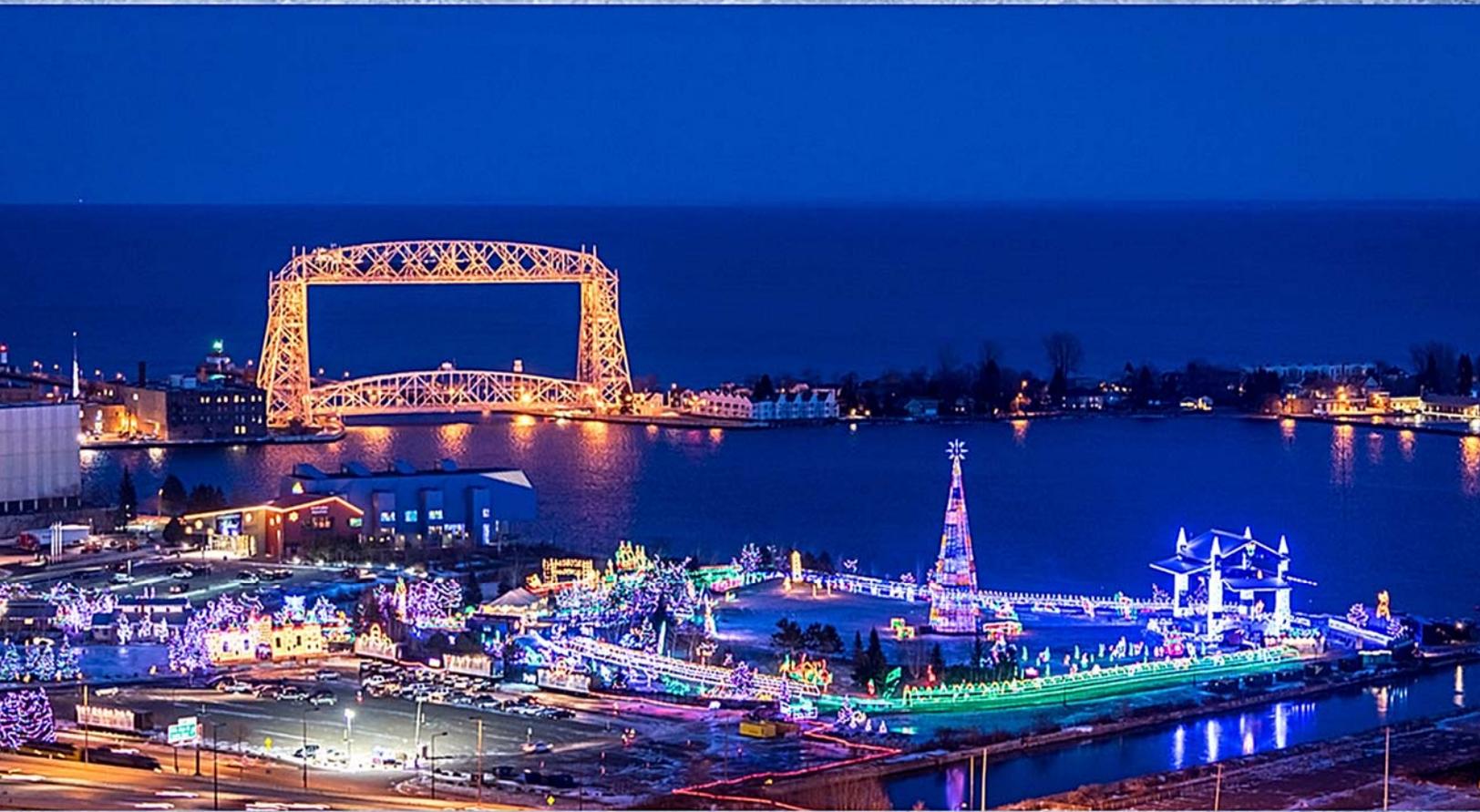


2015

Comprehensive Annual Financial Report



CITY OF DULUTH, MINNESOTA

For the Fiscal Year Ended December 31, 2015



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Department of Finance

For the Fiscal Year Ended December 31, 2015

**CITY OF DULUTH, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 DECEMBER 31, 2015**

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INTRODUCTORY SECTION



An Equal Opportunity Employer

Chief Financial Officer • Wayne Parson, CPA (inactive)

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May 17, 2016

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, 2015.

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, 2015. 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 has become a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Development, 31.2% of Duluth residents have a bachelor's degree or higher, compared to 28.2% for the nation as a whole. Duluth's unemployment averaged 3.8% for 2015, which was a significant improvement from the previous year's average unemployment rate of 4.4%. The total number of jobs reported to the state in 2015 peaked at 60,420.

The Port of Duluth-Superior has been one of the backbones of the region's economy, and has been long known as the Great Lakes' "bulk cargo capital." It accommodates the maritime transportation needs of a wide range of industries ranging from agriculture, forestry, mining and manufacturing to construction, power generation, and passenger cruising. The Port is the farthest-inland freshwater seaport and one of the leading bulk cargo ports in all of North America, and is the largest and busiest on the Great Lakes. The Seaway Port Authority of Duluth reported that 757 ships visited the Port of Duluth-Superior in 2015, moving roughly 33 million tons of cargo including iron ore, coal, grain, limestone, cement, salt, wood pulp, steel, and wind turbine components, 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 \$545 million in wages, 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 annually and injecting 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 offers a variety of attractions and outdoor activities, including: Canal Park, Duluth's historic waterfront district, which is home to the famous Aerial Lift Bridge-Minnesota's most frequented tourist attraction, hotels, restaurants, shops, and the 7.5 mile Lakewalk boardwalk on the shores of Lake Superior; Bayfront Festival Park-named the "Best Outdoor Music Venue" in the 2014 "Best of Minnesota" poll by the Minneapolis Star Tribune-which is a 20 acre waterfront park with a seasonal amphitheater, hosting outdoor summertime concerts and events, and during the holiday season, the Bentleyville Tour of Lights-America's largest free walk through holiday light display; The Great Lakes Aquarium-a \$30 million freshwater aquarium featuring more than 20 exhibits; Spirit Mountain Ski and Recreation Area-a year round recreation area with the Midwest's longest downhill ski run, Nordic skiing, a snow tubing park, an RV park, and an adventure park featuring mini golf, disk golf, mountain biking, scenic lift ride, alpine coaster ride, and a zip line. Duluth hosts world-class special events such as Grandma's Marathon, the 16th largest marathon in the United States; and, the Bayfront Blues Fest, which attracts over 20,000 people. The City has 129 municipal parks encompassing over 3,264 acres, two public golf courses, zoo, and over 150 miles of trails for hikers, bicyclists, and cross country skiers. The City has proposed a future addition of 70 miles of a new multi-use trail system and a 7.3 mile trail that would connect the entire length of the city from the west to the eastward-bound Lakewalk trail. Duluth was rated by Money magazine as one of the top four Midwestern small cities, based on livability; and in 2015, Duluth was voted as America's "Best Town" by an online poll conducted by Outside Magazine. Lake Superior, the city's unique history, premier trails, and soft-adventure continue to define Duluth as a family friendly vacation destination.

The Duluth Entertainment Convention Center (DECC) remains a leader in convention center business and environmental stewardship and, in ongoing innovative projects and energy efficiency upgrades. The DECC continues to operate with the full strength of all of its facilities: In 2015 the DECC hosted 519 events and 52 conventions in their CitySide and HarborSide Convention Centers. Pioneer Hall provided space for many tradeshow, expos, sporting events and even "Discover Dinosaurs." The Arena held numerous events including the FIRST Robotics Competition, Machine Gun Kelly concert, and ice for Northland Figure Skaters. Symphony

Hall serves as the home to the Duluth-Superior Symphony Orchestra (DSSO) and to the Minnesota Ballet, and held varied events such as dance competitions, the Banff Mountain Film Festival, Sesame Street, and Cheech & Chong. Bayfront Park was under the management of the DECC for the fourth year with a full roster of events, including Bentleyville, Duluth Fourth Fest, Rick Springfield, Trampled by Turtles, Pride Festival, All Pints North Brewfest, and the Le Festival des Montgolfier's Air Balloon Festival. AMSOIL Arena had its fifth successful year of operations, and is home to the University of Minnesota-Duluth's (UMD) hockey teams. Fans supported the National Collegiate Hockey Conference (NCHC) league of men's hockey and women in the Western Collegiate Hockey Conference (WCHA). The silver LEED certified Arena featured youth and high school hockey, medium Theresa Caputo, Little Big Town, University commencements, and the AAD Temple Shrine Circus to name a few. The DECC proudly continues to focus on sustainability efforts, and diverts 65% of their waste from the landfill through recycling, composting, and creating environmentally low-impact events.

The Duluth metro has more than 20,000 college and university students according to Minnesota's Department of Employment and Economic Development (DEED). The University of Minnesota, Duluth (UMD) and the College of St. Scholastica (CSS) are regularly ranked in the top tier of Midwestern universities by U.S. News and World Report's "America's Best Colleges" issue. UMD has a student population of 10,878, and provides 14 bachelor degrees in 86 majors and 72 minors as well as five certificates. In addition to the two-year program at the School of Medicine and a College of Pharmacy program, UMD offers graduate programs in 27 different fields, 15 minors, and five certificates; and UMD participates in two all-university PhD programs (one of which is located primarily on the UMD campus) and cooperates significantly in the delivery of a number of Twin Cities-based PhD programs. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools to Consider" and in 2014 was named by Money Magazine to the top third of all four-year colleges in the country, based on graduation rates, educational quality, affordability and alumni earnings. CSS has 6 academic schools, and offers degrees in more than 75 undergraduate majors and minors, 14 masters, and 2 doctoral programs, with a total enrollment of 3,877 students. Lake Superior College (LSC) is a two-year community and technical college, and is a member of the Minnesota State Colleges and Universities System (MnSCU), and has a student population of over 5,800. LSC offers more than 90 technical majors, programs for transfer, continuing education, and customized training for business and industry. 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 (15.1 percent of total General Fund expenditures and transfers) exceeds the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unassigned fund balance should fall within the following range of General Fund expenditures and transfers: 5% as a minimum, 7% as a moderate scenario, with 10% regarded as optimum.

RELEVANT FINANCIAL POLICIES

The City established a Community Investment Fund in 1994. The Fund is financed by the City's share of revenues generated from the operation of the Fond-du-Luth Casino administered by the Fond du Lac Band of Lake Superior Chippewa. Investment earnings from the Community Investment Fund are dedicated to the City's General Fund by charter provision. All other monies appropriated from the Fund must be approved by resolution by at least seven members of the nine-member City Council. As of December 31, 2015, the Community Investment Fund reported a fund balance of \$18.9 million.

In 2007, the City established an irrevocable trust to pre-fund the City's other postemployment benefit liability. Contributions totaling \$26.5 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$44.4 million at December 31, 2015. In November 2014, the City adopted a policy that established a funding framework for financing annual retiree healthcare costs through both annual appropriation and utilizing the irrevocable trust. Annual appropriation costs are capped at \$9 million. Annual retiree healthcare premium costs in excess of \$9 million will be paid from the irrevocable trust. For the year ended December 31, 2015, retiree health care premium costs did not exceed \$9 million. City pooled investment earnings were also dedicated as an additional funding source for future contributions to the irrevocable trust.

MAJOR INITIATIVES

The City partnered with Maurices (a division of Ascena Group, Inc.) to construct a new downtown corporate tower. The project consists of an 11-story business tower of approximately 200,000 square feet with attached parking structure and skywalk connection. This projected \$80 million development is the largest downtown private development of its kind in the history of Duluth and will retain more than 400 professional jobs and create an additional 150 jobs. The project broke ground in June 2014, and was completed in April 2016.

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

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

The Duluth Economic Development Authority (DEDA) has a memorandum of understanding with a developer to restore a historic theatre complex in Duluth's downtown waterfront district. The \$30 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 June 2016 and has a targeted completion date of December 2017.

The Duluth Transit Authority started construction of the \$30 million Duluth Transit Authority Multimodal Transportation Center in June 2014. The multimodal transportation center will provide an indoor passenger terminal area, including regional and intercity carriers. The multimodal transportation center is a major effort to resolve long-standing parking, sidewalk congestion, and bus passenger safety issues in the downtown area. On completion, the Center will provide parking for 300 vehicles. Existing skywalks are to be replaced, including the Northwest Passage which spans across I-35 connecting the Terminal to the Duluth Entertainment Convention Center. The Center opened in February 2016.

The City issued \$7,820,000 of general obligation bonds in February 2016 to partially finance a new aircraft completion center for Cirrus Design Corporation. Total project costs including equipping the new facility are expected to exceed \$15 million. When completed, the 67,972 square foot completion center will create an additional 150 jobs to the Cirrus manufacturing campus. Cirrus is currently in the final stages in the development of a personal jet airplane to augment its piston engine planes. Cirrus is a leader in the aviation industry and developed an airframe parachute system to set a new standard in aircraft safety. The new facility has a targeted completion date of December 2016.

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, 2014. This was the fortieth 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 2015. 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)
Chief Financial Officer

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

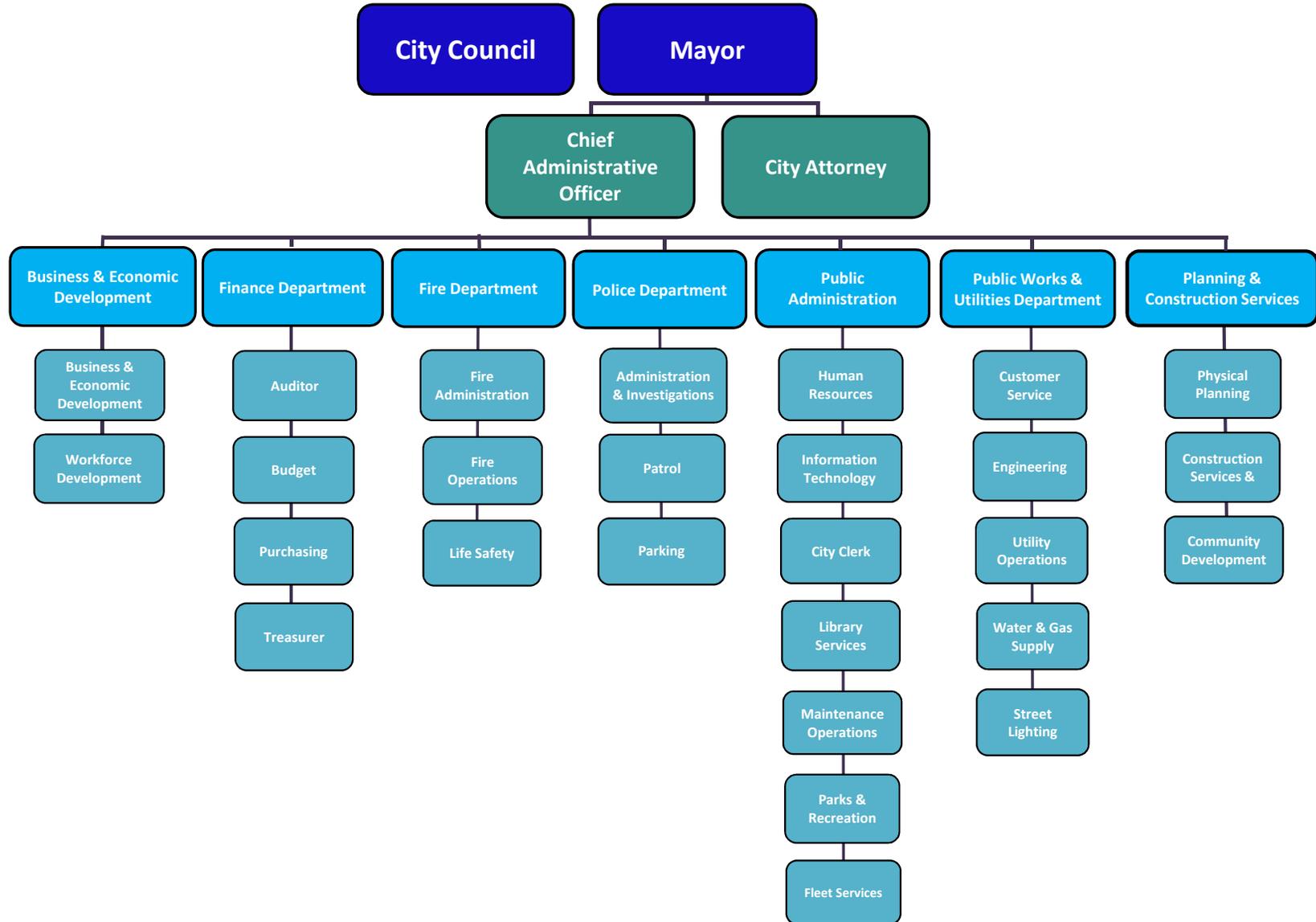
ELECTED POSITIONS	DISTRICT	TERM EXPIRES *
Mayor Don Ness		2016
City Council		
Zack Filipovich	At large	2018
Linda Krug	At large	2016
Emily Larson	At large	2016
Barb Russ	At large	2018
Jennifer Julsrud	1	2016
Joel Sipress	2	2018
Sharla Gardner	3	2016
Howie Hanson	4	2018
Jay Fosle	5	2016

*All terms expire in January

APPOINTED POSITIONS

Attorney	Gunnar Johnson
Chief Financial Officer	Wayne Parson
Chief Administrative Officer	David Montgomery
Interim Chief of Fire	Erik Simonson
Chief of Police	Gordon Ramsay
Clerk	Jeffrey Cox
Director of Business and Community Development	Heather Rand
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, 2014

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

Executive Director/CEO

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

The Honorable Emily Larson, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements and related notes of the Spirit Mountain Recreation Area Authority's activities are included as of and for the year ended April 30, 2015.

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 from 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, 2015, including the Spirit Mountain Recreation Area Authority as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change 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 as 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 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 reports dated May 17, 2016, on our consideration of the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Duluth's and the Duluth Economic Development Authority component unit's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 17, 2016

**Management's
Discussion and Analysis**

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015, 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, 2015, by \$408 million; this amount is identified as net position.
- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$70.2 million.
- Restricted fund balances were \$44.4 million of fund balance or 63.2%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$25.8 million, or 36.8%, 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, 2015, the trust reported net position totaling \$44.4 million.
- In 2015, the City implemented GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. The City's recorded pension liability was \$54.3 million as of December 31, 2015. This figure represents the City's proportionate share of the unfunded liability for the Minnesota Public Employee Retirement Association's pension plans in which it participates. The City continues to make all legally required contributions to the plans.
- As of December 31, 2015, the General Fund's unrestricted, unassigned fund balance was \$11.6 million, or 15.1% 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, liabilities, and deferred inflows, with the net difference between the four reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The Statement of Activities shows how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected taxes and vacation days that are earned, but not used.

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

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

**CITY OF DULUTH, MINNESOTA
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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.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City and are not included in the government-wide financial statements because their resources are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The Statement of Fiduciary Net Position and 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 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 (11.3%) 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, 2015**

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
	Current and other assets	\$ 128,368	\$ 130,560	\$ 43,294	\$ 51,187	\$ 171,662
Capital assets	294,178	292,387	275,019	251,281	569,197	543,668
Total assets	<u>\$ 422,546</u>	<u>\$ 422,947</u>	<u>\$ 318,313</u>	<u>\$ 302,468</u>	<u>\$ 740,859</u>	<u>\$ 725,415</u>
Deferred outflows of resources	<u>\$ 8,923</u>	<u>\$ 2,354</u>	<u>\$ 2,449</u>	<u>\$ 1,592</u>	<u>\$ 11,372</u>	<u>\$ 3,946</u>
Long-term liabilities outstanding	\$ 225,137	\$ 213,672	\$ 83,765	\$ 87,763	\$ 308,902	\$ 301,435
Other liabilities	14,058	17,143	13,083	12,152	27,141	29,295
Total liabilities	<u>\$ 239,195</u>	<u>\$ 230,815</u>	<u>\$ 96,848</u>	<u>\$ 99,915</u>	<u>\$ 336,043</u>	<u>\$ 330,730</u>
Deferred inflows of resources	<u>\$ 6,846</u>	<u>\$ -</u>	<u>\$ 1,388</u>	<u>\$ -</u>	<u>\$ 8,234</u>	<u>\$ -</u>
Net position:						
Net investment in capital assets	\$ 242,347	\$ 235,178	\$ 204,789	\$ 182,656	\$ 447,136	\$ 417,834
Restricted	43,143	46,064	2,894	2,881	46,037	48,945
Unrestricted	(100,062)	(86,756)	14,843	18,608	(85,219)	(68,148)
Total net position	<u>\$ 185,428</u>	<u>\$ 194,486</u>	<u>\$ 222,526</u>	<u>\$ 204,145</u>	<u>\$ 407,954</u>	<u>\$ 398,631</u>

Overall, the City's net position remained relatively unchanged in 2015. The City's total net position increased \$9.3 million, an increase of 2.3%. 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. The increase in net position related to capital assets was largely offset by a decrease to unrestricted net position of \$17.1 million. In 2015 the City recognized a loss of \$13.3 million related to casino shared revenue. In 2015 the United States District Court issued an order granting the Fond du Lac Band of Chippewa relief from the 2009 to 2011 period under contention. The City did not appeal the final order. In addition, in 2015 the City implemented GASB Statement Number 68 - Accounting and Financial Reporting for Pensions. The City now reports its proportionate share of any unfunded PERA pension liability and related expense. This liability increased almost half a million in 2015.

In governmental activities, the increase in total liabilities of \$8.4 million was largely due to the issue of debt to fund improvements in the St. Louis River Corridor. This debt will be funded with tourism related tax revenue. Total assets remained relatively unchanged with a decrease of \$0.4 million in 2015.

For business-type activities the decrease in total liabilities of \$3.1 million is largely due to the spend down of revenue related bonds and notes. Total assets increased due to utility infrastructure replacement projects.

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):

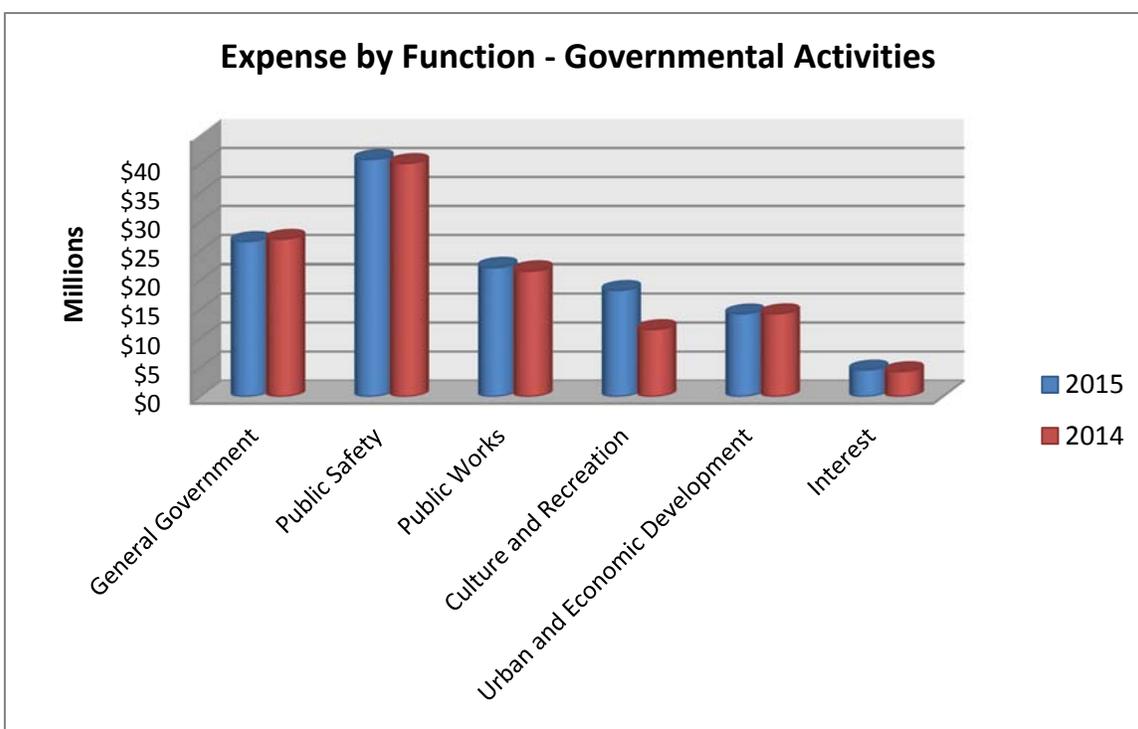
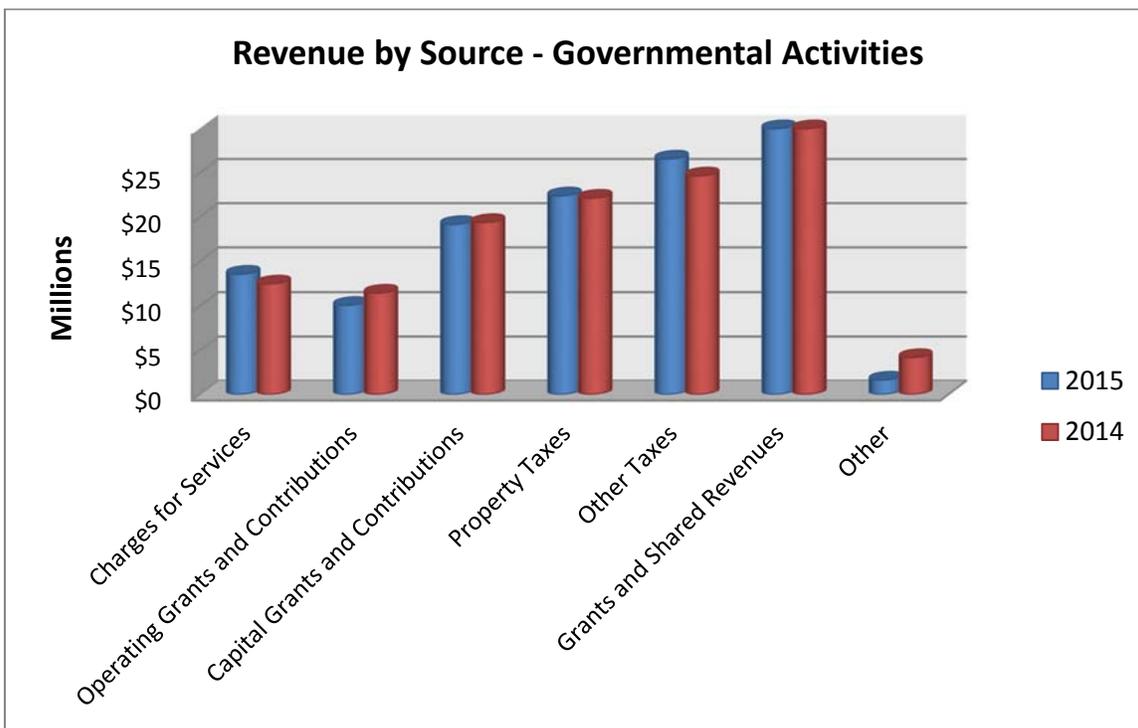
**CITY OF DULUTH, MINNESOTA
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	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 13,625	\$ 12,523	\$ 89,746	\$ 111,847	\$ 103,371	\$ 124,370
Operating grants and contributions	10,096	11,488	-	76	10,096	11,564
Capital grants and contributions	19,175	19,389	8,381	4,597	27,556	23,986
General Revenues:						
Property taxes	22,406	22,147	220	-	22,626	22,147
Other taxes	26,569	24,666	-	-	26,569	24,666
Grants and shared revenues not restricted to specific programs	31,232	30,995	49	49	31,281	31,044
Other	1,652	4,199	260	650	1,912	4,849
Total revenues	<u>124,755</u>	<u>125,407</u>	<u>98,656</u>	<u>117,219</u>	<u>223,411</u>	<u>242,626</u>
Expenses:						
General government	26,653	27,045	-	-	26,653	27,045
Public safety	40,798	40,105	-	-	40,798	40,105
Public works	22,230	21,622	-	-	22,230	21,622
Culture and recreation	18,320	11,585	-	-	18,320	11,585
Urban and economic development	14,265	14,294	-	-	14,265	14,294
Interest	4,619	4,339	-	-	4,619	4,339
Water	-	-	10,187	11,256	10,187	11,256
Gas	-	-	29,262	49,132	29,262	49,132
Sewer	-	-	16,284	16,963	16,284	16,963
Stormwater	-	-	3,765	3,702	3,765	3,702
Steam	-	-	7,667	7,254	7,667	7,254
Golf	-	-	2,309	2,021	2,309	2,021
Parking	-	-	2,550	2,701	2,550	2,701
Street lighting	-	-	1,914	1,911	1,914	1,911
Total expenses	<u>126,885</u>	<u>118,990</u>	<u>73,938</u>	<u>94,940</u>	<u>200,823</u>	<u>213,930</u>
Increase (decrease) in net position before transfers and extraordinary item	(2,130)	6,417	24,718	22,279	22,588	28,696
Extraordinary item: Loss on casino shared revenue litigation	(13,265)	-	-	-	(13,265)	-
Transfers	6,337	5,009	(6,337)	(5,009)	-	-
Increase in net position	<u>(9,058)</u>	<u>11,426</u>	<u>18,381</u>	<u>17,270</u>	<u>9,323</u>	<u>28,696</u>
Net position, January 1	235,315	223,889	214,317	197,047	449,632	420,936
Restatement - Note 1	<u>(40,829)</u>	<u>-</u>	<u>(10,172)</u>	<u>-</u>	<u>(51,001)</u>	<u>-</u>
Net position, January 1, restated	<u>194,486</u>	<u>223,889</u>	<u>204,145</u>	<u>197,047</u>	<u>398,631</u>	<u>420,936</u>
Net position, December 31	<u>\$ 185,428</u>	<u>\$ 235,315</u>	<u>\$ 222,526</u>	<u>\$ 214,317</u>	<u>\$ 407,954</u>	<u>\$ 449,632</u>

Governmental activities revenue decreased by \$0.7 million in 2015. This decrease is primarily due to decreased investment income earnings partially offset by the first full year of collection the Street Improvement Fee. The business-type activities revenue decrease of \$18.6 million was related to a decrease in the sale of natural gas associated with the 2015 heating season.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

Total expenses increased \$7.9 million for governmental activities. This increase is related to expenditures incurred on the Spirit Mountain Water Project and a large payment to the Duluth Airport Authority related to a bond issued on the Airport's behalf. Business-type activities expenses decreased \$21.0 million. This decrease is related to a decrease in the volume of natural gas that is resold to customers by the City's Gas Utility.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

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, 2015, the City's governmental funds reported combined ending fund balances of \$70.2 million, an increase of \$11.8 million from 2014. Of the total fund balance amount, \$25.9 million, or 36.8%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$19.9 million in committed funds which are formally designated by City Council resolution for specific purposes. The Community Investment Special Revenue fund makes up 95.4% of the committed fund balance. Restricted fund balance of \$44.4 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, 2015, fund balance of the General Fund was \$13.8 million, with \$11.6 million, or 83.8% 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 15.1% and total fund balance is 18.0% of total General Fund expenditures.

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 \$4.1 million is being reported due to the revenue recognition criteria not being met. The City's policy requires revenues to be received within forty-five days of year end to be recognized as revenues in the current period.

The Spirit Mountain Capital Improvement Fund accounts for the construction of a new water system for snow generation at the Spirit Mountain Recreation Area. The fund reports deferred inflows of resources totaling \$3.4 million related to state bonding funds that were not received within the City's revenue recognition 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	
	2015	2014	2015	2014
	Parking West Superior Street Parking Facility	\$ 3,185	\$ 3,657	\$ 996
Water	(603)	1,466	4,071	2,959
Gas	6,125	11,757	2,180	6,334
Sewer	413	3,658	6,266	3,080

**CITY OF DULUTH, MINNESOTA
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DECEMBER 31, 2015**

There were no major operational changes or rate increases in 2015. Gas Fund revenues decreased significantly due to a decrease in the cost of natural gas that is passed on to customers. Also, there was a significant decrease in the volume of natural gas sold in the 2014-2015 heating season compared to the extreme winter conditions of the 2013-2014 season. Unrestricted net position decreased across the board due to the recognition of a pension liability in accordance with GASB Statement No. 68. Construction of the new West Superior Street Parking Facility was significantly completed as of year-end 2015. This project is part of a new downtown corporate tower project with Maurices (a division of Ascena Group, Inc.) expected to be completed in 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$0.9 million appropriation increase for prior year carryovers.
- \$0.5 million appropriation for grants, gifts and donations.
- \$0.2 million appropriation for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$1.2 million. This favorable variance was due to higher than anticipated sales tax revenue, construction related inspection services fees, and Minnesota Police and Fire State Aid.
- Expenditures and transfers were under budget by \$2.2 million due primarily to savings in retiree health insurance costs and employee benefit costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, was \$569.2 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2015, the City's total investment in capital assets, net of accumulated depreciation, increased by \$25.5 million. Major capital assets additions in 2015 included: trail construction - \$1.3 million; street and bridge improvements - \$11.5 million; and utility related infrastructure improvements of \$13.2 million. Additional information related to the City's capital assets can be found in Note 7 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Capital Assets:				
Land and improvements	\$ 22,468	\$ 22,161	\$ 4,628	\$ 4,628
Buildings	39,442	42,252	34,004	35,099
Equipment	10,373	11,495	17,962	16,652
Infrastructure	192,485	189,150	178,989	169,037
Construction in progress	29,410	27,329	39,436	25,865
Total	<u>\$ 294,178</u>	<u>\$ 292,387</u>	<u>\$ 275,019</u>	<u>\$ 251,281</u>

LONG-TERM DEBT

The City had \$172.2 million of bonded debt outstanding as of December 31, 2015. Of this amount, \$116.3 million is debt backed by the full faith and credit of the City. \$13.1 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 \$42.8 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance 12/31/15	Balance 12/31/14
Governmental Activities:		
General Obligation Bonds	\$ 97,340	\$ 82,936
General Obligation Tax Abatement Bonds	6,350	6,705
Special Assessment Debt with Government Commitment	13,080	16,814
General Obligation Certificates	12,670	12,340
Total Governmental Activities Bonded Debt	<u>\$ 129,440</u>	<u>\$ 118,795</u>
Business-type Activities:		
Revenue and General Obligation Bonds	<u>\$ 42,760</u>	<u>\$ 44,343</u>

During 2015, the City's total bonded debt increased by \$9.1 million.

In 2015, the City issued \$18.0 million of general obligation bonds, \$2.6 million of street improvement refunding bonds, and \$3.3 million of general obligation certificates. The City also issued \$6.8 million in utility general obligation bonds of which \$2.8 million were refunding bonds. The City has an "Aa2" rating from Moody's Investors Service and an "AA" rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the City can incur to no more than 2% of the market value of taxable property in the City. The City's current legal debt margin is \$114.5 million, which is significantly higher than the City's net debt of \$39.0 million. Additional information about the City's long-term debt can be found in Note 12 of the notes to the financial statements.

**CITY OF DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The final approved 2016 General Fund budget is \$80.0 million. State local government aid (LGA) payments are anticipated to supply 36.6% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

After nearly a decade of uncertainty in the State of Minnesota's Local Government Aid program, the 2013 State Legislature adopted reforms which will benefit Duluth and other cities by increasing the funding for LGA by \$80 million and revising the formula used to determine who gets aid and how much. The "need" factor will be three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variations in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The new formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Duluth, these changes increased LGA by \$1.9 million in 2016 to \$29.3 million compared to the \$27.4 million received in 2011, 2012 and 2013. In 2014 and 2015 the LGA revenue was \$29.0 and \$29.2 million respectively.

In 2015, 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 2015 was \$9.6 million. For the year ended December 31, 2015, the City made contributions of \$0.6 million to an irrevocable trust and paid an additional \$10.0 million of retiree claims resulting in an decrease of \$1.0 million in the City's net other postemployment benefits liability. As of December 31, 2015, the City's net other postemployment benefits liability is \$40.6 million.

