

# CITY OF DULUTH, MINNESOTA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED DECEMBER 31, 2011

# **DULUTH, MINNESOTA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



### **Department of Finance**

Fiscal Year Ending December 31, 2011

**CITY OF DULUTH, MINNESOTA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 DECEMBER 31, 2011**

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**INTRODUCTORY**

**SECTION**





An Equal Opportunity Employer

## City Auditor • Wayne Parson, CPA (inactive)

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June 29, 2012

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, 2011.

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 unqualified opinion on the City of Duluth's financial statements for the year ended December 31, 2011. 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; the city limits encompass 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 a ski hill, all of which are reported separately in the City's financial statements. Additional information regarding these legally separate entities is provided in Note 1 to the financial statements.

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

## LOCAL ECONOMY

Once dependent on heavy industry for its economic health, Duluth has diversified and is now a strong regional center for shipping, tourism, education, health care, retail sales, technology, architecture, engineering and aviation. According to the Minnesota Department of Employment and Economic Development, Duluth's unemployment averaged 6.9% for 2011 which was a significant improvement from the previous year's average unemployment rate of 7.3%. The total number of jobs reported to the state in 2011 peaked at 43,918.

Duluth also serves as a major shipping port for the region. The Seaway Port Authority of Duluth reports that 894 ships used the port last year. Flag vessels included 595 U.S-flag vessels, 228 Canadian-flag vessels and 71 foreign-flag vessels. Tonnage carried by those vessels in 2011 was 37,101,554 tons. The Seaway Port Authority reported an increased demand for steel resulted in a 17% increase of shipments of iron ore over the previous year.

Duluth continues to excel in the key industry of tourism bringing approximately 3.5 million visitors to Duluth. Primarily a destination for leisure travelers, efforts in growing the leisure segment along with world-class special events and conventions are producing unparalleled return on investment. According to studies for Visit Duluth, Explore Minnesota Tourism and the University of Minnesota Tourism Center, visitors inject \$750 million each year directly to the immediate area. Duluth had turned itself into the top destination for Minnesotans as a primary getaway, according to Explore Minnesota Tourism. Lake Superior, the city's unique history and soft-adventure continue to define Duluth's tourism brand as a family-friendly vacation.

Duluth's efforts in attracting conventions to the city resulted in 510 events and 46 conventions hosted by the Duluth Entertainment Convention Center (DECC) during 2011. The DECC remains a leader in convention center business and is uniquely located on one of the largest inland ports in the world. The first full year of operations for the \$80 million DECC expansion AMSOIL Arena was a huge success. It is home to the University of Minnesota-Duluth's men's and women's hockey teams and offered entertainment from Elton John, Jeff Dunham and Cirque. With seating up to 6,800 for hockey and 8,000 for concert guests, the arena attracts larger concerts and conventions to the city in this silver LEED certified facility. The DECC made many remodeling improvements in 2011 to the CitySide Convention Center and proudly continues to focus on sustainability efforts through reducing waste, recycling and creating environmentally low-impact events.

Enrollment at Duluth's three institutions of higher learning, the University of Minnesota-Duluth, the College of St. Scholastica, and Lake Superior College, has never been higher. The College of St. Scholastica has been called a "hidden gem" by the Washington Post in its "100 Schools To Consider." UMD and St. Scholastica are regularly ranked in the top tier of midwestern universities by *U.S. News and World Report*. With a student population of 11,806, UMD provides 13 bachelor degrees in 74 majors, 26 graduate programs including a two year School of Medicine and the College of Pharmacy. In addition, UMD participates in three all-university PhD programs. Lake Superior College offers more than 80 technical majors, programs for transfer, continuing education and customized training for business and industry. A new \$12.1 million Health and Science Center opened in January 2012.

#### LONG-TERM FINANCIAL PLANNING

Unassigned fund balance in the general fund (10.45 percent of total general fund expenditures and transfers) falls within the policy guidelines set by the Administration and Council for budgetary and planning purposes. According to the policy, unreserved, undesignated 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, 2011, the Community Investment Fund reported a fund balance of \$25.2 million.

In 2011, the City Council approved using \$2.86 million to pay off debt issued to finance the City's street improvement program and approved transferring an additional \$6.6 million to fund the City's 2011 street improvement program from the Community Investment Fund.

In 2007, the City established an irrevocable trust to pre-fund the City's other post-employment benefit liability. Contributions totaling \$24.8 million have been made to the irrevocable trust. The irrevocable trust balance including cumulative investment earnings was \$28.8 million at December 31, 2011. Future contributions will be made from a variety of funding sources including property taxes and public utility revenues.

#### MAJOR INITIATIVES

In 2009, the City issued bonds totaling \$17.5 million to finance the construction of a new law enforcement center. The new Center will provide for approximately 68,000 square feet of space and will consolidate many police department functions into a single location. The Center will be co-located with the St. Louis County Sheriff's Office which will provide opportunities for coordination and collaboration between the City and the County. It is anticipated that these opportunities will result in enhanced efficiencies which will reduce operating costs. The Center opened in February 2012.



In 2009, the City announced a major funding change for the street improvement program. Prior to 2009, the street improvement program was financed by the issuance of debt. For 2009 and future years, the street improvement program will now be financed by the city's share of revenues generated from the operation of the Fond-du-Luth Casino rather than the issuance of debt. This change in funding mechanism will not only reduce the city's overall debt, but will also result in additional funds dedicated towards street improvements. As of December 31, 2011, the City has authorized the transfer of \$17.8 million to the street improvement program. By 2014, the street improvement program is anticipated to result in the improvement of over 100 miles of city streets.

In 2011, a parks fund referendum levy was passed by voters. This new special levy will provide \$2.6 million annually as a dedicated funding source for parks and recreation facilities and recreation activities. Parks and recreation operations will no longer be paid from the City's General Fund allowing the General Fund budget allocation for parks and recreation to be redirected towards library operations.

In February 2012, the City issued \$7.055 million general obligation tax abatement bonds to finance improvements to Spirit Mountain Recreation Area including lift improvements, parking lot improvements and the construction of a new chalet. Spirit Mountain is a component unit of the City.

In May 2012, the City issued \$7.65 million general obligation airport improvement bonds to finance the local match to federal and state grants for the construction of a new terminal facility at the Duluth International Airport, including a new parking ramp, access road and aprons. Total project costs are estimated to be \$75 million. Projection completion is anticipated in early 2013.

#### 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, 2010. This was the thirty-sixth 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 2011. In order to qualify for the Distinguished Budget Presentation Award, a governmental unit's budget must be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Wayne Parson, CPA (inactive)  
City Auditor

**ELECTED AND APPOINTED OFFICIALS  
CITY OF DULUTH, MINNESOTA  
2011**

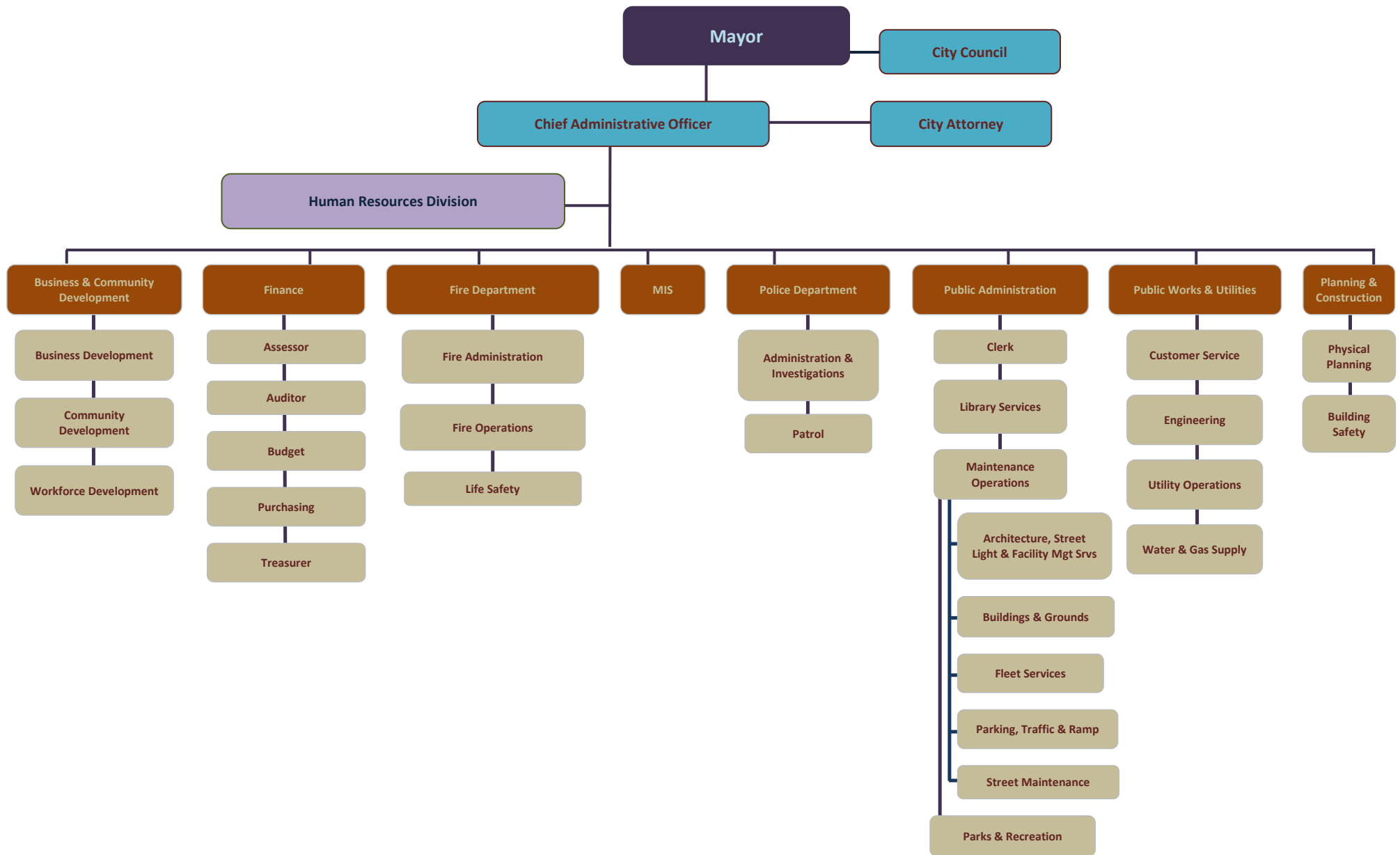
<b>ELECTED POSITIONS</b>	<b>DISTRICT</b>	<b>TERM EXPIRES</b>
Mayor Don Ness		2016
City Council		
Dan Hartman	At large	2014
Linda Krug	At large	2016
Emily Larson	At large	2016
James Stauber	At large	2014
Jennifer Julsrud	1	2016
Patrick Boyle	2	2014
Sharla Gardner	3	2016
Garry Krause	4	2014
Jay Fosle	5	2016

\*All terms expire in January

**APPOINTED POSITION**

Assessor	Gregg Swartwoudt
Attorney	Gunnar Johnson
Auditor	Wayne Parson
Chief Administrative Officer	David Montgomery
Chief Financial Officer	Adele Hartwick
Chief of Fire	John Strongitharm
Chief of Police	Gordon Ramsay
Clerk	Jeffrey Cox
Director of Business & Community Development	Brian Hanson
Director of Public Administration	Lisa Potswald
Director of Public Works and Utilities	James Benning
Treasurer	Brian Hansen

# CITY OF DULUTH ORGANIZATION CHART



# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



**FINANCIAL**

**SECTION**





REBECCA OTTO  
STATE AUDITOR

## STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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525 PARK STREET  
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### INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements include the Spirit Mountain Recreation Area Authority's activities as of and for the year ended April 30, 2011. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 for the City of Duluth as of December 31, 2011, including the Spirit Mountain Recreation Area Authority as of April 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2011, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

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 taken as a whole. The introductory section, the combining and individual fund statements and schedules, the supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 presented 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2012, on our consideration of the City of Duluth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 27, 2012



**Management's Discussion  
and Analysis (M D & A)**



**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

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, 2011, 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, 2011, by \$408.3 million; this amount is identified as net assets.
- As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$72.9 million. Nonspendable and restricted fund balance were \$37.1 million of fund balance or 50.9%. These fund balances are not available for appropriation because of constraints placed on the use of these funds. The remaining fund balances of \$35.8 million or 49.1% are unrestricted and classified as either committed, assigned, or unassigned.
- In 2007, the City created an irrevocable trust to pre-fund a portion of the City's other post-employment benefits. As of December 31, 2011, the trust reported net assets totaling \$28.8 million.
- As of December 31, 2011, the General Fund's unrestricted, unassigned fund balance was \$7.7 million, or 10.5% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City of Duluth'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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected taxes and vacation days that are earned, but not used.

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

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

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

The government-wide financial statements include not only the City of Duluth, 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, which addresses are provided in Note 1 of the notes to the financial statements.

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

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

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



**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**Proprietary Funds**

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

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

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City and are not included in the government-wide financial statements because their resources are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The Statement of Fiduciary Net Assets and a Statement of Changes in Plan Net Assets 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, and internal service funds, as well as financial statements for the Duluth Economic Development Authority, and schedules related to capital assets, debt, and intergovernmental revenues. These schedules and statements follow the notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time net assets may serve as a useful indicator of the City's financial position. The largest portion of the City's net assets (89 percent) 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.

**CITY OF DULUTH, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011**

An additional portion of the City's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for debt service. A small portion of the City's total net assets is reported as negative unrestricted net assets. This is primarily due to the City reporting general obligation debt totaling \$40.5 million for the DECC AMSOIL Arena construction, but not reporting the corresponding asset because the asset is reported in the DECC's financial statements, a discretely presented component unit of the City. The following table presents a summary of the City's net assets at December 31 for the past two fiscal years (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 124,342	\$ 147,876	\$ 37,683	\$ 39,634	\$ 162,025	\$ 187,510
Capital assets	276,218	254,717	223,243	203,204	499,461	457,921
<b>Total assets</b>	<b>\$ 400,560</b>	<b>\$ 402,593</b>	<b>\$ 260,926</b>	<b>\$ 242,838</b>	<b>\$ 661,486</b>	<b>\$ 645,431</b>
Long-term liabilities outstanding	\$ 153,353	\$ 155,766	\$ 74,712	\$ 69,013	\$ 228,065	\$ 224,779
Other liabilities	13,071	17,207	12,017	12,765	25,088	29,972
<b>Total liabilities</b>	<b>\$ 166,424</b>	<b>\$ 172,973</b>	<b>\$ 86,729</b>	<b>\$ 81,778</b>	<b>\$ 253,153</b>	<b>\$ 254,751</b>
Net assets:						
Invested in capital assets						
net of related debt	\$ 213,619	\$ 197,355	\$ 150,333	\$ 136,180	\$ 363,952	\$ 333,535
Restricted	43,114	22,295	1,999	2,108	45,113	24,403
Unrestricted	(22,597)	9,970	21,865	22,772	(732)	32,742
<b>Total net assets</b>	<b>\$ 234,136</b>	<b>\$ 229,620</b>	<b>\$ 174,197</b>	<b>\$ 161,060</b>	<b>\$ 408,333</b>	<b>\$ 390,680</b>

Overall, the City's financial position remained relatively unchanged for 2011. The City's total net assets increased \$17.7 million, an increase of 4.5%. Net assets invested in capital assets continue to increase in both governmental and business activities due to the City's street improvement program and utility infrastructure replacement. Unrestricted net assets decreased \$33.5 million. This was primarily due to spending down bond proceeds related to the new Public Safety Building, creation of a new trust for health and dental activities, and accounting changes brought about by the implementation of GASB Statement No. 54. GASB Statement No. 54 changed fund balance reporting requirements within the fund financial statements which impacted net asset classifications between restricted and unrestricted net assets.

In governmental activities, the decrease in total liabilities was largely due to the pay down of special assessment related debt. Total assets remained relatively unchanged in total. Capital assets increases were offset by a decrease in current assets as bond proceeds primarily related to the new Public Safety building continue to be spent down.

For business-type activities the increase in total liabilities is due to the issuance of Public Facilities Authority Notes to finance water and sewer infrastructure projects.

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

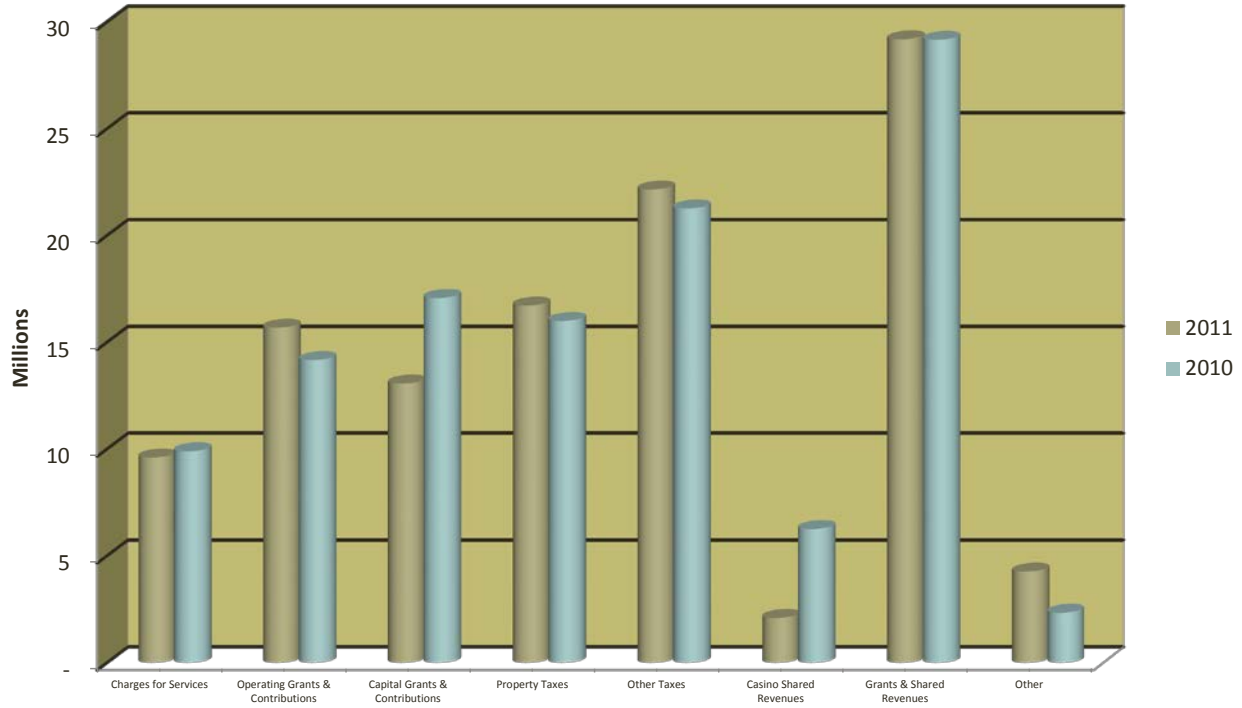
To give users a better understanding of the sources and uses of the City's net assets, the following table presents a summary of revenues, expenses, and changes in net assets for the past two fiscal years ending December 31 (dollars in thousands):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 9,604	\$ 9,898	\$ 91,335	\$ 89,403	\$ 100,939	\$ 99,301
Operating grants and contributions	15,685	14,165	-	-	15,685	14,165
Capital grants and contributions	13,067	17,076	5,136	9,105	18,203	26,181
General Revenues:						
Property taxes	16,718	16,002	-	-	16,718	16,002
Other taxes	22,154	21,267	-	-	22,154	21,267
Casino shared revenues	2,097	6,259	-	-	2,097	6,259
Grants and shared revenues not restricted to specific programs	29,189	29,165	-	-	29,189	29,165
Other	4,262	2,340	2,698	290	6,960	2,630
Total revenues	<u>112,776</u>	<u>116,172</u>	<u>99,169</u>	<u>98,798</u>	<u>211,945</u>	<u>214,970</u>
Expenses:						
General government	38,577	36,014	-	-	38,577	36,014
Public safety	37,896	38,101	-	-	37,896	38,101
Public works	9,040	13,658	-	-	9,040	13,658
Culture and recreation	7,986	25,434	-	-	7,986	25,434
Urban and economic development	15,447	14,549	-	-	15,447	14,549
Interest	4,693	5,410	-	-	4,693	5,410
Water	-	-	11,218	10,811	11,218	10,811
Gas	-	-	36,218	35,800	36,218	35,800
Sewer	-	-	17,292	16,260	17,292	16,260
Stormwater	-	-	3,474	3,334	3,474	3,334
Steam District #1	-	-	6,974	6,258	6,974	6,258
Golf	-	-	2,056	2,007	2,056	2,007
Parking	-	-	1,940	1,957	1,940	1,957
Street lighting	-	-	1,481	1,558	1,481	1,558
Total expenses	<u>113,639</u>	<u>133,166</u>	<u>80,653</u>	<u>77,985</u>	<u>194,292</u>	<u>211,151</u>
Increase in net assets before transfers	(863)	(16,994)	18,516	20,813	17,653	3,819
Transfers	5,379	4,552	(5,379)	(4,552)	-	-
Increase in net assets	<u>4,516</u>	<u>(12,442)</u>	<u>13,137</u>	<u>16,261</u>	<u>17,653</u>	<u>3,819</u>
Net assets, January 1	<u>229,620</u>	<u>242,062</u>	<u>161,060</u>	<u>144,799</u>	<u>390,680</u>	<u>386,861</u>
Net assets, December 31	<u>\$234,136</u>	<u>\$229,620</u>	<u>\$174,197</u>	<u>\$161,060</u>	<u>\$ 408,333</u>	<u>\$390,680</u>

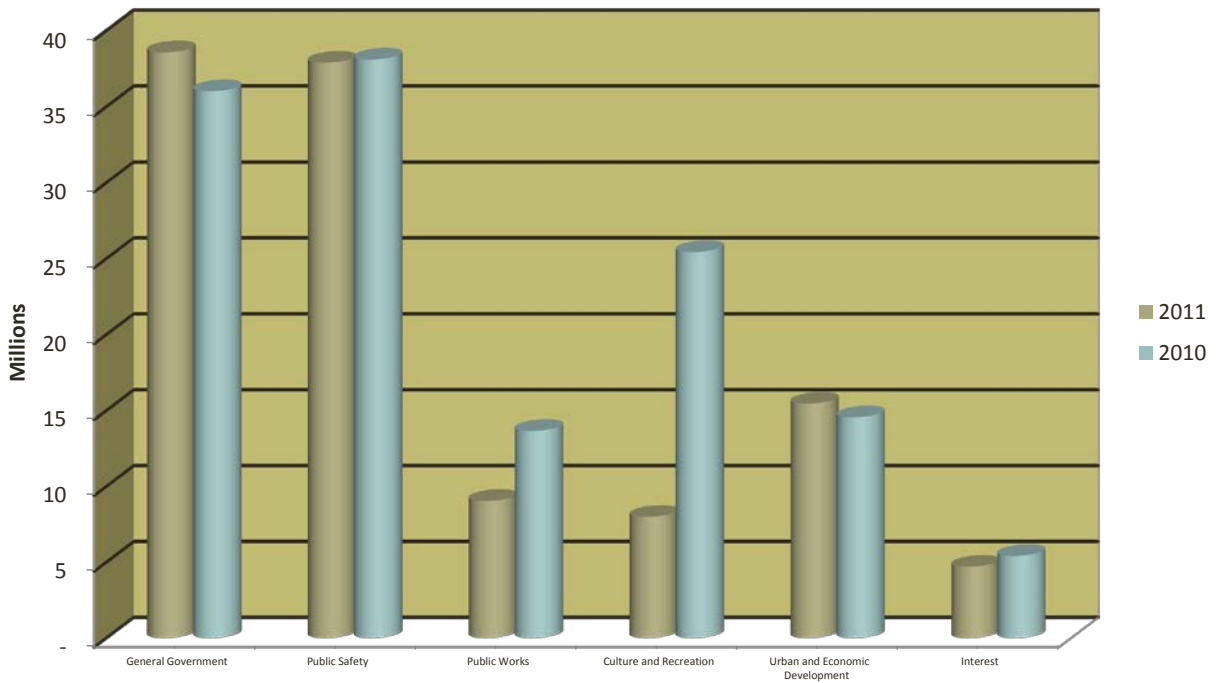
The governmental activities revenue decrease of \$3.4 million was due primarily to a decrease in grants. In 2010, the City received a \$5 million grant to finance improvements to port dock retaining walls managed by the Seaway Port Authority. The business-type activities revenue increase of \$.3 million was partly due to a \$2.3 million settlement pursuant to a guaranteed energy improvement contract for Steam District operations. This revenue increase was offset by a decrease in capital contributions for the Sewer Fund.

Total expenses decreased \$19.5 million for governmental activities. The decrease was primarily due to the large expenditures incurred in 2010 related to the AMSOIL Arena construction. The AMSOIL Arena is not an asset of the City. Therefore, City funds expended on the project were reported as an expense on the statement of activities in 2010. Business-type activities expenses increased \$2.7 million. The increase is partially related to increased coal expenditures for Steam District #1 and increased sewage treatment costs for the Sewer Fund.

