on livability. Lake Superior, the city's unique history, and soft-adventure continue to define Duluth as a family friendly vacation destination.

The Duluth Entertainment Convention Center (DECC) remains a leader in convention center business and environmental stewardship. In 2013 the DECC hosted 471 events and 51 conventions. Bayfront Park was under the management of the DECC for the second year with a full roster of events, including Bentleyville, the return of Bob Dylan to Duluth, and the Tall Ships. This was the third successful full year of operations for AMSOIL Arena, the home to the University of Minnesota-Duluth's men's and women's hockey teams. Fans supported the newly formed National Collegiate Hockey Conference (NCHC) league of men's hockey and women in the Western Collegiate Hockey Conference (WCHA). The silver LEED certified Arena featured entertainment from Justin Moore, Toby Mac and the AAD Temple Shrine Circus to name a few; and training for the Minnesota Wild and Women's National Russian team. The DECC proudly continues to focus on sustainability efforts. By reducing waste, recycling, composting, and creating environmentally low-impact events, over 166,000 pounds of waste materials were diverted from the landfill.

Enrollment at Duluth's three institutions of higher learning, the University of Minnesota-Duluth (UMD), the College of St. Scholastica, and Lake Superior College, has never been higher. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider." UMD and St. Scholastica are regularly ranked in the top tier of Midwestern universities by U.S. News and World Report. With a student population of 11,241, UMD provides 14 bachelor degrees in 85 majors, 68 minors, and 27 graduate programs, including a two year School of Medicine and the College of Pharmacy. In addition, UMD participates in two all-university PhD programs. St. Scholastica offers 50 undergraduate majors, 14 masters, and 2 doctoral programs, with a total enrollment of over 4,100 students. Lake Superior College (LSC) has a student population of over 5,000, and offers more than 90 technical majors, programs for transfer, continuing education, and customized training for business and industry. A new \$12.1 million Health and Science Center

opened at LSC in January, 2012. The American Institute of Economic Research named the Duluth metropolitan area as one of America's best small metropolitan areas for college students in their Small Metro category in its 2012 College Destinations index.

LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the General Fund (10.32 percent of total General Fund expenditures and transfers) falls within the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned fund balance should fall within the following range of General Fund expenditures and transfers: 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. In 2013, the City Council approved using \$2.2 million to pay off debt issued to finance the City's street improvement program. As of December 31, 2013, the Community Investment Fund reported a fund balance of \$17.5 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other post-employment benefit liability. Contributions totaling \$25.4 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$38.7 million at December 31, 2013. Future contributions will be made from a variety of funding sources including property taxes and public utility revenues.

MAJOR INITIATIVES

In June 2012, the City's infrastructure was severely damaged by a flood. The flood, by historical standards, is referred to as a 500 year event. The flood damage caused the City to be declared a federal disaster area, eligible for federal and state aid. Flood related infrastructure damages are estimated at \$46 million. Infrastructure repair activities began in 2012 and will continue into 2015.

In December 2013, the City issued \$3.4 million general obligation airport improvement bonds to finance completion of the final phase of the new airport terminal facility and improvements at the Duluth International Airport. The final phase of the project consists primarily of a new parking facility with a targeted completion date in late 2014. The new terminal facility opened in January 2013. Total project costs are estimated to be \$75 million.

In 2012, an agreement was reached with AAR Aircraft Services, Inc. (AAR), a national aircraft maintenance, repair and overhaul company, to lease the former Northwest Maintenance, Repair and Overhaul (MRO) facility. The lease returns the MRO facility to its original, intended use as a heavy maintenance facility for A320 Airbus aircraft. Federal Aviation Administration certification was received in October 2012. Operations began in 2013 with current employment in excess of 300 full time employees at the Duluth facility.

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

The Duluth Economic Development Authority (DEDA) has a predevelopment agreement with a local developer to redevelop a historic site on the City's waterfront adjacent to Bayfront Park. DEDA has been awarded redevelopment and contamination clean-up grants totaling \$3 million. The project consists of a hotel and conference center, retail shops, and recreational facilities on DEDA-owned land and a former cement plant

site. The project, estimated in excess of \$30 million, is scheduled to break ground in 2014 with a targeted 2015 completion date.

The Duluth Economic Development Authority (DEDA) has a memorandum of understanding with a developer to restore a historic theatre complex in Duluth's downtown waterfront district. The \$20 million project will be financed through a combination of state and federal tax credits, low interest loans, and fundraising. In addition, skywalk connections will be completed to the downtown skywalk system. Construction is anticipated to begin in 2014.

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Duluth, for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2012. This was the thirty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR, whose contents conform to both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Duluth also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year 2013. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Wayne Parson, CPA (inactive)
City Auditor

**ELECTED AND APPOINTED OFFICIALS
CITY OF DULUTH, MINNESOTA
2013**

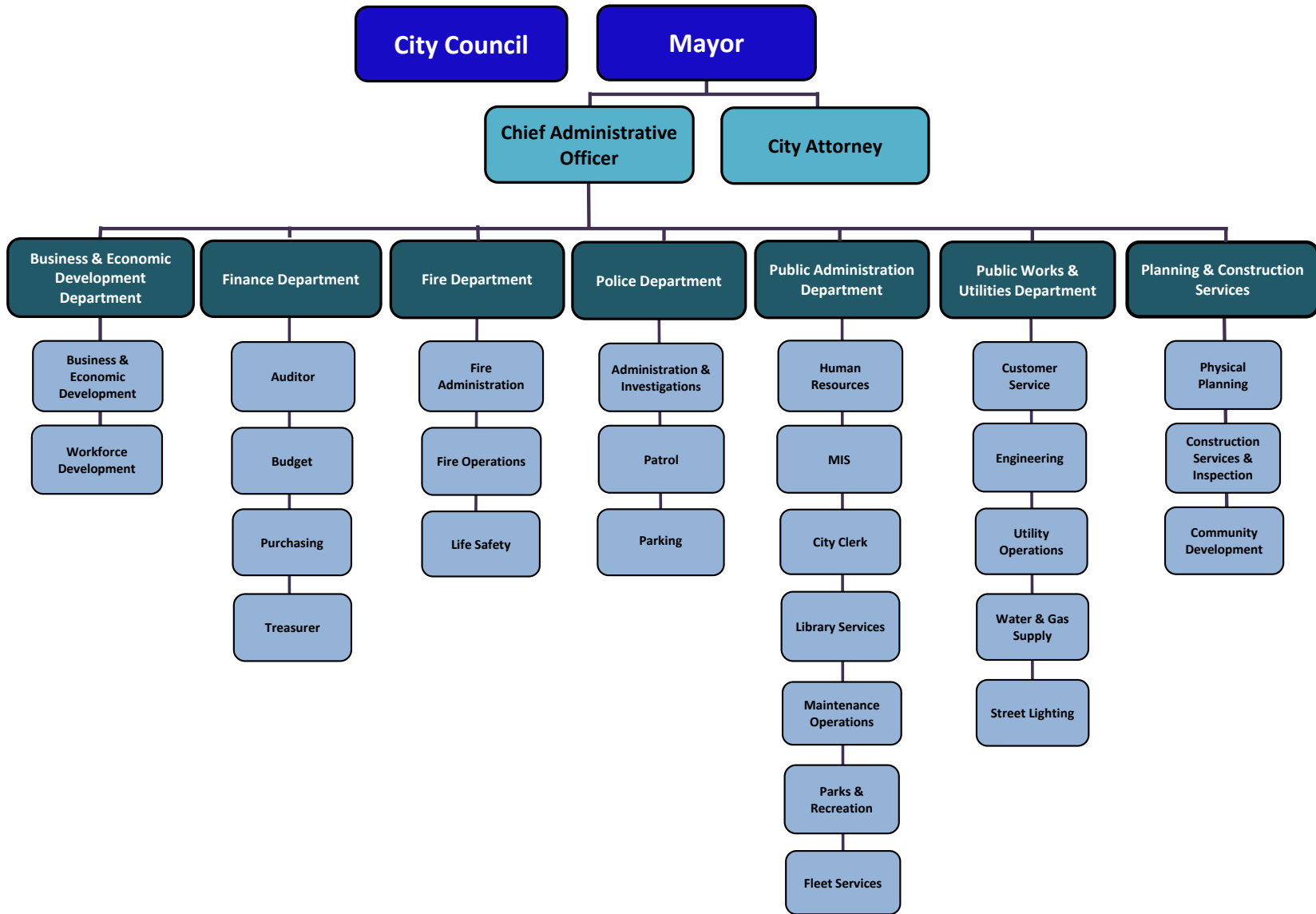
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Don Ness		2016
City Council		
Zack Filipovich	At large	2018
Linda Krug	At large	2016
Emily Larson	At large	2016
Barb Russ	At large	2018
Jennifer Julsrud	1	2016
Joel Sipress	2	2018
Sharla Gardner	3	2016
Howie Hanson	4	2018
Jay Fosle	5	2016

*All terms expire in January

APPOINTED POSITION

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

CITY OF DULUTH ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Duluth
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth as of December 31, 2013, including the Spirit Mountain Recreation Area Authority as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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 and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2014, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2014

**Management's
Discussion and Analysis**

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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, 2013, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at December 31, 2013, by \$420.9 million; this amount is identified as net position.
- As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$54.0 million.
- Nonspendable and restricted fund balance were \$32.3 million of fund balance or 59.8%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$21.7 million or 40.2% are unrestricted and classified as committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other postemployment benefits. As of December 31, 2013, the trust reported net position totaling \$38.3 million.
- As of December 31, 2013, the General Fund's unrestricted, unassigned fund balance was \$7.7 million, or 10.3% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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, which addresses are provided in Note 1 of the notes to the financial statements.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

The City adopts an annual appropriated budget for its General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, included in the basic financial statement section of this report, demonstrate 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 Water, Gas, Sewer, and Parking funds, all of which are considered to be major funds. Data from the remaining enterprise funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is included in the combining and individual fund section of this report.

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-

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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 is included in the combining and individual fund section of this report.

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. The largest portion of the City's net position (90%) is invested in capital assets (land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. The following table presents a summary of the City's net position at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

	Governmental Activities		Business-type Activities		Total	
	2012	2012	2012	2012	2012	2012
	2013	(Restated)	2013	(Restated)	2013	(Restated)
Current and other assets	\$ 127,260	\$ 129,563	\$ 41,090	\$ 38,319	\$ 168,350	\$ 167,882
Capital assets	286,897	282,110	234,049	229,111	520,946	511,221
Total assets	<u>\$ 414,157</u>	<u>\$ 411,673</u>	<u>\$ 275,139</u>	<u>\$ 267,430</u>	<u>\$ 689,296</u>	<u>\$ 679,103</u>
Deferred outflow of resources	\$ -	\$ -	\$ 1,340	\$ 1,517	\$ 1,340	\$ 1,517
Long-term liabilities outstanding	\$ 169,324	\$ 163,411	\$ 68,511	\$ 74,233	237,835	\$ 237,644
Other liabilities	20,944	24,645	10,921	10,381	31,865	35,026
Total liabilities	<u>\$ 190,268</u>	<u>\$ 188,056</u>	<u>\$ 79,432</u>	<u>\$ 84,614</u>	<u>\$ 269,700</u>	<u>\$ 272,670</u>
Net position:						
Net investment in capital assets	\$ 210,631	\$ 209,485	\$ 168,291	\$ 158,415	\$ 378,922	\$ 367,900
Restricted	40,778	36,781	1,878	1,864	42,656	38,645
Unrestricted	(27,520)	(22,649)	26,878	24,054	(642)	1,405
Total net position	<u>\$ 223,889</u>	<u>\$ 223,617</u>	<u>\$ 197,047</u>	<u>\$ 184,333</u>	<u>\$ 420,936</u>	<u>\$ 407,950</u>

Overall, the City's financial position remained relatively unchanged for 2013. The City's total net position increased \$13.0 million, an increase of 3.2%. Net position invested in capital assets continues to increase largely due to the City's utility infrastructure replacement and the pay down of debt associated with those capital asset additions. Restricted net position increased \$4.0 million due to the increase in funds restricted for group health purposes and an increase in funds restricted for capital outlay. Unrestricted net position decreased \$2.0 million. This was primarily due to an increase in the City's other postemployment benefit liability of approximately \$5.0 million partially offset by favorable utility operation results.

In governmental activities, the increase in total liabilities of \$2.2 million was largely due to the issuance of \$3.4 million in debt to provide a local match for the construction of the new airport terminal at Duluth International Airport. Total assets remained relatively unchanged with an increase of \$2.5 million.

For business-type activities the decrease in total liabilities of \$5.2 million is due to the pay down of long-term debt used to fund infrastructure projects. Total assets increased due to utility infrastructure replacement.

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

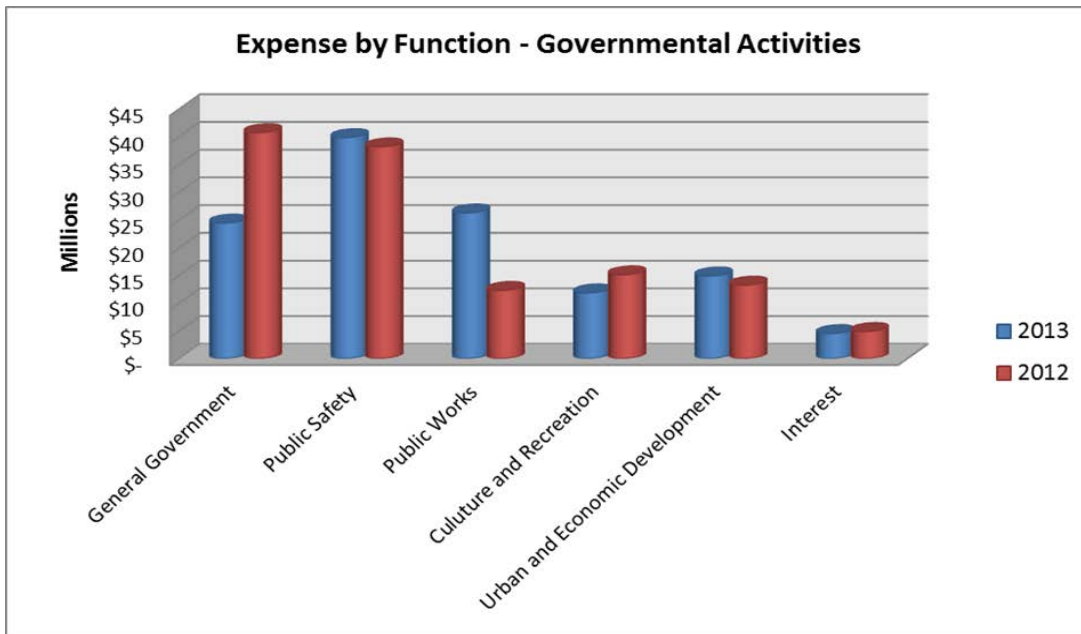
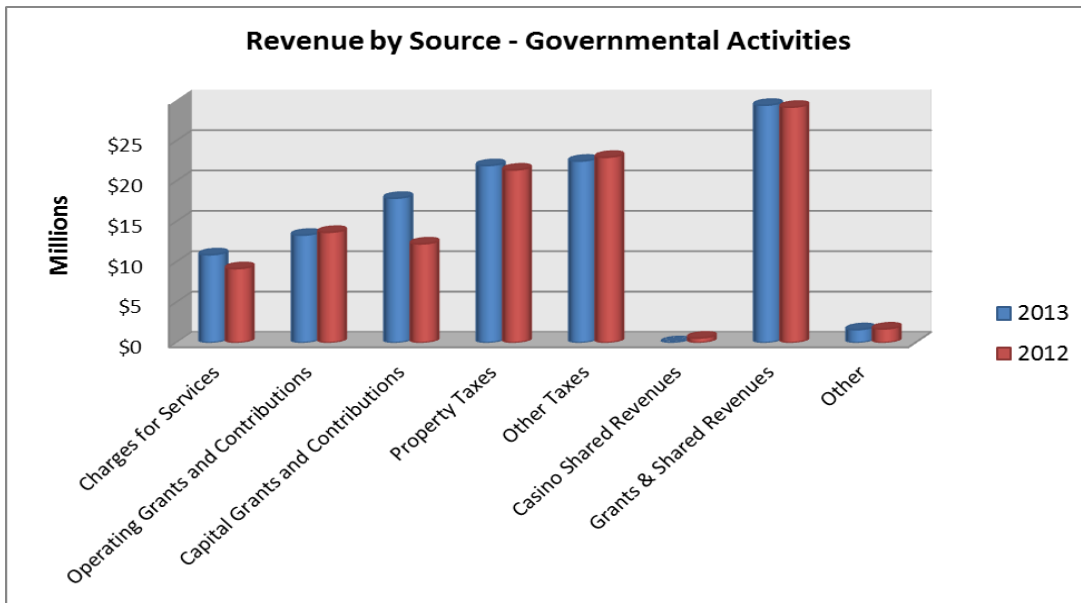
**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 10,884	\$ 9,165	\$ 96,263	\$ 87,755	\$ 107,147	\$ 96,920
Operating grants and contributions	13,309	13,668	61	-	13,370	13,668
Capital grants and contributions	17,879	12,230	2,812	3,367	20,691	15,597
General Revenues:						
Property taxes	21,925	21,379	-	-	21,925	21,379
Other taxes	22,481	22,959	-	-	22,481	22,959
Casino shared revenues	-	579	-	-	-	579
Grants and shared revenues not restricted to specific programs	29,401	29,159	49	51	29,450	29,210
Other	1,612	1,699	97	241	1,709	1,940
Total revenues	<u>117,491</u>	<u>110,838</u>	<u>99,282</u>	<u>91,414</u>	<u>216,773</u>	<u>202,252</u>
Expenses:						
General government	24,456	40,761	-	-	24,456	40,761
Public safety	39,861	38,191	-	-	39,861	38,191
Public works	26,286	12,321	-	-	26,286	12,321
Culture and recreation	11,872	15,126	-	-	11,872	15,126
Urban and economic development	14,922	13,275	-	-	14,922	13,275
Interest	4,536	4,907	-	-	4,536	4,907
Water	-	-	11,015	10,243	11,015	10,243
Gas	-	-	35,174	30,352	35,174	30,352
Sewer	-	-	17,883	18,216	17,883	18,216
Stormwater	-	-	3,582	3,447	3,582	3,447
Steam District #1	-	-	7,693	7,083	7,693	7,083
Golf	-	-	2,060	2,193	2,060	2,193
Parking	-	-	2,902	2,924	2,902	2,924
Street lighting	-	-	1,545	1,584	1,545	1,584
Total expenses	<u>121,933</u>	<u>124,581</u>	<u>81,854</u>	<u>76,042</u>	<u>203,787</u>	<u>200,623</u>
Increase in net position before transfers	(4,442)	(13,743)	17,428	15,372	12,986	1,629
Transfers	4,714	4,671	(4,714)	(4,671)	-	-
Increase in net position	272	(9,072)	12,714	10,701	12,986	1,629
Net position, January 1	225,064	234,136	184,898	174,197	409,962	408,333
Restatement - Note 1	(1,447)	-	(565)	-	(2,012)	-
Net position, January 1, restated	<u>223,617</u>	<u>234,136</u>	<u>184,333</u>	<u>174,197</u>	<u>407,950</u>	<u>408,333</u>
Net position, December 31	<u>\$223,889</u>	<u>\$225,064</u>	<u>\$197,047</u>	<u>\$184,898</u>	<u>\$420,936</u>	<u>\$409,962</u>

Governmental activities revenue increased \$6.7 million in 2013. This increase is primarily due to capital grant related revenue used to fund repairs associated with the June 2012 flood damage. The business-type activities revenue increase of \$7.9 million was related in a significant increase in the sale of natural gas. Natural gas sales increased as a combination of volume, related to the extremely cold winter, and a price increase in natural gas.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Total expenses decreased \$2.6 million for governmental activities. This decrease is related to higher expenses incurred in 2012 related to the building of a new chalet at Spirit Mountain and the funding of a new terminal at the airport. In both cases the bonds were issued in the City's name, but the proceeds were used to fund assets that are not the City's. Therefore, City funds expended on these projects were reported as an expense on the statement of activities in 2012. In addition, maintenance operations previously reported as a general government expense is now reported under the public works function. This change in reporting classification explains the significant fluctuation in general government and public works expenses between 2012 and 2013. Business-type activities expenses increased \$5.8 million. This increase is related to an increase in the cost and volume of natural gas that is resold to customers by the City's Gas Utility.



**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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, 2013, the City's governmental funds reported combined ending fund balances of \$54.0 million, a decrease of \$5.1 million from 2012. Of the total fund balance amount, \$21.7 million, or 40.2%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$18.1 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Special Revenue fund makes up 96.8% of the committed fund balance. Restricted fund balance of \$31.9 million is primarily composed of funds dedicated to debt service and capital projects.

The General Fund is the main operating fund of the City. At December 31, 2013, fund balance of the General Fund was \$9.1 million, with \$7.7 million, or 85.4% reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 10.3% and total fund balance is 12.1% of total General Fund expenditures.

The Community Investment Special Revenue fund balance decreased \$3.8 million in 2013. This reduction was due to the use of \$2.2 million to pay off debt issued to finance the City's Street Improvement program. The remaining decrease was due to the unrealized fair value adjustment to investments.

The Disaster Recovery Special Revenue fund accounts for federal and state aid used to finance recovery efforts related to the major flood event that occurred in Duluth in June 2012. Deferred inflows of resources totaling \$4.5 million is being reported due to the revenue recognition criteria not being met. The City's policy requires revenues to be received within sixty days of year end to be recognized as revenues in the current period.

PROPRIETARY FUNDS

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

	Unrestricted Net Position December 31		Increase (Decrease) Net Position December 31	
	2013	2012	2013	2012
Water	\$2,031	\$1,698	\$3,466	\$3,050
Gas	8,880	8,601	2,886	839
Sewer	3,333	3,072	4,459	5,092
Parking	3,519	3,769	82	112

There were no major operational changes or rate increases in 2013. Gas Fund revenues increased significantly due to both an increase in the cost of natural gas that is passed onto customers and an increase in the volume of natural gas sold due to extreme winter conditions.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$2.5 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$1.5 million appropriation increase for prior year carryovers.
- \$0.6 million appropriation for grants, gifts and donations.
- \$0.4 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 \$.5 million. This favorable variance was due to an increase in license and permit revenue and sales tax revenue that was partially offset by a decrease in investment income.
- Expenditures and transfers were under budget by \$1.3 million due primarily to a \$.8 million budget amendment appropriation increase that was not utilized.

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, 2013, was \$521.0 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2013, the City's total investment in capital assets, net of accumulated depreciation, increased by \$9.7 million. Major capital assets additions in 2013 included: lakewalk expansion - \$2.5 million; street and bridge improvements - \$5.8 million; and utility related infrastructure improvements of almost \$10 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):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Capital Assets:				
Land and improvements	\$ 22,409	\$ 20,682	\$ 4,628	\$ 4,628
Buildings	37,221	36,019	36,380	37,199
Equipment	11,839	10,755	17,250	18,926
Infrastructure	172,366	168,427	162,814	129,809
Construction in progress	<u>43,062</u>	<u>46,227</u>	<u>12,977</u>	<u>38,549</u>
Total	<u>\$286,897</u>	<u>\$282,110</u>	<u>\$234,049</u>	<u>\$229,111</u>

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

LONG-TERM DEBT

The City had \$159.3 million of bonded debt outstanding as of December 31, 2013. Of this amount, \$100.7 million is debt backed by the full faith and credit of the City. \$20.9 million is special assessment debt for which the City is obligated only to the extent that collections from special assessments are insufficient to retire the outstanding bonds. The City has a contingent liability for the \$37.3 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance <u>12/31/13</u>	Balance <u>12/31/12</u>
Governmental Activities:		
General Obligation Bonds	\$ 80,754	\$ 76,927
General Obligation Tax Abatement Bonds	7,290	7,315
Lease Revenue Bonds	415	565
Special Assessment Debt with Government Commitment	20,901	23,943
General Obligation Certificates	<u>12,625</u>	<u>11,300</u>
 Total Governmental Activities Bonded Debt	 <u>\$ 121,985</u>	 <u>\$ 120,050</u>
 Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 37,305</u>	<u>\$ 41,045</u>

During 2013, the City's total bonded debt decreased by \$1.8 million.

In 2013, the City issued \$6.7 million of general obligation bonds and \$3.8 million of general obligation certificates. The City also issued \$1.0 million in utility general obligation notes. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

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 \$109.5 million, which is significantly higher than the City's net debt of \$40.5 million. Additional information about the City's long-term debt can be found in Note 12 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2014 General Fund budget is \$76.41 million. State local government aid (LGA) payments are anticipated to supply 38% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes will increase anticipated LGA by \$1.6 million in 2014, up from the \$27.4 million received in 2011, 2012 and 2013.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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In 2013, the City contracted with an actuary to calculate its annual required contribution for postemployment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The annual required contribution for 2013 was \$14.2 million. For the year ended December 31, 2013, the City made contributions of \$0.6 million to an irrevocable trust and paid an additional \$8.2 million of retiree claims resulting in an increase of \$5.0 million in the City's net other postemployment benefits liability. As of December 31, 2013, the City's net other postemployment benefits liability is \$37.1 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 63,513,027	\$ 16,849,067	\$ 80,362,094	\$ 20,993,814
Assets held by trustee	7,639,757	-	7,639,757	-
Receivables, net	41,833,449	13,082,201	54,915,650	5,242,145
Due from primary government	-	-	-	642,876
Internal balances	(1,965,576)	1,965,576	-	-
Due from component units	4,757,780	-	4,757,780	-
Due from other governments	10,910,773	91,300	11,002,073	295,028
Inventories	294,556	2,287,650	2,582,206	699,076
Prepays	276,309	1,790,247	2,066,556	386,454
Restricted assets:				
Cash and cash equivalents	-	2,511,308	2,511,308	7,065,880
Accounts receivable	-	-	-	98,246
Loans receivable	-	2,512,159	2,512,159	-
Grants receivable	-	-	-	4,245,279
Assets held by trustee	-	-	-	87,056
Capital assets (Note 7):				
Non-depreciable	65,471,281	17,605,674	83,076,955	14,622,545
Depreciable, net	221,426,161	216,443,712	437,869,873	249,822,636
Total assets	414,157,517	275,138,894	689,296,411	304,201,035
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss from debt refunding	-	1,340,497	1,340,497	1,622,334
LIABILITIES				
Accounts payable and other short-term liabilities	9,523,086	8,433,226	17,956,312	3,523,206
Accrued interest payable	1,904,025	651,054	2,555,079	6,113
Due to component units	432,272	18,000	450,272	-
Due to primary government	-	-	-	4,597,084
Due to other government	1,229,025	1,019,578	2,248,603	14,751
Unearned revenues	7,855,969	799,063	8,655,032	1,486,629
Noncurrent liabilities (Note 12):				
Due within one year	16,080,590	8,393,189	24,473,779	1,778,919
Due in more than one year	153,243,257	60,118,376	213,361,633	14,562,022
Total liabilities	190,268,224	79,432,486	269,700,710	25,968,724
NET POSITION				
Net investment in capital assets	210,631,129	168,290,764	378,921,893	257,798,845
Restricted for:				
General government	6,354,266	-	6,354,266	-
Public safety	85,511	-	85,511	-
Public works	-	1,826,153	1,826,153	-
Culture and recreation	1,539,336	-	1,539,336	-
Urban and economic development	5,451,053	-	5,451,053	-
Debt service	24,651,605	51,797	24,703,402	87,056
Capital outlay	2,696,242	-	2,696,242	14,999,262
Unrestricted	(27,519,849)	26,878,191	(641,658)	6,969,482
Total net position	\$ 223,889,293	\$ 197,046,905	\$ 420,936,198	\$ 279,854,645

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, 2013**

<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	\$ 24,455,977	\$ 4,675,590	\$ 16,030	\$ -
Public safety	39,860,955	1,948,070	2,427,528	325,961
Public works	26,286,454	111,061	2,086,106	12,038,188
Culture and recreation	11,872,741	1,332,448	437,391	3,519,346
Urban and economic development	14,922,283	2,816,814	8,342,442	1,995,253
Interest	4,535,639	-	-	-
Total governmental activities	<u>121,934,049</u>	<u>10,883,983</u>	<u>13,309,497</u>	<u>17,878,748</u>
Business-type activities:				
Water	11,015,475	14,866,657	5,252	55,786
Gas	35,174,140	40,587,986	-	49,557
Sewer	17,882,780	20,535,669	-	2,198,481
Stormwater	3,581,689	4,750,421	10,000	21,951
Steam district #1	7,692,984	7,858,968	45,447	-
Golf	2,059,673	1,738,980	-	-
Parking	2,901,617	3,777,759	-	486,424
Street lighting	1,545,598	2,147,449	-	-
Total business-type activities	<u>81,853,956</u>	<u>96,263,889</u>	<u>60,699</u>	<u>2,812,199</u>
Total primary government	<u>\$ 203,788,005</u>	<u>\$ 107,147,872</u>	<u>\$ 13,370,196</u>	<u>\$ 20,690,947</u>
Component units :				
Duluth Economic Development Authority	\$ 3,850,957	\$ 1,723,102	\$ 154,905	\$ 18,000
Duluth Entertainment and Convention Center Authority	12,990,197	7,989,354	-	-
Duluth Airport Authority	15,599,101	4,833,687	-	9,927,139
Duluth Transit Authority	17,017,434	2,653,723	5,701,943	5,023,961
Spirit Mountain Recreation Area Authority	5,500,714	4,775,056	-	5,839,085
Total component units	<u>\$ 54,958,403</u>	<u>\$ 21,974,922</u>	<u>\$ 5,856,848</u>	<u>\$ 20,808,185</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, 2013**

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government:				
Governmental activities:				
General government	\$ (19,764,357)	\$ -	\$ (19,764,357)	\$ -
Public safety	(35,159,396)	-	(35,159,396)	-
Public works	(12,051,099)	-	(12,051,099)	-
Culture and recreation	(6,583,556)	-	(6,583,556)	-
Urban and economic development	(1,767,774)	-	(1,767,774)	-
Interest	(4,535,639)	-	(4,535,639)	-
Total governmental activities	(79,861,821)	-	(79,861,821)	-
Business-type activities:				
Water	-	3,912,220	3,912,220	-
Gas	-	5,463,403	5,463,403	-
Sewer	-	4,851,370	4,851,370	-
Stormwater	-	1,200,683	1,200,683	-
Steam district #1	-	211,431	211,431	-
Golf	-	(320,693)	(320,693)	-
Parking	-	1,362,566	1,362,566	-
Street lighting	-	601,851	601,851	-
Total business-type activities	-	17,282,831	17,282,831	-
Total primary government	(79,861,821)	17,282,831	(62,578,990)	-
Component units :				
Duluth Economic Development Authority				(1,954,950)
Duluth Entertainment and Convention Center Authority	-	-	-	(5,000,843)
Duluth Airport Authority	-	-	-	(838,275)
Duluth Transit Authority	-	-	-	(3,637,807)
Spirit Mountain Recreation Area Authority	-	-	-	5,113,427
Total component units	-	-	-	(6,318,448)
General Revenues:				
Property taxes	21,924,954	-	21,924,954	4,904,759
Sales taxes	20,388,588	-	20,388,588	-
Franchise taxes	1,958,297	-	1,958,297	-
Other taxes	134,580	-	134,580	-
Grants and shared revenues not restricted to specific programs	29,401,345	48,566	29,449,911	4,998,285
Investment income	(1,632,312)	33,206	(1,599,106)	102,335
Gain on sale or disposition of capital assets	550,473	(4,983)	545,490	11,697
Miscellaneous	2,694,159	69,099	2,763,258	724,925
Transfers	4,714,434	(4,714,434)	-	-
Total general revenues and transfers	80,134,518	(4,568,546)	75,565,972	10,742,001
Change in net position	272,697	12,714,285	12,986,982	4,423,553
Net position - beginning, as restated (Note 1)	223,616,596	184,332,620	407,949,216	275,431,092
Net position - ending	\$ 223,889,293	\$ 197,046,905	\$ 420,936,198	\$279,854,645

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

CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General Fund</u>	<u>Community Investment</u>	<u>Disaster Recovery</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,211,487	\$ 17,468,270	\$ 2,438,077	\$ 33,748,599	\$ 55,866,433
Assets held by trustee	138,000	-	-	-	138,000
Receivables, net:					
Taxes	3,250,491	-	-	1,070,774	4,321,265
Accounts	675,294	12,993,734	-	55,850	13,724,878
Assessments	1,090,899	-	-	6,036,220	7,127,119
Loans	1,716,968	-	-	4,499,215	6,216,183
Accrued interest	168,780	58,273	-	-	227,053
Due from other funds	465,761	-	-	1,082,594	1,548,355
Due from component units	4,104,674	-	-	637,364	4,742,038
Interfund loan receivable	2,038,261	-	-	-	2,038,261
Due from other governments	750,963	-	5,541,685	4,618,125	10,910,773
Prepays	276,309	-	-	-	276,309
Total assets	<u>\$ 16,887,887</u>	<u>\$ 30,520,277</u>	<u>\$ 7,979,762</u>	<u>\$ 51,748,741</u>	<u>\$ 107,136,667</u>
LIABILITIES					
Accounts payable	\$ 1,509,513	\$ -	\$ 78,801	\$ 713,763	\$ 2,302,077
Contracts payable	56,820	-	1,181,512	3,145,064	4,383,396
Due to other funds	502,100	-	-	1,269,311	1,771,411
Due to component units	10,860	-	-	421,412	432,272
Interfund loan payable	-	-	-	381,550	381,550
Due to other governments	133,351	-	1,443	1,084,029	1,218,823
Accrued salaries payable	2,119,740	-	-	113,829	2,233,569
Unearned revenue	95,943	-	7,427,638	259,856	7,783,437
Total liabilities	<u>4,428,327</u>	<u>-</u>	<u>8,689,394</u>	<u>7,388,814</u>	<u>20,506,535</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>3,388,900</u>	<u>12,993,734</u>	<u>4,471,838</u>	<u>11,756,240</u>	<u>32,610,712</u>
FUND BALANCES					
Nonspendable	414,309	-	-	-	414,309
Restricted	75,741	-	-	31,790,209	31,865,950
Committed	13,454	17,526,543	-	568,557	18,108,554
Assigned	821,114	-	-	576,094	1,397,208
Unassigned	7,746,042	-	(5,181,470)	(331,173)	2,233,399
Total fund balances	<u>9,070,660</u>	<u>17,526,543</u>	<u>(5,181,470)</u>	<u>32,603,687</u>	<u>54,019,420</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,887,887</u>	<u>\$ 30,520,277</u>	<u>\$ 7,979,762</u>	<u>\$ 51,748,741</u>	<u>\$ 107,136,667</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, 2013**