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

**CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 58,318,703	\$ 16,011,849	\$ 74,330,552	\$ 17,873,373
Investments, at fair value	18,954,798	-	18,954,798	-
Assets held by trustee	9,085,740	-	9,085,740	-
Receivables, net	29,346,800	9,495,095	38,841,895	3,587,669
Due from primary government	-	-	-	1,159,061
Internal balances	(2,254,187)	2,254,187	-	-
Due from component units	2,303,298	-	2,303,298	-
Due from other governments	12,266,859	1,027,399	13,294,258	5,477,202
Inventories	295,879	2,646,040	2,941,919	446,364
Prepays	50,000	2,689,783	2,739,783	215,282
Restricted assets:				
Cash and cash equivalents	-	6,954,373	6,954,373	666,818
Accounts receivable	-	-	-	62,526
Loans receivable	-	2,214,404	2,214,404	-
Grants receivable	-	-	-	4,138,799
Assets held by trustee	-	-	-	10,096
Planning and development costs	-	-	-	1,578,052
Capital assets (Note 7):				
Non-depreciable	51,877,732	44,064,729	95,942,461	14,309,645
Depreciable, net	242,300,116	230,954,631	473,254,747	265,594,637
Total Assets	<u>422,545,738</u>	<u>318,312,490</u>	<u>740,858,228</u>	<u>315,119,524</u>
Deferred Outflows of Resources				
Deferred pension obligation outflows	8,923,416	1,462,201	10,385,617	851,962
Deferred loss from debt refunding	-	987,102	987,102	-
Total Deferred Outflows of Resources	<u>8,923,416</u>	<u>2,449,303</u>	<u>11,372,719</u>	<u>851,962</u>
Liabilities				
Accounts payable and other short-term liabilities	7,640,753	10,084,640	17,725,393	8,810,065
Accrued interest payable	1,888,516	460,019	2,348,535	6,451
Due to component units	887,846	22,493	910,339	-
Due to primary government	-	-	-	1,974,809
Due to other government	870,269	1,000,170	1,870,439	18,662
Unearned revenues	2,770,442	1,516,171	4,286,613	1,203,918
Noncurrent liabilities (Note 12):				
Due within one year	14,140,861	7,959,803	22,100,664	2,162,965
Due in more than one year	210,996,410	75,804,924	286,801,334	21,011,093
Total Liabilities	<u>239,195,097</u>	<u>96,848,220</u>	<u>336,043,317</u>	<u>35,187,963</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	<u>6,845,882</u>	<u>1,387,932</u>	<u>8,233,814</u>	<u>626,551</u>
Net Position				
Net investment in capital assets	242,346,774	204,789,234	447,136,008	265,930,172
Restricted for:				
General government	7,470,771	-	7,470,771	-
Public safety	204,788	-	204,788	-
Public works	-	1,772,553	1,772,553	-
Culture and recreation	2,238,990	-	2,238,990	-
Urban and economic development	5,841,496	-	5,841,496	-
Debt service	22,587,013	205,317	22,792,330	10,096
Capital outlay	4,800,581	915,099	5,715,680	10,579,216
Unrestricted	(100,062,238)	14,843,438	(85,218,800)	3,637,488
Total Net Position	<u>\$ 185,428,175</u>	<u>\$ 222,525,641</u>	<u>\$ 407,953,816</u>	<u>\$ 280,156,972</u>

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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 26,652,865	\$ 4,854,823	\$ 9,178	\$ 106,580
Public safety	40,798,398	1,562,794	2,123,488	499,028
Public works	22,230,628	2,801,089	1,862,304	10,140,624
Culture and recreation	18,319,587	1,310,840	385,481	6,946,598
Urban and economic development	14,265,141	3,095,554	5,715,995	1,482,150
Interest	4,619,216	-	-	-
Total Governmental Activities	126,885,835	13,625,100	10,096,446	19,174,980
Business-type activities:				
Water	10,187,477	14,426,316	-	161,465
Gas	29,262,281	35,495,409	-	57,399
Sewer	16,284,112	19,973,712	-	2,623,766
Stormwater	3,764,611	4,754,516	-	-
Steam	7,666,582	6,725,164	-	-
Golf	2,309,016	1,931,016	-	-
Parking	2,550,028	4,516,797	-	385,112
West superior street parking facility	-	-	-	5,153,236
Street lighting	1,914,331	1,922,930	-	-
Total Business-type Activities	73,938,438	89,745,860	-	8,380,978
Total Primary Government	\$ 200,824,273	\$ 103,370,960	\$ 10,096,446	\$ 27,555,958
Component units :				
Duluth Economic Development Authority	\$ 6,403,339	\$ 1,177,705	\$ 2,291,238	\$ 14,652
Duluth Entertainment and Convention Center Authority	14,352,099	8,978,443	-	-
Duluth Airport Authority	13,680,400	5,320,558	-	1,979,486
Duluth Transit Authority	18,942,424	2,814,672	7,271,225	20,760,975
Spirit Mountain Recreation Area Authority	5,594,653	4,719,752	-	1,472,976
Total Component Units	\$ 58,972,915	\$ 23,011,130	\$ 9,562,463	\$ 24,228,089

(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, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Primary Government:				
Governmental activities:				
General government	\$ (21,682,284)	\$ -	\$ (21,682,284)	\$ -
Public safety	(36,613,088)	-	(36,613,088)	-
Public works	(7,426,611)	-	(7,426,611)	-
Culture and recreation	(9,676,668)	-	(9,676,668)	-
Urban and economic development	(3,971,442)	-	(3,971,442)	-
Interest	(4,619,216)	-	(4,619,216)	-
Total Governmental Activities	<u>(83,989,309)</u>	<u>-</u>	<u>(83,989,309)</u>	<u>-</u>
Business-type activities:				
Water	-	4,400,304	4,400,304	-
Gas	-	6,290,527	6,290,527	-
Sewer	-	6,313,366	6,313,366	-
Stormwater	-	989,905	989,905	-
Steam	-	(941,418)	(941,418)	-
Golf	-	(378,000)	(378,000)	-
Parking	-	2,351,881	2,351,881	-
West Superior Street Parking Facility	-	5,153,236	5,153,236	-
Street lighting	-	8,599	8,599	-
Total Business-type Activities	<u>-</u>	<u>24,188,400</u>	<u>24,188,400</u>	<u>-</u>
Total Primary Government	<u>(83,989,309)</u>	<u>24,188,400</u>	<u>(59,800,909)</u>	<u>-</u>
Component units :				
Duluth Economic Development Authority	-	-	-	(2,919,744)
Duluth Entertainment and Convention Center Authority	-	-	-	(5,373,656)
Duluth Airport Authority	-	-	-	(6,380,356)
Duluth Transit Authority	-	-	-	11,904,448
Spirit Mountain Recreation Area Authority	-	-	-	598,075
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,171,233)</u>
General Revenues:				
Property taxes	22,405,560	220,293	22,625,853	3,340,331
Sales taxes	24,305,293	-	24,305,293	1,541,974
Franchise taxes	2,008,194	-	2,008,194	-
Other taxes	255,491	-	255,491	-
Grants and shared revenues not restricted to specific programs	31,232,887	48,566	31,281,453	4,680,050
Investment income	328,502	124,243	452,745	132,937
Gain on sale or disposition of capital assets	-	79,246	79,246	36,561
Miscellaneous	1,323,545	56,606	1,380,151	1,679,957
Extraordinary item: Loss on casino shared revenue litigation	(13,264,958)	-	(13,264,958)	-
Transfers	6,336,860	(6,336,860)	-	-
Total General Revenues and Transfers	<u>74,931,374</u>	<u>(5,807,906)</u>	<u>69,123,468</u>	<u>11,411,810</u>
Change in Net Position	(9,057,935)	18,380,494	9,322,559	9,240,577
Net Position - Beginning, as restated (Note 1)	194,486,110	204,145,147	398,631,257	270,916,395
Net Position - Ending	<u>\$ 185,428,175</u>	<u>\$ 222,525,641</u>	<u>\$ 407,953,816</u>	<u>\$ 280,156,972</u>

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

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Disaster Recovery</u>	<u>Spirit Mountain Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 4,827,256	\$ -	\$ -	\$ 46,623,054	\$ 51,450,310
Investments, at fair value	-	-	-	18,954,798	18,954,798
Receivables, net					
Taxes	3,538,093	-	-	1,304,866	4,842,959
Accounts	517,008	-	-	297,176	814,184
Assessments	1,023,335	-	-	4,914,649	5,937,984
Loans	1,748,495	-	-	4,531,550	6,280,045
Due from other funds	175,854	-	-	1,011,971	1,187,825
Due from component units	1,201,783	-	453,403	645,850	2,301,036
Interfund loan receivables	7,182,676	-	-	-	7,182,676
Due from other governments	817,682	4,211,320	3,400,000	3,837,857	12,266,859
Total Assets	<u>\$ 21,032,182</u>	<u>\$ 4,211,320</u>	<u>\$ 3,853,403</u>	<u>\$ 82,121,771</u>	<u>\$ 111,218,676</u>
Liabilities					
Accounts payable	\$ 1,806,660	\$ 7,525	\$ -	\$ 540,637	\$ 2,354,822
Contracts payable	184,565	728,045	-	3,160,580	4,073,190
Due to other funds	405,613	112,954	-	800,536	1,319,103
Due to component units	10,860	-	311,359	565,627	887,846
Interfund loan payable	-	611,436	3,908,781	686,023	5,206,240
Due to other governments	66,332	1,162	-	788,283	855,777
Accrued salaries payable	1,047,104	-	-	12,223	1,059,327
Unearned revenue	189,979	2,198,401	-	382,062	2,770,442
Total Liabilities	<u>3,711,113</u>	<u>3,659,523</u>	<u>4,220,140</u>	<u>6,935,971</u>	<u>18,526,747</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>3,447,307</u>	<u>4,119,033</u>	<u>3,400,000</u>	<u>11,502,494</u>	<u>22,468,834</u>
Fund Balances					
Restricted	95,801	-	-	44,269,018	44,364,819
Committed	21,781	-	-	19,846,164	19,867,945
Assigned	2,132,059	-	-	389,344	2,521,403
Unassigned	11,624,121	(3,567,236)	(3,766,737)	(821,220)	3,468,928
Total Fund Balances	<u>13,873,762</u>	<u>(3,567,236)</u>	<u>(3,766,737)</u>	<u>63,683,306</u>	<u>70,223,095</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,032,182</u>	<u>\$ 4,211,320</u>	<u>\$ 3,853,403</u>	<u>\$ 82,121,771</u>	<u>\$ 111,218,676</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, 2015**

Fund Balance--total governmental funds		\$ 70,223,095
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. The cost of the assets is \$483,436,653, and the accumulated depreciation is \$189,604,019.		293,832,634
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.		35,985,921
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 \$10,372,841 less \$4,240,704 attributed to business-type activities.		6,132,137
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	134,084,847	
Other post employment benefits	41,689,022	
Pension liability	42,972,960	
Capital lease	110,267	
Interest accrued on long-term debt	1,888,516	
	<u>134,084,847</u>	<u>(220,745,612)</u>
Net position of governmental activities		<u>\$ 185,428,175</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, 2015

	General	Disaster Recovery	Spirit Mountain Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property taxes	\$ 13,094,348	\$ -	\$ -	\$ 9,454,761	\$ 22,549,109
Sales taxes	13,659,806	-	-	10,645,487	24,305,293
Other taxes	2,255,546	-	-	8,139	2,263,685
Licenses and permits	1,686,050	-	-	97,691	1,783,741
Intergovernmental revenues	33,508,792	6,776,760	-	15,655,862	55,941,414
Charges for services	5,593,063	-	-	3,696,618	9,289,681
Fines and forfeits	578,166	-	-	73,867	652,033
Special assessments	457,287	-	-	1,526,489	1,983,776
Investment income	978	-	11,047	218,667	230,692
Miscellaneous revenues	769,226	154,129	726,640	3,676,760	5,326,755
Total Revenues	<u>71,603,262</u>	<u>6,930,889</u>	<u>737,687</u>	<u>45,054,341</u>	<u>124,326,179</u>
Expenditures					
Current					
General government	22,584,020	-	-	1,420,425	24,004,445
Public safety	35,747,208	464	-	1,403,069	37,150,741
Public works	11,396,693	150,943	-	2,840,721	14,388,357
Culture and recreation	4,199,106	987,861	6,437,930	4,329,546	15,954,443
Urban and economic development	2,990,245	4,139	-	13,912,273	16,906,657
Debt service					
Principal retirement	-	-	-	10,501,000	10,501,000
Interest and fiscal fees	-	-	-	4,577,976	4,577,976
Bond issuance costs	-	-	-	361,424	361,424
Capital outlay					
Capital outlay	-	5,311,694	-	11,650,947	16,962,641
Total Expenditures	<u>76,917,272</u>	<u>6,455,101</u>	<u>6,437,930</u>	<u>50,997,381</u>	<u>140,807,684</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,314,010)</u>	<u>475,788</u>	<u>(5,700,243)</u>	<u>(5,943,040)</u>	<u>(16,481,505)</u>
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	21,315,000	21,315,000
Proceeds from refundings	-	-	-	2,630,000	2,630,000
Premium on issuance of bonds	-	-	-	799,031	799,031
Payment to refunded bond escrow agent	-	-	-	(2,845,900)	(2,845,900)
Transfers in	7,876,783	-	-	11,259,462	19,136,245
Transfers out	(6,573)	(169,472)	-	(12,623,340)	(12,799,385)
Total Other Financing Sources (Uses)	<u>7,870,210</u>	<u>(169,472)</u>	<u>-</u>	<u>20,534,253</u>	<u>28,234,991</u>
Net Change in Fund Balances	2,556,200	306,316	(5,700,243)	14,591,213	11,753,486
Fund Balances - January 1, 2015	11,317,562	(3,873,552)	1,933,506	49,092,093	58,469,609
Fund Balances - December 31, 2015	<u>\$ 13,873,762</u>	<u>\$ (3,567,236)</u>	<u>\$ (3,766,737)</u>	<u>\$ 63,683,306</u>	<u>\$ 70,223,095</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, 2015**

Net change in fund balances - total governmental funds \$ 11,753,486

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	16,426,624	
Depreciation expense	<u>(14,736,028)</u>	
Excess of capital outlay over depreciation expense		1,690,596

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$143,907 from internal funds less \$333,632 attributed to business-type activities is reported with governmental activities. (189,725)

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: (24,744,031)

Bonds issued, including a bond premium of \$799,031.

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: 13,356,000

Bond principal retirement

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues decreased by this amount this year. (12,655,740)

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	3,309	
Increase in net other post employment benefits payable	(107,959)	
Increase in pension obligation	(921,087)	
Decrease in accounts payable	305,096	
Increase in loans receivable	2,144,345	
Amortization of bond premiums	<u>307,775</u>	
Total additional expenditures		<u>1,731,479</u>

Change in net position of governmental activities \$ (9,057,935)

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, 2015

	Budgeted Amounts		Actual Amounts	Actual to
	Original	Final	(Budgetary Basis)	Modified Budget
			(Note 2)	Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 28,410,500	\$ 28,410,500	\$ 29,009,700	\$ 599,200
Licenses and permits	1,576,400	1,576,400	1,686,050	109,650
Intergovernmental revenues	32,892,400	33,097,636	33,508,792	411,156
Charges for services	5,529,000	5,529,000	5,593,063	64,063
Fines and forfeits	539,600	539,600	578,166	38,566
Special assessments	402,700	457,360	457,287	(73)
Investment income	-	-	978	978
Miscellaneous revenues	544,300	750,194	769,226	19,032
Total revenues	<u>69,894,900</u>	<u>70,360,690</u>	<u>71,603,262</u>	<u>1,242,572</u>
Expenditures				
Current:				
General government	24,461,300	24,244,345	22,627,814	1,616,531
Public safety	34,459,500	35,803,111	35,768,708	34,403
Public works	11,589,300	11,769,300	11,396,693	372,607
Culture and recreation	4,160,100	4,207,102	4,199,106	7,996
Urban and economic development	2,997,800	3,277,373	3,057,010	220,363
Total expenditures	<u>77,668,000</u>	<u>79,301,231</u>	<u>77,049,331</u>	<u>2,251,900</u>
Excess (deficiency) of revenues over expenditures	<u>(7,773,100)</u>	<u>(8,940,541)</u>	<u>(5,446,069)</u>	<u>3,494,472</u>
Other Financing Sources (Uses)				
Transfers in	7,773,100	7,962,580	7,876,783	(85,797)
Transfers out	-	-	(6,573)	(6,573)
Total other financing sources (uses)	<u>7,773,100</u>	<u>7,962,580</u>	<u>7,870,210</u>	<u>(92,370)</u>
Net change in fund balance - budgetary basis	-	(977,961)	2,424,141	3,402,102
Net adjustments to reflect operations in accordance with generally accepted accounting principles	-	-	132,059	132,059
Net change in fund balance - GAAP basis	-	(977,961)	2,556,200	<u>\$ 3,534,161</u>
Fund balance - January 1, 2015	<u>11,317,562</u>	<u>11,317,562</u>	<u>11,317,562</u>	
Fund balance - December 31, 2015	<u>\$ 11,317,562</u>	<u>\$ 10,339,601</u>	<u>\$ 13,873,762</u>	

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER, 31, 2015

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Assets				
Current assets				
Cash and cash equivalents	\$ 4,117,237	\$ -	\$ 483,951	\$ 5,290,497
Restricted cash and cash equivalents				
Customer deposits	-	-	89,466	2,109,072
Construction	-	1,620,542	-	-
Loans	-	-	-	766,364
Restricted assets held by trustee	-	-	-	-
Receivables, net				
Accounts	129,996	46	1,352,486	3,936,502
Restricted loans	-	-	-	587,783
Assessments	-	-	159,872	10,334
Due from other funds	-	-	115,828	29,794
Due from component units	-	-	-	-
Due from other governments	-	915,100	31,969	80
Inventories	-	-	1,102,069	973,851
Prepays	-	-	200,678	2,268,651
Total current assets	<u>4,247,233</u>	<u>2,535,688</u>	<u>3,536,319</u>	<u>15,972,928</u>
Noncurrent assets				
Assessments receivable	-	-	3,924	-
Restricted loans receivable	-	-	-	1,601,832
Capital assets, net	20,490,232	20,625,724	59,007,125	50,695,299
Total noncurrent assets	<u>20,490,232</u>	<u>20,625,724</u>	<u>59,011,049</u>	<u>52,297,131</u>
Total Assets	<u>24,737,465</u>	<u>23,161,412</u>	<u>62,547,368</u>	<u>68,270,059</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	521,965	-	17,161	55,076
Deferred pension obligation outflows	41,013	-	422,134	519,688
Total Deferred Outflows of Resources	<u>562,978</u>	<u>-</u>	<u>439,295</u>	<u>574,764</u>
Liabilities				
Current liabilities				
Accounts payable	258,033	1,000	186,638	1,647,118
Contracts payable	11,194	2,502,662	365,632	426,884
Claims payable	-	-	-	-
Notes payable	-	-	1,057,139	-
Leases payable	-	-	219,657	201,352
Due to other funds	388,235	-	17,891	36,379
Interfund loan payable	-	-	-	-
Due to other governments	-	-	136,333	69,925
Due to component units	-	-	-	22,493
Accrued interest payable	79,271	-	89,770	71,156
Accrued salaries payable	5,612	-	63,323	77,863
Compensated absences	16,639	-	223,158	319,641
Unearned revenue	8,370	-	61,801	1,217,603
Deposits	-	-	10,000	2,109,072
Revenue bonds payable	780,000	-	388,095	869,955
Total current liabilities	<u>1,547,354</u>	<u>2,503,662</u>	<u>2,819,437</u>	<u>7,069,441</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, 2015**

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Noncurrent liabilities				
Notes payable	-	-	8,717,918	-
Loans payable	-	-	-	-
Claims payable	-	-	-	-
Interfund loan payable	-	-	-	-
Compensated absences	4,700	-	-	-
Leases payable	-	-	1,938,717	1,777,157
Pension liability	292,445	-	3,009,997	3,705,569
Revenue bonds payable	8,578,164	12,150,044	1,170,652	2,001,544
Total noncurrent liabilities	8,875,309	12,150,044	14,837,284	7,484,270
Total Liabilities	10,422,663	14,653,706	17,656,721	14,553,711
Deferred Inflows of Resources				
Deferred pension obligation inflows	38,930	-	400,698	493,291
Net Position				
Net investment in capital assets	11,654,033	7,592,607	45,532,108	45,900,367
Restricted for health insurance trust	-	-	-	-
Restricted for special accounts	-	-	-	-
Restricted for loans	-	-	-	1,772,553
Restricted for capital outlay	-	915,099	-	-
Unrestricted	3,184,817	-	(602,864)	6,124,901
Total Net Position	\$ 14,838,850	\$ 8,507,706	\$ 44,929,244	\$ 53,797,821

(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, 2015**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,071,576	\$ 4,048,588	\$ 16,011,849	\$ 6,868,393
Restricted cash and cash equivalents				
Customer deposits	-	-	2,198,538	-
Construction	205,317	2,163,612	3,989,471	-
Loans	-	-	766,364	-
Restricted assets held by trustee	-	-	-	9,085,740
Receivables, net				
Accounts	2,004,515	1,571,564	8,995,109	25,884
Restricted loans	-	-	587,783	-
Assessments	290,160	27,897	488,263	-
Due from other funds	37,319	141,958	324,899	304,636
Due from component units	-	-	-	2,262
Due from other governments	60,242	20,008	1,027,399	-
Inventories	63,551	506,569	2,646,040	295,879
Prepays	193,816	26,638	2,689,783	50,000
Total current assets	<u>4,926,496</u>	<u>8,506,834</u>	<u>39,725,498</u>	<u>16,632,794</u>
Noncurrent assets				
Assessments receivable	7,639	160	11,723	-
Restricted loans receivable	-	24,789	1,626,621	-
Capital assets, net	95,448,047	28,752,933	275,019,360	345,214
Total noncurrent assets	<u>95,455,686</u>	<u>28,777,882</u>	<u>276,657,704</u>	<u>345,214</u>
Total Assets	<u>100,382,182</u>	<u>37,284,716</u>	<u>316,383,202</u>	<u>16,978,008</u>
Deferred Outflows of Resources				
Deferred loss from debt refunding	178,340	214,560	987,102	-
Deferred pension obligation outflows	253,240	226,126	1,462,201	121,934
Total Deferred Outflows of Resources	<u>431,580</u>	<u>440,686</u>	<u>2,449,303</u>	<u>121,934</u>
Liabilities				
Current liabilities				
Accounts payable	41,669	495,594	2,630,052	135,800
Contracts payable	1,263,483	541,067	5,110,922	-
Claims payable	-	-	-	1,650,269
Notes payable	1,501,298	-	2,558,437	-
Leases payable	189,149	-	610,158	-
Due to other funds	8,890	15,986	467,381	30,876
Interfund loan payable	-	294,035	294,035	132,401
Due to other governments	771,219	22,693	1,000,170	14,492
Due to component units	-	-	22,493	-
Accrued interest payable	167,325	52,497	460,019	-
Accrued salaries payable	38,841	38,955	224,594	17,614
Compensated absences	143,508	128,262	831,208	2,919,600
Unearned revenue	88,070	140,327	1,516,171	-
Deposits	-	-	2,119,072	-
Revenue bonds payable	1,177,256	744,694	3,960,000	-
Total current liabilities	<u>5,390,708</u>	<u>2,474,110</u>	<u>21,804,712</u>	<u>4,901,052</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, 2015**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Noncurrent liabilities				
Notes payable	11,757,457	-	20,475,375	-
Loans payable	-	212,497	212,497	-
Claims payable	-	-	-	787,845
Interfund loan payable	-	1,550,000	1,550,000	-
Compensated absences	-	4,985	9,685	53,029
Leases payable	1,669,450	-	5,385,324	-
Pension liability	1,805,691	1,612,365	10,426,067	869,432
Revenue bonds payable	6,628,319	8,767,253	39,295,976	-
Total noncurrent liabilities	<u>21,860,917</u>	<u>12,147,100</u>	<u>77,354,924</u>	<u>1,710,306</u>
Total Liabilities	<u>27,251,625</u>	<u>14,621,210</u>	<u>99,159,636</u>	<u>6,611,358</u>
Deferred Inflows of Resources				
Deferred pension obligation inflows	<u>240,374</u>	<u>214,639</u>	<u>1,387,932</u>	<u>115,743</u>
Net Position				
Net investment in capital assets	72,703,458	21,406,661	204,789,234	345,214
Restricted for health insurance trust	-	-	-	7,644,660
Restricted for special accounts	205,317	-	205,317	-
Restricted for loans	-	-	1,772,553	-
Restricted for capital outlay	-	-	915,099	-
Unrestricted	412,988	1,482,892	10,602,734	2,382,967
Total Net Position	<u>\$ 73,321,763</u>	<u>\$ 22,889,553</u>	<u>\$ 218,284,937</u>	<u>\$ 10,372,841</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.

Net position of business-type activities	<u>4,240,704</u>
	<u>\$ 222,525,641</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, 2015

Business-type Activities - Enterprise Funds

	Parking	West Superior Street Parking Facility	Water	Gas
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 34,080,385
Charges for services	3,141,238	-	14,275,924	780,174
Fines and forfeits	1,226,925	-	-	-
Miscellaneous revenues	148,751	-	159,488	742,560
Total Operating Revenues	4,516,914	-	14,435,412	35,603,119
Operating Expenses				
Cost of sales and services	-	-	-	18,713,748
Personal services	500,824	-	4,868,216	5,928,089
Supplies	26,634	-	1,152,443	1,102,757
Utilities	153,948	-	1,246,704	41,091
Other services and charges	1,113,296	-	1,260,889	1,922,846
Depreciation	511,552	-	1,709,522	1,374,853
Medical and insurance	-	-	-	-
Total Operating Expenses	2,306,254	-	10,237,774	29,083,384
Operating Income (Loss)	2,210,660	-	4,197,638	6,519,735
Nonoperating Revenues (Expenses)				
Property taxes	-	-	-	-
Investment income	(3,603)	6,549	4,640	(18,968)
Intergovernmental revenue	-	-	16,919	23,365
Gain (loss) on sale or disposition of capital assets	-	-	14,847	26,680
Interest and fiscal fees	(243,774)	-	(269,225)	(179,433)
Total Nonoperating Revenues (Expenses)	(247,377)	6,549	(232,819)	(148,356)
Income (Loss) Before Contributions and Transfers	1,963,283	6,549	3,964,819	6,371,379
Capital contributions	385,112	5,153,236	161,465	57,399
Transfers in	-	-	118,857	31,980
Transfers out	(1,352,700)	-	(174,513)	(4,281,175)
Change in Net Position	995,695	5,159,785	4,070,628	2,179,583
Total Net Position - January 1, 2015, as restated (Note 1)	13,843,155	3,347,921	40,858,616	51,618,238
Total Net Position - December 31, 2015	\$ 14,838,850	\$ 8,507,706	\$ 44,929,244	\$ 53,797,821

(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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues				
Sales	\$ -	\$ 474,867	\$ 34,555,252	\$ 1,873,453
Charges for services	19,761,770	14,601,653	52,560,759	19,163,473
Fines and forfeits	-	-	1,226,925	-
Miscellaneous revenues	223,696	318,775	1,593,270	474,689
Total Operating Revenues	19,985,466	15,395,295	89,936,206	21,511,615
Operating Expenses				
Cost of sales and services	-	238,138	18,951,886	1,730,571
Personal services	3,043,334	2,734,057	17,074,520	4,741,267
Supplies	276,972	3,190,791	5,749,597	55,001
Utilities	107,214	1,176,884	2,725,841	29,474
Other services and charges	10,425,449	5,943,993	20,666,473	2,822,953
Depreciation	1,886,925	2,013,984	7,496,836	49,066
Medical and insurance	-	-	-	11,989,092
Total Operating Expenses	15,739,894	15,297,847	72,665,153	21,417,424
Operating Income (Loss)	4,245,572	97,448	17,271,053	94,191
Nonoperating Revenues (Expenses)				
Property taxes	-	220,293	220,293	-
Investment income	1,311	572	(9,499)	43,880
Intergovernmental revenue	8,283	-	48,567	5,836
Gain (loss) on sale or disposition of capital assets	31,977	(111,913)	(38,409)	-
Interest and fiscal fees	(543,392)	(251,309)	(1,487,133)	-
Total Nonoperating Revenues (Expenses)	(501,821)	(142,357)	(1,266,181)	49,716
Income (Loss) Before Contributions and Transfers	3,743,751	(44,909)	16,004,872	143,907
Capital contributions	2,623,767	(2,129)	8,378,850	-
Transfers in	18,860	120,963	290,660	-
Transfers out	(120,445)	(698,687)	(6,627,520)	-
Change in Net Position	6,265,933	(624,762)	18,046,862	143,907
Total Net Position - January 1, 2015, as restated (Note 1)	67,055,830	23,514,315	200,238,075	10,228,934
Total Net Position - December 31, 2015	\$ 73,321,763	\$ 22,889,553	\$ 218,284,937	\$ 10,372,841

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

Change in net position	\$ 18,046,862
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	333,632
Change in net position of business-type activities	\$ 18,380,494

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, 2015**

	Business-type Activities - Enterprise Funds			
	Parking	West Superior Street Parking Facility	Water	Gas
Cash Flows from Operating Activities				
Cash received from customers	\$ 4,353,888	\$ -	\$ 14,366,314	\$ 38,780,400
Cash paid to suppliers	(1,074,590)	-	(4,043,502)	(23,645,152)
Cash paid to employees	(514,585)	-	(5,205,242)	(6,017,376)
Other operating revenues	148,751	-	52,346	310,225
Net cash provided (used) by operating activities	<u>2,913,464</u>	<u>-</u>	<u>5,169,916</u>	<u>9,428,097</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	21,320	31,980
Transfers to other funds	(1,352,700)	-	(174,513)	(4,302,348)
Property taxes	-	-	-	-
Operating grants	-	-	16,919	23,365
Interfund financing	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,352,700)</u>	<u>-</u>	<u>(136,274)</u>	<u>(4,247,003)</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	385,112	5,200,384	121,516	61,748
Issuance of revenue bonds and notes	-	-	286,574	-
Principal paid on bonds, notes and capitalized leases	(1,130,000)	-	(1,835,289)	(1,761,905)
Interest paid on bonds, notes and capitalized leases	(202,396)	-	(281,409)	(226,245)
Sale of capital assets	-	-	669	2,896
Acquisition or construction of capital assets	(227,323)	(11,597,809)	(3,346,457)	(3,665,114)
Net cash provided (used) by capital and related financing activities	<u>(1,174,607)</u>	<u>(6,397,425)</u>	<u>(5,054,396)</u>	<u>(5,588,620)</u>
Cash Flows from Investing Activities				
Investment earnings	(3,603)	6,503	4,640	(18,968)
Net increase (decrease) in cash and cash equivalents	382,554	(6,390,922)	(16,114)	(426,494)
Cash and cash equivalents - January 1, 2015	3,734,683	8,011,464	589,531	8,592,427
Cash and cash equivalents - December 31, 2015	<u>\$ 4,117,237</u>	<u>\$ 1,620,542</u>	<u>\$ 573,417</u>	<u>\$ 8,165,933</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ 2,210,660	\$ -	\$ 4,197,638	\$ 6,519,735
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	511,552	-	1,709,522	1,374,853
Change in assets and liabilities:				
Decrease (increase) in receivables	(22,645)	-	21,021	2,351,465
Decrease (increase) in inventories	-	-	(109,783)	17,733
Decrease (increase) in prepaids	-	-	(200,678)	(67,485)
Increase (decrease) in payables	200,493	-	(474,209)	(1,263,341)
Increase (decrease) in unearned revenues	8,370	-	(25,356)	431,415
Increase (decrease) in deferred pension obligation outflows	(29,022)	-	(298,710)	(367,743)
Increase (decrease) in deferred pension obligation inflows	38,930	-	400,698	493,291
Increase (decrease) in pension liability	(4,874)	-	(50,227)	(61,826)
Total adjustments	<u>702,804</u>	<u>-</u>	<u>972,278</u>	<u>2,908,362</u>
Net cash provided (used) by operating activities	<u>\$ 2,913,464</u>	<u>\$ -</u>	<u>\$ 5,169,916</u>	<u>\$ 9,428,097</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, 2015**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities				
Cash received from customers	\$ 19,673,669	\$ 15,599,892	\$ 92,774,163	\$ 21,367,234
Cash paid to suppliers	(10,896,869)	(10,517,725)	(50,177,838)	(17,224,676)
Cash paid to employees	(3,118,688)	(2,801,804)	(17,657,695)	(4,747,760)
Other operating revenues	170,213	97,898	779,433	1,531
Net cash provided (used) by operating activities	<u>5,828,325</u>	<u>2,378,261</u>	<u>25,718,063</u>	<u>(603,671)</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	18,860	9,840	82,000	-
Transfers to other funds	(120,445)	(703,778)	(6,653,784)	-
Property taxes	-	213,707	213,707	-
Operating grants	8,283	-	48,567	5,836
Interfund financing	-	236,220	236,220	132,401
Net cash provided (used) by noncapital financing activities	<u>(93,302)</u>	<u>(244,011)</u>	<u>(6,073,290)</u>	<u>138,237</u>
Cash Flows from Capital and Related Financing Activities				
Capital grants and contributions	2,945,706	245,090	8,959,556	-
Issuance of revenue bonds and notes	706,746	4,005,262	4,998,582	-
Principal paid on bonds, notes and capitalized leases	(3,451,818)	(1,116,906)	(9,295,918)	-
Interest paid on bonds, notes and capitalized leases	(561,119)	(136,986)	(1,408,155)	-
Sale of capital assets	4,731	40,500	48,796	-
Acquisition or construction of capital assets	(5,994,094)	(3,679,758)	(28,510,555)	(38,783)
Net cash provided (used) by capital and related financing activities	<u>(6,349,848)</u>	<u>(642,798)</u>	<u>(25,207,694)</u>	<u>(38,783)</u>
Cash Flows from Investing Activities				
Investment earnings	1,311	572	(9,545)	43,880
Net increase (decrease) in cash and cash equivalents	(613,514)	1,492,024	(5,572,466)	(460,337)
Cash and cash equivalents - January 1, 2015	2,890,407	4,720,176	28,538,688	16,414,470
Cash and cash equivalents - December 31, 2015	<u>\$ 2,276,893</u>	<u>\$ 6,212,200</u>	<u>\$ 22,966,222</u>	<u>\$ 15,954,133</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Net operating income (loss)	<u>\$ 4,245,572</u>	<u>\$ 97,448</u>	<u>\$ 17,271,053</u>	<u>\$ 94,191</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation	1,886,925	2,013,984	7,496,836	49,066
Change in assets and liabilities:				
Decrease (increase) in receivables	(155,765)	233,709	2,427,785	53,724
Decrease (increase) in inventories	4,803	(18,444)	(105,691)	2,514
Decrease (increase) in prepaids	(53,552)	55,852	(265,863)	(10,000)
Increase (decrease) in payables	(161,743)	(104,779)	(1,803,579)	(808,114)
Increase (decrease) in unearned revenues	31,034	72,765	518,228	-
Increase (decrease) in deferred pension obligation outflows	(179,199)	(160,011)	(1,034,685)	(86,283)
Increase (decrease) in deferred pension obligation inflows	240,374	214,639	1,387,932	115,743
Increase (decrease) in pension liability	(30,124)	(26,902)	(173,953)	(14,512)
Total adjustments	<u>1,582,753</u>	<u>2,280,813</u>	<u>8,447,010</u>	<u>(697,862)</u>
Net cash provided (used) by operating activities	<u>\$ 5,828,325</u>	<u>\$ 2,378,261</u>	<u>\$ 25,718,063</u>	<u>\$ (603,671)</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, 2015**

Noncash Investing, Capital and Financing Activities

West Superior Street Parking Facility

Capital contributions are reported net of timing differences totaling \$47,148 due to receivables.

Water

Capital contributions are reported net of timing differences totaling (\$39,949) due to receivables.

Gas

Capital contributions are reported net of timing differences totaling \$4,349 due to receivables.