Revenue by Source - Governmental Activities



Expense by Function - Governmental Activities



**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**FUND FINANCIAL ANALYSIS**

As noted earlier, the City of Duluth 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, 2011, the City's governmental funds reported combined ending fund balances of \$72.9 million, a decrease of \$17.7 million from 2010. Of the total fund balance amount, \$35.9 million, or 49%, is reported as unrestricted fund balance, either committed, assigned, or unassigned. The unrestricted fund balance includes \$28.3 million in assigned funds which are intended to be used for specific purposes, but are not ultimately legally restricted as to its use. The Community Investment Special Revenue fund makes up 89% of the assigned fund balance. Restricted fund balance of \$36.9 million is primarily composed of funds dedicated to debt service and capital projects.

The General Fund is the main operating fund of the City of Duluth. At December 31, 2011, fund balance of the General Fund was \$8.2 million, with \$7.7 million, or 94% reported as unrestricted-unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted-unassigned fund balance and total fund balance to total fund expenditures. Unrestricted, unassigned fund balance is 10.5% and total fund balance is 11.3% of total General Fund expenditures.

The Community Investment Special Revenue fund balance decreased \$8.8 million in 2011. This reduction was due to the use of \$2.9 million to pay off debt issued to finance the City's Street Improvement program and the use of an additional \$6.0 million to finance current year street improvements.

The Capital Improvements Capital Project Fund accounts for city bonded projects. In 2009, bonds were issued to finance construction of a new law enforcement center. Ground breaking occurred in 2010 and project was substantially completed by the end of 2011.

**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 assets for each of the City's major proprietary funds, as well as the change in net assets for each fund during the past two fiscal years (dollars in thousands):

	Unrestricted Net Assets December 31		Increase (Decrease) Net Assets December 31	
	2011	2010	2011	2010
	Water	\$ (114)	\$ 1,224	\$ 312
Gas	9,133	8,650	2,464	544
Sewer	2,375	4,364	7,286	12,715
Parking	3,819	4,050	52	911

Unrestricted net assets increased in the Gas Fund due to favorable operating results. Unrestricted net assets for the Water Fund decreased due to the use of cash to finance infrastructure needs. The Sewer Fund experienced increased sewage disposal costs in 2011, which contributed to the fund's decrease in unrestricted net assets.



**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year there was a \$.8 million increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$.5 million appropriation increase for prior year carryovers.
- \$.2 million appropriation for grants, gifts and donations.
- \$.05 million appropriation for other budget allowable additions.

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

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

- Revenues and other financing sources were over budget by \$.4 million. The favorable variance was due to increases in sale tax collections and additional investment income that was partially offset by a shortfall in state aid due to conditions beyond the control of the City.
- Expenditures and transfers were under budget by \$2.2 million due primarily to staff vacancies and associated benefits and due to savings in capital maintenance program costs.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The City of Duluth's investment in capital assets for its governmental and business-type activities as of December 31, 2011, was \$499.5 million, net of accumulated depreciation. This investment includes land and improvements, buildings, equipment, roads and bridges, traffic signals, and utility-related infrastructure. In 2011, the City's total investment in capital assets, net of accumulated depreciation, increased by \$41.6 million. Major capital assets additions in 2011 included; public safety building construction - \$10.7 million, street & bridge improvements - \$15.3 million, and sanitary sewage overflow infrastructure improvements - \$13.6 million. Additional information related to the City's capital assets can be found in Note 6 of the notes to the financial statements. The following table shows the City's investment in capital assets, net of accumulated depreciation at December 31 for the past two fiscal years (dollars in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2011	2010	2011	2010
Capital Assets:				
Land and improvements	\$ 20,603	\$ 19,342	\$ 4,628	\$ 4,628
Buildings	22,195	22,694	33,274	34,480
Equipment	9,244	7,686	20,989	22,446
Infrastructure	174,610	164,781	121,181	114,289
Construction in progress	49,566	40,214	43,171	27,361
Total	<u>\$ 276,218</u>	<u>\$ 254,717</u>	<u>\$ 223,243</u>	<u>\$ 203,204</u>

**CITY OF DULUTH, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**LONG-TERM DEBT**

The City of Duluth had \$159.6 million of bonded debt outstanding as of December 31, 2011. Of this amount, \$85.1 million is debt backed by the full faith and credit of the City. \$29.6 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 \$44 million outstanding revenue and general obligation bonds if income from various enterprise operations is insufficient to retire their respective bonds. Several types of revenue bonds constitute the remainder of the City's debt, and are secured solely by specific revenue sources. The following table shows the City's outstanding bonded debt for both governmental and business-type activities as of December 31 for the past two fiscal years (dollars in thousands):

	Balance <u>12/31/11</u>	Balance <u>12/31/10</u>
Governmental Activities:		
General Obligation Bonds	\$ 74,561	\$ 75,449
General Obligation Tax Abatement Bonds	285	310
Lease Revenue Bonds	715	860
Special Assessment Debt with Government Commitment	29,569	36,011
General Obligation Certificates	<u>10,275</u>	<u>8,920</u>
Total Governmental Activities Bonded Debt	<u>\$ 115,405</u>	<u>\$ 121,550</u>
Business-type Activities:		
Revenue Bonds	145	285
Revenue and General Obligation Bonds	<u>44,005</u>	<u>47,900</u>
Total Business-type Activities Bonded Debt	<u>\$ 44,150</u>	<u>\$ 48,185</u>

During 2011, the City's total bonded debt decreased by \$10.2 million. The decrease was due in part to bond calls totaling \$5.7 million.

In 2011, the City issued \$1.9 million of general obligation bonds, \$3.1 million of general obligation certificates, and various refunding issues totaling \$5.4 million. The City also issued \$11.5 million utility general obligation notes. The City has an "Aa2" rating from Moody's Investors Service and an "AA-" rating from Standard and Poors.

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 \$111.2 million, which is significantly higher than the City's net debt of \$41.8 million. Additional information about the City's long-term debt can be found in Note 11 of the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The final approved 2012 General Fund budget is \$74.83 million. State local government aid (LGA) payments are anticipated to supply 36% of General Fund revenues. State aid payments are the single biggest financing source for the General Fund.

In the 2003 state legislative session, the Legislature reduced local government aid to cities across the state as part of the solution to the State's budget deficit and has enacted significant changes to the LGA program for 2005 and beyond. The amount of dollars allocated to the program has been reduced and the Legislature also eliminated the automatic inflationary increase that had been in place since 1993. The greatest change to the program however, was the adoption of a new formula which measures each city's expenditure need based on a number of statistical variables. Once a city's need is calculated, it is compared to a city's ability to pay or revenue raising capacity. Cities that have spending needs that exceed their ability to pay receive a share of the LGA distribution. Due to state deficits, the governor unallotted LGA payments to the City in 2008, 2009 and 2010 and the legislature made additional cuts to 2010 and 2011 payments. New legislation has set 2012 and future aids at 2010 levels, with a maximum potential cut of \$300,000. For Duluth's 2012 allocation, the certified formula aid was \$27.437 million. For comparison purposes in 2002, prior to the LGA legislative changes, the City's allocation was \$30.2 million.

In 2011, the City contracted with an actuary to calculate its annual required contribution for post employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. The annual required contribution for 2012 was \$15.0 million. For the year ended December 31, 2011, the City made contributions of \$2.2 million to an irrevocable trust and paid an additional \$9.6 million of retiree claims resulting in an increase of \$3.2 million in the City's net other post employment benefits liability. As of December 31, 2011, the City's net other post employment benefits liability is \$26.8 million.

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

**REQUESTS FOR INFORMATION**

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



**Basic Financial  
Statements**



**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 78,623,149	\$ 12,487,165	\$ 91,110,314	\$ 20,984,114
Assets held by trustee	7,433,060	-	7,433,060	-
Receivables, net	30,730,486	10,901,256	41,631,742	5,194,514
Due from primary government	-	-	-	266,590
Internal balances	(668,775)	668,775	-	-
Due from component units	1,758,348	2,613	1,760,961	-
Due from other governments	4,497,565	1,333,272	5,830,837	270,229
Inventories	258,856	2,360,885	2,619,741	775,267
Prepays	285,463	3,316,020	3,601,483	423,499
Restricted assets:				
Cash and cash equivalents	-	3,120,595	3,120,595	909,128
Accounts receivable	-	-	-	99,514
Loans receivable	-	2,781,344	2,781,344	-
Grants receivable	-	-	-	3,408,307
Assets held by trustee	-	104,012	104,012	86,835
Deferred charges	1,424,719	606,891	2,031,610	1,202,328
Capital assets (Note 6):				
Non-depreciable	70,169,166	47,799,033	117,968,199	27,068,541
Depreciable, net	<u>206,048,179</u>	<u>175,444,413</u>	<u>381,492,592</u>	<u>211,412,959</u>
Total assets	<u>400,560,216</u>	<u>260,926,274</u>	<u>661,486,490</u>	<u>272,101,825</u>
<b>LIABILITIES</b>				
Accounts payable and other short-term liabilities	9,822,732	9,172,959	18,995,691	5,305,212
Accrued interest payable	2,015,280	936,929	2,952,209	24,441
Due to component units	271,296	-	271,296	-
Due to primary government	-	-	-	1,885,360
Due to other government	551,683	983,218	1,534,901	392,752
Unearned revenues	410,052	924,195	1,334,247	969,664
Noncurrent liabilities (Note 11):				
Due within one year	15,241,286	7,251,048	22,492,334	1,585,938
Due in more than one year	<u>138,112,082</u>	<u>67,460,635</u>	<u>205,572,717</u>	<u>5,223,248</u>
Total liabilities	<u>166,424,411</u>	<u>86,728,984</u>	<u>253,153,395</u>	<u>15,386,615</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	213,619,166	150,333,747	363,952,913	234,246,777
Restricted for:				
General government	5,820,956	-	5,820,956	-
Public safety	163,624	-	163,624	-
Public works	-	1,885,953	1,885,953	-
Culture and recreation	731,293	-	731,293	-
Urban and economic development	6,942,040	-	6,942,040	-
Debt service	26,063,705	112,186	26,175,891	194,075
Capital outlay	3,391,717	-	3,391,717	15,120,938
Other	-	-	-	25,000
Unrestricted	<u>(22,596,696)</u>	<u>21,865,404</u>	<u>(731,292)</u>	<u>7,128,420</u>
Total net assets	<u>\$ 234,135,805</u>	<u>\$ 174,197,290</u>	<u>\$ 408,333,095</u>	<u>\$ 256,715,210</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, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 38,577,305	\$ 4,673,037	\$ 1,798,055	\$ 622,673
Public safety	37,895,850	2,975,998	2,215,479	749,320
Public works	9,040,308	370,237	-	10,618,872
Culture and recreation	7,986,366	1,273,472	1,488,006	613,510
Urban and economic development	15,446,838	310,839	10,183,927	462,824
Interest	4,692,654	-	-	-
Total governmental activities	<u>113,639,321</u>	<u>9,603,583</u>	<u>15,685,467</u>	<u>13,067,199</u>
Business-type activities:				
Water	11,218,488	11,743,510	-	4,131
Gas	36,217,536	41,415,145	-	37,982
Sewer	17,291,803	20,040,992	-	4,518,003
Stormwater	3,474,137	4,632,541	-	106,000
Steam district #1	6,974,162	7,169,021	-	-
Golf	2,056,166	1,872,577	-	-
Parking	1,939,941	2,567,703	-	469,584
Street Lighting	1,480,674	1,894,038	-	-
Total business-type activities	<u>80,652,907</u>	<u>91,335,527</u>	<u>-</u>	<u>5,135,700</u>
Total primary government	<u>\$ 194,292,228</u>	<u>\$ 100,939,110</u>	<u>\$ 15,685,467</u>	<u>\$ 18,202,899</u>
<b>Component units :</b>				
Duluth Economic Development Authority	\$ 5,832,780	\$ 797,335	\$ 280,783	\$ -
Duluth Entertainment and Convention Center Authority	12,286,299	7,315,649	-	3,250,801
Duluth Airport Authority	9,277,757	4,208,158	-	13,423,024
Duluth Transit Authority	16,331,393	2,595,927	5,247,844	277,947
Spirit Mountain Recreation Area Authority	4,907,043	4,732,305	5,143	275,000
Total component units	<u>\$ 48,635,272</u>	<u>\$ 19,649,374</u>	<u>\$ 5,533,770</u>	<u>\$ 17,226,772</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

T.O.C.

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ (31,483,540)	\$ -	\$ (31,483,540)	\$ -
Public safety	(31,955,053)	-	(31,955,053)	-
Public works	1,948,801	-	1,948,801	-
Culture and recreation	(4,611,378)	-	(4,611,378)	-
Urban and economic development	(4,489,248)	-	(4,489,248)	-
Interest	(4,692,654)	-	(4,692,654)	-
Total governmental activities	<u>(75,283,072)</u>	<u>-</u>	<u>(75,283,072)</u>	<u>-</u>
Business-type activities:				
Water	-	529,153	529,153	-
Gas	-	5,235,591	5,235,591	-
Sewer	-	7,267,192	7,267,192	-
Stormwater	-	1,264,404	1,264,404	-
Steam district #1	-	194,859	194,859	-
Golf	-	(183,589)	(183,589)	-
Parking	-	1,097,346	1,097,346	-
Street Lighting	-	413,364	413,364	-
Total business-type activities	<u>-</u>	<u>15,818,320</u>	<u>15,818,320</u>	<u>-</u>
Total primary government	<u>(75,283,072)</u>	<u>15,818,320</u>	<u>(59,464,752)</u>	<u>-</u>
<b>Component units :</b>				
Duluth Economic Development Authority	-	-	-	(4,754,662)
Duluth Entertainment and Convention Center Authority	-	-	-	(1,719,849)
Duluth Airport Authority	-	-	-	8,353,425
Duluth Transit Authority	-	-	-	(8,209,675)
Spirit Mountain Recreation Area Authority	-	-	-	105,405
Total component units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,225,356)</u>
<b>General Revenues:</b>				
Taxes	16,718,385	-	16,718,385	4,121,938
Market value credit aid	34,071	-	34,071	-
Sales taxes	20,071,454	-	20,071,454	-
Other taxes	2,082,212	-	2,082,212	-
Casino shared revenues	2,096,800	-	2,096,800	-
Grants and shared revenues not restricted to specific programs	29,154,013	48,567	29,202,580	5,049,217
Investment income	2,934,301	349,471	3,283,772	311,269
Gain on sale or disposition of capital assets	169,695	-	169,695	9,924
Miscellaneous	1,157,996	2,300,000	3,457,996	631,953
Transfers	5,379,481	(5,379,481)	-	-
Total general revenues and transfers	<u>79,798,408</u>	<u>(2,681,443)</u>	<u>77,116,965</u>	<u>10,124,301</u>
Change in net assets	4,515,336	13,136,877	17,652,213	3,898,945
Net assets - beginning	<u>229,620,469</u>	<u>161,060,413</u>	<u>390,680,882</u>	<u>252,816,265</u>
Net assets - ending	<u>\$ 234,135,805</u>	<u>\$ 174,197,290</u>	<u>\$ 408,333,095</u>	<u>\$256,715,210</u>

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

**CITY OF DULUTH, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

T.O.C.

	<u>General Fund</u>	<u>Community Investment</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,033,995	\$ 25,044,654	\$ 9,652,351	\$ 29,851,596	\$ 70,582,596
Assets held by trustee	138,012	-	-	-	138,012
Receivables, net:					
Taxes	3,110,335	-	-	989,997	4,100,332
Accounts	304,042	11,839,514	-	60,800	12,204,356
Assessments	980,996	-	-	7,942,060	8,923,056
Loans	1,688,497	-	-	3,261,210	4,949,707
Grants	-	-	-	438,819	438,819
Accrued interest	279,682	156,661	-	-	436,343
Due from other funds	259,755	-	-	1,423,064	1,682,819
Due from component units	656,420	-	-	1,091,385	1,747,805
Interfund loan receivable	1,877,485	-	-	-	1,877,485
Due from other governments	602,714	-	18,186	3,876,665	4,497,565
Prepays	276,309	-	-	-	276,309
<b>Total assets</b>	<b>\$ 16,208,242</b>	<b>\$ 37,040,829</b>	<b>\$ 9,670,537</b>	<b>\$ 48,935,596</b>	<b>\$ 111,855,204</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 2,041,238	\$ -	\$ 248,032	\$ 633,181	\$ 2,922,451
Contracts payable	95,489	-	1,358,591	3,092,265	4,546,345
Due to other funds	587,819	-	-	759,318	1,347,137
Due to component units	10,860	-	-	260,436	271,296
Interfund loan payable	-	-	-	365,695	365,695
Due to other governments	77,130	-	285	473,817	551,232
Accrued salaries payable	1,749,565	-	-	82,668	1,832,233
Deferred revenue	3,389,949	11,839,514	10,414	11,849,173	27,089,050
<b>Total liabilities</b>	<b>7,952,050</b>	<b>11,839,514</b>	<b>1,617,322</b>	<b>17,516,553</b>	<b>38,925,439</b>
Fund balances:					
Nonspendable	138,012	-	-	-	138,012
Restricted	120,766	-	8,053,215	28,748,356	36,922,337
Committed	-	-	-	144,721	144,721
Assigned	332,997	25,201,315	-	2,781,752	28,316,064
Unassigned	7,664,417	-	-	(255,786)	7,408,631
<b>Total fund balances</b>	<b>8,256,192</b>	<b>25,201,315</b>	<b>8,053,215</b>	<b>31,419,043</b>	<b>72,929,765</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,208,242</b>	<b>\$ 37,040,829</b>	<b>\$ 9,670,537</b>	<b>\$ 48,935,596</b>	<b>\$ 111,855,204</b>

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 ASSETS  
DECEMBER 31, 2011**

Fund Balance--total governmental funds		\$ 72,929,765
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. The cost of the assets is \$419,354,110, and the accumulated depreciation is \$143,656,655.		275,697,455
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		26,296,175
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 assets for \$8,670,137 less \$2,364,208 attributed to business-type activities.		6,305,929
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
	Bonds and Notes payable, net of issuance costs	117,905,136
	Other post employment benefits	26,894,004
	Other debt	279,298
	Interest accrued on long-term debt	2,015,081
		<u>(147,093,519)</u>
Net assets of governmental activities		<u>\$ 234,135,805</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, 2011**

	<u>General Fund</u>	<u>Community Investment</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 10,742,549	\$ -	\$ -	\$ 5,838,912	\$ 16,581,461
Sales taxes	11,872,641	-	-	8,198,813	20,071,454
Other taxes	2,075,492	-	-	6,720	2,082,212
Licenses and permits	1,407,951	-	-	-	1,407,951
Intergovernmental revenues	31,471,004	-	315,459	24,425,487	56,211,950
Charges for services	5,548,849	-	-	904,661	6,453,510
Fines and forfeits	1,579,021	-	-	-	1,579,021
Special assessments	400,356	-	-	2,437,272	2,837,628
Investment income	815,832	1,241,805	252,943	358,491	2,669,071
Miscellaneous revenues	946,654	-	858,791	2,151,204	3,956,649
Total revenues	<u>66,860,349</u>	<u>1,241,805</u>	<u>1,427,193</u>	<u>44,321,560</u>	<u>113,850,907</u>
<b>EXPENDITURES</b>					
Current:					
General government	31,744,678	322,376	324,843	1,077,201	33,469,098
Public safety	33,197,755	-	262,862	1,146,163	34,606,780
Public works	1,837,494	-	-	243,943	2,081,437
Culture and recreation	4,662,577	-	-	2,203,109	6,865,686
Urban and economic development	1,296,117	-	-	13,955,869	15,251,986
Debt service:					
Principal retirement	145,000	-	-	11,250,000	11,395,000
Interest and fiscal fees	36,550	-	-	4,952,906	4,989,456
Bond issuance costs	-	-	47,105	33,079	80,184
Capital outlay	-	-	13,810,722	19,642,135	33,452,857
Total expenditures	<u>72,920,171</u>	<u>322,376</u>	<u>14,445,532</u>	<u>54,504,405</u>	<u>142,192,484</u>
Excess (deficiency) of revenues over expenditures	<u>(6,059,822)</u>	<u>919,429</u>	<u>(13,018,339)</u>	<u>(10,182,845)</u>	<u>(28,341,577)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	1,870,000	3,095,000	4,965,000
Premium on issuance of bonds	-	-	83,122	55,110	138,232
Transfers in	8,762,103	-	555,731	14,639,186	23,957,020
Transfers out	(393,505)	(9,741,537)	(4,167)	(8,247,734)	(18,386,943)
Total other financing sources (uses)	<u>8,368,598</u>	<u>(9,741,537)</u>	<u>2,504,686</u>	<u>9,541,562</u>	<u>10,673,309</u>
Net change in fund balance	2,308,776	(8,822,108)	(10,513,653)	(641,283)	(17,668,268)
Fund balance - January 1, 2011	<u>5,947,416</u>	<u>34,023,423</u>	<u>18,566,868</u>	<u>32,060,326</u>	<u>90,598,033</u>
Fund balance - December 31, 2011	<u>\$ 8,256,192</u>	<u>\$ 25,201,315</u>	<u>\$ 8,053,215</u>	<u>\$ 31,419,043</u>	<u>\$ 72,929,765</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, 2011**

Net change in fund balances - total governmental funds \$ (17,668,268)

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	31,799,231	
Depreciation expense	<u>(10,320,706)</u>	
Excess of capital outlay over depreciation expense		21,478,525

Miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and other disposals) decreased net assets. (41,779)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of \$2,250,627 from internal funds less \$346,161 attributed to business-type activities is reported with governmental activities. (1,904,466)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:  
 Bonds issued, including a bond premium of \$138,232 less issuance costs of \$80,184. (5,023,048)

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 assets. In the current year, these amounts consist of:  
 Bond principal retirement 11,395,000

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. (158,960)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	110,137	
Increase in net other post employment benefits payable	(3,409,513)	
Other	(279,298)	
Amortization of deferred amounts:		
for bond premiums	(172,203)	
for bond issuance costs	<u>189,209</u>	
Total additional expenditures		<u>(3,561,668)</u>

Change in net assets of governmental activities \$ 4,515,336

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, 2011**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Actual to</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Modified Budget</b>
			<b>(Note 2)</b>	<b>Favorable</b>
				<b>(Unfavorable)</b>
<b>REVENUES</b>				
Taxes	\$ 24,493,800	\$ 24,493,800	\$ 24,690,682	\$ 196,882
Licenses and permits	1,100,100	1,100,100	1,407,951	307,851
Intergovernmental revenues	32,787,100	32,857,761	31,471,004	(1,386,757)
Charges for services	5,375,000	5,375,000	5,548,849	173,849
Fines and forfeits	1,736,700	1,736,700	1,579,021	(157,679)
Special assessments	455,400	462,700	400,356	(62,344)
Investment income	465,000	465,000	815,832	350,832
Miscellaneous revenues	481,200	610,681	946,654	335,973
Total revenues	66,894,300	67,101,742	66,860,349	(241,393)
<b>EXPENDITURES</b>				
Current:				
General government	33,499,700	32,434,233	31,821,939	612,294
Public safety	32,434,200	33,523,582	33,228,630	294,952
Public works	2,006,400	1,955,885	1,837,494	118,391
Culture and recreation	4,382,800	4,515,597	4,680,777	(165,180)
Urban and economic development	1,283,300	1,428,047	1,351,117	76,930
Debt service:				
Capital lease obligation - principal	145,000	145,000	145,000	-
Capital lease obligation - interest	36,600	36,600	36,550	50
Total expenditures	73,788,000	74,038,944	73,101,507	937,437
Excess (deficiency) of revenues over expenditures	(6,893,700)	(6,937,202)	(6,241,158)	696,044
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,053,700	8,120,531	8,762,103	641,572
Transfers out	(1,160,000)	(1,679,813)	(393,505)	1,286,308
Total other financing sources (uses)	6,893,700	6,440,718	8,368,598	1,927,880
Net change in fund balance - budgetary basis	-	(496,484)	2,127,440	2,623,924
Net adjustments to reflect operations in accordance with generally accepted accounting principles			181,336	181,336
Net change in fund balance - GAAP basis	-	(496,484)	2,308,776	\$ 2,805,260
Fund balance - January 1, 2011	5,947,416	5,947,416	5,947,416	
Fund balance - December 31, 2011	\$ 5,947,416	\$ 5,450,932	\$ 8,256,192	

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

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011**

T.O.C.