Fund Balance--total governmental funds	\$ 54,019,420
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets is \$452,454,047, and the accumulated depreciation is \$165,956,027.	286,498,020
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	42,292,044
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 \$9,643,141 less \$3,382,160 attributed to business-type activities.	6,260,981
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:	
Bonds and notes payable, net of issuance costs	126,459,898
Other postemployment benefits	36,611,653
Other debt	305,096
Interest accrued on long-term debt	<u>1,804,525</u>
	<u>(165,181,172)</u>
Net position of governmental activities	<u><u>\$ 223,889,293</u></u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General Fund</u>	<u>Community Investment</u>	<u>Disaster Recovery</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property taxes	\$ 12,030,322	\$ -	\$ -	\$ 9,883,167	\$ 21,913,489
Sales taxes	12,743,825	-	-	7,644,763	20,388,588
Other taxes	2,084,904	-	-	7,973	2,092,877
Licenses and permits	1,799,153	-	-	64,180	1,863,333
Intergovernmental revenues	31,601,780	-	7,215,367	16,634,467	55,451,614
Charges for services	5,464,315	-	-	977,023	6,441,338
Fines and forfeits	699,846	-	-	-	699,846
Special assessments	386,706	-	-	1,942,115	2,328,821
Investment income	(254,513)	(1,248,269)	14,321	(187,414)	(1,675,875)
Miscellaneous revenues	1,738,825	52,796	-	2,730,033	4,521,654
Total revenues	<u>68,295,163</u>	<u>(1,195,473)</u>	<u>7,229,688</u>	<u>39,696,307</u>	<u>114,025,685</u>
EXPENDITURES					
Current:					
General government	21,491,373	37,534	616	761,270	22,290,793
Public safety	33,761,887	-	53,561	1,220,033	35,035,481
Public works	12,596,366	-	6,661,170	139,843	19,397,379
Culture and recreation	4,157,322	-	1,174,335	4,137,417	9,469,074
Urban and economic development	2,872,982	-	6,300	14,883,677	17,762,959
Debt service:					
Principal retirement	150,000	-	-	8,505,000	8,655,000
Interest and fiscal fees	24,750	-	-	4,649,104	4,673,854
Bond issuance costs	-	-	-	203,741	203,741
Capital outlay	-	-	1,731,274	15,438,111	17,169,385
Total expenditures	<u>75,054,680</u>	<u>37,534</u>	<u>9,627,256</u>	<u>49,938,196</u>	<u>134,657,666</u>
Excess (deficiency) of revenues over expenditures	<u>(6,759,517)</u>	<u>(1,233,007)</u>	<u>(2,397,568)</u>	<u>(10,241,889)</u>	<u>(20,631,981)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	10,490,000	10,490,000
Premium on issuance of bonds	-	-	-	271,507	271,507
Transfers in	7,120,001	-	-	9,633,905	16,753,906
Transfers out	-	(2,591,943)	(35,387)	(9,361,628)	(11,988,958)
Total other financing sources (uses)	<u>7,120,001</u>	<u>(2,591,943)</u>	<u>(35,387)</u>	<u>11,033,784</u>	<u>15,526,455</u>
Net change in fund balance	360,484	(3,824,950)	(2,432,955)	791,895	(5,105,526)
Fund balance - January 1, 2013, as restated (Note 1)	<u>8,710,176</u>	<u>21,351,493</u>	<u>(2,748,515)</u>	<u>31,811,792</u>	<u>59,124,946</u>
Fund balance - December 31, 2013	<u>\$ 9,070,660</u>	<u>\$ 17,526,543</u>	<u>\$ (5,181,470)</u>	<u>\$ 32,603,687</u>	<u>\$ 54,019,420</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, 2013**

Net change in fund balances - total governmental funds		\$ (5,105,526)
Amounts reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	17,320,470	
Depreciation expense	<u>(12,477,204)</u>	
Excess of capital outlay over depreciation expense		4,843,266
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$1,135,572 from internal funds less \$734,593 attributed to business-type activities is reported with governmental activities.		400,979
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 \$271,507.		(10,761,507)
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		8,655,000
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 increased by this amount this year.		4,031,810
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	37,007	
Increase in net other postemployment benefits payable	(5,040,286)	
Increase in loans receivable	2,931,730	
Other	(24,727)	
Amortization of bond premiums	<u>304,951</u>	
Total additional expenditures		<u>(1,791,325)</u>
Change in net position of governmental activities		<u>\$ 272,697</u>

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis) (Note 2)	Modified Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 26,632,900	\$ 26,632,900	\$ 26,859,051	\$ 226,151
Licenses and permits	1,373,800	1,373,800	1,799,153	425,353
Intergovernmental revenues	31,172,900	31,354,432	31,601,780	247,348
Charges for services	5,510,700	5,528,500	5,464,315	(64,185)
Fines and forfeits	746,100	833,309	699,846	(133,463)
Special assessments	440,100	465,855	386,706	(79,149)
Investment income	170,000	170,000	(254,513)	(424,513)
Miscellaneous revenues	1,051,100	1,404,359	1,738,825	334,466
Total revenues	67,097,600	67,763,155	68,295,163	532,008
EXPENDITURES				
Current:				
General government	23,312,500	22,096,572	21,607,487	489,085
Public safety	32,099,800	34,079,403	33,761,887	317,516
Public works	11,280,000	13,019,998	12,596,366	423,632
Culture and recreation	4,148,800	4,174,302	4,157,322	16,980
Urban and economic development	2,957,100	2,909,135	2,872,982	36,153
Debt service:				
Capital lease obligation - principal	150,000	150,000	150,000	-
Capital lease obligation - interest	24,800	24,800	24,750	50
Total expenditures	73,973,000	76,454,210	75,170,794	1,283,416
Excess (deficiency) of revenues over expenditures	(6,875,400)	(8,691,055)	(6,875,631)	1,815,424
OTHER FINANCING SOURCES (USES)				
Transfers in	6,875,400	7,200,400	7,120,001	(80,399)
Total other financing sources (uses)	6,875,400	7,200,400	7,120,001	(80,399)
Net change in fund balance - budgetary basis	-	(1,490,655)	244,370	1,735,025
Net adjustments to reflect operations in accordance with generally accepted accounting principles	-	-	116,114	116,114
Net change in fund balance - GAAP basis	-	(1,490,655)	360,484	\$ 1,851,139
Fund balance - January 1, 2013	8,710,176	8,710,176	8,710,176	
Fund balance - December 31, 2013	\$ 8,710,176	\$ 7,219,521	\$ 9,070,660	

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, 2013**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,021,940	\$ 3,590,612	\$ 2,689,108
Restricted cash and cash equivalents:			
Customer deposits	89,202	1,590,549	-
Construction	-	-	51,797
Loans	-	779,760	-
Restricted assets held by trustee	-	-	-
Receivables, net:			
Accounts	1,478,553	7,014,469	2,008,770
Restricted loans	-	694,069	-
Assessments	57,129	11,107	40,667
Due from other funds	2,726	10,450	77,861
Due from component units	-	-	-
Due from other governments	52,852	126	28,015
Inventories	892,596	868,490	67,240
Prepays	31,831	1,700,297	57,682
Total current assets	<u>3,626,829</u>	<u>16,259,929</u>	<u>5,021,140</u>
Noncurrent assets:			
Assessments receivable	99,826	12,728	165,664
Restricted loans receivable	-	1,818,090	-
Capital assets, net	<u>50,603,166</u>	<u>45,877,535</u>	<u>90,573,217</u>
Total noncurrent assets	<u>50,702,992</u>	<u>47,708,353</u>	<u>90,738,881</u>
Total assets	<u>54,329,821</u>	<u>63,968,282</u>	<u>95,760,021</u>
DEFERRED OUTFLOWS			
Deferred loss from debt refunding	<u>37,320</u>	<u>98,479</u>	<u>276,333</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, 2013**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
LIABILITIES			
Current liabilities:			
Accounts payable	196,826	4,036,097	267,549
Contracts payable	158,293	253,451	185,277
Claims payable	-	-	-
Notes payable	783,680	-	1,418,320
Leases payable	203,767	186,786	175,466
Due to other funds	113,069	28,972	52,853
Due to component units	-	-	-
Interfund loan payable	-	-	-
Due to other governments	136,831	96,718	747,321
Accrued interest payable	106,035	109,002	238,909
Accrued salaries payable	212,463	257,925	110,466
Compensated absences	242,875	354,032	144,378
Unearned revenue	113,143	572,816	52,573
Deposits	10,000	1,590,549	-
Revenue bonds payable	433,873	896,020	1,454,699
Total current liabilities	<u>2,710,855</u>	<u>8,382,368</u>	<u>4,847,811</u>
Noncurrent liabilities:			
Notes payable	5,944,908	-	13,757,348
Claims payable	-	-	-
Compensated absences	-	-	2,585
Leases payable	2,369,936	2,172,442	2,040,779
Net other postemployment benefits payable	406,608	85,524	-
Revenue bonds payable	2,054,671	4,325,858	9,441,271
Less unamortized bond premium (discount)	43,744	200,881	208,891
Total noncurrent liabilities	<u>10,819,867</u>	<u>6,784,705</u>	<u>25,450,874</u>
Total liabilities	<u>13,530,722</u>	<u>15,167,073</u>	<u>30,298,685</u>
NET POSITION			
Net investment in capital assets	38,805,907	38,194,027	62,352,776
Restricted for health insurance trust	-	-	-
Restricted for special accounts	-	-	51,797
Restricted for loans	-	1,826,153	-
Unrestricted	2,030,512	8,879,508	3,333,096
Total net position	<u>\$ 40,836,419</u>	<u>\$ 48,899,688</u>	<u>\$ 65,737,669</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, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Parking	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,731,958	\$ 5,815,449	\$ 16,849,067	\$ 7,646,594
Restricted cash and cash equivalents:				
Customer deposits	-	-	1,679,751	-
Construction	-	-	51,797	-
Loans	-	-	779,760	-
Restricted assets held by trustee	-	-	-	7,501,757
Receivables, net:				
Accounts	71,742	2,095,910	12,669,444	436,119
Restricted loans	-	-	694,069	-
Assessments	-	25,636	134,539	-
Due from other funds	-	197,374	288,411	434,230
Due from component units	-	-	-	15,742
Due from other governments	50	10,257	91,300	-
Inventories	-	459,324	2,287,650	294,556
Prepays	-	437	1,790,247	-
Total current assets	<u>3,803,750</u>	<u>8,604,387</u>	<u>37,316,035</u>	<u>16,328,998</u>
Noncurrent assets:				
Assessments receivable	-	-	278,218	-
Restricted loans receivable	-	-	1,818,090	-
Capital assets, net	<u>20,817,984</u>	<u>26,177,484</u>	<u>234,049,386</u>	<u>399,422</u>
Total noncurrent assets	<u>20,817,984</u>	<u>26,177,484</u>	<u>236,145,694</u>	<u>399,422</u>
Total assets	<u>24,621,734</u>	<u>34,781,871</u>	<u>273,461,729</u>	<u>16,728,420</u>
DEFERRED OUTFLOWS				
Deferred loss from debt refunding	<u>625,336</u>	<u>303,029</u>	<u>1,340,497</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, 2013**

	Business-type Activities - Enterprise Funds			Governmental
	Parking	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	98,153	719,698	5,318,323	241,100
Contracts payable	11,909	212,750	821,680	7,517
Claims payable	-	-	-	2,284,974
Notes payable	-	-	2,202,000	-
Leases payable	-	115,538	681,557	-
Due to other funds	2,074	38,468	235,436	264,149
Due to component units	-	18,000	18,000	-
Interfund loan payable	-	1,469,559	1,469,559	187,152
Due to other governments	117	38,591	1,019,578	10,202
Accrued interest payable	132,435	64,673	651,054	-
Accrued salaries payable	16,811	95,009	692,674	50,332
Compensated absences	22,443	105,903	869,631	2,935,616
Unearned revenue	-	60,531	799,063	72,532
Deposits	-	-	1,600,549	-
Revenue bonds payable	1,045,000	810,409	4,640,001	-
Total current liabilities	<u>1,328,942</u>	<u>3,749,129</u>	<u>21,019,105</u>	<u>6,053,574</u>
Noncurrent liabilities:				
Notes payable	-	-	19,702,256	-
Claims payable	-	-	-	801,445
Compensated absences	422	2,748	5,755	230,260
Leases payable	-	120,567	6,703,724	-
Net other postemployment benefits payable	-	44,928	537,060	-
Revenue bonds payable	10,475,000	6,368,201	32,665,001	-
Less unamortized bond premium (discount)	21,107	29,957	504,580	-
Total noncurrent liabilities	<u>10,496,529</u>	<u>6,566,401</u>	<u>60,118,376</u>	<u>1,031,705</u>
Total liabilities	<u>11,825,471</u>	<u>10,315,530</u>	<u>81,137,481</u>	<u>7,085,279</u>
NET POSITION				
Net investment in capital assets	9,902,213	19,035,841	168,290,764	399,422
Restricted for health insurance trust	-	-	-	5,709,159
Restricted for special accounts	-	-	51,797	-
Restricted for loans	-	-	1,826,153	-
Unrestricted	3,519,386	5,733,529	23,496,031	3,534,560
Total net position	<u>\$ 13,421,599</u>	<u>\$ 24,769,370</u>	<u>\$ 193,664,745</u>	<u>\$ 9,643,141</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.			3,382,160	
Net position of business-type activities			<u>\$ 197,046,905</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
OPERATING REVENUES			
Sales	\$ -	\$ 39,061,884	\$ -
Charges for services	14,584,794	771,567	20,305,667
Fines & forfeits	-	-	-
Miscellaneous revenues	293,586	754,535	238,080
Total operating revenues	<u>14,878,380</u>	<u>40,587,986</u>	<u>20,543,747</u>
OPERATING EXPENSES			
Cost of sales and services	-	24,132,568	-
Personal services	5,415,480	6,936,198	3,240,958
Supplies	1,427,437	1,004,142	368,596
Utilities	1,198,240	39,938	120,282
Other services and charges	1,353,387	1,588,212	12,283,188
Depreciation	1,576,417	1,313,680	1,665,191
Medical and insurance	-	-	-
Total operating expenses	<u>10,970,961</u>	<u>35,014,738</u>	<u>17,678,215</u>
Operating income	<u>3,907,419</u>	<u>5,573,248</u>	<u>2,865,532</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	13,910	23,721	(2,386)
Intergovernmental revenue	22,171	23,365	8,283
Gain (loss) on sale or disposition of capital assets	-	(4,983)	-
Interest expense	(274,206)	(246,635)	(596,562)
Total non-operating revenue (expenses)	<u>(238,125)</u>	<u>(204,532)</u>	<u>(590,665)</u>
Income before contributions and transfers	3,669,294	5,368,716	2,274,867
Capital contributions	55,786	49,557	2,198,482
Transfers in	10,660	15,990	9,430
Transfers out	(269,470)	(2,548,661)	(23,727)
Change in net position	3,466,270	2,885,602	4,459,052
Total net position - January 1, 2013, as restated (Note 1)	<u>37,370,149</u>	<u>46,014,086</u>	<u>61,278,617</u>
Total net position - December 31, 2013	<u>\$ 40,836,419</u>	<u>\$ 48,899,688</u>	<u>\$ 65,737,669</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Parking</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Fund</u>
OPERATING REVENUES				
Sales	\$ -	\$ 481,593	\$ 39,543,477	\$ 2,774,073
Charges for services	2,860,831	15,835,690	54,358,549	19,309,172
Fines & forfeits	915,703	-	915,703	-
Miscellaneous revenues	2,851	249,468	1,538,520	790,793
Total operating revenues	<u>3,779,385</u>	<u>16,566,751</u>	<u>96,356,249</u>	<u>22,874,038</u>
OPERATING EXPENSES				
Cost of sales and services	-	289,905	24,422,473	2,497,036
Personal services	457,938	2,489,621	18,540,195	4,609,257
Supplies	29,153	3,883,881	6,713,209	54,449
Utilities	167,380	1,227,369	2,753,209	30,094
Other services and charges	1,431,356	4,879,646	21,535,789	2,591,720
Depreciation	483,299	1,948,016	6,986,603	63,759
Medical and insurance	-	-	-	11,840,521
Total operating expenses	<u>2,569,126</u>	<u>14,718,438</u>	<u>80,951,478</u>	<u>21,686,836</u>
Operating income	<u>1,210,259</u>	<u>1,848,313</u>	<u>15,404,771</u>	<u>1,187,202</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	829	(26,132)	9,942	(6,952)
Intergovernmental revenue	-	55,447	109,266	5,836
Gain (loss) on sale or disposition of capital assets	-	-	(4,983)	-
Interest expense	(332,492)	(187,175)	(1,637,070)	-
Total non-operating revenue (expenses)	<u>(331,663)</u>	<u>(157,860)</u>	<u>(1,522,845)</u>	<u>(1,116)</u>
Income before contributions and transfers	<u>878,596</u>	<u>1,690,453</u>	<u>13,881,926</u>	<u>1,186,086</u>
Capital contributions	486,424	21,951	2,812,200	-
Transfers in	177,628	4,920	218,628	-
Transfers out	<u>(1,461,033)</u>	<u>(630,171)</u>	<u>(4,933,062)</u>	<u>(50,514)</u>
Change in net position	81,615	1,087,153	11,979,692	1,135,572
Total net position - January 1, 2013, as restated (Note 1)	<u>13,339,984</u>	<u>23,682,217</u>	<u>181,685,053</u>	<u>8,507,569</u>
Total net position - December 31, 2013	<u>\$ 13,421,599</u>	<u>\$ 24,769,370</u>	<u>\$ 193,664,745</u>	<u>\$ 9,643,141</u>

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

Change in net position	\$ 11,979,692
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>734,593</u>
Change in net position of business-type activities	<u>\$ 12,714,285</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, 2013**

	Business-type Activities - Enterprise Funds		
	Water	Gas	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 14,628,063	\$ 39,159,598	\$ 20,401,436
Cash paid to suppliers	(4,059,696)	(26,028,113)	(12,670,090)
Cash paid to employees	(5,342,213)	(6,799,524)	(3,311,701)
Other operating revenues	170,040	460,455	156,656
Net cash provided (used) by operating activities	<u>5,396,194</u>	<u>6,792,416</u>	<u>4,576,301</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	10,660	15,990	-
Transfers to other funds	(269,860)	(2,548,661)	(23,727)
Operating grants	22,171	23,365	8,283
Interfund financing	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(237,029)</u>	<u>(2,509,306)</u>	<u>(15,444)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions	75,009	60,039	2,848,621
Transfer from other funds	-	-	9,430
Issuance of revenue bonds and notes	620,706	-	648,988
Principal paid on bonds, notes and capitalized leases	(1,401,403)	(1,037,882)	(2,939,727)
Interest paid on bonds, notes and capitalized leases	(286,389)	(280,119)	(630,812)
Sale of capital assets	1,133	3,349	1,001
Acquisition or construction of capital assets	(3,960,476)	(3,016,182)	(4,313,896)
Net cash provided (used) by capital and related financing activities	<u>(4,951,420)</u>	<u>(4,270,795)</u>	<u>(4,376,395)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	13,910	23,721	(2,386)
Net increase (decrease) in cash and cash equivalents	221,655	36,036	182,076
Cash and cash equivalents - January 1, 2013	889,487	5,924,885	2,558,829
Cash and cash equivalents - December 31, 2013	<u>\$ 1,111,142</u>	<u>\$ 5,960,921</u>	<u>\$ 2,740,905</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Net operating income (loss)	<u>\$ 3,907,419</u>	<u>\$ 5,573,248</u>	<u>\$ 2,865,532</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,576,417	1,313,680	1,665,191
Change in assets and liabilities:			
Decrease (increase) in receivables	(118,057)	(1,189,851)	32,057
Decrease (increase) in inventory	31,454	8,258	1,797
Decrease (increase) in prepaid items	(31,831)	(383,279)	(19,547)
Increase (decrease) in payables	(22,676)	1,662,041	59,227
Increase (decrease) in unearned revenues	53,468	(191,681)	(27,956)
Total adjustments	<u>1,488,775</u>	<u>1,219,168</u>	<u>1,710,769</u>
Net cash provided (used) by operating activities	<u>\$ 5,396,194</u>	<u>\$ 6,792,416</u>	<u>\$ 4,576,301</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, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Parking	Other Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,900,501	\$ 16,045,553	\$ 94,135,151	\$ 22,642,725
Cash paid to suppliers	(1,576,787)	(10,275,711)	(54,610,397)	(17,655,462)
Cash paid to employees	(456,086)	(2,496,902)	(18,406,426)	(4,891,898)
Other operating revenues	2,851	117,887	907,889	3,796
Net cash provided (used) by operating activities	1,870,479	3,390,827	22,026,217	99,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	4,920	31,570	-
Transfers to other funds	(1,562,836)	(696,704)	(5,101,788)	(50,514)
Operating grants	-	45,447	99,266	5,836
Interfund financing	-	220,443	220,443	(190,776)
Net cash provided (used) by noncapital financing activities	(1,562,836)	(425,894)	(4,750,509)	(235,454)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and contributions	486,424	19,262	3,489,355	-
Transfer from other funds	177,628	-	187,058	-
Issuance of revenue bonds and notes	-	-	1,269,694	-
Principal paid on bonds, notes and capitalized leases	(860,000)	(315,269)	(6,554,281)	-
Interest paid on bonds, notes and capitalized leases	(211,264)	(129,543)	(1,538,127)	-
Sale of capital assets	-	-	5,483	-
Acquisition or construction of capital assets	-	(1,978,540)	(13,269,094)	(8,390)
Net cash provided (used) by capital and related financing activities	(407,212)	(2,404,090)	(16,409,912)	(8,390)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	829	(26,132)	9,942	(6,952)
Net increase (decrease) in cash and cash equivalents	(98,740)	534,711	875,738	(151,635)
Cash and cash equivalents - January 1, 2013	3,830,698	5,280,738	18,484,637	15,299,986
Cash and cash equivalents - December 31, 2013	\$ 3,731,958	\$ 5,815,449	\$ 19,360,375	\$ 15,148,351
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 1,210,259	\$ 1,848,313	\$ 15,404,771	\$ 1,187,202
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	483,299	1,948,016	6,986,603	63,759
Change in assets and liabilities:				
Decrease (increase) in receivables	123,967	(380,525)	(1,532,409)	(350,779)
Decrease (increase) in inventory	-	(44,464)	(2,955)	(1,496)
Decrease (increase) in prepaid items	-	48,673	(385,984)	-
Increase (decrease) in payables	52,954	(30,871)	1,720,675	(802,851)
Increase (decrease) in unearned revenues	-	1,685	(164,484)	3,326
Total adjustments	660,220	1,542,514	6,621,446	(1,088,041)
Net cash provided (used) by operating activities	\$ 1,870,479	\$ 3,390,827	\$ 22,026,217	\$ 99,161

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, 2013**

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Water

Capital contributions are reported net of timing differences totaling \$19,223 due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$10,482 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$650,139 due to receivables.

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013**

	Other Postemployment Benefits Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 2,259,530
Receivables:		
Accounts	28,764	-
Loans	-	1,087,935
Investments, at fair value:		
Fixed income pool	12,076,919	-
Equity pool	<u>26,642,303</u>	<u>-</u>
 Total assets	 <u>38,747,986</u>	 <u>\$ 3,347,465</u>
 LIABILITIES		
Accounts payable	400,000	\$ -
Due to agency	<u>-</u>	<u>3,347,465</u>
 Total liabilities	 <u>400,000</u>	 <u>\$ 3,347,465</u>
 NET POSITION		
Held in trust for postemployment benefits	<u>\$ 38,347,986</u>	

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

ADDITIONS

Contributions	<u>\$ 8,772,788</u>
Investment earnings:	
Interest and dividends	839,057
Net increase in fair value of investments	<u>5,574,480</u>
Total investment earnings	<u>6,413,537</u>
Total additions	<u>15,186,325</u>

DEDUCTIONS

Administrative fees	2,649
Other	400,000
Benefits	<u>8,178,824</u>
Total deductions	<u>8,581,473</u>
Change in net position	6,604,852
Net position - January 1, 2013	<u>31,743,134</u>
Net position - December 31, 2013	<u><u>\$ 38,347,986</u></u>

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2013**

	Duluth Economic Development Authority	Duluth Entertainment & Convention Center Authority	Duluth Airport Authority
ASSETS			
Cash and cash equivalents	\$ 9,303,195	\$ 1,569,622	\$ 617,031
Receivables, net			
Taxes	149,741	-	-
Accounts	112,908	799,070	493,556
Assessments	29,652	-	-
Loans	3,122,498	-	-
Deposits	250,000	-	-
Grants	-	-	19,807
Due from primary government	20,914	310,576	1,469
Due from other governments	30,429	-	-
Inventories	192,500	117,982	83,447
Prepays	79,125	8,355	193,183
Restricted assets:			
Cash and cash equivalents	-	434,085	6,631,795
Accounts receivable	-	13,641	84,605
Grants receivable	-	-	4,245,279
Assets held by trustee	-	87,056	-
Capital assets, net:			
Non-depreciable	4,321,481	905,601	6,473,465
Depreciable	15,451,791	98,429,415	107,529,251
Total assets	<u>33,064,234</u>	<u>102,675,403</u>	<u>126,372,888</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss from debt refunding	-	-	1,483,078
LIABILITIES			
Accounts payable and other short-term liabilities	571,815	388,745	378,716
Contracts payable	-	-	721,650
Accrued interest payable	-	6,113	-
Due to primary government	624,844	5,257	3,515,784
Due to other government	-	-	-
Unearned revenue	-	879,429	19,781
Deposits	-	446,920	-
Non-current liabilities:			
Due within one year	-	247,693	611,862
Due in more than one year	-	887,857	11,346,091
Total liabilities	<u>1,196,659</u>	<u>2,862,014</u>	<u>16,593,884</u>
NET POSITION			
Net investment in capital assets	19,773,272	99,034,144	110,275,622
Restricted for:			
Debt service	-	87,056	-
Capital projects	7,060,783	-	-
Unrestricted	5,033,520	692,189	986,460
Total net position	<u>\$ 31,867,575</u>	<u>\$ 99,813,389</u>	<u>\$ 111,262,082</u>

(continued)

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, 2013**

	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
ASSETS			
Cash and cash equivalents	\$ 9,375,093	\$ 128,873	\$ 20,993,814
Receivables, net			
Taxes	40,202	-	189,943
Accounts	60,979	163,732	1,630,245
Assessments	-	-	29,652
Loans	-	-	3,122,498
Deposits	-	-	250,000
Grants	-	-	19,807
Due from primary government	-	309,917	642,876
Due from other governments	264,599	-	295,028
Inventories	191,967	113,180	699,076
Prepays	105,791	-	386,454
Restricted assets:			
Cash and cash equivalents	-	-	7,065,880
Accounts receivable	-	-	98,246
Grants receivable	-	-	4,245,279
Assets held by trustee	-	-	87,056
Capital assets, net:			
Non-depreciable	222,367	2,699,631	14,622,545
Depreciable	17,088,990	11,323,189	249,822,636
Total assets	<u>27,349,988</u>	<u>14,738,522</u>	<u>304,201,035</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss from debt refunding	-	139,256	1,622,334
LIABILITIES			
Accounts payable and other short-term liabilities	662,773	352,587	2,354,636
Contracts payable	-	-	721,650
Accrued interest payable	-	-	6,113
Due to primary government	6,285	444,914	4,597,084
Due to other government	-	14,751	14,751
Unearned revenue	132,259	455,160	1,486,629
Deposits	-	-	446,920
Non-current liabilities:			
Due within one year	544,661	374,703	1,778,919
Due in more than one year	-	2,328,074	14,562,022
Total liabilities	<u>1,345,978</u>	<u>3,970,189</u>	<u>25,968,724</u>
NET POSITION			
Net investment in capital assets	17,311,357	11,404,450	257,798,845
Restricted for:			
Debt service	-	-	87,056
Capital projects	7,938,479	-	14,999,262
Unrestricted	754,174	(496,861)	6,969,482
Total net position	<u>\$ 26,004,010</u>	<u>\$ 10,907,589</u>	<u>\$ 279,854,645</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, 2013**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Duluth Economic Development Authority				
Governmental activities:				
Economic development	\$ 3,850,957	\$ 1,723,102	\$ 154,905	\$ 18,000
Duluth Entertainment & Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	12,990,197	7,989,354	-	-
Duluth Airport Authority				
Business-type activities:				
Airport facility	15,599,101	4,833,687	-	9,927,139
Duluth Transit Authority				
Business-type activities:				
Public transportation	17,017,434	2,653,723	5,701,943	5,023,961
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	5,500,714	4,775,056	-	5,839,085
Total component units	\$ 54,958,403	\$ 21,974,922	\$ 5,856,848	\$ 20,808,185

(continued)

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net (Expense) Revenue and Changes in Net Position						
Functions/Programs	Duluth Economic Development Authority	Duluth Entertainment & Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Duluth Economic Development Authority						
Governmental activities:						
Economic development	\$ (1,954,950)	\$ -	\$ -	\$ -	\$ -	\$ (1,954,950)
Duluth Entertainment & Convention Center Authority						
Business-type activities:						
Entertainment and convention facility	-	(5,000,843)	-	-	-	(5,000,843)
Duluth Airport Authority						
Business-type activities:						
Airport facility	-	-	(838,275)	-	-	(838,275)
Duluth Transit Authority						
Business-type activities:						
Public transportation	-	-	-	(3,637,807)	-	(3,637,807)
Spirit Mountain Recreation Area Authority						
Business-type activities:						
Ski hill operations	-	-	-	-	5,113,427	5,113,427
Total component units						(6,318,448)
General revenues:						
Taxes	2,254,318	1,258,541	-	1,391,900	-	4,904,759
Grants and shared revenues not restricted to specific programs	-	-	-	4,998,285	-	4,998,285
Investment income	(40,015)	13,642	38,533	84,671	5,504	102,335
Gain on sale of capital assets	-	-	-	-	11,697	11,697
Miscellaneous	-	632,653	-	-	92,272	724,925
Total general revenues and transfers	2,214,303	1,904,836	38,533	6,474,856	109,473	10,742,001
Change in net position	259,353	(3,096,007)	(799,742)	2,837,049	5,222,900	4,423,553
Net position - beginning	31,608,222	102,909,396	112,061,824	23,166,961	5,684,689	275,431,092
Net position - ending	\$ 31,867,575	\$ 99,813,389	\$ 111,262,082	\$ 26,004,010	\$ 10,907,589	\$ 279,854,645

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, 2013

GUIDE TO NOTES

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 component unit.

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

Duluth Entertainment and Convention Center Authority
 350 South Fifth Avenue West
 Duluth, MN 55802

Duluth Airport Authority
 Duluth International Airport
 Duluth, MN 55811

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

Duluth Transit Authority
 2402 West Michigan Street
 Duluth, MN 55806

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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, except for the agency fund type which has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.
Community Investment Special Revenue Fund	This fund accounts for the City's share of revenues received from operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Such monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General Fund.
Disaster Recovery Special Revenue Fund	This fund was established to account for grants and aids associated with the 500-year flood event, which occurred in June 2012.

The City reports the following major proprietary funds:

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	The operation and maintenance of the sanitary sewer system is accounted for in this fund.
Parking Fund	The operation and maintenance of municipal parking ramps, municipal lots and parking meters is accounted for in this fund.

Additionally, the City reports the following fund types:

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

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

RECEIVABLES AND PAYABLES

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assessments for street improvements are reported in a governmental fund; revenues are deferred until the collections are received. Assessments for utility improvements are reported in a proprietary fund; unavailable revenue is set up in the amount of the assessment due.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

INVENTORIES AND PREPAID ITEMS

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City Council has authorized the Department of Public Works and Utilities to enter into cooperative agreements for the purpose of purchasing and storing natural gas for future use. The Duluth Economic Development Authority has a prepaid lease agreement for space rental which is being amortized over 15 years.

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10-75
Equipment	5-40
Infrastructure	15-80

COMPENSATED ABSENCES

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement 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 another financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY

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

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

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

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

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

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

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2012, as previously reported. These reclassifications were required for the comparability to the current year's financial statements and must be considered when comparing the financial statements of this report with those of prior reports.

USE OF ESTIMATES

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RESTATEMENT

Effective for 2013 the City implemented Governmental Accounting Standards Board (GASB) Statement Number 65. Implementation of this new accounting standard required a restatement of beginning net position for bond issuance costs. Previously bond issuance costs were reported as an asset. GASB Statement 65 requires bond issuance costs to be expensed as incurred.

Effective for 2013, the Duluth Public Arts is being reported as a special revenue fund. Previously Duluth Public Arts was reported as an agency fund. The change in presentation was due to the dissolution of the Duluth Public Arts Fund nonprofit corporation.

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

Statement of Activities	Governmental Activities	Business-type Activities
Net Position, January 1, 2013, as previously reported	\$ 225,063,649	\$ 184,897,882
Change in presentation for Duluth Public Arts	68,650	-
Restatement for bond issuance costs	<u>(1,515,703)</u>	<u>(565,262)</u>
Net Position, January 1, 2013, restated	<u>\$ 223,616,596</u>	<u>\$ 184,332,620</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		Amount
Fund balance, January 1, 2013, as previously reported		\$ 59,056,296
Change in presentation for Duluth Public Arts		<u>68,650</u>
Fund balance, January 1, 2013, restated		<u>\$ 59,124,946</u>
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds		Amount
Net Position, January 1, 2013, as previously reported		\$ 182,250,315
Restatement for bond issuance costs		<u>(565,262)</u>
Net Position, January 1, 2013, restated		<u>\$ 181,685,053</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2013; an auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 60 days of the end of the current fiscal year: Disaster Recovery - \$5,181,470, Lake Superior Zoo - \$299,765, Home Investment Partnerships Program - \$27,500, Police Grant Programs - \$3,908. The deficits will be eliminated upon receipt of the grant funds.