Sewer

Capital contributions are reported net of timing differences totaling \$321,939 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, 2015**

	Other Postemployment Benefits Trust Fund	Agency Fund
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 45,716	\$ 2,478,337
Receivables:		
Loans	-	850,726
Accounts receivable	148,650	-
Investments, at fair value:		
Fixed income pool	12,117,593	-
Equity pool	32,216,921	-
	<hr/>	<hr/>
Total Assets	44,528,880	<u>\$ 3,329,063</u>
Liabilities		
Accounts payable	\$ 132,823	\$ -
Due to agency	-	3,329,063
	<hr/>	<hr/>
Total Liabilities	132,823	<u>\$ 3,329,063</u>
Net Position		
Held in trust for postemployment benefits	<u>\$ 44,396,057</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, 2015**

Additions

Contributions	<u>\$ 10,602,498</u>
Investment earnings:	
Interest and dividends	999,887
Net decrease in fair value of investments	<u>(447,935)</u>
Total investment earnings	<u>551,952</u>
Total Additions	<u>11,154,450</u>

Deductions

Administrative fees	3,342
Benefits	<u>10,012,885</u>
Total Deductions	<u>10,016,227</u>
Change in Net Position	1,138,223
Net Position - January 1, 2015	<u>43,257,834</u>
Net Position - December 31, 2015	<u><u>\$ 44,396,057</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, 2015**

	Duluth Economic Development Authority	Duluth Entertainment and Convention Center Authority	Duluth Airport Authority	Duluth Transit Authority	Spirit Mountain Recreation Area Authority	Totals
Assets						
Cash and cash equivalents	\$ 9,313,937	\$ 2,286,287	\$ 1,160,485	\$ 4,778,737	\$ 333,927	\$ 17,873,373
Receivables, net:						
Taxes	71,296	-	-	2,763	-	74,059
Accounts	103,368	244,008	527,273	113,610	78,250	1,089,002
Loans	2,250,766	-	-	-	-	2,250,766
Grants	-	-	196,335	-	-	196,335
Due from primary government	2,352	563,949	22,493	5,480	564,787	1,136,568
Due from other governments	65,843	-	-	5,411,359	-	5,477,202
Inventories	-	146,258	22,190	188,867	89,049	446,364
Prepays	-	18,221	20,078	84,956	92,027	215,282
Restricted assets:						
Cash and cash equivalents	-	362,498	304,320	-	-	666,818
Accounts receivable	-	17,691	44,835	-	-	62,526
Grants receivable	-	-	4,138,799	-	-	4,138,799
Assets held by trustee	-	10,096	-	-	-	10,096
Planning and development costs	-	-	1,487,257	-	90,795	1,578,052
Capital assets, net:						
Non-depreciable	4,835,021	942,989	4,503,363	222,367	3,805,905	14,309,645
Depreciable	13,590,031	91,682,353	107,944,860	41,794,796	10,582,597	265,594,637
Total Assets	30,232,614	96,274,350	120,372,288	52,602,935	15,637,337	315,119,524
Deferred Outflows of Resources						
Deferred pension obligation outflows	-	432,116	141,846	-	278,000	851,962
Liabilities						
Accounts payable and other short-term liabilities	261,928	417,857	36,432	767,769	159,559	1,770,881
Contracts payable	30,924	-	2,629,681	3,610,631	512,347	6,783,583
Accrued interest payable	-	157	-	-	6,294	6,451
Due to primary government	636,013	3,248	127,336	2,280	1,205,932	1,847,473
Due to other government	-	-	-	-	18,662	18,662
Unearned revenue	-	763,134	1,835	89,595	349,354	1,203,918
Deposits	-	382,937	-	-	-	382,937
Non-current liabilities:						
Due within one year	-	137,375	1,000,957	565,643	458,990	2,162,965
Due in more than one year	-	3,904,850	13,811,818	-	3,294,425	21,011,093
Total Liabilities	928,865	5,609,558	17,608,059	5,035,918	6,005,563	35,187,963
Deferred Inflows of Resources						
Deferred pension obligation inflows	-	154,159	71,306	-	401,086	626,551
Net Position						
Net investment in capital assets	18,425,052	92,615,403	100,673,571	42,017,163	12,198,983	265,930,172
Restricted for:						
Debt service	-	10,096	-	-	-	10,096
Capital projects	5,783,536	-	-	4,795,680	-	10,579,216
Unrestricted	5,095,161	(1,682,750)	2,161,198	754,174	(2,690,295)	3,637,488
Total Net Position	\$ 29,303,749	\$ 90,942,749	\$102,834,769	\$ 47,567,017	\$ 9,508,688	\$280,156,972

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

**CITY OF DULUTH, MINNESOTA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Duluth Economic Development Authority				
Governmental activities:				
Economic development	\$ 6,403,339	\$ 1,177,705	\$ 2,291,238	\$ 14,652
Duluth Entertainment and Convention Center Authority				
Business-type activities:				
Entertainment and convention facility	14,352,099	8,978,443	-	-
Duluth Airport Authority				
Business-type activities:				
Airport facility	13,680,400	5,320,558	-	1,979,486
Duluth Transit Authority				
Business-type activities:				
Public transportation	18,942,424	2,814,672	7,271,225	20,760,975
Spirit Mountain Recreation Area Authority				
Business-type activities:				
Ski hill operations	5,594,653	4,719,752	-	1,472,976
Total Component Units	<u>\$ 58,972,915</u>	<u>\$ 23,011,130</u>	<u>\$ 9,562,463</u>	<u>\$ 24,228,089</u>

(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, 2015**

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>					<u>Totals</u>
	<u>Duluth Economic Development Authority</u>	<u>Duluth Entertainment and Convention Center Authority</u>	<u>Duluth Airport Authority</u>	<u>Duluth Transit Authority</u>	<u>Spirit Mountain Recreation Area Authority</u>	
Duluth Economic Development Authority						
Governmental activities:						
Economic development	<u>\$ (2,919,744)</u>	\$ -	\$ -	\$ -	\$ -	\$ (2,919,744)
Duluth Entertainment and Convention Center Authority						
Business-type activities:						
Entertainment and convention facility	-	<u>(5,373,656)</u>	-	-	-	(5,373,656)
Duluth Airport Authority						
Business-type activities:						
Airport facility	-	-	<u>(6,380,356)</u>	-	-	(6,380,356)
Duluth Transit Authority						
Business-type activities:						
Public transportation	-	-	-	<u>11,904,448</u>	-	11,904,448
Spirit Mountain Recreation Area Authority						
Business-type activities:						
Ski hill operations	-	-	-	-	<u>598,075</u>	<u>598,075</u>
Total Component Units						<u>(2,171,233)</u>
General Revenues:						
Property taxes	1,948,431	-	-	1,391,900	-	3,340,331
Sales taxes	-	1,541,974	-	-	-	1,541,974
Grants and shared revenues not restricted to specific programs	-	-	-	4,680,050	-	4,680,050
Investment income	53,101	11,493	7,974	58,983	1,386	132,937
Gain on sale of capital assets	-	-	36,561	-	-	36,561
Miscellaneous	811,143	782,121	-	-	86,693	1,679,957
Total General Revenues and Transfers	<u>2,812,675</u>	<u>2,335,588</u>	<u>44,535</u>	<u>6,130,933</u>	<u>88,079</u>	<u>11,411,810</u>
Change in Net Position	(107,069)	(3,038,068)	(6,335,821)	18,035,381	686,154	9,240,577
Net Position - Beginning, as restated (Note 1)	<u>29,410,818</u>	<u>93,980,817</u>	<u>109,170,590</u>	<u>29,531,636</u>	<u>8,822,534</u>	<u>270,916,395</u>
Net Position - Ending	<u>\$ 29,303,749</u>	<u>\$ 90,942,749</u>	<u>\$ 102,834,769</u>	<u>\$ 47,567,017</u>	<u>\$ 9,508,688</u>	<u>\$ 280,156,972</u>

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

Notes to the
Financial Statements

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

Duluth Transit Authority
2402 West Michigan Street
Duluth, MN 55806

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

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

Duluth Airport Authority
Duluth International Airport
Duluth, MN 55811

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
Disaster Recovery Special Revenue Fund	This fund was established to account for grants and aids associated with the 500-year flood event, which occurred in June 2012.
Spirit Mountain Capital Improvement Fund	This fund accounts for improvements to the Spirit Mountain Recreation Area including lift improvements and a new chalet.

The City reports the following major proprietary funds:

Parking Fund	This fund accounts for the operation and maintenance of municipal parking ramps, municipal lots and parking meters.
West Superior Street Parking Facility Fund	This fund accounts for the construction, operation, and maintenance of the parking ramp located at 425 West Superior Street.
Water Enterprise Fund	This fund accounts for the collection, treatment, and distribution of water.
Gas Enterprise Fund	This fund accounts for the distribution of natural gas, as well as inspection, maintenance and servicing of customer gas utilization equipment.
Sewer Enterprise Fund	This fund accounts for the operation and maintenance of the sanitary sewer system.

Additionally, the City reports the following fund types:

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

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. 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, 2015**

NOTES T.O.C.

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

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

RECEIVABLES AND PAYABLES

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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 two types of items that qualify for reporting in this category: unavailable revenue and deferred pension obligations. These amounts are recognized as an inflow of resources in the period that the amounts become available.

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.

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.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

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

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

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.

LONG-TERM OBLIGATIONS

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND EQUITY

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

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

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

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

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

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

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

RECLASSIFICATIONS

Several account balances were reclassified for the year ended December 31, 2014, 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.

EXTRAORDINARY ITEM

Since 2009, the City has been a party to litigation with the Fond du Lac Band of Chippewa ("Band") arising from the Band's breach of the parties agreement and the National Indian Gaming Commission's subsequent Notice of Violation. On July 28, 2015, United States District Court Judge Nelson issued an order granting the Band retrospective relief for the period of 2009 to 2011. The City did not appeal the order. Final judgment has now been granted in that case. As a result, an extraordinary loss of \$13,264,958 is reported in the financial statements.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PENSIONS

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

CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2015, the City adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71 and 82. GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statements 68 and 71 require the City to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the City's net pension liability and related deferred outflows of resources.

GASB Statement No. 82, Pension Issues - an amendment of GASB Statement No. 68, modifies the measure of payroll that is presented in the required supplementary information schedules.

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

	Governmental Activities	Business-type Activities	Component Units
<u>Statement of Activities</u>			
Net Position, January 1, 2015, as previously reported	\$235,314,933	\$214,317,651	\$276,062,032
Change in accounting principles	(40,828,823)	(10,172,504)	(5,145,637)
Net Position, January 1, 2015, as restated	<u>\$194,486,110</u>	<u>\$204,145,147</u>	<u>\$270,916,395</u>
 <u>Statement of Revenues, Expenses, and Changes in Fund</u>			
<u>Net Position - Proprietary Funds</u>	<u>Amount</u>		
Net Position, January 1, 2015, as previously reported	\$210,410,579		
Change in accounting principles	(10,172,504)		
Net Position, January 1, 2015, as restated	<u>\$200,238,075</u>		
 <u>Combining Statement of Revenues, Expenses, and</u>			
<u>Changes in Fund Net Position - Governmental Activities -</u>			
<u>Internal Service Funds</u>	<u>Amount</u>		
Net Position, January 1, 2015, as previously reported	\$ 11,077,227		
Change in accounting principles	(848,293)		
Net Position, January 1, 2015, as restated	<u>\$ 10,228,934</u>		

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

FEDERAL AUDIT REQUIREMENTS

The Single Audit Act requires the City to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2015. An auditor's report on compliance and internal accounting control will be issued at a later date.

DEFICIT FUND EQUITY

The following special revenue funds had deficit fund balances due to grants earned but not received within 45 days of the end of the current fiscal year: Disaster Recovery - \$3,567,236, Lake Superior Zoo - \$416,408, Police Grant Programs - \$9,202, and Home Investment Partnerships Program - \$21,530. The deficits will be eliminated upon receipt of the grant funds.

The following capital project funds had deficit fund balances at the end of the current fiscal year. These deficits will be eliminated through future financing and grant receipts: Spirit Mountain Capital Improvement - \$3,766,737, Special Assessment - \$236,059 - special assessment debt; and the Cirrus Building - \$138,021 - general obligation tax abatement bond.

The following internal service funds had deficit net positions which will be eliminated through future charges: Employee Vacation Compensation - \$8,427, and Fleet Services - \$245,763.

The Golf enterprise fund deficit net position of \$432,791 will be eliminated through operational changes and efficiencies.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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	\$ 58,318,703
Investments, at fair value	18,954,798
Assets held by trustee	9,085,740

Business-type Activities

Cash and cash equivalents	16,011,849
Cash and cash equivalents - restricted assets	6,954,373

Discrete Component Units

Cash and cash equivalents	17,873,373
Cash and cash equivalents - restricted assets	666,818
Assets held by trustee - restricted assets	10,096

Statement of Fiduciary Net Position

Cash and cash equivalents	2,524,053
Investments, at fair value	44,334,514

Total Cash and Investments

\$ 174,734,317

DEPOSITS

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy to obtain pledged collateral for all deposits in excess of FDIC insurance. As of December 31, 2015, deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTES T.O.C.

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

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

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

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

8) agreements or contracts for:

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

At December 31, 2015, 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	\$ 92,995,909	\$ 44,012,052	\$ 47,007,325	\$ 1,976,532
Negotiable Certificates of Deposit	8,204,000	8,204,000	-	-
Mutual Funds	71,496,086	71,496,086	-	-
Total Investments	<u>\$ 172,695,995</u>	<u>\$ 123,712,138</u>	<u>\$ 47,007,325</u>	<u>\$ 1,976,532</u>
Deposits	2,038,322			
Total Deposits and Investments	<u>\$ 174,734,317</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, 2015, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AA+	\$ 92,995,909
<u>Moody's Rating</u>	
Aaa	8,206,774
<u>Not Rated</u>	
Mutual Funds	63,289,312
Negotiable Certificates of Deposit	8,204,000
Total	<u>\$ 172,695,995</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, 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	\$ 25,023,390
Federal National Mortgage Association	\$ 25,867,015
Federal Farm Credit Bank	\$ 10,177,165
Federal Home Loan Bank	\$ 30,279,089

4. PROPERTY TAXES

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

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 45 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2015, was 98.3%.

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 \$1,034,183. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2015, are as follows:

Water	\$ 136,635
Gas	637,552
Sewer	266,924
Nonmajor	115,922
Total Uncollectible	<u>\$ 1,157,033</u>

**CITY OF DULUTH, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

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, 2015:

General		
Assessments	\$	1,023,335
Loans		1,901,835
Taxes		522,137
Disaster Recovery		
Grants		4,119,033
Spirit Mountain Capital Improvement		
Grants		3,400,000
Nonmajor		
Assessments		4,914,650
Grants		2,415,828
Loans		3,801,318
Taxes		370,698
Total for Governmental Funds	\$	<u>22,468,834</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,161,157	\$ 306,485	\$ -	\$ 22,467,642
Construction in progress	27,329,003	14,096,875	12,015,788	29,410,090
Total capital assets, not being depreciated	49,490,160	14,403,360	12,015,788	51,877,732
Capital assets, being depreciated:				
Buildings	77,976,655	52,363	-	78,029,018
Equipment	32,858,983	2,593,435	1,538,408	33,914,010
Infrastructure	309,101,579	11,917,981	-	321,019,560
Total capital assets being depreciated	419,937,217	14,563,779	1,538,408	432,962,588
Less accumulated depreciation for:				
Buildings	35,725,477	2,861,048	-	38,586,525
Equipment	21,364,477	3,380,247	1,204,035	23,540,689
Infrastructure	119,950,155	8,585,103	-	128,535,258
Total accumulated depreciation *	177,040,109	14,826,398	1,204,035	190,662,472
Total capital assets, being depreciated, net	242,897,108	(262,619)	334,373	242,300,116
Governmental activities capital assets, net	\$292,387,268	\$ 14,140,741	\$ 12,350,161	\$294,177,848
Business-type activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,628,407	\$ -	\$ -	\$ 4,628,407
Construction in progress	25,865,040	26,916,864	13,345,582	39,436,322
Total capital assets, not being depreciated	30,493,447	26,916,864	13,345,582	44,064,729
Capital assets, being depreciated:				
Buildings	63,235,903	226,875	921,185	62,541,593
Equipment	47,632,732	4,567,065	4,260,404	47,939,393
Infrastructure	219,697,776	13,276,779	1,000,896	231,973,659
Total capital assets, being depreciated	330,566,411	18,070,719	6,182,485	342,454,645
Less accumulated depreciation for:				
Buildings	28,137,406	1,321,868	921,185	28,538,089
Equipment	30,980,838	3,142,921	4,146,598	29,977,161
Infrastructure	50,660,232	3,318,876	994,344	52,984,764
Total accumulated depreciation **	109,778,476	7,783,665	6,062,127	111,500,014
Total capital assets, being depreciated, net	220,787,935	10,287,054	120,358	230,954,631
Business-type activities capital assets, net	\$251,281,382	\$ 37,203,918	\$ 13,465,940	\$275,019,360

* Accumulated depreciation on assets transferred from governmental activities to fleet internal service fund was \$41,304.

** Accumulated depreciation on assets transferred from governmental activities to business-type activities was \$286,829.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

7. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,671,887
Public safety	2,325,744
Public works, including depreciation of general infrastructure assets	9,118,598
Culture and recreation	1,451,270
Urban and economic development	168,529
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	49,066
Total depreciation expense - governmental activities	<u>\$ 14,785,094</u>

Business-type activities:

Parking	\$ 511,552
Water	1,709,522
Gas	1,374,853
Sewer	1,886,925
Golf	220,554
Stormwater	433,350
Steam	1,122,508
Street Lighting	237,572
Total depreciation expense - business-type activities	<u>\$ 7,496,836</u>

COMPONENT UNITS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 11,676,115	\$ 9,052	\$ -	\$ 11,685,167
Construction in progress	4,953,576	1,798,646	4,127,744	2,624,478
Total capital assets, not being depreciated	<u>16,629,691</u>	<u>1,807,698</u>	<u>4,127,744</u>	<u>14,309,645</u>
Capital assets, being depreciated:				
Buildings	279,710,124	28,909,432	234,533	308,385,023
Equipment	68,629,128	6,702,047	1,314,919	74,016,256
Infrastructure	90,460,180	842,320	-	91,302,500
Other	802,903	-	-	802,903
Total capital assets being depreciated ***	<u>439,602,335</u>	<u>36,453,799</u>	<u>1,549,452</u>	<u>474,506,682</u>
Less accumulated depreciation for:				
Buildings	89,545,015	9,829,641	35,180	99,339,476
Equipment	44,118,980	4,609,868	926,414	47,802,434
Infrastructure	56,404,019	4,844,389	-	61,248,408
Other	480,390	41,337	-	521,727
Total accumulated depreciation ***	<u>190,548,404</u>	<u>19,325,235</u>	<u>961,594</u>	<u>208,912,045</u>
Total capital assets, being depreciated, net	<u>249,053,931</u>	<u>17,128,564</u>	<u>587,858</u>	<u>265,594,637</u>
Component unit capital assets, net	<u>\$265,683,622</u>	<u>\$ 18,936,262</u>	<u>\$ 4,715,602</u>	<u>\$279,904,282</u>

Depreciation expense was charged to component units as follows:

Duluth Economic Development Authority	\$ 1,032,186
Duluth Entertainment and Convention Center Authority	3,812,438
Duluth Airport Authority	9,088,580
Duluth Transit Authority	4,707,408
Spirit Mountain Recreation Area Authority	684,623
Total depreciation expense - component units	<u>\$ 19,325,235</u>

*** The beginning balances for the Component Units match last year's ending balances in total, but not in detail, since the Duluth Airport Authority changed its classification of some of its assets.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTES T.O.C.

8. PURCHASE AND CONSTRUCTION COMMITMENTS

At December 31, 2015, the City had construction commitments of approximately \$4,591,767 for various utility improvements. The Duluth Airport Authority component unit had construction commitments of \$13,587,503 for airport improvements. The Duluth Transit Authority component unit had construction commitments of \$779,826 for the new multimodal transportation facility. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

At December 31, 2015, 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	\$ 152,793
Other Governmental Funds	8,461,837
Total Purchase Commitments	<u>\$ 8,614,630</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 \$6.8 million remains to be completed as of December 31, 2015.

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 \$490,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association (WCRA), an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The WCRA provides full indemnification for the City for claims arising under Minnesota Statutes Chapter 176 in excess of the \$490,000 retention limit.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

9. RISK MANAGEMENT (continued)

The accrued liability for workers' compensation is estimated by the benefits administrator at the time an injury or illness is reported. Interest cost is not included in the estimate. The estimated liability for general liability matters is accrued if the City determines settlement is probable, based on a case-by-case evaluation. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported have been considered in the sense that management's experience has shown that they do not affect the predictions. An actuary was not used in determining the liabilities, but actuarial guidelines were used. The estimated liability for claims payable at year end is present valued at 5%. In addition, the City Attorney estimated settlements to be \$410,543 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 2014 and 2015 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2014	\$ 924,683	566,257	430,569	\$ 1,060,371
2015	\$ 1,060,371	271,576	348,512	\$ 983,435

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 \$400,000 and an aggregate limit of 120% of projected claims for the year. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2014 and 2015 were as follows:

	Liability January 1	Claims and Changes in Estimates	Less Claims Payments	Liability December 31
2014	\$ 2,161,736	8,286,174	8,557,698	\$ 1,890,212
2015	\$ 1,890,212	8,085,362	8,520,895	\$ 1,454,679

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Impound lot	\$ 2,800	\$ -
Land & right-of-way	24,074	54,606
Buildings	723,334	-
Equipment	314,291	5,335
Total Expense	<u>\$ 1,064,499</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, 2015:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2016	\$ 18,902	\$ 54,605
2017	18,902	54,606
2018	18,902	54,604
2019	18,902	-
2020	18,902	-
2021-2025	22,902	-
2026-2030	5,000	-
2031-2035	5,000	-
2036-2040	5,000	-
2041-2045	5,000	-
2046-2050	5,000	-
2051-2055	5,000	-
2056-2060	5,000	-
Total minimum payments required	<u>\$ 152,412</u>	<u>\$ 163,815</u>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$163,815 at December 31, 2015.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

10. LEASE OBLIGATIONS (continued)CAPITAL LEASES

Capitalized leases for the City and its component units at December 31, 2015, consist of the following capital assets shown at original costs as summarized below:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ -	\$ -	\$ 1,534,313
Equipment	208,209	10,080,476	3,453,731
Total	208,209	10,080,476	4,988,044
Less: Accumulated amortization	(62,463)	(4,625,877)	(1,996,558)
Total Expense	<u>\$ 145,746</u>	<u>\$ 5,454,599</u>	<u>\$ 2,991,486</u>

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2016	\$ 39,992	\$ 831,660	\$ 470,374
2017	39,992	831,661	339,709
2018	39,991	831,660	286,924
2019	-	831,660	257,348
2020	-	831,661	242,635
2021-2025	-	2,910,811	996,277
Total minimum lease payments	119,975	7,069,113	2,593,267
Less: Imputed interest	(9,708)	(1,073,631)	(393,809)
Present value of minimum lease payments	<u>\$ 110,267</u>	<u>\$ 5,995,482</u>	<u>\$ 2,199,458</u>

11. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2015, follows:

	<u>Balance 01/01/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>
Duluth Economic Development Authority				
Accounts Payable	\$ 236,424	-	58,025	\$ 178,399

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

12. LONG-TERM DEBTCHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015, follows:

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 82,935,568	\$ 17,990,000	\$ 3,585,568	\$ 97,340,000	\$ 3,835,000
General Obligation - Tax Abatement	6,705,000	-	355,000	6,350,000	365,000
Special Assessment Debt with Government Commitment	16,814,432	2,630,000	6,364,432	13,080,000	2,315,000
General Obligation Certificates	12,340,000	3,325,000	2,995,000	12,670,000	2,985,000
Add Deferred Amounts:					
For Bond Premium	1,418,591	799,031	307,775	1,909,847	-
General Obligation Public					
Facilities Authority Notes	105,000	-	26,000	79,000	26,000
Revenue Notes	2,686,000	-	30,000	2,656,000	5,000
Capital Leases Payable	-	110,267	-	110,267	39,992
Pension Liability	43,182,696	659,696	-	43,842,392	-
Compensated Absences	2,953,124	2,865,092	2,845,587	2,972,629	2,919,600
Claims and Judgments	2,950,583	8,356,938	8,869,407	2,438,114	1,650,269
Net Other Postemployment Benefits Payable	41,581,063	107,959	-	41,689,022	-
Total Governmental Long-Term Liabilities	\$ 213,672,057	\$ 36,843,983	\$ 25,378,769	\$ 225,137,271	\$ 14,140,861
Business-Type Activities:					
Bonds Payable:					
Revenue and General Obligation Bonds	\$ 44,343,242	\$ 7,251,801	\$ 8,834,998	\$ 42,760,045	\$ 3,960,000
Add Deferred Amounts:					
For Bond Premiums	400,970	208,432	113,471	495,931	-
General Obligation Public					
Facilities Authority Notes	24,580,967	1,023,470	2,570,625	23,033,812	2,558,437
Capital Leases Payable	6,703,724	-	708,242	5,995,482	610,158
Loans Payable	-	212,497	-	212,497	-
Net Other Postemployment					
Benefits Payable	296,228	-	296,228	-	-
Pension Liability	10,600,020	-	173,953	10,426,067	-
Compensated Absences	838,009	927,665	924,781	840,893	831,208
Total Business-Type Long-Term Liabilities	\$ 87,763,160	\$ 9,623,865	\$ 13,622,298	\$ 83,764,727	\$ 7,959,803

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. LONG-TERM DEBT (continued)

	Balance 01/01/15	Additions	Deletions	Balance 12/31/15	Due Within One Year
Component Unit Activities:					
Duluth Entertainment and Convention Center Authority					
Capital Leases	\$ 158,947	\$ -	\$ 149,008	\$ 9,939	\$ 9,939
Compensated Absences	205,340	169,185	165,584	208,941	127,436
Pension liability	2,752,734	304,952	-	3,057,686	-
Net Other Postemployment Benefits Payable	707,235	58,424	-	765,659	-
Duluth Transit Authority					
Compensated Absences	544,795	565,643	544,795	565,643	565,643
Duluth Airport Authority					
Notes Payable	273,503	-	51,919	221,584	56,615
Loans Payable	9,877,222	2,855,000	711,666	12,020,556	851,667
Compensated Absences	84,398	92,675	84,398	92,675	92,675
Unearned Revenue	279,250	51,571	-	330,821	-
Pension liability	930,105	64,939	-	995,044	-
Net Other Postemployment Benefits Payable	1,036,226	115,869	-	1,152,095	-
Spirit Mountain Recreation Area Authority					
Capital Leases	2,327,988	-	138,469	2,189,519	379,504
Pension Liability	1,720,327	-	235,917	1,484,410	-
Compensated Absences	89,793	79,486	89,793	79,486	79,486
Total Component Unit Long-Term Liabilities	<u>\$ 20,987,863</u>	<u>\$ 4,357,744</u>	<u>\$ 2,171,549</u>	<u>\$ 23,174,058</u>	<u>\$ 2,162,965</u>

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTSGovernmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

General obligation annual debt service requirements to maturity follow:

Year Ending December 31	General Obligation Bonds		General Obligation Certificates		General Obligation Tax Abatement	
	Interest	Principal	Interest	Principal	Interest	Principal
2016	\$ 3,772,154	\$ 3,835,000	\$ 229,988	\$ 2,985,000	\$ 150,169	\$ 365,000
2017	3,767,875	6,230,000	187,688	3,195,000	142,818	370,000
2018	3,601,985	4,790,000	125,087	2,625,000	135,319	380,000
2019	3,451,371	4,765,000	74,250	1,965,000	127,668	385,000
2020	3,298,243	4,635,000	36,525	1,195,000	119,869	395,000
2021-2025	13,868,726	24,740,000	10,575	705,000	470,972	2,085,000
2026-2030	8,305,235	28,055,000	-	-	180,657	2,370,000
2031-2035	1,868,593	20,290,000	-	-	-	-
Total	<u>\$ 41,934,182</u>	<u>\$ 97,340,000</u>	<u>\$ 664,113</u>	<u>\$ 12,670,000</u>	<u>\$ 1,327,472</u>	<u>\$ 6,350,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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
2016	\$ 152,210	\$ 5,000
2017	151,954	5,000
2018	151,689	10,000
2019	151,151	15,000
2020	150,333	15,000
2021-2025	736,846	2,606,000
Total	<u>\$ 1,494,183</u>	<u>\$ 2,656,000</u>

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$13,080,000 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Special Assessment Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2016	\$ 370,170	\$ 2,315,000	\$ 790	\$ 26,000
2017	328,153	2,205,000	530	26,000
2018	258,884	2,310,000	270	27,000
2019	188,103	2,205,000	-	-
2020	124,459	1,675,000	-	-
2021-2024	136,102	2,370,000	-	-
Total	<u>\$ 1,405,871</u>	<u>\$ 13,080,000</u>	<u>\$ 1,590</u>	<u>\$ 79,000</u>

Other Debt

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

Business-type Activities Long-Term Debt

Revenue and General Obligation Bonds

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

12. LONG-TERM DEBT (continued)

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Revenue and General Obligation Bonds		General Obligation Public Facilities Authority Notes	
	Interest	Principal	Interest	Principal
2016	\$ 769,572	\$ 3,960,000	\$ 292,028	\$ 2,558,437
2017	1,007,215	4,373,152	264,489	2,593,000
2018	1,023,233	4,093,871	229,290	2,629,000
2019	927,585	3,500,541	193,541	2,325,000
2020	843,773	3,077,683	163,159	2,144,375
2021-2025	3,161,454	11,918,422	409,926	9,404,000
2026-2030	1,819,819	4,629,602	33,553	1,380,000
2031-2035	1,287,121	2,620,353	-	-
2036-2040	713,279	3,194,195	-	-
2041-2043	102,706	1,392,226	-	-
Total	<u>\$ 11,655,757</u>	<u>\$ 42,760,045</u>	<u>\$ 1,585,986</u>	<u>\$ 23,033,812</u>

Component Unit Long-Term Debt

Duluth Airport Authority Notes and Loans Payable

On November 1, 2005, the Authority issued an Airport Facility Revenue Note, Series 2005A to finance the lease buyout of the Authority's fixed base operator. The principal of the note is \$221,584, 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
2016	\$ 18,385	\$ 56,615
2017	13,263	61,737
2018	7,679	67,321
2019	1,589	35,911
Total	<u>\$ 40,916</u>	<u>\$ 221,584</u>

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

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

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. LONG-TERM DEBT (continued)

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

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS

	<u>Issue Date</u>	<u>Amount Outstanding</u>	<u>Total</u>
Governmental Activities:			
General Obligation Bonds Payable:			
Airpark Improvement	09/01/2004	\$ 390,000	
Capital Improvement	09/07/2006	115,000	
Capital Improvement	12/13/2007	315,000	
Duluth Entertainment and Convention Center Authority Improvement	08/07/2008	38,970,000	
Aerial Lift Bridge Improvement	08/07/2008	650,000	
Capital Improvement	12/09/2008	600,000	
Capital Improvement	12/17/2009	4,225,000	
Capital Improvement - Law Enforcement Center	12/17/2009	11,905,000	
Capital Improvement	11/23/2010	1,375,000	
Airport Improvement Refunding	11/23/2010	645,000	
Capital Improvement	11/29/2011	1,370,000	
Airport Improvement	05/24/2012	6,770,000	
Airport Improvement	12/18/2013	3,400,000	
Capital Improvement	12/18/2013	1,640,000	
Capital Improvement - Lakewalk	12/18/2013	1,385,000	
Wade Stadium Improvement	10/30/2014	2,330,000	
Spirit Mountain Improvement	10/30/2014	2,150,000	
Capital Improvement	10/30/2014	1,115,000	
Capital Improvement	11/05/2015	1,615,000	
Airport Improvement	11/05/2015	2,855,000	
Capital Improvement	11/05/2015	<u>13,520,000</u>	
Total General Obligation Bonds Payable			97,340,000
General Obligation Tax Abatement:			
Spirit Mountain Tax Abatement Bonds	02/23/2012	<u>6,350,000</u>	6,350,000
Special Assessment Debt with Government Commitment	9 issues	<u>13,080,000</u>	13,080,000
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable	6 issues	<u>12,670,000</u>	<u>12,670,000</u>
Total Governmental Activities Debt			<u>129,440,000</u>
Business-type Activities Debt:			
Revenue and General Obligation Bonds Payable:			
Parking Fund	1 issue	9,345,000	
West Superior Street Parking Facility Fund	1 issue	12,150,044	
Water Fund	4 issues	1,513,420	
Gas Fund	2 issues	2,757,886	
Steam Fund	2 issue	8,265,000	
Sewer Fund	9 issues	7,599,330	
Stormwater Fund	2 issues	<u>1,129,365</u>	
Total Revenue and General Obligation Bonds Payable			<u>42,760,045</u>
Total Business-type Activities Debt			<u>42,760,045</u>
Total Bonds Payable			<u>172,200,045</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. LONG-TERM DEBT (continued)

	Issue Date	Amount Outstanding	Total
Deductions Allowable:			
Airport Improvement Refunding	11/23/2010	\$ 645,000	
Airpark Improvement	09/01/2004	390,000	
Duluth Entertainment and Convention Center Authority Improvement	08/07/2008	38,970,000	
Airport Improvement	05/24/2012	6,770,000	
Spirit Mountain Tax Abatement Bonds	02/23/2012	6,350,000	
Airport Improvement	12/18/2013	3,400,000	
Wade Stadium Improvement	10/30/2014	2,330,000	
Spirit Mountain Improvement	10/30/2014	2,150,000	
Airport Improvement	11/05/2015	2,855,000	
Capital Improvement	11/05/2015	13,520,000	
Special Assessment		13,080,000	
Parking Fund		9,345,000	
West Superior Street Parking Facility Fund		12,150,044	
Water Fund		1,513,420	
Gas Fund		2,757,886	
Steam Fund		8,265,000	
Sewer Fund		7,599,330	
Stormwater Fund		<u>1,129,365</u>	
Total Deductions Allowable			133,220,045
Net Debt			<u>\$ 38,980,000</u>
Legal Debt Margin for Duluth			
Taxable Market Value (5,725,483,100 X 2%)			<u>\$ 114,509,662</u>

Overlapping Debt to Duluth

Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 54,650,000	88.46%	\$ 48,343,390
Independent School District 704	18,915,000	6.05%	1,144,358
St. Louis County	86,305,000	36.41%	31,423,650
			<u>\$ 80,911,398</u>

REFUNDING BOND ISSUES

Current Refunding Bonds

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

In 2015 the City issued \$2,630,000 General Obligation Street Improvement Refunding Bonds with the obligation to be paid primarily by special assessments levied. The transaction resulted in a net present value savings of \$231,672 and a reduction in future debt service payments of \$244,784. The proceeds from this issue were used to current refund the City's Series 2006C and 2007A General Obligation Street Improvement Bonds.

In 2015 the City issued \$2,765,000 General Obligation Utility Revenue Refunding Bonds with the obligation to be paid primarily by utility operation revenues. The transaction resulted in a net present value savings of \$296,117 and a reduction in future debt service payments of \$332,223. The proceeds from this issue were used to current refund the City's Series 2006B, 2006F, and 2007B General Obligation Utility Revenue Bonds.

All current refunded debt is fully defeased.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. LONG-TERM DEBT (continued)

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.

No advance refunding bonds were issued in 2015 and all advance refunded bonds have been paid in full.