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 915,488	\$ 3,117,522
Restricted cash and cash equivalents:			
Customer deposits	89,040	2,155,173	-
Construction	-	-	8,634
Loans	-	867,748	-
Restricted assets held by trustee	-	-	-
Receivables, net:			
Accounts	1,215,293	5,379,440	2,031,549
Restricted loans	-	709,114	-
Assessments	62,422	13,125	18,375
Due from other funds	14,515	20,286	6,740
Due from component units	-	-	-
Interfund loan receivable	-	664,867	-
Due from other governments	221,108	66	1,058,983
Inventories	840,657	922,456	137,841
Prepays	-	3,024,496	225,000
<b>Total current assets</b>	<b>2,443,035</b>	<b>14,672,259</b>	<b>6,604,644</b>
Noncurrent assets:			
Assessments receivable	153,548	30,877	110,699
Due from other governments	-	-	-
Restricted loans receivable	-	2,072,230	-
Issuance costs	55,361	89,645	229,677
Capital assets, net	47,339,839	43,541,504	83,766,689
<b>Total noncurrent assets</b>	<b>47,548,748</b>	<b>45,734,256</b>	<b>84,107,065</b>
<b>Total assets</b>	<b>49,991,783</b>	<b>60,406,515</b>	<b>90,711,709</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	247,542	2,405,394	180,494
Contracts payable	624,147	429,948	2,415,625
Claims payable	-	-	-
Notes payable	689,748	-	1,246,078
Leases payable	189,026	173,274	162,773
Due to other funds	175,796	61,499	369,865
Interfund loan payable	664,867	-	-
Due to other governments	140,108	87,497	723,414
Accrued interest payable	121,380	92,707	306,513
Accrued salaries payable	150,792	190,828	95,566
Compensated absences	240,666	325,872	164,895
Unearned revenue	60,439	720,383	64,798
Deposits	10,000	1,389,661	-
Revenue bonds payable	399,428	460,957	1,317,775
<b>Total current liabilities</b>	<b>3,713,939</b>	<b>6,338,020</b>	<b>7,047,796</b>
Noncurrent liabilities:			
Notes payable	5,939,608	-	12,686,198
Claims payable	-	-	-
Compensated absences	30,816	53,032	10,892
Leases payable	2,769,962	2,539,132	2,385,244
Net other postemployment benefits payable	244,520	-	-
Revenue bonds payable	2,915,572	6,079,857	12,206,410
Less unamortized bond premium (discount)	9,338	145,488	(48,827)
<b>Total noncurrent liabilities</b>	<b>11,909,816</b>	<b>8,817,509</b>	<b>27,239,917</b>
<b>Total liabilities</b>	<b>15,623,755</b>	<b>15,155,529</b>	<b>34,287,713</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	34,482,518	34,232,441	54,040,715
Restricted for health insurance trust	-	-	-
Restricted for special accounts	-	-	8,633
Restricted for loans	-	1,885,953	-
Unrestricted	(114,490)	9,132,592	2,374,648
<b>Total net assets</b>	<b>\$ 34,368,028</b>	<b>\$ 45,250,986</b>	<b>\$ 56,423,996</b>

(continued)

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



**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

	Business-type Activities - Enterprise Funds			Governmental
	Parking	Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,167,430	\$ 4,286,725	\$ 12,487,165	\$ 8,040,553
Restricted cash and cash equivalents:				
Customer deposits	-	-	2,244,213	-
Construction	-	-	8,634	-
Loans	-	-	867,748	-
Restricted assets held by trustee	-	104,012	104,012	7,295,048
Receivables, net:				
Accounts	62,956	1,792,555	10,481,793	21,609
Restricted loans	-	-	709,114	-
Assessments	-	30,417	124,339	-
Due from other funds	-	184,200	225,741	394,733
Due from component units	-	2,613	2,613	10,543
Interfund loan receivable	-	-	664,867	-
Due from other governments	2,093	26,022	1,308,272	-
Inventories	-	459,931	2,360,885	258,856
Prepays	-	66,524	3,316,020	9,154
<b>Total current assets</b>	<b>4,232,479</b>	<b>6,952,999</b>	<b>34,905,416</b>	<b>16,030,496</b>
Noncurrent assets:				
Assessments receivable	-	-	295,124	-
Due from other governments	-	25,000	25,000	-
Restricted loans receivable	-	-	2,072,230	-
Issuance costs	138,114	94,094	606,891	-
Capital assets, net	21,775,020	26,820,394	223,243,446	519,890
<b>Total noncurrent assets</b>	<b>21,913,134</b>	<b>26,939,488</b>	<b>226,242,691</b>	<b>519,890</b>
<b>Total assets</b>	<b>26,145,613</b>	<b>33,892,487</b>	<b>261,148,107</b>	<b>16,550,386</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	20,183	576,671	3,430,284	190,543
Contracts payable	-	365,850	3,835,570	6,268
Claims payable	-	-	-	2,220,555
Notes payable	-	-	1,935,826	-
Leases payable	-	106,099	631,172	23,887
Due to other funds	86,238	224,160	917,558	38,598
Interfund loan payable	-	1,003,616	1,668,483	508,174
Due to other governments	4,098	28,101	983,218	451
Accrued interest payable	266,281	150,048	936,929	199
Accrued salaries payable	5,692	64,566	507,444	45,594
Compensated absences	8,114	104,504	844,051	2,871,843
Unearned revenue	21,935	56,640	924,195	60,413
Deposits	-	-	1,399,661	-
Revenue bonds payable	825,000	836,839	3,839,999	-
<b>Total current liabilities</b>	<b>1,237,541</b>	<b>3,517,094</b>	<b>21,854,390</b>	<b>5,966,525</b>
Noncurrent liabilities:				
Notes payable	-	-	18,625,806	-
Claims payable	-	-	-	1,239,108
Compensated absences	648	16,497	111,885	674,616
Leases payable	-	346,823	8,041,161	-
Net other postemployment benefits payable	-	-	244,520	-
Revenue bonds payable	11,550,000	7,558,161	40,310,000	-
Less unamortized bond premium (discount)	15,163	6,101	127,263	-
<b>Total noncurrent liabilities</b>	<b>11,565,811</b>	<b>7,927,582</b>	<b>67,460,635</b>	<b>1,913,724</b>
<b>Total liabilities</b>	<b>12,803,352</b>	<b>11,444,676</b>	<b>89,315,025</b>	<b>7,880,249</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,522,971	18,055,102	150,333,747	496,003
Restricted for health insurance trust	-	-	-	5,280,017
Restricted for special accounts	-	103,553	112,186	-
Restricted for loans	-	-	1,885,953	-
Unrestricted	3,819,290	4,289,156	19,501,196	2,894,117
<b>Total net assets</b>	<b>\$ 13,342,261</b>	<b>\$ 22,447,811</b>	<b>\$ 171,833,082</b>	<b>\$ 8,670,137</b>

Amounts reported for business-type activities in the statement of net assets are different because of the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities 2,364,208  
\$ 174,197,290

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

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>
<b>OPERATING REVENUES</b>			
Sales	\$ -	\$ 39,967,316	\$ -
Charges for services	11,475,356	644,140	19,891,479
Miscellaneous revenues	268,154	803,689	149,513
Total operating revenues	<u>11,743,510</u>	<u>41,415,145</u>	<u>20,040,992</u>
<b>OPERATING EXPENSES</b>			
Cost of sales and services	-	25,207,873	-
Personal services	5,472,052	6,704,341	3,186,541
Supplies	1,207,164	775,065	260,846
Utilities	1,138,751	38,467	106,222
Other services and charges	1,570,034	1,816,508	11,642,122
Amortization	7,018	7,329	19,827
Depreciation	1,414,602	1,240,613	1,335,741
Medical and insurance	-	-	-
Total operating expenses	<u>10,809,621</u>	<u>35,790,196</u>	<u>16,551,299</u>
Operating income	<u>933,889</u>	<u>5,624,949</u>	<u>3,489,693</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	4,205	136,922	89,595
Intergovernmental revenue	16,919	23,365	8,283
Other revenue	-	-	-
Gain (Loss) on sale or disposition of capital assets	(2,363)	(7,787)	-
Interest expense	(297,135)	(295,311)	(719,642)
Total non-operating revenue (expenses)	<u>(278,374)</u>	<u>(142,811)</u>	<u>(621,764)</u>
Income before contributions and transfers	655,515	5,482,138	2,867,929
Capital contributions	4,131	37,982	4,518,003
Transfers in	-	-	-
Transfers out	(347,809)	(3,056,096)	(99,568)
Change in net assets	311,837	2,464,024	7,286,364
Total net assets - January 1, 2011	<u>34,056,191</u>	<u>42,786,962</u>	<u>49,137,632</u>
Total net assets - December 31, 2011	<u>\$ 34,368,028</u>	<u>\$ 45,250,986</u>	<u>\$ 56,423,996</u>

(continued)

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

**CITY OF DULUTH, MINNESOTA**  
**STATEMENT REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Parking</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Activities - Internal Service Fund</u>
<b>OPERATING REVENUES</b>				
Sales	\$ -	\$ 485,528	\$ 40,452,844	\$ 2,380,693
Charges for services	2,567,128	14,881,326	49,459,429	24,933,314
Miscellaneous revenues	575	201,323	1,423,254	849,427
Total operating revenues	<u>2,567,703</u>	<u>15,568,177</u>	<u>91,335,527</u>	<u>28,163,434</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	-	301,191	25,509,064	2,191,960
Personal services	161,557	2,187,374	17,711,865	5,051,852
Supplies	74,048	3,416,366	5,733,489	54,325
Utilities	154,740	1,099,901	2,538,081	-
Other services and charges	393,020	4,605,514	20,027,198	2,223,966
Amortization	16,891	15,930	66,995	-
Depreciation	495,144	1,894,729	6,380,829	68,439
Medical and insurance	-	-	-	20,841,631
Total operating expenses	<u>1,295,400</u>	<u>13,521,005</u>	<u>77,967,521</u>	<u>30,432,173</u>
Operating income	<u>1,272,303</u>	<u>2,047,172</u>	<u>13,368,006</u>	<u>(2,268,739)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	78,294	40,455	349,471	205,417
Intergovernmental revenue	-	-	48,567	5,835
Other revenue	-	2,300,000	2,300,000	-
Gain (Loss) on sale or disposition of capital assets	-	(30,704)	(40,854)	-
Interest expense	(637,163)	(349,120)	(2,298,371)	(2,544)
Total non-operating revenue (expenses)	<u>(558,869)</u>	<u>1,960,631</u>	<u>358,813</u>	<u>208,708</u>
Income before contributions and transfers	713,434	4,007,803	13,726,819	(2,060,031)
Capital contributions	469,584	106,000	5,135,700	-
Transfers in	399,100	-	399,100	-
Transfers out	<u>(1,529,813)</u>	<u>(745,295)</u>	<u>(5,778,581)</u>	<u>(190,596)</u>
Change in net assets	52,305	3,368,508	13,483,038	(2,250,627)
Total net assets - January 1, 2011	<u>13,289,956</u>	<u>19,079,303</u>	<u>158,350,044</u>	<u>10,920,764</u>
Total net assets - December 31, 2011	<u>\$ 13,342,261</u>	<u>\$ 22,447,811</u>	<u>\$ 171,833,082</u>	<u>\$ 8,670,137</u>

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

Change in net assets	\$ 13,483,038
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(346,161)</u>
Change in net assets of business-type activities	<u>\$ 13,136,877</u>

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

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Gas</b>	<b>Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 11,344,382	\$ 41,993,270	\$ 19,894,425
Cash paid to suppliers	(3,792,735)	(29,486,048)	(12,148,205)
Cash paid to employees	(5,379,780)	(6,751,758)	(3,098,907)
Other operating revenues	213,388	341,881	84,756
	<u>2,385,255</u>	<u>6,097,345</u>	<u>4,732,069</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(347,809)	(3,056,096)	(99,568)
Operating grants	16,919	23,365	8,283
Interfund financing	664,867	(557,759)	-
	<u>333,977</u>	<u>(3,590,490)</u>	<u>(91,285)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grants and contributions	2,000	27,827	4,066,407
Transfer from other funds	-	-	-
Issuance of revenue bonds and notes	3,301,807	165,402	8,704,756
Principal paid on bonds, notes and capitalized leases	(911,278)	(1,562,889)	(2,269,923)
Interest paid on bonds, notes and capitalized leases	(282,900)	(363,372)	(689,012)
Transfer to trustee debt service account	-	-	-
Payment of bond issuance costs	(3,710)	(49,728)	(55,192)
Special assessments received	52,481	12,367	51,415
Sale of capital assets	-	125	-
Acquisition or construction of capital assets	(6,693,617)	(1,744,828)	(16,683,790)
Other reimbursements	-	-	-
	<u>(4,535,217)</u>	<u>(3,515,096)</u>	<u>(6,875,339)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment interest	11,807	135,260	68,048
	<u>(1,804,178)</u>	<u>(872,981)</u>	<u>(2,166,507)</u>
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents - January 1, 2011	1,893,218	4,811,390	5,292,663
Cash and cash equivalents - December 31, 2011	<u>\$ 89,040</u>	<u>\$ 3,938,409</u>	<u>\$ 3,126,156</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	\$ 933,889	\$ 5,624,949	\$ 3,489,693
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,421,620	1,247,942	1,355,568
Change in assets and liabilities:			
Decrease (increase) in receivables	28,839	818,124	52,112
Decrease (increase) in inventory	(7,179)	(44,176)	(85,404)
Decrease (increase) in prepaid items	-	(246,333)	10,069
Increase (decrease) in payables	52,596	(759,445)	(53,898)
Increase (decrease) in deferred revenues	(44,510)	(543,716)	(36,071)
	<u>1,451,366</u>	<u>472,396</u>	<u>1,242,376</u>
Total adjustments			
Net cash provided (used) by operating activities	<u>\$ 2,385,255</u>	<u>\$ 6,097,345</u>	<u>\$ 4,732,069</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, 2011**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Parking</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,541,088	\$ 15,451,338	\$ 91,224,503	\$ 28,255,866
Cash paid to suppliers	(625,670)	(9,789,907)	(55,842,565)	(24,951,570)
Cash paid to employees	(163,475)	(2,315,949)	(17,709,869)	(4,662,306)
Other operating revenues	575	39,602	680,202	3,987
Net cash provided (used) by operating activities	<u>1,752,518</u>	<u>3,385,084</u>	<u>18,352,271</u>	<u>(1,354,023)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(1,444,478)	(698,437)	(5,646,388)	(131,416)
Operating grants	-	-	48,567	5,835
Interfund financing	-	76,285	183,393	466,866
Net cash provided (used) by noncapital financing activities	<u>(1,444,478)</u>	<u>(622,152)</u>	<u>(5,414,428)</u>	<u>341,285</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants and contributions	469,584	80,940	4,646,758	-
Transfer from other funds	399,100	-	399,100	-
Issuance of revenue bonds and notes	-	-	12,171,965	-
Principal paid on bonds, notes and capitalized leases	(790,000)	(735,814)	(6,269,904)	(46,040)
Interest paid on bonds, notes and capitalized leases	(657,057)	(328,699)	(2,321,040)	(2,928)
Transfer to trustee debt service account	-	(150,603)	(150,603)	-
Payment of bond issuance costs	-	(330)	(108,960)	-
Special assessments received	-	2,475	118,738	-
Sale of capital assets	-	-	125	-
Acquisition or construction of capital assets	-	(2,104,465)	(27,226,700)	(126,182)
Other reimbursements	-	2,300,000	2,300,000	-
Net cash provided (used) by capital and related financing activities	<u>(578,373)</u>	<u>(936,496)</u>	<u>(16,440,521)</u>	<u>(175,150)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment interest	<u>78,294</u>	<u>39,900</u>	<u>333,309</u>	<u>146,237</u>
Net increase (decrease) in cash and cash equivalents	(192,039)	1,866,336	(3,169,369)	(1,041,651)
Cash and cash equivalents - January 1, 2011	<u>4,359,469</u>	<u>2,420,389</u>	<u>18,777,129</u>	<u>16,377,252</u>
Cash and cash equivalents - December 31, 2011	<u>\$ 4,167,430</u>	<u>\$ 4,286,725</u>	<u>\$ 15,607,760</u>	<u>\$ 15,335,601</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Net operating income (loss)	<u>\$ 1,272,303</u>	<u>\$ 2,047,172</u>	<u>\$ 13,368,006</u>	<u>\$ (2,268,739)</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	512,035	1,910,659	6,447,824	68,439
Change in assets and liabilities:				
Decrease (increase) in receivables	(25,820)	(168,742)	704,513	94,316
Decrease (increase) in inventory	-	(128,479)	(265,238)	(32,040)
Decrease (increase) in prepaid items	-	14,012	(222,252)	104,079
Increase (decrease) in payables	(6,100)	(251,560)	(1,018,407)	677,244
Increase (decrease) in deferred revenues	100	(37,978)	(662,175)	2,678
Total adjustments	<u>480,215</u>	<u>1,337,912</u>	<u>4,984,265</u>	<u>914,716</u>
Net cash provided (used) by operating activities	<u>\$ 1,752,518</u>	<u>\$ 3,385,084</u>	<u>\$ 18,352,271</u>	<u>\$ (1,354,023)</u>

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

CITY OF DULUTH, MINNESOTA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 DECEMBER 31, 2011

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,361,974
Receivables:		
Loans	-	1,097,130
Investments, at fair value:		
Fixed income pool	11,888,551	-
Equity pool	16,930,744	-
Other assets	-	1,680
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 28,819,295</u>	<u>\$ 3,460,784</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,626
Due to agency	-	3,459,158
	<u>                    </u>	<u>                    </u>
Total liabilities	-	<u>\$ 3,460,784</u>
<b>NET ASSETS</b>		
Held in trust for post employment benefits	<u>\$ 28,819,295</u>	

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

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
OTHER POST EMPLOYMENT BENEFITS TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

T.O.C.

**ADDITIONS**

Contributions	<u>\$ 2,178,463</u>
Investment earnings:	
Interest and dividends	826,617
Net increase	
in fair value of investments	<u>125,286</u>
Total investment earnings	<u>951,903</u>
Total additions	<u>3,130,366</u>

**DEDUCTIONS**

Administrative fees	<u>1,713</u>
Change in net assets	3,128,653
Net assets - January 1, 2011	<u>25,690,642</u>
Net assets - December 31, 2011	<u><u>\$ 28,819,295</u></u>

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

**CITY OF DULUTH, MINNESOTA  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
DECEMBER 31, 2011**

	<b>Duluth Economic Development Authority</b>	<b>Duluth Entertainment &amp; Convention Center Authority</b>	<b>Duluth Airport Authority</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,794,102	\$ 2,180,970	\$ 169,136
Receivables, net			
Taxes	84,979	-	-
Accounts	66,233	625,910	274,258
Assessments	59,652	-	-
Loans	3,591,830	-	-
Deposits	250,000	-	-
Grants	-	-	69,570
Due from primary government	131,607	133,580	1,403
Due from other governments	30,993	-	-
Inventories	192,500	120,768	98,909
Prepays	247,662	11,428	40,093
Deferred charges	-	-	1,006,419
Restricted assets:			
Cash and cash equivalents	-	351,132	332,996
Accounts receivable	-	28,088	71,426
Grants receivable	-	-	3,408,307
Assets held by trustee	-	86,835	-
Capital assets, net:			
Non-depreciable	2,619,662	905,601	20,777,709
Depreciable	17,441,393	105,520,771	67,438,462
<b>Total assets</b>	<b>34,510,613</b>	<b>109,965,083</b>	<b>93,688,688</b>
<b>LIABILITIES</b>			
Accounts payable and other short-term liabilities	393,580	261,013	216,811
Contracts payable	237,469	488,213	2,537,225
Accrued interest payable	2,704	10,094	-
Due to primary government	647,359	462,480	635,614
Due to other government	389,758	-	-
Deferred revenue	-	738,572	19,781
Deposits	-	377,461	-
Non-current liabilities:			
Due within one year	95,000	236,675	158,538
Due in more than one year	-	1,107,679	1,582,523
<b>Total liabilities</b>	<b>1,765,870</b>	<b>3,682,187</b>	<b>5,150,492</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	20,061,055	105,361,336	87,973,949
Restricted for:			
Debt service	107,240	86,835	-
Capital projects	7,535,000	-	-
Other	-	-	-
Unrestricted	5,041,448	834,725	564,247
<b>Total net assets</b>	<b>\$ 32,744,743</b>	<b>\$ 106,282,896</b>	<b>\$ 88,538,196</b>

(continued)

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



**CITY OF DULUTH, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**DECEMBER 31, 2011**

	<b>Duluth Transit Authority</b>	<b>Spirit Mountain Recreation Area Authority</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,723,090	\$ 116,816	\$ 20,984,114
Receivables, net			
Taxes	51,216	-	136,195
Accounts	63,862	57,004	1,087,267
Assessments	-	-	59,652
Loans	-	-	3,591,830
Deposits	-	-	250,000
Grants	-	-	69,570
Due from primary government	-	-	266,590
Due from other governments	239,236	-	270,229
Inventories	260,132	102,958	775,267
Prepays	97,259	27,057	423,499
Deferred charges	-	195,909	1,202,328
Restricted assets:			
Cash and cash equivalents	-	225,000	909,128
Accounts receivable	-	-	99,514
Grants receivable	-	-	3,408,307
Assets held by trustee	-	-	86,835
Capital assets, net:			
Non-depreciable	222,367	2,543,202	27,068,541
Depreciable	16,522,599	4,489,734	211,412,959
<b>Total assets</b>	<b>26,179,761</b>	<b>7,757,680</b>	<b>272,101,825</b>
<b>LIABILITIES</b>			
Accounts payable and other short-term liabilities	695,666	97,774	1,664,844
Contracts payable	-	-	3,262,907
Accrued interest payable	-	11,643	24,441
Due to primary government	5,500	134,407	1,885,360
Due to other government	-	2,994	392,752
Deferred revenue	85,831	125,480	969,664
Deposits	-	-	377,461
Non-current liabilities:			
Due within one year	532,686	563,039	1,585,938
Due in more than one year	-	2,533,046	5,223,248
<b>Total liabilities</b>	<b>1,319,683</b>	<b>3,468,383</b>	<b>15,386,615</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	16,744,966	4,105,471	234,246,777
Restricted for:			
Debt service	-	-	194,075
Capital projects	7,360,938	225,000	15,120,938
Other	-	25,000	25,000
Unrestricted	754,174	(66,174)	7,128,420
<b>Total net assets</b>	<b>\$ 24,860,078</b>	<b>\$ 4,289,297</b>	<b>\$ 256,715,210</b>

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, 2011**

<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>
<b>Duluth Economic Development Authority</b>				
Governmental activities:				
Economic development	\$ 5,832,780	\$ 797,335	\$ 280,783	\$ -
<b>Duluth Entertainment &amp; Convention Center Authority</b>				
Business-type activities:				
Entertainment and convention facility	12,286,299	7,315,649	-	3,250,801
<b>Duluth Airport Authority</b>				
Business-type activities:				
Airport facility	9,277,757	4,208,158	-	13,423,024
<b>Duluth Transit Authority</b>				
Business-type activities:				
Public transportation	16,331,393	2,595,927	5,247,844	277,947
<b>Spirit Mountain Recreation Area Authority</b>				
Business-type activities:				
Ski hill operations	4,907,043	4,732,305	5,143	275,000
<b>Total component units</b>	<u>\$ 48,635,272</u>	<u>\$ 19,649,374</u>	<u>\$ 5,533,770</u>	<u>\$ 17,226,772</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, 2011**

<u>Net (Expense) Revenue and Changes in Net Assets</u>						
<u>Functions/Programs</u>	<u>Duluth Economic Development Authority</u>	<u>Duluth Entertainment &amp; Convention Center Authority</u>	<u>Duluth Airport Authority</u>	<u>Duluth Transit Authority</u>	<u>Spirit Mountain Recreation Area Authority</u>	<u>Totals</u>
<b>Duluth Economic Development Authority</b>						
Governmental activities:						
Economic development	\$ (4,754,662)	\$ -	\$ -	\$ -	\$ -	\$ (4,754,662)
<b>Duluth Entertainment &amp; Convention Center Authority</b>						
Business-type activities:						
Entertainment and convention facility	-	(1,719,849)	-	-	-	(1,719,849)
<b>Duluth Airport Authority</b>						
Business-type activities:						
Airport facility	-	-	8,353,425	-	-	8,353,425
<b>Duluth Transit Authority</b>						
Business-type activities:						
Public transportation	-	-	-	(8,209,675)	-	(8,209,675)
<b>Spirit Mountain Recreation Area Authority</b>						
Business-type activities:						
Ski hill operations	-	-	-	-	105,405	105,405
<b>Total component units</b>						<u>(6,225,356)</u>
General revenues:						
Taxes	1,684,409	1,120,629	-	1,316,900	-	4,121,938
Grants and shared revenues not restricted to specific programs	64,897	-	-	4,984,320	-	5,049,217
Investment income	139,890	39,917	6,873	123,452	1,137	311,269
Gain on sale of capital assets	-	-	8,441	-	1,483	9,924
Miscellaneous	-	556,609	-	-	75,344	631,953
<b>Total general revenues and transfers</b>	<u>1,889,196</u>	<u>1,717,155</u>	<u>15,314</u>	<u>6,424,672</u>	<u>77,964</u>	<u>10,124,301</u>
Change in net assets	(2,865,466)	(2,694)	8,368,739	(1,785,003)	183,369	3,898,945
Net assets - beginning	<u>35,610,209</u>	<u>106,285,590</u>	<u>80,169,457</u>	<u>26,645,081</u>	<u>4,105,928</u>	<u>252,816,265</u>
Net assets - ending	<u>\$ 32,744,743</u>	<u>\$ 106,282,896</u>	<u>\$ 88,538,196</u>	<u>\$ 24,860,078</u>	<u>\$ 4,289,297</u>	<u>\$ 256,715,210</u>

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



**Notes to the  
Financial Statements**



**GUIDE TO NOTES**

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**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**REPORTING ENTITY**

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

**DISCRETELY PRESENTED COMPONENT UNITS**

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

The governing board of each component unit is appointed by the Mayor and approved by the City Council, except for the Duluth Entertainment and Convention Center Authority, which has seven City appointees and four directors appointed by the Governor of Minnesota. Three of the seven board members of the Duluth Economic Development Authority must be City Councilors.