The employee vacation compensation internal service fund deficit net position of \$28,523 will be eliminated through future charges.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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	\$ 63,513,027
Assets held by trustee	7,639,757
Business-type Activities	
Cash and cash equivalents	16,849,067
Cash and cash equivalents - restricted assets	2,511,308
Discrete Component Units	
Cash and cash equivalents	20,993,814
Cash and cash equivalents - restricted assets	7,065,880
Assets held by trustee - restricted assets	87,056

Statement of Fiduciary Net Position

Cash and cash equivalents	2,259,130
Investments, at fair value	38,719,222

Total Cash and Investments	<u><u>\$ 159,638,261</u></u>
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DEPOSITS

Minnesota Statutes § 118A.02 and § 118A.04 authorizes 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, 2013, 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 authorizes the following types of securities available to the City for investment:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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

8) agreements or contracts for:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 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, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>
U.S. Government Agency Securities	\$ 92,646,197	\$ 19,362,952	\$ 50,161,287	\$ 23,121,958
Negotiable Certificates of Deposit	9,960,000	9,960,000	-	-
Mutual Funds	56,036,390	56,036,390	-	-
Total Investments	<u>\$ 158,642,587</u>	<u>\$ 85,359,342</u>	<u>\$ 50,161,287</u>	<u>\$ 23,121,958</u>
Deposits	\$ 995,674			
Total Deposits and Investments	<u>\$ 159,638,261</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, 2013, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AA+	\$ 92,646,197
<u>Moody's Rating</u>	
Aaa	17,317,168
<u>Not Rated</u>	
Mutual Funds	38,719,222
Negotiable Certificates of Deposit	9,960,000
Total	<u>\$ 158,642,587</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013, none of the City's investments were subject to custodial credit risk.

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Association	\$ 11,318,425
Federal National Mortgage Association	\$ 31,660,244
Federal Farm Credit Bank	\$ 24,783,035
Federal Home Loan Bank	\$ 24,510,663

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2013, was 97.6%.

5. RECEIVABLES

Receivables, net of uncollectible amounts, are reported in the governmental, proprietary, and fiduciary financial statements for goods and services, taxes, assessments, loans, grants, and interest. The amount of delinquent assessments included for the current fiscal year is \$1,229,109. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2013, are as follows:

Water	\$ 145,881
Gas	601,595
Sewer	288,998
Nonmajor	101,261
Total Uncollectible	<u>\$ 1,137,735</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013:

General		
Assessments	\$	1,090,898
Loans		1,716,968
Taxes		581,034
Community Investment Trust		
Casino shared revenues		12,993,734
Disaster Recovery		
Grants		4,471,838
Nonmajor		
Assessments		6,036,219
Grants		1,699,790
Loans		3,593,299
Taxes		426,932
Total for Governmental Funds	\$	<u>32,610,712</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, 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	\$ 20,682,040	\$ 1,726,805	\$ -	\$ 22,408,845
Construction in progress	46,227,062	11,226,559	14,391,185	43,062,436
Total capital assets, not being depreciated	66,909,102	12,953,364	14,391,185	65,471,281
Capital assets, being depreciated:				
Buildings	67,149,796	3,306,545	76,429	70,379,912
Equipment	30,625,580	4,152,528	1,161,725	33,616,383
Infrastructure	272,871,919	11,398,433	-	284,270,352
Total capital assets being depreciated	370,647,295	18,857,506	1,238,154	388,266,647
Less accumulated depreciation for:				
Buildings	31,131,423	2,104,208	76,429	33,159,202
Equipment	19,870,990	3,033,219	1,127,139	21,777,070
Infrastructure	104,444,438	7,459,776	-	111,904,214
Total accumulated depreciation *	155,446,851	12,597,203	1,203,568	166,840,486
Total capital assets, being depreciated, net	215,200,444	6,260,303	34,586	221,426,161
Governmental activities capital assets, net	<u>\$ 282,109,546</u>	<u>\$ 19,213,667</u>	<u>\$ 14,425,771</u>	<u>\$ 286,897,442</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,628,407	\$ -	\$ -	\$ 4,628,407
Construction in progress	38,548,694	9,890,366	35,461,793	12,977,267
Total capital assets, not being depreciated	43,177,101	9,890,366	35,461,793	17,605,674
Capital assets, being depreciated:				
Buildings	62,716,816	474,902	-	63,191,718
Equipment	45,233,746	1,214,074	346,939	46,100,881
Infrastructure	174,523,096	35,812,039	-	210,335,135
Total capital assets, being depreciated	282,473,658	37,501,015	346,939	319,627,734
Less accumulated depreciation for:				
Buildings	25,517,616	1,294,361	-	26,811,977
Equipment	26,308,321	2,884,052	341,956	28,850,417
Infrastructure	44,713,437	2,808,191	-	47,521,628
Total accumulated depreciation	96,539,374	6,986,604	341,956	103,184,022
Total capital assets, being depreciated, net	185,934,284	30,514,411	4,983	216,443,712
Business-type activities capital assets, net	<u>\$ 229,111,385</u>	<u>\$ 40,404,777</u>	<u>\$ 35,466,776</u>	<u>\$ 234,049,386</u>

* Accumulated depreciation on assets transferred from business-type activities to governmental activities was \$56,241.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,590,557
Public safety	2,134,578
Public works, including depreciation of general infrastructure assets	7,668,845
Culture and recreation	1,016,640
Urban and economic development	66,584
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	63,758
Total depreciation expense - governmental activities	<u>\$ 12,540,962</u>

Business-type activities:	
Water	\$ 1,576,417
Gas	1,313,680
Sewer	1,665,191
Stormwater	486,707
Steam #1	1,029,288
Street Lighting	211,452
Parking	483,300
Golf	220,569
Total depreciation expense - business-type activities	<u>\$ 6,986,604</u>

<u>COMPONENT UNITS</u>	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 9,540,537	\$ 1,846,236	\$ 109,637	\$ 11,277,136
Construction in progress	53,114,898	15,857,995	65,627,484	3,345,409
Total capital assets, not being depreciated	<u>62,655,435</u>	<u>17,704,231</u>	<u>65,737,121</u>	<u>14,622,545</u>
Capital assets, being depreciated:				
Buildings	224,083,188	52,868,747	8,591,214	268,360,721
Equipment	62,164,807	15,917,597	2,945,180	75,137,224
Infrastructure	80,575,646	2,001,272	1,590	82,575,328
Other	724,388	47,676	-	772,064
Total capital assets being depreciated	<u>367,548,029</u>	<u>70,835,292</u>	<u>11,537,984</u>	<u>426,845,337</u>
Less accumulated depreciation for:				
Buildings	78,847,636	7,953,236	5,638,383	81,162,489
Equipment	42,217,037	5,120,726	2,846,241	44,491,522
Infrastructure	46,956,309	3,978,883	1,590	50,933,602
Other	391,990	43,098	-	435,088
Total accumulated depreciation	<u>168,412,972</u>	<u>17,095,943</u>	<u>8,486,214</u>	<u>177,022,701</u>
Total capital assets, being depreciated, net	<u>199,135,057</u>	<u>53,739,349</u>	<u>3,051,770</u>	<u>249,822,636</u>
Component unit capital assets, net	<u>\$ 261,790,492</u>	<u>\$ 71,443,580</u>	<u>\$ 68,788,891</u>	<u>\$ 264,445,181</u>

Depreciation expense was charged to component units as follows:

Duluth Airport Authority	\$ 8,044,434
Duluth Entertainment and Convention Center Authority	3,819,272
Duluth Transit Authority	3,541,210
Duluth Economic Development Authority	994,801
Spirit Mountain Recreation Area Authority	696,226
Total Depreciation expense - component units	<u>\$ 17,095,943</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2013, the City had construction commitments of approximately \$1,534,305 for various utility improvements. The Duluth Airport Authority component unit had construction commitments of \$9,125,680 for airport 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, 2013, 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	\$ 45,641
Community Investment	364,997
Other Governmental Funds	12,133,860
Total Purchase Commitments	<u>\$ 12,544,498</u>

FLOOD DAMAGE REPAIR COMMITMENTS

On June 19 and 20, 2012, the City incurred significant flood damage to its infrastructure due to an unprecedented rain event. The City has been awarded grants from various sources to repair flood damaged roads, bridges, facilities, parks, and streams. Additional flood damage work estimated to be \$18 million remains to be completed as of December 31, 2013.

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 \$940,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Chapter 176 in excess of the \$940,000 retention limit.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

9. RISK MANAGEMENT (continued)

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$2,111,844 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 2012 and 2013 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2012	\$ 1,464,723	484,164	455,655	\$ 1,493,232
2013	\$ 1,493,232	378,109	946,658	\$ 924,683

The group health fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Delta Dental of Minnesota, HealthPartners, and ClearScript an administrative fee to process dental, medical, and prescription drug claims, respectively. The City assumes all risk, except that which is covered by a medical stop-loss policy purchased from HealthPartners. The stop-loss policy has an individual limit of \$300,000 and an aggregate limit of 125% of projected claims for the year. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the group health fund's liability during 2012 and 2013 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2012	\$ 1,994,940	11,317,003	11,039,243	\$ 2,272,700
2013	\$ 2,272,700	8,390,217	8,501,181	\$ 2,161,736

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2013:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Impound Lot	\$ 2,800	\$ -
Land & Right-of-way	24,919	54,606
Buildings	662,825	-
Equipment	634,315	5,335
Total Expense	<u>\$ 1,324,859</u>	<u>\$ 59,941</u>

NONCANCELABLE OPERATING LEASES

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2013:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2014	\$ 18,344	\$ 54,606
2015	18,344	54,605
2016	18,344	54,606
2017	18,344	54,605
2018	18,344	54,605
2019-2023	57,033	-
2024-2028	5,000	-
2029-2033	5,000	-
2034-2038	5,000	-
2039-2043	5,000	-
2044-2048	5,000	-
2049-2053	5,000	-
2054-2058	5,000	-
2059-2063	2,000	-
Total minimum payments required	<u>\$ 185,753</u>	<u>\$ 273,027</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$273,027 at December 31, 2013.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

10. LEASE OBLIGATIONS (continued)

CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2013, consist of the following capital assets shown at original costs as summarized below:

<u>Type of Property</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ -	\$ 1,534,313
Equipment	10,080,476	3,426,698
Total	10,080,476	4,961,011
Less: Accumulated amortization	(3,150,636)	(1,693,493)
Total Expense	<u>\$ 6,929,840</u>	<u>\$ 3,267,518</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2014	\$ 957,477	\$ 563,091
2015	957,476	566,677
2016	831,661	421,657
2017	831,660	283,175
2018	831,661	242,886
2019-2023	4,158,301	1,066,038
2024-2028	415,830	362,068
Total minimum lease payments	8,984,066	3,505,592
Less: Imputed interest	(1,598,785)	(586,350)
Present value of minimum lease	<u>\$ 7,385,281</u>	<u>\$ 2,919,242</u>

11. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2013, follows:

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/13</u>
Duluth Economic Development Authority				
Loans Payable	\$ 308,004	-	43,810	\$ 264,194

Loans payable represent temporary financing obtained from the Duluth 1200 Fund for public costs associated with the Cirrus Design Corporation expansion project at the Duluth International Airport. The loan is to be repaid through tax abatement agreements and tax increment financing.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013, follows:

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 76,926,971	\$ 6,655,000	\$ 2,828,265	\$ 80,753,706	\$ 3,413,138
General Obligation - Tax					
Abatement	7,315,000	-	25,000	7,290,000	375,000
Lease Revenue Bonds	565,000	-	150,000	415,000	415,000
Special Assessment Debt with					
Government Commitment	23,943,029	-	3,041,735	20,901,294	3,806,862
General Obligation Certificates	11,300,000	3,835,000	2,510,000	12,625,000	2,745,000
Add deferred amounts:					
For Bond Premium	1,612,343	271,507	304,951	1,578,899	-
Public Facilities Authority Note	155,000	-	25,000	130,000	25,000
Revenue Notes	2,841,000	-	75,000	2,766,000	80,000
Compensated Absences	3,415,720	2,351,883	2,601,727	3,165,876	2,935,616
Claims and Judgments	3,765,932	8,768,326	9,447,839	3,086,419	2,284,974
Net Other Postemployment					
Benefits Payable	31,571,367	5,040,286	-	36,611,653	-
Total Governmental Long-Term					
Liabilities	\$ 163,411,362	\$ 26,922,002	\$ 21,009,517	\$ 169,323,847	\$ 16,080,590
Business-Type Activities:					
Bonds Payable:					
Revenue and General					
Obligation Bonds	\$ 41,045,000	\$ -	\$ 3,739,998	\$ 37,305,002	\$ 4,640,001
Less deferred amounts:					
For Issuance Discounts/ Premiums*	608,185	-	103,605	504,580	-
General Obligation Notes	23,084,402	978,258	2,158,404	21,904,256	2,202,000
Capital Leases Payable	8,041,160	-	655,879	7,385,281	681,557
Net Other Postemployment					
Benefits Payable	508,338	28,722	-	537,060	-
Compensated Absences	945,840	798,090	868,544	875,386	869,631
Total Business-Type Long-Term					
Liabilities	\$ 74,232,925	\$ 1,805,070	\$ 7,526,430	\$ 68,511,565	\$ 8,393,189
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Capital Leases	\$ 436,049	\$ -	\$ 135,177	\$ 300,872	\$ 141,925
Compensated Absences	204,556	122,099	142,523	184,132	105,768
Net Other Postemployment					
Benefits Payable	605,146	45,400	-	650,546	-
Duluth Transit Authority					
Compensated Absences	535,819	544,661	535,819	544,661	544,661
Duluth Airport Authority					
Notes Payable	364,777	-	43,662	321,115	47,612
Loans Payable	7,430,556	3,400,000	471,667	10,358,889	481,667
Compensated Absences	84,002	82,583	84,002	82,583	82,583
Unearned Revenue	316,431	-	20,933	295,498	-
Net Other Postemployment					
Benefits Payable	766,236	197,813	64,181	899,868	-

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

	Balance 01/01/13	Additions	Deletions	Balance 12/31/13	Due Within One Year
Spirit Mountain Recreation Authority					
Revenue Bond Payable	212,445	-	212,445	-	-
Capital Leases	2,860,933	-	242,563	2,618,370	290,296
Compensated Absences	78,481	84,407	78,481	84,407	84,407
Total Component Unit Long-Term Liabilities	<u>\$ 13,895,431</u>	<u>\$ 4,476,963</u>	<u>\$ 2,031,453</u>	<u>\$ 16,340,941</u>	<u>\$ 1,778,919</u>

* Beginning balance changed to reflect deferred loss from debt refunding being reported as a deferred outflow.

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
2014	\$ 3,333,806	\$ 3,413,138	\$ 231,840	\$ 2,745,000	\$ 173,487	\$ 375,000
2015	3,311,610	3,585,568	189,991	2,995,000	165,499	380,000
2016	3,202,528	3,565,000	128,493	2,515,000	157,239	395,000
2017	3,089,386	3,840,000	76,825	2,090,000	148,704	400,000
2018	2,975,246	3,505,000	34,275	1,480,000	131,086	410,000
2019-2023	13,052,570	16,960,000	8,000	800,000	564,645	2,100,000
2024-2028	9,175,085	20,060,000	-	-	311,066	2,245,000
2029-2033	3,856,409	21,560,000	-	-	29,775	985,000
2034	106,625	4,265,000	-	-	-	-
Total	<u>\$ 42,103,265</u>	<u>\$ 80,753,706</u>	<u>\$ 669,424</u>	<u>\$ 12,625,000</u>	<u>\$ 1,681,501</u>	<u>\$ 7,290,000</u>

Lease Revenue Bond

During 1995, \$2,720,000 lease revenue bonds were issued for the development of a community center facility. Repayment of the bonds is limited to lease revenues and is not a general obligation of the City.

Annual debt service requirements to maturity for the outstanding lease revenue bond follow:

Year Ending December 31	Lease Revenue Bonds	
	Interest	Principal
2014	<u>\$ 16,600</u>	<u>\$ 415,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

United States Department of Housing and Urban Development Revenue Notes

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

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
2014	\$ 157,792	\$ 80,000
2015	153,736	30,000
2016	152,209	5,000
2017	151,954	5,000
2018	151,689	10,000
2019-2023	747,210	85,000
2024-2025	291,121	2,551,000
Total	<u>\$ 1,805,711</u>	<u>\$ 2,766,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$20,901,294 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

Annual debt service requirements to maturity to fund special assessments are as follows:

Year Ending December 31	General Obligation Revenue Notes			
	Special Assessment Bonds		Public Facilities Authority	
	Interest	Principal	Interest	Principal
2014	\$ 649,219	\$ 3,806,862	\$ 1,300	\$ 25,000
2015	534,227	3,299,432	1,050	26,000
2016	437,290	2,710,000	790	26,000
2017	354,820	2,270,000	530	26,000
2018	279,173	2,360,000	270	27,000
2019-2023	471,975	6,255,000	-	-
2024	4,750	200,000	-	-
Total	<u>\$ 2,731,454</u>	<u>\$ 20,901,294</u>	<u>\$ 3,940</u>	<u>\$ 130,000</u>

Other Debt

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

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 District #1, Sewer, and Stormwater operations is insufficient to retire their respective general obligation revenue bonds.

General Obligation Public Facilities Authority Revenue 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 Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal
2014	\$ 895,568	\$ 4,640,001	\$ 302,486	\$ 2,202,000
2015	772,734	4,855,000	289,679	2,232,000
2016	667,086	4,435,000	256,886	2,240,361
2017	565,491	4,350,000	224,333	2,256,000
2018	461,839	3,910,000	192,291	2,287,000
2019-2023	1,108,527	12,070,000	536,748	8,653,141
2024-2026	120,522	3,045,001	41,190	2,033,754
Total	<u>\$ 4,591,767</u>	<u>\$ 37,305,002</u>	<u>\$ 1,843,613</u>	<u>\$ 21,904,256</u>

Component Unit Long-Term Debt

Duluth Airport Authority

Revenue Bonds

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority's fixed base operator. The principal of the note is \$321,115, payable in semi-annual payments on June 1 and December 1 each year; commencing June 1, 2007, and until final maturity on June 1, 2019, with an annual interest rate of 8.85%.

The annual requirements to service the debt follow:

Year Ending December 31	Airport Facility Revenue Note	
	Interest	Principal
2014	\$ 27,388	\$ 47,612
2015	23,081	51,919
2016	18,385	56,615
2017	13,263	61,737
2018	7,679	67,321
2019	1,589	35,911
Total	<u>\$ 91,385</u>	<u>\$ 321,115</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

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

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

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

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities:			
General Obligation Bonds Payable -			
G.O. Improvement	03/01/2004	\$ 100,000	
Airpark Improvement	09/01/2004	520,000	
Capital Improvement	06/01/2005	320,000	
Capital Improvement	09/07/2006	335,000	
Capital Improvement	12/13/2007	605,000	
Duluth Entertainment and Convention Center Authority			
Improvement	08/07/2008	40,005,000	
Aerial Lift Bridge Improvement	08/07/2008	945,000	
Capital Improvement	12/09/2008	960,000	
Capital Improvement	12/17/2009	5,815,000	
Capital Improvement - Law Enforcement Center	12/17/2009	11,905,000	
West Michigan Street Improvements Refunding	12/17/2009	173,706	
Capital Improvement	11/23/2010	1,790,000	
Airport Improvement Refunding	11/23/2010	1,260,000	
Capital Improvement	11/29/2011	1,715,000	
Airport Improvement	05/24/2012	7,650,000	
Airport Improvement	12/18/2013	3,400,000	
Capital Improvement	12/18/2013	1,795,000	
Capital Improvement - Lakewalk	12/18/2013	1,460,000	
Total General Obligation Bonds Payable		<u>80,753,706</u>	\$ 80,753,706
General Obligation Tax Abatement			
Lake Walk Homes Tax Abatement Bonds	10/01/2005	235,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	7,055,000	
Total General Obligation Tax Abatement Bonds		<u>7,290,000</u>	\$ 7,290,000
Revenue Bonds Payable -			
Lease Revenue Bond	02/07/2007	415,000	415,000
Special Assessment Debt with			
Government Commitment	15 issues	20,901,294	20,901,294
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	6 issues	12,625,000	12,625,000
Total Governmental Activities Debt		<u>121,985,000</u>	\$ 121,985,000

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. 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	3 issues	\$ 11,520,000	
Water Fund	4 issues	2,488,544	
Gas Fund	3 issues	5,221,878	
Steam District #1	1 issues	5,475,000	
Sewer Fund	10 issues	10,895,970	
Stormwater Fund	2 issues	<u>1,703,610</u>	
Total Revenue and General Obligation Bonds Payable			<u>37,305,002</u>
Total Business-type Activities Debt			<u>\$ 37,305,002</u>
Total Bonds Payable			<u>\$ 159,290,002</u>
Deductions Allowable:			
Airport Improvement Refunding	11/23/2010	1,260,000	
Airpark Improvement	09/01/2004	520,000	
Duluth Entertainment and Convention Center Authority Improvement	08/07/2008	40,005,000	
Lake Walk Home Tax Abatement Bonds	10/01/2005	235,000	
Lease Revenue Bond	02/07/2007	415,000	
Airport Improvement	05/24/2012	7,650,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	7,055,000	
Airport Improvement	12/18/2013	3,400,000	
Special Assessment		20,901,294	
Parking Fund		11,520,000	
Water Fund		2,488,544	
Gas Fund		5,221,878	
Steam District #1		5,475,000	
Sewer Fund		10,895,970	
Stormwater Fund		<u>1,703,610</u>	
Total Deductions Allowable			<u>\$ 118,746,296</u>
Net Debt			<u>\$ 40,543,706</u>
Legal Debt Margin for Duluth			
Taxable Market Value (5,473,015,800 X 2%)			<u>\$ 109,460,316</u>

Overlapping Debt to Duluth

<u>Unit</u>	<u>General Obligation Debt</u>	<u>Percent Chargeable to City</u>	<u>Amount Chargeable to City</u>
Independent School District 709	\$ 60,375,000	88.4%	\$ 53,371,500
Independent School District 704	18,720,000	6.0%	1,123,200
St. Louis County	54,925,000	36.0%	19,773,000
			<u>\$ 74,267,700</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

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.

All current refunded debt is fully defeased and no refunding bonds were issued in 2013.

Advance Refunding Bonds

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

The following refunded bonds are scheduled to be recalled on February 1, 2014, related to a prior year advance refunding:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2005D	10/06/2005	General Obligation Street Improvement Bonds	\$ 2,315,000
2005F	12/19/2005	General Obligation Sewer Utility Revenue Bonds	\$ 1,920,000
2005G	12/16/2005	Parking Improvement Tax Increment Bonds	\$ 9,440,000
2005B	06/01/2005	General Obligation Steam Utility Revenue Bonds	\$ 715,000

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

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

All other advance refunded bonds have been paid in full.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Street Improvement	12/19/2006	\$ 3,445,000	\$ 555,000
Art Space Refunding Bond	02/07/2007	1,380,000	415,000
Street Improvement	12/09/2008	3,055,000	1,090,000
West Michigan Street	12/17/2009	589,118	173,706
General Obligation Improvement	12/17/2009	397,780	117,288
General Obligation Improvement	12/17/2009	506,415	214,729
General Obligation Improvement	12/17/2009	656,687	339,277
Airport Improvement	11/23/2010	1,850,000	1,260,000
General Obligation Improvement	11/23/2010	1,205,000	965,525
Street Improvement	11/27/2012	6,905,000	6,905,000
Advance Refunding Bonds:			
Street Improvement	12/19/2006	3,190,000	1,180,000
General Obligation Improvement	11/23/2010	1,135,000	909,475
Total Governmental Activities		<u>\$ 24,315,000</u>	<u>\$ 14,125,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Water Utility Revenue and General Obligation	12/13/2007	\$ 950,000	\$ 395,000
Sewer Utility Revenue and General Obligation	12/13/2007	1,325,000	455,000
Parking Improvements	12/09/2008	1,965,000	695,000
Gas Utility Revenue and General Obligation	12/17/2009	2,846,814	1,676,878
Sewer Utility Revenue and General Obligation	12/17/2009	713,186	418,122
Water Utility Revenue and General Obligation	11/23/2010	1,625,000	1,191,544
Sewer Utility Revenue and General Obligation	11/23/2010	2,025,000	1,484,848
Stormwater Utility Revenue and General Obligation	11/23/2010	755,000	553,610
Gas Utility Revenue and General Obligation	11/29/2011	3,125,000	2,745,000
Steam Utility Revenue and General Obligation	11/27/2012	5,475,000	5,475,000
Advance Refunding Bonds:			
Sewer Utility Revenue and General Obligation	11/29/2011	2,265,000	2,245,000
Sewer Utility Revenue and General Obligation	11/27/2012	2,000,000	2,000,000
Parking Improvements	11/27/2012	10,270,000	10,270,000
Total Business-type Activities		<u>\$ 35,340,000</u>	<u>\$ 29,605,002</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates and notes payable at December 31, 2013, are comprised 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	2.00 to 3.40%	02/01; 08/01	03-01-04 02-01-14	\$ 800,000	\$ 100,000
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04 02-01-20	945,000	520,000
Capital Improvement	2.80 to 3.70%	02/01; 08/01	06-01-05 02-01-15	1,255,000	320,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06 02-01-16	895,000	335,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07 02-01-17	1,240,000	605,000
Duluth Entertainment and Convention Center					
Authority Improvement	4.00 to 5.00%	02/01; 08/01	08-07-08 02-01-34	40,635,000	40,005,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08 02-01-19	1,475,000	945,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08 02-01-18	1,600,000	960,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09 02-01-20	7,085,000	5,815,000
Capital Improvement - Law Enforcement Center	5.00 to 6.00%	02/01; 08/01	12-17-09 02-01-32	11,905,000	11,905,000
West Michigan Street Improvements Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-18	589,118	173,706
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-21	2,175,000	1,790,000
Airport Improvement Refunding	0.75 to 2.45%	02/01; 08/01	11-23-10 02-01-17	1,850,000	1,260,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11 02-01-22	1,870,000	1,715,000
Airport Improvement	2.00 to 3.25%	02/01; 08/01	05-24-12 12-31-28	7,650,000	7,650,000
Airport Improvement	1.55 to 4.38%	02/01; 08/01	12-18-13 02-01-29	3,400,000	3,400,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	12-18-13 02-01-24	1,795,000	1,795,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13 02-01-29	1,460,000	1,460,000
Total General Obligation				<u>\$ 88,624,118</u>	<u>\$ 80,753,706</u>
General Obligation -Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	3.60 to 4.30%	02/01; 08/01	10-01-05 02-01-21	\$ 310,000	\$ 235,000
Spirit Mountain Tax Abatement Bonds	2.00 to 3.00%	02/01; 08/01	02-23-12 02-01-30	7,055,000	7,055,000
Total General Obligation Bonds Payable - Tax Abatement				<u>\$ 7,365,000</u>	<u>\$ 7,290,000</u>
Revenue Bonds Payable -					
Lease Revenue Bonds Payable -					
Artspace Community Center Refunding	4.00%	02/01; 08/01	02-07-07 08-01-14	\$ 1,380,000	\$ 415,000
Special Assessment Debt with Government Commitment -					
General Obligation Improvement	3.50 to 4.00%	02/01; 08/01	06-01-05 02-01-20	\$ 2,275,000	\$ 1,305,000
Street Improvement	3.50 to 4.25%	02/01; 08/01	10-01-05 02-01-21	4,260,000	280,000
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06 02-01-21	1,985,000	1,280,000
Street Improvement	4.00%	02/01; 08/01	09-07-06 02-01-22	3,355,000	2,280,000
Street Improvement Refunding	3.75 to 4.00%	02/01; 08/01	12-19-06 02-01-14	3,445,000	555,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06 02-01-16	3,190,000	1,180,000
Street Improvement	3.75 to 4.25%	02/01; 08/01	12-13-07 02-01-23	2,285,000	1,670,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08 02-01-24	2,320,000	1,810,000
Street Improvement Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-15	3,055,000	1,090,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	397,780	117,288
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	506,415	214,729
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-16	656,687	339,277
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10 02-01-19	1,205,000	965,525
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10 02-01-19	1,135,000	909,475
Street Improvement Refunding	2.00 to 3.00%	02/01; 08/01	11-27-12 02-01-21	6,905,000	6,905,000
Total Special Assessment Debt with Government Commitment				<u>\$ 36,975,882</u>	<u>\$ 20,901,294</u>
General Obligation Certificates Payable -					
Equipment	3.50 to 4.00%	02/01; 08/01	12-09-08 02-01-14	\$ 2,515,000	\$ 545,000
Equipment	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-15	2,570,000	1,065,000
Equipment	0.60 to 1.55%	02/01; 08/01	11-23-10 02-01-16	2,295,000	1,395,000
Equipment	2.00%	02/01; 08/01	11-29-11 02-01-17	3,095,000	2,510,000
Equipment	3.00%	02/01; 08/01	11-27-12 02-01-18	3,275,000	3,275,000
Equipment	2.00%	02/01; 08/01	12-18-13 02-01-19	3,835,000	3,835,000
Total General Obligation Certificates Payable				<u>\$ 17,585,000</u>	<u>\$ 12,625,000</u>
Total Governmental Activities				<u>\$151,930,000</u>	<u>\$121,985,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding	
Business-type Activities:						
Revenue and General Obligation Bonds Payable -						
Parking Fund -						
Medical District Tax Increment	5.25 to 5.50%	02/01; 08/01	12-16-05	02-01-26	\$ 12,785,000	\$ 555,000
Technology Village Parking Ramp Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	1,965,000	695,000
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12	02-01-26	10,270,000	10,270,000
Total Parking Fund					<u>\$ 25,020,000</u>	<u>\$ 11,520,000</u>
Water Fund -						
Water Utility Revenue and General Obligation Refunding	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	\$ 1,120,000	\$ 750,000
Water Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16	950,000	395,000
Water Utility Revenue and General Obligation Refunding	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	196,000	152,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18	1,625,000	1,191,544
Total Water Fund					<u>\$ 3,891,000</u>	<u>\$ 2,488,544</u>
Gas Fund -						
Gas Utility Revenue and General Obligation Refunding	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	\$ 1,190,000	\$ 800,000
Gas Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17	2,846,814	1,676,878
Gas Utility Revenue and General Obligation Refunding	3.00 to 4.00%	02/01; 08/01	11-29-11	02-01-19	3,125,000	2,745,000
Total Gas Fund					<u>\$ 7,161,814</u>	<u>\$ 5,221,878</u>
Steam District # 1 Fund -						
Steam Utility Revenue and General Obligation Refunding	1.00 to 2.125%	02/01; 08/01	11-27-12	02-01-22	\$ 5,475,000	\$ 5,475,000
Sewer Fund -						
Sewer Utility Revenue and General Obligation Refunding	3.50 to 4.30%	02/01; 08/01	12-19-05	02-01-21	\$ 3,515,000	\$ 230,000
Sewer Utility Revenue and General Obligation Refunding	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	945,000	630,000
Sewer Utility Revenue and General Obligation Refunding	3.75 to 4.25%	02/01; 08/01	12-13-07	02-01-23	2,120,000	1,550,000
Sewer Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16	1,325,000	455,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	1,444,000	1,123,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17	713,186	418,122
Sewer Utility Revenue and General Obligation Refunding	2.00 to 4.00%	02/01; 08/01	12-17-09	02-01-25	905,000	760,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18	2,025,000	1,484,848
Sewer Utility Revenue and General Obligation Refunding	1.00 to 3.00%	02/01; 08/01	11-29-11	02-01-20	2,265,000	2,245,000
Sewer Utility Revenue and General Obligation Refunding	2.00%	02/01; 08/01	11-27-12	02-01-20	2,000,000	2,000,000
Total Sewer Fund					<u>\$ 17,257,186</u>	<u>\$ 10,895,970</u>
Stormwater Fund -						
Stormwater Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	09-07-06	02-01-22	\$ 1,705,000	\$ 1,150,000
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18	755,000	553,610
Total Stormwater Fund					<u>\$ 2,460,000</u>	<u>\$ 1,703,610</u>
Total Business-type Activities					<u>\$ 61,265,000</u>	<u>\$ 37,305,002</u>

CITY OF DULUTH, MINNESOTA
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DECEMBER 31, 2013

12. LONG-TERM DEBT (continued)

NOTES PAYABLE BY ISSUE	Interest Rate and Dates	Issue Date	Final Maturity	Authorized and Issued	Outstanding	
Governmental Activities:						
General Obligation						
Public Facilities Authority Note	1.00%	02/20; 08/20	07-24-02	08-20-18	\$ 364,195	\$ 130,000
Revenue Note						
U.S. Dept. of Housing and Urban Development	5.23 to 5.77%	01/22; 07/22	08-01-05	08-01-25	7,876,000	2,766,000
Total Governmental Activities				<u>\$ 8,240,195</u>	<u>\$ 2,896,000</u>	
Business-type Activities:						
General Obligation:						
Water Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 870,000	\$ 336,340
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04	08-20-18	1,971,532	752,000
Public Facilities Authority Note	1.077%	02/20; 08/20	10-28-09	08-20-19	1,698,450	1,016,000
Public Facilities Authority Note (Note 1)	1.258%	02/20; 08/20	07-28-10	08-20-25	1,371,653	933,914
Public Facilities Authority Note	1.076%	02/20; 08/20	12-07-10	08-20-25	3,534,265	2,793,000
Public Facilities Authority Note (Note 2)	1.221%	02/20; 08/20	11-18-11	08-20-26	1,605,655	897,334
Total Water Fund				<u>\$ 11,051,555</u>	<u>\$ 6,728,588</u>	
Sewer Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 100,000	\$ 38,660
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03	08-20-18	1,179,115	453,000
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07	08-20-22	1,973,033	1,348,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	619,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	1,932,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10	08-20-25	3,753,059	3,060,000
Public Facilities Authority Note (Note 3)	1.258%	02/20; 08/20	07-28-10	08-20-25	9,087,385	6,825,839
Public Facilities Authority Note (Note 4)	1.000%	02/20; 08/20	11-18-11	08-20-21	354,551	92,361
Public Facilities Authority Note (Note 5)	1.000%	02/20; 08/20	11-30-11	08-20-21	282,620	160,829
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11	08-20-21	278,149	238,000
Public Facilities Authority Note (Note 6)	1.000%	02/20; 08/20	09-10-12	08-20-22	600,175	407,979
Total Sewer Fund				<u>\$ 20,819,072</u>	<u>\$ 15,175,668</u>	
Total Business-type Activities				<u>\$ 31,870,627</u>	<u>\$ 21,904,256</u>	
Component Units:						
Duluth Airport Authority						
Revenue Note	8.85%	06/01;12/01	11-01-05	06-01-19	497,379	321,115
Total Component Units				<u>\$ 497,379</u>	<u>\$ 321,115</u>	

Note 1: Only \$ 1,187,567 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 2: Only \$ 1,022,939 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 3: Only \$ 8,504,224 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 4: Only \$ 135,912 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 5: Only \$ 202,449 has been drawn on the Public Facilities Authority Note dated 11/30/2011.