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
General Obligation Improvement	12/17/2009	\$ 656,687	\$ 115,000
Airport Improvement	11/23/2010	1,850,000	645,000
General Obligation Improvement	11/23/2010	1,205,000	630,775
Street Improvement	11/27/2012	6,905,000	5,300,000
General Obligation Improvement	10/30/2014	865,000	865,000
Street Improvement	11/05/2015	2,630,000	2,630,000
Advance Refunding Bonds:			
Street Improvement	12/19/2006	3,190,000	405,000
General Obligation Improvement	11/23/2010	1,135,000	594,225
Total Governmental Activities		<u>\$ 18,436,687</u>	<u>\$ 11,185,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Water Utility Revenue and General Obligation	12/13/2007	\$ 950,000	\$ 140,000
Sewer Utility Revenue and General Obligation	12/13/2007	1,325,000	50,000
Gas Utility Revenue and General Obligation	12/17/2009	2,846,814	857,886
Sewer Utility Revenue and General Obligation	12/17/2009	713,186	212,112
Water Utility Revenue and General Obligation	11/23/2010	1,625,000	730,420
Sewer Utility Revenue and General Obligation	11/23/2010	2,025,000	910,218
Stormwater Utility Revenue and General Obligation	11/23/2010	755,000	339,365
Gas Utility Revenue and General Obligation	11/29/2011	3,125,000	1,900,000
Steam Utility Revenue and General Obligation	11/27/2012	5,475,000	4,250,000
Water Utility Revenue and General Obligation	11/05/2015	515,000	515,000
Sewer Utility Revenue and General Obligation	11/05/2015	1,110,000	1,110,000
Sewer Utility Revenue and General Obligation	11/05/2015	350,000	350,000
Stormwater Utility Revenue and General Obligation	11/05/2015	790,000	790,000
Advance Refunding Bonds:			
Sewer Utility Revenue and General Obligation	11/29/2011	2,265,000	1,635,000
Sewer Utility Revenue and General Obligation	11/27/2012	2,000,000	1,735,000
Parking Improvements	11/27/2012	10,270,000	9,345,000
Total Business-type Activities		<u>\$ 36,140,000</u>	<u>\$ 24,870,001</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. LONG-TERM DEBT (continued)

BONDS/CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates, and notes payable at December 31, 2015, are composed of the following individual issues:

BONDS AND CERTIFICATES BY ISSUE	Interest Rate and Dates		Issue Date	Final Maturity	Authorized and Issued	Outstanding
Governmental Activities:						
General Obligation Bonds Payable						
General Obligation						
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04	02-01-20	\$ 945,000	\$ 390,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06	02-01-16	895,000	115,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07	02-01-17	1,240,000	315,000
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	38,970,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08	02-01-19	1,475,000	650,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08	02-01-18	1,600,000	600,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09	02-01-20	7,085,000	4,225,000
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
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-21	2,175,000	1,375,000
Airport Improvement Refunding	0.75 to 2.45%	02/01; 08/01	11-23-10	02-01-17	1,850,000	645,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11	02-01-22	1,870,000	1,370,000
Airport Improvement	2.00 to 3.25%	02/01; 08/01	05-24-12	02-01-28	7,650,000	6,770,000
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	1,640,000
Capital Improvement - Lakewalk	2.50 to 4.00%	02/01; 08/01	12-18-13	02-01-29	1,460,000	1,385,000
Wade Stadium Improvement	3.00 to 3.70%	02/01; 08/01	10-30-14	02-01-30	2,330,000	2,330,000
Spirit Mountain Improvement	2.00 to 3.40%	02/01; 08/01	10-30-14	02-01-35	2,150,000	2,150,000
Capital Improvement	2.00 to 2.50%	02/01; 08/01	10-30-14	02-01-25	1,115,000	1,115,000
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-26	1,615,000	1,615,000
Airport Improvement	3.00 to 3.70%	02/01; 08/01	11-05-15	02-01-31	2,855,000	2,855,000
Capital Improvement	3.00 to 3.80%	02/01; 08/01	11-05-15	02-01-32	13,520,000	13,520,000
Total General Obligation					<u>109,565,000</u>	<u>97,340,000</u>
General Obligation -Tax Abatement						
Spirit Mountain Tax Abatement Bonds	2.00 to 3.00%	02/01; 08/01	02-23-12	02-01-30	7,055,000	6,350,000
Special Assessment Debt with Government Commitment						
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	02-01-21	1,985,000	1,005,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	02-01-16	3,190,000	405,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08	02-01-24	2,320,000	1,535,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-16	656,687	115,000
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	02-01-19	1,205,000	630,775
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	02-01-19	1,135,000	594,225
Street Improvement Refunding	2.00 to 3.00%	02/01; 08/01	11-27-12	02-01-21	6,905,000	5,300,000
General Obligation Improvement Refunding	1.50 to 2.00%	02/01; 08/01	10-30-14	02-01-20	865,000	865,000
Street Improvement Refunding	4.00%	02/01; 08/01	11-05-15	02-01-23	2,630,000	2,630,000
Total Special Assessment Debt with Government Commitment					<u>20,891,687</u>	<u>13,080,000</u>
General Obligation Certificates Payable						
Equipment	0.60 to 1.55%	02/01; 08/01	11-23-10	02-01-16	2,295,000	470,000
Equipment	2.00%	02/01; 08/01	11-29-11	02-01-17	3,095,000	1,280,000
Equipment	3.00%	02/01; 08/01	11-27-12	02-01-18	3,275,000	2,030,000
Equipment	2.00%	02/01; 08/01	12-18-13	02-01-19	3,835,000	3,105,000
Equipment	1.50 to 2.00%	02/01; 08/01	10-30-14	02-01-20	2,460,000	2,460,000
Equipment	2.00 to 3.00%	02/01; 08/01	11-05-15	02-01-21	3,325,000	3,325,000
Total General Obligation Certificates Payable					<u>18,285,000</u>	<u>12,670,000</u>
Total Governmental Activities					<u>\$155,796,687</u>	<u>\$129,440,000</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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					
Parking Improvement Tax Increment Refunding	1.00 to 2.75%	02/01; 08/01	11-27-12 02-01-26	\$ 10,270,000	\$ 9,345,000
West Superior Street Parking Facility Fund					
Parking Improvement Tax Increment	4.00%	02/01; 08/01	05-15-14 04-01-44	12,150,044	12,150,044
Water Fund					
Water Utility Revenue and General Obligation Refunding					
	4.00%	02/01; 08/01	12-13-07 02-01-16	950,000	140,000
Water Utility Revenue and General Obligation Refunding					
	2.00 to 4.00%	02/01; 08/01	02-19-09 02-01-24	196,000	128,000
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	730,420
Water Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	515,000	515,000
Total Water Fund				3,286,000	1,513,420
Gas Fund					
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	857,886
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	1,900,000
Total Gas Fund				5,971,814	2,757,886
Steam Fund					
Steam Utility Revenue and General Obligation Refunding					
	1.00 to 2.13%	02/01; 08/01	11-27-12 02-01-22	5,475,000	4,250,000
Steam Utility Revenue and General Obligation Refunding					
	3.00 to 3.20%	02/01; 08/01	11-05-15 02-01-27	4,015,000	4,015,000
Total Steam Fund				9,490,000	8,265,000
Sewer Fund					
Sewer Utility Revenue and General Obligation Refunding					
	4.00%	02/01; 08/01	12-13-07 02-01-16	1,325,000	50,000
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	947,000
Sewer Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	12-17-09 02-01-17	713,186	212,112
Sewer Utility Revenue and General Obligation Refunding					
	2.00 to 4.00%	02/01; 08/01	12-17-09 02-01-25	905,000	650,000
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	910,218
Sewer Utility Revenue and General Obligation Refunding					
	1.00 to 3.00%	02/01; 08/01	11-29-11 02-01-20	2,265,000	1,635,000
Sewer Utility Revenue and General Obligation Refunding					
	2.00%	02/01; 08/01	11-27-12 02-01-20	2,000,000	1,735,000
Sewer Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-23	1,110,000	1,110,000
Sewer Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	350,000	350,000
Total Sewer Fund				12,137,186	7,599,330
Stormwater Fund -					
Stormwater Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	11-23-10 02-01-18	755,000	339,365
Stormwater Utility Revenue and General Obligation Refunding					
	2.00 to 3.00%	02/01; 08/01	11-05-15 02-01-22	790,000	790,000
Total Stormwater Fund				1,545,000	1,129,365
Total Business-type Activities				\$ 54,850,044	\$ 42,760,045

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 79,000
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	2,656,000
Total Governmental Activities				<u>\$ 8,240,195</u>	<u>\$ 2,735,000</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	\$ 207,186
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04 08-20-18	1,971,532	462,000
Public Facilities Authority Note	1.077%	02/20; 08/20	10-28-09 08-20-19	1,668,813	684,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	1,293,200	876,000
Public Facilities Authority Note	1.076%	02/20; 08/20	12-07-10 08-20-25	3,344,131	2,352,000
Public Facilities Authority Note	1.221%	02/20; 08/20	11-18-11 08-20-26	1,221,631	882,975
Public Facilities Authority Note	1.000%	02/20; 08/20	02-25-14 08-20-29	4,778,806	4,310,896
Total Water Fund				<u>15,148,113</u>	<u>9,775,057</u>
Sewer Fund					
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03 08-20-18	100,000	23,814
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03 08-20-18	1,179,115	276,000
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07 08-20-22	1,973,033	1,060,000
Public Facilities Authority Note	1.969%	02/20; 08/20	08-20-09 08-20-24	796,835	516,000
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09 08-20-24	2,414,150	1,611,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	3,753,059	2,581,000
Public Facilities Authority Note	1.258%	02/20; 08/20	07-28-10 08-20-25	8,504,224	5,758,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11 08-20-21	279,117	159,566
Public Facilities Authority Note	1.000%	02/20; 08/20	11-30-11 08-20-21	265,418	168,000
Public Facilities Authority Note	1.000%	02/20; 08/20	11-18-11 08-20-21	278,149	180,000
Public Facilities Authority Note	1.000%	02/20; 08/20	09-10-12 08-20-22	476,537	331,000
Public Facilities Authority Note (Note 1)	1.000%	02/20; 08/20	10-29-14 08-20-24	1,255,464	594,375
Total Sewer Fund				<u>21,275,101</u>	<u>13,258,755</u>
Total Business-type Activities				<u>\$ 36,423,214</u>	<u>\$ 23,033,812</u>
Component Units:					
Duluth Airport Authority					
Revenue Note	8.85%	06/01;12/01	11-01-05 06-01-19	497,379	221,584
Total Component Units				<u>\$ 497,379</u>	<u>\$ 221,584</u>

Note 1: Only \$694,839 has been drawn on the Public Facilities Authority Note dated 10/29/2014

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

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, 2015, are as follows:

	General Fund	Disaster Recovery	Spirit Mtn Capital Improvement	Other Governmental Funds	Total Fund Balance
Fund Balances:					
Spendable:					
Restricted for:					
Forfeitures	\$ 95,801	\$ -	\$ -	\$ 26,184	\$ 121,985
Capital Projects	-	-	-	19,306,436	19,306,436
Community Development	-	-	-	88,612	88,612
Employment	-	-	-	245,694	245,694
Parks and Recreation	-	-	-	1,042,944	1,042,944
Public Access Television	-	-	-	339,077	339,077
Public Works	-	-	-	681,697	681,697
Economic Development	-	-	-	868,099	868,099
Library	-	-	-	781,470	781,470
Energy Program	-	-	-	163,844	163,844
Tourism	-	-	-	1,228,188	1,228,188
Debt Service	-	-	-	19,496,773	19,496,773
Committed for:					
General Government	-	-	-	240,208	240,208
Community Investment	-	-	-	18,954,798	18,954,798
Municipal Arts	-	-	-	107,814	107,814
Parks and Recreation	-	-	-	461,565	461,565
Public Safety	21,781	-	-	81,779	103,560
Assigned to:					
General Government	2,132,059	-	-	-	2,132,059
Economic Development	-	-	-	20,788	20,788
Capital Projects	-	-	-	368,556	368,556
Unassigned	11,624,121	(3,567,236)	(3,766,737)	(821,220)	3,468,928
Total Fund Balances	<u>\$ 13,873,762</u>	<u>\$ (3,567,236)</u>	<u>\$ (3,766,737)</u>	<u>\$ 63,683,306</u>	<u>\$ 70,223,095</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. INTERFUND ASSETS/LIABILITIES/TRANSFERSDUE TO/FROM OTHER FUNDS

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Balances at December 31, 2015 are:

Due from Fund	Due to Fund	Amount
General	Water Enterprise	\$ 14,847
	Gas Enterprise	26,680
	Sewer Enterprise	34,680
	Nonmajor Governmental Funds	62,017
	Nonmajor Enterprise Funds	26,046
	Internal Service Funds	241,343
Disaster Recovery	Nonmajor Governmental Funds	1,831
	Nonmajor Enterprise Funds	111,123
Parking Enterprise	Nonmajor Governmental Funds	386,776
	Nonmajor Enterprise Funds	1,310
	Internal Service Funds	149
Water Enterprise	General	1,768
	Internal Service Funds	16,123
Gas Enterprise	General	1
	Nonmajor Governmental Funds	27,888
	Internal Service Funds	8,490
Sewer Enterprise	Internal Service Funds	8,890
Nonmajor Governmental Funds	General	174,085
	Water Enterprise	100,981
	Gas Enterprise	3,114
	Sewer Enterprise	2,639
	Nonmajor Governmental Funds	502,583
	Nonmajor Enterprise Funds	3,479
	Internal Service Funds	13,655
Nonmajor Enterprise Funds	Internal Service Funds	15,986
Internal Service Funds	Nonmajor Governmental Funds	30,876
Total		(1,2,3) <u>\$ 1,817,360</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 1,187,825
	Statement of Net Position - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	324,899
	Governmental Activities - Internal Service Funds	304,636
Total		<u>\$ 1,817,360</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due to/from the primary government and component unit results from the time lag between the date that (1) goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between the primary government and component units are made; or (4) a budgetary authorized line of credit by the primary government to the component unit; or (5) a budgetary authorized lending agreement by the primary government to the component unit. Balances as shown below are reported on the Government-wide Statement of Net Position. Balances are for December 31, 2015, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2015.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Fund	Duluth Transit Authority	(1,2,3) \$ 1,700
	Spirit Mountain Recreation Area Authority	(4) 1,075,000
	Duluth Airport Authority	(4) 125,074
	Duluth Economic Development Authority	(1,2,3) 9
Spirit Mountain Capital Improvement Fund	Spirit Mountain Recreation Area Authority	(1,2,3) 453,403
Nonmajor Governmental Funds	Duluth Transit Authority	(1,2,3) 580
	Duluth Entertainment and Convention Center Authority	(1,2,3) 3,248
	Spirit Mountain Recreation Area Authority	(1,2,3) 6,018
Internal Service Funds	Duluth Economic Development Authority	(1,2,3,5) 636,004
Total Due From Component Units	Duluth Airport Authority	(1,2,3) 2,262
		<u>\$ 2,303,298</u>
Total Due To Primary Government		\$ 1,974,809
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2015		(1,205,932)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2015		1,534,421
Total Due From Component Units		<u>\$ 2,303,298</u>
Component Unit:	Primary Government:	
Duluth Transit Authority	Nonmajor Governmental Funds	\$ 5,480
Duluth Entertainment and Convention Center Authority	General	6,154
	Nonmajor Governmental Funds	557,795
Duluth Economic Development Authority	Nonmajor Governmental Funds	2,352
Duluth Airport Authority	Major Enterprise Funds	22,493
Spirit Mountain Recreation Area Authority	General	4,706
	Spirit Mtn Capital Improvement Fund	311,359
Total Due from Primary Government		<u>\$ 910,339</u>
Total Due To Component Units		\$ 1,159,061
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2015		(564,787)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2015		316,065
Total Due To Component Units		<u>\$ 910,339</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

14. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)

INTERFUND LOAN RECEIVABLES/PAYABLES

Interfund loan balances are a result of interfund financing at year-end to cover deficit cash balances within the various funds. Balances on December 31, 2015 are:

Receivable Fund	Amount
General	<u>\$ 7,182,676</u>
Payable Fund	
Disaster Recovery	611,436
Spirit Mountain Capital Improvement	3,908,781
Nonmajor Governmental Funds	686,023
Nonmajor Enterprise Funds	1,844,035
Internal Service Funds	132,401
Total	<u>\$ 7,182,676</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: (1) debt service payments, participation in projects, and reimbursements of expenditures; and (2) payments in lieu of taxes from enterprise funds; or (3) to distribute budgetary authorized revenues to finance programs the government must account for in other funds. Interfund transfers for the year ended December 31, 2015, are as follows:

Transfer to, reported in fund:	Transfer from, reported in fund:	Amount
General	Parking Enterprise	(3) \$ 1,352,700
	Water Enterprise	(1) 174,513
	Gas Enterprise	(1,2) 3,898,845
	Sewer Enterprise	(1) 120,445
	Nonmajor Governmental Funds	(1) 1,672,593
	Nonmajor Enterprise Funds	(1,2) 657,687
	Water Enterprise	(1) 108,197
	Nonmajor Enterprise Funds	(1) 10,660
	Gas Enterprise	(1) 15,990
	Nonmajor Governmental Funds	(1) 15,990
Sewer Enterprise	Nonmajor Governmental Funds	(1) 9,430
	Nonmajor Enterprise Funds	(1) 9,430
	Nonmajor Governmental Funds	(3) 6,573
Nonmajor Governmental Funds	Disaster Recovery	(1) 58,349
	Gas Enterprise	(1) 382,330
	Nonmajor Governmental Funds	(1) 10,812,210
	Nonmajor Enterprise Funds	(1) 111,123
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	(1) 4,920
	Nonmajor Enterprise Funds	(1) 4,920
	Total	<u>\$ 19,426,905</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and Changes in Fund Balances:	
	Governmental Funds	\$ 12,799,385
	Statement of Revenues, Expenditures, and Changes in Fund Net Position:	
	Business-type Activities - Enterprise Funds	6,627,520
Total		<u>\$ 19,426,905</u>

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

15. PENSION PLANS

PLAN DESCRIPTION

All full-time and certain part-time employees of the City of Duluth are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0% post retirement benefit increase. If the funding ratio reaches 90% for two consecutive years, the benefit increase will revert to 2.5%. If, after reverting to a 2.5% benefit increase, the funding ratio declines to less than 80% for one year or less than 85% for two consecutive years, the benefit increase will decrease to 1.0%.

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

Benefits are based on a member's highest average salary for any 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. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service 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 General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. PENSION PLANS (continued)

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80% of their annual covered salary in 2015.

In 2015, the City was required to contribute the following percentages of annual covered salary:

	2015 Statutory Rates	
	Employees	Employer
General Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated Members	6.50%	7.50%
Public Employees Police and Fire Fund	10.80%	16.20%

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25% increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60% and 0.90%, respectively, from 2014.

The City's contributions for the year ended December 31, 2015, to the pension plans were:

	2015	2014	2013
General Employees Retirement Fund	\$ 2,514,167	\$ 2,419,915	\$ 2,388,791
Public Employees Police and Fire Fund	3,557,651	3,208,134	3,015,302
Total	<u>\$ 6,071,818</u>	<u>\$ 5,628,049</u>	<u>\$ 5,404,093</u>

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

General Employees Retirement Fund

At December 31, 2015, the City reported a liability of \$28,498,672 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.5499%. It was 0.6168% measured as of June 30, 2014. For the year ended December 31, 2015, the City recognized pension expense of \$3,004,241 for its proportionate share of the General Employees Retirement Fund's pension expense.

At December 31, 2015, the City reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTES T.O.C.

15. PENSION PLANS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,436,817
Difference between projected and actual investment earnings	2,697,837	-
Changes in proportion	-	2,356,970
Contributions paid to PERA subsequent to the measurement date	1,298,950	-
Total	<u>\$ 3,996,787</u>	<u>\$ 3,793,787</u>

A total of \$1,298,950 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (590,137)
2017	(590,137)
2018	(590,137)
2019	674,461

Public Employees Police and Fire Fund

At December 31, 2015, the City reported a liability of \$25,769,787 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 2.268%. It was 2.297% measured as of June 30, 2014. For the year ended December 31, 2015, the City recognized pension expense of \$4,387,026 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The City also recognized \$204,120 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90% funded.

At December 31, 2015, the City reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. PENSION PLANS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,179,017
Difference between projected and actual investment earnings	4,489,960	-
Changes in proportion	-	261,010
Contributions paid to PERA subsequent to the measurement date	1,898,870	-
Total	<u>\$ 6,388,830</u>	<u>\$ 4,440,027</u>

A total of \$1,898,870 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 234,485
2017	234,485
2018	234,485
2019	234,485
2020	(888,005)

The total pension expense for all plans recognized by the City for the year ended December 31, 2015, was \$7,391,267.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0% effective every January 1 through 2035 and 2037, respectively, and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1 2004, through June 30, 2009.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

15. PENSION PLANS (continued)

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45.00%	5.50%
International stocks	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative assets	20.00%	6.40%
Cash	2.00%	0.50%

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9%. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the:			
General Employees Retirement Fund net pension liability	\$ 44,810,042	\$ 28,498,672	\$ 15,027,986
Public Employees Police and Fire Fund net pension liability	50,225,586	25,769,787	5,565,037

PENSION PLAN FIDUCIARY NET POSITION

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

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTES T.O.C.

15. PENSION PLANS (continued)

DEFINED CONTRIBUTION PLAN

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

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

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,415	\$ 4,415
Percentage of covered payroll	5.0%	5.0%

COMPONENT UNITS' PENSION INFORMATION

Qualified employees of the Duluth Entertainment and Convention Center Authority, Duluth Airport Authority, and Spirit Mountain Recreation Area Authority belong to 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 2015 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 2015 annual report.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

16. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

As of December 31, 2015, there were 1,117 retirees receiving health benefits from the City's health plan and 816 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, 2015, the City contributed \$8,511,648 and retirees contributed \$140,692.

In July 2007, the City established an Other Postemployment Benefits (OPEB) irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$584,455 were made to the irrevocable trust in 2015.

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 2015, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 10,095,898
Interest on Net OPEB obligation	2,374,311
Adjustment to ARC	<u>(2,929,662)</u>
Annual OPEB Cost	9,540,547
Claims paid on behalf of retirees	(10,018,043)
Contributions to irrevocable trust	<u>(584,455)</u>
Decrease in Net OPEB obligation	<u>(1,061,951)</u>
Net OPEB, January 1	41,636,228
Net OPEB, December 31	<u><u>\$ 40,574,277</u></u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2013, 2014, and 2015 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 13,822,249	\$ 8,772,788	63.47%	\$ 37,091,031
December 31, 2014	\$ 13,822,249	\$ 9,277,052	67.12%	\$ 41,636,228
December 31, 2015	\$ 9,540,547	\$ 10,602,498	111.13%	\$ 40,574,277

FUNDING STATUS AND FUNDING PROGRESS

As of January 1, 2015, the most recent actuarial valuation date, the plan was 25.08% funded. The actuarial accrued liability for benefits was \$172,507,535, and the actuarial value of assets was \$43,257,834 resulting in an unfunded actuarial accrued liability of \$129,249,701. The covered payroll (annual payroll of active employees covered by the plan) was \$30,154,437. The ratio of the unfunded actuarially accrued liabilities to covered payroll is 428.63%.

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. Market value was the method used to determine the actuarial value of plan assets. The actuarial assumptions included a 5.7% investment rate of return which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments at a 2.2% inflation rate. The annual healthcare cost trend rate is 10.0% initially, reduced incrementally to an ultimate rate of 5.0% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year open amortization period.

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

16. OTHER POSTEMPLOYMENT BENEFITS (continued)

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.

17. SEGMENT INFORMATION

The City has issued revenue bonds for each of the following nonmajor enterprise funds: Steam, the plant which generates and distributes steam to users in the downtown area; and Stormwater, which operates the stormwater sewer collection system. Summary financial information for each of these funds for fiscal year ending December 31, 2015, is presented below:

CONDENSED STATEMENT OF NET POSITION

	<u>Stormwater</u>	<u>Steam</u>
Assets		
Current assets	\$ 2,227,776	\$ 4,017,628
Due from other funds	9,221	132,737
Noncurrent assets	160	24,789
Capital assets	15,303,036	9,300,549
Total Assets	<u>17,540,193</u>	<u>13,475,703</u>
Deferred Outflows of Resources	<u>195,816</u>	<u>207,074</u>
Liabilities		
Current liabilities	576,215	1,253,086
Due to other funds	10,592	121
Noncurrent liabilities	2,415,356	7,699,742
Total Liabilities	<u>3,002,163</u>	<u>8,952,949</u>
Deferred Inflows of Resources	<u>178,769</u>	<u>-</u>
Net Position		
Net investment in capital assets	14,133,317	3,336,493
Unrestricted	421,760	1,393,335
Total Net Position	<u>\$ 14,555,077</u>	<u>\$ 4,729,828</u>

CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

17. SEGMENT INFORMATION (continued)

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

	<u>Stormwater</u>	<u>Steam</u>
Operating revenues (expenses)		
Charges (pledged against bonds)	\$ 4,761,949	\$ 6,734,513
Depreciation expense	(433,350)	(1,122,508)
Other operating expenses	<u>(3,291,078)</u>	<u>(6,230,054)</u>
Operating income	1,037,521	(618,049)
Nonoperating revenues (expenses)		
Investment earnings	5,661	(6,183)
Other revenue	5,742	(117,655)
Interest expense	(54,244)	(195,971)
Capital contributions	(2,129)	-
Transfers in	9,840	111,123
Transfers out	<u>(527,578)</u>	<u>(130,109)</u>
Change in net position	474,813	(956,844)
Beginning net position	<u>14,080,264</u>	<u>5,686,672</u>
Ending net position	<u>\$ 14,555,077</u>	<u>\$ 4,729,828</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Stormwater</u>	<u>Steam</u>
Net cash provided (used) by		
Operating activities	\$ 1,394,389	\$ 791,238
Noncapital financing activities	(517,738)	(135,200)
Capital and related financing activities	(1,323,263)	1,280,546
Investing activities	<u>5,661</u>	<u>(6,183)</u>
Net increase (decrease)	(440,951)	1,930,401
Beginning cash and cash equivalents	<u>2,083,144</u>	<u>783,986</u>
Ending cash and cash equivalents	<u>\$ 1,642,193</u>	<u>\$ 2,714,387</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.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2015.

JOINT VENTURE

The Duluth Area Family Service 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 the Collaborative which is accounted in the Duluth Area Family Service Collaborative Agency Fund. A summary of the financial information of the Collaborative for the year ended December 31, 2015, is:

Total Assets	\$	465,450
Total Liabilities		7,471
Total Net Position		457,979
Total Revenues		363,185
Total Expenditures		105,353
Change in Net Position		257,832

Separate financial information can be obtained from the St. Louis County Auditor's Office.

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 \$1,458,386 to the Duluth Housing and Redevelopment Authority in 2015.

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE

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

A summary of the financial information of the Minneapolis-Duluth/Superior Passenger Rail Alliance for the Government-wide financial statement for December 31, 2015 was:

Total Assets	\$	126,563
Total Liabilities		11,696
Total Net Position		114,867
Total Revenues		65,250
Total Expenditures		206,044
Change in Net Position		(140,794)

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

TAX INCREMENT ASSISTANCE

The Duluth Economic Development Authority is committed to provide tax increment assistance pursuant to development agreements for housing projects. The assistance is provided in the form of an annual tax rebate to developers. The annual tax rebate is contingent upon payment of annual property taxes by the developer. The assistance for each project is limited in amount based on both the scope of the project and the life of the tax increment district. The tax increment assistance does not result in debt proceeds and does not meet the definition of debt. A summary of the maximum tax increment assistance to be provided as of December 31, 2015, follows:

A & L Renaissance	\$	522,649
Augusta Building	\$	268,321
Bluestone Commons	\$	6,450,387
Central Hillside Development, LLP	\$	277,910
Garfield Business Park, LLC	\$	611,069
Sherman Associates Hotel/Condominium	\$	5,000,000

**CITY OF DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

18. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority (DEDA) have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, DEDA nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2015, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Issued</u>	<u>Principal</u>
Aftenro Home	2006	\$ 2,620,000	\$ 2,207,368
Benedictine Health Center	2013	\$ 5,750,000	\$ 4,956,214
Benedictine Health Center	2014	\$ 4,000,000	\$ 4,000,000
Duluth Regional Care	2012A	\$ 1,040,800	\$ 505,376
Health Sciences Education Facility Corp	2015A	\$ 10,000,000	\$ 10,000,000
Health Sciences Education Facility Corp	2015B	\$ 6,600,000	\$ 137,000
St. Luke's Hospital	2012	\$ 81,595,000	\$ 77,025,000

19. SUBSEQUENT EVENTS

Pursuant to Minnesota Statutes § 475.67, subdivisions 1 through 12, the City sold \$33,470,000 in General Obligation DECC Improvement Refunding Bonds in March of 2016. The proceeds of the bonds advance refund the Series 2008A maturities occurring on and after February 1, 2019. The bonds are payable from revenues generated from food and beverage taxes. The transaction resulted in a net present value savings of \$5,414,950 and a reduction on future debt service payments of \$6,507,511.

Pursuant to Minnesota Statutes § 469.1812 to 469.1815, the City sold \$7,820,000 in General Obligation Tax Abatement bonds in March of 2016. The proceeds of the bonds were loaned to Cirrus Design Corporation for constructing a manufacturing and assembly facility. The bonds are secured by loan payments from Cirrus Design Corporation.

Required Supplementary
Information

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) TRUST
DECEMBER 31, 2015**

YEARS ENDED DECEMBER 31, 2007 THROUGH 2015

Year Ended December 31	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$22,081,427	\$23,742,663	93.0%
2008	\$13,171,329	\$23,742,663	55.5%
2009	\$13,488,168	\$17,615,054	76.6%
2010	\$10,043,975	\$17,615,054	57.0%
2011	\$11,830,474	\$15,345,228	77.1%
2012	\$9,699,313	\$15,345,228	63.2%
2013	\$8,772,788	\$14,249,437	61.6%
2014	\$9,277,052	\$14,249,437	65.1%
2015	\$10,602,498	\$10,095,898	105.0%

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)
DECEMBER 31, 2015**

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%
January 1, 2015	\$43,257,834	\$172,507,535	\$129,249,701	25.1%	\$30,154,437	428.6%

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.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.5499%	\$ 28,498,672	\$ 32,321,183	88.17%	78.20%

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

The amounts presented for each fiscal year were determined as of June 30.

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 2,514,167	\$ 2,514,167	\$ -	\$ 33,522,227	7.50%

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

The City's year-end is December 31.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER, 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2.268%	\$ 25,769,787	\$ 20,780,650	124.01%	86.60%

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

The amounts presented for each fiscal year were determined as of June 30.

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 3,557,651	\$ 3,557,651	\$ -	\$ 21,960,809	16.20%

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

The City's year-end is December 31.

Combining and Individual
Fund Statements and
Schedules

Governmental Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

Community Investment Trust – to account for the City's share of revenues that were received in prior years from the operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General Fund.

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

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

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

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

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

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

**CITY OF DULUTH, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

SPECIAL REVENUE FUNDS (continued)

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

Cirrus Building – Capital project fund established to account for bond proceeds issued to finance the construction of a manufacturing and assembly facility for the Cirrus Vision SF50 personal jet.

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

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

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

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

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Assets					
Cash and cash equivalents	\$ -	\$ 1,153,088	\$ 1,137,267	\$ 71,441	\$ 246,099
Investments, at fair value	-	-	-	-	-
Receivables, net					
Taxes	-	132,036	-	-	-
Accounts	-	-	36,598	1,267	-
Assessments	-	-	-	-	-
Loans	282,293	-	-	-	1,339,218
Due from other funds	50,000	24,762	6,576	90	-
Due from component units	-	-	9,846	-	622,000
Due from other governments	40,000	23,320	120,733	292,166	-
Total Assets	\$ 372,293	\$ 1,333,206	\$ 1,311,020	\$ 364,964	\$ 2,207,317
Liabilities					
Accounts payable	\$ 98	\$ 33,248	\$ 43,192	\$ 244,932	\$ -
Contracts payable	16,000	174,547	41,745	48,709	-
Due to other funds	-	124	185,161	33,219	-
Due to component units	-	-	4,459	-	-
Interfund loan payable	450,170	-	-	-	-
Due to other governments	140	6,392	-	548	764,230
Accrued salaries payable	-	9,724	-	-	-
Unearned revenue	-	-	62,814	13,136	-
Total Liabilities	466,408	224,035	337,371	340,544	764,230
Deferred Inflows of Resources					
Unavailable revenue	322,293	97,989	75,365	33,622	574,988
Fund Balances					
Restricted	-	1,011,182	365,261	-	868,099
Committed	-	-	533,023	-	-
Assigned	-	-	-	-	-
Unassigned	(416,408)	-	-	(9,202)	-
Total Fund Balances	(416,408)	1,011,182	898,284	(9,202)	868,099
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 372,293	\$ 1,333,206	\$ 1,311,020	\$ 364,964	\$ 2,207,317

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds				
	Bayfront Festival Park	Library Special Accounts	Economic Development	Community Investment Trust	Energy Management
Assets					
Cash and cash equivalents	\$ 253,474	\$ 823,062	\$ 41,553	\$ -	\$ 150,486
Investments, at fair value	-	-	-	18,954,798	-
Receivables, net					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	5,401	-	23,582
Due from component units	-	-	-	-	-
Due from other governments	-	-	79,059	-	-
Total Assets	\$ 253,474	\$ 823,062	\$ 126,013	\$ 18,954,798	\$ 174,068
Liabilities					
Accounts payable	\$ 2,000	\$ 41,592	\$ -	\$ -	\$ 9,258
Contracts payable	945	-	88,492	-	-
Due to other funds	-	-	6,346	-	-
Due to component units	-	-	2,352	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	8,035	-	-
Accrued salaries payable	-	-	-	-	966
Unearned revenue	-	-	-	-	-
Total Liabilities	2,945	41,592	105,225	-	10,224
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted	-	781,470	-	-	163,844
Committed	250,529	-	-	18,954,798	-
Assigned	-	-	20,788	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	250,529	781,470	20,788	18,954,798	163,844
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 253,474	\$ 823,062	\$ 126,013	\$ 18,954,798	\$ 174,068

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds				
	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development
Assets					
Cash and cash equivalents	\$ 900,288	\$ 30,953	\$ 48,462	\$ 96,333	\$ 199,210
Investments, at fair value	-	-	-	-	-
Receivables, net					
Taxes	788,701	457	-	-	-
Accounts	-	-	-	3,787	-
Assessments	-	-	-	-	-
Loans	-	-	289,245	2,620,794	-
Due from other funds	-	352	-	15,159	-
Due from component units	-	-	-	14,004	-
Due from other governments	111,155	-	81,102	834,839	113,966
Total Assets	\$ 1,800,144	\$ 31,762	\$ 418,809	\$ 3,584,916	\$ 313,176
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 10,658	\$ 18,190
Contracts payable	62,822	-	79,676	598,658	-
Due to other funds	509,134	-	7,219	3,044	14,784
Due to component units	-	-	-	-	5,480
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	82	950	5,969
Accrued salaries payable	-	-	-	1,533	-
Unearned revenue	-	-	62,690	40,043	-
Total Liabilities	571,956	-	149,667	654,886	44,423
Deferred Inflows of Resources					
Unavailable revenue	-	-	290,672	2,841,418	23,069
Fund Balances					
Restricted	1,228,188	31,762	-	88,612	245,684
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(21,530)	-	-
Total Fund Balances	1,228,188	31,762	(21,530)	88,612	245,684
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,800,144	\$ 31,762	\$ 418,809	\$ 3,584,916	\$ 313,176

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds			Debt Service Funds	
	Senior Employment	Street System Maintenance Utility	Public Arts	DECC Revenue	General Obligation
Assets					
Cash and cash equivalents	\$ -	\$ 448,470	\$ 119,780	\$ 2,922,089	\$ 11,675,630
Investments, at fair value	-	-	-	-	-
Receivables, net					
Taxes	-	-	-	-	367,772
Accounts	13,989	241,535	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	5,548	-	-	488,078	-
Due from component units	-	-	-	-	-
Due from other governments	52,125	-	-	-	-
Total Assets	\$ 71,662	\$ 690,005	\$ 119,780	\$ 3,410,167	\$ 12,043,402
Liabilities					
Accounts payable	\$ -	\$ 8,308	\$ -	\$ -	\$ -
Contracts payable	-	-	11,966	-	-
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	553,336	-
Interfund loan payable	68,273	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
Unearned revenue	3,379	-	-	-	-
Total Liabilities	71,652	8,308	11,966	553,336	-
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	270,310
Fund Balances					
Restricted	10	681,697	-	2,856,831	11,773,092
Committed	-	-	107,814	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	10	681,697	107,814	2,856,831	11,773,092
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 71,662	\$ 690,005	\$ 119,780	\$ 3,410,167	\$ 12,043,402

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Debt Service Funds		Capital Projects Funds		
	Special Assessment Debt Service	Street Improvement Debt Service	Capital Equipment	Special Assessment	Permanent Improvement
Assets					
Cash and cash equivalents	\$ 1,341,660	\$ 3,538,083	\$ 2,032,933	\$ -	\$ 1,246,322
Investments, at fair value	-	-	-	-	-
Receivables, net					
Taxes	-	-	-	-	15,900
Accounts	-	-	-	-	-
Assessments	2,054,042	936,698	-	58,694	-
Loans	-	-	-	-	-
Due from other funds	-	2,127	386,776	-	-
Due from component units	-	-	-	-	-
Due from other governments	32,331	-	-	-	1,486,734
Total Assets	\$ 3,428,033	\$ 4,476,908	\$ 2,419,709	\$ 58,694	\$ 2,748,956
Liabilities					
Accounts payable	\$ 19,796	\$ -	\$ 40,349	\$ -	\$ -
Contracts payable	-	-	742	54,529	531,930
Due to other funds	27,555	-	-	13,950	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	167,580	-
Due to other governments	-	-	-	-	824
Accrued salaries payable	-	-	-	-	-
Unearned revenue	-	-	-	-	200,000
Total Liabilities	47,351	-	41,091	236,059	732,754
Deferred Inflows of Resources					
Unavailable revenue	2,054,042	936,698	-	58,694	1,498,449
Fund Balances					
Restricted	1,326,640	3,540,210	2,378,618	-	517,753
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(236,059)	-
Total Fund Balances	1,326,640	3,540,210	2,378,618	(236,059)	517,753
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,428,033	\$ 4,476,908	\$ 2,419,709	\$ 58,694	\$ 2,748,956

(continued)

**CITY OF DULUTH, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Cirrus Building	Street Improvement Program	Capital Improvement	Tourism and Recreational Projects	
Assets					
Cash and cash equivalents	\$ 123,242	\$ 713,136	\$ 4,405,634	\$ 12,904,359	\$ 46,623,054
Investments, at fair value	-	-	-	-	18,954,798
Receivables, net					
Taxes	-	-	-	-	1,304,866
Accounts	-	-	-	-	297,176
Assessments	-	1,865,215	-	-	4,914,649
Loans	-	-	-	-	4,531,550
Due from other funds	-	3,520	-	-	1,011,971
Due from component units	-	-	-	-	645,850
Due from other governments	-	-	549,064	21,263	3,837,857
Total Assets	\$ 123,242	\$ 2,581,871	\$ 4,954,698	\$ 12,925,622	\$ 82,121,771
Liabilities					
Accounts payable	\$ 847	\$ -	\$ 47,299	\$ 20,870	\$ 540,637
Contracts payable	260,416	348,099	727,004	114,300	3,160,580
Due to other funds	-	-	-	-	800,536
Due to component units	-	-	-	-	565,627
Interfund loan payable	-	-	-	-	686,023
Due to other governments	-	-	767	346	788,283
Accrued salaries payable	-	-	-	-	12,223
Unearned revenue	-	-	-	-	382,062
Total Liabilities	261,263	348,099	775,070	135,516	6,935,971
Deferred Inflows of Resources					
Unavailable revenue	-	1,865,216	538,406	21,263	11,502,494
Fund Balances					
Restricted	-	-	3,641,222	12,768,843	44,269,018
Committed	-	-	-	-	19,846,164
Assigned	-	368,556	-	-	389,344
Unassigned	(138,021)	-	-	-	(821,220)
Total Fund Balances	(138,021)	368,556	3,641,222	12,768,843	63,683,306
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 123,242	\$ 2,581,871	\$ 4,954,698	\$ 12,925,622	\$ 82,121,771