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

Combining statements for the City's component units are presented in the Basic Financial Statements section of this report. Financial statements for the Duluth Economic Development Authority 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:

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)  
DISCRETELY PRESENTED COMPONENT UNITS (continued)**

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

Duluth Transit Authority  
2402 West Michigan Street  
Duluth, MN 55806

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year, except for property taxes, which are considered available if collected within 60 days of the fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)

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.

The City reports the following major governmental funds:

<b>General Fund</b>	The City's primary operating fund. It accounts for all financial transactions not accounted for in another fund.
<b>Community Investment Special Revenue Fund</b>	This fund accounts for the City's share of revenues received from operation of the Fond du Luth Casino, in accordance with an agreement with the Fond du Lac Band of Lake Superior Chippewa. Such monies are to be used to finance future capital improvements of the City, with investment earnings of the fund to be transferred annually to the General fund.
<b>Capital Improvement Fund</b>	This fund accounts for capital improvements that are financed by issuance of debt.

The City reports the following major proprietary funds:

<b>Water Enterprise Fund</b>	This fund accounts for the collection, treatment and distribution of water.
<b>Gas Enterprise Fund</b>	This fund accounts for the distribution of natural gas, as well as inspection, maintenance and servicing of customer gas utilization equipment.
<b>Sewer Enterprise Fund</b>	The operation and maintenance of the sanitary sewer system is accounted for in this fund.
<b>Parking Fund</b>	The operation and maintenance of municipal parking ramps, municipal lots and parking meters is accounted for in this fund.

Additionally, the City reports the following fund types:

**Internal Service Funds** 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 an irrevocable trust established for funding other post-employment benefits for eligible retired employees under a single-employer defined benefit plan.

**Agency Funds** are used to account for assets held by the City as an agent for the Duluth 1200 Loan, Duluth Public Arts, and the Seaway Port Authority entities.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD BY TRUSTEE

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

RECEIVABLES AND PAYABLES

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

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

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)  
 RECEIVABLES AND PAYABLES (continued)

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

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

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

**INVENTORIES AND PREPAID ITEMS**

The inventories of the enterprise funds consist of expendable supplies held for consumption. Fuel, chemicals and service departments 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. The Duluth Economic Development Authority has a prepaid lease agreement for space rental which is being amortized over 15 years.

**RESTRICTED ASSETS**

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

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

**CAPITAL ASSETS**

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

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

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

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

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

**COMPENSATED ABSENCES**

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

A liability for unused vacation is reported in an internal service fund and the governmental activities column of the government-wide statement of net assets 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, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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 an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

**FUND EQUITY**

In 2011, the City implemented the requirements of Statement No. 54 of the Governmental Accounting Standards Board, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change. 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 action.

Assigned - amounts intended to be used for certain purposes as determined by Council action or by joint action by the Chief Administrative Officer and Chief Financial Officer.

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 that fund.

It is the City's policy to first use restricted resources and then unrestricted resources as needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order; first committed, then assigned and finally unassigned.

**RECLASSIFICATIONS**

Several account balances were reclassified for the year ended December 31, 2010, 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.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGETARY INFORMATION**

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

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

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)  
BUDGETARY INFORMATION (continued)**

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 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 designated 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 reservations of 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, 2011; 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 90 days of the end of the current fiscal year; Lake Superior Zoo - \$106,500, Home Investment Partnership Program - \$49,987, Senior Employment - \$72,079, and Economic Development - \$27,220. The deficits will be eliminated upon receipt of the grant funds.

**3. DEPOSITS AND INVESTMENTS**

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

**Government-wide statement of net assets**

**Governmental Activities**

Cash and cash equivalents	\$ 78,623,149
Assets held by trustee	7,433,060

**Business-type activities**

Cash and cash equivalents	12,487,165
Cash and cash equivalents - restricted assets	3,120,595
Assets held by trustee - restricted assets	104,012

**Discrete Component Units**

Cash and cash equivalents	20,984,114
Cash and cash equivalents - restricted assets	909,128
Assets held by trustee - restricted assets	86,835

**Statement of fiduciary net assets**

Cash and cash equivalents	2,361,974
Investments, at fair value	<u>28,819,295</u>

**Total Cash and Investments**

\$154,929,327

**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

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

DEPOSITS

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. 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, 2011; deposits with financial institutions were fully insured or collateralized by securities held in the City's name.

INVESTMENTS

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

- 1) governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities defined in Minnesota Statutes Section 118A.04 Subd. 6), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- 2) any security which is a (1) general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; (2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and (3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- 3) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- 4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.
- 5) in general obligation temporary bonds of the same governmental entity issued under Minnesota Statutes Sections 429.091, Subd. 7, 469.178, Subd. 5, or 475.61, Subd. 6.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

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

INVESTMENTS (continued)

6) repurchase agreements consisting of collateral allowable in Minnesota Statutes Section 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 Section 118A.05, Subd. 3.

7) securities lending agreements, including custody agreements, may be entered into with a financial institution meeting the qualifications of Minnesota Statutes Section 118A.05, Subd. 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 Section 118A.05, Subd. 2 and the collateral for such transactions shall be restricted to the securities described in Minnesota Statutes Section 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 Sections 118A.04 and 118A.05, Subd. 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 Section 118A.04 and 118A.05;
- (3) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and which holds itself out as a money market fund meeting the conditions of rule 2a-7 of the Securities and Exchange Commission and is rated in one of the two highest rating categories for money market funds by at least one nationally recognized statistical rating organization; or
- (4) shares of an investment company which is registered under the Federal Investment Company Act of 1940, and whose shares are registered under the Federal Securities Act of 1933, as long as the investment company’s fund receives the highest credit rating and is rated in one of the two highest risk rating categories by at least one nationally recognized statistical rating organization and is invested in financial instruments with a final maturity no longer than 13 months.

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

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

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

At December 31, 2011, 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	\$ 96,046,639	\$ 27,151,754	\$ 43,013,679	\$ 25,881,206
Negotiable Certificates of Deposit	992,000	-	992,000	-
Mutual Funds	54,291,119	54,291,119	-	-
Total Investments	151,329,758	\$ 81,442,873	\$ 44,005,679	\$ 25,881,206
Deposits	3,599,569			
Total Deposits and Investments	<u>\$ 154,929,327</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, 2011, is as follows:

<u>S &amp; P Rating</u>	<u>Fair Value</u>
AA+	\$ 96,046,639
<u>Moody's Rating</u>	
Aaa	25,471,824
<u>Not Rated</u>	
Mutual Funds	28,819,295
Negotiable Certificates of Deposit	992,000
Total	<u>\$ 151,329,758</u>

*Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2011, 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 U.S. 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 National Mortgage Association	\$ 30,366,141
Federal Farm Credit Bank	\$ 17,983,391
Federal Home Loan Bank	\$ 40,052,034



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**4. PROPERTY TAXES**

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

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County is required to distribute collections to the City three times each year. Taxes which remain unpaid at year-end are delinquent. Collections made by the County through the end of the year and remitted to the City within 60 days after year-end are recognized as revenue and the remainder is deferred. The current year collection rate at December 31, 2011, was 90.5%.

**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 \$1,381,528. The uncollectible amounts related to the revenues of the City's utility enterprise funds at December 31, 2011, are as follows:

Water	\$ 269,833
Gas	680,991
Sewer	421,339
Nonmajor	<u>112,464</u>
 Total Uncollectibles	 <u><u>\$ 1,484,627</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition for resources that have been received, but not yet earned. The following schedule shows the detail of deferred revenue at December 31, 2011:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes	\$ 953,400	\$ -
Grants	632,924	263,016
Assessments	8,808,815	-
Loans	4,061,522	59,982
Deposits	-	26,641
Casino shared revenues	<u>11,839,514</u>	<u>-</u>
 Total for Governmental Funds	 <u><u>\$ 26,296,175</u></u>	 <u><u>\$ 349,639</u></u>

**CITY OF DULUTH, MINNESOTA**  
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**6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 19,341,733	\$ 1,261,310	\$ -	\$ 20,603,043
Construction in progress	40,213,420	28,286,607	18,933,904	49,566,123
<b>Total capital assets, not being depreciated</b>	<b>59,555,153</b>	<b>29,547,917</b>	<b>18,933,904</b>	<b>70,169,166</b>
<b>Capital assets, being depreciated:</b>				
Buildings	51,119,859	653,788	-	51,773,647
Equipment	23,846,933	4,122,014	1,110,952	26,857,995
Infrastructure	255,201,374	16,627,420	-	271,828,794
<b>Total capital assets being depreciated</b>	<b>330,168,166</b>	<b>21,403,222</b>	<b>1,110,952</b>	<b>350,460,436</b>
<b>Less accumulated depreciation for:</b>				
Buildings	28,425,780	1,153,001	-	29,578,781
Equipment	16,160,566	2,522,958	1,069,174	17,614,350
Infrastructure	90,420,386	6,798,739	-	97,219,125
<b>Total accumulated depreciation</b>	<b>135,006,732</b>	<b>10,474,698</b> <sup>*(1)</sup>	<b>1,069,174</b>	<b>144,412,256</b>
<b>Total capital assets, being depreciated, net</b>	<b>195,161,434</b>	<b>10,928,524</b>	<b>41,778</b>	<b>206,048,180</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 254,716,587</b>	<b>\$ 40,476,441</b>	<b>\$18,975,682</b>	<b>\$ 276,217,346</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,628,407	\$ -	\$ -	\$ 4,628,407
Construction in progress	27,361,433	24,725,808	8,916,615	43,170,626
<b>Total capital assets, not being depreciated</b>	<b>31,989,840</b>	<b>24,725,808</b>	<b>8,916,615</b>	<b>47,799,033</b>
<b>Capital assets, being depreciated:</b>				
Buildings	57,545,779	-	-	57,545,779
Equipment	44,042,341	1,645,572	919,216	44,768,697
Infrastructure	154,225,091	9,215,950	-	163,441,041
<b>Total capital assets, being depreciated</b>	<b>255,813,211</b>	<b>10,861,522</b>	<b>919,216</b>	<b>265,755,517</b>
<b>Less accumulated depreciation for:</b>				
Buildings	23,065,995	1,205,937	-	24,271,932
Equipment	21,596,262	2,914,271	731,192	23,779,341
Infrastructure	39,936,358	2,323,473	-	42,259,831
<b>Total accumulated depreciation</b>	<b>84,598,615</b>	<b>6,443,681</b> <sup>*(2)</sup>	<b>731,192</b>	<b>90,311,104</b>
<b>Total capital assets, being depreciated, net</b>	<b>171,214,596</b>	<b>4,417,841</b>	<b>188,024</b>	<b>175,444,413</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 203,204,436</b>	<b>\$ 29,143,649</b>	<b>\$ 9,104,639</b>	<b>\$ 223,243,446</b>

\* (1) Fully depreciated assets totaling \$85,553 were transferred from business-type activities to governmental activities.

\* (2) Fully depreciated assets totaling \$62,854 were transferred from governmental activities to business-type activities.

**CITY OF DULUTH, MINNESOTA**  
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**6. CAPITAL ASSETS (continued)**

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

<b>Governmental activities:</b>	
General government	\$ 2,011,472
Public safety	991,393
Public works, including depreciation of general infrastructure assets	6,438,456
Culture and recreation	879,385
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>68,439</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$10,389,145</u></b>
<b>Business-type activities:</b>	
Water	1,414,602
Gas	1,240,613
Sewer	1,335,739
Stormwater	452,149
Steam #1	1,008,522
Street Lighting	222,685
Parking	495,142
Golf	<u>211,375</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 6,380,827</u></b>

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land and land improvements	\$ 9,587,623	\$ 9,967	\$ 22,273	\$ 9,575,317
Construction in progress	12,386,714	15,311,361	10,204,851	17,493,224
<b>Total capital assets, not being depreciated</b>	<b><u>21,974,337</u></b>	<b><u>15,321,328</u></b>	<b><u>10,227,124</u></b>	<b><u>27,068,541</u></b>
<b>Capital assets, being depreciated:</b>				
Buildings	219,866,353	5,603,105	-	225,469,458
Equipment	57,730,032	6,120,007	2,916,006	60,934,033
Infrastructure	77,548,338	3,027,308	-	80,575,646
Other	401,533	322,855	-	724,388
<b>Total capital assets being depreciated</b>	<b><u>355,546,256</u></b>	<b><u>15,073,275</u></b>	<b><u>2,916,006</u></b>	<b><u>367,703,525</u></b>
<b>Less accumulated depreciation for:</b>				
Buildings	67,946,116	6,295,892	-	74,242,008
Equipment	37,611,035	3,962,131	2,896,982	38,676,184
Infrastructure	39,044,142	3,978,545	-	43,022,687
Other	312,553	37,134	-	349,687
<b>Total accumulated depreciation</b>	<b><u>144,913,846</u></b>	<b><u>14,273,702</u></b>	<b><u>2,896,982</u></b>	<b><u>156,290,566</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>210,632,410</u></b>	<b><u>799,573</u></b>	<b><u>19,024</u></b>	<b><u>211,412,959</u></b>
<b>Component unit capital assets, net</b>	<b><u>\$232,606,747</u></b>	<b><u>\$16,120,901</u></b>	<b><u>\$10,246,148</u></b>	<b><u>\$ 238,481,500</u></b>
<b>Depreciation expense was charged to component units as follows:</b>				
Duluth Airport Authority				\$ 5,595,951
Duluth Entertainment and Convention Center Authority				3,716,527
Duluth Transit Authority				3,359,087
Duluth Economic Development Association				994,801
Spirit Mountain Recreation Area Authority				<u>607,336</u>
<b>Total Depreciation expense - component units</b>				<b><u>\$ 14,273,702</u></b>

**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

**7. COMMITMENTS**

CONSTRUCTION COMMITMENTS

At December 31, 2011, the City had construction commitments of approximately \$14,564,911 for various projects and street improvements. The Duluth Airport Authority component unit had construction commitments of \$13,282,290 for airport improvements. Funding for these future expenditures or expenses will be available from federal and state grants, municipal state aid construction funds, tax levies, bond proceeds, and special assessments.

PURCHASE COMMITMENTS

At December 31, 2011, 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	\$ 181,336
Community Investment	211,086
Capital Improvement	2,377,217
Other Governmental Funds	2,637,790
Total	<u>\$ 5,407,429</u>

**8. 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 \$900,000 per single loss occurrence. At that point, the City is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the City for claims arising under Minnesota Statutes Ch. 176, in excess of the \$900,000 retention limit.

**CITY OF DULUTH, MINNESOTA  
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**8. 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 \$817,409 for various claims and cases which he considered reasonably possible losses to the City. Considerable prejudgment interest liability is not considered by the City Attorney in making his 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 2010 and 2011 were as follows:

	<u>Liability January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Less Claim Payments</u>	<u>Liability December 31</u>
2010	1,508,949	161,436	581,084	1,089,301
2011	1,089,301	810,840	435,418	1,464,723

The Group Health Fund, an internal service fund, was established for the payment of employee medical and dental claims. The City pays Dental Plan of Minnesota, Blue Cross Blue Shield of Minnesota, 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 Blue Cross Blue Shield of Minnesota. The stop-loss policy has an individual limit of \$400,000 and an aggregate limit of 125% of projected claims for the year. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. The estimated liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the balances of the Group Health Fund's liability during 2010 and 2011 were as follows:

	<u>Liability January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Less Claim Payments</u>	<u>Liability December 31</u>
2010	2,054,771	17,590,733	17,913,955	1,731,549
2011	1,731,549	19,931,731	19,668,340	1,994,940

**9. 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 2011:

**CITY OF DULUTH, MINNESOTA  
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**9. LEASE OBLIGATIONS (continued)**  
OPERATING LEASES (continued)

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Component Units</u>
Police Garage	\$ 15,356	-
Impound Lot	2,800	-
Parking Spaces	4,920	-
Land & Right-of-Way	23,666	52,220
Buildings	395,938	-
Equipment	533,904	5,523
<b>Total Expense</b>	<b>\$ 976,584</b>	<b>\$ 57,743</b>

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, 2011:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Component Units</u>
2012	\$ 33,211	\$ 52,220
2013	33,211	52,220
2014	33,212	52,220
2015	33,211	52,220
2016	33,211	52,220
2017-2021	166,057	104,444
2022-2026	81,780	-
2027-2031	81,780	-
2032-2036	5,000	-
2037-2041	5,000	-
2042-2046	5,000	-
2047-2051	5,000	-
2052-2056	5,000	-
2057-2061	4,000	-
<b>Total minimum payments required</b>	<b>\$ 524,673</b>	<b>\$ 365,544</b>

Component unit subleases of noncancelable operating leases provide for future minimum rentals to be received totaling \$365,544 at December 31, 2011.

CAPITAL LEASES

Capitalized leases for the City of Duluth and its component units at December 31, 2011, consist of the following capital assets shown at original cost as summarized below:

<u>Type of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Buildings	\$ 750,000	\$ -	\$ 1,534,313
Equipment	-	10,080,476	2,699,027
Total	750,000	10,080,476	4,233,340
Less: Accumulated amortization	(441,667)	(1,675,395)	(1,190,716)
<b>Total Expense</b>	<b>\$ 308,333</b>	<b>\$ 8,405,081</b>	<b>\$ 3,042,624</b>

**9. LEASE OBLIGATIONS (continued)**  
CAPITAL LEASES (continued)

Minimum future lease payments are:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
2012	\$ 24,484	\$ 957,476	\$ 537,179
2013	-	957,477	536,957
2014	-	957,476	416,803
2015	-	957,477	368,208
2016	-	831,659	243,620
2017-2021	-	4,158,303	1,066,037
2022-2026	-	2,079,150	793,616
Total minimum lease payments	<u>24,484</u>	<u>10,899,018</u>	<u>3,962,420</u>
Less: Imputed interest	<u>(597)</u>	<u>(2,226,685)</u>	<u>(785,284)</u>
<b>Present value of minimum lease</b>	<b><u>\$ 23,887</u></b>	<b><u>\$8,672,333</u></b>	<b><u>\$3,177,136</u></b>

**10. SHORT-TERM DEBT**

Short term debt activity for the year ended December 31, 2011, follows:

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/11</u>
Duluth Economic Development				
Loans payable	<u>\$ 380,102</u>	<u>\$ -</u>	<u>\$ 21,156</u>	<u>\$ 358,946</u>

Loans payable represent temporary financing obtained from the Duluth 1200 Fund for public costs associated with the Cirrus Design Corporation expansion project at Duluth International Airport. The loan is to be repaid with various grants pending from the State of Minnesota.

**CITY OF DULUTH, MINNESOTA**  
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**11. LONG-TERM DEBT**

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011, follows:

	Balance 01/01/11	Additions	Deletions	Balance 12/31/11	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 75,449,118	\$ 1,870,000	\$ 2,758,095	\$ 74,561,023	\$ 3,009,052
General Obligation - Tax Abatement	310,000	-	25,000	285,000	25,000
Lease Revenue Bonds	860,000	-	145,000	715,000	150,000
Special Assessment Debt with Government Commitment	36,010,882	-	6,441,905	29,568,977	4,600,949
General Obligation Certificates	8,920,000	3,095,000	1,740,000	10,275,000	2,250,000
<b>Add deferred amounts:</b>					
For Bond Premium	989,332	138,232	189,209	938,355	-
Public Facilities Authority Note	205,000	-	25,000	180,000	25,000
Greater Minnesota Housing Fund Note	200,000	-	200,000	-	-
Revenue Notes	2,966,000	-	60,000	2,906,000	65,000
Capital Leases Payable	69,927	-	46,040	23,887	23,887
Compensated Absences	3,480,503	2,851,361	2,785,405	3,546,459	2,871,843
Claims and Judgments	2,820,850	20,742,571	20,103,758	3,459,663	2,220,555
Net Other Post Employment Benefits Payable	23,484,491	3,409,513	-	26,894,004	-
<b>Total Governmental Activity Long-Term Liabilities</b>	<b>\$ 155,766,103</b>	<b>\$ 32,106,677</b>	<b>\$ 34,519,412</b>	<b>\$ 153,353,368</b>	<b>\$ 15,241,286</b>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 285,000	\$ -	\$ 140,000	\$ 145,000	\$ 145,000
Revenue and General Obligation Bonds	47,900,000	5,390,000	9,285,001	44,004,999	3,694,999
<b>Less deferred amounts:</b>					
For Issuance Discounts/Premiums	66,668	78,379	17,784	127,263	-
General Obligation Notes	10,765,910	11,539,085	1,743,363	20,561,632	1,935,826
Capital Leases Payable	8,725,136	578,737	631,540	8,672,333	631,172
Net Other Post Employment Benefits Payable	375,794	-	131,274	244,520	-
Compensated Absences	894,257	831,872	770,193	955,936	844,051
<b>Total Business-Type Activity Long-Term Liabilities</b>	<b>\$ 69,012,765</b>	<b>\$ 18,418,073</b>	<b>\$ 12,719,155</b>	<b>\$ 74,711,683</b>	<b>\$ 7,251,048</b>
<b>Component Unit Activities:</b>					
<b>Duluth Economic Development Authority</b>					
Tax Increment Revenue Bonds	\$ 90,000	-	\$ 45,000	\$ 45,000	\$ 45,000
Tax Increment Revenue Notes	105,000	-	55,000	50,000	50,000
<b>Duluth Entertainment and Convention Center Authority</b>					
<b>Bonds Payable</b>					
General Obligation Bonds	775,000	-	775,000	-	-
<b>Less deferred amounts:</b>					
For Issuance Discounts	(759)	759	-	-	-
On Refunding	(78,557)	78,557	-	-	-
Capital Leases	696,795	-	119,972	576,823	126,354
Compensated Absences	192,805	129,070	132,043	189,832	110,321
Net Other Post Employment Benefits Payable	533,889	43,810	-	577,699	-
<b>Duluth Transit Authority</b>					
Compensated Absences	541,977	532,686	541,977	532,686	532,686
<b>Duluth Airport Authority</b>					
Notes Payable	441,536	-	36,719	404,817	40,040
Loans Payable	268,889	-	26,667	242,222	26,667
Compensated Absences	75,511	91,831	75,511	91,831	91,831
Deferred Revenue	357,312	-	20,260	337,052	-
Net Other Post Employment Benefits Payable	562,511	200,009	97,381	665,139	-
<b>Spirit Mountain Recreation Authority</b>					
Revenue Bond Payable	620,104	-	199,295	420,809	208,364
Capital Leases	1,266,005	1,564,155	229,847	2,600,313	279,712
Compensated Absences	66,823	74,963	66,823	74,963	74,963
<b>Total Component Unit Activities Long-Term Liabilities</b>	<b>\$ 6,514,841</b>	<b>\$ 2,715,840</b>	<b>\$ 2,421,495</b>	<b>\$ 6,809,186</b>	<b>\$ 1,585,938</b>



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS

Governmental Activities Long-Term Debt

General Obligation Bonds and Certificate Covenants

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

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

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
2012	\$ 3,264,774	\$ 3,009,052	\$ 204,634	\$ 2,250,000	\$ 10,880	\$ 25,000
2013	3,178,234	3,663,265	157,623	2,510,000	9,980	25,000
2014	3,056,626	3,848,138	95,154	2,140,000	9,068	25,000
2015	2,941,935	3,090,568	50,091	1,625,000	8,130	25,000
2016	2,839,590	3,055,000	22,893	1,105,000	7,070	30,000
2017-2021	12,718,916	12,835,000	6,450	645,000	16,867	155,000
2022-2026	10,030,042	12,935,000	-	-	-	-
2027-2031	5,990,165	19,120,000	-	-	-	-
2032-2034	953,350	13,005,000	-	-	-	-
Total	<u>\$44,973,632</u>	<u>\$74,561,023</u>	<u>\$ 536,845</u>	<u>\$10,275,000</u>	<u>\$ 61,995</u>	<u>\$ 285,000</u>

Lease Revenue Bond

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

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

Year Ending December 31	Lease Revenue Bonds	
	Interest	Principal
2012	\$ 28,600	\$ 150,000
2013	22,600	150,000
2014	16,600	415,000
Total	<u>\$ 67,800</u>	<u>\$ 715,000</u>

United States Department of Housing and Urban Development Revenue Notes

During 2005, \$6,594,000 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 TIF, 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 follows:

Year Ending December 31	United States Dept. of Housing and Urban Development Revenue Notes	
	Interest	Principal
2012	\$ 164,849	\$ 65,000
2013	161,580	75,000
2014	157,792	80,000
2015	153,736	30,000
2016	152,209	5,000
2017-2021	754,634	60,000
2022-2026	587,341	2,591,000
Total	<u>\$ 2,132,141</u>	<u>\$ 2,906,000</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Special Assessment Bonds

The City has a contingent liability against its full faith and credit on \$29,568,977 of special assessment bonds. The general credit of the City is obligated only to the extent that collections from special assessments and parking revenues are insufficient to retire outstanding bonds.