Note 6: Only \$ 448,154 has been drawn on the Public Facilities Authority Note dated 9/10/2012.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

13. FUND EQUITY

For governmental funds, fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. Fund balance classifications as of December 31, 2013, are as follows:

	General Fund	Community Investment	Disaster Recovery	Other Governmental Funds	Total Fund Balance
Fund Balances:					
Nonspendable:					
Escrow Funds	\$ 138,000	\$ -	\$ -	\$ -	\$ 138,000
Prepaid Expenses	276,309	-	-	-	276,309
Spendable:					
Restricted for:					
Forfeitures	75,741	-	-	31,883	107,624
Capital Projects	-	-	-	7,726,730	7,726,730
Community Development	-	-	-	365,259	365,259
Employment	-	-	-	267,093	267,093
Parks and Recreation	-	-	-	590,722	590,722
Public Access Television	-	-	-	353,802	353,802
Public Safety	-	-	-	2,753	2,753
Economic Development	-	-	-	862,201	862,201
Library	-	-	-	948,614	948,614
Energy Program	-	-	-	256,668	256,668
Tourism	-	-	-	591,349	591,349
Debt Service	-	-	-	19,793,135	19,793,135
Committed for:					
Community Investment	-	17,526,543	-	-	17,526,543
Municipal Arts	-	-	-	93,652	93,652
Parks and Recreation	-	-	-	438,235	438,235
Public Safety	13,454	-	-	36,670	50,124
Assigned to:					
General Government	421,114	-	-	-	421,114
Economic Development	-	-	-	21,930	21,930
Debt Service	-	-	-	9,627	9,627
Public Works	400,000	-	-	-	400,000
Capital Projects	-	-	-	544,537	544,537
Unassigned	7,746,042	-	(5,181,470)	(331,173)	2,233,399
Total Fund Balances	<u>\$ 9,070,660</u>	<u>\$ 17,526,543</u>	<u>\$ (5,181,470)</u>	<u>\$ 32,603,687</u>	<u>\$ 54,019,420</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS

DUE TO/FROM OTHER FUNDS

Due To/From Other Funds results from the time lag between the dates interfund goods or services are provided or reimbursable expenditures occur and when the payment between funds is made. Balances at December 31, 2013, are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 48,796
	Nonmajor Enterprise Funds	97,316
	Internal Service Funds	355,988
Parking Enterprise	Nonmajor Enterprise Funds	2,074
Water Enterprise	Nonmajor Governmental Funds	89,366
	Internal Service Funds	23,703
Gas Enterprise	General	71
	Nonmajor Governmental Funds	7,199
	Internal Service Funds	21,702
Sewer Enterprise	Nonmajor Governmental Funds	36,758
	Internal Service Funds	16,095
Nonmajor Governmental Funds	General	221,720
	Water Enterprise	2,219
	Gas Enterprise	8,422
	Sewer Enterprise	77,861
	Nonmajor Governmental Funds	860,754
	Nonmajor Enterprise Funds	97,984
	Internal Service Funds	351
Nonmajor Enterprise Funds	General	6,719
	Nonmajor Governmental Funds	15,358
	Internal Service Funds	16,391
Internal Service Funds	General	237,251
	Water Enterprise	507
	Gas Enterprise	2,028
	Nonmajor Governmental Funds	24,363
Total		<u>\$ 2,270,996</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 1,548,355
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	288,411
	Governmental Activities - Internal Service Funds	434,230
Total		<u>\$ 2,270,996</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due To/From primary government and component units results from the time lag between the date goods or services are provided and when payment is made. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are at December 31, 2013, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2013.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Transit Authority	\$ 1,225
	Duluth Entertainment and Convention Center Authority	3,401
	Spirit Mountain Recreation Area Authority	600,000
	Duluth Airport Authority	3,500,042
	Duluth Economic Development Authority	6
Nonmajor Governmental Funds	Duluth Transit Authority	5,060
	Duluth Entertainment and Convention Center Authority	1,856
	Spirit Mountain Recreation Area Authority	5,610
	Duluth Economic Development Authority	624,838
Internal Service Funds	Duluth Airport Authority	15,742
Total Due From Component Units		<u>\$ 4,757,780</u>
Total Due To Primary Government		\$ 4,597,084
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2013		(444,914)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2013		605,610
Total Due From Component Units		<u>\$ 4,757,780</u>
Component Unit:	Primary Government:	
Duluth Entertainment and Center Authority	General	\$ 6,154
	Nonmajor Governmental Funds	304,422
Duluth Airport Authority	Nonmajor Governmental Funds	1,469
Duluth Economic Development Authority	Nonmajor Governmental Funds	2,914
	Nonmajor Enterprise Funds	18,000
Spirit Mountain Recreation Area Authority	Nonmajor Governmental Funds	309,917
Total Due from Primary Government		<u>\$ 642,876</u>
Total Due To Component Units		\$ 450,272
Add Spirit Mountain Recreation Area Authority balance at April 30, 2013		309,917
Deduct Spirit Mountain Recreation Area Authority balance at December 31, 2013		(117,313)
Total Due To Component Units		<u>\$ 642,876</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

INTERFUND LOAN RECEIVABLES/PAYABLES

These balances are a result of temporary interfund financing at year-end. Balances are December 31, 2013, are:

<u>Receivable Fund</u>	<u>Amount</u>
General	<u>\$ 2,038,261</u>
<u>Payable Fund</u>	
Nonmajor Governmental Funds	\$ 381,550
Nonmajor Enterprise Funds	1,469,559
Internal Service Funds	187,152
Total	<u>\$ 2,038,261</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: payments in lieu of taxes, debt service payments, participation in projects, reimbursements of expenditures and revenue recognition for investment earnings in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*. Interfund transfers for the year ended December 31, 2013, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General	Disaster Recovery	\$ 35,387
	Community Investment Trust	368,452
	Parking Enterprise	1,461,033
	Water Enterprise	269,470
	Gas Enterprise	2,466,818
	Sewer Enterprise	23,727
	Nonmajor Governmental Funds	1,855,429
	Nonmajor Enterprise Funds	589,171
	Internal Service Funds	50,514
Parking Enterprise	Nonmajor Governmental Funds	177,628
Water Enterprise	Nonmajor Enterprise Funds	10,660
Gas Enterprise	Nonmajor Enterprise Funds	15,990
Sewer Enterprise	Nonmajor Enterprise Funds	9,430
Nonmajor Governmental Funds	Community Investment Trust	2,223,491
	Gas Enterprise	81,843
	Nonmajor Governmental Funds	7,328,571
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	4,920
Total		<u>\$ 16,972,534</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and Changes in Fund Balances:	
	Governmental Funds	\$ 11,988,958
	Statement of Revenues, Expenditures, and Changes in Fund Net Position:	
	Business-type Activities - Enterprise Funds	4,933,062
	Governmental Activities - Internal Service Funds	50,514
Total		<u>\$ 16,972,534</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

15. PENSION PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes Chapters 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50% after five years and increasing 10% for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

15. PENSION PLANS (continued)

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

FUNDING POLICY

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes Chapter 353. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60%.

The City is required to contribute the following percentages of annual covered payroll in 2013:

	2013 Statutory Rates	
	Employees	Employer
General Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated Members	6.25%	7.25%
Public Employees Police and Fire Fund	9.60%	14.40%

The City's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2013	2012	2011
General Employees Retirement Fund	\$ 2,388,791	\$ 2,274,824	\$ 2,245,375
Public Employees Police and Fire Fund	3,015,302	2,900,390	2,824,259
Total	<u>\$ 5,404,093</u>	<u>\$ 5,175,214</u>	<u>\$ 5,069,634</u>

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

DEFINED CONTRIBUTION PLAN

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

15. PENSION PLANS (continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,414	\$ 5,414
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0%.

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to the Public Employees Retirement Association of Minnesota (PERA). Contributions were made by the above component units to PERA's Coordinated and Basic Plans in amounts required by state statutes. The PERA Coordinated and Basic Plans are the same pension plans available to City employees. Detailed information concerning each component unit's pension plan is presented in its publicly available 2013 annual report.

The Duluth Transit Authority has no employees. Personnel services are provided through a management agreement with ATE Management and Service Company, Inc. Detailed information concerning the management agreement is presented in its publicly available 2013 annual report.

16. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

As of December 31, 2013, there were 935 retirees receiving health benefits from the City's health plan and 835 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, 2013, the City contributed \$8,071,831 and retirees contributed \$88,552.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$593,964 were made to the irrevocable trust in 2013.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2013, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,249,437
Interest on Net OPEB obligation	1,826,369
Adjustment to ARC	<u>(2,253,557)</u>
Annual OPEB Cost	13,822,249
Claims paid on behalf of retirees	(8,178,824)
Contributions to irrevocable trust	<u>(593,964)</u>
Increase in Net OPEB obligation	5,049,461
Net OPEB, January 1	<u>32,041,570</u>
Net OPEB, December 31	<u><u>\$ 37,091,031</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2011, 2012, and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	15,031,231	11,830,474	78.71%	26,752,325
December 31, 2012	14,988,558	9,699,313	64.71%	32,041,570
December 31, 2013	13,822,249	8,772,788	63.47%	37,091,031

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

FUNDING STATUS AND FUNDING PROGRESS

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

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

In the January 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. Market value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.7% investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments at a 2.2% inflation rate. The annual healthcare cost trend rate is 10% initially, reduced incrementally to an ultimate rate of 5% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year open amortization period.

TRUST FUND

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

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

DEFINED CONTRIBUTION OPEB PLAN

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

17. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following non-major enterprise funds: Steam District #1, the plant which generates and distributes steam to users in the downtown area; and Stormwater Utility, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ending December 31, 2013, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Stormwater</u>	<u>Steam District #1</u>
Assets		
Current assets	\$ 3,100,715	\$ 3,080,305
Due from other funds	171,236	26,138
Capital assets	13,869,432	8,627,155
Total assets	<u>17,141,383</u>	<u>11,733,598</u>
Deferred Outflows	<u>14,650</u>	<u>288,379</u>
Liabilities		
Current liabilities	565,019	1,381,035
Due to other funds	30,963	6,861
Noncurrent liabilities	1,560,376	4,885,458
Total liabilities	<u>2,156,358</u>	<u>6,273,354</u>
Net Position		
Net investment in capital assets	12,160,973	3,430,076
Unrestricted	2,838,702	2,318,547
Total Net Position	<u>\$ 14,999,675</u>	<u>\$ 5,748,623</u>

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

	<u>Stormwater</u>	<u>Steam District #1</u>
Operating revenues (expenses)		
Charges (pledged against bonds)	\$ 4,753,883	\$ 7,858,967
Depreciation expense	(486,707)	(1,029,288)
Other operating expenses	(3,059,690)	(6,547,268)
Operating income	<u>1,207,486</u>	<u>282,411</u>
Nonoperating revenues (expenses)		
Investment earnings	1,881	(11,443)
Other revenue	10,000	45,447
Interest expense	(59,043)	(116,850)
Capital contributions	21,951	-
Transfers In	4,920	-
Transfers Out	(436,452)	(152,719)
Change in net position	<u>750,743</u>	<u>46,846</u>
Beginning net position (restated)	14,248,932	5,701,777
Ending net position	<u>\$ 14,999,675</u>	<u>\$ 5,748,623</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

17. SEGMENT INFORMATION (continued)

CONDENSED STATEMENT OF CASH FLOWS

	<u>Stormwater</u>	<u>Steam District #1</u>
Net Cash provided (used) by		
Operating activities	\$ 1,661,958	\$ 925,279
Noncapital financing activities	(504,784)	(100,553)
Capital and related financing activities	(1,013,731)	(1,101,853)
Investing activities	1,881	(11,443)
Net increase (decrease)	145,324	(288,570)
Beginning cash and cash equivalents	2,379,526	1,657,962
Ending cash and cash equivalents	<u>\$ 2,524,850</u>	<u>\$ 1,369,392</u>

18. 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.

LITIGATION

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

The consent decree requires the City to make certain improvements to prevent future sewage overflows. The City has consented to these improvements which will be made over a number of years and must be completed by the end of 2016. The improvements are estimated to cost \$2.3 million and are expected to be financed by federal grants, state grants, and local sources.

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs 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, 2013.

JOINT VENTURE

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

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2013, is:

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

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 \$1,793,782 to the Duluth Housing and Redevelopment Authority in 2013.

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 Alliance is governed by a nine-member Board of Directors composed of one elected official selected by each party represented in the Alliance. Each member of the Alliance contributes funds to the Alliance for use in funding its operations.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

St. Louis County, as fiscal agent, reports the transactions of the Alliance in an agency fund on its annual financial statements. A summary of the financial information of the Alliance for December 31, 2012, (the most recent available) was:

Total Assets	\$	479,372
Total Liabilities	\$	13,018
Total Net Position	\$	466,354
Total Revenues	\$	316,493
Total Expenditures	\$	273,080
Change in Net Position	\$	43,413

FOND DU LUTH CASINO

In 2009 the Band unilaterally stopped all contractually required payments to the City. Pursuant to the 1994 City of Duluth/Fond du Lac Band agreement, the City is to receive 19% of all slot machine revenue through March 31, 2011 ("First Term"), and an amount set through arbitration thereafter until 2036 ("Second Term"). The City has sued to recover the outstanding payments and the United States Federal District Court has granted the City summary judgment on the payment issue through March 31, 2011. The City and the Band appealed the case to the Eighth Circuit Court of Appeals and on January 14, 2013, the court issued a decision remanding the First Term payment issue back to the District Court. On October 8, 2013 the Band filed for Motion 60(b)(6) relief with the District Court over the First Term payment. The Motion was denied by District Court Judge Susan Nelson. The Band appealed that decision on November 4, 2013. The City is awaiting an oral argument date and decision. If the appeal is denied the matter will again be heard before the District Court, a decision would be expected within 90 days of the hearing. If the City prevails before Judge Nelson, there will be a trial on a contra revenue issue before the City receives its back payments. As of December 31, 2013, the Band owes \$12,993,734 to the City for the First Term.

The City additionally sued the Band on April 2, 2014 alleging the Band abrogated the agreement and owes the City damages to replace what the City would have received under the agreement terms. The City is awaiting an answer to the suit.

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, 2013, follows:

A & L Renaissance	\$	682,640
Accessible Space, Inc.	\$	18,275
Augusta Building	\$	268,321
Central Hillside Development, LLP	\$	310,605
Fifth Street Redevelopment	\$	125,949
Garfield Business Park, LLC	\$	611,069
Ramsey Townhouses	\$	66,417
Sherman Associates Hotel/Condominium	\$	5,000,000
Spirit Bay	\$	98,436

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2013, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal</u>
Aftenro Home	2006	\$ 2,620,000	\$ 2,315,457
Center for Alcohol & Drug Treatment	2000A	\$ 2,600,000	\$ 1,292,771
Duluth Regional Care	2012A	\$ 1,040,800	\$ 899,640
Duluth Regional Care	2012B	\$ 259,100	\$ 216,583
Residential Services	2000B	\$ 576,421	\$ 98,645
Residential Services	2000C	\$ 330,919	\$ 56,531
St. Luke's Hospital	2012	\$ 81,595,000	\$ 80,135,000

19. SUBSEQUENT EVENTS

Pursuant to Minnesota Statutes Chapter 444.075 and Section 55 of the City Charter, the City sold \$5,745,000 General Obligation Revenue Notes; Series 2014A, in March 2014. The bonds finance improvements to the water utility system consisting of the West Duluth Reservoir Construction Project. Water utility revenues are pledged as the primary source for repayment.

In May 2014 the Duluth City Council authorized various agreements for the construction of a downtown corporate tower project. The project includes \$20,000,000 of public improvements including a parking facility and skywalk improvements. The public improvements will be financed by an \$8,500,000 grant from the State of Minnesota and by the issuance of \$11,500,000 taxable tax increment and parking facility revenue bonds. The bonds will not have the general obligation backing of the City. Tax increment revenues and parking facility revenues are pledged as the source for repayment.

Required Supplementary
Information

**CITY OF DULUTH, MINNESOTA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) TRUST
 DECEMBER 31, 2013**

YEARS ENDED DECEMBER 31, 2007 THROUGH 2013

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

**CITY OF DULUTH
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
DECEMBER 31, 2013**

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

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

Combining and Individual
Fund Statements and
Schedules

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

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.

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

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

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

Senior Employment – to account for monies received from the Minnesota Department of Economic Security 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.

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

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

Recovery Loan Program – to account for grant monies received from the Minnesota Department of Trade 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 Programs – 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.

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.

**CITY OF DULUTH, MINNESOTA
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

DEBT SERVICE FUNDS

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

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

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.

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

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.

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.

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Home Investment Partnership Program	Community Development	Workforce Development
ASSETS					
Cash and cash equivalents	\$ -	\$ 785,947	\$ 25,658	\$ 576,305	\$ 74,755
Receivables, net:					
Taxes	-	126,733	-	-	-
Accounts	-	-	-	2,173	12,094
Assessments	-	-	-	-	-
Loans	200,000	-	262,354	2,620,794	-
Due from other funds	-	16,433	14,639	9,008	6,239
Due from component units	-	-	-	-	-
Due from other governments	80,012	73,694	106,008	680,746	425,709
Total assets	\$ 280,012	\$ 1,002,807	\$ 408,659	\$ 3,889,026	\$ 518,797
LIABILITIES					
Accounts payable	\$ 389	\$ 25,927	\$ -	\$ 10,773	\$ 39,567
Contracts payable	52,731	225,307	96,399	547,876	-
Due to other funds	-	80	7,317	14,660	123,226
Due to component units	-	-	-	-	-
Interfund loan payable	326,525	-	-	-	-
Due to other governments	132	3,630	82	211	44,823
Accrued salaries payable	-	29,183	-	17,012	44,088
Unearned revenue	-	-	62,690	77,264	-
Total liabilities	379,777	284,127	166,488	667,796	251,704
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	200,000	157,036	269,671	2,855,971	-
FUND BALANCES					
Restricted	-	561,644	-	365,259	267,093
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(299,765)	-	(27,500)	-	-
Total fund balances	(299,765)	561,644	(27,500)	365,259	267,093
Total liabilities, deferred inflows of resources, and fund balances	\$ 280,012	\$ 1,002,807	\$ 408,659	\$ 3,889,026	\$ 518,797

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds				
	Senior Employment	Special Projects	Police Grant Programs	Recovery Loan Program	Bayfront Festival Park
ASSETS					
Cash and cash equivalents	\$ -	\$ 682,532	\$ 17,884	\$ 767,783	\$ 225,188
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	1,508	39,394	681	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	1,416,067	-
Due from other funds	20,293	39,353	6,665	-	-
Due from component units	-	12,526	-	622,000	-
Due from other governments	46,460	66,517	256,198	6,567	-
Total assets	\$ 68,261	\$ 840,322	\$ 281,428	\$ 2,812,417	\$ 225,188
LIABILITIES					
Accounts payable	\$ -	\$ 29,784	\$ 173,574	\$ 3,552	\$ 2,000
Contracts payable	-	43,402	58,044	530,597	-
Due to other funds	600	21	38,719	-	-
Due to component units	-	4,232	-	-	-
Interfund loan payable	55,025	-	-	-	-
Due to other governments	-	208	221	906,887	-
Accrued salaries payable	12,636	7,626	-	-	-
Unearned revenue	-	114,894	5,008	-	-
Total liabilities	68,261	200,167	275,566	1,441,036	2,000
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	9,770	509,180	-
FUND BALANCES					
Restricted	-	388,438	-	862,201	-
Committed	-	251,717	-	-	223,188
Assigned	-	-	-	-	-
Unassigned	-	-	(3,908)	-	-
Total fund balances	-	640,155	(3,908)	862,201	223,188
Total liabilities, deferred inflows of resources, and fund balances	\$ 68,261	\$ 840,322	\$ 281,428	\$ 2,812,417	\$ 225,188

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Funds				
	Library Special Accounts	Economic Development	Energy Management	Tourism Tax	Public Facility and Programs
ASSETS					
Cash and cash equivalents	\$ 961,820	\$ 51,043	\$ 277,428	\$ 881,464	\$ 28,478
Receivables, net:					
Taxes	-	-	-	490,887	600
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	2,778	-	-	-
Due from component units	-	2,838	-	-	-
Due from other governments	-	1,550	-	75,971	-
Total assets	\$ 961,820	\$ 58,209	\$ 277,428	\$ 1,448,322	\$ 29,078
LIABILITIES					
Accounts payable	\$ 13,206	\$ -	\$ 2,529	\$ -	\$ -
Contracts payable	-	500	-	60,512	-
Due to other funds	-	5,646	14,947	796,461	-
Due to component units	-	4,383	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	24,200	-	-	-
Accrued salaries payable	-	-	3,284	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	13,206	34,729	20,760	856,973	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	1,550	-	-	-
FUND BALANCES					
Restricted	948,614	-	256,668	591,349	29,078
Committed	-	-	-	-	-
Assigned	-	21,930	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	948,614	21,930	256,668	591,349	29,078
Total liabilities, deferred inflows of resources, and fund balances	\$ 961,820	\$ 58,209	\$ 277,428	\$ 1,448,322	\$ 29,078

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Special Revenue Fund	Debt Service Funds			
	Public Arts	General Obligation	Street Improvement Debt Service	Special Assessment Debt Service	DECC Revenue
ASSETS					
Cash and cash equivalents	\$ 94,000	\$ 9,409,500	\$ 6,015,283	\$ 1,978,237	\$ 1,760,682
Receivables, net:					
Taxes	-	435,893	-	-	-
Accounts	-	-	-	-	-
Assessments	-	-	1,552,200	3,206,770	-
Loans	-	-	-	-	-
Due from other funds	-	-	3,406	-	788,555
Due from component units	-	-	-	-	-
Due from other governments	-	-	-	83,347	-
Total assets	\$ 94,000	\$ 9,845,393	\$ 7,570,889	\$ 5,268,354	\$ 2,549,237
LIABILITIES					
Accounts payable	\$ 348	\$ -	\$ -	\$ 12,045	\$ -
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	32,884	-
Due to component units	-	-	-	-	300,190
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	348	-	-	44,929	300,190
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	327,022	1,552,200	3,206,770	-
FUND BALANCES					
Restricted	-	9,508,744	6,018,689	2,016,655	2,249,047
Committed	93,652	-	-	-	-
Assigned	-	9,627	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	93,652	9,518,371	6,018,689	2,016,655	2,249,047
Total liabilities, deferred inflows of resources, and fund balances	\$ 94,000	\$ 9,845,393	\$ 7,570,889	\$ 5,268,354	\$ 2,549,237

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Capital Project Funds				
	Special Assessment	Permanent Improvement	Street Improvement Program	Capital Improvements	Capital Equipment
ASSETS					
Cash and cash equivalents	\$ 38,460	\$ 257,149	\$ 920,030	\$ 5,272,958	\$ 2,474,754
Receivables, net:					
Taxes	-	16,661	-	-	-
Accounts	-	-	-	-	-
Assessments	74,765	-	1,202,485	-	-
Loans	-	-	-	-	-
Due from other funds	11,879	159,629	3,717	-	-
Due from component units	-	-	-	-	-
Due from other governments	-	2,094,533	-	620,813	-
Total assets	\$ 125,104	\$ 2,527,972	\$ 2,126,232	\$ 5,893,771	\$ 2,474,754
LIABILITIES					
Accounts payable	\$ -	\$ 83,173	\$ -	\$ 5,471	\$ 311,425
Contracts payable	30,548	509,458	372,317	326,572	290,801
Due to other funds	6,275	208,285	20,190	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	100,948	219	2,206	262
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	36,823	901,864	392,726	334,249	602,488
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	74,765	1,326,063	1,202,485	63,757	-
FUND BALANCES					
Restricted	-	300,045	-	5,495,765	1,872,266
Committed	-	-	-	-	-
Assigned	13,516	-	531,021	-	-
Unassigned	-	-	-	-	-
Total fund balances	13,516	300,045	531,021	5,495,765	1,872,266
Total liabilities, deferred inflows of resources, and fund balances	\$ 125,104	\$ 2,527,972	\$ 2,126,232	\$ 5,893,771	\$ 2,474,754

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Capital Project Fund	Total Nonmajor Governmental Funds
	Spirit Mountain Capital Improvements	
ASSETS		
Cash and cash equivalents	\$ 171,261	\$ 33,748,599
Receivables, net:		
Taxes	-	1,070,774
Accounts	-	55,850
Assessments	-	6,036,220
Loans	-	4,499,215
Due from other funds	-	1,082,594
Due from component units	-	637,364
Due from other governments	-	4,618,125
	<u> </u>	<u> </u>
Total assets	<u>\$ 171,261</u>	<u>\$ 51,748,741</u>
LIABILITIES		
Accounts payable	\$ -	\$ 713,763
Contracts payable	-	3,145,064
Due to other funds	-	1,269,311
Due to component units	112,607	421,412
Interfund loan payable	-	381,550
Due to other governments	-	1,084,029
Accrued salaries payable	-	113,829
Unearned revenue	-	259,856
	<u> </u>	<u> </u>
Total liabilities	<u>112,607</u>	<u>7,388,814</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>-</u>	<u>11,756,240</u>
FUND BALANCES		
Restricted	58,654	31,790,209
Committed	-	568,557
Assigned	-	576,094
Unassigned	-	(331,173)
	<u> </u>	<u> </u>
Total fund balances	<u>58,654</u>	<u>32,603,687</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 171,261</u>	<u>\$ 51,748,741</u>

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Home Investment Partnership Program	Community Development	Workforce Development
REVENUES					
Taxes:					
Property taxes	\$ -	\$ 2,576,740	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	52,973	-	-	-
Intergovernmental revenues	169,118	24,714	538,918	3,657,897	2,207,707
Charges for services	931,674	45,349	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	(6,791)	(222)	(1,673)	(516)
Miscellaneous revenues	25,070	78,926	-	224,572	226,783
Total revenues	<u>1,125,862</u>	<u>2,771,911</u>	<u>538,696</u>	<u>3,880,796</u>	<u>2,433,974</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	1,826,820	1,953,754	-	-	-
Urban and economic development	-	-	436,308	3,886,105	2,325,503
Debt service:					
Principal retirement	-	-	-	75,000	-
Interest and fiscal fees	-	-	-	161,580	-
Bond issuance costs	-	-	-	-	-
Capital outlay	9,118	612,358	-	-	-
Total expenditures	<u>1,835,938</u>	<u>2,566,112</u>	<u>436,308</u>	<u>4,122,685</u>	<u>2,325,503</u>
Excess (deficiency) of revenues over expenditures	<u>(710,076)</u>	<u>205,799</u>	<u>102,388</u>	<u>(241,889)</u>	<u>108,471</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	510,000	-	-	-	-
Transfers out	-	(100,000)	-	-	(101,685)
Total other financing sources (uses)	<u>510,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(101,685)</u>
Net change in fund balance	(200,076)	105,799	102,388	(241,889)	6,786
Fund balance - January 1, 2013, as restated (Note 1)	(99,689)	455,845	(129,888)	607,148	260,307
Fund balance - December 31, 2013	<u>\$ (299,765)</u>	<u>\$ 561,644</u>	<u>\$ (27,500)</u>	<u>\$ 365,259</u>	<u>\$ 267,093</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds				
	Senior Employment	Special Projects	Police Grant Programs	Recovery Loan Program	Bayfront Festival Park
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	11,207	-	-	-
Intergovernmental revenues	344,433	898,760	1,083,947	1,030,864	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	(5,897)	(68)	(6,634)	(1,946)
Miscellaneous revenues	-	696,643	91,282	24,028	33,740
Total revenues	344,433	1,600,713	1,175,161	1,048,258	31,794
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	604,016	510,849	-	-
Public works	-	-	-	-	-
Culture and recreation	-	173,168	-	-	14,134
Urban and economic development	345,120	-	-	1,054,891	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	604,831	24,565	-	-
Total expenditures	345,120	1,382,015	535,414	1,054,891	14,134
Excess (deficiency) of revenues over expenditures	(687)	218,698	639,747	(6,633)	17,660
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	-	-	5,521
Transfers out	-	(203,780)	(634,995)	-	-
Total other financing sources (uses)	-	(203,780)	(634,995)	-	5,521
Net change in fund balance	(687)	14,918	4,752	(6,633)	23,181
Fund balance - January 1, 2013, as restated (Note 1)	687	625,237	(8,660)	868,834	200,007
Fund balance - December 31, 2013	\$ -	\$ 640,155	\$ (3,908)	\$ 862,201	\$ 223,188

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds				
	Library Special Accounts	Economic Development	Energy Management	Tourism Tax	Public Facility and Programs
REVENUES					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	7,644,763	-
Other taxes	-	-	-	-	7,973
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	22,104	528,291	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(8,233)	(441)	(2,397)	(7,616)	(246)
Miscellaneous revenues	87,210	17,376	8,690	-	-
Total revenues	<u>101,081</u>	<u>545,226</u>	<u>6,293</u>	<u>7,637,147</u>	<u>7,727</u>
EXPENDITURES					
Current:					
General government	-	-	120,929	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	110,270	-	-	-	-
Urban and economic development	-	514,569	-	2,820,991	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>110,270</u>	<u>514,569</u>	<u>120,929</u>	<u>2,820,991</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(9,189)</u>	<u>30,657</u>	<u>(114,636)</u>	<u>4,816,156</u>	<u>7,727</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	81,843	-	-
Transfers out	-	-	-	(5,345,365)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>81,843</u>	<u>(5,345,365)</u>	<u>-</u>
Net change in fund balance	(9,189)	30,657	(32,793)	(529,209)	7,727
Fund balance - January 1, 2013, as restated (Note 1)	957,803	(8,727)	289,461	1,120,558	21,351
Fund balance - December 31, 2013	<u>\$ 948,614</u>	<u>\$ 21,930</u>	<u>\$ 256,668</u>	<u>\$ 591,349</u>	<u>\$ 29,078</u>

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Fund	Debt Service Funds			
	Public Arts	General Obligation	Street Improvement Debt Service	Special Assessment Debt Service	DECC Revenue
REVENUES					
Taxes:					
Property taxes	\$ -	\$ 7,099,076	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	265,351	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	543,899	906,507	-
Investment income	(806)	(55,284)	(17,255)	(16,914)	(15,213)
Miscellaneous revenues	244	1,107,044	-	-	-
Total revenues	(562)	8,416,187	526,644	889,593	(15,213)
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	19,436	-	-	-	-
Urban and economic development	-	3,200,000	-	-	300,190
Debt service:					
Principal retirement	-	5,363,265	2,150,000	916,735	-
Interest and fiscal fees	-	3,777,380	532,512	177,632	-
Bond issuance costs	-	58,966	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	19,436	12,399,611	2,682,512	1,094,367	300,190
Excess (deficiency) of revenues over expenditures	(19,998)	(3,983,424)	(2,155,868)	(204,774)	(315,403)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	3,400,000	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	45,000	2,838,491	2,223,491	-	2,824,559
Transfers out	-	(203,644)	(33,668)	-	(2,329,088)
Total other financing sources (uses)	45,000	6,034,847	2,189,823	-	495,471
Net change in fund balance	25,002	2,051,423	33,955	(204,774)	180,068
Fund balance - January 1, 2013, as restated (Note 1)	68,650	7,466,948	5,984,734	2,221,429	2,068,979
Fund balance - December 31, 2013	\$ 93,652	\$ 9,518,371	\$ 6,018,689	\$ 2,016,655	\$ 2,249,047

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Capital Project Funds				
	Special Assessment	Permanent Improvement	Street Improvement Program	Capital Improvements	Capital Equipment
REVENUES					
Taxes:					
Property taxes	\$ -	\$ 207,351	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	3,968,965	-	1,893,398	-
Charges for services	-	-	-	-	-
Special assessments	13,662	-	478,047	-	-
Investment income	(318)	(2,222)	(7,634)	(20,049)	(12,311)
Miscellaneous revenues	-	-	3,425	105,000	-
Total revenues	13,344	4,174,094	473,838	1,978,349	(12,311)
EXPENDITURES					
Current:					
General government	-	-	-	640,341	-
Public safety	-	-	-	105,168	-
Public works	-	138,530	-	1,313	-
Culture and recreation	-	-	-	39,835	-
Urban and economic development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	101,278	43,497
Capital outlay	31,930	3,704,629	1,586,163	3,949,021	3,907,474
Total expenditures	31,930	3,843,159	1,586,163	4,836,956	3,950,971
Excess (deficiency) of revenues over expenditures	(18,586)	330,935	(1,112,325)	(2,858,607)	(3,963,282)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	-	3,255,000	3,835,000
Premium on issuance of bonds	-	-	-	149,142	122,365
Transfers in	-	-	-	1,105,000	-
Transfers out	-	(400,000)	-	(4,377)	(5,026)
Total other financing sources (uses)	-	(400,000)	-	4,504,765	3,952,339
Net change in fund balance	(18,586)	(69,065)	(1,112,325)	1,646,158	(10,943)
Fund balance - January 1, 2013, as restated (Note 1)	32,102	369,110	1,643,346	3,849,607	1,883,209
Fund balance - December 31, 2013	<u>\$ 13,516</u>	<u>\$ 300,045</u>	<u>\$ 531,021</u>	<u>\$ 5,495,765</u>	<u>\$ 1,872,266</u>