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds				
	Lake Superior Zoo	Parks	Special Projects	Police Grant Programs	Recovery Loan Program
Revenues					
Taxes					
Property taxes	\$ -	\$ 2,608,790	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	53,605	44,086	-	-
Intergovernmental revenues	120,000	229,626	450,198	1,095,371	-
Charges for services	924,463	59,821	-	-	-
Fines and forfeits	-	-	8,540	65,327	-
Special assessments	-	-	-	-	-
Investment income	-	(1,688)	(293)	(99)	173
Miscellaneous revenues	28,251	77,016	561,606	11,010	3,840
Total Revenues	1,072,714	3,027,170	1,064,137	1,171,609	4,013
Expenditures					
Current					
General government	-	-	23,361	-	-
Public safety	-	-	464,519	439,151	-
Public works	-	-	-	-	-
Culture and recreation	1,667,064	1,932,335	165,135	-	-
Urban and economic development	-	-	-	-	3,840
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	3,141	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	732,426	283,057	76,110	-
Total Expenditures	1,670,205	2,664,761	936,072	515,261	3,840
Excess (Deficiency) of Revenues Over (Under) Expenditures	(597,491)	362,409	128,065	656,348	173
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	510,000	19,254	6,573	-	-
Transfers out	-	-	(253,434)	(686,994)	-
Total Other Financing Sources (Uses)	510,000	19,254	(246,861)	(686,994)	-
Net Change in Fund Balances	(87,491)	381,663	(118,796)	(30,646)	173
Fund Balances - January 1, 2015	(328,917)	629,519	1,017,080	21,444	867,926
Fund Balances - December 31, 2015	\$ (416,408)	\$ 1,011,182	\$ 898,284	\$ (9,202)	\$ 868,099

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds				
	Bayfront Festival Park	Library Special Accounts	Economic Development	Community Investment Trust	Energy Management
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	183,027	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(197)	(400)	(95)	230,046	411
Miscellaneous revenues	33,005	174,214	38,756	-	83,169
Total Revenues	32,808	173,814	221,688	230,046	83,580
Expenditures					
Current					
General government	-	-	-	-	204,564
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	19,354	235,758	-	-	-
Urban and economic development	-	-	215,204	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	2,174	-	-	-
Total Expenditures	19,354	237,932	215,204	-	204,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,454	(64,118)	6,484	230,046	(120,984)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	5,401	-	75,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	5,401	-	75,000
Net Change in Fund Balances	13,454	(64,118)	11,885	230,046	(45,984)
Fund Balances - January 1, 2015	237,075	845,588	8,903	18,724,752	209,828
Fund Balances - December 31, 2015	\$ 250,529	\$ 781,470	\$ 20,788	\$ 18,954,798	\$ 163,844

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds				
	Tourism Tax	Public Facility and Program	Home Investment Partnerships Program	Community Development	Workforce Development
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	10,645,487	-	-	-	-
Other taxes	-	8,139	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	390,912	3,146,342	1,905,038
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	(736)	(38)	(45)	1,244	(96)
Miscellaneous revenues	-	-	-	222,559	232,062
Total Revenues	10,644,751	8,101	390,867	3,370,145	2,137,004
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	3,293,557	-	382,343	3,420,557	2,157,666
Debt service					
Principal retirement	-	-	-	30,000	-
Interest and fiscal fees	-	-	-	153,836	-
Bond issuance costs	-	-	-	-	-
Capital outlay					
Capital outlay	-	-	-	-	-
Total Expenditures	3,293,557	-	382,343	3,604,393	2,157,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,351,194	8,101	8,524	(234,248)	(20,662)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	-	-	1,831	-
Transfers out	(7,352,529)	-	-	-	-
Total Other Financing Sources (Uses)	(7,352,529)	-	-	1,831	-
Net Change in Fund Balances	(1,335)	8,101	8,524	(232,417)	(20,662)
Fund Balances - January 1, 2015	1,229,523	23,661	(30,054)	321,029	266,346
Fund Balances - December 31, 2015	\$ 1,228,188	\$ 31,762	\$ (21,530)	\$ 88,612	\$ 245,684

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds			Debt Service Funds	
	Senior Employment	Street System Maintenance Utility	Public Arts	DECC Revenue	General Obligation
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 6,565,982
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	398,112	-	-	-	221,367
Charges for services	-	2,712,334	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	(1,313)	(42)	(3,009)	(13,256)
Miscellaneous revenues	-	514	-	-	1,470,971
Total Revenues	398,112	2,711,535	(42)	(3,009)	8,245,064
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	676,691	-	-	-
Culture and recreation	-	-	65,536	-	-
Urban and economic development	398,112	-	-	553,335	2,850,000
Debt service					
Principal retirement	-	-	-	-	6,935,567
Interest and fiscal fees	-	-	-	-	3,849,287
Bond issuance costs	-	-	-	-	62,355
Capital outlay					
Capital outlay	-	-	-	-	-
Total Expenditures	398,112	676,691	65,536	553,335	13,697,209
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,034,844	(65,578)	(556,344)	(5,452,145)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	2,855,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	58,417
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	-	301,929	40,000	3,335,127	4,938,977
Transfers out	-	(1,890,552)	-	(2,435,588)	-
Total Other Financing Sources (Uses)	-	(1,588,623)	40,000	899,539	7,852,394
Net Change in Fund Balances	-	446,221	(25,578)	343,195	2,400,249
Fund Balances - January 1, 2015	10	235,476	133,392	2,513,636	9,372,843
Fund Balances - December 31, 2015	\$ 10	\$ 681,697	\$ 107,814	\$ 2,856,831	\$ 11,773,092

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Debt Service Funds		Capital Projects Funds		
	Special Assessment Debt Service	Street Improvement Debt Service	Capital Equipment	Special Assessment	Permanent Improvement
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 279,989
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	5,254,900
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Special assessments	627,757	347,064	-	9,937	-
Investment income	(556)	882	5,074	76	(228)
Miscellaneous revenues	-	-	-	-	143,248
Total Revenues	627,201	347,946	5,074	10,013	5,677,909
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	2,126,195
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	-	-	-
Debt service					
Principal retirement	735,433	2,800,000	-	-	-
Interest and fiscal fees	93,828	477,884	-	-	-
Bond issuance costs	-	48,068	44,197	-	-
Capital outlay					
Capital outlay	-	-	2,584,575	280,905	3,697,637
Total Expenditures	829,261	3,325,952	2,628,772	280,905	5,823,832
Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,060)	(2,978,006)	(2,623,698)	(270,892)	(145,923)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	3,325,000	-	-
Proceeds from refundings	-	2,630,000	-	-	-
Premium on issuance of bonds	-	270,275	172,304	-	-
Payment to refunded bond escrow agent	-	(2,845,900)	-	-	-
Transfers in	-	1,492,784	-	-	56,518
Transfers out	-	-	(227)	-	-
Total Other Financing Sources (Uses)	-	1,547,159	3,497,077	-	56,518
Net Change in Fund Balances	(202,060)	(1,430,847)	873,379	(270,892)	(89,405)
Fund Balances - January 1, 2015	1,528,700	4,971,057	1,505,239	34,833	607,158
Fund Balances - December 31, 2015	\$ 1,326,640	\$ 3,540,210	\$ 2,378,618	\$ (236,059)	\$ 517,753

(continued)

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Cirrus Building	Street Improvement Program	Capital Improvement	Tourism and Recreational Projects	
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,454,761
Sales taxes	-	-	-	-	10,645,487
Other taxes	-	-	-	-	8,139
Licenses and permits	-	-	-	-	97,691
Intergovernmental revenues	-	-	2,260,969	-	15,655,862
Charges for services	-	-	-	-	3,696,618
Fines and forfeits	-	-	-	-	73,867
Special assessments	-	541,731	-	-	1,526,489
Investment income	(362)	(352)	24,923	(21,357)	218,667
Miscellaneous revenues	500,000	96,539	-	-	3,676,760
Total Revenues	499,638	637,918	2,285,892	(21,357)	45,054,341
Expenditures					
Current					
General government	-	-	1,192,500	-	1,420,425
Public safety	-	-	499,399	-	1,403,069
Public works	-	-	37,835	-	2,840,721
Culture and recreation	-	-	244,364	-	4,329,546
Urban and economic development	637,659	-	-	-	13,912,273
Debt service					
Principal retirement	-	-	-	-	10,501,000
Interest and fiscal fees	-	-	-	-	4,577,976
Bond issuance costs	-	-	42,248	164,556	361,424
Capital outlay					
Capital outlay	-	1,028,021	2,135,869	830,173	11,650,947
Total Expenditures	637,659	1,028,021	4,152,215	994,729	50,997,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,021)	(390,103)	(1,866,323)	(1,016,086)	(5,943,040)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	1,615,000	13,520,000	21,315,000
Proceeds from refundings	-	-	-	-	2,630,000
Premium on issuance of bonds	-	-	32,777	265,258	799,031
Payment to refunded bond escrow agent	-	-	-	-	(2,845,900)
Transfers in	-	356,768	119,300	-	11,259,462
Transfers out	-	-	(3,687)	(329)	(12,623,340)
Total Other Financing Sources (Uses)	-	356,768	1,763,390	13,784,929	20,534,253
Net Change in Fund Balances	(138,021)	(33,335)	(102,933)	12,768,843	14,591,213
Fund Balances - January 1, 2015	-	401,891	3,744,155	-	49,092,093
Fund Balances - December 31, 2015	\$ (138,021)	\$ 368,556	\$ 3,641,222	\$ 12,768,843	\$ 63,683,306

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
Taxes:				
General property				
Current	\$ 12,864,500	\$ 12,864,500	\$ 12,800,449	\$ (64,051)
Delinquent	150,000	150,000	242,540	92,540
Mobile home	58,700	58,700	51,359	(7,341)
Forfeited tax sale apportionment	19,400	19,400	19,462	62
Franchise	2,034,800	2,034,800	2,008,194	(26,606)
Sales taxes	13,160,000	13,160,000	13,659,806	499,806
Charitable gambling	55,000	55,000	59,506	4,506
Other	68,100	68,100	168,384	100,284
Total Taxes	28,410,500	28,410,500	29,009,700	599,200
Licenses and Permits:				
Liquor and non-intoxicating liquor	469,000	469,000	511,612	42,612
Health	23,000	23,000	28,098	5,098
Police protective	27,700	27,700	36,961	9,261
Amusement	35,600	35,600	1,366	(34,234)
Manufacturing and merchandising	46,200	46,200	43,268	(2,932)
Other	974,900	974,900	1,064,745	89,845
Total Licenses and Permits	1,576,400	1,576,400	1,686,050	109,650
Intergovernmental Revenues:				
Shared revenues				
Local government aid	29,203,600	29,203,600	29,203,638	38
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,600,000	1,600,000	1,901,931	301,931
State grants				
Minnesota Library Information Network	-	5,000	5,185	185
Health Impact Assessment	-	-	20,000	20,000
Cross country ski trail	11,000	11,000	15,400	4,400
Snowmobile trail	13,000	13,000	7,660	(5,340)
Post training reimbursement	50,000	50,000	47,312	(2,688)
HAZMAT Regional Response Team	-	85,020	66,412	(18,608)
Bulletproof vests	-	12,477	12,546	69
Market value credit	-	-	2,890	2,890
MSA street maintenance allotment	1,400,000	1,400,000	1,533,400	133,400
Federal grants				
Historic Preservation Fund Grants-In-Aid	-	551	364	(187)
Alcohol, Tobacco, and Firearms - Training Assistance	-	81,900	96,407	14,507
Bulletproof Vest Partnership Program	-	20,288	17,419	(2,869)
Local Law Enforcement Block Grant Program	-	-	10,430	10,430
Other grants				
St. Louis County	157,300	157,300	164,435	7,135
Payments in lieu of taxes -				
Housing and Redevelopment Authority	112,900	112,900	45,644	(67,256)
Independent School District #709	220,200	220,200	233,291	13,091
Total Intergovernmental Revenues	32,892,400	33,097,636	33,508,792	411,156

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	114,000	114,000	101,076	(12,924)
Engineering	358,000	358,000	351,395	(6,605)
Building inspection services	2,177,800	2,177,800	2,320,947	143,147
Attorney services	10,000	10,000	5,025	(4,975)
MIS services	5,200	5,200	1,178	(4,022)
Grant administration services	87,200	87,200	67,749	(19,451)
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	53,400	53,400	30,644	(22,756)
Other services	-	-	225	225
Departmental sales				
Copier and microfilm prints	27,700	27,700	21,450	(6,250)
Print and plan sales	3,000	3,000	6,270	3,270
Book sales	300	300	104	(196)
Share of general expenses				
Duluth Airport Authority	45,200	45,200	45,200	-
Water and Gas	872,400	872,400	876,600	4,200
Sewer	306,900	306,900	308,000	1,100
Stormwater	150,700	150,700	151,800	1,100
Steam	49,500	49,500	49,500	-
Duluth Entertainment and Convention Center Authority	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	55,000	(11,800)
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>5,529,000</u>	<u>5,529,000</u>	<u>5,593,063</u>	<u>64,063</u>

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Fines and Forfeits:				
Library fines	75,000	75,000	84,306	9,306
Parking fines	54,600	54,600	26,240	(28,360)
Court fees	402,000	402,000	408,777	6,777
License penalties	8,000	8,000	5,007	(2,993)
Felony forfeitures	-	-	53,836	53,836
Total Fines and Forfeits	<u>539,600</u>	<u>539,600</u>	<u>578,166</u>	<u>38,566</u>
Special Assessments	<u>402,700</u>	<u>457,360</u>	<u>457,287</u>	<u>(73)</u>
Investment Income:				
Fair value adjustment	-	-	978	978
Total Investment Income	<u>-</u>	<u>-</u>	<u>978</u>	<u>978</u>
Miscellaneous Revenues:				
Commission and concessions	9,000	9,000	9,416	416
Payments in lieu of taxes	16,000	16,000	-	(16,000)
Police auction proceeds	-	-	7,624	7,624
Rent and lease	122,300	122,300	128,088	5,788
Sale of equipment	70,000	70,000	90,543	20,543
Sale of land	57,600	57,600	3,000	(54,600)
Sale of scrap	6,000	6,000	3,484	(2,516)
Surcharge retainage	1,500	1,500	1,541	41
Refunds and reimbursements	100,700	262,009	325,661	63,652
Gifts and donations	-	44,585	48,275	3,690
Interest temporary loans	50,000	50,000	27,959	(22,041)
Miscellaneous sales and services	111,200	111,200	123,635	12,435
Total Miscellaneous Revenues	<u>544,300</u>	<u>750,194</u>	<u>769,226</u>	<u>19,032</u>
Total Revenues	<u>69,894,900</u>	<u>70,360,690</u>	<u>71,603,262</u>	<u>1,242,572</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
Other Financing Sources:				
Transfers in:				
Special Projects	57,700	87,880	136,643	48,763
Duluth Police Grant Programs	527,500	686,800	686,994	194
Community Investment Trust	110,000	110,000	-	(110,000)
Tourism Taxes	827,900	827,900	848,956	21,056
Permanent Improvement	30,000	30,000	-	(30,000)
Parking	1,326,700	1,326,700	1,352,700	26,000
Water	340,200	340,200	174,513	(165,687)
Gas	3,837,400	3,837,400	3,898,845	61,445
Sewer	79,000	79,000	120,445	41,445
Stormwater	484,000	484,000	527,578	43,578
Steam	152,700	152,700	130,109	(22,591)
Total Other Financing Sources	<u>7,773,100</u>	<u>7,962,580</u>	<u>7,876,783</u>	<u>(85,797)</u>
Total Revenues and Other Financing Sources	<u>\$ 77,668,000</u>	<u>\$ 78,323,270</u>	<u>\$ 79,480,045</u>	<u>\$ 1,156,775</u>

Reconciliation:

Original budget as approved by Duluth City Council	\$ 77,668,000
Adjustments made in accordance with budget ordinance provisions:	
Grants, gifts, and donations	479,903
Ordinance allowable	<u>175,367</u>
Total adjustments	<u>655,270</u>
Modified budget as reported above	<u>\$ 78,323,270</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, 2015

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Legislative and Executive							
City Council							
Personal services - salaries	\$ 90,000	\$ 90,000		\$ 89,964	\$ -	\$ 89,964	\$ 36
Personal services - benefits	7,000	7,000		6,762	-	6,762	238
Other expenditures	82,200	85,624		52,762	-	52,762	32,862
Total City Council	179,200	182,624	2	149,488	-	149,488	33,136
Mayor's Office							
Personal services - salaries	282,100	282,100		262,327	-	262,327	19,773
Personal services - benefits	100,400	116,500		115,451	-	115,451	1,049
Other expenditures	14,600	13,500		14,447	-	14,447	(947)
Total Mayor's Office	397,100	412,100	1	392,225	-	392,225	19,875
Chief Administrative Officer							
Personal services - salaries	205,300	205,300		191,243	-	191,243	14,057
Personal services - benefits	98,000	98,000		94,676	-	94,676	3,324
Other expenditures	10,600	10,600		8,469	-	8,469	2,131
Total Chief Administrative Officer	313,900	313,900		294,388	-	294,388	19,512
Attorney and Human Rights							
Personal services - salaries	1,514,700	1,514,700		1,520,120	-	1,520,120	(5,420)
Personal services - benefits	497,800	497,800		480,900	-	480,900	16,900
Other expenditures	41,100	41,100		35,262	-	35,262	5,838
Total Attorney and Human Rights	2,053,600	2,053,600		2,036,282	-	2,036,282	17,318
Total Legislative and Executive	2,943,800	2,962,224		2,872,383	-	2,872,383	89,841
Public Administration							
Human Resources							
Personal services - salaries	773,900	693,900		668,095	-	668,095	25,805
Personal services - benefits	291,900	291,900		264,578	-	264,578	27,322
Other expenditures	83,500	79,500		63,973	-	63,973	15,527
Total Human Resources	1,149,300	1,065,300	1	996,646	-	996,646	68,654
Management Information Services							
Personal services - salaries	1,399,400	1,249,400		1,243,555	-	1,243,555	5,845
Personal services - benefits	483,300	483,300		458,520	-	458,520	24,780
Other expenditures	858,200	758,200		701,758	-	701,758	56,442
Total Management Information Services	2,740,900	2,490,900	1	2,403,833	-	2,403,833	87,067
Clerk							
Personal services - salaries	543,500	508,500		503,347	-	503,347	5,153
Personal services - benefits	188,400	188,400		184,189	-	184,189	4,211
Other expenditures	84,500	84,500		66,747	-	66,747	17,753
Total Clerk	816,400	781,400	1	754,283	-	754,283	27,117
Maintenance Operations							
Personal services - salaries	3,845,300	3,835,300		3,757,701	-	3,757,701	77,599
Personal services - benefits	1,622,500	1,622,500		1,619,824	-	1,619,824	2,676
Other expenditures	4,337,300	4,526,600		4,326,112	-	4,326,112	200,488
Capital outlay	-	700		-	-	-	700
Total Maintenance Operations	9,805,100	9,985,100	1,2	9,703,637	-	9,703,637	281,463

(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, 2015

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Public Administration (Continued)							
Library Services							
Personal services - salaries	2,651,000	2,636,000		2,582,657	-	2,582,657	53,343
Personal services - benefits	926,000	926,000		911,616	-	911,616	14,384
Other expenditures	583,100	645,102		626,160	-	626,160	18,942
Total Library Services	4,160,100	4,207,102	3	4,120,433	-	4,120,433	86,669
Facilities Management							
Personal services - salaries	1,411,200	1,368,200		1,406,814	-	1,406,814	(38,614)
Personal services - benefits	534,400	577,400		568,897	-	568,897	8,503
Other expenditures	2,188,000	2,088,000		1,967,524	-	1,967,524	120,476
Capital outlay	-	75,000		73,065	-	73,065	1,935
Total Facilities Management	4,133,600	4,108,600	1,2	4,016,300	-	4,016,300	92,300
Total Public Administration	22,805,400	22,638,402		21,995,132	-	21,995,132	643,270
Finance							
Budget							
Personal services - salaries	262,500	173,300		143,506	-	143,506	29,794
Personal services - benefits	79,300	64,600		59,131	-	59,131	5,469
Other expenditures	7,100	7,100		1,708	-	1,708	5,392
Total Budget	348,900	245,000	1	204,345	-	204,345	40,655
Auditor							
Personal services - salaries	635,800	725,000		722,463	-	722,463	2,537
Personal services - benefits	246,600	265,300		276,322	-	276,322	(11,022)
Other expenditures	336,300	332,300		282,355	-	282,355	49,945
Total Auditor	1,218,700	1,322,600	1	1,281,140	-	1,281,140	41,460
Purchasing							
Personal services - salaries	132,300	132,300		126,706	-	126,706	5,594
Personal services - benefits	49,800	50,600		50,046	-	50,046	554
Other expenditures	5,700	4,900		1,877	-	1,877	3,023
Total Purchasing	187,800	187,800		178,629	-	178,629	9,171
Treasurer							
Personal services - salaries	527,300	520,000		525,868	-	525,868	(5,868)
Personal services - benefits	196,200	214,000		215,697	-	215,697	(1,697)
Other expenditures	49,000	38,500		30,785	-	30,785	7,715
Total Treasurer	772,500	772,500		772,350	-	772,350	150
Total Finance	2,527,900	2,527,900		2,436,464	-	2,436,464	91,436

(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, 2015

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Planning and Construction Services							
Planning and Development							
Personal services - salaries	518,800	518,800		453,321	-	453,321	65,479
Personal services - benefits	167,700	167,700		158,192	-	158,192	9,508
Other expenditures	48,400	155,958		153,811	-	153,811	2,147
Total Planning and Development	734,900	842,458	3,4	765,324	-	765,324	77,134
Construction Services and Inspection							
Personal services - salaries	1,025,300	1,025,300		1,026,160	-	1,026,160	(860)
Personal services - benefits	441,600	441,600		436,842	-	436,842	4,758
Other expenditures	184,800	356,815		199,155	66,765	265,920	90,895
Total Construction Services and Inspection	1,651,700	1,823,715	2,4	1,662,157	66,765	1,728,922	94,793
Total Planning and Construction Services	2,386,600	2,666,173		2,427,481	66,765	2,494,246	171,927
Business and Community Development							
Business and Community Development							
Personal services - salaries	407,500	407,000		379,532	-	379,532	27,468
Personal services - benefits	155,300	155,800		159,617	-	159,617	(3,817)
Other expenditures	48,400	48,400		23,615	-	23,615	24,785
Total Business and Community Development	611,200	611,200		562,764	-	562,764	48,436
Fire							
Administration							
Personal services - salaries	274,700	269,700		267,747	-	267,747	1,953
Personal services - benefits	83,200	83,200		79,316	-	79,316	3,884
Other expenditures	65,000	68,930		53,322	-	53,322	15,608
Total Administration	422,900	421,830	1,2	400,385	-	400,385	21,445
Operations							
Personal services - salaries	9,176,000	9,526,000		9,551,519	-	9,551,519	(25,519)
Personal services - benefits	3,701,800	3,931,800		3,967,706	-	3,967,706	(35,906)
Other expenditures	469,000	549,000		553,487	-	553,487	(4,487)
Total Operations	13,346,800	14,006,800	1	14,072,712	-	14,072,712	(65,912)
Life Safety							
Personal services - salaries	641,800	628,800		603,797	-	603,797	25,003
Personal services - benefits	302,000	302,000		276,524	-	276,524	25,476
Other expenditures	83,700	73,700		54,009	-	54,009	19,691
Total Life Safety	1,027,500	1,004,500	1	934,330	-	934,330	70,170
Hazardous Materials (HAZMAT)							
Other expenditures	-	119,468	2,3,4	94,249	-	94,249	25,219
Total Fire	14,797,200	15,552,598		15,501,676	-	15,501,676	50,922

(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, 2015**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Police							
Administration and Investigation							
Personal services - salaries	5,584,100	5,361,400		5,386,935	-	5,386,935	(25,535)
Personal services - benefits	2,301,100	2,144,800		2,190,937	-	2,190,937	(46,137)
Other expenditures	1,524,900	1,492,673		1,398,704	21,500	1,420,204	72,469
Total Administration and Investigation	9,410,100	8,998,873	1,2,3	8,976,576	21,500	8,998,076	797
Patrol							
Personal services - salaries	7,260,100	7,915,882		7,922,273	-	7,922,273	(6,391)
Personal services - benefits	2,856,100	3,080,400		3,128,860	-	3,128,860	(48,460)
Other expenditures	136,000	190,695		135,925	-	135,925	54,770
Total Patrol	10,252,200	11,186,977	1,3	11,187,058	-	11,187,058	(81)
Police Special Accounts							
Other expenditures	-	64,663	2	58,555	-	58,555	6,108
Total Police	19,662,300	20,250,513		20,222,189	21,500	20,243,689	6,824
Public Works and Utilities							
Public Works Director's Office							
Personal services - salaries	39,900	40,200		41,435	-	41,435	(1,235)
Personal services - benefits	9,600	9,800		10,823	-	10,823	(1,023)
Other expenditures	900	900		384	-	384	516
Total Public Works Director's Office	50,400	50,900	1	52,642	-	52,642	(1,742)
Engineering							
Personal services - salaries	1,141,300	1,140,800		1,107,618	-	1,107,618	33,182
Personal services - benefits	431,700	431,700		423,636	-	423,636	8,064
Other expenditures	160,800	160,800		109,160	-	109,160	51,640
Total Engineering	1,733,800	1,733,300	1	1,640,414	-	1,640,414	92,886
Total Public Works and Utilities	1,784,200	1,784,200		1,693,056	-	1,693,056	91,144

(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, 2015**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
Transfers and Other Functions:							
Business improvement district	300,000	354,660	4	354,567	-	354,567	93
Public access television	182,000	182,000		181,640	-	181,640	360
State sales tax administration	120,000	120,000		95,205	-	95,205	24,795
Capital maintenance/lease purchase	125,000	129,108	2	109,300	-	109,300	19,808
Flexible benefits	100,000	105,000	1	81,749	-	81,749	23,251
Retiree insurance	7,225,000	7,225,000		6,950,146	-	6,950,146	274,854
Self-insurance	900,000	900,000		900,000	-	900,000	-
Transfers and accruals	500,000	485,000	1	-	-	-	485,000
Other functions	697,400	807,253	1,2	540,093	43,794	583,887	223,366
Total Transfers and Other Functions	<u>10,149,400</u>	<u>10,308,021</u>		<u>9,212,700</u>	<u>43,794</u>	<u>9,256,494</u>	<u>1,051,527</u>
Total Expenditures and Encumbrances	<u>\$ 77,668,000</u>	<u>\$ 79,301,231</u>		<u>\$ 76,923,845</u>	<u>\$ 132,059</u>	<u>\$ 77,055,904</u>	<u>\$ 2,245,327</u>
Reconciliation:							
Original budget as approved by Duluth City Council		\$ 77,668,000					
Adjustments made in accordance with Budget Ordinance							
Note 1				-			- Departmental transfers made in accordance with budget ordinance.
Note 2				977,961			- Encumbrance, contract, reserve, or designation carryovers from prior year.
Note 3				479,903			- Grants, gifts, and donations in accordance with budget ordinance.
Note 4				175,367			- Other allowable additions made in accordance with budget ordinance.
Total Adjustments		<u>1,633,231</u>					
Modified budget as reported above		<u>\$ 79,301,231</u>					

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
General Government:						
Legislative and Executive						
City Council	\$ 89,964	\$ 6,762	\$ 52,762	\$ -	\$ -	\$ 149,488
Mayor's Office	262,327	115,451	14,447	-	-	392,225
Chief Administrative Officer	191,243	94,676	8,469	-	-	294,388
City Attorney and Human Rights	1,520,120	480,900	35,262	-	-	2,036,282
Total Legislative and Executive	2,063,654	697,789	110,940	-	-	2,872,383
Public Administration						
Human Resources	668,095	264,578	63,973	-	-	996,646
Management Information Services	1,243,555	458,520	701,758	-	-	2,403,833
Clerk	503,347	184,189	66,747	-	-	754,283
Facilities Management	1,406,814	568,897	1,967,524	73,065	-	4,016,300
Other functions	-	913,538	1,158,678	-	-	2,072,216
Total Public Administration	3,821,811	2,389,722	3,958,680	73,065	-	10,243,278
Finance						
Budget	143,506	59,131	1,708	-	-	204,345
Auditor	722,463	276,322	282,355	-	-	1,281,140
Purchasing	126,706	50,046	1,877	-	-	178,629
Treasurer	525,868	215,697	30,785	-	-	772,350
Total Finance	1,518,543	601,196	316,725	-	-	2,436,464
Benefits						
Flexible Benefits	-	81,749	-	-	-	81,749
Retiree Insurance	-	6,950,146	-	-	-	6,950,146
Total Benefits	-	7,031,895	-	-	-	7,031,895
Total General Government	7,404,008	10,720,602	4,386,345	73,065	-	22,584,020
Public Safety:						
Fire						
Administration	267,747	79,316	83,238	-	-	430,301
Operations	9,551,519	3,967,706	553,487	-	-	14,072,712
Life Safety	603,797	276,524	54,009	-	-	934,330
Hazardous Materials (HAZMAT)	-	-	87,676	-	6,573	94,249
Total Fire	10,423,063	4,323,546	778,410	-	6,573	15,531,592
Police						
Administration and Investigation	5,386,935	2,190,937	1,398,704	-	-	8,976,576
Patrol	7,922,273	3,128,860	135,925	-	-	11,187,058
Police Special Accounts	-	-	58,555	-	-	58,555
Total Police	13,309,208	5,319,797	1,593,184	-	-	20,222,189
Total Public Safety	23,732,271	9,643,343	2,371,594	-	6,573	35,753,781

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES/TRANSFERS OUT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Personal Services Salaries	Personal Services Benefits	Other Expenditures	Capital Outlay	Transfers	Total Actual
Public Works:						
Public Administration						
Maintenance Operations	3,757,701	1,619,824	4,326,112	-	-	9,703,637
Total Public Administration	3,757,701	1,619,824	4,326,112	-	-	9,703,637
Public Works						
Public Works Director's Office	41,435	10,823	384	-	-	52,642
Engineering	1,107,618	423,636	109,160	-	-	1,640,414
Total Public Works	1,149,053	434,459	109,544	-	-	1,693,056
Total Public Works	4,906,754	2,054,283	4,435,656	-	-	11,396,693
Culture and Recreation:						
Public Administration						
Library Services	2,582,657	911,616	704,833	-	-	4,199,106
Total Public Administration	2,582,657	911,616	704,833	-	-	4,199,106
Total Culture and Recreation	2,582,657	911,616	704,833	-	-	4,199,106
Urban and Economic Development:						
Planning and Construction Services						
Planning and Development	453,321	158,192	153,811	-	-	765,324
Construction Services and Inspection	1,026,160	436,842	199,155	-	-	1,662,157
Total Planning and Construction Services	1,479,481	595,034	352,966	-	-	2,427,481
Business and Community Development						
Business and Community Development	379,532	159,617	23,615	-	-	562,764
Total Business and Community Development	379,532	159,617	23,615	-	-	562,764
Total Urban and Economic Development	1,859,013	754,651	376,581	-	-	2,990,245
Total Expenditures/Transfers Out	\$40,484,703	\$24,084,495	\$12,275,009	\$ 73,065	\$ 6,573	\$76,923,845

Proprietary Funds

**CITY OF DULUTH, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2015**

ENTERPRISE FUNDS

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

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2015

	Golf	Stormwater	Steam	Street Lighting	Total Nonmajor Enterprise Funds
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 1,642,193	\$ 550,775	\$ 1,855,620	\$ 4,048,588
Restricted cash and cash equivalents					
Construction	-	-	2,163,612	-	2,163,612
Receivables, net					
Accounts	1,087	465,924	904,620	199,933	1,571,564
Assessments	-	27,897	-	-	27,897
Due from other funds	-	9,221	132,737	-	141,958
Due from other governments	-	-	-	20,008	20,008
Inventories	42,824	65,124	398,621	-	506,569
Prepays	-	26,638	-	-	26,638
Total current assets	43,911	2,236,997	4,150,365	2,075,561	8,506,834
Noncurrent assets					
Assessments receivable	-	160	-	-	160
Restricted loans receivable	-	-	24,789	-	24,789
Capital assets, net	1,754,097	15,303,036	9,300,549	2,395,251	28,752,933
Total noncurrent assets	1,754,097	15,303,196	9,325,338	2,395,251	28,777,882
Total Assets	1,798,008	17,540,193	13,475,703	4,470,812	37,284,716
Deferred Outflows of Resources					
Deferred loss from debt refunding	-	7,486	207,074	-	214,560
Deferred pension obligation outflows	-	188,330	-	37,796	226,126
Total Deferred Outflows of Resources	-	195,816	207,074	37,796	440,686
Liabilities					
Current liabilities					
Accounts payable	54,046	49,409	268,862	123,277	495,594
Contracts payable	-	247,994	283,171	9,902	541,067
Due to other funds	-	10,592	121	5,273	15,986
Interfund loan payable	294,035	-	-	-	294,035
Due to other governments	1,762	588	20,343	-	22,693
Accrued interest payable	-	6,787	45,710	-	52,497
Accrued salaries payable	-	33,547	-	5,408	38,955
Compensated absences	-	113,243	-	15,019	128,262
Unearned revenue	118,459	14,953	-	6,915	140,327
Revenue bonds payable	-	109,694	635,000	-	744,694
Total current liabilities	468,302	586,807	1,253,207	165,794	2,474,110
Noncurrent liabilities					
Loans payable	212,497	-	-	-	212,497
Interfund loan payable	1,550,000	-	-	-	1,550,000
Compensated absences	-	4,985	-	-	4,985
Pension liability	-	1,342,860	-	269,505	1,612,365
Revenue bonds payable	-	1,067,511	7,699,742	-	8,767,253
Total noncurrent liabilities	1,762,497	2,415,356	7,699,742	269,505	12,147,100
Total Liabilities	2,230,799	3,002,163	8,952,949	435,299	14,621,210
Deferred Inflows of Resources					
Deferred pension obligation inflows	-	178,769	-	35,870	214,639
Net Position					
Net investment in capital assets	1,541,600	14,133,317	3,336,493	2,395,251	21,406,661
Unrestricted	(1,974,391)	421,760	1,393,335	1,642,188	1,482,892
Total Net Position	\$ (432,791)	\$ 14,555,077	\$ 4,729,828	\$ 4,037,439	\$ 22,889,553

**CITY OF DULUTH, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	Golf	Stormwater	Steam	Street Lighting	Total Nonmajor Enterprise Funds
Operating Revenues					
Sales	\$ 474,867	\$ -	\$ -	\$ -	\$ 474,867
Charges for services	1,444,896	4,724,013	6,519,377	1,913,367	14,601,653
Miscellaneous revenues	11,253	37,936	215,136	54,450	318,775
Total Operating Revenues	<u>1,931,016</u>	<u>4,761,949</u>	<u>6,734,513</u>	<u>1,967,817</u>	<u>15,395,295</u>
Operating Expenses					
Cost of sales and services	238,138	-	-	-	238,138
Personal services	-	2,284,143	-	449,914	2,734,057
Supplies	3,415	284,061	2,666,732	236,583	3,190,791
Utilities	8,545	20,786	485,743	661,810	1,176,884
Other services and charges	1,837,270	702,088	3,077,579	327,056	5,943,993
Depreciation	220,554	433,350	1,122,508	237,572	2,013,984
Total Operating Expenses	<u>2,307,922</u>	<u>3,724,428</u>	<u>7,352,562</u>	<u>1,912,935</u>	<u>15,297,847</u>
Operating Income (Loss)	<u>(376,906)</u>	<u>1,037,521</u>	<u>(618,049)</u>	<u>54,882</u>	<u>97,448</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	-	220,293	220,293
Investment income	-	5,661	(6,183)	1,094	572
Gain (loss) on sale or disposition of capital assets	-	5,742	(117,655)	-	(111,913)
Interest and fiscal fees	(1,094)	(54,244)	(195,971)	-	(251,309)
Total Nonoperating Revenues (Expenses)	<u>(1,094)</u>	<u>(42,841)</u>	<u>(319,809)</u>	<u>221,387</u>	<u>(142,357)</u>
Income (Loss) Before Contributions and Transfers	<u>(378,000)</u>	<u>994,680</u>	<u>(937,858)</u>	<u>276,269</u>	<u>(44,909)</u>
Capital contributions	-	(2,129)	-	-	(2,129)
Transfers in	-	9,840	111,123	-	120,963
Transfers out	-	(527,578)	(130,109)	(41,000)	(698,687)
Change in Net Position	<u>(378,000)</u>	<u>474,813</u>	<u>(956,844)</u>	<u>235,269</u>	<u>(624,762)</u>
Total Net Position - January 1, 2015, as restated (Note 1)	<u>(54,791)</u>	<u>14,080,264</u>	<u>5,686,672</u>	<u>3,802,170</u>	<u>23,514,315</u>
Total Net Position - December 31, 2015	<u>\$ (432,791)</u>	<u>\$ 14,555,077</u>	<u>\$ 4,729,828</u>	<u>\$ 4,037,439</u>	<u>\$ 22,889,553</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Golf</u>	<u>Stormwater</u>	<u>Steam</u>	<u>Street Lighting</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities					
Cash received from customers	\$2,001,080	\$4,711,529	\$6,936,750	\$1,950,533	\$15,599,892
Cash paid to suppliers	(2,070,829)	(999,917)	(6,165,227)	(1,281,752)	(10,517,725)
Cash paid to employees	-	(2,342,895)	-	(458,909)	(2,801,804)
Other operating revenues	11,253	25,672	19,715	41,258	97,898
Net cash provided (used) by operating activities	<u>(58,496)</u>	<u>1,394,389</u>	<u>791,238</u>	<u>251,130</u>	<u>2,378,261</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	9,840	-	-	9,840
Transfers to other funds	-	(527,578)	(135,200)	(41,000)	(703,778)
Property taxes	-	-	-	213,707	213,707
Interfund financing	236,220	-	-	-	236,220
Net cash provided (used) by noncapital financing activities	<u>236,220</u>	<u>(517,738)</u>	<u>(135,200)</u>	<u>172,707</u>	<u>(244,011)</u>
Cash Flows from Capital and Related Financing Activities					
Capital grants and contributions	250,000	(4,910)	-	-	245,090
Issuance of revenue bonds and notes	-	134	4,005,128	-	4,005,262
Principal paid on bonds, notes and capitalized leases	(158,069)	(333,837)	(625,000)	-	(1,116,906)
Interest paid on bonds, notes and capitalized leases	(5,249)	(63,218)	(68,519)	-	(136,986)
Sale of capital assets	-	40,500	-	-	40,500
Acquisition or construction of capital assets	(264,406)	(961,932)	(2,031,063)	(422,357)	(3,679,758)
Net cash provided (used) by capital and related financing activities	<u>(177,724)</u>	<u>(1,323,263)</u>	<u>1,280,546</u>	<u>(422,357)</u>	<u>(642,798)</u>
Cash Flows from Investing Activities					
Investment earnings	-	5,661	(6,183)	1,094	572
Net increase (decrease) in cash and cash equivalents	-	(440,951)	1,930,401	2,574	1,492,024
Cash and cash equivalents - January 1, 2015	-	2,083,144	783,986	1,853,046	4,720,176
Cash and cash equivalents - December 31, 2015	<u>\$ -</u>	<u>\$1,642,193</u>	<u>\$2,714,387</u>	<u>\$1,855,620</u>	<u>\$ 6,212,200</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	<u>\$ (376,906)</u>	<u>\$1,037,521</u>	<u>\$ (618,049)</u>	<u>\$ 54,882</u>	<u>\$ 97,448</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	220,554	433,350	1,122,508	237,572	2,013,984
Change in assets and liabilities:					
Decrease (increase) in receivables	7,805	(27,989)	227,952	25,941	233,709
Decrease (increase) in inventories	(27,016)	5,597	2,975	-	(18,444)
Decrease (increase) in prepaids	-	-	55,852	-	55,852
Increase (decrease) in payables	43,555	(76,532)	-	(71,802)	(104,779)
Increase (decrease) in unearned revenues	73,512	(650)	-	(97)	72,765
Increase (decrease) in deferred pension obligation outflows	-	(133,266)	-	(26,745)	(160,011)
Increase (decrease) in deferred pension obligation inflows	-	178,769	-	35,870	214,639
Increase (decrease) in pension liability	-	(22,411)	-	(4,491)	(26,902)
Total adjustments	<u>318,410</u>	<u>356,868</u>	<u>1,409,287</u>	<u>196,248</u>	<u>2,280,813</u>
Net cash provided (used) by operating activities	<u>\$ (58,496)</u>	<u>\$1,394,389</u>	<u>\$ 791,238</u>	<u>\$ 251,130</u>	<u>\$ 2,378,261</u>
Noncash Investing, Capital and Financing Activities					
Stormwater					
Capital contributions are reported net of timing differences totaling (\$2,781) due to receivables.					

CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
DECEMBER 31, 2015

	<u>Self-Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 3,995,665	\$ -	\$ 2,872,728	\$ -	\$ 6,868,393
Restricted cash and cash equivalents					
Restricted assets held by trustee	-	9,085,740	-	-	9,085,740
Receivables, net					
Accounts	-	25,884	-	-	25,884
Due from other funds	-	14,135	48,337	242,164	304,636
Due from component units	2,262	-	-	-	2,262
Inventories	-	-	-	295,879	295,879
Prepays	50,000	-	-	-	50,000
Total current assets	<u>4,047,927</u>	<u>9,125,759</u>	<u>2,921,065</u>	<u>538,043</u>	<u>16,632,794</u>
Noncurrent assets					
Capital assets, net	-	-	-	345,214	345,214
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,214</u>	<u>345,214</u>
Total Assets	<u>4,047,927</u>	<u>9,125,759</u>	<u>2,921,065</u>	<u>883,257</u>	<u>16,978,008</u>
Deferred Outflows of Resources					
Deferred pension obligation outflows	8,695	-	-	113,239	121,934
Liabilities					
Current liabilities					
Accounts payable	1,297	26,420	-	108,083	135,800
Claims payable	195,590	1,454,679	-	-	1,650,269
Due to other funds	-	-	30,876	-	30,876
Interfund loan payable	-	-	-	132,401	132,401
Due to other governments	14,492	-	-	-	14,492
Accrued salaries payable	1,325	-	-	16,289	17,614
Compensated absences	3,448	-	2,845,587	70,565	2,919,600
Total current liabilities	<u>216,152</u>	<u>1,481,099</u>	<u>2,876,463</u>	<u>327,338</u>	<u>4,901,052</u>
Noncurrent liabilities					
Claims payable	787,845	-	-	-	787,845
Compensated absences	-	-	53,029	-	53,029
Pension liability	62,000	-	-	807,432	869,432
Total noncurrent liabilities	<u>849,845</u>	<u>-</u>	<u>53,029</u>	<u>807,432</u>	<u>1,710,306</u>
Total Liabilities	<u>1,065,997</u>	<u>1,481,099</u>	<u>2,929,492</u>	<u>1,134,770</u>	<u>6,611,358</u>
Deferred Inflows of Resources					
Deferred pension obligation inflows	8,254	-	-	107,489	115,743
Net Position					
Net investment in capital assets	-	-	-	345,214	345,214
Restricted for health insurance trust	-	7,644,660	-	-	7,644,660
Unrestricted	2,982,371	-	(8,427)	(590,977)	2,382,967
Total Net Position	<u>\$ 2,982,371</u>	<u>\$ 7,644,660</u>	<u>\$ (8,427)</u>	<u>\$ (245,763)</u>	<u>\$ 10,372,841</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, 2015

	Self-Insurance	Group Health	Employee Vacation Compensation	Fleet Services	Total Governmental Activities - Internal Service Funds
Operating Revenues					
Sales	\$ -	\$ -	\$ -	\$ 1,873,453	\$ 1,873,453
Charges for services	1,256,003	13,473,907	2,898,616	1,534,947	19,163,473
Miscellaneous revenues	154,768	318,390	-	1,531	474,689
Total Operating Revenues	<u>1,410,771</u>	<u>13,792,297</u>	<u>2,898,616</u>	<u>3,409,931</u>	<u>21,511,615</u>
Operating Expenses					
Cost of sales and services	-	-	-	1,730,571	1,730,571
Personal services	412,952	5,158	2,898,616	1,424,541	4,741,267
Supplies	969	-	-	54,032	55,001
Utilities	-	-	-	29,474	29,474
Other services and charges	707,030	1,821,238	-	294,685	2,822,953
Depreciation	-	-	-	49,066	49,066
Medical and insurance	313,280	11,675,812	-	-	11,989,092
Total Operating Expenses	<u>1,434,231</u>	<u>13,502,208</u>	<u>2,898,616</u>	<u>3,582,369</u>	<u>21,417,424</u>
Operating Income (Loss)	<u>(23,460)</u>	<u>290,089</u>	<u>-</u>	<u>(172,438)</u>	<u>94,191</u>
Nonoperating Revenues (Expenses)					
Investment income	(2,374)	47,644	(1,404)	14	43,880
Intergovernmental revenue	-	-	-	5,836	5,836
Total Nonoperating Revenues (Expenses)	<u>(2,374)</u>	<u>47,644</u>	<u>(1,404)</u>	<u>5,850</u>	<u>49,716</u>
Income (Loss) Before Contributions and Transfers	<u>(25,834)</u>	<u>337,733</u>	<u>(1,404)</u>	<u>(166,588)</u>	<u>143,907</u>
Change in Net Position	<u>(25,834)</u>	<u>337,733</u>	<u>(1,404)</u>	<u>(166,588)</u>	<u>143,907</u>
Total Net Position - January 1, 2015, as restated (Note 1)	3,008,205	7,306,927	(7,023)	(79,175)	10,228,934
Total Net Position - December 31, 2015	<u>\$ 2,982,371</u>	<u>\$ 7,644,660</u>	<u>\$ (8,427)</u>	<u>\$ (245,763)</u>	<u>\$ 10,372,841</u>

**CITY OF DULUTH, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Self- Insurance</u>	<u>Group Health</u>	<u>Employee Vacation Compensation</u>	<u>Fleet Services</u>	<u>Total Governmental Activities - Internal Service Funds</u>
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,428,635	\$ 13,795,000	\$ 2,659,657	\$ 3,483,942	\$ 21,367,234
Cash paid to suppliers	(1,133,365)	(13,950,430)	-	(2,140,881)	(17,224,676)
Cash paid to employees	(416,157)	-	(2,881,154)	(1,450,449)	(4,747,760)
Other operating revenues	-	-	-	1,531	1,531
Net cash provided (used) by operating activities	<u>(120,887)</u>	<u>(155,430)</u>	<u>(221,497)</u>	<u>(105,857)</u>	<u>(603,671)</u>
Cash Flows from Noncapital Financing Activities					
Operating grants	-	-	-	5,836	5,836
Interfund financing	-	-	-	132,401	132,401
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,237</u>	<u>138,237</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition or construction of capital assets	-	-	-	(38,783)	(38,783)
Cash Flows from Investing Activities					
Investment earnings	(2,374)	47,644	(1,404)	14	43,880
Net increase (decrease) in cash and cash equivalents	(123,261)	(107,786)	(222,901)	(6,389)	(460,337)
Cash and cash equivalents - January 1, 2015	4,118,926	9,193,526	3,095,629	6,389	16,414,470
Cash and cash equivalents - December 31, 2015	<u>\$ 3,995,665</u>	<u>\$ 9,085,740</u>	<u>\$ 2,872,728</u>	<u>\$ -</u>	<u>\$ 15,954,133</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Net operating income (loss)	\$ (23,460)	\$ 290,089	\$ -	\$ (172,438)	\$ 94,191
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	49,066	49,066
Change in assets and liabilities:					
Decrease (increase) in receivables	17,864	2,703	(42,385)	75,542	53,724
Decrease (increase) in inventories	-	-	-	2,514	2,514
Decrease (increase) in prepaids	(10,000)	-	-	-	(10,000)
Increase (decrease) in payables	(106,357)	(448,222)	(179,112)	(74,423)	(808,114)
Increase (decrease) in deferred pension obligation outflows	(6,153)	-	-	(80,130)	(86,283)
Increase (decrease) in deferred pension obligation inflows	8,254	-	-	107,489	115,743
Increase (decrease) in pension liability	(1,035)	-	-	(13,477)	(14,512)
Total adjustments	<u>(97,427)</u>	<u>(445,519)</u>	<u>(221,497)</u>	<u>66,581</u>	<u>(697,862)</u>
Net cash provided (used) by operating activities	<u>\$ (120,887)</u>	<u>\$ (155,430)</u>	<u>\$ (221,497)</u>	<u>\$ (105,857)</u>	<u>\$ (603,671)</u>

Fiduciary Funds

**CITY OF DULUTH, MINNESOTA
FIDUCIARY FUNDS
AGENCY FUNDS
DECEMBER 31, 2015**

AGENCY FUNDS

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

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

CITY OF DULUTH, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Balance 01/01/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>
<u>DULUTH 1200 FUND</u>				
Assets				
Cash and cash equivalents	\$ 2,313,031	\$ 215,315	\$ 50,009	\$ 2,478,337
Loans receivable	1,036,692	134,410	320,376	850,726
Total Assets	<u>\$ 3,349,723</u>	<u>\$ 349,725</u>	<u>\$ 370,385</u>	<u>\$ 3,329,063</u>
Liabilities				
Accounts payable	\$ -	\$ 6,574	\$ 6,574	\$ -
Due to agency	3,349,723	18,708	39,368	3,329,063
Total Liabilities	<u>\$ 3,349,723</u>	<u>\$ 25,282</u>	<u>\$ 45,942</u>	<u>\$ 3,329,063</u>

Supplementary
Information

**CITY OF DULUTH, MINNESOTA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE*
 DECEMBER 31, 2015**

Governmental funds capital assets:

Land and land improvements	\$ 22,467,642
Buildings	77,140,512
Equipment	33,398,849
Infrastructure	321,019,560
Construction in Progress	<u>29,410,090</u>

Total governmental funds capital assets	\$ <u>483,436,653</u>
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Investments in governmental funds capital assets by source:

General fund	\$ 11,083,417
Special revenue fund	27,053,656
Capital projects fund	443,293,406
Donations	<u>2,006,174</u>

Total investments in governmental funds capital assets by source	\$ <u>483,436,653</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, 2015

Function and Activity	Land and Land Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General Government						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	-	-	508,647	-	742,495	1,251,142
Management Information Systems	-	-	3,028,944	-	-	3,028,944
Facilities Management	1,636,325	15,263,530	1,600,011	14,390,994	-	32,890,860
Finance	-	-	325,708	-	-	325,708
Total General Government	1,636,325	15,263,530	5,469,629	14,390,994	742,495	37,502,973
Public Safety						
Fire	83,005	3,114,984	9,480,998	-	-	12,678,987
Police	2,000	16,627,233	4,633,726	562,251	-	21,825,210
Total Public Safety	85,005	19,742,217	14,114,724	562,251	-	34,504,197
Public Works						
Street Construction	-	-	-	302,755,503	20,332,138	323,087,641
Maintenance Operations	54,435	1,258,641	12,409,743	60,403	354,089	14,137,311
Engineering	5,145,615	1,956,385	249,243	-	-	7,351,243
Total Public Works	5,200,050	3,215,026	12,658,986	302,815,906	20,686,227	344,576,195
Culture and Recreation						
Libraries	51,585	7,545,987	155,825	-	-	7,753,397
Parks and Recreation	12,447,764	30,276,722	461,714	3,250,409	7,981,368	54,417,977
Total Culture and Recreation	12,499,349	37,822,709	617,539	3,250,409	7,981,368	62,171,374
Urban and Economic Development						
Planning and Construction Services	3,046,913	1,097,030	537,971	-	-	4,681,914
Total Governmental Funds Capital Assets	\$22,467,642	\$77,140,512	\$33,398,849	\$321,019,560	\$29,410,090	\$483,436,653

* 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, 2015**

Function and Activity	Governmental Funds Capital Assets 01/01/15	Additions	Deductions	Governmental Funds Capital Assets 12/31/15
General Government				
Legislative and Executive	\$ 6,319	\$ -	\$ -	\$ 6,319
Public Administration	1,012,872	238,270	-	1,251,142
Management Information Systems	2,991,903	37,041	-	3,028,944
Facilities Management	33,232,757	4,000	345,897	32,890,860
Finance	325,708	-	-	325,708
Total General Government	37,569,559	279,311	345,897	37,502,973
Public Safety				
Fire	12,477,862	256,418	55,293	12,678,987
Police	21,709,767	502,837	387,394	21,825,210
Total Public Safety	34,187,629	759,255	442,687	34,504,197
Public Works				
Street Construction	311,983,309	23,120,120	12,015,788	323,087,641
Maintenance Operations	12,714,404	1,819,223	396,316	14,137,311
Engineering	7,655,159	-	303,916	7,351,243
Total Public Works	332,352,872	24,939,343	12,716,020	344,576,195
Culture and Recreation				
Libraries	7,781,635	-	28,238	7,753,397
Parks and Recreation	51,868,969	2,554,658	5,650	54,417,977
Total Culture and Recreation	59,650,604	2,554,658	33,888	62,171,374
Urban and Economic Development				
Planning and Construction Services	4,343,133	354,485	15,704	4,681,914
Total Governmental Funds Capital Assets	\$ 468,103,797	\$ 28,887,052	\$ 13,554,196	\$ 483,436,653

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2015**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Governmental Activities:				
General Obligation Bonds Payable				
General Obligation				
Airpark Improvement	\$ 945,000	9/1/2004	2/1/2020	\$ 455,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	165,000
Capital Improvement	895,000	9/7/2006	2/1/2016	225,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	465,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	800,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	39,525,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	785,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	5,030,000
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	2/1/2015	30,568
Capital Improvement	2,175,000	11/23/2010	2/1/2021	1,585,000
Airport Improvement Refunding	1,850,000	11/23/2010	2/1/2017	955,000
Capital Improvement	1,870,000	11/29/2011	2/1/2022	1,545,000
Airport Improvement	7,650,000	5/24/2012	2/1/2028	7,215,000
Airport Improvement	3,400,000	12/18/2013	2/1/2029	3,400,000
Capital Improvement	1,795,000	12/18/2013	2/1/2024	1,795,000
Capital Improvement - Lakewalk	1,460,000	12/18/2013	2/1/2029	1,460,000
Wade Stadium Improvement	2,330,000	10/30/2014	2/1/2030	2,330,000
Spirit Mountain Improvement	2,150,000	10/30/2014	2/1/2035	2,150,000
Capital Improvement	1,115,000	10/30/2014	2/1/2025	1,115,000
Capital Improvement	1,615,000	11/5/2015	2/1/2026	-
Airport Improvement	2,855,000	11/5/2015	2/1/2031	-
Capital Improvement	13,520,000	11/5/2015	2/1/2032	-
Total General Obligation				<u>\$ 82,935,568</u>
General Obligation - Tax Abatement				
Spirit Mountain Tax Abatement Bonds	\$ 7,055,000	2/23/2012	2/1/2030	<u>\$ 6,705,000</u>
Total General Obligation Bonds Payable				<u>\$ 89,640,568</u>
Special Assessment Debt with Government Commitment				
General Obligation Improvement	\$ 1,985,000	9/7/2006	2/1/2021	\$ 1,145,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	2,070,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	800,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	1,530,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	1,675,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	555,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	20,639
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	107,069
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	226,724
General Obligation Improvement Refunding	1,205,000	11/23/2010	2/1/2019	800,725
General Obligation Improvement Refunding	1,135,000	11/23/2010	2/1/2019	754,275
Street Improvement Refunding	6,905,000	11/27/2012	2/1/2021	6,265,000
General Obligation Improvement Refunding	865,000	10/30/2014	2/1/2020	865,000
Street Improvement Refunding	2,630,000	11/5/2015	2/1/2023	-
Total Special Assessment Debt with Government Commitment				<u>\$ 16,814,432</u>
General Obligation Certificates Payable				
Equipment	\$ 2,570,000	12/17/2009	2/1/2015	\$ 540,000
Equipment	2,295,000	11/23/2010	2/1/2016	935,000
Equipment	3,095,000	11/29/2011	2/1/2017	1,900,000
Equipment	3,275,000	11/27/2012	2/1/2018	2,670,000
Equipment	3,835,000	12/18/2013	2/1/2019	3,835,000
Equipment	2,460,000	10/30/2014	2/1/2020	2,460,000
Equipment	3,325,000	11/5/2015	2/1/2021	-
Total General Obligation Certificates Payable				<u>\$ 12,340,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 118,795,000</u> (continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2015**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2016</u>	<u>Interest Due in 2016</u>
Governmental Activities:					
General Obligation Bonds Payable					
General Obligation					
Airpark Improvement	\$ -	\$ 65,000	\$ 390,000	\$ 70,000	\$ 14,535
Capital Improvement	-	165,000	-	-	-
Capital Improvement	-	110,000	115,000	115,000	2,300
Capital Improvement	-	150,000	315,000	155,000	9,500
Aerial Lift Bridge Improvement	-	150,000	650,000	155,000	23,900
Duluth Entertainment and Convention Center Improvement	-	555,000	38,970,000	635,000	1,856,438
Capital Improvement	-	185,000	600,000	190,000	20,725
Capital Improvement	-	805,000	4,225,000	830,000	130,900
Capital Improvement - Law Enforcement Center	-	-	11,905,000	-	682,282
West Michigan Street Improvements Refunding	-	30,568	-	-	-
Capital Improvement	-	210,000	1,375,000	215,000	37,487
Airport Improvement Refunding	-	310,000	645,000	320,000	11,322
Capital Improvement	-	175,000	1,370,000	180,000	38,400
Airport Improvement	-	445,000	6,770,000	455,000	164,832
Airport Improvement	-	-	3,400,000	-	118,982
Capital Improvement	-	155,000	1,640,000	165,000	44,200
Capital Improvement - Lakewalk	-	75,000	1,385,000	80,000	46,725
Wade Stadium Improvement	-	-	2,330,000	105,000	73,350
Spirit Mountain Improvement	-	-	2,150,000	70,000	59,600
Capital Improvement	-	-	1,115,000	95,000	22,712
Capital Improvement	1,615,000	-	1,615,000	-	25,321
Airport Improvement	2,855,000	-	2,855,000	-	67,267
Capital Improvement	13,520,000	-	13,520,000	-	321,376
Total General Obligation	<u>\$ 17,990,000</u>	<u>\$ 3,585,568</u>	<u>\$ 97,340,000</u>	<u>\$ 3,835,000</u>	<u>\$ 3,772,154</u>
General Obligation - Tax Abatement					
Spirit Mountain Tax Abatement Bonds	\$ -	\$ 355,000	\$ 6,350,000	\$ 365,000	\$ 150,169
Total General Obligation Bonds Payable	<u>\$ 17,990,000</u>	<u>\$ 3,940,568</u>	<u>\$ 103,690,000</u>	<u>\$ 4,200,000</u>	<u>\$ 3,922,323</u>
Special Assessment Debt with Government Commitment					
General Obligation Improvement	\$ -	\$ 140,000	\$ 1,005,000	\$ 150,000	\$ 37,200
Street Improvement	-	2,070,000	-	-	-
Street Improvement Refunding	-	395,000	405,000	405,000	8,100
Street Improvement	-	1,530,000	-	-	-
Street Improvement	-	140,000	1,535,000	145,000	64,282
Street Improvement Refunding	-	555,000	-	-	-
General Obligation Improvement Refunding	-	20,639	-	-	-
General Obligation Improvement Refunding	-	107,069	-	-	-
General Obligation Improvement Refunding	-	111,724	115,000	115,000	1,725
General Obligation Improvement Refunding	-	169,950	630,775	175,100	12,364
General Obligation Improvement Refunding	-	160,050	594,225	164,900	11,643
Street Improvement Refunding	-	965,000	5,300,000	1,000,000	144,000
General Obligation Improvement Refunding	-	-	865,000	160,000	13,125
Street Improvement Refunding	2,630,000	-	2,630,000	-	77,731
Total Special Assessment Debt with Government Commitment	<u>\$ 2,630,000</u>	<u>\$ 6,364,432</u>	<u>\$ 13,080,000</u>	<u>\$ 2,315,000</u>	<u>\$ 370,170</u>
General Obligation Certificates Payable					
Equipment	\$ -	\$ 540,000	\$ -	\$ -	\$ -
Equipment	-	465,000	470,000	470,000	3,643
Equipment	-	620,000	1,280,000	635,000	19,250
Equipment	-	640,000	2,030,000	660,000	51,000
Equipment	-	730,000	3,105,000	750,000	54,600
Equipment	-	-	2,460,000	470,000	37,175
Equipment	3,325,000	-	3,325,000	-	64,320
Total General Obligation Certificates Payable	<u>\$ 3,325,000</u>	<u>\$ 2,995,000</u>	<u>\$ 12,670,000</u>	<u>\$ 2,985,000</u>	<u>\$ 229,988</u>
Total Governmental Activities Bonds and Certificates Payable	<u>\$ 23,945,000</u>	<u>\$ 13,300,000</u>	<u>\$ 129,440,000</u>	<u>\$ 9,500,000</u>	<u>\$ 4,522,481</u>

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2015**

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
Business-type Activities:				
Revenue and General Obligation Bonds Payable				
Parking Fund				
Technology Village & Parking Improvement Refunding	\$ 1,965,000	12/9/2008	2/1/2015	\$ 355,000
Parking Improvement Tax Increment Refunding	10,270,000	11/27/2012	2/1/2026	10,120,000
Total Parking Fund				<u>\$ 10,475,000</u>
West Superior Street Parking Facility				
Parking Improvement Tax Increment (Note 1)	\$ 11,500,000	5/15/2014	4/1/2044	<u>\$ 11,678,243</u>
Water Fund				
Water Utility Revenue and General Obligation	\$ 1,120,000	12/19/2006	2/1/2022	\$ 680,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	270,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	140,000
Water Utility Revenue and General Obligation Refunding	1,625,000	11/23/2010	2/1/2018	964,671
Water Utility Revenue and General Obligation Refunding	515,000	11/5/2015	2/1/2022	-
Total Water Fund				<u>\$ 2,054,671</u>
Gas Fund				
Gas Utility Revenue and General Obligation	\$ 1,190,000	12/19/2006	2/1/2022	\$ 725,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	1,270,858
Gas Utility Revenue and General Obligation Refunding	3,125,000	11/29/2011	2/1/2019	2,330,000
Total Gas Fund				<u>\$ 4,325,858</u>
Steam Fund				
Steam Utility Revenue and General Obligation Refunding	\$ 5,475,000	11/27/2012	2/1/2022	\$ 4,875,000
Steam Utility Revenue and General Obligation	4,015,000	11/5/2015	2/1/2027	-
Total Steam Fund				<u>\$ 4,875,000</u>
Sewer Fund				
Sewer Utility Revenue and General Obligation	\$ 945,000	12/19/2006	2/1/2022	\$ 570,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	1,420,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	255,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	1,035,000
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	314,139
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	705,000
Sewer Utility Revenue and General Obligation Refunding	2,025,000	11/23/2010	2/1/2018	1,202,130
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	2/1/2020	1,940,000
Sewer Utility Revenue and General Obligation Refunding	2,000,000	11/27/2012	2/1/2020	2,000,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	11/5/2015	2/1/2023	-
Sewer Utility Revenue and General Obligation Refunding	350,000	11/5/2015	2/1/2022	-
Total Sewer Fund				<u>\$ 9,441,269</u>
Stormwater Fund				
Stormwater Utility Revenue and General Obligation	\$ 1,705,000	9/7/2006	2/1/2022	\$ 1,045,000
Stormwater Utility Revenue and General Obligation Refunding	755,000	11/23/2010	2/1/2018	448,201
Stormwater Utility Revenue and General Obligation Refunding	790,000	11/5/2015	2/1/2022	-
Total Stormwater Fund				<u>\$ 1,493,201</u>
Total Business-type Activities Bonds Payable				<u>\$ 44,343,242</u> (continued)

Note 1: Issue amount does not include capitalized interest of \$650,044.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE
FOR THE YEAR DECEMBER 31, 2015**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2016</u>	<u>Interest Due in 2016</u>
Business-type Activities:					
Revenue and General Obligation Bonds Payable					
Parking Fund					
Technology Village & Parking Improvement Refunding	\$ -	\$ 355,000	\$ -	\$ -	\$ -
Parking Improvement Tax Increment Refunding	-	775,000	9,345,000	780,000	187,419
Total Parking Fund	<u>\$ -</u>	<u>\$ 1,130,000</u>	<u>\$ 9,345,000</u>	<u>\$ 780,000</u>	<u>\$ 187,419</u>
West Superior Street Parking Facility					
Parking Improvement Tax Increment	\$ 471,801	\$ -	\$ 12,150,044	\$ -	\$ 109,805
Water Fund					
Water Utility Revenue and General Obligation	\$ -	\$ 680,000	\$ -	\$ -	\$ -
Water Utility Revenue and General Obligation Refunding	-	130,000	140,000	140,000	2,800
Water Utility Revenue and General Obligation	-	12,000	128,000	12,000	4,340
Water Utility Revenue and General Obligation Refunding	-	234,251	730,420	236,095	17,242
Water Utility Revenue and General Obligation Refunding	515,000	-	515,000	-	9,569
Total Water Fund	<u>\$ 515,000</u>	<u>\$ 1,056,251</u>	<u>\$ 1,513,420</u>	<u>\$ 388,095</u>	<u>\$ 33,951</u>
Gas Fund					
Gas Utility Revenue and General Obligation	\$ -	\$ 725,000	\$ -	\$ -	\$ -
Gas Utility Revenue and General Obligation Refunding	-	412,972	857,886	424,955	19,362
Gas Utility Revenue and General Obligation Refunding	-	430,000	1,900,000	445,000	64,875
Total Gas Fund	<u>\$ -</u>	<u>\$ 1,567,972</u>	<u>\$ 2,757,886</u>	<u>\$ 869,955</u>	<u>\$ 84,237</u>
Steam Fund					
Steam Utility Revenue and General Obligation Refunding	\$ -	\$ 625,000	\$ 4,250,000	\$ 635,000	\$ 61,515
Steam Utility Revenue and General Obligation	4,015,000	-	4,015,000	-	90,431
Total Steam Fund	<u>\$ 4,015,000</u>	<u>\$ 625,000</u>	<u>\$ 8,265,000</u>	<u>\$ 635,000</u>	<u>\$ 151,946</u>
Sewer Fund					
Sewer Utility Revenue and General Obligation	\$ -	\$ 570,000	\$ -	\$ -	\$ -
Sewer Utility Revenue and General Obligation	-	1,420,000	-	-	-
Sewer Utility Revenue and General Obligation Refunding	-	205,000	50,000	50,000	1,000
Sewer Utility Revenue and General Obligation	-	88,000	947,000	93,000	31,997
Sewer Utility Revenue and General Obligation Refunding	-	102,027	212,112	105,045	19,092
Sewer Utility Revenue and General Obligation	-	55,000	650,000	55,000	9,770
Sewer Utility Revenue and General Obligation Refunding	-	291,912	910,218	294,211	21,436
Sewer Utility Revenue and General Obligation Refunding	-	305,000	1,635,000	310,000	36,400
Sewer Utility Revenue and General Obligation Refunding	-	265,000	1,735,000	270,000	32,000
Sewer Utility Revenue and General Obligation Refunding	1,110,000	-	1,110,000	-	21,317
Sewer Utility Revenue and General Obligation Refunding	350,000	-	350,000	-	6,502
Total Sewer Fund	<u>\$ 1,460,000</u>	<u>\$ 3,301,939</u>	<u>\$ 7,599,330</u>	<u>\$1,177,256</u>	<u>\$ 179,514</u>
Stormwater Fund					
Stormwater Utility Revenue and General Obligation	\$ -	\$ 1,045,000	\$ -	\$ -	\$ -
	-	108,836	339,365	109,694	7,922
Stormwater Utility Revenue and General Obligation Refunding	790,000	-	790,000	-	14,778
Total Stormwater Fund	<u>\$ 790,000</u>	<u>\$ 1,153,836</u>	<u>\$ 1,129,365</u>	<u>\$ 109,694</u>	<u>\$ 22,700</u>
Total Business-type Activities Bonds Payable	<u>\$ 7,251,801</u>	<u>\$ 8,834,998</u>	<u>\$ 42,760,045</u>	<u>\$3,960,000</u>	<u>\$ 769,572</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2015**

	<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	\$ <u>105,000</u>
Revenue Note				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	\$ <u>2,686,000</u>
Total Governmental Activities				<u>\$ 2,791,000</u>
Business-type Activities:				
General Obligation				
Water Fund -				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 272,660
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	609,000
Public Facilities Authority Note	1,668,813	10/28/2009	8/20/2019	851,000
Public Facilities Authority Note	1,293,200	7/28/2010	8/20/2025	958,000
Public Facilities Authority Note	3,344,131	12/7/2010	8/20/2025	2,574,000
Public Facilities Authority Note	1,221,631	11/18/2011	8/20/2026	816,120
Public Facilities Authority Note	4,778,806	2/25/2014	8/20/2029	<u>4,474,162</u>
Total Water Fund				<u>\$ 10,554,942</u>
Sewer Fund -				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 31,340
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	365,000
Public Facilities Authority Note	1,973,033	7/12/2007	8/20/2022	1,205,000
Public Facilities Authority Note	796,835	8/20/2009	8/20/2024	568,000
Public Facilities Authority Note	2,414,150	11/25/2009	8/20/2024	1,773,000
Public Facilities Authority Note	3,753,059	7/28/2010	8/20/2025	2,822,000
Public Facilities Authority Note	8,504,224	7/28/2010	8/20/2025	6,295,000
Public Facilities Authority Note	279,117	11/18/2011	8/20/2021	136,524
Public Facilities Authority Note	265,418	11/30/2011	8/20/2021	194,798
Public Facilities Authority Note	278,149	11/18/2011	8/20/2021	209,000
Public Facilities Authority Note	476,537	9/10/2012	8/20/2022	376,363
Public Facilities Authority Note (Note 1)	1,255,464	10/29/2014	8/20/2024	<u>50,000</u>
Total Sewer Fund				<u>\$ 14,026,025</u>
Total Business-type Activities				<u>\$ 24,580,967</u>
Component Unit:				
Duluth Airport Authority				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	<u>\$ 273,503</u>

(Continued)

Note 1: Only \$ 694,839 has been drawn on the Public Facilities Authority Note dated 10/29/2014.