General Obligation Public Facilities Authority Notes

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

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

Year Ending December 31	Special Assessment Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal
2012	\$ 1,041,636	\$ 4,600,949	\$ 1,800	\$ 25,000
2013	891,166	3,686,735	1,550	25,000
2014	754,250	3,836,862	1,300	25,000
2015	622,109	3,324,431	1,050	26,000
2016	508,982	2,750,000	790	26,000
2017-2021	1,191,914	10,100,000	530	53,000
2022-2026	64,240	1,270,000	270	-
Total	<u>\$ 5,074,297</u>	<u>\$ 29,568,977</u>	<u>\$ 7,290</u>	<u>\$ 180,000</u>

Other Debt

The capital leases are paid from the Fleet Services Internal Service Fund. They are not general obligations and are not backed by the City's full faith and credit.

Governmental activities compensated absences and net other post-employment 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 District #1, Sewer, and Stormwater operations is insufficient to retire their respective general obligation revenue bonds.

Revenue Bonds

Specific revenues from the Golf Enterprise Fund are pledged for the payment of these bonds, which are not backed by the full faith and credit of the City. The liability of the City is limited to the revenue pledged for the payment of the bonds.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Business-type Activities Long-Term Debt (continued)

General Obligation Public Facilities Authority Revenue Notes

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

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

Year Ending December 31	Revenue and General Obligation Bonds		Revenue Bonds		G.O. Revenue Notes Public Facilities Authority	
	Interest	Principal	Interest	Principal	Interest	Principal
2012	\$ 1,597,617	\$ 3,694,999	\$ 5,510	\$ 145,000	\$ 293,522	\$ 1,935,826
2013	1,514,843	4,210,000	-	-	344,610	2,098,880
2014	1,371,751	4,380,000	-	-	296,800	2,025,000
2015	1,222,504	4,530,000	-	-	266,779	2,025,570
2016	1,074,266	4,150,000	-	-	234,171	2,014,000
2017-2021	3,264,698	16,180,000	-	-	678,864	8,145,045
2022-2026	760,375	6,860,000	-	-	101,794	2,317,311
Total	<u>\$ 10,806,054</u>	<u>\$ 44,004,999</u>	<u>\$ 5,510</u>	<u>\$ 145,000</u>	<u>\$ 2,216,540</u>	<u>\$20,561,632</u>

Component Unit Long-Term Debt

Duluth Economic Development Authority

Tax Increment Revenue Bond and Notes

The DEDA tax increment revenue bonds and notes were issued to finance improvements pursuant to development agreements. The tax increment revenue bonds also include refunding issues. The bonds, notes and related interest are not a general obligation of the City and are payable solely from tax increment collections.

Annual debt service requirements to maturity for the tax increment revenue bonds and notes follow:

Year Ending December 31	Duluth Economic Development Tax Increment Revenue Bonds		Duluth Economic Development Tax Increment Revenue Notes	
	Interest	Principal	Interest	Principal
2012	<u>\$ 1,800</u>	<u>\$ 45,000</u>	<u>\$ 1,425</u>	<u>\$ 50,000</u>

Spirit Mountain Recreation Area Authority

Revenue Bonds

\$1,646,750 city of Duluth Gross Revenue Recreational Facility Bonds dated March 28, 2003, with interest at 4.50 percent, due in semi-annual installments June 1 and December 1 and mature December 1, 2012. The bonds are not general obligations of the City and are payable from Authority gross revenues. The City has pledged tourism taxes in the amount of \$225,000 per year as part of the gross revenues of the project.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

DEBT REQUIREMENTS AND SOURCES OF REPAYMENTS (continued)

Component Unit Long-Term Debt (continued)

The annual requirements to service the debt follow:

Year Ending April 30	Spirit Mountain Gross Revenue Bond	
	Interest	Principal
2012	\$ 16,636	\$ 208,364
2013	7,154	212,445
Total	<u>\$ 23,790</u>	<u>\$ 420,809</u>

Duluth Airport Authority

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 \$404,817; 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 percent.

The annual requirements to service the debt follow:

Year Ending December 31	Airport Facility Revenue Note	
	Interest	Principal
2012	\$ 34,960	\$ 40,040
2013	31,338	43,662
2014	27,388	47,612
2015	23,081	51,919
2016	18,385	56,615
2017-2021	22,531	164,969
Total	<u>\$ 157,683</u>	<u>\$ 404,817</u>

The Authority obtained a loan from the Minnesota Investment Fund (MIF). Proceeds from the loan have been used to remedy soil conditions on Duluth Airport Authority property. The Duluth Airport 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.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**11 LONG-TERM DEBT (continued)**

DEBT LIMIT

SCHEDULE OF BONDED INDEBTEDNESS  
December 31, 2011

	Issue Date	Amount Outstanding	Total
Governmental Activities:			
General Obligation Bonds Payable -			
Bayfront Festival Park	12-01-03	60,000	
G. O. Improvement	03-01-04	290,000	
Airpark Improvement	09-01-04	640,000	
Capital Improvement	06-01-05	615,000	
Lake Superior Center Refunding	12-19-05	1,060,000	
Zoo Refunding Issue	12-19-05	245,000	
Capital Improvement	09-07-06	540,000	
Capital Improvement	12-13-07	870,000	
Duluth Entertainment & Convention Center Authority Refunding	12-13-07	2,010,000	
Duluth Entertainment & Convention Center Authority Improvement	08-07-08	40,515,000	
Aerial Lift Bridge Improvement	08-07-08	1,220,000	
Capital Improvement	12-09-08	1,295,000	
Capital Improvement	12-17-09	6,945,000	
Capital Improvement - Law Enforcement Center	12-17-09	11,905,000	
West Michigan Street Improvements Refunding	12-17-09	456,023	
Capital Improvement	11-23-10	2,175,000	
Airport Improvement Refunding	11-23-10	1,850,000	
Capital Improvement	11-29-11	1,870,000	
Total General Obligation Bonds Payable		<u>1,870,000</u>	<u>\$ 74,561,023</u>
General Obligation Tax Abatement			
Lake Walk Homes Tax Abatement Bonds	10-01-05	285,000	285,000
Revenue Bonds Payable -			
Lease Revenue Bond	02-07-07	715,000	715,000
Special Assessment Debt with			
Government Commitment	19 issues	29,568,977	29,568,977
General Long-Term Debt Certificates Payable:			
General Obligation Certificates Payable -	6 issues	10,275,000	10,275,000
Total Governmental Activities Debt			<u>\$ 115,405,000</u>
Business-type Activities Debt:			
Revenue Bonds Payable:			
Golf Fund	1 issue	145,000	\$ 145,000
Revenue and General Obligation Bonds Payable:			
Parking Fund	3 issues	12,375,000	
Water Fund	4 issues	3,315,000	
Gas Fund	3 issues	6,540,814	
Steam District #1	4 issues	6,145,000	
Sewer Fund	10 issues	13,524,185	
Stormwater Fund	2 issues	2,105,000	
Total Revenue and General Obligation Bonds Payable		<u>44,004,999</u>	
Total Business-type Activities Debt			<u>\$ 44,149,999</u>
Total Bonds Payable			<u>\$ 159,554,999</u>
Deductions Allowable:			
Airport Improvement Refunding	11-23-10	1,850,000	
Airpark Improvement	09-01-04	640,000	
Duluth Entertainment & Convention Center Authority Improvement	08-07-08	40,515,000	
Lake Walk Homes Tax Abatement Bonds	10-01-05	285,000	
Lease Revenue Bond	05-01-95	715,000	
Special Assessment		29,568,977	
Golf Fund		145,000	
Parking Fund		12,375,000	
Water Fund		3,315,000	
Gas Fund		6,540,814	
Steam District #1		6,145,000	
Sewer Fund		13,524,185	
Stormwater Fund		2,105,000	
Total Deductions Allowable		<u>117,723,976</u>	<u>\$ 117,723,976</u>
Net Debt			<u>\$ 41,831,023</u>
Legal Debt Margin for Duluth			
Taxable Market Value (\$ 5,557,887,100 X 2%)			<u>\$ 111,157,742</u>
<u>Overlapping Debt to Duluth</u>			
Unit	General Obligation Debt	Percent Chargeable to City	Amount Chargeable to City
Independent School District 709	\$ 66,960,000	88.3%	\$ 59,125,680
Independent School District 704	22,220,000	6.2%	1,377,640
St. Louis County	36,550,000	36.0%	13,158,000
			<u>\$ 73,661,320</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

REFUNDING BOND ISSUES

**Current Refunding Bonds**

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

In 2011, the City issued \$3,125,000 General Obligation Gas Utility Revenue Refunding Bonds with the obligation to be paid by net revenues derived from operation of the City gas utility. The transaction resulted in a net present value savings of \$227,885 and a reduction in future debt service payments of \$244,158.

All current refunded debt is fully defeased.

The following refunded bonds are scheduled to be recalled on February 2, 1012:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2003 G	12/01/03	General Obligation Gas Utility Revenue Bonds	\$ 3,700,000

All other current refunded bonds have been paid in full.

**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.

In 2011, the City issued \$2,265,000 General Obligation Sewer Utility Revenue Refunding Bonds with the obligation to be paid by net revenues derived from operation of the City sewer utility. The transaction resulted in a net present value savings of \$76,275 and a reduction in future debt service payments of \$82,074.

The following refunded bonds are scheduled to be recalled on February 1, 2012, related to a prior year advance refunding:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2003 H	12/01/03	General Obligation Improvement Bonds	\$ 1,220,000

The following refunded bonds are scheduled to be recalled on February 1, 2013, related to the current year advance refunding:

<u>Series</u>	<u>Date</u>	<u>Issue</u>	<u>Balance</u>
2004 D	9/01/04	General Obligation Sewer Utility Revenue bonds	\$ 2,170,000

All other advance refunded bonds have been paid in full.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

REFUNDING BOND ISSUES (continued)

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

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Balance</u>
Governmental Activities:			
Current Refunding Bonds:			
Zoo General Obligation	12-19-05	\$ 1,485,000	\$ 245,000
Street Improvement	12-19-05	2,820,000	520,000
Street Improvement	12-19-06	2,395,000	525,000
Street Improvement	12-19-06	3,445,000	1,605,000
Art Space Refunding Bond	02-07-07	1,380,000	715,000
Duluth Entertainment and Convention Center Authority Parking	12-13-07	3,760,000	2,010,000
Street Improvement	12-09-08	3,055,000	2,105,000
West Michigan Street	12-17-09	589,118	456,023
General Obligation Improvement	12-17-09	397,780	307,912
General Obligation Improvement	12-17-09	506,415	413,082
General Obligation Improvement	12-17-09	656,687	552,983
Airport Improvement	11-23-10	1,850,000	1,850,000
General Obligation Improvement	11-23-10	1,205,000	1,205,000
Advance Refunding Bonds:			
Lake Superior Center General Obligation	12-19-05	1,765,000	1,060,000
Street Improvement	12-19-06	3,190,000	1,900,000
General Obligation Improvement	11-23-10	1,135,000	1,135,000
Total Governmental Activities		<u>\$ 29,635,000</u>	<u>\$ 16,605,000</u>
Business-type Activities:			
Current Refunding Bonds:			
Golf Course	12-04-04	\$ 1,040,000	\$ 145,000
Water Utility Revenue and G.O.	12-13-07	950,000	630,000
Sewer Utility Revenue and G.O.	12-13-07	1,325,000	825,000
Parking Improvements	12-09-08	1,965,000	1,355,000
Gas Utility Revenue and G.O.	12-17-09	2,846,814	2,470,814
Sewer Utility Revenue and G.O.	12-17-09	713,186	619,185
Water Utility Revenue and G.O.	11-23-10	1,625,000	1,625,000
Sewer Utility Revenue and G.O.	11-23-10	2,025,000	2,025,000
Stormwater Utility Revenue and G.O.	11-23-10	755,000	755,000
Gas Utility Revenue and G.O.	11-29-11	3,125,000	3,125,000
Advance Refunding Bonds:			
Sewer Utility Revenue and G.O.	11-29-11	2,265,000	2,265,000
Total Business-type Activities		<u>\$ 18,635,000</u>	<u>\$ 15,839,999</u>
		Total	<u>\$ 32,444,999</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

BONDS, CERTIFICATES AND NOTES PAYABLE - BY ISSUE

Bonds, certificates and notes payable at December 31, 2011, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
<b>BONDS AND CERTIFICATES BY ISSUE</b>					
Governmental Activities:					
General Obligation Bonds Payable -					
General Obligation					
Bayfront Festival Park Improvement	2.00 to 3.60%	02/01; 08/01	12-01-03	425,000	60,000
Capital Improvement	2.00 to 3.40%	02/01; 08/01	03-01-04	800,000	290,000
Airpark Improvement	2.00 to 4.20%	02/01; 08/01	09-01-04	945,000	640,000
Capital Improvement	2.80 to 3.70%	02/01; 08/01	06-01-05	1,255,000	615,000
Lake Superior Center Refunding	3.25 to 4.00%	02/01; 08/01	12-19-05	1,765,000	1,060,000
Zoo Refunding Issue	3.20 to 4.00%	02/01; 08/01	12-19-05	1,485,000	245,000
Capital Improvement	4.00%	02/01; 08/01	09-07-06	895,000	540,000
Capital Improvement	4.00%	02/01; 08/01	12-13-07	1,240,000	870,000
Duluth Entertainment & Convention Center Author. Refunding	4.00%	02/01; 08/01	12-13-07	3,760,000	2,010,000
Duluth Entertainment & Convention Center Author. Improvement	4.00 to 5.00%	02/01; 08/01	08-07-08	40,635,000	40,515,000
Aerial Lift Bridge Improvement	3.00 to 4.30%	02/01; 08/01	08-07-08	1,475,000	1,220,000
Capital Improvement	3.00 to 4.25%	02/01; 08/01	12-09-08	1,600,000	1,295,000
Capital Improvement	2.50 to 4.00%	02/01; 08/01	12-17-09	7,085,000	6,945,000
Capital Improvement - Law Enforcement Center	5.00 to 6.00%	02/01; 08/01	12-17-09	11,905,000	11,905,000
West Michigan Street Improvements Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	589,118	456,023
Capital Improvement	2.00 to 3.00%	02/01; 08/01	11-23-10	2,175,000	2,175,000
Airport Improvement Refunding	0.75 to 2.45%	02/01; 08/01	11-23-10	1,850,000	1,850,000
Capital Improvement	3.00%	02/01; 08/01	11-29-11	1,870,000	1,870,000
Total General Obligation				<u>\$ 81,754,118</u>	<u>\$ 74,561,023</u>
General Obligation -Tax Abatement					
Lake Walk Homes Tax Abatement Bonds	3.60 to 4.30 %	02/01; 08/01	10-01-05	\$ 310,000	\$ 285,000
Total General Obligation Bonds Payable				<u>\$ 82,064,118</u>	<u>\$ 74,846,023</u>
Revenue Bonds Payable -					
Lease Revenue Bonds Payable -					
Artspace Community Center Refunding	4.00%	02/01; 08/01	02-07-07	\$ 1,380,000	\$ 715,000
Special Assessment Debt with Government Commitment -					
Street Improvement	2.00 to 4.50%	02/01; 08/01	09-01-03	5,035,000	3,030,000
General Obligation Improvement	2.50 to 4.20%	02/01; 08/01	12-01-03	2,010,000	130,000
Street Improvement	2.25 to 4.63%	02/01; 08/01	09-01-04	4,785,000	3,200,000
General Obligation Improvement	3.50 to 4.00%	02/01; 08/01	06-01-05	2,275,000	1,610,000
Street Improvement	3.50 to 4.25%	02/01; 08/01	10-01-05	4,260,000	3,120,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-05	2,820,000	520,000
General Obligation Improvement	4.00%	02/01; 08/01	09-07-06	1,985,000	1,535,000
Street Improvement	4.00%	02/01; 08/01	09-07-06	3,355,000	2,670,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	2,395,000	525,000
Street Improvement Refunding	3.75 to 4.00%	02/01; 08/01	12-19-06	3,445,000	1,605,000
Street Improvement Refunding	4.00%	02/01; 08/01	12-19-06	3,190,000	1,900,000
Street Improvement	3.75 to 4.25%	02/01; 08/01	12-13-07	2,285,000	1,935,000
Street Improvement	4.00 to 4.75%	02/01; 08/01	08-07-08	2,320,000	2,070,000
Street Improvement Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	3,055,000	2,105,000
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	397,780	307,912
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	506,415	413,082
General Obligation Improvement Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	656,687	552,983
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	1,205,000	1,205,000
General Obligation Improvement Refunding	2.25 to 2.40%	02/01; 08/01	11-23-10	1,135,000	1,135,000
Total Special Assessment Debt with Government Commitment				<u>\$ 47,115,882</u>	<u>\$ 29,568,977</u>
General Obligation Certificates Payable -					
Equipment	3.63%	06/19; 12/19	12-19-06	1,785,000	385,000
Equipment	4.25 to 5.00%	02/01; 08/01	12-13-07	1,985,000	840,000
Equipment	3.50 to 4.00%	02/01; 08/01	12-09-08	2,515,000	1,575,000
Equipment	2.00 to 3.00%	02/01; 08/01	12-17-09	2,570,000	2,085,000
Equipment	0.60 to 1.55%	02/01; 08/01	11-23-10	2,295,000	2,295,000
Equipment	2.00%	02/01; 08/01	11-29-11	3,095,000	3,095,000
Total General Obligation Certificates Payable				<u>\$ 14,245,000</u>	<u>\$ 10,275,000</u>
Total Governmental Activities Bonds and Certificates Payable				<u>\$ 144,805,000</u>	<u>\$ 115,405,000</u>



**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

BONDS, CERTIFICATES AND NOTES PAYABLE - BY ISSUE (continued)

Bonds, certificates and notes payable at December 31, 2011, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>	
Business-type Activities:						
Revenue Bonds Payable -						
Golf Fund -						
Revenue Recreation Facility Refunding	2.00 to 3.80%	06/01; 12/01	12-04-04	12-01-12	\$ 1,040,000	\$ 145,000
Revenue and General Obligation Bonds Payable -						
Parking Fund -						
Medical District Tax Increment	5.25 to 5.50%	02/01; 08/01	12-16-05	02-01-26	\$ 12,785,000	\$ 11,020,000
Technology Village Parking Ramp Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	1,814,485	1,251,392
Parking Improvement Tax Increment Refunding	3.50 to 4.00%	02/01; 08/01	12-09-08	02-01-15	150,515	103,608
Total Parking Fund					<u>\$ 14,750,000</u>	<u>\$ 12,375,000</u>
Water Fund -						
Water Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	\$ 1,120,000	\$ 885,000
Water Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16	950,000	630,000
Water Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	196,000	175,000
Water Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18	1,625,000	1,625,000
Total Water Fund					<u>\$ 3,891,000</u>	<u>\$ 3,315,000</u>
Gas Fund -						
Gas Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	\$ 1,190,000	\$ 945,000
Gas Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17	2,846,814	2,470,814
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	3,125,000
Total Gas Fund					<u>\$ 7,161,814</u>	<u>\$ 6,540,814</u>
Steam District # 1 Fund -						
Steam Utility Revenue and General Obligation	4.30 to 4.50%	02/01; 08/01	02-01-02	02-01-12	\$ 345,000	\$ 45,000
Steam Utility Revenue and General Obligation	2.25 to 4.75%	02/01; 08/01	09-01-03	02-01-23	2,250,000	1,640,000
Steam Utility Revenue and General Obligation	2.80 to 4.15%	02/01; 08/01	06-01-05	02-01-20	1,250,000	880,000
Steam Utility Revenue and General Obligation	4.00 to 4.13%	02/01; 08/01	12-19-06	02-01-22	4,525,000	3,580,000
Total Steam District # 1 Fund					<u>\$ 8,370,000</u>	<u>\$ 6,145,000</u>
Sewer Fund -						
Sewer Utility Revenue and General Obligation	3.00 to 4.20%	02/01; 08/01	12-01-04	02-01-20	\$ 4,045,000	\$ 520,000
Sewer Utility Revenue and General Obligation	3.50 to 4.30%	02/01; 08/01	12-19-05	02-01-21	3,515,000	2,580,000
Sewer Utility Revenue and General Obligation	3.63 to 4.20%	02/01; 08/01	12-19-06	02-01-22	945,000	745,000
Sewer Utility Revenue and General Obligation	3.75 to 4.25%	02/01; 08/01	12-13-07	02-01-23	2,120,000	1,795,000
Sewer Utility Revenue and General Obligation Refunding	4.00%	02/01; 08/01	12-13-07	02-01-16	1,325,000	825,000
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	02-19-09	02-01-24	1,444,000	1,290,000
Sewer Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	12-17-09	02-01-17	713,186	619,185
Sewer Utility Revenue and General Obligation	2.00 to 4.00%	02/01; 08/01	12-17-09	02-01-25	905,000	860,000
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	2,025,000
Sewer Utility Revenue and General Obligation Refunding	1.00 to 3.00%	02/01; 08/01	11-29-11	02-01-20	2,265,000	2,265,000
Total Sewer Fund					<u>\$ 19,302,186</u>	<u>\$ 13,524,185</u>
Stormwater Fund -						
Stormwater Utility Revenue and General Obligation	4.00%	02/01; 08/01	09-07-06	02-01-22	\$ 1,705,000	\$ 1,350,000
Stormwater Utility Revenue and General Obligation Refunding	2.00 to 3.00%	02/01; 08/01	11-23-10	02-01-18	755,000	755,000
Total Stormwater Fund					<u>\$ 2,460,000</u>	<u>\$ 2,105,000</u>
Total Revenue and General Obligation Bonds Payable					<u>\$ 55,935,000</u>	<u>\$ 44,004,999</u>
Total Business-type Activities Bonds Payable					<u>\$ 56,975,000</u>	<u>\$ 44,149,999</u>
Component Units:						
Duluth Economic Development Authority						
Revenue Bonds Payable -						
Tax Increment Revenue Bonds Payable -						
Cirrus Tax Increment Revenue	7.00 to 8.00%	02/01; 08/01	03-01-94	02-01-12	\$ 645,000	\$ 45,000
Spirit Mountain Recreation Area						
Revenue Bonds Payable -						
Spirit Mountain Recreation Area	4.50 to 4.50%	06/01; 12/01	03-31-03	12-01-12	\$ 1,646,750	\$ 420,809
Total Component Units Bonds Payable					<u>\$ 2,291,750</u>	<u>\$ 465,809</u>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

BONDS, CERTIFICATES AND NOTES PAYABLE - BY ISSUE (continued)

Bonds, certificates and notes payable at December 31, 2011, are comprised of the following individual issues:

	<u>Interest Rate and Dates</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>	
<b>NOTES PAYABLE BY ISSUE</b>						
Governmental Activities:						
General Obligation						
Public Facilities Authority Note	1.00%	02/20; 08/20	07-24-02	08-20-18	\$ 364,195	\$ 180,000
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	\$ 2,906,000
Total Governmental Activities				\$ 8,240,195	\$ 3,086,000	
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	\$ 458,320
Public Facilities Authority Note	2.530%	02/20; 08/20	07-23-04	08-20-18	1,971,532	1,027,000
Public Facilities Authority Note (Note 1)	1.077%	02/20; 08/20	10-28-09	08-20-19	1,698,450	1,344,363
Public Facilities Authority Note (Note 2)	1.258%	02/20; 08/20	07-28-10	08-20-25	1,371,653	1,102,705
Public Facilities Authority Note (Note 3)	1.076%	02/20; 08/20	12-07-10	08-20-25	3,534,265	2,577,433
Public Facilities Authority Note (Note 4)	1.221%	02/20; 08/20	11-18-11	08-20-26	1,605,655	119,535
Total Water Fund				\$ 11,051,555	\$ 6,629,356	
Sewer Fund -						
Public Facilities Authority Note	2.819%	02/20; 08/20	08-25-03	08-20-18	\$ 100,000	\$ 52,681
Public Facilities Authority Note	1.340%	02/20; 08/20	10-17-03	08-20-18	1,179,115	626,000
Public Facilities Authority Note	1.150%	02/20; 08/20	07-12-07	08-20-22	1,973,033	1,629,000
Public Facilities Authority Note (Note 5)	1.969%	02/20; 08/20	08-20-09	08-20-24	796,835	574,726
Public Facilities Authority Note	2.017%	02/20; 08/20	11-25-09	08-20-24	2,414,150	2,239,000
Public Facilities Authority Note (Note 6)	1.258%	02/20; 08/20	07-28-10	08-20-25	3,753,059	1,510,682
Public Facilities Authority Note (Note 7)	1.258%	02/20; 08/20	07-28-10	08-20-25	9,087,385	7,110,446
Public Facilities Authority Note (Note 8)	1.000%	02/20; 08/20	11-18-11	08-20-21	354,551	108,000
Public Facilities Authority Note (Note 9)	1.000%	02/20; 08/20	11-30-11	08-20-21	282,620	81,741
Total Sewer Fund				\$ 19,940,748	\$ 13,932,276	
Total Business-type Activities				\$ 30,992,303	\$ 20,561,632	
Component Units:						
Duluth Economic Development Authority						
Tax Increment Revenue						
Fremont Tax Increment Limited Revenue	5.70%	02/01; 08/01	07-01-97	02-01-12	\$ 650,000	\$ 50,000
Duluth Airport Authority						
Revenue Note	8.85%	06/01; 12/01	11-01-05	06-01-19	497,379	404,817
Total Component Unit Notes				\$ 1,147,379	\$ 454,817	

Note 1: Only \$ 1,668,813 has been drawn on the Public Facilities Authority Note dated 10/28/2009.