(continued)

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	Capital Project Fund Spirit Mountain Capital Improvements	Total Nonmajor Governmental Funds
REVENUES		
Taxes:		
Property taxes	\$ -	\$ 9,883,167
Sales taxes	-	7,644,763
Other taxes	-	7,973
Licenses and permits	-	64,180
Intergovernmental revenues	-	16,634,467
Charges for services	-	977,023
Special assessments	-	1,942,115
Investment income	3,272	(187,414)
Miscellaneous revenues	-	2,730,033
Total revenues	<u>3,272</u>	<u>39,696,307</u>
EXPENDITURES		
Current:		
General government	-	761,270
Public safety	-	1,220,033
Public works	-	139,843
Culture and recreation	-	4,137,417
Urban and economic development	-	14,883,677
Debt service:		
Principal retirement	-	8,505,000
Interest and fiscal fees	-	4,649,104
Bond issuance costs	-	203,741
Capital outlay	<u>1,008,022</u>	<u>15,438,111</u>
Total expenditures	<u>1,008,022</u>	<u>49,938,196</u>
Excess (deficiency) of revenues over expenditures	<u>(1,004,750)</u>	<u>(10,241,889)</u>
OTHER FINANCING SOURCES (USES)		
Issuance of bonds	-	10,490,000
Premium on issuance of bonds	-	271,507
Transfers in	-	9,633,905
Transfers out	-	(9,361,628)
Total other financing sources (uses)	<u>-</u>	<u>11,033,784</u>
Net change in fund balance	(1,004,750)	791,895
Fund balance - January 1, 2013, as restated (Note 1)	<u>1,063,404</u>	<u>31,811,792</u>
Fund balance - December 31, 2013	<u>\$ 58,654</u>	<u>\$ 32,603,687</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Taxes:				
General property -				
Current	\$ 11,922,000	\$ 11,922,000	\$ 11,740,385	\$ (181,615)
Delinquent	150,000	150,000	283,960	133,960
Mobile home	44,000	44,000	5,977	(38,023)
Forfeited tax sale apportionment	28,000	28,000	1,911	(26,089)
Franchise	1,923,900	1,923,900	1,958,297	34,397
Sales taxes	12,500,000	12,500,000	12,743,825	243,825
Charitable gambling	45,000	45,000	55,267	10,267
Other	20,000	20,000	69,429	49,429
Total Taxes	<u>26,632,900</u>	<u>26,632,900</u>	<u>26,859,051</u>	<u>226,151</u>
Licenses and Permits:				
Liquor and non-intoxicating liquor	419,000	419,000	481,637	62,637
Health	20,500	20,500	26,574	6,074
Police protective	23,400	23,400	38,639	15,239
Amusement	20,000	20,000	23,517	3,517
Manufacturing and merchandising	36,000	36,000	43,183	7,183
Other	854,900	854,900	1,185,603	330,703
Total Licenses and Permits	<u>1,373,800</u>	<u>1,373,800</u>	<u>1,799,153</u>	<u>425,353</u>
Intergovernmental revenues:				
Shared revenues -				
Local government aid	27,449,000	27,449,000	27,437,478	(11,522)
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,600,000	1,600,000	1,738,318	138,318
State grants -				
Minnesota Library Information Network	-	4,500	5,534	1,034
Health Impact Assessment Grant	-	5,000	5,000	-
Snowmobile trail	18,000	18,000	6,963	(11,037)
Police training reimbursement	50,000	50,000	51,263	1,263
HAZMAT Regional Response Team	-	37,810	58,957	21,147
Purchase of bulletproof vests	-	16,325	19,642	3,317
Market value credit aid	-	-	63,109	63,109
MSA maintenance allotment	1,451,800	1,451,800	1,533,448	81,648
Federal grants -				
Homeland Security Grant Program	-	32,730	32,730	-
Fair housing enforcement	-	-	7,340	7,340
ATF Northern Minnesota Task Force	-	60,686	64,503	3,817
Bulletproof vest partnership program	-	11,590	15,331	3,741
Organized Crime Drug Enforcement Task Force	-	12,891	6,227	(6,664)
Other grants -				
St. Louis County	165,900	165,900	148,311	(17,589)
Payments in lieu of taxes -				
Housing and Redevelopment Authority	102,800	102,800	47,366	(55,434)
Independent School District #709	211,000	211,000	235,832	24,832
Total Intergovernmental Revenues	<u>31,172,900</u>	<u>31,354,432</u>	<u>31,601,780</u>	<u>247,348</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Charges for Services:				
Departmental fees and services -				
Fire	4,200	4,200	4,200	-
Police	88,500	88,500	119,992	31,492
Engineering	400,000	400,000	207,701	(192,299)
Building inspection services	2,051,000	2,051,000	2,062,871	11,871
Attorney services	-	-	11,500	11,500
MIS services	5,200	5,200	1,801	(3,399)
Grant administration services	77,500	77,500	74,187	(3,313)
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	69,500	69,500	35,954	(33,546)
Other services	1,500	1,500	156	(1,344)
Departmental sales -				
Copier and microfilm prints	26,200	26,200	22,003	(4,197)
Print and plan sales	6,000	6,000	12,167	6,167
Book sales	400	400	170	(230)
Miscellaneous sales and services	79,700	97,500	223,413	125,913
Share of general expenses -				
Duluth Airport Authority	58,000	58,000	45,200	(12,800)
Water and Gas	829,300	872,400	872,400	-
Sewer	330,700	306,900	306,900	-
Stormwater	170,000	150,700	150,700	-
Steam District #1	49,500	49,500	49,500	-
Duluth Entertainment & Convention Center Authority	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	66,800	-
Duluth Economic Development Authority	365,000	365,000	365,000	-
Fleet Services	108,200	108,200	108,200	-
Group Health	255,000	255,000	255,000	-
Self Insurance	283,200	283,200	283,200	-
Spirit Mountain Recreation Area Authority	37,700	37,700	37,700	-
Parking	23,300	23,300	23,300	-
Street Lighting	59,000	59,000	59,000	-
Total Charges for Services	<u>5,510,700</u>	<u>5,528,500</u>	<u>5,464,315</u>	<u>(64,185)</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Fines and Forfeits:				
Library fines	90,000	90,000	85,956	(4,044)
Parking fines	-	-	30,673	30,673
Court fees	648,100	648,100	469,287	(178,813)
License penalties	8,000	8,000	5,924	(2,076)
Felony forfeitures	-	87,209	108,006	20,797
Total Fines and Forfeits	<u>746,100</u>	<u>833,309</u>	<u>699,846</u>	<u>(133,463)</u>
Special Assessments	<u>440,100</u>	<u>465,855</u>	<u>386,706</u>	<u>(79,149)</u>
Investment Income:				
Earnings on investments	170,000	170,000	146,359	(23,641)
Fair value adjustment	-	-	(400,872)	(400,872)
Total Investment Income	<u>170,000</u>	<u>170,000</u>	<u>(254,513)</u>	<u>(424,513)</u>
Miscellaneous Revenues:				
Commission and concessions	9,000	9,000	10,914	1,914
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	-	3,375	3,375
Rent and lease	93,200	93,200	95,271	2,071
Damage claims	15,000	69,284	54,806	(14,478)
Sale of equipment	100,000	100,000	91,882	(8,118)
Sale of land	200,000	200,000	515,900	315,900
Sale of scrap	4,000	4,000	9,889	5,889
Surcharge retainage	1,500	1,500	1,341	(159)
Refunds and reimbursements	603,100	901,265	856,399	(44,866)
Gifts and donations	4,700	5,510	2,252	(3,258)
Interest temporary loans	4,600	4,600	80,710	76,110
Total Miscellaneous Revenues	<u>1,051,100</u>	<u>1,404,359</u>	<u>1,738,825</u>	<u>334,466</u>
Total Revenues	<u>67,097,600</u>	<u>67,763,155</u>	<u>68,295,163</u>	<u>532,008</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Other Financing Sources:				
Operating transfers in:				
Special Projects	-	210,000	198,259	(11,741)
Duluth Police Grant Programs	683,600	683,600	634,995	(48,605)
Disaster Recovery Fund	-	-	35,387	35,387
Community Investment Trust	105,000	105,000	368,452	263,452
Tourism Taxes	737,900	852,900	860,806	7,906
Workforce Development	-	-	101,685	101,685
General Obligation Debt Service - Tax Levy	-	-	26,016	26,016
Street Improvement Debt Service	-	-	33,668	33,668
Permanent Improvement	100,000	100,000	-	(100,000)
Parking	1,952,700	1,952,700	1,461,033	(491,667)
Water	280,000	280,000	269,470	(10,530)
Gas	2,309,600	2,309,600	2,466,818	157,218
Sewer	50,000	50,000	23,727	(26,273)
Stormwater	510,600	510,600	436,452	(74,148)
Steam	146,000	146,000	152,719	6,719
Self Insurance	-	-	21,239	21,239
Employee Vacation Compensation	-	-	29,275	29,275
Total Other Financing Sources	<u>6,875,400</u>	<u>7,200,400</u>	<u>7,120,001</u>	<u>(80,399)</u>
Total Revenues and Other Financing Sources	<u>\$ 73,973,000</u>	<u>\$ 74,963,555</u>	<u>\$ 75,415,164</u>	<u>\$ 451,609</u>
Reconciliation:				
Original budget as approved by Duluth City Council		\$ 73,973,000		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		576,998		
Ordinance allowable		<u>413,557</u>		
Total adjustments		<u>990,555</u>		
Modified budget as reported above		<u>\$ 74,963,555</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, 2013

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
LEGISLATIVE AND EXECUTIVE							
City Council							
Personal services - salaries	\$ 90,000	\$ 90,000		\$ 89,431	\$ -	\$ 89,431	\$ 569
Personal services - benefits	6,500	6,500		6,458	-	6,458	42
Other expenditures	46,800	15,800		13,480	-	13,480	2,320
Total City Council	143,300	112,300	1	109,369	-	109,369	2,931
Mayor's Office							
Personal services - salaries	185,600	202,700		202,166	-	202,166	534
Personal services - benefits	64,200	77,200		76,364	-	76,364	836
Other expenditures	14,600	17,600		16,470	-	16,470	1,130
Total Mayor's Office	264,400	297,500	1	295,000	-	295,000	2,500
Chief Administrative Officer							
Personal services - salaries	192,200	212,600		211,687	-	211,687	913
Personal services - benefits	66,500	70,500		69,776	-	69,776	724
Other expenditures	10,600	10,600		7,155	-	7,155	3,445
Total Chief Administrative Officer	269,300	293,700	1	288,618	-	288,618	5,082
Attorney and Human Rights							
Personal services - salaries	1,305,000	1,429,500		1,415,173	-	1,415,173	14,327
Personal services - benefits	412,100	463,400		455,656	-	455,656	7,744
Other expenditures	43,900	36,000		35,409	-	35,409	591
Capital outlay	5,000	500		440	-	440	60
Total Attorney and Human Rights	1,766,000	1,929,400	1	1,906,678	-	1,906,678	22,722
TOTAL LEGISLATIVE AND EXECUTIVE	2,443,000	2,632,900		2,599,665	-	2,599,665	33,235
PUBLIC ADMINISTRATION							
Human Resources							
Personal services - salaries	790,400	740,400		702,182	-	702,182	38,218
Personal services - benefits	293,800	258,800		254,163	-	254,163	4,637
Other expenditures	57,900	51,900		47,297	-	47,297	4,603
Total Human Resources	1,142,100	1,051,100	1	1,003,642	-	1,003,642	47,458
Management Information Services							
Personal services - salaries	1,284,600	1,184,600		1,172,784	-	1,172,784	11,816
Personal services - benefits	487,200	444,400		443,118	-	443,118	1,282
Other expenditures	731,900	608,835		590,636	58,349	648,985	(40,150)
Total Management Information Services	2,503,700	2,237,835	1,2	2,206,538	58,349	2,264,887	(27,052)
Clerk							
Personal services - salaries	578,900	604,400		603,902	-	603,902	498
Personal services - benefits	208,100	209,100		208,996	-	208,996	104
Other expenditures	48,500	52,500		50,616	-	50,616	1,884
Total Clerk	835,500	866,000	1	863,514	-	863,514	2,486
Maintenance Operations							
Personal services - salaries	3,745,200	4,134,200		3,865,592	-	3,865,592	268,608
Personal services - benefits	1,556,200	1,684,800		1,585,833	-	1,585,833	98,967
Other expenditures	4,251,800	5,455,242		5,411,529	-	5,411,529	43,713
Capital outlay	-	20,656		20,656	-	20,656	-
Total Maintenance Operations	9,553,200	11,294,898	1,2,3,4	10,883,610	-	10,883,610	411,288

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
PUBLIC ADMINISTRATION (continued)							
Library Services							
Personal services - salaries	2,638,500	2,615,000		2,598,035	-	2,598,035	16,965
Personal services - benefits	921,200	918,200		917,425	-	917,425	775
Other expenditures	324,600	329,600		327,058	-	327,058	2,542
Capital outlay	264,500	311,502		311,502	-	311,502	-
Total Library Services	4,148,800	4,174,302	1,3	4,154,020	-	4,154,020	20,282
Facilities Management							
Personal services - salaries	979,800	1,031,100		1,027,871	-	1,027,871	3,229
Personal services - benefits	356,300	397,300		396,025	-	396,025	1,275
Other expenditures	2,282,800	2,314,283		2,149,962	12,125	2,162,087	152,196
Capital outlay	-	25,576		25,576	-	25,576	-
Total Facilities Management	3,618,900	3,768,259	1,2,4	3,599,434	12,125	3,611,559	156,700
TOTAL PUBLIC ADMINISTRATION	21,802,200	23,392,394		22,710,758	70,474	22,781,232	611,162
FINANCE							
Budget							
Personal services - salaries	292,000	227,000		222,461	-	222,461	4,539
Personal services - benefits	72,200	66,200		65,390	-	65,390	810
Other expenditures	5,100	2,100		1,929	-	1,929	171
Total Budget	369,300	295,300	1	289,780	-	289,780	5,520
Assessor							
Personal services - salaries	87,200	68,360		52,524	-	52,524	15,836
Personal services - benefits	32,400	16,700		15,453	-	15,453	1,247
Other expenditures	375,000	375,840		375,838	-	375,838	2
Total Assessor	494,600	460,900	1	443,815	-	443,815	17,085
Auditor							
Personal services - salaries	543,500	677,600		677,019	-	677,019	581
Personal services - benefits	235,900	268,300		268,116	-	268,116	184
Other expenditures	320,800	265,800		258,559	-	258,559	7,241
Total Auditor	1,100,200	1,211,700	1	1,203,694	-	1,203,694	8,006
Purchasing							
Personal services - salaries	138,500	138,500		129,369	-	129,369	9,131
Personal services - benefits	58,400	58,400		57,411	-	57,411	989
Other expenditures	10,800	3,000		1,523	-	1,523	1,477
Total Purchasing	207,700	199,900	1	188,303	-	188,303	11,597
Treasurer							
Personal services - salaries	703,900	582,800		548,107	-	548,107	34,693
Personal services - benefits	228,300	193,800		190,834	-	190,834	2,966
Other expenditures	62,400	37,187		34,543	-	34,543	2,644
Total Treasurer	994,600	813,787	1,2	773,484	-	773,484	40,303
TOTAL FINANCE	3,166,400	2,981,587		2,899,076	-	2,899,076	82,511

(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, 2013**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
PLANNING AND CONSTRUCTION SERVICES							
Planning and Development							
Personal services - salaries	474,700	499,200		476,653	-	476,653	22,547
Personal services - benefits	161,800	175,400		174,454	-	174,454	946
Other expenditures	68,500	124,201		124,114	-	124,114	87
Total Planning and Development	705,000	798,801	1,2,3,4	775,221	-	775,221	23,580
Construction Services and Inspection							
Personal services - salaries	998,000	974,200		972,877	-	972,877	1,323
Personal services - benefits	358,600	375,900		375,147	-	375,147	753
Other expenditures	170,700	192,434		184,527	-	184,527	7,907
Total Construction Services and Inspection	1,527,300	1,542,534	1	1,532,551	-	1,532,551	9,983
TOTAL PLANNING AND CONSTRUCTION SERVICES	2,232,300	2,341,335		2,307,772	-	2,307,772	33,563
BUSINESS AND COMMUNITY DEVELOPMENT							
Business and Community Development							
Personal services - salaries	484,400	360,400		360,150	-	360,150	250
Personal services - benefits	155,400	125,400		124,660	-	124,660	740
Other expenditures	85,000	82,000		80,400	-	80,400	1,600
Total Business and Community Development	724,800	567,800	1,2	565,210	-	565,210	2,590
TOTAL BUSINESS AND COMMUNITY DEVELOPMENT	724,800	567,800		565,210	-	565,210	2,590
FIRE							
Administration							
Personal services - salaries	271,200	339,200		311,612	-	311,612	27,588
Personal services - benefits	65,600	101,650		101,427	-	101,427	223
Other expenditures	78,500	73,500		59,934	-	59,934	13,566
Total Administration	415,300	514,350	1	472,973	-	472,973	41,377
Operations							
Personal services - salaries	8,589,300	9,099,572		9,061,829	-	9,061,829	37,743
Personal services - benefits	3,208,500	3,495,400		3,487,213	-	3,487,213	8,187
Other expenditures	509,700	614,700		608,285	-	608,285	6,415
Total Operations	12,307,500	13,209,672	1,2,3	13,157,327	-	13,157,327	52,345
Life Safety							
Personal services - salaries	676,500	676,500		662,955	-	662,955	13,545
Personal services - benefits	272,100	292,400		290,352	-	290,352	2,048
Other expenditures	95,100	77,279		72,391	-	72,391	4,888
Total Life Safety	1,043,700	1,046,179	1,2,3,4	1,025,698	-	1,025,698	20,481
Hazardous Materials (HAZMAT)							
Other expenditures	-	28,922		27,057	-	27,057	1,865
Total Hazardous Materials (HAZMAT)	-	28,922	1,3	27,057	-	27,057	1,865
TOTAL FIRE	13,766,500	14,799,123		14,683,055	-	14,683,055	116,068

(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, 2013

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
POLICE							
Administration and Investigation							
Personal services - salaries	5,419,900	5,409,067		5,366,251	-	5,366,251	42,816
Personal services - benefits	2,048,200	2,022,200		2,020,852	-	2,020,852	1,348
Other expenditures	1,499,400	1,516,253		1,477,350	-	1,477,350	38,903
Total Administration and Investigation	8,967,500	8,947,520	1,3	8,864,453	-	8,864,453	83,067
Patrol							
Personal services - salaries	6,724,300	7,268,672		7,236,709	-	7,236,709	31,963
Personal services - benefits	2,505,500	2,717,700		2,715,216	-	2,715,216	2,484
Other expenditures	136,000	136,000		110,899	-	110,899	25,101
Total Patrol	9,365,800	10,122,372	1,2,3	10,062,824	-	10,062,824	59,548
Police Special Accounts							
Other expenditures	-	210,388		151,555	-	151,555	58,833
Total Police Special Accounts	-	210,388	2,4	151,555	-	151,555	58,833
TOTAL POLICE	18,333,300	19,280,280		19,078,832	-	19,078,832	201,448
PUBLIC WORKS AND UTILITIES							
Public Works Director's Office							
Personal services - salaries	37,000	37,300		36,525	-	36,525	775
Personal services - benefits	8,800	10,300		10,063	-	10,063	237
Other expenditures	800	800		272	-	272	528
Total Public Works Director's Office	46,600	48,400	1	46,860	-	46,860	1,540
Engineering							
Personal services - salaries	1,132,300	1,135,300		1,126,360	-	1,126,360	8,940
Personal services - benefits	407,900	423,300		421,445	-	421,445	1,855
Other expenditures	140,000	118,100		118,091	-	118,091	9
Total Engineering	1,680,200	1,676,700	1	1,665,896	-	1,665,896	10,804
TOTAL PUBLIC WORKS AND UTILITIES	1,726,800	1,725,100		1,712,756	-	1,712,756	12,344

(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, 2013**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
TRANSFERS AND OTHER FUNCTIONS:							
Business improvement district	300,000	325,755	4	325,752	-	325,752	3
Capital improvements/lease purchase	174,800	174,800		174,750	-	174,750	50
Capital maintenance/lease purchase	50,000	16,006	1,2	15,886	-	15,886	120
Flexible benefits	100,000	239,510	1	182,298	45,640	227,938	11,572
Public access television	182,000	182,000		182,000	-	182,000	-
Retiree insurance	7,430,100	6,619,920	1	6,595,445	-	6,595,445	24,475
Self insurance	500,000	500,000		500,000	-	500,000	-
State sales tax administration	125,000	125,000		108,379	-	108,379	16,621
Transfers and accruals	381,800	-	2	-	-	-	-
Other functions	534,000	550,700	1	413,046	-	413,046	137,654
TOTAL TRANSFERS AND OTHER FUNCTIONS	<u>9,777,700</u>	<u>8,733,691</u>		<u>8,497,556</u>	<u>45,640</u>	<u>8,543,196</u>	<u>190,495</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>\$ 73,973,000</u>	<u>\$ 76,454,210</u>		<u>\$ 75,054,680</u>	<u>\$ 116,114</u>	<u>\$ 75,170,794</u>	<u>\$ 1,283,416</u>

RECONCILIATION:

Original budget as approved by Duluth City Council	\$ 73,973,000
Adjustments made in accordance with Budget Ordinance	
Note 1	-
Note 2	1,490,655
Note 3	576,998
Note 4	413,557
Total adjustments	<u>2,481,210</u>
Modified budget as reported above	<u>\$ 76,454,210</u>

Departmental transfers made in accordance with budget ordinance
 Encumbrance, contract, reserve, or designation carryovers from prior year
 Grants, gifts, and donations in accordance with budget ordinance
 Other allowable additions made in accordance with budget ordinance

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
GENERAL GOVERNMENT:						
Legislative and Executive						
City Council	\$ 89,431	\$ 6,458	\$ 13,480	\$ -	\$ -	\$ 109,369
Mayor's Office	202,166	76,364	16,470	-	-	295,000
Chief Administrative Officer	211,687	69,776	7,155	-	-	288,618
City Attorney and Human Rights	1,415,173	455,656	35,409	440	-	1,906,678
Total Legislative and Executive	1,918,457	608,254	72,514	440	-	2,599,665
Public Administration						
Human Resources	702,182	254,163	47,297	-	-	1,003,642
Management Information Services	1,172,784	443,118	590,636	-	-	2,206,538
Clerk	603,902	208,996	50,616	-	-	863,514
Facilities Management	1,027,871	396,025	2,149,962	27,076	-	3,600,934
Other functions	-	521,221	1,019,040	-	-	1,540,261
Total Public Administration	3,506,739	1,823,523	3,857,551	27,076	-	9,214,889
Finance						
Budget	222,461	65,390	1,929	-	-	289,780
Assessor	52,524	15,453	375,838	-	-	443,815
Auditor	677,019	268,116	258,559	-	-	1,203,694
Purchasing	129,369	57,411	1,523	-	-	188,303
Treasurer	548,107	190,834	34,543	-	-	773,484
Total Finance	1,629,480	597,204	672,392	-	-	2,899,076
Benefits						
Flexible Benefits	-	182,298	-	-	-	182,298
Retiree Insurance	-	6,595,445	-	-	-	6,595,445
Total Benefits	-	6,777,743	-	-	-	6,777,743
TOTAL GENERAL GOVERNMENT	7,054,676	9,806,724	4,602,457	27,516	-	21,491,373
PUBLIC SAFETY:						
Fire						
Administration	311,612	101,427	59,934	-	-	472,973
Operations	9,061,829	3,487,213	608,285	-	-	13,157,327
Life Safety	662,955	290,352	72,391	-	-	1,025,698
Hazardous Materials (HAZMAT)	-	-	27,057	-	-	27,057
Total Fire	10,036,396	3,878,992	767,667	-	-	14,683,055
Police						
Administration and Investigation	5,366,251	2,020,852	1,477,350	-	-	8,864,453
Patrol	7,236,709	2,715,216	110,899	-	-	10,062,824
Police Special Accounts	-	-	151,555	-	-	151,555
Total Police	12,602,960	4,736,068	1,739,804	-	-	19,078,832
TOTAL PUBLIC SAFETY	22,639,356	8,615,060	2,507,471	-	-	33,761,887

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
PUBLIC WORKS:						
Public Administration						
Maintenance Operations	3,865,592	1,585,833	5,411,529	20,656	-	10,883,610
Total Public Administration	3,865,592	1,585,833	5,411,529	20,656	-	10,883,610
Public Works						
Public Works Director's Office	36,525	10,063	272	-	-	46,860
Engineering	1,126,360	421,445	118,091	-	-	1,665,896
Total Public Works	1,162,885	431,508	118,363	-	-	1,712,756
TOTAL PUBLIC WORKS	5,028,477	2,017,341	5,529,892	20,656	-	12,596,366
CULTURE AND RECREATION:						
Public Administration						
Library Services	2,598,035	917,425	330,360	311,502	-	4,157,322
Total Public Administration	2,598,035	917,425	330,360	311,502	-	4,157,322
TOTAL CULTURE AND RECREATION	2,598,035	917,425	330,360	311,502	-	4,157,322
URBAN AND ECONOMIC DEVELOPMENT:						
Planning and Construction Services						
Planning and Development	476,653	174,454	124,114	-	-	775,221
Construction Services and Inspection	972,877	375,147	184,527	-	-	1,532,551
Total Planning and Construction Services	1,449,530	549,601	308,641	-	-	2,307,772
Business and Community Development						
Business and Community Development	360,150	124,660	80,400	-	-	565,210
Total Business and Community Development	360,150	124,660	80,400	-	-	565,210
TOTAL URBAN AND ECONOMIC DEVELOPMENT	1,809,680	674,261	389,041	-	-	2,872,982
DEBT SERVICE:						
Capital Lease Obligation - Principal	-	-	-	150,000	-	150,000
Capital Lease Obligation - Interest	-	-	-	24,750	-	24,750
TOTAL DEBT SERVICE	-	-	-	174,750	-	174,750
TOTAL EXPENDITURES/TRANSFERS OUT	\$ 39,130,224	\$ 22,030,811	\$ 13,359,221	\$ 534,424	\$ -	\$ 75,054,680

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NON-MAJOR PROPRIETARY FUNDS
DECEMBER 31, 2013**

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.

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

Steam District #1 – to account for the generation and distribution of steam in the downtown area.

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

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

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.

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.

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

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2013**

	Street Lighting	Steam District #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,921,207	\$ 1,369,392	\$ 2,524,850	\$ -	\$ 5,815,449
Receivables, net:					
Accounts receivable	242,396	1,376,120	467,584	9,810	2,095,910
Assessments	-	-	25,636	-	25,636
Due from other funds	-	26,138	171,236	-	197,374
Due from other governments	-	-	10,257	-	10,257
Inventories	-	334,793	72,388	52,143	459,324
Prepays	-	-	-	437	437
Total current assets	<u>2,163,603</u>	<u>3,106,443</u>	<u>3,271,951</u>	<u>62,390</u>	<u>8,604,387</u>
Capital assets, net	<u>1,751,479</u>	<u>8,627,155</u>	<u>13,869,432</u>	<u>1,929,418</u>	<u>26,177,484</u>
Total assets	<u>3,915,082</u>	<u>11,733,598</u>	<u>17,141,383</u>	<u>1,991,808</u>	<u>34,781,871</u>
DEFERRED OUTFLOWS					
Deferred loss from debt refunding	-	288,379	14,650	-	303,029
LIABILITIES					
Current liabilities:					
Accounts payable	89,347	601,693	24,218	4,440	719,698
Contracts payable	-	116,645	96,105	-	212,750
Leases payable	-	-	-	115,538	115,538
Due to other funds	644	6,861	30,963	-	38,468
Due to component units	-	-	18,000	-	18,000
Interfund loan payable	-	-	-	1,469,559	1,469,559
Due to other governments	27	30,638	7,926	-	38,591
Accrued interest payable	-	32,059	24,477	8,137	64,673
Accrued salaries payable	15,675	-	79,334	-	95,009
Compensated absences	14,488	-	91,415	-	105,903
Unearned revenue	5,159	-	13,135	42,237	60,531
Revenue bonds payable	-	600,000	210,409	-	810,409
Total current liabilities	<u>125,340</u>	<u>1,387,896</u>	<u>595,982</u>	<u>1,639,911</u>	<u>3,749,129</u>
Noncurrent liabilities:					
Compensated absences	-	-	2,748	-	2,748
Leases payable	-	-	-	120,567	120,567
Net other postemployment benefits payable	-	-	44,928	-	44,928
Revenue bonds payable	-	4,875,000	1,493,201	-	6,368,201
Less unamortized bond premium (discount)	-	10,458	19,499	-	29,957
Total noncurrent liabilities	<u>-</u>	<u>4,885,458</u>	<u>1,560,376</u>	<u>120,567</u>	<u>6,566,401</u>
Total liabilities	<u>125,340</u>	<u>6,273,354</u>	<u>2,156,358</u>	<u>1,760,478</u>	<u>10,315,530</u>
NET POSITION					
Net investment in capital assets	1,751,479	3,430,076	12,160,973	1,693,313	19,035,841
Unrestricted	<u>2,038,263</u>	<u>2,318,547</u>	<u>2,838,702</u>	<u>(1,461,983)</u>	<u>5,733,529</u>
Total net position	<u>\$ 3,789,742</u>	<u>\$ 5,748,623</u>	<u>\$ 14,999,675</u>	<u>\$ 231,330</u>	<u>\$ 24,769,370</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, 2013**

	<u>Street Lighting</u>	<u>Steam Dist #1</u>	<u>Stormwater</u>	<u>Golf</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ -	\$ 481,593	\$ 481,593
Charges for services	2,136,660	7,737,690	4,704,073	1,257,267	15,835,690
Miscellaneous revenues	78,261	121,277	49,810	120	249,468
	<u>2,214,921</u>	<u>7,858,967</u>	<u>4,753,883</u>	<u>1,738,980</u>	<u>16,566,751</u>
Total operating revenues					
OPERATING EXPENSES					
Cost of sales and services	-	-	-	289,905	289,905
Personal services	378,548	-	2,111,073	-	2,489,621
Supplies	134,551	3,398,394	283,970	66,966	3,883,881
Utilities	687,984	479,289	20,693	39,403	1,227,369
Other services and charges	134,559	2,669,585	643,954	1,431,548	4,879,646
Depreciation	211,452	1,029,288	486,707	220,569	1,948,016
	<u>1,547,094</u>	<u>7,576,556</u>	<u>3,546,397</u>	<u>2,048,391</u>	<u>14,718,438</u>
Total operating expenses					
Operating income	<u>667,827</u>	<u>282,411</u>	<u>1,207,486</u>	<u>(309,411)</u>	<u>1,848,313</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	(16,570)	(11,443)	1,881	-	(26,132)
Intergovernmental revenue	-	45,447	10,000	-	55,447
Interest expense	-	(116,850)	(59,043)	(11,282)	(187,175)
	<u>(16,570)</u>	<u>(82,846)</u>	<u>(47,162)</u>	<u>(11,282)</u>	<u>(157,860)</u>
Total non-operating revenue (expenses)					
Income before transfers	651,257	199,565	1,160,324	(320,693)	1,690,453
Capital contributions	-	-	21,951	-	21,951
Transfers in	-	-	4,920	-	4,920
Transfers out	(41,000)	(152,719)	(436,452)	-	(630,171)
	<u>610,257</u>	<u>46,846</u>	<u>750,743</u>	<u>(320,693)</u>	<u>1,087,153</u>
Change in net position					
Total net position - January 1, 2013, as restated (Note 1)	<u>3,179,485</u>	<u>5,701,777</u>	<u>14,248,932</u>	<u>552,023</u>	<u>23,682,217</u>
Total net position - December 31, 2013	<u>\$ 3,789,742</u>	<u>\$ 5,748,623</u>	<u>\$ 14,999,675</u>	<u>\$ 231,330</u>	<u>\$ 24,769,370</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Street Lighting	Steam District #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,139,827	\$ 7,456,087	\$ 4,709,872	\$ 1,739,767	\$ 16,045,553
Cash paid to suppliers	(939,742)	(6,542,973)	(958,601)	(1,834,395)	(10,275,711)
Cash paid to employees	(370,226)	-	(2,126,676)	-	(2,496,902)
Other operating revenues	68,359	12,165	37,363	-	117,887
Net cash provided (used) by operating activities	<u>898,218</u>	<u>925,279</u>	<u>1,661,958</u>	<u>(94,628)</u>	<u>3,390,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	4,920	-	4,920
Transfers to other funds	(41,000)	(146,000)	(509,704)	-	(696,704)
Operating grants	-	45,447	-	-	45,447
Interfund financing	-	-	-	220,443	220,443
Net cash provided (used) by noncapital financing activities	<u>(41,000)</u>	<u>(100,553)</u>	<u>(504,784)</u>	<u>220,443</u>	<u>(425,894)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants and contributions	-	-	19,262	-	19,262
Principal paid on bonds, notes and capitalized leases	-	-	(204,552)	(110,717)	(315,269)
Interest paid on bonds, notes and capitalized leases	-	(52,148)	(62,297)	(15,098)	(129,543)
Acquisition or construction of capital assets	(162,691)	(1,049,705)	(766,144)	-	(1,978,540)
Net cash provided (used) by capital and related financing activities	<u>(162,691)</u>	<u>(1,101,853)</u>	<u>(1,013,731)</u>	<u>(125,815)</u>	<u>(2,404,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	(16,570)	(11,443)	1,881	-	(26,132)
Net increase (decrease) in cash and cash equivalents	677,957	(288,570)	145,324	-	534,711
Cash and cash equivalents - January 1, 2013	1,243,250	1,657,962	2,379,526	-	5,280,738
Cash and cash equivalents - December 31, 2013	<u>\$ 1,921,207</u>	<u>\$ 1,369,392</u>	<u>\$ 2,524,850</u>	<u>\$ -</u>	<u>\$ 5,815,449</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ 667,827	\$ 282,411	\$ 1,207,486	\$ (309,411)	\$ 1,848,313
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	211,452	1,029,288	486,707	220,569	1,948,016
Change in assets and liabilities:					
Decrease (increase) in receivables	(2,002)	(385,415)	8,334	(1,442)	(380,525)
Decrease (increase) in inventory	-	(35,381)	(3,351)	(5,732)	(44,464)
Decrease (increase) in prepaid items	-	48,745	-	(72)	48,673
Increase (decrease) in payables	20,478	(14,369)	(36,211)	(769)	(30,871)
Increase (decrease) in unearned revenues	463	-	(1,007)	2,229	1,685
Total adjustments	<u>230,391</u>	<u>642,868</u>	<u>454,472</u>	<u>214,783</u>	<u>1,542,514</u>
Net cash provided (used) by operating activities	<u>\$ 898,218</u>	<u>\$ 925,279</u>	<u>\$ 1,661,958</u>	<u>\$ (94,628)</u>	<u>\$ 3,390,827</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Stormwater					
Capital contributions are reported net of timing differences totaling (\$2,689) due to receivables.					