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF NOTES PAYABLE
DECEMBER 31, 2015**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2016</u>	<u>Interest Due in 2016</u>
Governmental Activities:					
General Obligation					
Public Facilities Authority Note	\$ -	\$ 26,000	\$ 79,000	\$ 26,000	\$ 790
Revenue Note					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 30,000	\$ 2,656,000	\$ 5,000	\$ 152,210
Total Governmental Activities	\$ -	\$ 56,000	\$ 2,735,000	\$ 31,000	\$ 153,000
Business-type Activities:					
General Obligation					
Water Fund -					
Public Facilities Authority Note	\$ -	\$ 65,474	\$ 207,186	\$ 67,268	\$ 5,840
Public Facilities Authority Note	-	147,000	462,000	150,000	11,688
Public Facilities Authority Note	-	167,000	684,000	168,000	7,366
Public Facilities Authority Note	-	82,000	876,000	83,000	11,020
Public Facilities Authority Note	-	222,000	2,352,000	224,000	25,308
Public Facilities Authority Note	173,855	107,000	882,975	75,976	10,257
Public Facilities Authority Note	143,734	307,000	4,310,896	288,895	42,590
Total Water Fund	\$ 317,589	\$ 1,097,474	\$ 9,775,057	\$ 1,057,139	\$ 114,069
Sewer Fund -					
Public Facilities Authority Note	\$ -	\$ 7,526	\$ 23,814	\$ 7,732	\$ 672
Public Facilities Authority Note	-	89,000	276,000	91,000	3,698
Public Facilities Authority Note	-	145,000	1,060,000	146,000	12,190
Public Facilities Authority Note	-	52,000	516,000	53,000	10,160
Public Facilities Authority Note	-	162,000	1,611,000	165,000	32,494
Public Facilities Authority Note	-	241,000	2,581,000	244,000	32,469
Public Facilities Authority Note	-	537,000	5,758,000	544,000	72,436
Public Facilities Authority Note	61,042	38,000	159,566	25,566	1,458
Public Facilities Authority Note	-	26,798	168,000	27,000	1,680
Public Facilities Authority Note	-	29,000	180,000	29,000	1,800
Public Facilities Authority Note	-	45,363	331,000	46,000	3,310
Public Facilities Authority Note	644,839	100,464	594,375	123,000	5,592
Total Sewer Fund	\$ 705,881	\$ 1,473,151	\$ 13,258,755	\$ 1,501,298	\$ 177,959
Total Business-type Activities	\$ 1,023,470	\$ 2,570,625	\$ 23,033,812	\$ 2,558,437	\$ 292,028
Component Unit:					
Duluth Airport Authority					
Revenue Note	\$ -	\$ 51,919	\$ 221,584	\$ 56,615	\$ 18,385

**CITY OF DULUTH, MINNESOTA
BALANCE SHEET
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
COMPONENT UNIT - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 1,554,315	\$ 3,738,951	\$ 930,516	\$ 3,090,155	\$ 9,313,937
Taxes receivable, net	-	-	71,296	-	71,296
Accounts receivable, net	96,201	-	7,167	-	103,368
Loans receivable, net	610,000	210,662	-	1,764,500	2,585,162
Due from other funds	52,106	-	-	889,300	941,406
Due from primary government	2,352	-	-	-	2,352
Due from other governments	61,459	-	4,384	-	65,843
Capital assets held for resale	192,500	-	-	-	192,500
Total Assets	<u>\$ 2,568,933</u>	<u>\$ 3,949,613</u>	<u>\$ 1,013,363</u>	<u>\$ 5,743,955</u>	<u>\$ 13,275,864</u>
Liabilities					
Accounts payable	\$ 242,299	\$ 1,257	\$ -	\$ -	\$ 243,556
Contracts payable	30,924	-	-	3,395	34,319
Due to other funds	-	-	941,406	-	941,406
Due to primary government	622,009	-	14,004	-	636,013
Due to other governments	-	-	11,591	3,386	14,977
Total Liabilities	<u>895,232</u>	<u>1,257</u>	<u>967,001</u>	<u>6,781</u>	<u>1,870,271</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>695,574</u>	<u>-</u>	<u>45,215</u>	<u>1,764,500</u>	<u>2,505,289</u>
Fund Balances					
Nonspendable	192,500	182,962	-	-	375,462
Restricted	-	-	1,147	3,972,674	3,973,821
Committed	-	1,000,000	-	-	1,000,000
Assigned	-	2,765,394	-	-	2,765,394
Unassigned	785,627	-	-	-	785,627
Total Fund Balances	<u>978,127</u>	<u>3,948,356</u>	<u>1,147</u>	<u>3,972,674</u>	<u>8,900,304</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,568,933</u>	<u>\$ 3,949,613</u>	<u>\$ 1,013,363</u>	<u>\$ 5,743,955</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	18,232,552
Other long-term assets are not available to pay for current-period expenditures, and therefore are deferred in the funds.	2,170,631
Other assets that are not available to pay for current period expenditures, and therefore are not reported in the funds.	262
Net position of governmental activities	<u>\$ 29,303,749</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, 2015

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues					
Taxes					
Tax increments	\$ -	\$ -	\$ 2,024,439	\$ -	\$ 2,024,439
Intergovernmental revenues					
State of Minnesota grants	2,290,238	-	-	-	2,290,238
Charges for services					
Parking meters	611,063	-	-	-	611,063
Other	12,120	-	-	-	12,120
Assessment fees	14,652	-	-	-	14,652
Miscellaneous revenues					
Earnings on investments	4,519	26,196	5,971	16,415	53,101
Interest	-	11,457	-	510	11,967
Building rent	394,501	-	-	-	394,501
Other	350,465	-	-	711	351,176
Total Revenues	<u>3,677,558</u>	<u>37,653</u>	<u>2,030,410</u>	<u>17,636</u>	<u>5,763,257</u>
Expenditures					
Current					
Urban and economic development					
Other services and charges	-	-	-	49,332	49,332
Economic development projects	3,377,298	-	759,057	380,000	4,516,355
Capital Outlay					
Urban and economic development					
Land	86,713	-	-	-	86,713
Improvements other than buildings	78,434	-	-	-	78,434
Debt Service					
Interest and fiscal fees	-	-	443,832	-	443,832
Total Expenditures	<u>3,542,445</u>	<u>-</u>	<u>1,202,889</u>	<u>429,332</u>	<u>5,174,666</u>
Excess of Revenues Over (Under) Expenditures	<u>135,113</u>	<u>37,653</u>	<u>827,521</u>	<u>(411,696)</u>	<u>588,591</u>
Other Financing Sources (Uses)					
Transfers in					
DEDA Capital Projects	197,408	-	-	-	197,408
DEDA Debt Service	-	-	-	934,710	934,710
Total Transfers In	<u>197,408</u>	<u>-</u>	<u>-</u>	<u>934,710</u>	<u>1,132,118</u>
Transfers out					
DEDA General Operating	-	-	(52,106)	(145,302)	(197,408)
DEDA Capital Projects	-	-	(934,710)	-	(934,710)
Total Transfers Out	<u>-</u>	<u>-</u>	<u>(986,816)</u>	<u>(145,302)</u>	<u>(1,132,118)</u>
Total Other Financing Sources (Uses)	<u>197,408</u>	<u>-</u>	<u>(986,816)</u>	<u>789,408</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>332,521</u>	<u>37,653</u>	<u>(159,295)</u>	<u>377,712</u>	<u>588,591</u>
Fund Balances					
Fund Balance - January 1, 2015	<u>645,606</u>	<u>3,910,703</u>	<u>160,442</u>	<u>3,594,962</u>	<u>8,311,713</u>
Fund Balance - December 31, 2015	<u>\$ 978,127</u>	<u>\$ 3,948,356</u>	<u>\$ 1,147</u>	<u>\$ 3,972,674</u>	<u>\$ 8,900,304</u>

**CITY OF DULUTH, MINNESOTA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 DULUTH ECONOMIC DEVELOPMENT AUTHORITY
 COMPONENT UNITS - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - total governmental funds	\$ 588,591
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.	(845,260)
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.	149,600
Change in net position of governmental activities	<u>\$ (107,069)</u>

DULUTH JPE TRUST
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Assets			
Investments:			
Money market	\$ 1,043,006	\$ 191,682	\$ 1,234,688
US government treasury securities	1,638,869	-	1,638,869
US government agency securities	6,136,998	75,185	6,212,183
Receivables:			
Other	27,134	12,885	40,019
Total assets	<u>\$ 8,846,007</u>	<u>\$ 279,752</u>	<u>\$ 9,125,759</u>
Liabilities			
Claims payable	\$ 1,367,396	\$ 87,283	\$ 1,454,679
Accounts payable	26,420	-	26,420
Total liabilities	<u>\$ 1,393,816</u>	<u>\$ 87,283</u>	<u>\$ 1,481,099</u>
Net Position			
Held in trust	<u>\$ 7,452,191</u>	<u>\$ 192,469</u>	<u>\$ 7,644,660</u>

DULUTH JPE TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>JPE Trust Total</u>
Additions			
Health premiums:			
Active employees	\$ 13,803,879	\$ -	\$ 13,803,879
Inactive employees	8,826,443	-	8,826,443
Dental premiums	-	856,471	856,471
Refunds and reimbursements:			
Stop loss reimbursements	4,740	-	4,740
Prescription drug rebates	140,561	-	140,561
Health Partners shared savings	149,654	-	149,654
Flexible benefit forfeitures	14,135	-	14,135
Blue Cross Blue Shield recoveries	9,300	-	9,300
Investment earnings	46,708	936	47,644
Total additions	<u>22,995,420</u>	<u>857,407</u>	<u>23,852,827</u>
Deductions			
Medical and drug claims:			
Active employees	11,113,565	-	11,113,565
Inactive employees	6,666,180	-	6,666,180
Medical insurance - medicare supplement	3,145,121	-	3,145,121
Dental claims	-	769,209	769,209
Administrative fees:			
Health Partners	802,016	-	802,016
Clearscript	49,044	-	49,044
Delta Dental	-	58,094	58,094
City of Duluth	255,000	-	255,000
Trust services	16,216	319	16,535
Consulting services	93,175	-	93,175
Wellness activities	27,180	-	27,180
Transitional reinsurance fee	100,289	-	100,289
Patient centered outcomes research fee	4,435	-	4,435
Stop loss insurance	381,930	-	381,930
Miscellaneous	28,163	-	28,163
Total deductions	<u>22,682,314</u>	<u>827,622</u>	<u>23,509,936</u>
Change in Net Position	313,106	29,785	342,891
Net Position - January 1, 2015	<u>7,139,085</u>	<u>162,684</u>	<u>7,301,769</u>
Net Position - December 31, 2015	<u>\$ 7,452,191</u>	<u>\$ 192,469</u>	<u>\$ 7,644,660</u>

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Shared Revenue:						
State of Minnesota						
Local Government Aid	\$ 29,203,638	\$ -	\$ -	\$ -	\$ -	\$ 29,203,638
PERA Aid	124,428	-	-	-	54,403	178,831
Insurance Premium	1,901,931	-	-	-	-	1,901,931
Total Shared Revenue	31,229,997	-	-	-	54,403	31,284,400
State Grants:						
State of Minnesota, Department of						
Commerce						
Auto Theft Prevention Program	-	76,618	-	-	-	76,618
Education						
Minnesota Library Information Network	5,185	-	-	-	-	5,185
Employment and Economic Development						
Contamination Cleanup Program	-	18,309	-	-	-	18,309
Dislocated Workers	-	194,258	-	-	-	194,258
MN Business Development Capital Projects Grant	-	-	-	-	5,153,236	5,153,236
Wade Stadium	-	-	-	2,154,389	-	2,154,389
Youth Program	-	177,557	-	-	-	177,557
Employment and Economic Development Total	-	390,124	-	2,154,389	5,153,236	7,697,749
Health						
Health Impact Assessment Grant	20,000	-	-	-	-	20,000
Historical Society						
Historical and Cultural Grants	-	316,181	-	-	-	316,181
Natural Resources						
Cross Country Ski Trail	15,400	-	-	-	-	15,400
Flood Hazard Mitigation	-	279,694	-	-	-	279,694
Lake Superior Zoo	-	120,000	-	-	-	120,000
Minnesota Flood Relief 2012	-	1,544,718	-	-	-	1,544,718
Snowmobile Trail	7,660	-	-	-	-	7,660
Stream Debris & Sediment Removal	-	162,365	-	-	-	162,365
Natural Resources Total	23,060	2,106,777	-	-	-	2,129,837
Peace Officers Board						
Post Training Reimbursement	47,312	-	-	-	-	47,312
Public Safety						
Fire Department Chemical Assessment						
Team Training	-	5,024	-	-	-	5,024
Firefighter Education Reimbursement	-	40,411	-	-	-	40,411
HAZMAT Regional Response Team	66,412	-	-	-	-	66,412
Bulletproof Vests	12,546	-	-	-	-	12,546
Narcotic/Gang Strike Force	-	300,813	-	-	-	300,813
State of Minnesota Disaster Funds	-	367,687	-	-	-	367,687
Public Safety Total	78,958	713,935	-	-	-	792,893
Revenue						
Market Value Credit	2,890	-	-	-	-	2,890

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Transportation						
Bridge Bonding	-	-	-	135,203	-	135,203
Local Road & Bridge Disaster Relief	-	1,808,467	-	-	-	1,808,467
MSA Street Construction Allotment	-	-	-	4,108,736	-	4,108,736
MSA Street Maintenance Allotment	1,533,400	-	-	-	-	1,533,400
Transportation Total	1,533,400	1,808,467	-	4,243,939	-	7,585,806
Total State Grants	1,710,805	5,412,102	-	6,398,328	5,153,236	18,674,471
Other Grants:						
St. Louis County						
Job Training Services	-	914,358	-	-	-	914,358
Other	164,435	-	-	106,580	-	271,015
St. Louis County Total	164,435	914,358	-	106,580	-	1,185,373
Housing and Redevelopment Authority	45,644	62,677	-	-	-	108,321
Duluth Transit Authority	-	54,757	-	-	-	54,757
Independent School District #709	233,291	-	-	-	-	233,291
Total Other Grants	443,370	1,031,792	-	106,580	-	1,581,742
Federal Grants:						
Federal, Department of						
Agriculture						
Cooperative Forestry Assistance	-	1,500	-	-	-	1,500
Urban and Community Forestry Program	-	38,829	-	-	-	38,829
Agriculture Total	-	40,329	-	-	-	40,329
Environmental Protection Agency						
Great Lakes Program	-	19,147	-	-	-	19,147
Brownfields Assessment and Cleanup Cooperative	-	80,657	-	-	-	80,657
Urban Waters Small Grants	-	26,085	-	-	-	26,085
Environmental Protection Agency Total	-	125,889	-	-	-	125,889
Homeland Security						
Assistance to Firefighters Grant	-	218,940	-	-	-	218,940
Emergency Management Performance Grants	-	46,279	-	-	-	46,279
FEMA Disaster Assistance	-	1,164,965	-	-	-	1,164,965
Flood Hazard Mitigation	-	414	-	-	-	414
Homeland Security Grant Program	-	55,344	-	-	-	55,344
Port Security Grant Program	-	51,321	-	-	-	51,321
Homeland Security Total	-	1,537,263	-	-	-	1,537,263
Housing and Urban Development						
Community Development Block Grant	-	2,421,150	-	-	-	2,421,150
Emergency Solutions Grant Program	-	196,882	-	-	-	196,882
Home Investment Partnerships Program	-	390,912	-	-	-	390,912
Lead-Based Paint Hazard Control Grant Program	-	232,731	-	-	-	232,731
Neighborhood Stabilization Program	-	3,275	-	-	-	3,275
Housing and Urban Development Total	-	3,244,950	-	-	-	3,244,950
Interior						
Historic Preservation Fund Grants-in-Aid	364	-	-	-	-	364

(continued)

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary and Internal Service Funds	Totals
Justice						
ATF (Alcohol Tobacco Firearms)						
Task Force	96,407	-	-	-	-	96,407
Blueprint for Safety	-	98,090	-	-	-	98,090
Bulletproof Vest Partnership Program	17,419	-	-	-	-	17,419
Edward Bryne Memorial Formula Grant	-	48,997	-	-	-	48,997
Grants to Encourage Arrest Policies	-	92,364	-	-	-	92,364
Organized Crime Drug Enforcement Task Force	10,430	-	-	-	-	10,430
Justice Total	<u>124,256</u>	<u>239,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,707</u>
Labor						
WIA Dislocated Workers Formula Grant	-	89,384	-	-	-	89,384
Senior Community Service Employment	-	398,112	-	-	-	398,112
Temporary Assistance to Needy Families	-	10,000	-	-	-	10,000
Workforce Investment Act	-	519,481	-	-	-	519,481
Labor Total	<u>-</u>	<u>1,016,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,016,977</u>
Transportation						
Federal Highway Assistance	-	1,448,450	-	-	-	1,448,450
Highway Planning and Construction	-	-	-	1,010,961	-	1,010,961
NHTSA: DWI Officers	-	54,456	-	-	-	54,456
Recreational Trails Program	-	229,626	-	-	-	229,626
2013 Toward Zero Deaths Law Enforcement Grant	-	314,101	-	-	-	314,101
Transportation Total	<u>-</u>	<u>2,046,633</u>	<u>-</u>	<u>1,010,961</u>	<u>-</u>	<u>3,057,594</u>
Total Federal Grants	<u>124,620</u>	<u>8,251,492</u>	<u>-</u>	<u>1,010,961</u>	<u>-</u>	<u>9,387,073</u>
Other Federal:						
Treasury						
Build America Interest Rebate	-	-	221,367	-	-	221,367
Total Intergovernmental Revenue	<u>\$ 33,508,792</u>	<u>\$ 14,695,386</u>	<u>\$ 221,367</u>	<u>\$ 7,515,869</u>	<u>\$ 5,207,639</u>	<u>\$ 61,149,053</u>

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
Cooperative Forestry Assistance		10.664	\$ 1,500	\$ -
Urban and Community Forestry Program		10.675	21,998	-
Total U.S. Department of Agriculture			\$ 23,498	\$ -
U.S. Department of Housing and Urban Development				
Direct				
Community Development Block Grants/Entitlement Grants		14.218	\$ 2,226,954	\$ 1,606,664
Emergency Solutions Grant Program		14.231	194,737	189,905
Home Investment Partnerships Program		14.239	382,343	347,991
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	372,390	365,369
Total U.S. Department of Housing and Urban Development			\$ 3,176,424	\$ 2,509,929
U.S. Department of the Interior				
Passed Through Minnesota Historical Society Historic Preservation Fund Grants-In-Aid	27-15-131222	15.904	\$ 364	\$ -
U.S. Department of Justice				
Direct				
Alcohol, Tobacco, and Firearms - Training Assistance		16.012	\$ 96,407	\$ -
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	195,001	-
Local Law Enforcement Block Grant Program		16.592	10,430	-
Bulletproof Vest Partnership Program		16.607	17,419	-
Edward Byrne Memorial Justice Assistance Grant Program		16.738	48,997	-
Total U.S. Department of Justice			\$ 368,254	\$ -
U.S. Department of Labor				
Passed Through Senior Service America, Inc.				
Senior Community Service Employment Program	116	17.235	\$ 247,253	\$ -
(Total Senior Community Service Employment Program 17.235 \$398,112)				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	5045100/6045100	17.235	125,908	-
Senior Community Service Employment Program	5045101	17.235	24,951	-
(Total Senior Community Service Employment Program 17.235 \$398,112)				
Workforce Investment Act (WIA) National Emergency Grants	2048900	17.277	27,915	-
Workforce Investment Act (WIA) Cluster				
WIA/WIOA Adult Program	4043400	17.258	6,595	-
WIA/WIOA Adult Program	3043100/4043100	17.258	230,092	-
WIA/WIOA Adult Program	5043100	17.258	58,901	-
Total CFDA # 17.258			295,588	-
WIA/WIOA Youth Activities	3043600/4043600	17.259	71,041	-
WIA/WIOA Youth Activities	5043600	17.259	141,862	-
Total CFDA # 17.259			212,903	-
WIA/WIOA Dislocated Worker Formula Grants	3048000/4048000	17.278	81,576	-
WIA/WIOA Dislocated Worker Formula Grants	5048000	17.278	8,230	-
			89,806	-
(Total expenditures for Workforce Investment Act (WIA) Cluster \$598,297)				
Total U.S. Department of Labor			\$ 1,024,324	\$ -

(continued)

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

**CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

T.O.C.

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	99887	20.205	\$ 1,531,922	\$ -
Highway Planning and Construction	94505	20.205	98,022	-
(Total Highway Planning and Construction 20.205 \$2,209,151)				
Passed Through Minnesota Department of Public Safety				
Highway Planning and Construction Cluster				
Highway Planning and Construction - Emergency Relief Program	ER MN 12	20.205	579,207	-
(Total Highway Planning and Construction 20.205 \$2,209,151)				
Passed Through Minnesota Department of Natural Resources				
Highway Planning and Construction Cluster				
Recreational Trails Program	78665	20.219	150,000	-
Recreational Trails Program	47856	20.219	79,626	-
Total CFDA # 20.219			229,626	-
(Total expenditures for Highway Planning and Construction Cluster \$2,438,777)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	A-ENFRC15-2015-DULUTHPD-00004	20.600	17,513	11,739
State and Community Highway Safety	A-ENFRC16-2016-DULUTHPD-00063	20.600	1,200	1,014
Total CFDA # 20.600			18,713	12,753
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	A-ENFRC15-2015-DULUTHPD-00004	20.608	209,007	99,603
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	A-ENFRC16-2016-DULUTHPD-00063	20.608	51,249	23,631
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	A-OFFICR15-2015-DULUTHPD-00004	20.608	19,049	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	A-OFFICR16-2016-DULUTHPD-0002	20.608	51,059	-
Total CFDA # 20.608			330,364	123,234
Highway Safety Cluster				
National Priority Safety Programs	A-ENFRC15-2015-DULUTHPD-00004	20.616	22,856	8,275
National Priority Safety Programs	A-ENFRC16-2016-DULUTHPD-00063	20.616	12,276	3,190
National Priority Safety Programs	A-OFFICR15-2015-DULUTHPD-00004	20.616	9,382	-
National Priority Safety Programs	A-OFFICR16-2016-DULUTHPD-0002	20.616	8,588	-
Total CFDA # 20.616			53,102	11,465
(Total expenditures for Highway Safety Cluster \$71,815)				
Total U.S. Department of Transportation			\$ 2,840,956	\$ 147,452
U.S. Environmental Protection Agency				
Direct				
Urban Waters Small Grants				
		66.440	\$ 26,085	-
Great Lakes Program				
		66.469	59,391	-
Brownfields Assessment and Cleanup Cooperative Agreements				
		66.818	133,587	-
Passed through Minnesota Department of Employment and Economic Development				
Capitalization Grants for Clean Water State Revolving Funds				
	MPFA-11-0076-R-FY12	66.458	61,042	-
Capitalization Grants for Clean Water State Revolving Funds				
	MPFA-13-0050-R-FY15	66.458	681,409	-
(Total Clean Water State Revolving Funds 66.458 \$742,451)				
Capitalization Grants for Drinking Water State Revolving Funds				
	MPFA-11-0074-R-FY12	66.468	173,855	-
Capitalization Grants for Drinking Water State Revolving Funds				
	MPFA-14-0030-R-FY14	66.468	143,734	-
(Total Drinking Water State Revolving Funds 66.458 \$317,589)				
Total U.S. Environmental Protection Agency			\$ 1,279,103	\$ -

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

(continued)

CITY OF DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	6047400	93.558	\$ 10,000	\$ -
U.S. Department of Homeland Security				
Direct				
Assistance to Firefighters Grant		97.044	\$ 218,940	\$ -
Port Security Grant Program		97.056	51,322	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	A-EMPG-2015-DULUTHCI-00022	97.042	46,279	-
Homeland Security Grant Program	A-DECN-SHSP-2014-NERRB-0003	97.067	17,577	-
(Total Homeland Security Grant Program 97.067 \$55,344)				
Passed Through Minnesota Department of Transportation				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	4069DRMNP0000001	97.036	1,071,328	-
Passed Through Minnesota Homeland Security and Management				
Hazard Mitigation Grant	FEMA-4069-DR-MN	97.039	414	-
Passed Through St. Louis County				
Homeland Security Grant Program	A-OSGP-2013-STLOUICO-00007	97.067	37,767	-
(Total Homeland Security Grant Program 97.067 \$55,344)				
Total U.S. Department of Homeland Security			\$ 1,443,627	\$ -
Total Federal Awards			\$ 10,166,550	\$ 2,657,381

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

CITY OF DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 \$1,302,037 and \$14,530,004 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 under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Duluth has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 9,387,073
Grants received more than 45 days after year-end, unavailable in 2015	
Community Development Block Grants	84,651
Disaster Grants - Public Assistance	1,523,253
Emergency Solutions Grant Program	2,315
Great Lakes Program	40,244
Hazard Mitigation Grant	6,221
Highway Planning and Construction	633,063
Highway Planning and Construction - Emergency Relief Program	271,298
Home Investment Partnerships Program	1,427
Lead-Based Paint Hazard Control in Privately-Owned Housing	139,659
Minimum Penalties for Repeat Offenders for Driving	
While Intoxicated	33,622
WIA/WIOA Adult Program	14,177
WIA/WIOA Youth Program	2,748
WIA/WIOA Dislocated Worker Formula Grant	422
Unavailable in 2014, recognized as revenue in 2015	
Community Development Block Grants	(262,054)
Community Development Block Grants/State's Program and	
Non-Entitlement Grants in Hawaii	(3,275)
Disaster Grants - Public Assistance	(1,616,890)
Emergency Solutions Grant Program	(4,461)
Highway Planning and Construction	(14,080)
Highway Planning and Construction - Emergency Relief Program	(1,140,540)
Home Investment Partnerships Program	(9,996)
Urban and Community Forestry Program	(16,831)
Timing Differences Between Expenditures and Related Reimbursements	(18,466)
Capital grants received in enterprise funds	
Capitalization Grants for Clean Water State Revolving Funds	742,451
Capitalization Grants for Drinking Water State Revolving Funds	317,589
Grant received by Component Unit - DEDA	
Brownfields Assessment and Cleanup Cooperative Agreements	52,930
	<u>52,930</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 10,166,550</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Guide to Statistical Section

Financial Trends - Pages 153 - 160

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 161 - 163

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

Debt Capacity - Pages 164 - 167

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

Demographic and Economic Information - Page 168

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 169 - 174

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses					
Governmental activities:					
General government	\$ 20,902,934	\$ 35,023,700	\$ 25,028,329	\$ 35,376,090	\$ 36,014,153
Public safety	28,480,845	30,350,398	36,478,984	36,397,795	38,100,958
Public works	13,823,001	15,232,820	15,817,121	7,616,214	13,657,626
Culture and recreation	9,107,022	6,851,355	13,962,001	24,655,278	25,434,289
Urban and economic development	12,773,203	13,178,400	18,180,805	15,722,245	14,549,117
Interest	<u>7,427,045</u>	<u>7,762,355</u>	<u>4,749,041</u>	<u>5,175,178</u>	<u>5,409,679</u>
Total governmental activities expenses	<u>92,514,050</u>	<u>108,399,028</u>	<u>114,216,281</u>	<u>124,942,800</u>	<u>133,165,822</u>
Business-type activities:					
Water	9,827,419	10,865,334	11,325,128	10,717,468	10,810,875
Gas	45,278,118	47,107,309	54,336,765	38,462,243	35,800,001
Sewer	14,928,433	15,023,848	16,747,150	17,569,046	16,259,669
Stormwater	2,776,726	2,865,872	2,876,181	3,308,604	3,333,875
Steam district #1	4,628,019	5,367,034	5,851,628	5,994,665	6,258,368
Steam district #2	9,314,893	11,397,738	10,024,789	9,031,530	-
Golf	1,889,657	1,887,795	1,886,874	1,895,162	2,006,633
Parking	-	1,871,344	2,030,206	1,881,852	1,957,414
West Superior Street parking facility	-	-	-	-	-
Street lighting	-	-	<u>309,920</u>	<u>1,391,981</u>	<u>1,557,525</u>
Total business-type activities expenses	<u>88,643,265</u>	<u>96,386,274</u>	<u>105,388,641</u>	<u>90,252,551</u>	<u>77,984,360</u>
Total primary government expenses	<u>\$181,157,315</u>	<u>\$204,785,302</u>	<u>\$219,604,922</u>	<u>\$215,195,351</u>	<u>\$211,150,182</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,804,560	\$ 4,008,714	\$ 3,846,472	\$ 4,514,042	\$ 4,619,911
Public safety	3,305,117	2,451,449	2,434,033	2,555,541	3,330,905
Public works	1,096,718	353,575	392,155	349,364	369,068
Culture and recreation	807,245	815,732	797,188	1,108,600	1,297,370
Urban and economic development	908,279	922,159	910,181	525,437	280,880
Operating grants and contributions	10,469,744	11,209,578	12,997,358	11,846,124	14,164,865
Capital grants and contributions	<u>12,445,080</u>	<u>13,674,386</u>	<u>8,200,343</u>	<u>7,095,416</u>	<u>17,075,628</u>
Total governmental activities program revenues	<u>30,836,743</u>	<u>33,435,593</u>	<u>29,577,730</u>	<u>27,994,524</u>	<u>41,138,627</u>
Business-type activities:					
Charges for services:					
Water	11,025,294	12,166,968	11,370,681	11,961,915	12,024,675
Gas	49,534,016	47,489,082	58,604,811	46,419,426	39,882,397
Sewer	15,507,006	15,771,516	17,224,701	20,320,378	20,347,330
Stormwater	3,098,403	3,916,525	4,563,498	5,222,917	4,730,608
Steam district #1	4,686,723	5,261,495	5,959,836	6,152,268	6,617,346
Steam district #2	6,959,000	8,985,844	8,834,290	8,384,720	-
Golf	1,893,564	1,887,737	1,879,530	1,945,446	1,967,401
Parking	-	2,138,316	4,136,535	2,524,682	2,563,215
West Superior Street parking facility	-	-	-	-	-
Street lighting	-	-	<u>88,924</u>	<u>1,271,623</u>	<u>1,270,118</u>
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	<u>2,960,981</u>	<u>4,468,083</u>	<u>1,970,497</u>	<u>3,836,174</u>	<u>9,104,643</u>
Total business-type activities program revenues	<u>95,664,987</u>	<u>102,085,566</u>	<u>114,633,303</u>	<u>108,039,549</u>	<u>98,507,733</u>
Total primary government program revenues	<u>\$126,501,730</u>	<u>\$135,521,159</u>	<u>\$144,211,033</u>	<u>\$136,034,073</u>	<u>\$139,646,360</u>

(continued)

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

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (expense)/revenue					
Governmental activities	\$ (61,677,307)	\$ (74,963,435)	\$ (84,638,551)	\$ (96,948,276)	\$ (92,027,195)
Business-type activities	<u>7,021,722</u>	<u>5,699,292</u>	<u>9,244,662</u>	<u>17,786,998</u>	<u>20,523,373</u>
Total primary government net expense	<u>\$ (54,655,585)</u>	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>	<u>\$ (79,161,278)</u>	<u>\$ (71,503,822)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 15,709,840	\$ 17,452,324	\$ 18,170,135	\$ 18,125,284	\$ 16,001,873
Market value credit aid	1,184,399	1,191,228	1,086,482	1,147,029	33,675
Sales taxes	16,860,351	17,509,877	18,363,052	18,009,914	19,252,407
Franchise taxes	1,819,654	1,803,561	1,851,406	1,889,796	1,917,379
Other taxes	187,005	247,612	198,442	684,088	97,549
Casino shared revenues	5,844,787	6,430,460	6,156,767	5,963,162	6,258,727
Grants and shared revenues not restricted to specific programs	32,249,900	31,725,087	30,311,915	31,498,519	29,130,992
Investment income	5,131,090	4,690,453	4,058,373	4,034,753	2,307,506
Gain on sale or disposition of capital assets	262,367	37,803	136,787	84,278	19,174
Miscellaneous	5,170,612	1,062,999	3,623,533	1,031,930	13,584
Special Items	-	12,708,044	-	-	-
Extraordinary items	-	-	-	-	-
Transfers	<u>5,616,094</u>	<u>(3,761,041)</u>	<u>2,234,661</u>	<u>7,839,803</u>	<u>4,552,145</u>
Total governmental activities	<u>90,036,099</u>	<u>91,098,407</u>	<u>86,191,553</u>	<u>90,308,556</u>	<u>79,585,011</u>
Business-type activities:					
General Revenues:					
Property taxes	-	-	-	-	-
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	824,428	878,763	545,151	320,540	282,545
Gain on sale or disposition of capital assets	30,268	22,127	11,577	112,447	7,256
Miscellaneous	-	-	-	-	-
Extraordinary items	-	-	-	(5,441,237)	-
Transfers	<u>(5,616,094)</u>	<u>3,761,041</u>	<u>(2,234,661)</u>	<u>(7,839,803)</u>	<u>(4,552,145)</u>
Total business-type activities	<u>(4,761,398)</u>	<u>4,661,931</u>	<u>(1,677,933)</u>	<u>(12,848,053)</u>	<u>(4,262,344)</u>
Total primary government	<u>\$ 85,274,701</u>	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>	<u>\$ 77,460,503</u>	<u>\$ 75,322,667</u>
Change in Net Position					
Governmental activities	\$ 28,358,792	\$ 16,134,972	\$ 1,553,002	\$ (6,639,720)	\$ (12,442,184)
Business-type activities	<u>2,260,324</u>	<u>10,361,223</u>	<u>7,566,729</u>	<u>4,938,945</u>	<u>16,261,029</u>
Total primary government	<u>\$ 30,619,116</u>	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>	<u>\$ (1,700,775)</u>	<u>\$ 3,818,845</u>

Source: Statement of Activities

(continued)

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental activities:					
General government	\$ 38,577,305	\$ 40,761,298	\$ 24,455,977	\$ 27,045,420	\$ 26,652,865
Public safety	37,895,850	38,190,780	39,860,955	40,104,416	40,798,398
Public works	9,040,308	12,320,891	26,286,454	21,622,112	22,230,628
Culture and recreation	7,986,366	15,125,570	11,872,741	11,584,949	18,319,587
Urban and economic development	15,446,838	13,275,120	14,922,283	14,294,290	14,265,141
Interest	<u>4,692,654</u>	<u>4,907,447</u>	<u>4,535,639</u>	<u>4,338,915</u>	<u>4,619,216</u>
Total governmental activities expenses	<u>113,639,321</u>	<u>124,581,106</u>	<u>121,934,049</u>	<u>118,990,102</u>	<u>126,885,835</u>
Business-type activities:					
Water	11,218,488	10,243,435	11,015,475	11,255,835	10,187,477
Gas	36,217,536	30,351,746	35,174,140	49,131,965	29,262,281
Sewer	17,291,803	18,216,008	17,882,780	16,963,128	16,284,112
Stormwater	3,474,137	3,447,389	3,581,689	3,701,827	3,764,611
Steam district #1	6,974,162	7,083,477	7,692,984	7,254,245	7,666,582
Steam district #2	-	-	-	-	-
Golf	2,056,166	2,192,560	2,059,673	2,020,655	2,309,016
Parking	1,939,941	2,923,741	2,901,617	2,701,445	2,550,028
West Superior Street parking facility	-	-	-	-	-
Street lighting	<u>1,480,674</u>	<u>1,583,897</u>	<u>1,545,598</u>	<u>1,910,875</u>	<u>1,914,331</u>
Total business-type activities expenses	<u>80,652,907</u>	<u>76,042,253</u>	<u>81,853,956</u>	<u>94,939,975</u>	<u>73,938,438</u>
Total primary government expenses	<u>\$ 194,292,228</u>	<u>\$ 200,623,359</u>	<u>\$ 203,788,005</u>	<u>\$ 213,930,077</u>	<u>\$ 200,824,273</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 4,673,037	\$ 4,415,328	\$ 4,675,590	\$ 5,018,181	\$ 4,854,823
Public safety	2,975,998	2,925,524	1,948,070	1,501,647	1,562,794
Public works	370,237	394,422	111,061	1,320,130	2,801,089
Culture and recreation	1,273,472	1,082,261	1,332,448	1,299,671	1,310,840
Urban and economic development	310,839	347,895	2,816,814	3,383,810	3,095,554
Operating grants and contributions	15,685,467	13,668,138	13,309,497	11,487,629	10,096,446
Capital grants and contributions	<u>13,067,199</u>	<u>12,230,295</u>	<u>17,878,748</u>	<u>19,388,699</u>	<u>19,174,980</u>
Total governmental activities program revenues	<u>38,356,249</u>	<u>35,063,863</u>	<u>42,072,228</u>	<u>43,399,767</u>	<u>42,896,526</u>
Business-type activities:					
Charges for services:					
Water	11,743,510	13,911,617	14,866,657	14,529,002	14,426,316
Gas	41,415,145	34,071,373	40,587,986	58,291,132	35,495,409
Sewer	20,040,992	20,350,506	20,535,669	19,493,753	19,973,712
Stormwater	4,632,541	4,798,166	4,750,421	4,624,063	4,754,516
Steam district #1	7,169,021	7,239,203	7,858,968	6,820,043	6,725,164
Steam district #2	-	-	-	-	-
Golf	1,872,577	1,926,929	1,738,980	1,734,534	1,931,016
Parking	2,567,703	3,185,152	3,777,759	4,207,977	4,516,797
West Superior Street parking facility	-	-	-	-	-
Street lighting	<u>1,894,038</u>	<u>2,272,395</u>	<u>2,147,449</u>	<u>2,146,270</u>	<u>1,922,930</u>
Operating grants and contributions	-	-	60,699	76,493	-
Capital grants and contributions	<u>5,135,700</u>	<u>3,366,852</u>	<u>2,812,199</u>	<u>4,597,404</u>	<u>8,380,978</u>
Total business-type activities program revenues	<u>96,471,227</u>	<u>91,122,193</u>	<u>99,136,787</u>	<u>116,520,671</u>	<u>98,126,838</u>
Total primary government program revenues	<u>\$ 134,827,476</u>	<u>\$ 126,186,056</u>	<u>\$ 141,209,015</u>	<u>\$ 159,920,438</u>	<u>\$ 141,023,364</u>

(continued)

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net (expense)/revenue					
Governmental activities	\$ (75,283,072)	\$ (89,517,243)	\$ (79,861,821)	\$ (75,590,335)	\$ (83,989,309)
Business-type activities	15,818,320	15,079,940	17,282,831	21,580,696	24,188,400
Total primary government net expense	<u>\$ (59,464,752)</u>	<u>\$ (74,437,303)</u>	<u>\$ (62,578,990)</u>	<u>\$ (54,009,639)</u>	<u>\$ (59,800,909)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General Revenues:					
Property taxes	\$ 16,718,385	\$ 21,379,384	\$ 21,924,954	\$ 22,146,676	\$ 22,405,560
Market value credit aid	34,071	9,759	-	-	-
Sales taxes	20,071,454	20,888,940	20,388,588	22,031,014	24,305,293
Franchise taxes	1,922,796	1,928,149	1,958,297	2,013,126	2,008,194
Other taxes	159,416	141,927	134,580	622,015	255,491
Casino shared revenues	2,096,800	579,478	-	-	-
Grants and shared revenues not restricted to specific programs	29,154,013	29,148,898	29,401,345	30,995,305	31,232,887
Investment income	2,934,301	506,168	(1,632,312)	2,148,194	328,502
Gain on sale or disposition of capital assets	169,695	19,124	550,473	54,776	-
Miscellaneous	1,157,996	1,172,063	2,694,159	1,996,119	1,323,545
Special Items	-	-	-	-	-
Extraordinary items	-	-	-	-	(13,264,958)
Transfers	<u>5,379,481</u>	<u>4,671,197</u>	<u>4,714,434</u>	<u>5,008,750</u>	<u>6,336,860</u>
Total governmental activities	<u>79,798,408</u>	<u>80,445,087</u>	<u>80,134,518</u>	<u>87,015,975</u>	<u>74,931,374</u>
Business-type activities:					
General Revenues:					
Property taxes	-	-	-	-	220,293
Grants and shared revenues not restricted to specific programs	48,567	51,272	48,566	48,566	48,566
Investment income	349,471	184,954	33,206	468,471	124,243
Gain on sale or disposition of capital assets	-	55,623	(4,983)	58,974	79,246
Miscellaneous	2,300,000	-	69,099	122,789	56,606
Extraordinary items	-	-	-	-	-
Transfers	<u>(5,379,481)</u>	<u>(4,671,197)</u>	<u>(4,714,434)</u>	<u>(5,008,750)</u>	<u>(6,336,860)</u>
Total business-type activities	<u>(2,681,443)</u>	<u>(4,379,348)</u>	<u>(4,568,546)</u>	<u>(4,309,950)</u>	<u>(5,807,906)</u>
Total primary government	<u>\$ 77,116,965</u>	<u>\$ 76,065,739</u>	<u>\$ 75,565,972</u>	<u>\$ 82,706,025</u>	<u>\$ 69,123,468</u>
Change in Net Position					
Governmental activities	\$ 4,515,336	\$ (9,072,156)	\$ 272,697	\$ 11,425,640	\$ (9,057,935)
Business-type activities	13,136,877	10,700,592	12,714,285	17,270,746	18,380,494
Total primary government	<u>\$ 17,652,213</u>	<u>\$ 1,628,436</u>	<u>\$ 12,986,982</u>	<u>\$ 28,696,386</u>	<u>\$ 9,322,559</u>