Note 2: Only \$ 1,185,358 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 3: Only \$ 2,682,698 has been drawn on the Public Facilities Authority Note dated 12/7/2010.

Note 4: Only \$ 119,535 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 5: Only \$ 653,561 has been drawn on the Public Facilities Authority Note dated 8/20/2009.

Note 6: Only \$ 1,736,741 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 7: Only \$ 7,657,832 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 8: Only \$ 108,000 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 9: Only \$ 81,741 has been drawn on the Public Facilities Authority Note dated 11/30/2011.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**12. 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, 2011, are as follows:

	General Fund	Community Investment	Capital Improvements	Other Governmental Funds	Total Fund Balance
Fund Balances:					
Nonspendable:					
Escrow Funds	\$ 138,012	\$ -	\$ -	\$ -	\$ 138,012
Spendable:					
Restricted for:					
Forfeitures	120,766	-	-	12,161	132,927
Capital Projects	-	-	8,053,215	4,681,252	12,734,467
Community Development	-	-	-	866,306	866,306
Employment Programs	-	-	-	466,175	466,175
Parks and Recreation Programs	-	-	-	11,726	11,726
Public Access Television	-	-	-	278,766	278,766
Public Safety Programs	-	-	-	49,246	49,246
Economic Development Programs	-	-	-	869,299	869,299
Library	-	-	-	719,567	719,567
Energy Program	-	-	-	242,803	242,803
Tourism Programs	-	-	-	2,104,158	2,104,158
Debt Service	-	-	-	18,446,897	18,446,897
Committed for:					
Parks and Recreation Programs	-	-	-	104,464	104,464
Public Safety Programs	-	-	-	40,257	40,257
Assigned to:					
General Government	181,336	-	-	-	181,336
Public Safety Programs	25,353	-	-	3,270	28,623
Community Investment	-	25,201,315	-	-	25,201,315
Parks and Recreation Programs	-	-	-	174,199	174,199
Debt Service	-	-	-	183,023	183,023
Capital Projects	126,308	-	-	2,421,260	2,547,568
Unassigned	7,664,417	-	-	(255,786)	7,408,631
Total Fund Balances	<u>\$8,256,192</u>	<u>\$25,201,315</u>	<u>\$8,053,215</u>	<u>\$31,419,043</u>	<u>\$72,929,765</u>

CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**13. INTERFUND ASSETS/LIABILITIES/TRANSFERS**

DUE TO/FROM OTHER FUNDS

Due To/From Other Funds results from the time lag between the dates interfund goods or services are provided or reimbursable expenditures occur and when the payment between funds is made. Balances at December 31, 2011, are:

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 257,842
	Nonmajor Enterprise Funds	19,073
	Internal Service Funds	310,904
Parking Enterprise	General	85,335
	Nonmajor Enterprise Funds	903
Water Enterprise	Nonmajor Governmental Funds	150,993
	Internal Service Funds	24,803
Gas Enterprise	Nonmajor Governmental Funds	36,746
	Internal Service Funds	24,753
Sewer Enterprise	General	399
	Nonmajor Governmental Funds	354,415
	Internal Service Funds	15,051
Nonmajor Governmental Funds	General	112,212
	Water Enterprise	7,149
	Gas Enterprise	3,099
	Sewer Enterprise	1,630
	Nonmajor Governmental Funds	469,966
	Nonmajor Enterprise Funds	164,224
	Internal Service Funds	1,038
Nonmajor Enterprise Funds	General	61,203
	Nonmajor Governmental Funds	144,773
	Internal Service Funds	18,184
Internal Service Funds	General	606
	Water Enterprise	7,366
	Gas Enterprise	17,187
	Sewer Enterprise	5,110
	Nonmajor Governmental Funds	8,329
	Total	<u>\$ 2,303,293</u>
Due from other funds, reported in	Balance Sheet - Governmental Funds	\$ 1,682,819
	Statement of Net Assets - Proprietary Funds:	
	Business-type Activities - Enterprise Funds	225,741
	Governmental Activities - Internal Service Funds	394,733
Total	<u>\$ 2,303,293</u>	

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**13. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)**

DUE TO/FROM PRIMARY GOVERNMENT/COMPONENT UNITS

Due To/From primary government and component unit results from the time lag between the date goods or services are provided and when payment is made. Balances as shown below are reported on the Government-wide Statement of Net Assets. Balances are at December 31, 2011, with the exception of the Spirit Mountain Recreation Authority, whose fiscal year ended April 30, 2011.

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government: General Fund	Component Unit: Duluth Transit Authority Duluth Entertainment and Convention Center Authority Spirit Mountain Recreation Area Authority Duluth Airport Authority Duluth Economic Development Authority	\$ 5,500   7,334 10,000 625,079 8,507
Nonmajor Governmental Funds	Duluth Entertainment and Convention Center Authority Duluth Economic Development Authority	455,146 636,239
Nonmajor Enterprise Funds	Duluth Economic Development Authority	2,613
Internal Service Funds	Spirit Mountain Recreation Area Authority Duluth Airport Authority	8 <u>10,535</u>
Total Due from Component Units		<u>\$ 1,760,961</u>
Due to Primary Government: Total Due to Primary Government		\$ 1,885,360
Deduct Spirit Mountain Recreation Area Authority balance at April 30, 2011		(134,407)
Add Spirit Mountain Recreation Area Authority balance at December 31, 2011		<u>10,008</u>
Total Due from Primary Government		<u>\$ 1,760,961</u>
Component Unit: Duluth Entertainment and Convention Center Authority	Primary Government: General Fund Nonmajor Governmental Funds	\$ 6,154 \$ 127,426
Duluth Airport Authority	Nonmajor Governmental Funds	1,403
Duluth Economic Development Authority	Nonmajor Governmental Funds	<u>131,607</u>
Total Due from Primary Government		<u>\$ 266,590</u>
Total Due to Component Units		\$ 271,296
Add Spirit Mountain Recreation Area Authority balance at April 30, 2011		-
Deduct Spirit Mountain Recreation Area Authority balance at December 31, 2011		<u>(4,706)</u>
Total Due to Component Units		<u>\$ 266,590</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**13. INTERFUND ASSETS/LIABILITIES/TRANSFERS (continued)**

INTERFUND LOAN RECEIVABLES/PAYABLES

These balances are a result of temporary interfund financing at year-end. Balances at December 31, 2011, are:

<u>Receivable Fund</u>	<u>Amount</u>
General	\$ 1,877,485
Gas Enterprise	664,867
Total	<u>\$ 2,542,352</u>
<u>Payable Fund</u>	
Water Enterprise	\$ 664,867
Nonmajor Governmental Funds	365,695
Nonmajor Enterprise Funds	1,003,616
Internal Service Funds	508,174
Total	<u>\$ 2,542,352</u>

INTERFUND TRANSFERS

The City reports transfers between many of its funds to move revenues from the fund in which they are collected to the fund required to expend them, including: payments in lieu of taxes, debt service payments, participation in projects, reimbursement of expenditures and revenue recognition for investment earnings in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interfund transfers for the year ended December 31, 2011, are as follows:

<u>Transfer to, reported in fund:</u>	<u>Transfer from, reported in fund:</u>	<u>Amount</u>
General	Community Investment Trust	\$ 881,189
	Parking Enterprise	1,529,813
	Water Enterprise	347,809
	Gas Enterprise	2,981,096
	Sewer Enterprise	99,568
	Nonmajor Governmental Funds	1,986,737
	Nonmajor Enterprise Funds	745,295
	Internal Service Funds	190,596
Capital Improvements	General	143,505
	Nonmajor Governmental Funds	412,226
Parking Enterprise	Nonmajor Governmental Funds	399,100
Nonmajor Governmental Funds	General	250,000
	Community Investment Trust	8,860,348
	Capital Improvements	4,167
	Gas Enterprise	75,000
	Nonmajor Governmental Funds	5,449,671
	Total	<u>\$ 24,356,120</u>
Transfers out, reported in	Statement of Revenues, Expenditures, and Changes in Fund Balance:	
	Governmental Funds	\$ 18,386,943
	Statement of Revenues, Expenses, and Changes in Fund Net Assets:	
	Business-type Activities - Enterprise Funds	5,778,581
	Governmental Activities - Internal Service Funds	190,596
	Total	<u>\$ 24,356,120</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**14. PENSION PLANS**

**PLAN DESCRIPTION**

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

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

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

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

Two methods are used to compute benefits for the 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 year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2% of average salary for each of the first ten years and 1.7% for each successive year. Using 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 the 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 whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the web at [mnpera.org](http://mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, Saint 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, 2011**

**14. PENSION PLANS (continued)**

FUNDING POLICY

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Statutory contribution rates of annual covered payroll for the plans are:

	<u>2011 Statutory Rates</u>	
	<u>Employees</u>	<u>Employer</u>
General Employees Retirement Fund		
Basic Members	9.10%	11.78%
Coordinated Members	6.25%	7.25%
Public Employees Police and Fire Fund	9.60%	14.40%

The City's contributions for the years ending December 31, 2011, 2010 and 2009 for the General Employees Retirement Fund and Public Employees Police and Fire Fund were: (Dollar amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 2,316	\$ 2,149	\$ 2,008
Public Employees Police and Fire Fund	\$ 2,824	\$ 2,764	\$ 6,539
Totals	<u>\$ 5,140</u>	<u>\$ 4,913</u>	<u>\$ 8,547</u>

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

**DEFINED CONTRIBUTION PLAN**

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of the employer contributions and 0.25 percent of the assets in each member account annually.



**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

**14. PENSION PLANS (continued)**

DEFINED CONTRIBUTION PLAN (continued)

Total contributions by dollar amount and percentage of covered payroll made by the City during the year ended December 31, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,399	\$ 5,399
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.0 percent.

**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 2011 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 2011 annual report.

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**15. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

PLAN DESCRIPTION

The City of Duluth provides post-employment 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 of Duluth's Joint Powers Enterprise Trust self-insurance plan. The plan is accounted for in the Group Health Internal Service Fund. 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 Statute § 471.617.

As of December 31, 2011, there were 909 retirees receiving health benefits from the City's health plan and 836 active employees covered under the plan.

FUNDING POLICY

The City of Duluth 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, 2011, the City contributed \$7,916,536 and retirees contributed \$74,223.

In July 2007, the City established an OPEB irrevocable trust and began prefunding a portion of the OPEB liability. Contributions of \$2,178,463 were made to the irrevocable trust in 2011.

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. The 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 2011, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 15,345,228
Interest on Net OPEB obligation	1,342,439
Adjustment to ARC	<u>(1,656,436)</u>
Annual OPEB Cost	15,031,231
Claims paid on behalf of retirees	(9,652,011)
Contributions to irrevocable trust	<u>(2,178,463)</u>
Increase in Net OPEB obligation	3,200,757
Net OPEB, January 1	23,551,568
Net OPEB, December 31	<u><u>\$ 26,752,325</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2009, 2010 and 2011 were as follows:

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**15. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**  
ANNUAL OPEB COST AND NET OPEB OBLIGATION (continued)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	17,474,172	13,488,168	77.19%	16,196,425
December 31, 2010	17,399,118	10,043,975	57.73%	23,551,568
December 31, 2011	15,031,231	11,831,310	78.71%	26,752,325

FUNDING STATUS AND FUNDING PROGRESS

As of June 1, 2011, the most recent actuarial valuation date, the plan was 12.63% funded. The actuarial accrued liability for benefits was \$219,748,555, and the actuarial value of assets was \$27,753,929 resulting in an unfunded actuarial accrued liability (UAAL) of \$191,994,626. The covered payroll (annual payroll of active employees covered by the plan) was \$39,716,268. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 483.42%.

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 assets, consistent with the long-term perspective of the calculations.

In the June 1, 2011, 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 5.70% 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. The annual healthcare cost trend rate is 10% initially, reduced incrementally to an ultimate rate of 5% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year open amortization period.

TRUST FUND

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

The financial statements are prepared using the accrual basis of 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 of Duluth provided a defined contribution post employment benefit in the form of a minimum 1% contribution of each full-time, permanent, active employee's salary into a post employment health care savings account known as the Minnesota Health Care Savings Plan administered by the Minnesota State Retirement System. An additional lump sum deposit of up to \$12,000 per employee will be made depending on the union contract and the date of hire.

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**16. SEGMENT INFORMATION**

The City has issued revenue bonds for each of the following non-major enterprise funds; Steam District #1, the plant which generates and distributes steam to users in the downtown area; Stormwater Utility, which operates the stormwater sewer collection system; and the Golf Fund, which operates the city's two municipal 27-hole golf courses. Summary financial information for each of these funds for fiscal year ending December 31, 2011, is presented below:

	Stormwater	Steam District #1	Golf
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Current assets	\$ 2,393,346	\$ 3,493,355	\$ 149,078
Due from other funds	164,224	19,976	-
Capital assets	13,383,139	9,200,077	2,332,430
Noncurrent assets	27,459	86,272	5,363
<b>Total assets</b>	<b>15,968,168</b>	<b>12,799,680</b>	<b>2,486,871</b>
<b>Liabilities</b>			
Current liabilities	541,743	1,338,499	1,309,393
Due to other funds	150,052	59,844	13,008
Noncurrent liabilities	1,931,001	5,649,758	346,823
<b>Total liabilities</b>	<b>2,622,796</b>	<b>7,048,101</b>	<b>1,669,224</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	11,299,255	3,116,591	1,734,508
Restricted for special accounts	-	-	103,553
Unrestricted	2,046,117	2,634,988	(1,020,414)
<b>Total net assets</b>	<b>\$ 13,345,372</b>	<b>\$ 5,751,579</b>	<b>\$ 817,647</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
<b>Operating revenues (expenses)</b>			
Charges (pledged against bonds)	\$ 4,632,541	\$ 7,169,021	\$ 1,872,577
Depreciation expense	(452,148)	(1,008,522)	(211,374)
Other operating expenses	(2,868,448)	(5,712,409)	(1,789,906)
<b>Operating income</b>	<b>1,311,945</b>	<b>448,090</b>	<b>(128,703)</b>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	39,944	494	17
Other revenue	-	2,300,000	-
Gain (Loss) on sale or disposition of capital assets	(1,621)	-	(29,083)
Interest expense	(70,784)	(252,533)	(25,803)
Capital contributions	106,000	-	-
Transfers out	(554,135)	(178,660)	(12,500)
<b>Change in net assets</b>	<b>831,349</b>	<b>2,317,391</b>	<b>(196,072)</b>
Beginning net assets	12,514,023	3,434,188	1,013,719
<b>Ending net assets</b>	<b>\$ 13,345,372</b>	<b>\$ 5,751,579</b>	<b>\$ 817,647</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
<b>Net Cash provided (used) by</b>			
Operating activities	\$ 1,376,852	\$ 1,351,242	\$ 105,524
Noncapital financing activities	(555,980)	(221,590)	170,893
Capital and related financing activities	(1,631,330)	992,649	(276,417)
Investing activities	39,406	494	-
<b>Net increase (decrease)</b>	<b>(771,052)</b>	<b>2,122,795</b>	<b>-</b>
Beginning cash and cash equivalents	2,420,389	-	-
<b>Ending cash and cash equivalents</b>	<b>\$ 1,649,337</b>	<b>\$ 2,122,795</b>	<b>\$ -</b>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**17. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

LAKE SUPERIOR CENTER

The City and Duluth Economic Development Authority (DEDA) entered into agreements with 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.(LSCI), a private nonprofit corporation. The Great Lakes Aquarium opened July 29, 2000.

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

LITIGATION

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

The consent decree requires the City to make certain improvements to prevent future sewage overflows. The City has consented to these improvements which will be made over a number of years and must be completed by the end of 2016. The improvements are estimated to cost \$52 million and are expected to be financed by federal grants, state grants, and local sources.

TAX INCREMENT DISTRICTS

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

FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS

The City has received significant financial assistance from numerous federal governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position at December 31, 2011.

**CITY OF DULUTH, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2011**

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

JOINT VENTURE

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

Control of the collaborative is vested in a Board of Directors. The City has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County is the fiscal agent for this organization through its Duluth Area Family Services Collaborative Agency Fund. Separate financial information can be obtained from the St. Louis County Auditor's Office. A summary of the financial information of the Collaborative for the fiscal year ended December 31, 2011, is:

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

RELATED ORGANIZATION

The Duluth Housing and Redevelopment Authority is a legally separate organization from the City of Duluth with its own rights and powers. Although the Mayor of the City of Duluth appoints all Authority Board members, there is no financial accountability necessary for including this organization as a component unit of the City of Duluth. 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 \$1,933,788 to the Duluth Housing and Redevelopment Authority in 2011.

PASSENGER RAIL SERVICE FEASIBILITY STUDY

The City of Duluth entered into an agreement with several organizations to perform a feasibility of passenger rail service between the City of Duluth and the City of Minneapolis. Upon completion of the study, the City of Duluth, together with other participating counties and cities, elected to continue working to restore passenger rail service and entered into a joint powers agreement forming Minneapolis-Duluth/Superior Passenger Rail Alliance. Funding for the Alliance is derived by a cost sharing funding formula adopted by the board and approved annually by each party's governing body.

The St. Louis and Lake County Regional Railroad Authority serves as the fiscal agent. Separate financial information can be obtained from the Authority's office located in Chisholm, Minnesota. A summary of the financial information of the Alliance for December 31, 2010, (the most recent available) was:

Total Assets	\$	633,629
Total Liabilities	\$	310,769
Total Net Assets	\$	322,860
Total Revenues	\$	408,000
Total Expenditures	\$	374,571
Change in Net Assets	\$	33,429

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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

FOND DU LUTH CASINO

In 2009, the Fond du Lac Band unilaterally stopped all contractually required payments to the City. Pursuant to the 1994 City of Duluth/Fond du Lac Band agreement, the City is to receive nineteen percent of all slot machine revenue through March 31, 2011 ("First Term"), and an amount set through arbitration thereafter until 2036 ("Second Term"). The City has sued to recover the outstanding payments and the U.S. District Court has granted the City summary judgment on the payment issue through March 31, 2011. The City and the Band have appealed the case to the Eighth Circuit Court of Appeals. There will be a trial on a contra revenue issue before the City receives its back payments. As of December 31, 2011, the Band owes \$11,839,514 to the City for the First Term.

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, 2011, follows:

- A & L Renaissance	\$	771,254
- Augusta Building	\$	268,321
- Fifth Street Redevelopment	\$	261,767
- Garfield Business Park LLC	\$	611,069
- Ramsey Townhouses	\$	179,017
- Sherman Associates Hotel/Condominium	\$	5,000,000
- Spirit Bay	\$	110,362
- Accessible Space, Inc	\$	34,812
- Central Hillside Development, LLP	\$	343,300

CONDUIT DEBT OBLIGATIONS

The City and Duluth Economic Development Authority have issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenues of the entities. Neither the City, the Authority, nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2011, are as follows:

<u>Entity</u>	<u>Series</u>		<u>Issued</u>	<u>Principal</u>
ECUMEN	1998	\$	11,750,000	\$ 3,820,000
Aftenro Home	2006	\$	2,620,000	\$ 2,412,600
Residential Services	2000B	\$	576,421	\$ 185,833
Residential Services	2000C	\$	330,919	\$ 106,546
Center for Alcohol & Drug Treatment	2000A	\$	2,600,000	\$ 1,612,873
St. Luke's Hospital	2002	\$	55,000,000	\$ 47,805,000
Merritt School LLC	2004	\$	660,000	\$ 524,895
St. Francis Health Services	1996	\$	501,840	\$ 130,067

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**18. SUBSEQUENT EVENTS**

Pursuant to Minnesota Statutes Chapter 469.1814 and Chapter 475, the City sold \$7,055,000 General Obligation Tax Abatement Bonds; Series 2012A, in February 2012. The bonds finance improvements to Spirit Mountain Recreation Area including lift improvements, parking lot improvements and a new chalet. The City has pledged its tourism taxes as the primary source for repayment.

Pursuant to Minnesota Statutes Chapter 475 and Minnesota Laws 1974, Chapter 130, the City sold \$7,650,000 Taxable General Obligation Airport Improvement Bonds; Series 2012B, in May 2012. The bonds provide the local match for state and federal grants for the construction of a new terminal facility at Duluth International Airport, including a new parking ramp, access road and aprons. Airport revenues are pledged as the primary source for repayment.

On June 19 & 20, 2012, the City incurred significant flood damage to its infrastructure due to an unprecedented rain event. Preliminary infrastructure damage estimates range from \$50 to \$80 million. The City anticipates receiving funding from various state and federal sources including the Federal Emergency Management Agency for disaster recovery costs.





**Required Supplementary  
Information**



CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) TRUST  
 DECEMBER 31, 2011

YEARS ENDED DECEMBER 31, 2007 THROUGH 2011

<u>Year Ended December 31</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2007	\$13,700,000	\$23,742,663	57.7%
2008	\$4,100,000	\$23,742,663	17.3%
2009	\$3,000,000	\$17,615,054	17.0%
2010	\$2,300,000	\$17,615,054	13.1%
2011	\$2,178,463	\$15,345,228	14.2%

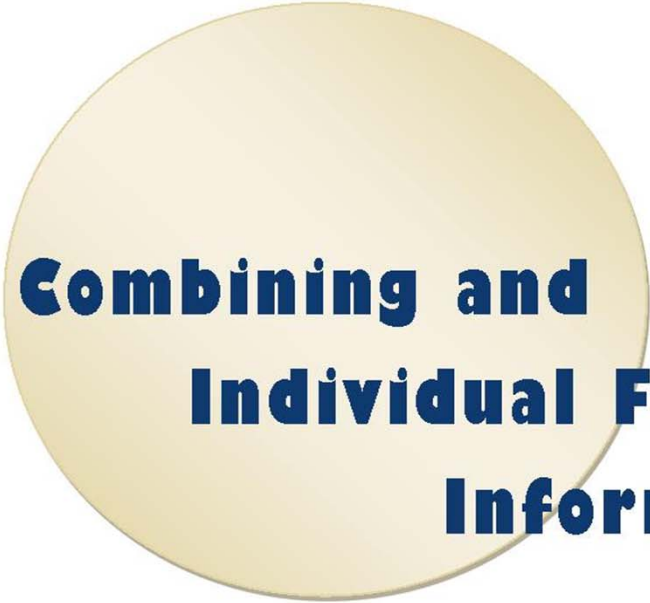

Employer contributions to the trust do not include retiree medical claims paid directly by the City as follows:

<u>Year Ended December 31</u>	<u>City Paid Medical Claims</u>
2007	\$8,381,427
2008	\$9,071,329
2009	\$10,488,168
2010	\$7,743,975
2011	\$9,652,011

CITY OF DULUTH, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)  
 DECEMBER 31, 2011

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	5.12%	\$44,748,212	566.91%
June 1, 2009	\$16,740,064	\$224,338,111	\$207,598,047	7.46%	\$41,970,420	494.63%
June 1, 2011	\$27,753,929	\$219,748,555	\$191,994,626	12.63%	\$39,716,268	483.42%

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



**Combining and  
Individual Fund  
Information**



# **Governmental Funds**

**CITY OF DULUTH, MINNESOTA  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

**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.

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

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

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

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

**Special Projects** - to account for monies received as fees, donations, or small 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.

**GMHF Revolving** – to account for a revolving maintenance fund, financed by a Greater Minnesota Housing Fund loan, established for attaining compliance with housing and safety codes.

**Recovery Loan Program** - to account for grant monies received from the Minnesota Department of Trade and Economic Development (DTED) for the establishment of an economic development loan program.

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

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

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

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

**SPECIAL REVENUE FUNDS (continued)**

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

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

**DEBT SERVICE FUNDS**

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

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

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

**Transit Bond** – to account for accumulation of resources for, and payment of, general obligation bonds issued for the benefit of the Duluth Transit Authority.

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

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

**CAPITAL PROJECTS FUNDS**

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

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

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

**Street Improvement Program** – to account for improvements to be made as part of the City's 25-year Street Improvement Program.

**DECC Capital Project** - to account for costs associated with the construction of an expansion of the Duluth Entertainment Convention Center (DECC).