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2013

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,345,408	\$ -	\$ -	\$ 3,301,186	\$ 7,646,594
Restricted assets held by trustee	-	7,501,757	-	-	7,501,757
Accounts receivable, net	-	435,907	212	-	436,119
Due from other funds	-	16,158	417,801	271	434,230
Due from component units	15,742	-	-	-	15,742
Inventories	-	-	294,556	-	294,556
Total current assets	<u>4,361,150</u>	<u>7,953,822</u>	<u>712,569</u>	<u>3,301,457</u>	<u>16,328,998</u>
Capital assets, net	-	-	399,422	-	399,422
Total assets	<u>4,361,150</u>	<u>7,953,822</u>	<u>1,111,991</u>	<u>3,301,457</u>	<u>16,728,420</u>
LIABILITIES					
Current liabilities:					
Accounts payable	436	10,395	230,269	-	241,100
Contracts payable	7,517	-	-	-	7,517
Claims payable	123,238	2,161,736	-	-	2,284,974
Due to other funds	20,659	-	-	243,490	264,149
Interfund loan payable	-	-	187,152	-	187,152
Due to other governments	9,327	-	875	-	10,202
Accrued salaries payable	3,418	-	46,914	-	50,332
Compensated absences	-	-	63,767	2,871,849	2,935,616
Unearned revenue	-	72,532	-	-	72,532
Total current liabilities	<u>164,595</u>	<u>2,244,663</u>	<u>528,977</u>	<u>3,115,339</u>	<u>6,053,574</u>
Noncurrent liabilities:					
Claims payable	801,445	-	-	-	801,445
Compensated absences	-	-	15,619	214,641	230,260
Total noncurrent liabilities	<u>801,445</u>	<u>-</u>	<u>15,619</u>	<u>214,641</u>	<u>1,031,705</u>
Total liabilities	<u>966,040</u>	<u>2,244,663</u>	<u>544,596</u>	<u>3,329,980</u>	<u>7,085,279</u>
NET POSITION					
Net investment in capital assets	-	-	399,422	-	399,422
Restricted for health insurance trust	-	5,709,159	-	-	5,709,159
Unrestricted	3,395,110	-	167,973	(28,523)	3,534,560
Total net position	<u>\$ 3,395,110</u>	<u>\$ 5,709,159</u>	<u>\$ 567,395</u>	<u>\$ (28,523)</u>	<u>\$ 9,643,141</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, 2013**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ 2,774,073	\$ -	\$ 2,774,073
Charges for services	964,387	13,582,777	1,675,518	3,086,490	19,309,172
Miscellaneous revenues	198,309	588,688	3,796	-	790,793
Total operating revenues	<u>1,162,696</u>	<u>14,171,465</u>	<u>4,453,387</u>	<u>3,086,490</u>	<u>22,874,038</u>
OPERATING EXPENSES					
Cost of sales and services	-	-	2,497,036	-	2,497,036
Personal services	231,212	-	1,291,555	3,086,490	4,609,257
Supplies	-	-	54,449	-	54,449
Utilities	-	-	30,094	-	30,094
Other services and charges	709,201	1,550,838	331,681	-	2,591,720
Depreciation	-	-	63,759	-	63,759
Medical and insurance	386,576	11,453,945	-	-	11,840,521
Total operating expenses	<u>1,326,989</u>	<u>13,004,783</u>	<u>4,268,574</u>	<u>3,086,490</u>	<u>21,686,836</u>
Operating income	<u>(164,293)</u>	<u>1,166,682</u>	<u>184,813</u>	<u>-</u>	<u>1,187,202</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	(16,306)	8,602	-	752	(6,952)
Intergovernmental revenue	-	-	5,836	-	5,836
Total non-operating revenue (expenses)	<u>(16,306)</u>	<u>8,602</u>	<u>5,836</u>	<u>752</u>	<u>(1,116)</u>
Income before transfers	(180,599)	1,175,284	190,649	752	1,186,086
Transfers out	(21,239)	-	-	(29,275)	(50,514)
Change in net position	(201,838)	1,175,284	190,649	(28,523)	1,135,572
Total net position - January 1, 2013	<u>3,596,948</u>	<u>4,533,875</u>	<u>376,746</u>	<u>-</u>	<u>8,507,569</u>
Total net position - December 31, 2013	<u>\$ 3,395,110</u>	<u>\$ 5,709,159</u>	<u>\$ 567,395</u>	<u>\$ (28,523)</u>	<u>\$ 9,643,141</u>

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF CASH FLOWS
 GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,156,831	\$ 13,909,521	\$ 4,370,218	\$ 3,206,155	\$ 22,642,725
Cash paid to suppliers	(1,663,024)	(13,105,352)	(2,887,086)	-	(17,655,462)
Cash paid to employees	(268,591)	-	(1,293,598)	(3,329,709)	(4,891,898)
Other operating revenues	-	-	3,796	-	3,796
Net cash provided (used) by operating activities	<u>(774,784)</u>	<u>804,169</u>	<u>193,330</u>	<u>(123,554)</u>	<u>99,161</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(21,239)	-	-	(29,275)	(50,514)
Operating grants	-	-	5,836	-	5,836
Interfund financing	-	-	(190,776)	-	(190,776)
Net cash provided (used) by noncapital	<u>(21,239)</u>	<u>-</u>	<u>(184,940)</u>	<u>(29,275)</u>	<u>(235,454)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition or construction of capital assets	-	-	(8,390)	-	(8,390)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment earnings	(16,306)	8,602	-	752	(6,952)
Net increase (decrease) in cash and cash equivalents	(812,329)	812,771	-	(152,077)	(151,635)
Cash and cash equivalents - January 1, 2013	5,157,737	6,688,986	-	3,453,263	15,299,986
Cash and cash equivalents - December 31, 2013	<u>\$ 4,345,408</u>	<u>\$ 7,501,757</u>	<u>\$ -</u>	<u>\$ 3,301,186</u>	<u>\$ 15,148,351</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (164,293)	\$ 1,166,682	\$ 184,813	\$ -	\$ 1,187,202
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	-	63,759	-	63,759
Change in assets and liabilities:					
Decrease (increase) in receivables	(5,865)	(265,270)	(79,373)	(271)	(350,779)
Decrease (increase) in inventory	-	-	(1,496)	-	(1,496)
Increase (decrease) in payables	(604,626)	(100,569)	25,627	(123,283)	(802,851)
Increase (decrease) in unearned revenues	-	3,326	-	-	3,326
Total adjustments	<u>(610,491)</u>	<u>(362,513)</u>	<u>8,517</u>	<u>(123,554)</u>	<u>(1,088,041)</u>
Net cash provided (used) by operating activities	<u>\$ (774,784)</u>	<u>\$ 804,169</u>	<u>\$ 193,330</u>	<u>\$ (123,554)</u>	<u>\$ 99,161</u>

Fiduciary Funds

**CITY OF DULUTH, MINNESOTA
FIDUCIARY FUNDS
AGENCY FUNDS
DECEMBER 31, 2013**

AGENCY FUNDS

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

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/13</u>
<u>DULUTH 1200 FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 2,318,074	\$ 91,627	\$ 150,571	\$ 2,259,130
Loans receivable	1,091,619	102,706	106,390	1,087,935
Other assets	1,203	-	1,203	-
Total assets	<u>\$ 3,410,896</u>	<u>\$ 194,333</u>	<u>\$ 258,164</u>	<u>\$ 3,347,065</u>
LIABILITIES				
Accounts payable	\$ 31,314	\$ 66,063	\$ 97,377	\$ -
Due to agency	3,379,582	21,139	53,656	3,347,065
Total liabilities	<u>\$ 3,410,896</u>	<u>\$ 87,202</u>	<u>\$ 151,033</u>	<u>\$ 3,347,065</u>

Supplementary
Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2013**

Governmental funds capital assets:

Land	\$ 22,408,845
Buildings and structures	69,491,406
Equipment	33,221,008
Infrastructure	284,270,352
Construction in Progress	<u>43,062,436</u>

Total governmental funds capital assets	\$ <u>452,454,047</u>
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Investments in governmental funds capital assets by source:

General fund	\$ 12,178,917
Special revenue fund	27,414,793
Capital projects fund	410,620,350
Donations	<u>2,239,987</u>

Total governmental funds capital assets	\$ <u>452,454,047</u>
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** 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, 2013

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	508,647	-	449,580	958,227
Management Information Systems	-	-	3,816,952	-	-	3,816,952
Facilities Management	1,636,325	15,263,531	2,539,414	14,390,994	-	33,830,264
Finance	-	-	379,124	-	-	379,124
Total General Government	<u>1,636,325</u>	<u>15,263,531</u>	<u>7,250,456</u>	<u>14,390,994</u>	<u>449,580</u>	<u>38,990,886</u>
Public Safety						
Fire	83,006	2,901,663	9,921,500	-	-	12,906,169
Police	2,000	16,627,233	4,318,453	562,251	-	21,509,937
Total Public Safety	<u>85,006</u>	<u>19,528,896</u>	<u>14,239,953</u>	<u>562,251</u>	<u>-</u>	<u>34,416,106</u>
Public Works						
Street Construction	-	-	-	266,938,325	35,276,262	302,214,587
Maintenance Operations	54,434	1,258,641	8,287,151	-	798,425	10,398,651
Engineering	5,145,615	1,956,385	755,814	-	-	7,857,814
Total Public Works	<u>5,200,049</u>	<u>3,215,026</u>	<u>9,042,965</u>	<u>266,938,325</u>	<u>36,074,687</u>	<u>320,471,052</u>
Culture and Recreation						
Libraries	51,585	7,545,987	198,538	-	-	7,796,110
Parks and Recreation	12,612,045	23,937,966	1,961,757	2,378,782	6,538,169	47,428,719
Total Culture and Recreation	<u>12,663,630</u>	<u>31,483,953</u>	<u>2,160,295</u>	<u>2,378,782</u>	<u>6,538,169</u>	<u>55,224,829</u>
Urban and Economic Development						
Planning and Construction Services	2,823,835	-	527,339	-	-	3,351,174
Total Culture and Recreation	<u>2,823,835</u>	<u>-</u>	<u>527,339</u>	<u>-</u>	<u>-</u>	<u>3,351,174</u>
Total Governmental Funds Capital Assets	<u>\$ 22,408,845</u>	<u>\$ 69,491,406</u>	<u>\$ 33,221,008</u>	<u>\$ 284,270,352</u>	<u>\$ 43,062,436</u>	<u>\$ 452,454,047</u>

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

**CITY OF DULUTH, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets 01/01/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 12/31/13</u>
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	2,542,916	920,884	2,505,573	958,227
Management Information Systems	3,425,508	391,444	-	3,816,952
Facilities Management	30,329,737	3,500,527	-	33,830,264
Finance	457,980	-	78,856	379,124
Total General Government	<u>36,762,460</u>	<u>4,812,855</u>	<u>2,584,429</u>	<u>38,990,886</u>
Public Safety				
Fire	11,397,608	1,958,424	449,863	12,906,169
Police	21,310,737	350,633	151,433	21,509,937
Total Public Safety	<u>32,708,345</u>	<u>2,309,057</u>	<u>601,296</u>	<u>34,416,106</u>
Public Works				
Street Construction	295,287,592	18,136,749	11,209,754	302,214,587
Maintenance Operations	10,453,645	1,041,979	1,096,973	10,398,651
Engineering	7,815,652	85,160	42,998	7,857,814
Total Public Works	<u>313,556,889</u>	<u>19,263,888</u>	<u>12,349,725</u>	<u>320,471,052</u>
Culture and Recreation				
Libraries	7,796,110	-	-	7,796,110
Parks and Recreation	43,811,825	3,689,876	72,982	47,428,719
Total Culture and Recreation	<u>51,607,935</u>	<u>3,689,876</u>	<u>72,982</u>	<u>55,224,829</u>
Urban and Economic Development				
Planning and Construction Services	1,645,276	1,726,805	20,907	3,351,174
Total Culture and Recreation	<u>1,645,276</u>	<u>1,726,805</u>	<u>20,907</u>	<u>3,351,174</u>
Total Governmental Funds Capital Assets	<u>\$ 436,280,905</u>	<u>\$ 31,802,481</u>	<u>\$ 15,629,339</u>	<u>\$ 452,454,047</u>

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

**CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation				
Capital Improvement	\$ 800,000	3/1/2004	2/1/2014	\$ 195,000
Airpark Improvement	945,000	9/1/2004	2/1/2020	580,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	470,000
Capital Improvement	895,000	9/7/2006	2/1/2016	440,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	740,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	1,085,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	40,415,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	1,130,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	6,580,000
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	2/1/2032	11,905,000
West Michigan Street Improvements Refunding	589,118	12/17/2009	2/1/2018	316,971
Capital Improvements	2,175,000	11/23/2010	2/1/2021	1,990,000
Airport Improvement Refunding	1,850,000	11/23/2010	2/1/2017	1,560,000
Capital Improvement	1,870,000	11/29/2011	2/1/2022	1,870,000
Airport Improvement	7,650,000	5/24/2012	12/31/2028	7,650,000
Airport Improvement	3,400,000	12/18/2013	2/1/2029	-
Capital Improvement	1,795,000	12/18/2013	2/1/2024	-
Capital Improvement - Lakewalk	1,460,000	12/18/2013	2/1/2029	-
Total General Obligation				\$ 76,926,971
General Obligation - Tax Abatement				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/1/2005	2/1/2021	\$ 260,000
Spirit Mountain Tax Abatement Bonds	7,055,000	2/23/2012	2/1/2030	7,055,000
Total General Obligation - Tax Abatement				\$ 7,315,000
Total General Obligation Bonds Payable				\$ 84,241,971
Revenue Bonds Payable				
Lease Revenue Bonds Payable				
Artspace Community Center Refunding	\$ 1,380,000	2/7/2007	8/1/2014	\$ 565,000
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 2,275,000	6/1/2005	2/1/2020	\$ 1,460,000
Street Improvement	4,260,000	10/1/2005	2/1/2021	550,000
General Obligation Improvement	1,985,000	9/7/2006	2/1/2021	1,410,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	2,480,000
Street Improvement Refunding	3,445,000	12/19/2006	2/1/2014	1,090,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	1,545,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	1,805,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	1,940,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	1,605,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	214,023
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	314,729
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	444,277
General Obligation Improvement Refunding	1,205,000	11/23/2010	2/1/2019	1,122,600
General Obligation Improvement Refunding	1,135,000	11/23/2010	2/1/2019	1,057,400
Street Improvement Refunding	6,905,000	11/27/2012	2/1/2021	6,905,000
Total Special Assessment Debt with Government Commitment				\$ 23,943,029
General Obligation Certificates Payable				
Equipment	\$ 1,985,000	12/13/2007	2/1/2013	\$ 430,000
Equipment	2,515,000	12/9/2008	2/1/2014	1,070,000
Equipment	2,570,000	12/17/2009	2/1/2015	1,580,000
Equipment	2,295,000	11/23/2010	2/1/2016	1,850,000
Equipment	3,095,000	11/29/2011	2/1/2017	3,095,000
Equipment	3,275,000	11/27/2012	2/1/2018	3,275,000
Equipment	3,835,000	12/18/2013	2/1/2019	-
Total General Obligation Certificates Payable				\$ 11,300,000
Total Governmental Activities Bonds and Certificates Payable				\$ 120,050,000

(Continued)

**CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2014</u>	<u>Interest Due in 2014</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation					
Capital Improvement	\$ -	\$ 95,000	\$ 100,000	\$ 100,000	\$ 1,700
Airpark Improvement	-	60,000	520,000	65,000	19,524
Capital Improvement	-	150,000	320,000	155,000	8,895
Capital Improvement	-	105,000	335,000	110,000	11,200
Capital Improvement	-	135,000	605,000	140,000	21,400
Aerial Lift Bridge Improvement	-	140,000	945,000	145,000	35,900
Duluth Entertainment and Convention Center Improvement	-	410,000	40,005,000	480,000	1,900,938
Capital Improvement	-	170,000	960,000	175,000	34,525
Capital Improvement	-	765,000	5,815,000	785,000	179,275
Capital Improvement - Law Enforcement Center	-	-	11,905,000	-	882,283
West Michigan Street Improvements Refunding	-	143,265	173,706	143,138	2,553
Capital Improvements	-	200,000	1,790,000	205,000	47,475
Airport Improvement Refunding	-	300,000	1,260,000	305,000	21,859
Capital Improvement	-	155,000	1,715,000	170,000	48,900
Airport Improvement	-	-	7,650,000	435,000	182,631
Airport Improvement	3,400,000	-	3,400,000	-	73,702
Capital Improvement	1,795,000	-	1,795,000	-	30,322
Capital Improvement - Lakewalk	1,460,000	-	1,460,000	-	30,724
Total General Obligation	\$ 6,655,000	\$ 2,828,265	\$ 80,753,706	\$ 3,413,138	\$ 3,533,806
General Obligation - Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	\$ -	\$ 25,000	\$ 235,000	\$ 25,000	\$ 9,068
Spirit Mountain Tax Abatement Bonds	-	-	7,055,000	350,000	164,419
Total General Obligation - Tax Abatement	\$ -	\$ 25,000	\$ 7,290,000	\$ 375,000	\$ 173,487
Total General Obligation Bonds Payable	\$ 6,655,000	\$ 2,853,265	\$ 88,043,706	\$ 3,788,138	\$ 3,707,293
Revenue Bonds Payable					
Lease Revenue Bonds Payable					
Artspace Community Center Refunding	\$ -	\$ 150,000	\$ 415,000	\$ 415,000	\$ 16,600
Special Assessment Debt with Government Commitment					
General Obligation Improvement	-	155,000	1,305,000	160,000	48,800
Street Improvement	-	270,000	280,000	280,000	5,600
General Obligation Improvement	-	130,000	1,280,000	135,000	48,500
Street Improvement	-	200,000	2,280,000	210,000	87,000
Street Improvement Refunding	-	535,000	555,000	555,000	11,100
Street Improvement Refunding	-	365,000	1,180,000	380,000	39,600
Street Improvement	-	135,000	1,670,000	140,000	63,950
Street Improvement	-	130,000	1,810,000	135,000	75,483
Street Improvement Refunding	-	515,000	1,090,000	535,000	32,231
General Obligation Improvement Refunding	-	96,735	117,288	96,649	1,724
General Obligation Improvement Refunding	-	100,000	214,729	107,660	5,640
General Obligation Improvement Refunding	-	105,000	339,277	112,553	6,033
General Obligation Improvement Refunding	-	157,075	965,525	164,800	20,012
General Obligation Improvement Refunding	-	147,925	909,475	155,200	18,846
Street Improvement Refunding	-	-	6,905,000	640,000	184,700
Total Special Assessment Debt with Government Commitment	\$ -	\$ 3,041,735	\$ 20,901,294	\$ 3,806,862	\$ 649,219
General Obligation Certificates Payable					
Equipment	\$ -	\$ 430,000	\$ -	\$ -	\$ -
Equipment	-	525,000	545,000	545,000	11,581
Equipment	-	515,000	1,065,000	525,000	24,075
Equipment	-	455,000	1,395,000	460,000	15,398
Equipment	-	585,000	2,510,000	610,000	44,100
Equipment	-	-	3,275,000	605,000	89,175
Equipment	3,835,000	-	3,835,000	-	47,511
Total General Obligation Certificates Payable	\$ 3,835,000	\$ 2,510,000	\$ 12,625,000	\$ 2,745,000	\$ 231,840
Total Governmental Activities Bonds and Certificates Payable	\$ 10,490,000	\$ 8,555,000	\$ 121,985,000	\$ 10,755,000	\$ 4,604,952

(Continued)

**CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Parking Improvement Tax Increment	\$ 12,785,000	12/16/2005	2/1/2026	\$ 1,080,000
Technology Village & Parking Improvement Refunding	1,965,000	12/9/2008	2/1/2015	1,030,000
Parking Improvement Tax Increment Refunding	10,270,000	11/27/2012	2/1/2026	<u>10,270,000</u>
Total Parking Fund				<u>\$ 12,380,000</u>
Water Fund				
Water Utility Revenue and General Obligation	\$ 1,120,000	12/19/2006	2/1/2022	\$ 820,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	515,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	164,000
Water Utility Revenue and General Obligation Refunding	1,625,000	11/23/2010	2/1/2018	<u>1,416,572</u>
Total Water Fund				<u>\$ 2,915,572</u>
Gas Fund				
Gas Utility Revenue and General Obligation	\$ 1,190,000	12/19/2006	2/1/2022	\$ 875,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	2,079,857
Gas Utility Revenue and General Obligation Refunding	3,125,000	11/29/2011	2/1/2019	<u>3,125,000</u>
Total Gas Fund				<u>\$ 6,079,857</u>
Steam District #1 Fund				
Steam Utility Revenue and General Obligation Refunding	\$ 5,475,000	11/27/2012	2/1/2022	<u>\$ 5,475,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 4,045,000	12/1/2004	2/1/2020	\$ 265,000
Sewer Utility Revenue and General Obligation	3,515,000	12/19/2005	2/1/2021	450,000
Sewer Utility Revenue and General Obligation	945,000	12/19/2006	2/1/2022	690,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	1,675,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	640,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	1,206,000
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	520,142
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	810,000
Sewer Utility Revenue and General Obligation Refunding	2,025,000	11/23/2010	2/1/2018	1,765,267
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	2/1/2020	2,265,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	2/1/2020	<u>2,000,000</u>
Total Sewer Fund				<u>\$ 12,286,409</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation	\$ 1,705,000	9/7/2006	2/1/2022	\$ 1,250,000
Stormwater Utility Revenue and General Obligation Refunding	755,000	11/23/2010	2/1/2018	<u>658,162</u>
Total Stormwater Fund				<u>\$ 1,908,162</u>
Total Business-type Activities Bonds Payable				<u>\$ 41,045,000</u>
Component Unit:				
Spirit Mountain Recreation Area				
Revenue Bonds Payable				
Spirit Mountain Recreation Area	\$ 1,646,750	3/31/2003	12/1/2012	<u>\$ 212,445</u>

(Continued)

CITY OF DULUTH
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2014</u>	<u>Interest Due in 2014</u>
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Parking Improvement Tax Increment	\$ -	\$ 525,000	\$ 555,000	\$ 555,000	\$ 14,569
Technology Village & Parking Improvement Refunding	-	335,000	695,000	340,000	20,575
Parking Improvement Tax Increment Refunding	-	-	10,270,000	150,000	199,219
Total Parking Fund	\$ -	\$ 860,000	\$ 11,520,000	\$ 1,045,000	\$ 234,363
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 70,000	\$ 750,000	\$ 70,000	\$ 28,140
Water Utility Revenue and General Obligation Refunding	-	120,000	395,000	125,000	13,300
Water Utility Revenue and General Obligation	-	12,000	152,000	12,000	5,060
Water Utility Revenue and General Obligation Refunding	-	225,028	1,191,544	226,873	26,585
Total Water Fund	\$ -	\$ 427,028	\$ 2,488,544	\$ 433,873	\$ 73,085
Gas Fund					
Gas Utility Revenue and General Obligation	\$ -	\$ 75,000	\$ 800,000	\$ 75,000	\$ 30,014
Gas Utility Revenue and General Obligation Refunding	-	402,979	1,676,878	406,020	41,136
Gas Utility Revenue and General Obligation Refunding	-	380,000	2,745,000	415,000	90,675
Total Gas Fund	\$ -	\$ 857,979	\$ 5,221,878	\$ 896,020	\$ 161,825
Steam District #1 Fund					
Steam Utility Revenue and General Obligation Refunding	\$ -	\$ -	\$ 5,475,000	\$ 600,000	\$ 73,940
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 265,000	\$ -	\$ -	\$ -
Sewer Utility Revenue and General Obligation	-	220,000	230,000	230,000	4,370
Sewer Utility Revenue and General Obligation	-	60,000	630,000	60,000	23,622
Sewer Utility Revenue and General Obligation	-	125,000	1,550,000	130,000	59,343
Sewer Utility Revenue and General Obligation Refunding	-	185,000	455,000	200,000	14,200
Sewer Utility Revenue and General Obligation	-	83,000	1,123,000	88,000	37,353
Sewer Utility Revenue and General Obligation Refunding	-	102,020	418,122	103,981	24,592
Sewer Utility Revenue and General Obligation	-	50,000	760,000	55,000	12,584
Sewer Utility Revenue and General Obligation Refunding	-	280,419	1,484,848	282,718	33,051
Sewer Utility Revenue and General Obligation Refunding	-	20,000	2,245,000	305,000	47,125
Sewer Utility Revenue and General Obligation Refunding	-	-	2,000,000	-	40,000
Total Sewer Fund	\$ -	\$ 1,390,439	\$ 10,895,970	\$ 1,454,699	\$ 296,240
Stormwater Fund					
Stormwater Utility Revenue and General Obligation	-	100,000	1,150,000	105,000	43,900
Stormwater Utility Revenue and General Obligation Refunding	-	104,552	553,610	105,409	12,215
Total Stormwater Fund	\$ -	\$ 204,552	\$ 1,703,610	\$ 210,409	\$ 56,115
Total Business-type Activities Bonds Payable	\$ -	\$ 3,739,998	\$ 37,305,002	\$ 4,640,001	\$ 895,568
Component Unit:					
Spirit Mountain Recreation Area					
Revenue Bonds Payable					
Spirit Mountain Recreation Area	\$ -	\$ 212,445	\$ -	\$ -	\$ -

**CITY OF DULUTH
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
Governmental Activities:				
General Obligation				
Public Facilities Authority Note	\$ 364,195	8/8/2002	8/20/2018	\$ 155,000
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	\$ 2,841,000
Total Governmental Activities				<u>\$ 2,996,000</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 398,227
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	891,000
Public Facilities Authority Note	1,668,813	10/28/2009	8/20/2019	1,179,363
Public Facilities Authority Note (Note 1)	1,371,653	7/28/2010	8/20/2025	1,019,914
Public Facilities Authority Note	3,344,131	12/7/2010	8/20/2025	2,981,548
Public Facilities Authority Note (Note 2)	1,605,655	11/18/2011	8/20/2026	<u>682,264</u>
Total Water Fund				<u>\$ 7,152,316</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 45,773
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	540,000
Public Facilities Authority Note	1,973,033	7/12/2007	8/20/2022	1,489,000
Public Facilities Authority Note	796,835	8/20/2009	8/20/2024	669,000
Public Facilities Authority Note	2,414,150	11/25/2009	8/20/2024	2,087,000
Public Facilities Authority Note	3,753,059	7/28/2010	8/20/2025	3,295,000
Public Facilities Authority Note (Note 3)	9,087,385	7/28/2010	8/20/2025	7,383,334
Public Facilities Authority Note (Note 4)	354,551	11/18/2011	8/20/2021	102,449
Public Facilities Authority Note (Note 5)	282,620	11/30/2011	8/20/2021	87,413
Public Facilities Authority Note	278,149	11/18/2011	8/20/2021	160,786
Public Facilities Authority Note (Note 6)	600,175	9/10/2012	8/20/2022	<u>72,331</u>
Total Sewer Fund				<u>\$ 15,932,086</u>
Total Business-type Activities				<u>\$ 23,084,402</u>
Component Unit:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	<u>\$ 364,777</u> (Continued)

Note 1: Only \$ 1,187,567 has been drawn on the Public Facilities Authority Note dated 7/28/2010.
Note 2: Only \$ 1,022,989 has been drawn on the Public Facilities Authority Note dated 11/18/2011.
Note 3: Only \$ 8,504,224 has been drawn on the Public Facilities Authority Note dated 7/28/2010.
Note 4: Only \$ 135,912 has been drawn on the Public Facilities Authority Note dated 11/18/2011.
Note 5: Only \$ 202,449 has been drawn on the Public Facilities Authority Note dated 11/30/2011.
Note 6: Only \$ 448,154 has been drawn on the Public Facilities Authority Note dated 9/10/2012.