Unaudited

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

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund					
Reserved	\$ 816,458	\$ 190,911	\$ 325,430	\$ 436,860	\$ 368,134
Unreserved	4,237,396	1,423,116	(1,345,024)	1,962,587	5,579,282
Nonspendable*	-	-	-	-	-
Restricted*	-	-	-	-	-
Committed*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total general fund	<u>\$ 5,053,854</u>	<u>\$ 1,614,027</u>	<u>\$ (1,019,594)</u>	<u>\$ 2,399,447</u>	<u>\$ 5,947,416</u>
All other governmental funds					
Reserved	\$ 23,363,256	\$ 14,628,923	\$ 13,599,551	\$ 17,658,025	\$ 22,178,725
Unreserved, reported in:					
Special revenue funds	65,770,619	63,097,631	67,075,700	55,293,268	38,712,371
Debt service funds	8,968,752	11,125,923	11,201,667	12,384,602	13,496,346
Capital projects funds	(2,523,300)	5,986,870	48,030,782	45,990,283	10,263,175
Restricted*	-	-	-	-	-
Committed*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total all other governmental funds	<u>\$ 95,579,327</u>	<u>\$ 94,839,347</u>	<u>\$ 139,907,700</u>	<u>\$ 131,326,178</u>	<u>\$ 84,650,617</u>

	Fiscal Year				
	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable*	138,012	431,795	414,309	258,535	-
Restricted*	120,766	97,811	75,741	91,324	95,801
Committed*	-	9,067	13,454	13,129	21,781
Assigned*	332,997	583,777	821,114	1,634,029	2,132,059
Unassigned*	7,664,417	7,587,726	7,746,042	9,320,545	11,624,121
Total general fund	<u>\$ 8,256,192</u>	<u>\$ 8,710,176</u>	<u>\$ 9,070,660</u>	<u>\$ 11,317,562</u>	<u>\$ 13,873,762</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted*	36,801,571	29,787,935	31,790,209	31,233,325	44,269,018
Committed*	144,721	294,971	18,095,100	19,705,618	19,846,164
Assigned*	27,983,067	23,258,693	576,094	445,627	389,344
Unassigned*	(255,786)	(2,995,479)	(5,512,643)	(4,232,523)	(8,155,193)
Total all other governmental funds	<u>\$ 64,673,573</u>	<u>\$ 50,346,120</u>	<u>\$ 44,948,760</u>	<u>\$ 47,152,047</u>	<u>\$ 56,349,333</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues					
Taxes:					
Property taxes	\$ 15,469,329	\$ 17,837,011	\$ 17,776,235	\$ 17,859,578	\$ 15,953,934
Sales taxes	16,860,351	17,509,877	18,363,052	18,009,914	19,252,407
Other taxes	2,006,659	2,051,173	2,049,848	2,573,884	2,014,928
Licenses and permits	987,464	1,111,727	985,506	1,149,265	1,182,044
Intergovernmental revenues	51,467,392	53,793,307	50,315,079	50,047,221	55,756,919
Charges for services	8,718,615	5,995,079	5,802,260	6,348,063	6,902,683
Fines and forfeits	905,324	1,086,304	1,056,783	1,770,427	1,791,604
Special assessments	2,964,983	2,941,244	2,609,585	2,948,975	2,741,754
Investment income	4,576,550	3,908,135	3,364,141	3,691,734	2,051,772
Miscellaneous revenues	<u>14,978,054</u>	<u>10,641,263</u>	<u>12,202,008</u>	<u>6,321,696</u>	<u>3,285,276</u>
Total revenues	<u>118,934,721</u>	<u>116,875,120</u>	<u>114,524,497</u>	<u>110,720,757</u>	<u>110,933,321</u>
Expenditures					
General government	21,248,502	32,109,525	23,062,581	32,743,783	32,628,277
Public safety	33,176,998	33,319,542	35,661,590	36,718,739	33,901,872
Public works	10,358,429	11,080,239	12,106,097	1,872,986	7,164,216
Culture and recreation	6,978,630	6,716,210	8,037,797	6,095,879	6,570,834
Urban and economic development	12,694,861	14,531,149	16,515,445	14,059,428	14,177,365
Debt service					
Principal retirement	15,175,505	11,454,452	9,984,002	12,354,000	10,254,000
Interest and fiscal fees	5,589,857	4,777,420	4,377,160	5,264,029	5,441,345
Revenue pledge	1,383,363	2,966,875	-	-	-
Bond issuance costs	269,189	205,336	544,187	442,358	140,135
Capital outlay	<u>30,731,546</u>	<u>13,496,052</u>	<u>15,749,543</u>	<u>36,274,174</u>	<u>37,344,799</u>
Total expenditures	<u>137,606,880</u>	<u>130,656,800</u>	<u>126,038,402</u>	<u>145,825,376</u>	<u>147,622,843</u>
Excess of revenues over (under) expenditures	<u>(18,672,159)</u>	<u>(13,781,680)</u>	<u>(11,513,905)</u>	<u>(35,104,619)</u>	<u>(36,689,522)</u>
Other financing sources (uses)					
Issuance of bonds	17,050,000	10,650,000	51,600,000	21,560,000	4,470,000
Proceeds from refundings	-	-	-	2,150,000	4,190,000
Premium on issuance of bonds	287,586	269,594	383,591	578,200	109,851
Loan proceeds	1,482,000	-	-	-	-
Payment to refunded bond escrow agent	(10,626,155)	(5,827,735)	(3,570,023)	(2,150,000)	(4,155,250)
Transfers in	28,843,364	29,700,237	25,900,738	37,591,473	26,903,985
Transfers out	<u>(22,889,485)</u>	<u>(25,190,223)</u>	<u>(20,365,669)</u>	<u>(29,787,535)</u>	<u>(22,207,637)</u>
Total other financing sources (uses)	<u>14,147,310</u>	<u>9,601,873</u>	<u>53,948,637</u>	<u>29,942,138</u>	<u>9,310,949</u>
Net change in fund balances	<u>\$ (4,524,849)</u>	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>	<u>\$ (5,162,481)</u>	<u>\$ (27,378,573)</u>
Debt service as a percentage of noncapital expenditures	19.9%	13.8%	12.8%	13.7%	12.3%

General Governmental includes Capital Projects Fund.

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

(continued)

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

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues					
Taxes:					
Property taxes	\$ 16,581,461	\$ 21,336,285	\$ 21,913,489	\$ 22,118,257	\$ 22,549,109
Sales taxes	20,071,454	20,888,940	20,388,588	22,031,014	24,305,293
Other taxes	2,082,212	2,070,076	2,092,877	2,635,141	2,263,685
Licenses and permits	1,407,951	1,625,826	1,863,333	1,737,068	1,783,741
Intergovernmental revenues	56,211,950	49,469,851	55,451,614	57,455,627	55,941,414
Charges for services	6,453,510	5,891,728	6,441,338	7,987,527	9,289,681
Fines and forfeits	1,579,021	1,075,167	699,846	709,213	652,033
Special assessments	2,837,628	2,884,597	2,328,821	2,458,912	1,983,776
Investment income	2,669,071	430,056	(1,675,875)	2,022,447	230,692
Miscellaneous revenues	3,956,649	4,124,685	4,521,654	4,304,525	5,326,755
Total revenues	<u>113,850,907</u>	<u>109,797,211</u>	<u>114,025,685</u>	<u>123,459,731</u>	<u>124,326,179</u>
Expenditures					
General government	33,469,098	34,625,147	22,290,793	23,174,447	24,004,445
Public safety	34,606,780	36,476,109	35,035,481	35,512,569	37,150,741
Public works	2,081,437	6,046,513	19,397,379	12,536,734	14,388,357
Culture and recreation	6,865,686	7,761,926	9,469,074	9,645,981	15,954,443
Urban and economic development	15,251,986	20,203,006	17,762,959	13,858,327	16,906,657
Debt service					
Principal retirement	11,395,000	13,045,000	8,655,000	11,350,000	10,501,000
Interest and fiscal fees	4,989,456	5,097,486	4,673,854	4,600,843	4,577,976
Revenue pledge	-	-	-	-	-
Bond issuance costs	80,184	280,600	203,741	223,753	361,424
Capital outlay	<u>33,452,857</u>	<u>23,247,154</u>	<u>17,169,385</u>	<u>21,355,037</u>	<u>16,962,641</u>
Total expenditures	<u>142,192,484</u>	<u>146,782,941</u>	<u>134,657,666</u>	<u>132,257,691</u>	<u>140,807,684</u>
Excess of revenues over (under) expenditures	<u>(28,341,577)</u>	<u>(36,985,730)</u>	<u>(20,631,981)</u>	<u>(8,797,960)</u>	<u>(16,481,505)</u>
Other financing sources (uses)					
Issuance of bonds	4,965,000	17,980,000	10,490,000	8,055,000	21,315,000
Proceeds from refundings	-	6,905,000	-	865,000	2,630,000
Premium on issuance of bonds	138,232	868,419	271,507	153,373	799,031
Loan proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	-	(7,363,043)	-	(865,000)	(2,845,900)
Transfers in	23,957,020	19,166,548	16,753,906	16,540,403	19,136,245
Transfers out	<u>(18,386,943)</u>	<u>(14,444,663)</u>	<u>(11,988,958)</u>	<u>(11,500,627)</u>	<u>(12,799,385)</u>
Total other financing sources (uses)	<u>10,673,309</u>	<u>23,112,261</u>	<u>15,526,455</u>	<u>13,248,149</u>	<u>28,234,991</u>
Net change in fund balances	<u>\$ (17,668,268)</u>	<u>\$ (13,873,469)</u>	<u>\$ (5,105,526)</u>	<u>\$ 4,450,189</u>	<u>\$ 11,753,486</u>
Debt service as a percentage of noncapital expenditures	14.8%	14.0%	11.4%	14.1%	12.1%

Unaudited

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

Fiscal Year Ended December 31	Real Estate			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2006	\$ 4,106,765,527	\$ 39,184,991	\$ 829,130,400	\$ 15,140,631
2007	4,193,186,400	41,820,980	879,132,200	16,175,054
2008	4,448,018,800	44,960,335	914,966,520	16,708,234
2009	4,596,572,476	46,544,301	1,006,191,824	18,391,705
2010	4,545,577,900	46,457,611	1,041,761,700	19,131,580
2011	4,391,758,200	44,888,003	1,026,682,900	18,853,813
2012	4,399,683,300	40,350,188	1,033,199,600	19,007,636
2013	4,276,314,100	40,087,613	1,057,616,100	19,632,127
2014	4,338,067,800	39,838,986	1,113,116,900	20,463,377
2015	4,441,627,300	40,989,014	1,144,647,100	21,018,612

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2006	\$ 18,899,500	\$ 186,310	\$ 81,332,200	\$ 1,611,889
2007	20,528,100	204,926	96,119,000	1,862,112
2008	26,327,800	237,536	94,105,200	1,816,792
2009	28,487,600	283,617	75,268,900	1,435,838
2010	30,139,300	307,525	78,621,200	1,447,720
2011	28,363,500	284,857	84,724,000	1,551,297
2012	28,591,200	208,707	107,565,700	1,966,342
2013	29,300,100	217,752	109,785,500	2,011,293
2014	28,448,100	221,073	104,465,800	1,906,608
2015	33,827,800	276,580	105,380,900	1,937,051

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	Tax Rate
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	
	2006	\$ 5,036,127,627	\$ 56,123,821	
2007	5,188,965,700	60,063,072	1.16%	0.22939
2008	5,483,418,320	63,722,897	1.16%	0.23259
2009	5,706,520,800	66,655,461	1.17%	0.25403
2010	5,696,100,100	67,344,436	1.18%	0.26331
2011	5,531,528,600	65,577,970	1.19%	0.27956
2012	5,569,039,800	61,532,873	1.10%	0.31597
2013	5,473,015,800	61,948,785	1.13%	0.33198
2014	5,584,098,600	62,430,044	1.12%	0.32338
2015	5,725,483,100	64,221,257	1.12%	0.32509

Unaudited

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

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

Fiscal Year	City		Total Direct	Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service		Schools	County	Special	
2006	0.15126	0.07057	0.22183	0.10994	0.63330	0.06576	1.03083
2007	0.14780	0.08159	0.22939	0.10881	0.63013	0.06615	1.03448
2008	0.14743	0.08516	0.23259	0.20874	0.59190	0.06298	1.09621
2009	0.16193	0.09210	0.25403	0.20940	0.57645	0.06497	1.10485
2010	0.18050	0.08281	0.26331	0.20971	0.55365	0.05654	1.08321
2011	0.18686	0.09270	0.27956	0.23373	0.56011	0.05829	1.13169
2012	0.21847	0.09750	0.31597	0.27706	0.62325	0.05975	1.27603
2013	0.22411	0.10787	0.33198	0.32886	0.63885	0.06180	1.36149
2014	0.23152	0.09186	0.32338	0.34314	0.63613	0.06319	1.36584
2015	0.23089	0.09420	0.32509	0.34108	0.64457	0.06216	1.37290

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

Source: St. Louis County web site

Unaudited

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

Taxpayer	Type of Business	2015		Percentage of Total Estimated Market Value	2006		Percentage of Total Estimated Market Value
		Estimated Market Value	Rank		Estimated Market Value	Rank	
Minnesota Power	Electric utility	\$ 126,217,700	1	2.20%	\$ 124,616,500	1	2.47%
Simon Property, Inc.	Shopping mall	44,882,300	2	0.78%	110,996,900	2	2.20%
Essentia Health	Healthcare & hospital	41,853,200	3	0.73%	31,273,700	3	0.62%
Sherman Associates	Real estate development	30,427,100	4	0.53%	19,070,100	5	0.38%
Wisconsin Central Ltd	Railway	27,451,600	5	0.48%			
IRET Properties	Property management	19,328,700	6	0.34%	15,593,000	7	0.31%
Riverland AG Corp	Grain elevators	18,334,000	7	0.32%			
NewPage (StoraEnso)	Paper mill	18,009,100	8	0.31%	22,393,900	4	0.44%
ZMC Hotels	Hotels	14,653,900	9	0.26%			
Burlington Northern	Railroad	14,531,600	10	0.25%			
JMM Limited Partnership	Retail & hotel				17,467,900	6	0.35%
Northwest Air	Airbus maintenance				15,194,500	8	0.30%
F I Salter Co, Inc	Real estate services				13,246,800	9	0.26%
US Bank	Bank & office building				11,899,100	10	0.24%
		<u>\$ 355,689,200</u>		<u>6.20%</u>	<u>\$ 381,752,400</u>		<u>7.57%</u>

Source: City Assessor

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
2006	\$ 10,024,889	\$ 9,736,970	97.1%	\$ 216,488	\$ 9,953,458	99.3%
2007	11,124,247	10,799,240	97.1%	268,004	11,067,244	99.5%
2008	12,443,867	12,046,909	96.8%	318,112	12,365,021	99.4%
2009	14,366,814	13,790,094	96.0%	405,308	14,195,402	98.8%
2010	16,050,825	15,531,833	96.8%	387,380	15,919,213	99.2%
2011	16,648,242	16,102,214	96.7%	350,720	16,452,934	98.8%
2012	21,403,582	20,835,227	97.3%	348,997	21,184,224	99.0%
2013	21,966,088	21,396,584	97.4%	381,626	21,778,210	99.1%
2014	22,040,149	21,498,351	97.5%	244,172	21,742,523	98.6%
2015	22,686,100	22,310,465	98.3%	-	22,310,465	98.3%

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

Unaudited

**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
2006	\$ 32,439	\$ 6,381	\$ 310	\$ 2,543	\$ 1,640	\$ 53,600	\$ 4,395	\$ 4,167
2007	19,502	23	310	1,240	1,250	52,060	5,270	3,743
2008	60,815	-	310	175	1,125	48,845	6,715	3,544
2009	76,699	-	310	135	995	41,106	8,065	3,415
2010	** 75,449	-	310	-	860	36,011	8,920	3,171
2011	74,561	-	285	-	715	29,569	10,275	3,086
2012	76,927	-	7,315	-	565	23,943	11,300	2,996
2013	80,754	-	7,290	-	415	20,901	12,625	2,896
2014	82,936	-	6,705	-	-	16,814	12,340	2,791
2015	97,340	-	6,350	-	-	13,080	12,670	2,735

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*
2006	227	800	46,815	3,517	369	157,203	7.14%	1,846
2007	193	675	60,595	4,946	282	150,089	6.44%	1,757
2008	155	550	56,315	4,892	8,999	192,440	8.05%	2,258
2009	114	420	54,505	5,906	9,120	200,790	8.78%	2,348
2010	70	285	47,900	10,766	8,725	192,467	8.51%	2,231
2011	24	145	44,005	20,562	8,672	191,899	8.26%	2,224
2012	-	-	41,045	23,084	8,041	195,216	8.24%	2,265
2013	-	-	37,305	21,904	7,385	191,475	7.63%	2,223
2014	-	-	44,343	24,581	6,704	197,214	7.57%	2,287
2015	110	-	42,760	23,034	5,995	204,074	7.67%	2,366

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

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

Unaudited

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Tax Capacity</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt per Capita</u>
2006	85,170	56,123,821	43,525,000	6,162,546	37,362,454	66.57%	438.68
2007*	85,439	60,063,072	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,722,897	67,840,000	14,636,181	53,203,819	83.49%	624.31
2009	85,530	66,655,461	85,074,118	18,612,250	66,461,868	99.71%	777.06
2010**	86,265	67,344,436	84,679,118	19,144,190	65,534,928	97.31%	759.69
2011	86,277	65,577,970	85,121,023	18,629,920	66,491,103	101.39%	770.67
2012	86,200	61,532,873	95,541,971	17,742,090	77,799,881	126.44%	902.55
2013	86,128	61,948,785	100,668,706	19,802,762	80,865,944	130.54%	938.90
2014	86,238	62,430,044	101,980,568	22,948,537	79,032,031	126.59%	916.44
2015	86,238	64,221,257	116,360,000	19,496,773	96,863,227	150.83%	1,123.21

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

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

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

Unaudited

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015**

<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	\$54,650,000	88.5%	\$ 48,342,627
Independent School District 704	18,915,000	6.1%	1,144,575
St. Louis County	86,305,000	36.4%	31,424,418
Subtotal, overlapping debt			80,911,620
City of Duluth direct debt			132,175,000
Total direct and overlapping debt			<u>\$ 213,086,620</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Taxable market value	\$ 5,037,213,600	\$ 5,197,633,600	\$ 5,486,922,320	\$ 5,729,975,300	\$ 5,677,819,333
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 100,744,272</u>	<u>\$ 103,952,672</u>	<u>\$ 109,738,446</u>	<u>\$ 114,599,506</u>	<u>\$ 113,556,387</u>
Debt applicable to limit:					
Total bonds payable	\$ 148,923,488	\$ 140,925,002	\$ 174,850,000	\$ 182,235,000	\$ 169,735,000
Less: Deductions allowable	<u>(119,604,288)</u>	<u>(121,323,002)</u>	<u>(152,495,000)</u>	<u>(141,965,882)</u>	<u>(128,955,882)</u>
Total net debt applicable to limit	<u>\$ 29,319,200</u>	<u>\$ 19,602,000</u>	<u>\$ 22,355,000</u>	<u>\$ 40,269,118</u>	<u>\$ 40,779,118</u>
Total net debt applicable to the limit as a percentage of debt limit	29.10%	18.86%	20.37%	35.14%	35.91%

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Taxable market value	\$ 5,557,887,100	\$ 5,571,357,700	\$ 5,473,015,800	\$ 5,584,098,600	\$ 5,725,483,100
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 111,157,742</u>	<u>\$ 111,427,154</u>	<u>\$ 109,460,316</u>	<u>\$ 111,681,972</u>	<u>\$ 114,509,662</u>
Debt applicable to limit:					
Total bonds payable	\$ 159,554,999	\$ 161,095,000	\$ 159,290,002	\$ 163,138,242	\$ 172,200,045
Less: Deductions allowable	<u>(117,723,976)</u>	<u>(123,073,029)</u>	<u>(118,746,296)</u>	<u>(123,892,674)</u>	<u>(133,220,045)</u>
Total net debt applicable to limit	<u>\$ 41,831,023</u>	<u>\$ 38,021,971</u>	<u>\$ 40,543,706</u>	<u>\$ 39,245,568</u>	<u>\$ 38,980,000</u>
Total net debt applicable to the limit as a percentage of debt limit	37.63%	34.12%	37.04%	35.14%	34.04%

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>							
2006	\$ 11,104,194	\$ 8,399,508	\$ 2,704,686	\$ 989,000	\$ 218,199	\$ 1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
2012	13,928,511	8,897,762	5,030,749	427,028	85,385	512,413	9.82
2013	14,892,290	9,394,544	5,497,746	433,873	73,085	506,958	10.84
2014	14,555,607	9,529,831	5,025,776	451,251	60,371	511,622	9.82
2015	14,440,052	8,528,252	5,911,800	388,095	33,951	422,046	14.01
<u>GAS REVENUE BOND</u>							
2006	\$ 49,890,597	\$ 43,701,022	\$ 6,189,575	\$ 844,000	\$ 520,369	\$ 1,364,369	4.54
2007	47,701,819	45,655,468	2,046,351	933,000	507,486	1,440,486	1.42
2008	58,737,875	52,926,055	5,811,820	964,000	473,807	1,437,807	4.04
2009	46,526,246	36,939,946	9,586,300	652,000	341,269	993,269	9.65
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
2012	34,148,624	28,790,209	5,358,415	857,980	185,574	1,043,554	5.13
2013	40,611,707	33,701,058	6,910,649	896,020	161,825	1,057,845	6.53
2014	58,554,131	47,699,256	10,854,875	922,972	136,104	1,059,076	10.25
2015	35,584,151	27,708,531	7,875,620	869,955	84,237	954,192	8.25
<u>SEWER REVENUE BOND</u>							
2006	\$ 15,700,498	\$ 13,679,753	\$ 2,020,745	\$ 1,192,000	\$ 584,732	\$ 1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
2012	20,387,041	15,946,629	4,440,412	1,390,440	324,927	1,715,367	2.59
2013	20,541,361	16,013,024	4,528,337	1,454,699	296,240	1,750,939	2.59
2014	19,545,030	14,653,139	4,891,891	1,506,941	257,061	1,764,002	2.77
2015	19,986,777	13,852,969	6,133,808	1,177,256	179,515	1,356,771	4.52
<u>STORMWATER REVENUE BOND</u>							
2006	\$ 3,050,492	\$ 2,442,658	\$ 607,834	\$ 80,000	\$ 106,727	\$ 186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80
2012	4,820,629	2,897,725	1,922,904	204,552	62,297	266,849	7.21
2013	4,755,764	3,059,690	1,696,074	210,409	56,115	266,524	6.36
2014	4,670,074	3,248,954	1,421,120	218,837	49,690	268,527	5.29
2015	4,767,610	3,291,078	1,476,532	109,694	22,700	132,394	11.15

(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>							
2006	\$ 4,687,255	\$ 3,994,525	\$ 692,730	\$ 265,000	\$ 262,113	\$ 527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
2012	7,239,954	5,867,609	1,372,345	-	52,148	52,148	26.32
2013	7,847,524	6,547,268	1,300,256	600,000	73,940	673,940	1.93
2014	6,861,228	6,060,699	800,529	625,000	67,815	692,815	1.16
2015	6,728,330	6,230,054	498,276	635,000	61,515	696,515	0.72
<u>GOLF REVENUE BOND (3)</u>							
2006	\$ 1,901,413	\$ 1,672,256	\$ 229,157	\$ 125,000	\$ 26,435	\$ 151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<u>PARKING REVENUE BOND</u>							
2007	\$ 2,193,800	\$ 597,826	\$ 1,595,974	\$ 680,000	\$ 786,071	\$ 1,466,071	1.09
2008	4,200,392	816,515	3,383,877	430,000	694,889	1,124,889	3.01
2009	2,592,185	693,301	1,898,884	745,000	692,013	1,437,013	1.32
2010	2,610,111	789,126	1,820,985	790,000	657,056	1,447,056	1.26
2011	2,645,997	800,256	1,845,741	825,000	620,263	1,445,263	1.28
2012	3,216,205	1,860,989	1,355,216	860,000	211,266	1,071,266	1.27
2013	3,780,214	2,085,827	1,694,387	1,045,000	234,363	1,279,363	1.32
2014	4,286,789	1,983,869	2,302,920	1,130,000	201,694	1,331,694	1.73
2015	4,513,311	1,789,669	2,723,642	780,000	186,819	966,819	2.82

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>
2006	85,170	\$ 2,200,368,620	\$ 25,835	10,050	4.7%
2007	85,439	2,330,534,215	27,277	9,819	4.9%
2008	85,220	2,390,569,327	28,052	9,554	5.7%
2009	85,530	2,286,461,687	26,733	9,195	7.7%
2010	86,265	2,260,614,999	26,205	8,780	7.6%
2011	86,277	2,324,435,029	26,942	8,815	6.8%
2012	86,200	2,368,110,337	27,472	8,686	6.0%
2013	86,128	2,510,223,601	29,145	8,517	5.2%
2014	86,238	2,604,643,844	30,203	8,517	4.4%
2015	86,238 *	2,660,504,493 *	30,851	8,353	3.8%

Data sources:

The population figures are estimates of the US Census Bureau.

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

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

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

*Estimates

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2015</u>			<u>2006</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	8.89%	4,665	1	7.79%
St. Luke's Hospital	Healthcare / hospital	2,073	2	3.45%	1,592	4	2.66%
St. Louis County	Government	1,956	3	3.26%	1,640	3	2.74%
University of Minnesota - Duluth	Education	1,700	4	2.83%	1,700	2	2.84%
Independent School District No. 709	Education	1,426	5	2.37%	1,426	5	2.38%
Uniprise (United Health Care)	Insurance	1,368	6	2.28%	913	9	1.52%
Allete (Minnesota Power)	Electric utility	1,322	7	2.20%	1,400	6	2.34%
Duluth Air National Guard Base	Military	1,068	8	1.78%	1,097	8	1.83%
City of Duluth	Government	856	9	1.42%	887	10	1.48%
US Government	Government	850	10	1.41%			
Canadian National Railway	Railroad				1,100	7	1.84%
		<u>17,960</u>		<u>29.89%</u>	<u>16,420</u>		<u>27.42%</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	144.00	140.20	128.00	107.20	114.40
Public safety					
Police	173.00	174.00	179.00	182.00	187.00
Fire	134.00	134.00	134.00	134.00	140.00
Public works	90.40	83.40	83.40	100.20	123.80
Culture and recreation					
Parks and recreation	18.20	19.20	17.60	7.50	7.50
Zoo	11.00	12.00	11.00	-	-
Library	58.60	59.60	57.30	47.30	43.50
Urban and economic development	62.00	57.00	56.00	56.00	59.00
Water & Gas	131.91	124.90	122.50	120.50	124.80
Sewer	38.60	38.60	38.60	38.60	38.40
Stormwater	20.10	20.10	20.10	21.10	24.20
Golf	5.00	3.00	-	-	-
Parking	-	-	4.00	4.00	4.00
Street lighting	-	-	-	4.00	4.00
Total	886.81	866.00	851.50	822.40	870.60

Function:	Full-time Equivalent Employees as of December 31				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	113.90	115.90	125.75	127.65	131.65
Public safety					
Police	185.00	185.00	178.50	178.50	178.50
Fire	140.00	138.00	141.00	142.00	143.00
Public works	118.60	106.60	87.10	85.90	85.05
Culture and recreation					
Parks and recreation	7.50	9.00	10.00	10.00	9.75
Zoo	-	-	-	-	-
Library	43.50	48.50	49.00	49.00	46.50
Urban and economic development	62.50	61.50	60.25	59.53	55.50
Water & Gas	128.20	131.00	133.00	132.60	128.65
Sewer	38.40	39.20	40.20	39.33	36.93
Stormwater	24.20	26.00	26.00	25.52	26.87
Golf	-	-	-	-	-
Parking	3.00	3.00	8.00	8.00	8.00
Street lighting	5.00	5.00	5.00	5.10	5.10
Total	869.80	868.70	863.80	863.13	855.50

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Criminal offences	9,916	9,694	10,720	11,071	10,540
Cleared by arrest	4,648	3,164	3,777	4,393	4,436
Traffic violations	6,184	3,344	2,951	2,153	5,241
Parking violations	76,095	62,556	49,498	54,953	56,292
Fire					
Number of calls answered	7,981	8,090	8,552	9,319	8,484
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	2,080	3,117	2,757	2,362	2,026
Estimated cost of construction during year	\$ 194,794,123	\$ 93,080,667	\$ 115,091,545	\$ 113,965,408	\$ 238,186,019
Culture and recreation					
Parks and recreation department					
Participation in special events	48,510	47,143	59,353	42,858	48,896
Participation in recreation	129,998	117,118	112,826	36,217	31,905
Zoo regular customers	102,865	117,269	92,218	91,606	102,986
Library					
Registered borrowers	48,884	49,660	49,233	47,662	46,592
Items in collection*	355,668	359,805	344,302	620,941	620,101
Items loaned	969,972	969,756	901,128	881,268	929,161
Library visits	470,684	462,950	404,724	362,719	380,982
Internet uses	52,016	52,545	40,187	43,907	62,379
Reference/research questions answered**	231,445	194,604	250,756	67,460	80,678
Water					
Meters in service	27,948	28,087	28,016	27,950	30,317
Average number of gallons treated per month	518,865,000	527,489,906	514,647,500	516,805,833	481,950,833
Water pumped - million cubic feet	832.40	846.00	826.00	829.10	773.10
Water sold - million cubic feet	697.80	746.00	601.00	658.00	665.50
Daily average consumption in gallons	17,058,575	17,342,134	16,919,918	16,973,333	15,844,958
Gas					
Meters in service	25,278	25,642	25,983	26,148	26,668
MMBTU sold	4,285,167	4,808,178	5,169,299	4,804,897	4,617,923
Sewer					
Number of service connections	28,845	28,845	28,845	28,845	28,845
Daily average treatment in gallons	14,780,000	13,150,675	15,249,900	13,740,000	14,859,000
Stormwater					
Cleaning storm sewer pipe (in feet)	10,599	9,409	21,254	23,358	14,734
Steam District #1					
Steam sold (in 1,000 lbs)	422,651	436,966	465,717	441,808	403,085
Golf					
Season passes	1,046	1,005	928	863	823
Restricted season passes	-	-	-	160	201
Daily tickets	41,467	34,274	35,230	33,815	32,252
Carts	14,323	13,255	12,811	11,128	10,670
Rounds played	89,287	84,185	83,390	80,987	79,430

* 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				
	2011	2012	2013	2014	2015
Police					
Criminal offences	11,278	9,924	10,828	9,472	10,262
Cleared by arrest	4,231	3,785	4,473	4,070	4,081
Traffic violations	9,746	9,499	11,152	9,307	8,525
Parking violations	51,991	46,492	51,361	55,097	50,647
Fire					
Number of calls answered	9,262	9,857	10,816	11,114	12,231
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
Public works					
Construction permits:					
Permits issued	1,700	2,325	2,054	2,030	1,896
Estimated cost of construction during year	\$ 173,357,959	\$ 104,841,877	\$ 137,097,967	\$ 182,409,369	\$ 160,884,495
Culture and recreation					
Parks and recreation department					
Participation in special events	15,436	18,129	40,045	30,749	23,122
Participation in recreation	39,839	35,681	27,393	28,304	22,586
Zoo regular customers	93,705	71,842	58,306	65,270	64,071
Library					
Registered borrowers	47,965	50,171	50,491	48,147	47,086
Items in collection*	463,418	457,999	467,050	456,753	444,790
Items loaned	902,221	953,270	959,432	923,063	927,389
Library visits	376,817	460,918	484,917	492,106	474,982
Internet uses	66,394	89,070	106,662	118,825	109,965
Reference/research questions answered**	79,443	90,155	84,838	89,232	77,896
Water					
Meters in service	29,069	28,082	28,051	28,131	28,134
Average number of gallons treated per month	461,125,000	468,170,000	433,795,000	433,676,667	431,616,667
Water pumped - million cubic feet	739.80	756.10	695.90	695.74	692.4
Water sold - million cubic feet	589.60	644.40	605.95	591.00	589.8
Daily average consumption in gallons	15,160,274	13,206,643	12,418,716	14,257,863	14,190,136
Gas					
Meters in service	26,693	27,542	27,452	26,585	26,896
MMBTU sold	5,184,800	4,528,009	5,355,988	5,679,683	4,885,371
Sewer					
Number of service connections	28,845	27,250	27,956	27,956	27,963
Daily average treatment in gallons	13,284,575	12,137,000	12,843,000	14,257,000	13,000,530
Stormwater					
Cleaning storm sewer pipe (in feet)	14,750	230,165	31,658	2,700	3,330
Steam District #1					
Steam sold (in 1,000 lbs)	409,295	379,257	394,762	300,669	332,830
Golf					
Season passes	810	803	695	644	795
Restricted season passes	175	225	184	196	1,620
Daily tickets	32,101	35,121	31,401	28,860	46,700
Carts	12,553	14,751	14,019	15,056	42,606
Rounds played	75,480	84,740	63,196	60,172	81,082

* 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

Unaudited

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

Function:	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police					
Patrol units	87	96	96	91	96
Fire					
Fire stations	9	9	9	9	9
Public works					
Miles of streets and alleys:					
Miles of streets - paved	471.90	474.66	476.30	476.30	469.00
Miles of streets - unpaved	76.61	73.85	73.11	73.11	48.02
Miles of sidewalk	382.56	382.56	382.56	382.56	277.00
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,758	3,758	3,758	3,930	3,930
Overhead street lamps	3,732	3,732	3,732	3,657	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	107	107	111	145	127
Park acreage	11,862	11,862	13,490	11,880	15,255
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	22	22	22	15	17
Community clubs/field houses operated	27	27	27	22	22
Number of athletic fields	36	36	36	57	57
Number of hiking trails	13	13	13	13	13
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	408.30	413.70	413.79	414.59	424.10
Number of hydrants	2,373	2,396	2,500	2,506	2,535
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	495.34	508.00	510.20	506.00	512.40
Sewer					
Miles of sanitary sewers	409.00	409.00	424.00	444.00	392.00
Stormwater					
Miles of storm sewers	351.00	288.00	431.00	431.00	431.00
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

(continued)

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

Function:	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police					
Patrol units	94	93	93	93	93
Fire					
Fire stations	9	8	8	8	8
Public works					
Miles of streets and alleys:					
Miles of streets - paved	470.23	470.43	470.49	472.51	473.80
Miles of streets - unpaved	48.02	48.02	47.96	47.96	47.96
Miles of sidewalk	409.00	409.90	410.98	410.98	410.98
Number of street lights:					
Ornamental lamps (no. of bulbs)	3,930	3,930	3,930	3,930	3,930
Overhead street lamps	3,665	3,665	3,665	3,665	3,665
Culture and recreation					
Parks and recreation department					
Number of parks	127	128	128	128	128
Park acreage	15,255	12,000	12,000	12,000	12,000
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	17	17	17	19	19
Community clubs/field houses operated	22	21	21	19	19
Number of athletic fields	57	57	57	57	57
Number of hiking trails	14	14	14	14	14
Library department					
Libraries/branches	3	3	3	3	3
Water					
Miles of water mains	426.30	426.74	428.30	429.50	433.40
Number of hydrants	2,583	2,597	2,671	2,677	2,688
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	511.00	520.00	527.00	534.70	534.10
Sewer					
Miles of sanitary sewers	382.00	406.20	398.00	402.00	395.30
Stormwater					
Miles of storm sewers	431.00	431.00	443.00	435.00	398.07
Steam District #1					
Miles of line	11.00	11.00	11.00	11.00	11.00
Golf					
Number of municipal golf courses	2	2	2	2	2

Sources: Various government departments.

Unaudited

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

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	534	523	533	536	690
Number of conventions	43	45	57	48	49
Duluth Airport Authority					
Number of passengers	290,421	349,447	303,163	257,561	306,330
Duluth Transit Authority					
Number of buses	72	72	72	67	66
Number of routes	18	20	20	18	18
Number of passengers	2,692,931	2,854,467	3,219,758	3,173,485	3,171,087
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	156,301	166,304	181,365	153,287	144,579
Season passes	9,209	8,920	8,028	8,123	7,728

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
COMPONENT UNITS					
Duluth Entertainment and Convention Center Authority (DECC)					
Number of events	510	515	471	516	519
Number of conventions	46	45	51	45	52
Duluth Airport Authority					
Number of passengers	295,212	322,208	313,839	310,893	266,500
Duluth Transit Authority					
Number of buses	66	66	66	67	66
Number of routes	19	20	19	19	19
Number of passengers	3,264,479	3,278,682	3,195,020	3,107,305	2,850,000
Service area (square miles)	143	143	143	143	143
Spirit Mountain Recreation Area Authority					
Skier visits	155,450	130,013	136,990	140,017	95,401
Season passes	7,835	6,915	6,773	6,728	5,697

Unaudited

On the Cover: Bentleyville Tour of Lights

Bentleyville is one of America's largest free walk through holiday lighting displays. Guests stroll under the glow of over 4 million lights in the 20 acre Bayfront Festival Park on the shores of Lake Superior. Guests can visit with Santa and Mrs. Claus, listen to holiday music, warm by the bonfires and enjoy complimentary roasted marshmallows, hot cocoa, cookies, and popcorn. For more information about the 2016 Bentleyville holiday season, go to www.bentleyvilleusa.org.

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