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

**CITY OF DULUTH, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>				
	<b>Lake Superior Zoo</b>	<b>Home Investment Partnership Program</b>	<b>Community Development</b>	<b>Workforce Development</b>	<b>Senior Employment</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 386,341	\$ 262,400	\$ -
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	11,052	2,772	14,446
Assessments	-	-	-	-	-
Loans	-	237,963	2,595,033	-	-
Grants	-	-	-	-	185,105
Due from other funds	-	-	12,029	4,145	21,219
Due from component units	-	-	-	-	-
Due from other governments	186,510	326,253	1,284,472	368,026	-
<b>Total assets</b>	<b>\$ 186,510</b>	<b>\$ 564,216</b>	<b>\$ 4,288,927</b>	<b>\$ 637,343</b>	<b>\$ 220,770</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 372	\$ -	\$ 447	\$ 24,751	\$ 1,064
Contracts payable	125,949	156,087	777,943	14,583	-
Due to other funds	-	9,612	10,868	28,808	-
Due to component units	-	-	-	-	-
Interfund loan payable	60,079	97,864	-	-	207,752
Due to other governments	110	-	231	3,800	-
Accrued salaries payable	-	-	16,462	51,417	11,954
Deferred revenue	106,500	350,640	2,616,670	47,809	72,079
<b>Total liabilities</b>	<b>293,010</b>	<b>614,203</b>	<b>3,422,621</b>	<b>171,168</b>	<b>292,849</b>
Fund balances:					
Restricted	-	-	866,306	466,175	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(106,500)	(49,987)	-	-	(72,079)
<b>Total fund balances</b>	<b>(106,500)</b>	<b>(49,987)</b>	<b>866,306</b>	<b>466,175</b>	<b>(72,079)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 186,510</b>	<b>\$ 564,216</b>	<b>\$ 4,288,927</b>	<b>\$ 637,343</b>	<b>\$ 220,770</b>

(continued)



**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>				
	<b>Special Projects</b>	<b>Police Grant Programs</b>	<b>Recovery Loan Program</b>	<b>Bayfront Festival Park</b>	<b>Library Special Accounts</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 495,902	\$ 37,751	\$ 248,980	\$ 167,027	\$ 747,082
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	31,303	-	-	-	-
Assessments	-	-	-	-	-
Loans	-	-	428,214	-	-
Grants	-	218,714	-	-	-
Due from other funds	635	-	-	-	-
Due from component units	-	-	622,000	-	-
Due from other governments	166,995	-	-	-	-
<b>Total assets</b>	<b>\$ 694,835</b>	<b>\$ 256,465</b>	<b>\$ 1,299,194</b>	<b>\$ 167,027</b>	<b>\$ 747,082</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 88,247	\$ 131,769	\$ -	\$ -	\$ 827
Contracts payable	5,439	14,944	-	-	-
Due to other funds	-	22,841	-	-	-
Due to component units	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	449	39,332	429,895	-	-
Accrued salaries payable	-	-	-	-	-
Deferred revenue	143,001	4,721	-	4,400	26,688
<b>Total liabilities</b>	<b>237,136</b>	<b>213,607</b>	<b>429,895</b>	<b>4,400</b>	<b>27,515</b>
Fund balances:					
Restricted	298,136	42,858	869,299	-	719,567
Committed	144,721	-	-	-	-
Assigned	14,842	-	-	162,627	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>457,699</b>	<b>42,858</b>	<b>869,299</b>	<b>162,627</b>	<b>719,567</b>
<b>Total liabilities and fund balances</b>	<b>\$ 694,835</b>	<b>\$ 256,465</b>	<b>\$ 1,299,194</b>	<b>\$ 167,027</b>	<b>\$ 747,082</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>				<b>Debt Service Fund</b>
	<b>Economic Development</b>	<b>Energy Management</b>	<b>Tourism Tax</b>	<b>Public Facility and Programs</b>	<b>General Obligation</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,478	\$ 248,215	\$ 1,957,321	\$ 10,089	\$ 6,808,482
Receivables, net:					
Taxes	-	-	549,077	410	406,432
Accounts	-	-	-	1,227	-
Assessments	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	35,000
Due from other funds	7,842	-	-	-	250,000
Due from component units	14,239	-	-	-	-
Due from other governments	134,611	-	68,055	-	-
<b>Total assets</b>	<b>\$ 185,170</b>	<b>\$ 248,215</b>	<b>\$ 2,574,453</b>	<b>\$ 11,726</b>	<b>\$ 7,499,914</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 1,539	\$ -	\$ -	\$ -
Contracts payable	68,015	-	102,836	-	-
Due to other funds	5,240	1,038	240,033	-	182,091
Due to component units	118,010	-	127,426	-	-
Interfund loan payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Accrued salaries payable	-	2,835	-	-	-
Deferred revenue	21,125	-	-	-	351,647
<b>Total liabilities</b>	<b>212,390</b>	<b>5,412</b>	<b>470,295</b>	<b>-</b>	<b>533,738</b>
Fund balances:					
Restricted	-	242,803	2,104,158	11,726	6,933,691
Committed	-	-	-	-	-
Assigned	-	-	-	-	32,485
Unassigned	(27,220)	-	-	-	-
<b>Total fund balances</b>	<b>(27,220)</b>	<b>242,803</b>	<b>2,104,158</b>	<b>11,726</b>	<b>6,966,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 185,170</b>	<b>\$ 248,215</b>	<b>\$ 2,574,453</b>	<b>\$ 11,726</b>	<b>\$ 7,499,914</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>Debt Service Funds</b>			
	<b>Street Improvement Debt Service</b>	<b>Transit Bond</b>	<b>Special Assessment Debt Service</b>	<b>DECC Revenue</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,848,422	\$ 150,253	\$ 2,083,115	\$ 670,301
Receivables, net:				
Taxes	-	2,994	-	-
Accounts	-	-	-	-
Assessments	2,434,558	-	4,804,123	-
Loans	-	-	-	-
Grants	-	-	-	-
Due from other funds	13,518	-	182,091	230,294
Due from component units	-	-	-	455,146
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 10,296,498</b>	<b>\$ 153,247</b>	<b>\$ 7,069,329</b>	<b>\$ 1,355,741</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	68,922	-
Due to component units	-	-	15,000	-
Interfund loan payable	-	-	-	-
Due to other governments	-	-	-	-
Accrued salaries payable	-	-	-	-
Deferred revenue	2,434,558	2,709	4,689,882	-
<b>Total liabilities</b>	<b>2,434,558</b>	<b>2,709</b>	<b>4,773,804</b>	<b>-</b>
Fund balances:				
Restricted	7,861,940	-	2,295,525	1,355,741
Committed	-	-	-	-
Assigned	-	150,538	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>7,861,940</b>	<b>150,538</b>	<b>2,295,525</b>	<b>1,355,741</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,296,498</b>	<b>\$ 153,247</b>	<b>\$ 7,069,329</b>	<b>\$ 1,355,741</b>

(continued)

**CITY OF DULUTH, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>Capital Project Funds</u>				<b>Total Nonmajor Governmental Funds</b>
	<b>Special Assessment</b>	<b>Permanent Improvement</b>	<b>Street Improvement Program</b>	<b>Capital Equipment</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 24,847	\$ 2,866,467	\$ 2,889,363	\$ 1,920,760	\$ 29,851,596
Receivables, net:					
Taxes	-	31,084	-	-	989,997
Accounts	-	-	-	-	60,800
Assessments	55,960	-	647,419	-	7,942,060
Loans	-	-	-	-	3,261,210
Grants	-	-	-	-	438,819
Due from other funds	6,380	526,691	144,254	23,966	1,423,064
Due from component units	-	-	-	-	1,091,385
Due from other governments	-	1,341,743	-	-	3,876,665
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 87,187</u>	<u>\$ 4,765,985</u>	<u>\$ 3,681,036</u>	<u>\$ 1,944,726</u>	<u>\$ 48,935,596</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 3,480	\$ 9,087	\$ 371,598	\$ 633,181
Contracts payable	7,508	1,210,028	608,933	-	3,092,265
Due to other funds	-	171,174	18,056	635	759,318
Due to component units	-	-	-	-	260,436
Interfund loan payable	-	-	-	-	365,695
Due to other governments	-	-	-	-	473,817
Accrued salaries payable	-	-	-	-	82,668
Deferred revenue	55,960	273,365	647,419	-	11,849,173
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>63,468</u>	<u>1,658,047</u>	<u>1,283,495</u>	<u>372,233</u>	<u>17,516,553</u>
Fund balances:					
Restricted	-	3,107,938	-	1,572,493	28,748,356
Committed	-	-	-	-	144,721
Assigned	23,719	-	2,397,541	-	2,781,752
Unassigned	-	-	-	-	(255,786)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>23,719</u>	<u>3,107,938</u>	<u>2,397,541</u>	<u>1,572,493</u>	<u>31,419,043</u>
Total liabilities and fund balances	<u>\$ 87,187</u>	<u>\$ 4,765,985</u>	<u>\$ 3,681,036</u>	<u>\$ 1,944,726</u>	<u>\$ 48,935,596</u>

CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds				
	Lake Superior Zoo	Home Investment Partnership Program	Community Development	Workforce Development	Senior Employment
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	160,000	908,194	5,254,644	2,299,793	408,685
Charges for services	904,661	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	275	-	-
Miscellaneous revenues	137,003	-	254,791	5,730	-
Total revenues	<u>1,201,664</u>	<u>908,194</u>	<u>5,509,710</u>	<u>2,305,523</u>	<u>408,685</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	1,805,096	-	-	-	-
Urban and economic development	-	958,181	5,290,542	2,224,468	480,764
Debt service:					
Principal retirement	-	-	60,000	-	-
Interest and fiscal fees	-	-	167,861	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	165,556	-	-	-	-
Total expenditures	<u>1,970,652</u>	<u>958,181</u>	<u>5,518,403</u>	<u>2,224,468</u>	<u>480,764</u>
Excess (deficiency) of revenues over expenditures	<u>(768,988)</u>	<u>(49,987)</u>	<u>(8,693)</u>	<u>81,055</u>	<u>(72,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	520,000	-	-	-	-
Transfers out	-	-	(29,785)	-	-
Total other financing sources (uses)	<u>520,000</u>	<u>-</u>	<u>(29,785)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(248,988)	(49,987)	(38,478)	81,055	(72,079)
Fund balance - January 1, 2011	142,488	-	904,784	385,120	-
Fund balance - December 31, 2011	<u>\$ (106,500)</u>	<u>\$ (49,987)</u>	<u>\$ 866,306</u>	<u>\$ 466,175</u>	<u>\$ (72,079)</u>

(continued)

CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds				
	Special Projects	Police Grant Programs	GMHF Revolving Fund	Recovery Loan Program	Bayfront Festival Park
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	1,618,414	1,268,580	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous revenues	457,770	114,103	-	18,859	39,920
Total revenues	<u>2,076,184</u>	<u>1,382,683</u>	<u>-</u>	<u>18,859</u>	<u>39,920</u>
<b>EXPENDITURES</b>					
Current:					
General government	919,475	-	-	-	-
Public safety	581,646	564,517	-	-	-
Public works	-	-	-	-	-
Culture and recreation	322,154	-	-	-	31,843
Urban and economic development	-	-	-	18,859	-
Debt service:					
Principal retirement	-	-	200,000	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>1,823,275</u>	<u>564,517</u>	<u>200,000</u>	<u>18,859</u>	<u>31,843</u>
Excess (deficiency) of revenues over expenditures	<u>252,909</u>	<u>818,166</u>	<u>(200,000)</u>	<u>-</u>	<u>8,077</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	24,735	-	-	-	-
Transfers out	(179,419)	(822,448)	-	-	-
Total other financing sources (uses)	<u>(154,684)</u>	<u>(822,448)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	98,225	(4,282)	(200,000)	-	8,077
Fund balance - January 1, 2011	<u>359,474</u>	<u>47,140</u>	<u>200,000</u>	<u>869,299</u>	<u>154,550</u>
Fund balance - December 31, 2011	<u>\$ 457,699</u>	<u>\$ 42,858</u>	<u>\$ -</u>	<u>\$ 869,299</u>	<u>\$ 162,627</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>				
	<b>Library Special Accounts</b>	<b>Economic Development</b>	<b>Energy Management</b>	<b>Tourism Tax</b>	<b>Public Facility and Programs</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	8,198,813	-
Other taxes	-	-	-	-	6,720
Intergovernmental revenues	5,812	1,177,839	579,132	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	166	-	-	38,241	-
Miscellaneous revenues	73,671	30,823	7,158	-	-
Total revenues	<u>79,649</u>	<u>1,208,662</u>	<u>586,290</u>	<u>8,237,054</u>	<u>6,720</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	157,726	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	26,315	-	-	-	17,701
Urban and economic development	-	1,291,826	-	3,691,229	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay	19,285	-	547,600	-	-
Total expenditures	<u>45,600</u>	<u>1,291,826</u>	<u>705,326</u>	<u>3,691,229</u>	<u>17,701</u>
Excess (deficiency) of revenues over expenditures	<u>34,049</u>	<u>(83,164)</u>	<u>(119,036)</u>	<u>4,545,825</u>	<u>(10,981)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	-	-	75,000	-	-
Transfers out	-	-	-	(4,053,906)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>(4,053,906)</u>	<u>-</u>
Net change in fund balance	34,049	(83,164)	(44,036)	491,919	(10,981)
Fund balance - January 1, 2011	685,518	55,944	286,839	1,612,239	22,707
Fund balance - December 31, 2011	<u>\$ 719,567</u>	<u>\$ (27,220)</u>	<u>\$ 242,803</u>	<u>\$ 2,104,158</u>	<u>\$ 11,726</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Debt Service Funds</b>				
	<b>General Obligation</b>	<b>Street Improvement Debt Service</b>	<b>Transit Bond</b>	<b>Special Assessment Debt Service</b>	<b>DECC Revenue</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 5,446,059	\$ -	\$ 2,025	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	250,097	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	671,274	-	1,064,353	-
Investment income	27,042	106,029	-	39,226	-
Miscellaneous revenues	544,305	-	-	-	466,984
	<u>6,267,503</u>	<u>777,303</u>	<u>2,025</u>	<u>1,103,579</u>	<u>466,984</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	-	-	-
Debt service:					
Principal retirement	4,443,095	5,890,000	80,000	576,905	-
Interest and fiscal fees	3,545,885	1,033,771	1,815	203,574	-
Bond issuance costs	-	-	-	-	-
Capital outlay	-	-	-	-	-
	<u>7,988,980</u>	<u>6,923,771</u>	<u>81,815</u>	<u>780,479</u>	<u>-</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(1,721,477)</u>	<u>(6,146,468)</u>	<u>(79,790)</u>	<u>323,100</u>	<u>466,984</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Transfers in	3,461,040	2,860,348	-	182,091	1,454,200
Transfers out	(608,233)	(103,010)	-	(37,612)	(1,429,625)
	<u>2,852,807</u>	<u>2,757,338</u>	<u>-</u>	<u>144,479</u>	<u>24,575</u>
Total other financing sources (uses)					
Net change in fund balance	1,131,330	(3,389,130)	(79,790)	467,579	491,559
Fund balance - January 1, 2011	5,834,846	11,251,070	230,328	1,827,946	864,182
Fund balance - December 31, 2011	<u>\$ 6,966,176</u>	<u>\$ 7,861,940</u>	<u>\$ 150,538</u>	<u>\$ 2,295,525</u>	<u>\$ 1,355,741</u>

(continued)



**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Capital Project Funds</b>				
	<b>Special Assessment</b>	<b>Permanent Improvement</b>	<b>Street Improvement Program</b>	<b>DECC Capital Project</b>	<b>Capital Equipment</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ 390,828	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	10,494,297	-	-	-
Charges for services	-	-	-	-	-
Special assessments	9,340	-	692,305	-	-
Investment income	15	44,013	34,290	51,312	17,882
Miscellaneous revenues	-	-	-	-	87
Total revenues	<u>9,355</u>	<u>10,929,138</u>	<u>726,595</u>	<u>51,312</u>	<u>17,969</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	243,943	-	-	-
Culture and recreation	-	-	-	-	-
Urban and economic development	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Bond issuance costs	-	-	-	-	33,079
Capital outlay	<u>19,502</u>	<u>8,946,205</u>	<u>5,209,420</u>	<u>1,555,915</u>	<u>3,178,652</u>
Total expenditures	<u>19,502</u>	<u>9,190,148</u>	<u>5,209,420</u>	<u>1,555,915</u>	<u>3,211,731</u>
Excess (deficiency) of revenues over expenditures	<u>(10,147)</u>	<u>1,738,990</u>	<u>(4,482,825)</u>	<u>(1,504,603)</u>	<u>(3,193,762)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	-	-	-	3,095,000
Premium on issuance of bonds	-	-	-	-	55,110
Transfers in	6,380	-	6,029,785	-	25,607
Transfers out	-	(94,588)	(33,460)	(854,105)	(1,543)
Total other financing sources (uses)	<u>6,380</u>	<u>(94,588)</u>	<u>5,996,325</u>	<u>(854,105)</u>	<u>3,174,174</u>
Net change in fund balance	(3,767)	1,644,402	1,513,500	(2,358,708)	(19,588)
Fund balance - January 1, 2011	<u>27,486</u>	<u>1,463,536</u>	<u>884,041</u>	<u>2,358,708</u>	<u>1,592,081</u>
Fund balance - December 31, 2011	<u>\$ 23,719</u>	<u>\$ 3,107,938</u>	<u>\$ 2,397,541</u>	<u>\$ -</u>	<u>\$ 1,572,493</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Total Nonmajor Governmental Funds</b>
	<u>                    </u>
<b>REVENUES</b>	
Taxes:	
Property taxes	\$ 5,838,912
Sales taxes	8,198,813
Other taxes	6,720
Intergovernmental revenues	24,425,487
Charges for services	904,661
Special assessments	2,437,272
Investment income	358,491
Miscellaneous revenues	2,151,204
	<u>                    </u>
Total revenues	<u>44,321,560</u>
<b>EXPENDITURES</b>	
Current:	
General government	1,077,201
Public safety	1,146,163
Public works	243,943
Culture and recreation	2,203,109
Urban and economic development	13,955,869
Debt service:	
Principal retirement	11,250,000
Interest and fiscal fees	4,952,906
Bond issuance costs	33,079
Capital outlay	19,642,135
	<u>                    </u>
Total expenditures	<u>54,504,405</u>
Excess (deficiency) of revenues over expenditures	<u>(10,182,845)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Issuance of bonds	3,095,000
Premium on issuance of bonds	55,110
Transfers in	14,639,186
Transfers out	(8,247,734)
	<u>                    </u>
Total other financing sources (uses)	<u>9,541,562</u>
Net change in fund balance	(641,283)
Fund balance - January 1, 2011	<u>32,060,326</u>
Fund balance - December 31, 2011	<u>\$ 31,419,043</u>

CITY OF DULUTH, MINNESOTA  
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Modified Budget	Actual	Actual to Modified Budget Favorable (Unfavorable)
<b>Taxes:</b>				
General property -				
Current	\$ 11,319,800	\$ 11,319,800	\$ 10,375,029	\$ (944,771)
Delinquent	150,000	150,000	323,757	173,757
Mobile home	59,600	59,600	43,763	(15,837)
Forfeited tax sale apportionment	15,100	15,100	72,958	57,858
Franchise	1,901,300	1,901,300	1,922,796	21,496
Sales taxes	11,000,000	11,000,000	11,872,641	872,641
Charitable gambling	48,000	48,000	49,378	1,378
Other	-	-	30,360	30,360
<b>Total Taxes</b>	<b>24,493,800</b>	<b>24,493,800</b>	<b>24,690,682</b>	<b>196,882</b>
<b>Licenses and Permits:</b>				
Liquor and non-intoxicating liquor	399,000	399,000	434,731	35,731
Health	20,500	20,500	22,686	2,186
Police protective	23,400	23,400	32,631	9,231
Amusement	20,000	20,000	32,212	12,212
Manufacturing and merchandising	35,300	35,300	52,348	17,048
Other	601,900	601,900	833,343	231,443
<b>Total Licenses and Permits</b>	<b>1,100,100</b>	<b>1,100,100</b>	<b>1,407,951</b>	<b>307,851</b>
<b>Intergovernmental revenues:</b>				
<b>Shared revenues -</b>				
Local government aid	29,397,200	29,397,200	27,449,555	(1,947,645)
PERA aid	124,400	124,400	124,428	28
Insurance premium	1,450,000	1,450,000	1,580,030	130,030
<b>State grants -</b>				
Summer maintenance Clyde Ave and Rice Point boat launch	-	-	600	600
Snowmobile trail	18,000	18,000	20,925	2,925
Police training reimbursement	50,000	50,000	55,036	5,036
HAZMAT regional response team	-	52,711	52,711	-
EMS medical supplies reimbursement	-	1,200	1,200	-
Purchase of bulletproof vests	-	-	19,015	19,015
Market value credit aid	-	-	21,965	21,965
MSA maintenance allotment	1,212,800	1,212,800	1,606,208	393,408
<b>Federal grants -</b>				
Increase public awareness of emerald ash borer	-	-	1,205	1,205
Fair housing enforcement	21,600	21,600	14,820	(6,780)
ATF Northern Minnesota Task Force	-	-	18,874	18,874
Bulletproof vest partnership program	-	-	18,891	18,891
Organized Crime Drug Enforcement Task Force	-	-	51,085	51,085
Regional Fugitive Task Force	-	-	1,216	1,216
<b>Other grants -</b>				
St. Louis County	156,000	156,000	161,017	5,017
Payments in lieu of taxes - Housing and Redevelopment Authority	98,100	98,100	44,473	(53,627)
Independent School District #709	212,000	212,000	211,000	(1,000)
Miscellaneous	47,000	63,750	16,750	(47,000)
<b>Total Intergovernmental Revenues</b>	<b>32,787,100</b>	<b>32,857,761</b>	<b>31,471,004</b>	<b>(1,386,757)</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
<b>Charges for Services:</b>				
<b>Departmental fees and services -</b>				
Fire	4,200	4,200	14,442	10,242
Police	98,500	98,500	97,353	(1,147)
Parks and recreation	30,000	30,000	35,394	5,394
Engineering	270,000	270,000	308,779	38,779
Building inspection services	2,005,200	2,005,200	2,003,510	(1,690)
MIS services	1,500	1,500	3,092	1,592
Grant administration services	46,300	46,300	91,341	45,041
Hydrant maintenance services	30,000	30,000	30,000	-
Assessment fees	84,800	84,800	105,356	20,556
Other services	1,100	1,100	4,427	3,327
<b>Departmental sales -</b>				
Copier and microfilm prints	26,200	26,200	18,921	(7,279)
Print and plan sales	10,000	10,000	7,521	(2,479)
Book sales	200	200	1,224	1,024
Miscellaneous sales and services	87,200	87,200	122,089	34,889
<b>Share of general expenses -</b>				
Duluth Airport Authority	32,400	32,400	58,000	25,600
Water and Gas	927,700	927,700	927,700	-
Sewer	330,700	330,700	330,700	-
Stormwater	170,000	170,000	170,000	-
Steam District #1	49,500	49,500	49,500	-
Duluth Entertainment & Convention Center	25,000	25,000	25,000	-
Duluth Transit Authority	10,300	10,300	10,300	-
Golf	66,800	66,800	66,800	-
Duluth Economic Development Authority	365,000	365,000	365,000	-
Fleet Services	108,200	108,200	108,200	-
Group Health	250,000	250,000	250,000	-
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	-
<b>Total Charges for Services</b>	<u>5,375,000</u>	<u>5,375,000</u>	<u>5,548,849</u>	<u>173,849</u>
<b>Fines and Forfeits:</b>				
Library fines	110,000	110,000	89,961	(20,039)
Parking fines	1,167,500	1,167,500	911,204	(256,296)
Court fees	451,200	451,200	554,208	103,008
License penalties	8,000	8,000	9,462	1,462
Felony forfeitures	-	-	14,186	14,186
<b>Total Fines and Forfeits</b>	<u>1,736,700</u>	<u>1,736,700</u>	<u>1,579,021</u>	<u>(157,679)</u>
<b>Special Assessments</b>	<u>455,400</u>	<u>462,700</u>	<u>400,356</u>	<u>(62,344)</u>
<b>Investment Income</b>	<u>465,000</u>	<u>465,000</u>	<u>815,832</u>	<u>350,832</u>