**CITY OF DULUTH
SCHEDULE OF NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2014</u>	<u>Interest Due in 2014</u>
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	\$ -	\$ 25,000	\$ 130,000	\$ 25,000	\$ 1,300
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 75,000	\$ 2,766,000	\$ 80,000	\$ 157,792
Total Governmental Activities	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 2,896,000</u>	<u>\$ 105,000</u>	<u>\$ 159,092</u>
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 61,887	\$ 336,340	\$ 63,680	\$ 9,481
Public Facilities Authority Note	-	139,000	752,000	143,000	19,026
Public Facilities Authority Note	-	163,363	1,016,000	165,000	10,942
Public Facilities Authority Note	-	86,000	933,914	87,000	12,501
Public Facilities Authority Note	29,318	217,866	2,793,000	219,000	30,053
Public Facilities Authority Note	325,070	110,000	897,334	106,000	11,577
Total Water Fund	<u>\$ 354,388</u>	<u>\$ 778,116</u>	<u>\$ 6,728,588</u>	<u>\$ 783,680</u>	<u>\$ 93,580</u>
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 7,113	\$ 38,660	\$ 7,320	\$ 1,090
Public Facilities Authority Note	-	87,000	453,000	88,000	6,070
Public Facilities Authority Note	-	141,000	1,348,000	143,000	15,502
Public Facilities Authority Note	-	50,000	619,000	51,000	12,188
Public Facilities Authority Note	-	155,000	1,932,000	159,000	38,968
Public Facilities Authority Note	-	235,000	3,060,000	238,000	38,495
Public Facilities Authority Note	11,505	569,000	6,825,839	576,000	87,541
Public Facilities Authority Note	27,912	38,000	92,361	38,000	1,538
Public Facilities Authority Note	102,416	29,000	160,829	29,000	1,869
Public Facilities Authority Note	106,214	29,000	238,000	29,000	2,252
Public Facilities Authority Note	375,823	40,175	407,979	60,000	3,393
Total Sewer Fund	<u>\$ 623,870</u>	<u>\$ 1,380,288</u>	<u>\$ 15,175,668</u>	<u>\$ 1,418,320</u>	<u>\$ 208,906</u>
Total Business-type Activities	<u>\$ 978,258</u>	<u>\$ 2,158,404</u>	<u>\$ 21,904,256</u>	<u>\$ 2,202,000</u>	<u>\$ 302,486</u>
Component Unit:					
Duluth Airport Authority					
Revenue Note	\$ -	\$ 43,662	\$ 321,115	\$ 47,612	\$ 27,388

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General Operating	Loan Programs	Debt Service	Capital Projects	Total
ASSETS					
Cash and cash equivalents	\$ 1,623,067	\$ 1,989,601	\$ 1,296,914	\$ 4,393,613	\$ 9,303,195
Taxes receivable, net	-	-	149,741	-	149,741
Accounts receivable, net	110,703	-	-	2,205	112,908
Assessments receivable, net	29,652	-	-	-	29,652
Loans receivable, net	287,206	1,637,484	-	1,498,491	3,423,181
Deposits receivable	-	250,000	-	-	250,000
Due from other funds	182,460	-	-	1,187,407	1,369,867
Due from primary government	20,914	-	-	-	20,914
Due from other governments	26,775	-	3,654	-	30,429
Prepays	-	-	-	79,125	79,125
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	\$ 2,473,277	\$ 3,877,085	\$ 1,450,309	\$ 7,160,841	\$ 14,961,512
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 171,279	\$ -	\$ 7,700	\$ 2,987	\$ 181,966
Loans payable	264,194	-	-	-	264,194
Due to other funds	-	-	1,191,061	178,806	1,369,867
Due to primary government	624,844	-	-	-	624,844
Due to other governments	113,416	-	10,903	1,336	125,655
Total Liabilities	1,173,733	-	1,209,664	183,129	2,566,526
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	443,633	-	127,367	1,480,216	2,051,216
FUND BALANCES:					
Non-Spendable	192,500	1,748,856	-	-	1,941,356
Restricted	-	-	113,278	5,497,496	5,610,774
Committed	-	1,000,000	-	-	1,000,000
Assigned	-	1,128,229	-	-	1,128,229
Unassigned	663,411	-	-	-	663,411
Total Fund Balances	855,911	3,877,085	113,278	5,497,496	10,343,770
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,473,277	\$ 3,877,085	\$ 1,450,309	\$ 7,160,841	

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	19,773,272
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,747,672
Other assets that are not available to pay for current period expenditures, and therefore, are not reported in the funds.	2,861
Net position of governmental activities	<u>\$ 31,867,575</u>

CITY OF DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES:					
Taxes					
Tax increments	\$ -	\$ -	\$ 2,205,530	\$ -	\$ 2,205,530
Intergovernmental revenues					
Federal government	13,971	-	-	-	13,971
State of Minnesota grants	128,077	-	-	-	128,077
Charges for services					
Parking meters	426,881	-	-	-	426,881
Other	49,089	-	-	-	49,089
Miscellaneous revenues					
Earnings on investments	(80,078)	476	173	39,414	(40,015)
Interest	-	54,672	-	1,700	56,372
Building rent	169,644	-	-	-	169,644
Land sales	109,729	-	-	-	109,729
Other	946,239	-	1,600	110,594	1,058,433
Total Revenues	1,763,552	55,148	2,207,303	151,708	4,177,711
EXPENDITURES:					
Current					
Urban and economic development					
Other services and charges	1,160,049	-	-	585,746	1,745,795
Economic development projects	-	-	586,136	119,563	705,699
Capital Outlay					
Urban and economic development					
Land	109,637	-	-	-	109,637
Improvements other than buildings	111,342	-	-	-	111,342
Debt Service					
Interest and fiscal fees	-	-	372,204	-	372,204
Total Expenditures	1,381,028	-	958,340	705,309	3,044,677
Excess of Revenues Over (Under) Expenditures	382,524	55,148	1,248,963	(553,601)	1,133,034
OTHER FINANCING SOURCES/USES:					
Operating transfer in					
DEDA Capital Projects	178,806	-	-	-	178,806
DEDA Loan Programs	-	-	-	1,187,407	1,187,407
Total Operating Transfer In	178,806	-	-	1,187,407	1,366,213
Operating transfers out					
DEDA General Operating	-	-	-	(178,806)	(178,806)
DEDA Capital Projects	-	-	(1,187,407)	-	(1,187,407)
Total Operating Transfers Out	-	-	(1,187,407)	(178,806)	(1,366,213)
Total Other Financing Sources (Uses)	178,806	-	(1,187,407)	1,008,601	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	561,330	55,148	61,556	455,000	1,133,034
FUND BALANCES:					
Fund Balance - January 1, 2013	294,581	3,821,937	51,722	5,042,496	9,210,736
Fund Balance - December 31, 2013	<u>\$ 855,911</u>	<u>\$ 3,877,085</u>	<u>\$ 113,278</u>	<u>\$ 5,497,496</u>	<u>\$ 10,343,770</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 UNIT - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balances - total governmental funds	\$ 1,133,034
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(880,204)
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.	6,523
Change in net position of governmental activities	<u>\$ 259,353</u>

DULUTH JPE TRUST
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
ASSETS			
Investments:			
Money market	\$ 2,064,860	\$ 284,859	\$ 2,349,719
US government treasury securities	374,128	-	374,128
US government agency securities	4,400,219	377,691	4,777,910
Receivables:			
Stop loss insurance reimbursements	395,763	-	395,763
Other	41,892	14,410	56,302
Total assets	<u>\$ 7,276,862</u>	<u>\$ 676,960</u>	<u>\$ 7,953,822</u>
LIABILITIES			
Claims payable	\$ 2,084,939	\$ 76,797	\$ 2,161,736
Accounts payable	10,395	-	10,395
Premiums received in advance	71,342	1,190	72,532
Total liabilities	<u>\$ 2,166,676</u>	<u>\$ 77,987</u>	<u>\$ 2,244,663</u>
NET POSITION			
Held in trust	<u>\$ 5,110,186</u>	<u>\$ 598,973</u>	<u>\$ 5,709,159</u>

DULUTH JPE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
ADDITIONS			
Health premiums:			
Active employees	\$ 12,568,884	\$ -	\$ 12,568,884
Inactive employees	8,387,551	-	8,387,551
Dental premiums	-	805,166	805,166
Refunds and reimbursements:			
Stop loss reimbursements	395,763	-	395,763
Prescription drug rebates	67,659	-	67,659
Medicare D reimbursement	99,604	-	99,604
Flexible benefit forfeitures	16,158	-	16,158
Miscellaneous	9,504	-	9,504
Investment earnings	7,705	897	8,602
Total additions	<u>21,552,828</u>	<u>806,063</u>	<u>22,358,891</u>
DEDUCTIONS			
Medical and drug claims:			
Active employees	10,962,160	-	10,962,160
Inactive employees	5,399,332	-	5,399,332
Medical insurance - medicare supplement	2,627,214	-	2,627,214
Dental claims	-	644,063	644,063
Administrative fees:			
Health Partners	478,067	-	478,067
Clearscript	45,025	-	45,025
Delta Dental	-	53,254	53,254
City of Duluth	255,000	-	255,000
Stop loss insurance	598,180	-	598,180
Other professional services	119,499	1,813	121,312
Total deductions	<u>20,484,477</u>	<u>699,130</u>	<u>21,183,607</u>
Change in net position	1,068,351	106,933	1,175,284
Net Position- January 1, 2013	<u>4,041,835</u>	<u>492,040</u>	<u>4,533,875</u>
Net Position- December 31, 2013	<u>\$ 5,110,186</u>	<u>\$ 598,973</u>	<u>\$ 5,709,159</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
SHARED REVENUE:						
State of Minnesota						
Local Government Aid	\$ 27,437,478	\$ -	\$ -	\$ -	\$ -	\$ 27,437,478
Property Tax Aid	-	-	36,940	1,070	-	38,010
PERA Aid	124,428	-	-	-	54,403	178,831
Insurance Premium	1,738,318	-	-	-	-	1,738,318
TOTAL SHARED REVENUE	29,300,224	-	36,940	1,070	54,403	29,392,637
STATE GRANTS:						
State of Minnesota, Department of						
Commerce						
Auto Theft Prevention Program	-	84,444	-	-	-	84,444
Petrofund Woodland Avenue Excavation	-	-	-	122,170	-	122,170
Commerce Total	-	84,444	-	122,170	-	206,614
Education						
Minnesota Library Information Network (MnLink)	5,534	-	-	-	-	5,534
Opportunity Online Hardware	-	22,104	-	-	-	22,104
Education Total	5,534	22,104	-	-	-	27,638
Employment and Economic Development						
Contamination Cleanup Program	-	144,165	-	-	-	144,165
Dislocated Workers	-	285,361	-	-	-	285,361
MIF AAR Grant	-	300,000	-	-	-	300,000
MN Investment Fund Grant - 2012 Disaster	-	1,030,864	-	-	-	1,030,864
Northeast Minnesota 2012 Flood Relief	-	302,319	-	-	-	302,319
Youth Program	-	113,694	-	-	-	113,694
Employment and Economic Development Total	-	2,176,403	-	-	-	2,176,403
Health						
Health Impact Assessment Grant	5,000	-	-	-	-	5,000
Labor and Industry						
Occupational Safety & Health Consultation	-	-	-	-	5,252	5,252
Natural Resources						
Flood Hazard Mitigation	-	1,610,217	-	-	-	1,610,217
Lake Superior Zoo	-	169,118	-	-	-	169,118
Lakewalk East Extension	-	-	-	423,283	-	423,283
Minnesota Flood Relief 2012	-	176,069	-	-	-	176,069
Snowmobile Trail	6,963	-	-	-	-	6,963
Stream Debris & Sediment Removal	-	236,312	-	-	-	236,312
Natural Resources Total	6,963	2,191,716	-	423,283	-	2,621,962
Peace Officers Board						
Post Training Reimbursement	51,263	-	-	-	-	51,263
Public Safety						
Crime Victims Emergency Fund	-	21	-	-	-	21
Financial Crimes Task Force	-	17,500	-	-	-	17,500
Fire Department Chemical Assessment Team Training	-	3,445	-	-	-	3,445
Firefighter Education Reimbursement	-	10,051	-	-	-	10,051
HAZMAT Regional Response Team	58,957	-	-	-	-	58,957
Bulletproof Vests	19,642	-	-	-	-	19,642
Narcotic/Gang Strike Force	-	300,819	-	-	-	300,819
State of Minnesota Disaster Funds	-	498,329	-	-	-	498,329
Public Safety Total	78,599	830,165	-	-	-	908,764
Revenue						
Market Value Credit	63,109	-	-	-	-	63,109
Transportation						
Bridge Bonding	-	-	-	72,324	-	72,324
Detour Agreement	-	-	-	3,673	-	3,673
Emergency Flood Repairs on Trunk Highway	-	237,531	-	-	-	237,531
Local Road & Bridge Disaster Relief	-	840,830	-	-	-	840,830
MSA Street Construction Allotment	-	-	-	2,939,252	-	2,939,252
MSA Street Maintenance Allotment	1,533,448	-	-	-	-	1,533,448
Transportation Total	1,533,448	1,078,361	-	3,015,249	-	5,627,058
TOTAL STATE GRANTS	1,743,916	6,383,193	-	3,560,702	5,252	11,693,063
OTHER GRANTS:						
St. Louis County						
Job Training Services	-	877,358	-	-	-	877,358
Other	148,311	-	-	-	-	148,311
St. Louis County Total	148,311	877,358	-	-	-	1,025,669
Housing and Redevelopment Authority						
Independent School District #709	47,366	59,079	-	-	-	106,445
	235,832	-	-	-	-	235,832
TOTAL OTHER GRANTS	431,509	936,437	-	-	-	1,367,946

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
FEDERAL GRANTS:						
Federal, Department of						
Agriculture						
Natural Resources Conservation Service	-	418,260	-	-	-	418,260
Commerce						
Coastal Zone Management Grant	-	6,000	-	-	-	6,000
Energy						
Energy Efficiency and Conservation Block Grant	-	-	-	-	45,447	45,447
Environmental Protection Agency						
Great Lakes Program	-	18,714	-	-	-	18,714
Hazardous Substances Contamination	-	7,852	-	-	-	7,852
Petroleum Brownfields Assessment	-	75,474	-	-	-	75,474
Revolving Loan Fund Grant - 2012	-	800	-	-	-	800
Environmental Protection Agency Total	-	102,840	-	-	-	102,840
Homeland Security						
Assistance to Firefighters	-	735,536	-	-	-	735,536
FEMA Disaster Assistance	-	1,493,300	-	-	-	1,493,300
Homeland Security Grant Program	32,730	103,148	-	-	-	135,878
Port Security Grant Program	-	-	-	85,000	-	85,000
National Dam Safety Program	-	-	-	-	10,000	10,000
Homeland Security Total	32,730	2,331,984	-	85,000	10,000	2,459,714
Housing and Urban Development						
Climate Showcase Communities Grant	-	218,936	-	-	-	218,936
Community Development Block Grant	-	2,899,905	-	-	-	2,899,905
Emergency Shelter	-	183,278	-	-	-	183,278
Fair Housing Enforcement	7,340	-	-	-	-	7,340
Home Investment Partnerships Program	-	538,918	-	-	-	538,918
Lead-Based Paint Hazard Control Grant Program	-	340,904	-	-	-	340,904
Neighborhood Stabilization Program	-	14,875	-	-	-	14,875
Housing and Urban Development Total	7,340	4,196,816	-	-	-	4,204,156
Justice						
ATF (Alcohol Tobacco Firearms) Task Force	64,503	18,754	-	-	-	83,257
Blueprint for Safety	-	87,995	-	-	-	87,995
Bulletproof Vest Partnership Program	15,331	-	-	-	-	15,331
Community Policing Development	-	104,877	-	-	-	104,877
Edward Byrne Memorial Formula Grant	-	81,604	-	-	-	81,604
Grants to Encourage Arrest Policies	-	159,846	-	-	-	159,846
Organized Crime Drug Enforcement Task Force	6,227	-	-	-	-	6,227
Justice Total	86,061	453,076	-	-	-	539,137
Labor						
Dislocated Workers	-	105,155	-	-	-	105,155
Senior Community Service Employment	-	344,433	-	-	-	344,433
Workforce Investment Act	-	826,138	-	-	-	826,138
Labor Total	-	1,275,726	-	-	-	1,275,726
Transportation						
Federal Highway Assistance	-	1,402,200	-	-	-	1,402,200
Highway Planning and Construction	-	-	-	2,215,591	-	2,215,591
2013 Toward Zero Deaths Law Enforcement Grant	-	215,588	-	-	-	215,588
Transportation Total	-	1,617,788	-	2,215,591	-	3,833,379
TOTAL FEDERAL GRANTS	126,131	10,402,490	-	2,300,591	55,447	12,884,659
OTHER FEDERAL						
Health and Human Services						
Medicare D Reimbursement	-	-	-	-	99,604	99,604
Treasury						
Build America Interest Rebate	-	-	228,411	-	-	228,411
TOTAL OTHER FEDERAL GRANTS	-	-	228,411	-	99,604	328,015
TOTAL INTERGOVERNMENTAL REVENUE	\$ 31,601,780	\$ 17,722,120	\$ 265,351	\$ 5,862,363	\$ 214,706	\$ 55,666,320

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Direct			
Emergency Watershed Protection Program (Total Emergency Watershed Protection Program 10.923 \$418,260)		10.923	\$ 396,663
Passed Through Minnesota Department of Natural Resources			
Emergency Watershed Protection Program (Total Emergency Watershed Protection Program 10.923 \$418,260)		10.923	21,597
Total U.S. Department of Agriculture			\$ 418,260
U.S. Department of Commerce			
Passed Through Minnesota Department of Natural Resources			
Coastal Zone Management Administration Awards	Various	11.419	\$ 6,000
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants		14.218	\$ 2,992,704
Emergency Solutions Grant Program		14.231	152,881
Home Investment Partnerships Program		14.239	436,308
Fair Housing Assistance Program - State and Local		14.401	7,340
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	372,984
Passed Through Minnesota Housing Finance Agency			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	02-2009-05-NSP	14.228	10,689
Total U.S. Department of Housing and Urban Development			\$ 3,972,906
U.S. Department of Justice			
Direct			
Alcohol, Tobacco, and Firearms - Training Assistance		16.012	\$ 83,257
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	257,612
Local Law Enforcement Block Grant		16.592	6,227
Bulletproof Vest Partnership Program		16.607	15,331
Edward Byrne Memorial Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program		16.738	50,675
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA		16.804	29,983
Passed Through the City of Superior			
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$104,877)		16.710	47,745
Passed Through the City of Virginia			
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$104,877)		16.710	57,132
Total U.S. Department of Justice			\$ 547,962

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Labor			
Passed Through Senior Service America, Inc. Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$345,120)		17.235	\$ 242,785
Passed Through Minnesota Department of Employment and Economic Development Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$345,120)	1045100	17.235	102,335
Incentive Grants - WIA Section 503 Workforce Investment Act (WIA) National Emergency Grants	1047800 2041400	17.267 17.277	23,423 354,827
Workforce Investment Act (WIA) Cluster WIA Adult Program	PY10-004	17.258	143,062
WIA Youth Activities	PY10-004	17.259	289,163
WIA Dislocated Workers Formula Grant		17.278	99,759
Total U.S. Department of Labor			\$ 1,255,354
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$4,277,883)	Various	20.205	\$ 2,268,934
Passed Through Minnesota Department of Public Safety Highway Planning and Construction - Emergency Relief Program (Total Highway Planning and Construction 20.205 \$4,277,883)	Various	20.205	2,008,949
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	Various	20.600	61,640
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Various	20.608	153,948
Total U.S. Department of Transportation			\$ 4,493,471
U.S. Environmental Protection Agency			
Direct Climate Showcase Communities Grant Program		66.041	\$ 218,936
Brownfields Assessment and Cleanup Cooperative Agreements		66.818	89,234
Passed through Minnesota Department of Employment and Economic Development Capitalization Grants for Clean Water State Revolving Funds	Various	66.458	623,870
Capitalization Grants for Drinking Water State Revolving Funds	Various	66.468	354,388
Passed through Minnesota Pollution Control Agency Great Lakes Program		66.469	18,714
Total U.S. Environmental Protection Agency			\$ 1,305,142
U.S. Department of Energy			
Passed through the Minnesota Department of Commerce Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA		81.128	\$ 45,447

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant		97.044	\$ 735,537
Passed Through Minnesota Department of Natural Resources			
National Dam Safety Program		97.041	10,000
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	A-EMPG-2011-DULUTHCI-00249	97.042	28,853
Port Security Grant Program	2010-PSGP-00820	97.056	85,000
Homeland Security Grant Program	Various	97.067	21,746
(Total Homeland Security Grant Program 97.067 \$95,912)			
Passed Through Minnesota Department of Transportation			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Various	97.036	2,677,379
Passed Through St. Louis County			
Homeland Security Grant Program	2010-OSGP-00822	97.067	74,166
(Total Homeland Security Grant Program 97.067 \$95,912)			
Total U.S. Department of Homeland Security			\$ 3,632,681
Total Federal Awards			\$ 15,677,223

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 \$6,156,814 and \$6,427,998 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Duluth under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Duluth, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Duluth.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 12,884,659
Grants received more than 60 days after year-end, unavailable in 2013	
Brownfields Assessment and Cleanup Cooperative Agreements	1,550
Community Development Block Grants	203,961
Disaster Grants - Public Assistance	2,302,947
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	9,770
Emergency Solutions Grant Program	1,646
Highway Planning and Construction	63,757
Highway Planning and Construction - Emergency Relief Program	606,750
Home Investment Partnerships Program	7,317
Lead-Based Paint Hazard Control in Privately-Owned Housing	33,209
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,362
Unavailable in 2012, recognized as revenue in 2013	
Brownfields Assessment and Cleanup Cooperative Agreements	(10,413)
Community Development Block Grants	(91,028)
Disaster Grants - Public Assistance	(1,118,868)
Edward Byrne Memorial Justice Assistance Program	(945)
Emergency Solutions Grant Program	(34,385)
Highway Planning and Construction	(10,414)
Home Investment Partnerships Program	(90,740)
Homeland Security Grant Program	(11,113)
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	(6,549)
Capital grants received in enterprise funds	
Capitalization Grants for Clean Water State Revolving Funds	623,870
Capitalization Grants for Drinking Water State Revolving Funds	354,388
Timing Differences Between Expenditures and Related Reimbursements	(58,479)
Grant received by Component Unit - DEDA	
Coastal Zone Management Administration Award	13,971
	<u>13,971</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 15,677,223</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

5. Clusters

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

Edward Byrne Memorial Justice Assistance Grant Program (JAG Program) Cluster	80,658
Workforce Investment Act (WIA) Cluster	531,984

6. Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,535,478
14.231	Emergency Solutions Grant Program	145,821
14.239	Home Investment Partnerships Program	403,930
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	362,294
66.041	Climate Showcase Communities Grant Program	218,936
	Total	<u>\$ 3,666,459</u>

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

STATISTICAL SECTION

STATISTICAL SECTION

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

Guide to Statistical Section

Financial Trends - Pages 149 - 156

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 157-159

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

Debt Capacity - Pages 160-163

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 - Pages 164

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 165-170

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

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

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

	Fiscal Year				
	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental activities:					
General government	\$ 20,669,584	\$ 21,287,443	\$ 20,902,934	\$ 35,023,700	\$ 25,028,329
Public safety	25,285,634	28,069,291	28,480,845	30,350,398	36,478,984
Public works	12,580,602	13,720,883	13,823,001	15,232,820	15,817,121
Culture and recreation	6,385,653	7,400,480	9,107,022	6,851,355	13,962,001
Urban and economic development	14,173,566	23,676,985	12,773,203	13,178,400	18,180,805
Interest	<u>6,917,787</u>	<u>6,749,211</u>	<u>7,427,045</u>	<u>7,762,355</u>	<u>4,749,041</u>
Total governmental activities expenses	<u>86,012,826</u>	<u>100,904,293</u>	<u>92,514,050</u>	<u>108,399,028</u>	<u>114,216,281</u>
Business-type activities:					
Water	8,465,593	9,463,342	9,827,419	10,865,334	11,325,128
Gas	41,883,691	50,491,710	45,278,118	47,107,309	54,336,765
Sewer	14,610,838	13,454,790	14,928,433	15,023,848	16,747,150
Stormwater	2,470,513	2,508,496	2,776,726	2,865,872	2,876,181
Steam district #1	3,893,705	4,085,845	4,628,019	5,367,034	5,851,628
Steam district #2	8,677,762	8,919,977	9,314,893	11,397,738	10,024,789
Golf	1,762,485	1,908,334	1,889,657	1,887,795	1,886,874
Parking	-	-	-	1,871,344	2,030,206
Street lighting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,920</u>
Total business-type activities expenses	<u>81,764,587</u>	<u>90,832,494</u>	<u>88,643,265</u>	<u>96,386,274</u>	<u>105,388,641</u>
Total primary government expenses	<u>\$ 167,777,413</u>	<u>\$ 191,736,787</u>	<u>\$ 181,157,315</u>	<u>\$ 204,785,302</u>	<u>\$ 219,604,922</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,935,952	\$ 1,434,650	\$ 1,804,560	\$ 4,008,714	\$ 3,846,472
Public safety	2,555,502	2,394,256	3,305,117	2,451,449	2,434,033
Public works	364,600	724,710	1,096,718	353,575	392,155
Culture and recreation	679,580	856,974	807,245	815,732	797,188
Urban and economic development	1,914,397	7,300,488	908,279	922,159	910,181
Operating grants and contributions	11,944,143	9,884,061	10,469,744	11,209,578	12,997,358
Capital grants and contributions	<u>13,955,413</u>	<u>11,565,853</u>	<u>12,445,080</u>	<u>13,674,386</u>	<u>8,200,343</u>
Total governmental activities program revenues	<u>36,349,587</u>	<u>34,160,992</u>	<u>30,836,743</u>	<u>33,435,593</u>	<u>29,577,730</u>
Business-type activities:					
Charges for services:					
Water	9,884,976	10,315,543	11,025,294	12,166,968	11,370,681
Gas	45,110,428	55,339,940	49,534,016	47,489,082	58,604,811
Sewer	16,639,746	14,347,815	15,507,006	15,771,516	17,224,701
Stormwater	2,924,170	2,982,846	3,098,403	3,916,525	4,563,498
Steam district #1	4,016,386	4,416,123	4,686,723	5,261,495	5,959,836
Steam district #2	6,383,327	6,584,168	6,959,000	8,985,844	8,834,290
Golf	1,732,131	1,699,090	1,893,564	1,887,737	1,879,530
Parking	-	-	-	2,138,316	4,136,535
Street lighting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,924</u>
Operating grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital grants and contributions	<u>943,565</u>	<u>2,179,046</u>	<u>2,960,981</u>	<u>4,468,083</u>	<u>1,970,497</u>
Total business-type activities program revenues	<u>87,634,729</u>	<u>97,864,571</u>	<u>95,664,987</u>	<u>102,085,566</u>	<u>114,633,303</u>
Total primary government program revenues	<u>\$ 123,984,316</u>	<u>\$ 132,025,563</u>	<u>\$ 126,501,730</u>	<u>\$ 135,521,159</u>	<u>\$ 144,211,033</u>

(continued)

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

	Fiscal Year				
	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (expense)/revenue					
Governmental activities	\$ (49,663,239)	\$ (66,743,301)	\$ (61,677,307)	\$ (74,963,435)	\$ (84,638,551)
Business-type activities	<u>5,870,142</u>	<u>7,032,077</u>	<u>7,021,722</u>	<u>5,699,292</u>	<u>9,244,662</u>
Total primary government net expense	<u>\$ (43,793,097)</u>	<u>\$ (59,711,224)</u>	<u>\$ (54,655,585)</u>	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Taxes	\$ 15,478,942	\$ 16,489,656	\$ 15,709,840	\$ 17,452,324	\$ 18,170,135
Market value credit aid	1,196,015	1,260,395	1,184,399	1,191,228	1,086,482
Sales taxes	15,478,954	15,963,891	16,860,351	17,509,877	18,363,052
Franchise taxes	1,736,545	1,767,402	1,819,654	1,803,561	1,851,406
Other taxes	188,145	178,554	187,005	247,612	198,442
Casino shared revenues	5,653,523	5,608,777	5,844,787	6,430,460	6,156,767
Grants and shared revenues not restricted to specific programs	32,502,413	31,443,085	32,249,900	31,725,087	30,311,915
Investment income	2,243,381	2,858,882	5,131,090	4,690,453	4,058,373
Gain on sale or disposition of capital assets	-	-	262,367	37,803	136,787
Miscellaneous	641,584	4,900,055	5,170,612	1,062,999	3,623,533
Special Items	-	-	-	12,708,044	-
Transfers	<u>3,695,422</u>	<u>4,070,710</u>	<u>5,616,094</u>	<u>(3,761,041)</u>	<u>2,234,661</u>
Total governmental activities	<u>78,814,924</u>	<u>84,541,407</u>	<u>90,036,099</u>	<u>91,098,407</u>	<u>86,191,553</u>
Business-type activities:					
General Revenues:					
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	485,428	715,342	824,428	878,763	545,151
Gain on sale or disposition of capital assets	81,140	1,834	30,268	22,127	11,577
Miscellaneous	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Transfers	<u>(3,695,422)</u>	<u>(4,070,710)</u>	<u>(5,616,094)</u>	<u>3,761,041</u>	<u>(2,234,661)</u>
Total business-type activities	<u>(3,128,854)</u>	<u>(3,353,534)</u>	<u>(4,761,398)</u>	<u>4,661,931</u>	<u>(1,677,933)</u>
Total primary government	<u>\$ 75,686,070</u>	<u>\$ 81,187,873</u>	<u>\$ 85,274,701</u>	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>
Change in Net Position					
Governmental activities	\$ 29,151,685	\$ 17,798,106	\$ 28,358,792	\$ 16,134,972	\$ 1,553,002
Business-type activities	<u>2,741,288</u>	<u>3,678,543</u>	<u>2,260,324</u>	<u>10,361,223</u>	<u>7,566,729</u>
Total primary government	<u>\$ 31,892,973</u>	<u>\$ 21,476,649</u>	<u>\$ 30,619,116</u>	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>

*Effective 2004, the Duluth City Council became the governing board of Duluth Economic Development Authority.

Source: Statement of Activities

(continued)

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

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses					
Governmental activities:					
General government	\$ 35,376,090	\$ 36,014,153	\$ 38,577,305	\$ 40,761,298	\$ 24,455,977
Public safety	36,397,795	38,100,958	37,895,850	38,190,780	39,860,955
Public works	7,616,214	13,657,626	9,040,308	12,320,891	26,286,454
Culture and recreation	24,655,278	25,434,289	7,986,366	15,125,570	11,872,741
Urban and economic development	15,722,245	14,549,117	15,446,838	13,275,120	14,922,283
Interest	<u>5,175,178</u>	<u>5,409,679</u>	<u>4,692,654</u>	<u>4,907,447</u>	<u>4,535,639</u>
Total governmental activities expenses	<u>124,942,800</u>	<u>133,165,822</u>	<u>113,639,321</u>	<u>124,581,106</u>	<u>121,934,049</u>
Business-type activities:					
Water	10,717,468	10,810,875	11,218,488	10,243,435	11,015,475
Gas	38,462,243	35,800,001	36,217,536	30,351,746	35,174,140
Sewer	17,569,046	16,259,669	17,291,803	18,216,008	17,882,780
Stormwater	3,308,604	3,333,875	3,474,137	3,447,389	3,581,689
Steam district #1	5,994,665	6,258,368	6,974,162	7,083,477	7,692,984
Steam district #2	9,031,530	-	-	-	-
Golf	1,895,162	2,006,633	2,056,166	2,192,560	2,059,673
Parking	1,881,852	1,957,414	1,939,941	2,923,741	2,901,617
Street lighting	<u>1,391,981</u>	<u>1,557,525</u>	<u>1,480,674</u>	<u>1,583,897</u>	<u>1,545,598</u>
Total business-type activities expenses	<u>90,252,551</u>	<u>77,984,360</u>	<u>80,652,907</u>	<u>76,042,253</u>	<u>81,853,956</u>
Total primary government expenses	<u>\$ 215,195,351</u>	<u>\$ 211,150,182</u>	<u>\$ 194,292,228</u>	<u>\$ 200,623,359</u>	<u>\$ 203,788,005</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,514,042	\$ 4,619,911	\$ 4,673,037	\$ 4,415,328	\$ 4,675,590
Public safety	2,555,541	3,330,905	2,975,998	2,925,524	1,948,070
Public works	349,364	369,068	370,237	394,422	111,061
Culture and recreation	1,108,600	1,297,370	1,273,472	1,082,261	1,332,448
Urban and economic development	525,437	280,880	310,839	347,895	2,816,814
Operating grants and contributions	11,846,124	14,164,865	15,685,467	13,668,138	13,309,497
Capital grants and contributions	<u>7,095,416</u>	<u>17,075,628</u>	<u>13,067,199</u>	<u>12,230,295</u>	<u>17,878,748</u>
Total governmental activities program revenues	<u>27,994,524</u>	<u>41,138,627</u>	<u>38,356,249</u>	<u>35,063,863</u>	<u>42,072,228</u>
Business-type activities:					
Charges for services:					
Water	11,961,915	12,024,675	11,743,510	13,911,617	14,866,657
Gas	46,419,426	39,882,397	41,415,145	34,071,373	40,587,986
Sewer	20,320,378	20,347,330	20,040,992	20,350,506	20,535,669
Stormwater	5,222,917	4,730,608	4,632,541	4,798,166	4,750,421
Steam district #1	6,152,268	6,617,346	7,169,021	7,239,203	7,858,968
Steam district #2	8,384,720	-	-	-	-
Golf	1,945,446	1,967,401	1,872,577	1,926,929	1,738,980
Parking	2,524,682	2,563,215	2,567,703	3,185,152	3,777,759
Street lighting	1,271,623	1,270,118	1,894,038	2,272,395	2,147,449
Operating grants and contributions	-	-	-	-	60,699
Capital grants and contributions	<u>3,836,174</u>	<u>9,104,643</u>	<u>5,135,700</u>	<u>3,366,852</u>	<u>2,812,199</u>
Total business-type activities program revenues	<u>108,039,549</u>	<u>98,507,733</u>	<u>96,471,227</u>	<u>91,122,193</u>	<u>99,136,787</u>
Total primary government program revenues	<u>\$ 136,034,073</u>	<u>\$ 139,646,360</u>	<u>\$ 134,827,476</u>	<u>\$ 126,186,056</u>	<u>\$ 141,209,015</u>

(continued)

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

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net (expense)/revenue					
Governmental activities	\$ (96,948,276)	\$ (92,027,195)	\$ (75,283,072)	\$ (89,517,243)	\$ (79,861,821)
Business-type activities	17,786,998	20,523,373	15,818,320	15,079,940	17,282,831
Total primary government net expense	<u>\$ (79,161,278)</u>	<u>\$ (71,503,822)</u>	<u>\$ (59,464,752)</u>	<u>\$ (74,437,303)</u>	<u>\$ (62,578,990)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Taxes	\$ 18,125,284	\$ 16,001,873	\$ 16,718,385	\$ 21,379,384	\$ 21,924,954
Market value credit aid	1,147,029	33,675	34,071	9,759	-
Sales taxes	18,009,914	19,252,407	20,071,454	20,888,940	20,388,588
Franchise taxes	1,889,796	1,917,379	1,922,796	1,928,149	1,958,297
Other taxes	684,088	97,549	159,416	141,927	134,580
Casino shared revenues	5,963,162	6,258,727	2,096,800	579,478	-
Grants and shared revenues not restricted to specific programs	31,498,519	29,130,992	29,154,013	29,148,898	29,401,345
Investment income	4,034,753	2,307,506	2,934,301	506,168	(1,632,312)
Gain on sale or disposition of capital assets	84,278	19,174	169,695	19,124	550,473
Miscellaneous	1,031,930	13,584	1,157,996	1,172,063	2,694,159
Special Items	-	-	-	-	-
Transfers	7,839,803	4,552,145	5,379,481	4,671,197	4,714,434
Total governmental activities	<u>90,308,556</u>	<u>79,585,011</u>	<u>79,798,408</u>	<u>80,445,087</u>	<u>80,134,518</u>
Business-type activities:					
General Revenues:					
Grants and shared revenues not restricted to specific programs	-	-	48,567	51,272	48,566
Investment income	320,540	282,545	349,471	184,954	33,206
Gain on sale or disposition of capital assets	112,447	7,256	-	55,623	(4,983)
Miscellaneous	-	-	2,300,000	-	69,099
Extraordinary items	(5,441,237)	-	-	-	-
Transfers	(7,839,803)	(4,552,145)	(5,379,481)	(4,671,197)	(4,714,434)
Total business-type activities	<u>(12,848,053)</u>	<u>(4,262,344)</u>	<u>(2,681,443)</u>	<u>(4,379,348)</u>	<u>(4,568,546)</u>
Total primary government	<u>\$ 77,460,503</u>	<u>\$ 75,322,667</u>	<u>\$ 77,116,965</u>	<u>\$ 76,065,739</u>	<u>\$ 75,565,972</u>
Change in Net Position					
Governmental activities	\$ (6,639,720)	\$ (12,442,184)	\$ 4,515,336	\$ (9,072,156)	\$ 272,697
Business-type activities	4,938,945	16,261,029	13,136,877	10,700,592	12,714,285
Total primary government	<u>\$ (1,700,775)</u>	<u>\$ 3,818,845</u>	<u>\$ 17,652,213</u>	<u>\$ 1,628,436</u>	<u>\$ 12,986,982</u>

Unaudited

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund					
Reserved	\$ 575,992	\$ 650,718	\$ 816,458	\$ 190,911	\$ 325,430
Unreserved	5,439,550	4,224,264	4,237,396	1,423,116	(1,345,024)
Nonspendable*	-	-	-	-	-
Restricted*	-	-	-	-	-
Committed*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total general fund	<u>\$ 6,015,542</u>	<u>\$ 4,874,982</u>	<u>\$ 5,053,854</u>	<u>\$ 1,614,027</u>	<u>\$ (1,019,594)</u>
All other governmental funds					
Reserved	\$ 19,033,022	\$ 34,078,985	\$ 23,363,256	\$ 14,628,923	\$ 13,599,551
Unreserved, reported in:					
Special revenue funds	58,384,931	61,376,988	65,770,619	63,097,631	67,075,700
Debt service funds	13,165,779	9,480,448	8,968,752	11,125,923	11,201,667
Capital projects funds	2,139,384	(4,653,373)	(2,523,300)	5,986,870	48,030,782
Restricted*	-	-	-	-	-
Committed*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total all other governmental funds	<u>\$ 92,723,116</u>	<u>\$ 100,283,048</u>	<u>\$ 95,579,327</u>	<u>\$ 94,839,347</u>	<u>\$ 139,907,700</u>

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>
General fund					
Reserved	\$ 436,860	\$ 368,134	\$ -	\$ -	\$ -
Unreserved	1,962,587	5,579,282	-	-	-
Nonspendable*	-	-	138,012	431,795	414,309
Restricted*	-	-	120,766	97,811	75,741
Committed*	-	-	-	9,067	13,454
Assigned*	-	-	332,997	583,777	821,114
Unassigned*	-	-	7,664,417	7,587,726	7,746,042
Total general fund	<u>\$ 2,399,447</u>	<u>\$ 5,947,416</u>	<u>\$ 8,256,192</u>	<u>\$ 8,710,176</u>	<u>\$ 9,070,660</u>
All other governmental funds					
Reserved	\$ 17,658,025	\$ 22,178,725	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	55,293,268	38,712,371	-	-	-
Debt service funds	12,384,602	13,496,346	-	-	-
Capital projects funds	45,990,283	10,263,175	-	-	-
Restricted*	-	-	36,801,571	29,787,935	31,790,209
Committed*	-	-	144,721	294,971	18,095,100
Assigned*	-	-	27,983,067	23,258,693	576,094
Unassigned*	-	-	(255,786)	(2,995,479)	(5,512,643)
Total all other governmental funds	<u>\$ 131,326,178</u>	<u>\$ 84,650,617</u>	<u>\$ 64,673,573</u>	<u>\$ 50,346,120</u>	<u>\$ 44,948,760</u>

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

Source: Balance Sheet & Combining Balance Sheet

Unaudited

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

	Fiscal Year				
	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Taxes:					
Property taxes	\$ 15,522,334	\$ 16,321,413	\$ 15,469,329	\$ 17,837,011	\$ 17,776,235
Sales taxes	15,478,954	15,963,891	16,860,351	17,509,877	18,363,052
Other taxes	1,924,690	1,945,956	2,006,659	2,051,173	2,049,848
Licenses and permits	680,953	853,927	987,464	1,111,727	985,506
Intergovernmental revenues	52,057,762	49,263,351	51,467,392	53,793,307	50,315,079
Charges for services	6,549,128	7,969,577	8,718,615	5,995,079	5,802,260
Fines and forfeits	1,083,084	1,002,752	905,324	1,086,304	1,056,783
Special assessments	2,735,163	3,237,809	2,964,983	2,941,244	2,609,585
Investment income	2,044,335	2,574,786	4,576,550	3,908,135	3,364,141
Miscellaneous revenues	<u>12,536,138</u>	<u>12,091,312</u>	<u>14,978,054</u>	<u>10,641,263</u>	<u>12,202,008</u>
Total revenues	<u>110,612,541</u>	<u>111,224,774</u>	<u>118,934,721</u>	<u>116,875,120</u>	<u>114,524,497</u>
Expenditures					
General government	19,574,200	19,885,273	21,248,502	32,109,525	23,062,581
Public safety	29,082,948	31,519,654	33,176,998	33,319,542	35,661,590
Public works	9,947,392	9,979,171	10,358,429	11,080,239	12,106,097
Culture and recreation	6,945,317	6,713,232	6,978,630	6,716,210	8,037,797
Urban and economic development	15,511,249	19,828,474	12,694,861	14,531,149	16,515,445
Debt service					
Principal retirement	13,610,613	16,956,649	15,175,505	11,454,452	9,984,002
Interest and fiscal fees	4,857,973	5,040,518	5,589,857	4,777,420	4,377,160
Revenue pledge	-	2,612,545	1,383,363	2,966,875	-
Bond issuance costs	180,618	407,773	269,189	205,336	544,187
Capital outlay	<u>17,010,131</u>	<u>23,478,917</u>	<u>30,731,546</u>	<u>13,496,052</u>	<u>15,749,543</u>
Total expenditures	<u>116,720,441</u>	<u>136,422,206</u>	<u>137,606,880</u>	<u>130,656,800</u>	<u>126,038,402</u>
Excess of revenues over (under) expenditures	<u>(6,107,900)</u>	<u>(25,197,432)</u>	<u>(18,672,159)</u>	<u>(13,781,680)</u>	<u>(11,513,905)</u>
Other financing sources (uses)					
Issuance of bonds	7,885,000	28,265,000	17,050,000	10,650,000	51,600,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	159,777	197,367	287,586	269,594	383,591
Sale of capital asset	24,000	-	-	-	-
Loan proceeds	-	6,594,000	1,482,000	-	-
Payment to refunded bond escrow agent	-	(7,690,417)	(10,626,155)	(5,827,735)	(3,570,023)
Transfers in	18,584,108	19,413,529	28,843,364	29,700,237	25,900,738
Transfers out	<u>(14,773,286)</u>	<u>(15,162,675)</u>	<u>(22,889,485)</u>	<u>(25,190,223)</u>	<u>(20,365,669)</u>
Total other financing sources (uses)	<u>11,879,599</u>	<u>31,616,804</u>	<u>14,147,310</u>	<u>9,601,873</u>	<u>53,948,637</u>
Net change in fund balances	<u>\$ 5,771,699</u>	<u>\$ 6,419,372</u>	<u>\$ (4,524,849)</u>	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>
Debt service as a percentage of noncapital expenditures	19.1%	19.1%	19.9%	13.8%	12.8%

General Governmental includes Capital Projects Fund.

* Effective 2004, the Duluth City Council became the governing board of Duluth Economic Development Authority.

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

(continued)

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

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues					
Taxes:					
Property taxes	\$ 17,859,578	\$ 15,953,934	\$ 16,581,461	\$ 21,336,285	\$ 21,913,489
Sales taxes	18,009,914	19,252,407	20,071,454	20,888,940	20,388,588
Other taxes	2,573,884	2,014,928	2,082,212	2,070,076	2,092,877
Licenses and permits	1,149,265	1,182,044	1,407,951	1,625,826	1,863,333
Intergovernmental revenues	50,047,221	55,756,919	56,211,950	49,469,851	55,451,614
Charges for services	6,348,063	6,902,683	6,453,510	5,891,728	6,441,338
Fines and forfeits	1,770,427	1,791,604	1,579,021	1,075,167	699,846
Special assessments	2,948,975	2,741,754	2,837,628	2,884,597	2,328,821
Investment income	3,691,734	2,051,772	2,669,071	430,056	(1,675,875)
Miscellaneous revenues	<u>6,321,696</u>	<u>3,285,276</u>	<u>3,956,649</u>	<u>4,124,685</u>	<u>4,521,654</u>
Total revenues	<u>110,720,757</u>	<u>110,933,321</u>	<u>113,850,907</u>	<u>109,797,211</u>	<u>114,025,685</u>
Expenditures					
General government	32,743,783	32,628,277	33,469,098	34,625,147	22,290,793
Public safety	36,718,739	33,901,872	34,606,780	36,476,109	35,035,481
Public works	1,872,986	7,164,216	2,081,437	6,046,513	19,397,379
Culture and recreation	6,095,879	6,570,834	6,865,686	7,761,926	9,469,074
Urban and economic development	14,059,428	14,177,365	15,251,986	20,203,006	17,762,959
Debt service					
Principal retirement	12,354,000	10,254,000	11,395,000	13,045,000	8,655,000
Interest and fiscal fees	5,264,029	5,441,345	4,989,456	5,097,486	4,673,854
Revenue pledge	-	-	-	-	-
Bond issuance costs	442,358	140,135	80,184	280,600	203,741
Capital outlay	<u>36,274,174</u>	<u>37,344,799</u>	<u>33,452,857</u>	<u>23,247,154</u>	<u>17,169,385</u>
Total expenditures	<u>145,825,376</u>	<u>147,622,843</u>	<u>142,192,484</u>	<u>146,782,941</u>	<u>134,657,666</u>
Excess of revenues over (under) expenditures	<u>(35,104,619)</u>	<u>(36,689,522)</u>	<u>(28,341,577)</u>	<u>(36,985,730)</u>	<u>(20,631,981)</u>
Other financing sources (uses)					
Issuance of bonds	21,560,000	4,470,000	4,965,000	17,980,000	10,490,000
Proceeds from refundings	2,150,000	4,190,000	-	6,905,000	-
Premium on issuance of bonds	578,200	109,851	138,232	868,419	271,507
Sale of capital asset	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	(2,150,000)	(4,155,250)	-	(7,363,043)	-
Transfers in	37,591,473	26,903,985	23,957,020	19,166,548	16,753,906
Transfers out	<u>(29,787,535)</u>	<u>(22,207,637)</u>	<u>(18,386,943)</u>	<u>(14,444,663)</u>	<u>(11,988,958)</u>
Total other financing sources (uses)	<u>29,942,138</u>	<u>9,310,949</u>	<u>10,673,309</u>	<u>23,112,261</u>	<u>15,526,455</u>
Net change in fund balances	<u>\$ (5,162,481)</u>	<u>\$ (27,378,573)</u>	<u>\$ (17,668,268)</u>	<u>\$ (13,873,469)</u>	<u>\$ (5,105,526)</u>
Debt service as a percentage of noncapital expenditures	13.7%	12.3%	14.8%	14.0%	11.4%

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
2004	3,345,562,000	29,785,442	647,786,100	12,338,139
2005	3,965,798,800	35,020,262	766,860,600	14,459,697
2006	4,106,765,527	39,184,991	829,130,400	15,140,631
2007	4,193,186,400	41,820,980	879,132,200	16,175,054
2008	4,448,018,800	44,960,335	914,966,520	16,708,234
2009	4,596,572,476	46,544,301	1,006,191,824	18,391,705
2010	4,545,577,900	46,457,611	1,041,761,700	19,131,580
2011	4,391,758,200	44,888,003	1,026,682,900	18,853,813
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2004	17,023,600	169,399	70,268,600	1,392,813
2005	17,840,900	176,210	73,834,400	1,462,013
2006	18,899,500	186,310	81,332,200	1,611,889
2007	20,528,100	204,926	96,119,000	1,862,112
2008	26,327,800	237,536	94,105,200	1,816,792
2009	28,487,600	283,617	75,268,900	1,435,838
2010	30,139,300	307,525	78,621,200	1,447,720
2011	28,363,500	284,857	84,724,000	1,551,297
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2004	4,080,640,300	43,685,793	1.07%
2005	4,824,334,700	51,118,182	1.06%	0.24215
2006	5,036,127,627	56,123,821	1.11%	0.22183
2007	5,188,965,700	60,063,072	1.16%	0.22939
2008	5,483,418,320	63,722,897	1.16%	0.23259
2009	5,706,520,800	66,655,461	1.17%	0.25403
2010	5,696,100,100	67,344,436	1.18%	0.26331
2011	5,531,528,600	65,577,970	1.19%	0.27956
2012	5,569,039,800	61,532,873	1.10%	0.31597
2013	5,473,015,800	61,948,785	1.13%	0.33198

Unaudited

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

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

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2004	0.16861	0.10005	0.26866	0.11778	0.77282	0.06810	1.22736
2005	0.15770	0.08445	0.24215	0.11405	0.67545	0.06902	1.10067
2006	0.15126	0.07057	0.22183	0.10994	0.63330	0.06576	1.03083
2007	0.14780	0.08159	0.22939	0.10881	0.63013	0.06615	1.03448
2008	0.14743	0.08516	0.23259	0.20874	0.59190	0.06298	1.09621
2009	0.16193	0.09210	0.25403	0.20940	0.57645	0.06497	1.10485
2010	0.18050	0.08281	0.26331	0.20971	0.55365	0.05654	1.08321
2011	0.18686	0.09270	0.27956	0.23373	0.56011	0.05829	1.13169
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149

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

Source: St. Louis County web site

Unaudited

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	Type of Business	2013			2004		
		Estimated Market Value	Rank	Percentage of Total Estimated Market Value	Estimated Market Value	Rank	Percentage of Total Estimated Market Value
Minnesota Power	Electric utility	102,935,200	1	1.88%	83,502,400	1	2.05%
Simon Property, Inc.	Shopping mall	42,997,300	2	0.79%	33,352,200	3	0.82%
Essentia Health	Healthcare & hospital	40,174,300	3	0.73%	29,662,800	4	0.73%
Sherman Associates	Real estate development	30,785,800	4	0.56%			
Wisconsin Central Ltd	Railway	19,469,900	5	0.36%			
IRET Properties	Property management	19,349,600	6	0.35%	12,188,000	6	0.30%
Riverland AG Corp	Grain elevators	18,334,000	7	0.33%			
ZMC Hotels	Hotels	16,461,900	8	0.30%			
Burlington Northern	Railroad	12,238,200	9	0.22%			
US Bank	Bank & office building	11,122,800	10	0.20%	8,783,100	10	0.22%
NewPage (StoraEnso)	Paper mill				46,313,600	2	1.13%
Northwest Air	Airbus maintenance				14,823,100	5	0.36%
Tech Village	Office & tech building				9,782,100	7	0.24%
Bradley Operating Ltd	Strip mall				9,686,300	8	0.24%
JMM Limited Partnership	Retail & hotel				9,224,700	9	0.23%
		<u>\$ 313,869,000</u>		<u>5.72%</u>	<u>\$ 257,318,300</u>		<u>6.32%</u>

Unaudited

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

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

Fiscal Year Ended December 31	Net Tax ¹ Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004	8,977,567	8,759,791	97.6%	160,632	8,920,423	99.4%
2005	9,580,872	9,336,284	97.4%	165,448	9,501,732	99.2%
2006	10,024,889	9,736,970	97.1%	216,488	9,953,458	99.3%
2007	11,124,247	10,799,240	97.1%	257,286	11,056,526	99.4%
2008	12,443,867	12,046,909	96.8%	298,891	12,345,800	99.2%
2009	14,366,814	13,790,094	96.0%	382,564	14,172,658	98.6%
2010	16,050,825	15,531,833	96.8%	358,876	15,890,709	99.0%
2011	16,648,242	16,102,214	96.7%	303,675	16,405,889	98.5%
2012	21,403,582	20,835,227	97.3%	263,130	21,098,357	98.6%
2013	21,966,088	21,445,661	97.6%	-	21,445,661	97.6%

Unaudited

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

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

Governmental Activities									
Fiscal Year	General Obligation Bonds	General Obligation Tax Increment Bonds	General Obligation Tax Abatement Bonds	Tax Increment Revenue Bonds	Lease Revenue Bonds	Special Assessment Debt with Government Commitment	General Obligation Certificates	Revenue and and General Obligation Notes	
2004	**	26,974	4,348	-	10,167	1,890	53,018	4,310	1,418
2005		33,813	7,282	310	3,919	1,770	53,919	3,915	7,780
2006		32,439	6,381	310	2,543	1,640	53,600	4,395	4,167
2007		19,502	23	310	1,240	1,250	52,060	5,270	3,743
2008		60,815	-	310	175	1,125	48,845	6,715	3,544
2009		76,699	-	310	135	995	41,106	8,065	3,415
2010	***	75,449	-	310	-	860	36,011	8,920	3,171
2011		74,561	-	285	-	715	29,569	10,275	3,086
2012		76,927	-	7,315	-	565	23,943	11,300	2,996
2013		80,754	-	7,290	-	415	20,901	12,625	2,896

Governmental Activities		Business-Type Activities						
Fiscal Year	Capital Leases	Revenue Bonds	Revenue and and General Obligation Bonds	General Obligation Notes	Capital Leases	Total Primary Government	Percentage of Personal Income*	Per Capita*
2004	459	1,040	38,210	3,594	80	145,508	7.02%	1,696
2005	260	920	40,340	3,790	37	158,055	7.59%	1,840
2006	227	800	46,815	3,517	369	157,203	7.14%	1,846
2007	193	675	60,595	4,946	282	150,089	6.44%	1,757
2008	155	550	56,315	4,892	8,999	192,440	8.05%	2,258
2009	114	420	54,505	5,906	9,120	200,790	8.78%	2,348
2010	70	285	47,900	10,766	8,725	192,467	8.51%	2,231
2011	24	145	44,005	20,562	8,672	191,899	8.20%	2,224
2012	-	-	41,045	23,084	8,041	195,216	8.25%	2,269
2013	-	-	37,305	21,904	7,385	191,475	7.75%	2,226

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

** In 2004, Duluth Economic Development Authority became a blended component unit.

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
2004*	85,782	43,685,793	35,632,400	5,903,348	29,729,052	68.05%	346.57
2005	85,889	51,118,182	45,320,700	6,287,564	39,033,136	76.36%	454.46
2006	85,170	56,123,821	43,525,000	6,162,546	37,362,454	66.57%	438.68
2007**	85,439	60,063,072	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,722,897	67,840,000	14,636,181	53,203,819	83.49%	624.31
2009	85,530	66,655,461	85,074,118	18,612,250	66,461,868	99.71%	777.06
2010***	86,265	67,344,436	84,679,118	19,144,190	65,534,928	97.31%	759.69
2011	86,277	65,577,970	85,121,023	18,629,920	66,491,103	101.39%	770.67
2012	86,033	61,532,873	95,541,971	17,742,090	77,799,881	126.44%	904.30
2013	86,033	61,948,785	100,668,706	19,802,762	80,865,944	130.54%	939.94

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

*In 2004, Duluth Economic Development Authority became a blended component unit. Their General Obligation debt is included beginning in 2004.

**In 2007 the Parking Fund was created. Its General Obligation Tax Increment Debt is no longer included in Gross Bonded Debt.

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

Unaudited

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013**

<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	\$ 60,375,000	88.4%	\$ 53,371,500
Independent School District 704	18,720,000	6.0%	1,123,200
St. Louis County	54,925,000	36.0%	19,773,000
Subtotal, overlapping debt			74,267,700
City of Duluth direct debt			124,881,000
Total direct and overlapping debt			<u>\$ 199,148,700</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Taxable market value	\$ 4,080,640,300	\$ 4,824,343,600	\$ 5,037,213,600	\$ 5,197,633,600	\$ 5,486,922,320
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 81,612,806</u>	<u>\$ 96,486,872</u>	<u>\$ 100,744,272</u>	<u>\$ 103,952,672</u>	<u>\$ 109,738,446</u>
Debt applicable to limit:					
Total bonds payable	\$ 139,957,491	\$ 146,189,413	\$ 148,923,488	\$ 140,925,002	\$ 174,850,000
Less: Deductions allowable	(117,408,091)	(116,546,513)	(119,604,288)	(121,323,002)	(152,495,000)
Total net debt applicable to limit	<u>\$ 22,549,400</u>	<u>\$ 29,642,900</u>	<u>\$ 29,319,200</u>	<u>\$ 19,602,000</u>	<u>\$ 22,355,000</u>
Total net debt applicable to the limit as a percentage of debt limit	27.63%	30.72%	29.10%	18.86%	20.37%

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Taxable market value	\$ 5,729,975,300	\$ 5,677,819,333	\$ 5,557,887,100	\$ 5,571,357,700	\$ 5,473,015,800
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 114,599,506</u>	<u>\$ 113,556,387</u>	<u>\$ 111,157,742</u>	<u>\$ 111,427,154</u>	<u>\$ 109,460,316</u>
Debt applicable to limit:					
Total bonds payable	\$ 182,235,000	\$ 169,735,000	\$ 159,554,999	\$ 161,095,000	\$ 159,290,002
Less: Deductions allowable	(141,965,882)	(128,955,882)	(117,723,976)	(123,073,029)	(118,746,296)
Total net debt applicable to limit	<u>\$ 40,269,118</u>	<u>\$ 40,779,118</u>	<u>\$ 41,831,023</u>	<u>\$ 38,021,971</u>	<u>\$ 40,543,706</u>
Total net debt applicable to the limit as a percentage of debt limit	35.14%	35.91%	37.63%	34.12%	37.04%

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>							
2004	10,041,273	7,165,410	2,875,863	918,000	269,155	1,187,155	2.42
2005	10,450,145	8,033,370	2,416,775	1,002,124	253,705	1,255,829	1.92
2006	11,104,194	8,399,508	2,704,686	989,000	218,199	1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
<u>GAS REVENUE BOND</u>							
2004	45,272,089	40,575,751	4,696,338	757,000	544,805	1,301,805	3.61
2005	55,642,735	48,960,275	6,682,460	825,000	519,365	1,344,365	4.97
2006	49,890,597	43,701,022	6,189,575	844,000	520,369	1,364,369	4.54
2007	47,701,819	45,655,468	2,046,351	933,000	507,486	1,440,486	1.42
2008	58,737,875	52,926,055	5,811,820	964,000	473,807	1,437,807	4.04
2009	46,526,246	36,939,946	9,586,300	652,000	341,269	993,269	9.65
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
<u>SEWER REVENUE BOND</u>							
2004	16,407,422	13,705,780	2,701,642	750,000	441,383	1,191,383	2.27
2005	14,506,025	12,332,037	2,173,988	1,057,876	564,507	1,622,383	1.34
2006	15,700,498	13,679,753	2,020,745	1,192,000	584,732	1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
<u>STORMWATER REVENUE BOND</u>							
2004	2,904,664	2,220,714	683,950	75,000	49,575	124,575	5.49
2005	3,012,171	2,232,765	779,406	76,000	47,592	123,592	6.31
2006	3,050,492	2,442,658	607,834	80,000	106,727	186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36

(continued)

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>STEAM DISTRICT #1 REVENUE BOND</u>							
2004	4,021,712	3,373,137	648,575	135,000	118,620	253,620	2.56
2005	4,416,123	3,491,603	924,520	185,000	165,218	350,218	2.64
2006	4,687,255	3,994,525	692,730	265,000	262,113	527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
<u>GOLF REVENUE BOND (3)</u>							
2004	1,735,653	1,441,402	294,251	120,000	31,595	151,595	1.94
2005	1,699,090	1,633,529	65,561	120,000	29,195	149,195	0.44
2006	1,901,413	1,672,256	229,157	125,000	26,435	151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<u>PARKING REVENUE BOND</u>							
2007	\$ 2,193,800	\$ 597,826	\$ 1,595,974	\$ 680,000	\$ 786,071	\$ 1,466,071	1.09
2008	4,200,392	816,515	3,383,877	430,000	694,889	1,124,889	3.01
2009	2,592,185	693,301	1,898,884	745,000	692,013	1,437,013	1.32
2010	2,610,111	789,126	1,820,985	790,000	657,056	1,447,056	1.26
2011	2,645,997	800,256	1,845,741	825,000	620,263	1,445,263	1.28
2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32

Notes:

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	85,782	2,071,632,035	24,150	11,979	5.4%
2005	85,889	2,082,363,825	24,245	11,123	5.0%
2006	85,170	2,200,368,620	25,835	10,050	4.8%
2007	85,439	2,330,534,215	27,277	9,819	5.0%
2008	85,220	2,390,569,327	28,052	9,554	5.7%
2009	85,530	2,286,461,687	26,733	9,195	7.9%
2010	86,265	2,260,614,999	26,205	8,780	7.7%
2011	86,277	2,341,514,707	27,140	8,815	7.0%
2012	86,033	2,366,494,504	27,507	8,686	6.1%
2013	86,033 *	2,471,624,356 *	28,729	8,517	5.6%

Data sources:

The population figures are estimates of the State Demographer.

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

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

The unemployment rates were provided by the Minnesota Department of Economic Security.

*Estimates

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2013</u>			<u>2004</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	5,341	1	12.42%	5,816	1	13.65%
St. Louis County	Government	1,956	2	4.55%	1,385	5	3.25%
University of Minnesota - Duluth	Education	1,700	3	3.95%	1,500	4	3.52%
St. Luke's Hospital	Healthcare / hospital	1,602	4	3.72%	2,032	2	4.77%
Independent School District No. 709	Education	1,426	5	3.31%	1,583	3	3.72%
Allete (Minnesota Power)	Electric utility	1,419	6	3.30%	669	9	1.57%
Uniprise (United Health Care)	Insurance	1,368	7	3.18%	923	6	2.17%
Duluth Air National Guard Base	Military	1,068	8	2.48%			
City of Duluth	Government	864	9	2.01%	900	7	2.11%
US Government	Government	850	10	1.98%			
Cirrus Design	Aviation				721	8	1.69%
College of St. Scholastica	Education				456	10	1.07%
		<u>17,594</u>		<u>40.90%</u>	<u>15,985</u>		<u>37.52%</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	146.00	145.00	144.00	140.20	128.00
Public safety					
Police	171.00	169.00	173.00	174.00	179.00
Fire	134.00	131.00	134.00	134.00	134.00
Public works	92.40	90.40	90.40	83.40	83.40
Culture and recreation					
Parks and recreation	22.20	20.20	18.20	19.20	17.60
Zoo	12.00	11.00	11.00	12.00	11.00
Library	59.70	58.60	58.60	59.60	57.30
Urban and economic development	66.00	60.00	62.00	57.00	56.00
Water & Gas	135.50	135.20	131.91	124.90	122.50
Sewer	33.30	37.40	38.60	38.60	38.60
Stormwater	19.80	20.00	20.10	20.10	20.10
Golf	8.00	5.00	5.00	3.00	-
Parking	-	-	-	-	4.00
Street lighting	-	-	-	-	-
Total	899.90	882.80	886.81	866.00	851.50

Function:	Full-time Equivalent Employees as of December 31				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government	107.20	114.40	113.90	115.90	125.75
Public safety					
Police	182.00	187.00	185.00	185.00	178.50
Fire	134.00	140.00	140.00	138.00	141.00
Public works	100.20	123.80	118.60	106.60	87.10
Culture and recreation					
Parks and recreation	7.50	7.50	7.50	9.00	10.00
Zoo	-	-	-	-	-
Library	47.30	43.50	43.50	48.50	49.00
Urban and economic development	56.00	59.00	62.50	61.50	60.25
Water & Gas	120.50	124.80	128.20	131.00	133.00
Sewer	38.60	38.40	38.40	39.20	40.20
Stormwater	21.10	24.20	24.20	26.00	26.00
Golf	-	-	-	-	-
Parking	4.00	4.00	3.00	3.00	8.00
Street lighting	4.00	4.00	5.00	5.00	5.00
Total	822.40	870.60	869.80	868.70	863.80

Note: Steam District #1 has no city employees.

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police					
Criminal offences	16,352	9,659	9,916	10,277	10,376
Adult and juvenile arrests	4,042	3,329	4,648	4,485	4,312
Traffic violations	5,978	3,752	6,184	3,344	2,951
Parking violations	69,906	66,555	76,095	62,556	49,498
Fire					
Number of calls answered	7,193	7,462	7,981	8,090	8,552
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,456	2,400	2,080	3,117	2,757
Estimated cost of construction during year	\$ 175,360,742	\$ 121,160,329	\$ 194,794,123	\$ 93,080,667	\$ 115,091,545
Culture and recreation					
Parks and recreation department					
Participation in special events	53,330	58,492	48,510	47,143	59,353
Participation in recreation	253,496	129,000	129,998	117,118	112,826
Zoo regular customers	107,227	93,870	102,865	117,269	92,218
Library					
Registered borrowers	63,851	49,011	48,884	49,660	49,233
Items in collection*	341,034	354,480	355,668	359,805	344,302
Items loaned	970,342	969,186	969,972	969,756	901,128
Library visits	493,181	480,173	470,684	462,950	404,724
Internet uses	-	-	52,016	52,545	40,187
Reference/research questions answered**	237,517	226,222	231,445	194,604	250,756
Water					
Meters in service	27,696	27,809	27,948	28,087	28,016
Average number of gallons treated per month	537,703,000	514,360,000	518,865,000	527,489,906	514,647,500
Water pumped - million cubic feet	862.6	825.1	832.4	846.0	826.0
Water sold - million cubic feet	718.80	704.70	697.80	746.00	601.00
Daily average consumption in gallons	17,630,000	16,910,466	17,058,575	17,342,134	16,919,918
Gas					
Meters in service	24,970	25,085	25,278	25,642	25,983
MMBTU sold	5,066,848	4,777,330	4,285,167	4,808,178	5,169,299
Sewer					
Number of service connections	28,835	28,840	28,845	28,845	28,845
Daily average treatment in gallons	16,500,000	14,580,000	14,780,000	13,150,675	15,249,900
Stormwater					
Cleaning storm sewer pipe (in feet)	40,535	14,448	10,599	9,409	21,254
Steam District #1					
Steam sold (in 1,000 lbs)	353,808	376,485	422,651	436,966	465,717
Golf					
Season passes	1,159	1,037	1,046	1,005	928
Daily tickets	35,826	35,524	41,467	34,274	35,230
Carts	12,652	13,509	14,323	13,255	12,811
Rounds played	91,909	84,382	89,287	84,185	83,390

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

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

Sources: Various government departments

(continued)

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

Function:	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Criminal offences	10,452	10,187	10,930	10,177	10,728
Adult and juvenile arrests	4,759	4,484	4,370	4,091	8,217
Traffic violations	2,153	5,241	9,746	9,499	11,152
Parking violations	54,953	56,292	51,991	46,492	51,361
Fire					
Number of calls answered	9,319	8,484	9,262	9,857	10,816
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,362	2,026	1,700	2,325	2,054
Estimated cost of construction during year	\$ 113,965,408	\$ 238,186,019	\$ 173,357,959	\$ 104,841,877	\$ 137,097,967
Culture and recreation					
Parks and recreation department					
Participation in special events	42,858	48,896	15,436	18,129	40,045
Participation in recreation	36,217	31,905	39,839	35,681	27,393
Zoo regular customers	91,606	102,986	93,705	71,842	58,306
Library					
Registered borrowers	47,662	46,592	47,965	50,171	50,491
Items in collection*	620,941	620,101	463,418	457,999	467,050
Items loaned	881,268	929,161	902,221	953,270	959,432
Library visits	362,719	380,982	376,817	460,918	484,917
Internet uses	43,907	62,379	66,394	89,070	106,662
Reference/research questions answered**	67,460	80,678	79,443	90,155	84,838
Water					
Meters in service	27,950	30,317	29,069	28,082	28,051
Average number of gallons treated per month	516,805,833	481,950,833	461,125,000	468,170,000	433,795,000
Water pumped - million cubic feet	829.1	773.1	739.8	756.1	695.9
Water sold - million cubic feet	658.00	665.50	589.60	644.40	606.0
Daily average consumption in gallons	16,973,333	15,844,958	15,160,274	13,206,643	12,418,716
Gas					
Meters in service	26,148	26,668	26,693	27,542	27,452
MMBTU sold	4,804,897	4,617,923	5,184,800	4,528,009	5,355,988
Sewer					
Number of service connections	28,845	28,845	28,845	27,250	27,956
Daily average treatment in gallons	13,740,000	14,859,000	13,284,575	12,137,000	12,843,000
Stormwater					
Cleaning storm sewer pipe (in feet)	23,358	14,734	14,750	230,165	31,658
Steam District #1					
Steam sold (in 1,000 lbs)	441,808	403,085	409,295	379,257	394,762
Golf					
Season passes	1,023	1,024	985	1,028	879
Daily tickets	33,815	32,252	32,101	35,121	31,401
Carts	11,128	10,670	12,553	14,751	14,019
Rounds played	80,987	79,430	75,480	84,740	63,196

Unaudited

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

Function:	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police					
Patrol units	75	92	87	96	96
Fire					
Fire stations	9	9	9	9	9
Public works					
Miles of streets and alleys:					
Miles of streets - paved	466.63	469.20	471.90	474.66	476.30
Miles of streets - unpaved	78.56	77.31	76.61	73.85	73.11
Miles of sidewalk	380.83	381.33	382.56	382.56	382.56
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,241	3,712	3,758	3,758	3,758
Overhead street lamps	3,740	3,727	3,732	3,732	3,732
Culture and recreation					
Parks and recreation department					
Number of parks	129	129	107	107	111
Park acreage	11,862	11,862	11,862	11,862	13,490
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	23	23	22	22	22
Community clubs/field houses operated	27	27	27	27	27
Number of athletic fields	39	39	36	36	36
Number of hiking trails	13	13	13	13	13
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	406.24	408.22	408.30	413.70	413.79
Number of hydrants	2,279	2,363	2,373	2,396	2,500
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	482.20	488.30	495.34	508.00	510.20
Sewer					
Miles of sanitary sewers	404.00	408.00	409.00	409.00	424.00
Stormwater					
Miles of storm sewers	311.00	349.00	351.00	288.00	431.00
Steam District #1					
Miles of line	10.50	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

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

Function:	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police					
Patrol units	91	96	94	93	93
Fire					
Fire stations	9	9	9	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	476.30	469.00	470.23	470.43	470.49
Miles of streets - unpaved	73.11	48.02	48.02	48.02	47.96
Miles of sidewalk	382.56	277.00	409.00	409.90	410.98
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,930
Overhead street lamps	3,657	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	145	127	127	128	128
Park acreage	11,880	15,255	15,255	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	15	17	17	17	17
Community clubs/field houses operated	22	22	22	21	21
Number of athletic fields	57	57	57	57	57
Number of hiking trails	13	13	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	414.59	424.10	426.30	426.74	428.30
Number of hydrants	2,506	2,535	2,583	2,597	2,671
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	506.00	512.40	511.00	520.00	527.00
Sewer					
Miles of sanitary sewers	444.00	392.00	382.00	406.20	398.00
Stormwater					
Miles of storm sewers	431.00	431.00	431.00	431.00	443.00
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Unaudited

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
COMPONENT UNITS-					
Duluth Entertainment and Convention Center Authority (DECC) -					
Number of events	522	545	534	523	533
Number of conventions	44	43	43	45	57
Duluth Airport Authority -					
Number of passengers	316,912	305,750	290,421	349,447	303,163
Duluth Transit Authority -					
Number of buses	66	72	72	72	72
Number of routes	17	18	18	20	20
Number of passengers	2,647,051	2,709,249	2,692,931	2,854,467	3,219,758
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority -					
Skier visits	151,381	140,480	156,301	166,304	181,365
Season passes	9,385	8,630	9,209	8,920	8,028

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
COMPONENT UNITS-					
Duluth Entertainment and Convention Center Authority (DECC) -					
Number of events	536	690	510	515	471
Number of conventions	48	49	46	45	51
Duluth Airport Authority -					
Number of passengers	257,561	306,330	295,212	322,208	313,839
Duluth Transit Authority -					
Number of buses	67	66	66	66	66
Number of routes	18	18	19	20	19
Number of passengers	3,173,485	3,171,087	3,264,479	3,278,682	3,195,020
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority -					
Skier visits	153,287	144,579	155,450	130,013	136,990
Season passes	8,123	7,728	7,835	6,915	6,773

Unaudited