(continued)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF REVENUES - ESTIMATED AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual to Modified Budget Favorable (Unfavorable)</u>
<b>Miscellaneous Revenues:</b>				
Commission and concessions	10,200	10,200	11,317	1,117
Payments in lieu of taxes	16,000	16,000	16,086	86
Police auction proceeds	-	14,040	23,932	9,892
Rent and lease	112,300	112,300	122,663	10,363
Damage claims	-	-	583	583
Sale of equipment	100,000	100,000	78,866	(21,134)
Sale of land	50,000	50,000	151,123	101,123
Sale of scrap	6,500	6,500	5,135	(1,365)
Surcharge retainage	1,500	1,500	1,515	15
Refunds and reimbursements	180,000	267,041	498,039	230,998
Gifts and donations	4,700	33,100	37,395	4,295
<b>Total Miscellaneous Revenues</b>	<u>481,200</u>	<u>610,681</u>	<u>946,654</u>	<u>335,973</u>
<b>Total Revenues</b>	<u>66,894,300</u>	<u>67,101,742</u>	<u>66,860,349</u>	<u>(241,393)</u>
<b>Other Financing Sources:</b>				
Operating transfers in:				
Special Projects	-	-	113,812	113,812
Duluth Police Grant Programs	628,600	695,431	822,448	127,017
Community Investment Trust	525,000	525,000	881,189	356,189
Tourism Taxes	722,900	722,900	785,880	62,980
G O Debt Service- Tax Levy	-	-	27,042	27,042
Special Assessment Debt Service	-	-	37,612	37,612
Street Improvement Debt Service	-	-	103,010	103,010
Permanent Improvement	100,000	100,000	63,473	(36,527)
Street Improvement Program	-	-	33,460	33,460
Capital Improvements	20,000	20,000	-	(20,000)
Golf	-	-	12,500	12,500
Parking	1,452,200	1,452,200	1,529,813	77,613
Water	337,300	337,300	347,809	10,509
Gas	3,554,800	3,554,800	2,981,096	(573,704)
Sewer	76,000	76,000	99,568	23,568
Stormwater	515,900	515,900	554,135	38,235
Steam	121,000	121,000	178,660	57,660
Self Insurance	-	-	59,180	59,180
Group Health	-	-	74,494	74,494
Employee Vacation Compensation	-	-	56,922	56,922
<b>Total Other Financing Sources</b>	<u>8,053,700</u>	<u>8,120,531</u>	<u>8,762,103</u>	<u>641,572</u>
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 74,948,000</u>	<u>\$ 75,222,273</u>	<u>\$ 75,622,452</u>	<u>\$ 400,179</u>
<b>Reconciliation:</b>				
Original budget as approved by Duluth City Council		\$ 74,948,000		
Adjustments made in accordance with budget ordinance provisions:				
Grants, gifts, and donations		217,894		
Ordinance allowable		<u>56,379</u>		
Total adjustments		<u>274,273</u>		
Modified budget as reported above		<u>\$ 75,222,273</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, 2011**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>GENERAL GOVERNMENT:</b>							
<b>Legislative and Executive</b>							
<b>City Council</b>							
Personal services - salaries	\$ 90,000	\$ 91,000		\$ 90,939	\$ -	\$ 90,939	\$ 61
Personal services - benefits	6,400	6,525		6,521	-	6,521	4
Other expenditures	46,800	45,675		19,685	-	19,685	25,990
<b>Total City Council</b>	<b>143,200</b>	<b>143,200</b>		<b>117,145</b>	<b>-</b>	<b>117,145</b>	<b>26,055</b>
<b>Mayor's Office</b>							
Personal services - salaries	198,800	188,000		130,756	-	130,756	57,244
Personal services - benefits	54,200	54,200		36,955	-	36,955	17,245
Other expenditures	14,600	19,500		19,201	-	19,201	299
<b>Total Mayor's Office</b>	<b>267,600</b>	<b>261,700</b>	<b>1</b>	<b>186,912</b>	<b>-</b>	<b>186,912</b>	<b>74,788</b>
<b>Chief Administrative Officer</b>							
Personal services - salaries	194,200	195,700		192,930	-	192,930	2,770
Personal services - benefits	51,200	54,900		53,714	-	53,714	1,186
Other expenditures	10,600	12,800		12,398	-	12,398	402
<b>Total Chief Administrative Officer</b>	<b>256,000</b>	<b>263,400</b>	<b>1</b>	<b>259,042</b>	<b>-</b>	<b>259,042</b>	<b>4,358</b>
<b>Attorney and Human Rights</b>							
Personal services - salaries	1,424,400	1,364,400		1,355,153	-	1,355,153	9,247
Personal services - benefits	356,600	376,942		376,927	-	376,927	15
Other expenditures	48,300	40,958		36,640	-	36,640	4,318
Capital outlay	5,000	5,300		5,222	-	5,222	78
<b>Total Attorney and Human Rights</b>	<b>1,834,300</b>	<b>1,787,600</b>	<b>1</b>	<b>1,773,942</b>	<b>-</b>	<b>1,773,942</b>	<b>13,658</b>
<b>Human Resources</b>							
Personal services - salaries	704,400	699,400		666,041	-	666,041	33,359
Personal services - benefits	213,500	217,100		217,053	-	217,053	47
Other expenditures	45,900	45,900		34,153	-	34,153	11,747
<b>Total Human Resources</b>	<b>963,800</b>	<b>962,400</b>		<b>917,247</b>	<b>-</b>	<b>917,247</b>	<b>45,153</b>
<b>Total Legislative and Executive</b>	<b>3,464,900</b>	<b>3,418,300</b>		<b>3,254,288</b>	<b>-</b>	<b>3,254,288</b>	<b>164,012</b>
<b>Management Information Services</b>							
<b>Management Information Services</b>							
Personal services - salaries	1,455,000	1,363,000		1,039,303	-	1,039,303	323,697
Personal services - benefits	429,400	392,500		288,234	-	288,234	104,266
Other expenditures	791,300	720,300		677,346	20,882	698,228	22,072
<b>Total Management Information Services</b>	<b>2,675,700</b>	<b>2,475,800</b>	<b>1</b>	<b>2,004,883</b>	<b>20,882</b>	<b>2,025,765</b>	<b>450,035</b>
<b>Total Management Information Services</b>	<b>2,675,700</b>	<b>2,475,800</b>		<b>2,004,883</b>	<b>20,882</b>	<b>2,025,765</b>	<b>450,035</b>

(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, 2011**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>GENERAL GOVERNMENT: (continued)</b>							
<b>Public Administration</b>							
<b>Clerk</b>							
Personal services - salaries	537,400	501,800		491,990	-	491,990	9,810
Personal services - benefits	150,700	150,700		146,824	-	146,824	3,876
Other expenditures	41,500	66,500		64,794	-	64,794	1,706
<b>Total Clerk</b>	<b>729,600</b>	<b>719,000</b>	<b>1</b>	<b>703,608</b>	<b>-</b>	<b>703,608</b>	<b>15,392</b>
<b>Maintenance Operations</b>							
Personal services - salaries	5,460,200	5,219,200		5,155,891	-	5,155,891	63,309
Personal services - benefits	1,609,400	1,609,400		1,533,443	-	1,533,443	75,957
Other expenditures	6,456,000	6,681,600		6,596,692	25,974	6,622,666	58,934
Capital outlay	-	24,400		18,247	-	18,247	6,153
<b>Total Maintenance Operations</b>	<b>13,525,600</b>	<b>13,534,600</b>	<b>1</b>	<b>13,304,273</b>	<b>25,974</b>	<b>13,330,247</b>	<b>204,353</b>
<b>Total Public Administration</b>	<b>14,255,200</b>	<b>14,253,600</b>		<b>14,007,881</b>	<b>25,974</b>	<b>14,033,855</b>	<b>219,745</b>
<b>Finance</b>							
<b>Budget</b>							
Personal services - salaries	341,700	328,200		328,175	-	328,175	25
Personal services - benefits	94,000	87,500		87,219	-	87,219	281
Other expenditures	6,100	33,600		32,118	-	32,118	1,482
<b>Total Budget</b>	<b>441,800</b>	<b>449,300</b>	<b>1</b>	<b>447,512</b>	<b>-</b>	<b>447,512</b>	<b>1,788</b>
<b>Assessor</b>							
Personal services - salaries	567,800	567,800		541,546	-	541,546	26,254
Personal services - benefits	166,100	166,100		157,096	-	157,096	9,004
Other expenditures	85,500	85,500		24,640	-	24,640	60,860
<b>Total Assessor</b>	<b>819,400</b>	<b>819,400</b>		<b>723,282</b>	<b>-</b>	<b>723,282</b>	<b>96,118</b>
<b>Auditor</b>							
Personal services - salaries	828,100	868,300		868,249	-	868,249	51
Personal services - benefits	242,400	261,200		261,087	-	261,087	113
Other expenditures	271,800	271,800		252,793	-	252,793	19,007
<b>Total Auditor</b>	<b>1,342,300</b>	<b>1,401,300</b>	<b>1</b>	<b>1,382,129</b>	<b>-</b>	<b>1,382,129</b>	<b>19,171</b>
<b>Purchasing</b>							
Personal services - salaries	162,300	169,800		140,245	-	140,245	29,555
Personal services - benefits	53,900	56,000		46,217	-	46,217	9,783
Other expenditures	10,500	10,500		7,406	-	7,406	3,094
<b>Total Purchasing</b>	<b>226,700</b>	<b>236,300</b>	<b>1</b>	<b>193,868</b>	<b>-</b>	<b>193,868</b>	<b>42,432</b>
<b>Treasurer</b>							
Personal services - salaries	266,900	218,900		193,725	-	193,725	25,175
Personal services - benefits	83,800	83,800		51,604	-	51,604	32,196
Other expenditures	64,000	64,000		32,828	-	32,828	31,172
<b>Total Treasurer</b>	<b>414,700</b>	<b>366,700</b>	<b>1</b>	<b>278,157</b>	<b>-</b>	<b>278,157</b>	<b>88,543</b>
<b>Total Finance</b>	<b>3,244,900</b>	<b>3,273,000</b>		<b>3,024,948</b>	<b>-</b>	<b>3,024,948</b>	<b>248,052</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>23,640,700</b>	<b>23,420,700</b>		<b>22,292,000</b>	<b>46,856</b>	<b>22,338,856</b>	<b>1,081,844</b>

(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, 2011**

	<u>Budget</u>		<u>Note</u>	<u>Actual</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Modified</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Totals</u>	
<b>PUBLIC SAFETY:</b>							
<b>Fire</b>							
<b>Administration</b>							
Personal services - salaries	311,700	315,700		315,638	-	315,638	62
Personal services - benefits	77,200	84,900		84,871	-	84,871	29
Other expenditures	78,400	93,951		80,180	9,404	89,584	4,367
<b>Total Administration</b>	<b>467,300</b>	<b>494,551</b>	<b>1,2</b>	<b>480,689</b>	<b>9,404</b>	<b>490,093</b>	<b>4,458</b>
<b>Operations</b>							
Personal services - salaries	8,810,400	8,998,560		8,991,647	-	8,991,647	6,913
Personal services - benefits	2,624,700	2,831,700		2,831,585	-	2,831,585	115
Other expenditures	546,500	539,700		523,764	-	523,764	15,936
<b>Total Operations</b>	<b>11,981,600</b>	<b>12,369,960</b>	<b>1,2,3</b>	<b>12,346,996</b>	<b>-</b>	<b>12,346,996</b>	<b>22,964</b>
<b>Life Safety</b>							
Personal services - salaries	568,800	591,500		591,352	-	591,352	148
Personal services - benefits	161,900	185,900		185,829	-	185,829	71
Other expenditures	75,300	52,285		43,875	-	43,875	8,410
<b>Total Life Safety</b>	<b>806,000</b>	<b>829,685</b>	<b>1,2</b>	<b>821,056</b>	<b>-</b>	<b>821,056</b>	<b>8,629</b>
<b>Building Safety</b>							
Personal services - salaries	1,084,600	1,034,800		1,034,786	-	1,034,786	14
Personal services - benefits	335,600	314,710		307,940	-	307,940	6,770
Other expenditures	200,500	226,352		196,917	21,471	218,388	7,964
<b>Total Building Safety</b>	<b>1,620,700</b>	<b>1,575,862</b>	<b>1,2</b>	<b>1,539,643</b>	<b>21,471</b>	<b>1,561,114</b>	<b>14,748</b>
<b>Hazardous Materials (HAZMAT)</b>							
Other expenditures	-	14,487		14,462	-	14,462	25
<b>Total Hazardous Materials (HAZMAT)</b>	<b>-</b>	<b>14,487</b>	<b>1,2,3</b>	<b>14,462</b>	<b>-</b>	<b>14,462</b>	<b>25</b>
<b>Total Fire</b>	<b>14,875,600</b>	<b>15,284,545</b>		<b>15,202,846</b>	<b>30,875</b>	<b>15,233,721</b>	<b>50,824</b>
<b>Police</b>							
<b>Administration and Investigation</b>							
Personal services - salaries	5,512,500	5,825,500		5,825,454	-	5,825,454	46
Personal services - benefits	1,683,600	1,715,431		1,714,804	-	1,714,804	627
Other expenditures	1,168,500	1,161,500		1,092,935	-	1,092,935	68,565
<b>Total Administration and Investigation</b>	<b>8,364,600</b>	<b>8,702,431</b>	<b>1</b>	<b>8,633,193</b>	<b>-</b>	<b>8,633,193</b>	<b>69,238</b>
<b>Patrol</b>							
Personal services - salaries	6,962,800	7,069,800		7,019,449	-	7,019,449	50,351
Personal services - benefits	2,091,000	2,139,000		2,138,714	-	2,138,714	286
Other expenditures	140,200	167,200		163,381	-	163,381	3,819
<b>Total Patrol</b>	<b>9,194,000</b>	<b>9,376,000</b>	<b>1,3</b>	<b>9,321,544</b>	<b>-</b>	<b>9,321,544</b>	<b>54,456</b>
<b>Police Special Accounts</b>							
Other expenditures	-	160,606		40,172	-	40,172	120,434
<b>Total Police Special Accounts</b>	<b>-</b>	<b>160,606</b>	<b>2,3,4</b>	<b>40,172</b>	<b>-</b>	<b>40,172</b>	<b>120,434</b>
<b>Total Police</b>	<b>17,558,600</b>	<b>18,239,037</b>		<b>17,994,909</b>	<b>-</b>	<b>17,994,909</b>	<b>244,128</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>32,434,200</b>	<b>33,523,582</b>		<b>33,197,755</b>	<b>30,875</b>	<b>33,228,630</b>	<b>294,952</b>

(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, 2011**

	Budget		Note	Actual			Favorable (Unfavorable)
	Original	Modified		Expended	Encumbered	Totals	
<b>PUBLIC WORKS:</b>							
<b>Public Works and Utilities</b>							
<b>Public Works Director's Office</b>							
Personal services - salaries	36,000	37,000		36,119	-	36,119	881
Personal services - benefits	8,100	9,100		8,592	-	8,592	508
Other expenditures	900	900		360	-	360	540
<b>Total Public Works Director's Office</b>	<b>45,000</b>	<b>47,000</b>	<b>1</b>	<b>45,071</b>	<b>-</b>	<b>45,071</b>	<b>1,929</b>
<b>Engineering</b>							
Personal services - salaries	1,391,900	1,329,900		1,262,573	-	1,262,573	67,327
Personal services - benefits	410,500	410,500		377,430	-	377,430	33,070
Other expenditures	159,000	168,485		152,420	-	152,420	16,065
<b>Total Engineering</b>	<b>1,961,400</b>	<b>1,908,885</b>	<b>1,2</b>	<b>1,792,423</b>	<b>-</b>	<b>1,792,423</b>	<b>116,462</b>
<b>Total Public Works and Utilities</b>	<b>2,006,400</b>	<b>1,955,885</b>		<b>1,837,494</b>	<b>-</b>	<b>1,837,494</b>	<b>118,391</b>
<b>TOTAL PUBLIC WORKS</b>	<b>2,006,400</b>	<b>1,955,885</b>		<b>1,837,494</b>	<b>-</b>	<b>1,837,494</b>	<b>118,391</b>
<b>CULTURE AND RECREATION:</b>							
<b>Library Services</b>							
Personal services - salaries	2,378,500	2,368,500		2,358,924	-	2,358,924	9,576
Personal services - benefits	672,500	671,344		671,023	-	671,023	321
Other expenditures	301,800	316,800		316,335	-	316,335	465
Capital outlay	264,500	316,903		316,903	-	316,903	-
<b>Total Library Services</b>	<b>3,617,300</b>	<b>3,673,547</b>	<b>1,2,3,4</b>	<b>3,663,185</b>	<b>-</b>	<b>3,663,185</b>	<b>10,362</b>
<b>Parks and Recreation</b>							
Personal services - salaries	464,600	518,100		517,304	-	517,304	796
Personal services - benefits	132,300	147,600		147,510	-	147,510	90
Other expenditures	168,600	176,350		134,932	-	134,932	41,418
<b>Total Parks and Recreation</b>	<b>765,500</b>	<b>842,050</b>	<b>1,3</b>	<b>799,746</b>	<b>-</b>	<b>799,746</b>	<b>42,304</b>
<b>TOTAL CULTURE AND RECREATION</b>	<b>4,382,800</b>	<b>4,515,597</b>		<b>4,462,931</b>	<b>-</b>	<b>4,462,931</b>	<b>52,666</b>
<b>URBAN AND ECONOMIC DEVELOPMENT:</b>							
<b>Planning</b>							
Personal services - salaries	397,300	441,400		441,183	-	441,183	217
Personal services - benefits	139,900	146,790		140,668	-	140,668	6,122
Other expenditures	68,500	162,257		110,224	45,000	155,224	7,033
<b>Total Planning</b>	<b>605,700</b>	<b>750,447</b>	<b>1,4</b>	<b>692,075</b>	<b>45,000</b>	<b>737,075</b>	<b>13,372</b>
<b>Total Business and Community Development</b>							
Personal services - salaries	512,400	487,400		446,536	-	446,536	40,864
Personal services - benefits	133,800	133,800		118,870	-	118,870	14,930
Other expenditures	31,400	56,400		38,636	10,000	48,636	7,764
<b>Total Business and Community Development</b>	<b>677,600</b>	<b>677,600</b>		<b>604,042</b>	<b>10,000</b>	<b>614,042</b>	<b>63,558</b>
<b>TOTAL URBAN AND ECONOMIC DEVELOPMENT</b>	<b>1,283,300</b>	<b>1,428,047</b>		<b>1,296,117</b>	<b>55,000</b>	<b>1,351,117</b>	<b>76,930</b>

(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, 2011**

	Budget			Actual			Favorable (Unfavorable)
	Original	Modified	Note	Expended	Encumbered	Totals	
<b>TRANSFERS AND OTHER FUNCTIONS:</b>							
Business improvement district	300,000	309,819	1,4	309,818	-	309,818	1
Capital improvements/lease purchase	181,600	181,600		181,550	-	181,550	50
Capital maintenance/lease purchase	677,000	993,796	1,2,3	560,512	20,902	581,414	412,382
Facilities Maintenance Program	230,000	145,746	1	112,545	-	112,545	33,201
Flexible benefits	50,000	220,000	1	170,447	1,500	171,947	48,053
Parking fine administration	150,000	150,000		140,058	-	140,058	9,942
Public access television	169,000	169,000		162,000	-	162,000	7,000
Retiree insurance	7,204,000	6,544,700	1	6,513,304	-	6,513,304	31,396
Self insurance	1,100,000	1,100,000		1,100,000	-	1,100,000	-
State sales tax administration	125,000	125,000		117,252	-	117,252	7,748
Transfers and accruals	380,000	-	1	-	-	-	-
Other functions	634,000	935,285	1,2	859,893	26,203	886,096	49,189
<b>TOTAL TRANSFERS AND OTHER FUNCTIONS</b>	<b>11,200,600</b>	<b>10,874,946</b>		<b>10,227,379</b>	<b>48,605</b>	<b>10,275,984</b>	<b>598,962</b>
<b>TOTAL EXPENDITURES AND ENCUMBRANCES</b>	<b>\$ 74,948,000</b>	<b>\$ 75,718,757</b>		<b>\$ 73,313,676</b>	<b>\$ 181,336</b>	<b>\$ 73,495,012</b>	<b>\$ 2,223,745</b>

**RECONCILIATION:**

Original budget as approved by Duluth City Council	\$ 74,948,000	
<b>Adjustments made in accordance with Budget Ordinance</b>		
Note 1	-	Departmental transfers made in accordance with budget ordinance
Note 2	496,484	Encumbrance, contract, reserve, or designation carryovers from prior year
Note 3	217,894	Grants, gifts, and donations in accordance with budget ordinance
Note 4	56,379	Other allowable additions made in accordance with budget ordinance
<b>Total adjustments</b>	<b>770,757</b>	
<b>Modified budget as reported above</b>	<b>\$ 75,718,757</b>	

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES/TRANSFERS OUT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Personal Services Salaries</b>	<b>Personal Services Benefits</b>	<b>Other Expenditures</b>	<b>Capital Outlay</b>	<b>Transfers</b>	<b>Total Actual</b>
<b>GENERAL GOVERNMENT:</b>						
<b>Legislative and Executive</b>						
City Council	\$ 90,939	\$ 6,521	\$ 19,685	\$ -	\$ -	\$ 117,145
Mayor's Office	130,756	36,955	19,201	-	-	186,912
Chief Administrative Officer	192,930	53,714	12,398	-	-	259,042
City Attorney and Human Rights	1,355,153	376,927	36,640	5,222	-	1,773,942
Human Resources	666,041	217,053	34,153	-	-	917,247
<b>Total Legislative and Executive</b>	<b>2,435,819</b>	<b>691,170</b>	<b>122,077</b>	<b>5,222</b>	<b>-</b>	<b>3,254,288</b>
<b>Management Information Services</b>						
Management Information Services	1,039,303	288,234	677,346	-	-	2,004,883
<b>Total Management Information Services</b>	<b>1,039,303</b>	<b>288,234</b>	<b>677,346</b>	<b>-</b>	<b>-</b>	<b>2,004,883</b>
<b>Public Administration</b>						
Clerk	491,990	146,824	64,794	-	-	703,608
Maintenance Operations	5,155,891	1,533,443	6,596,692	18,247	-	13,304,273
Other functions	-	731,080	1,765,170	272,677	-	2,768,927
<b>Total Public Administration</b>	<b>5,647,881</b>	<b>2,411,347</b>	<b>8,426,656</b>	<b>290,924</b>	<b>-</b>	<b>16,776,808</b>
<b>Finance</b>						
Budget	328,175	87,219	32,118	-	-	447,512
Assessor	541,546	157,096	24,640	-	-	723,282
Auditor	868,249	261,087	252,793	-	-	1,382,129
Purchasing	140,245	46,217	7,406	-	-	193,868
Treasurer	193,725	51,604	32,828	-	-	278,157
<b>Total Finance</b>	<b>2,071,940</b>	<b>603,223</b>	<b>349,785</b>	<b>-</b>	<b>-</b>	<b>3,024,948</b>
<b>Benefits</b>						
Flexible Benefits	-	170,447	-	-	-	170,447
Retiree Insurance	-	6,513,304	-	-	-	6,513,304
<b>Total Benefits</b>	<b>-</b>	<b>6,683,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,683,751</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>11,194,943</b>	<b>10,677,725</b>	<b>9,575,864</b>	<b>296,146</b>	<b>-</b>	<b>31,744,678</b>
<b>PUBLIC SAFETY:</b>						
<b>Fire</b>						
Administration	315,638	84,871	80,180	-	-	480,689
Operations	8,991,647	2,831,585	523,764	-	-	12,346,996
Life Safety	591,352	185,829	43,875	-	-	821,056
Building Safety	1,034,786	307,940	196,917	-	-	1,539,643
Hazardous Materials (HAZMAT)	-	-	14,462	-	-	14,462
<b>Total Fire</b>	<b>10,933,423</b>	<b>3,410,225</b>	<b>859,198</b>	<b>-</b>	<b>-</b>	<b>15,202,846</b>
<b>Police</b>						
Administration and Investigation	5,825,454	1,714,804	1,092,935	-	-	8,633,193
Patrol	7,019,449	2,138,714	163,381	-	-	9,321,544
Police Special Accounts	-	-	40,172	-	-	40,172
<b>Total Police</b>	<b>12,844,903</b>	<b>3,853,518</b>	<b>1,296,488</b>	<b>-</b>	<b>-</b>	<b>17,994,909</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>23,778,326</b>	<b>7,263,743</b>	<b>2,155,686</b>	<b>-</b>	<b>-</b>	<b>33,197,755</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF EXPENDITURES/TRANSFERS OUT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Personal Services Salaries</u>	<u>Personal Services Benefits</u>	<u>Other Expenditures</u>	<u>Capital Outlay</u>	<u>Transfers</u>	<u>Total Actual</u>
<b>PUBLIC WORKS:</b>						
<b>Public Works</b>						
Public Works Director's Office	36,119	8,592	360	-	-	45,071
Engineering	1,262,573	377,430	152,420	-	-	1,792,423
<b>Total Public Works</b>	<u>1,298,692</u>	<u>386,022</u>	<u>152,780</u>	<u>-</u>	<u>-</u>	<u>1,837,494</u>
<b>TOTAL PUBLIC WORKS</b>	<u>1,298,692</u>	<u>386,022</u>	<u>152,780</u>	<u>-</u>	<u>-</u>	<u>1,837,494</u>
<b>CULTURE AND RECREATION:</b>						
<b>Culture and Recreation</b>						
Library Services	2,358,924	671,023	325,701	316,903	-	3,672,551
Parks and Recreation	517,304	147,510	144,885	180,327	-	990,026
<b>Total Culture and Recreation</b>	<u>2,876,228</u>	<u>818,533</u>	<u>470,586</u>	<u>497,230</u>	<u>-</u>	<u>4,662,577</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>2,876,228</u>	<u>818,533</u>	<u>470,586</u>	<u>497,230</u>	<u>-</u>	<u>4,662,577</u>
<b>URBAN AND ECONOMIC DEVELOPMENT:</b>						
<b>Planning and Development</b>						
Planning	441,183	140,668	110,224	-	-	692,075
Business and Development Resources	446,536	118,870	38,636	-	-	604,042
<b>Total Planning and Development</b>	<u>887,719</u>	<u>259,538</u>	<u>148,860</u>	<u>-</u>	<u>-</u>	<u>1,296,117</u>
<b>TOTAL URBAN AND ECONOMIC DEVELOPMENT</b>	<u>887,719</u>	<u>259,538</u>	<u>148,860</u>	<u>-</u>	<u>-</u>	<u>1,296,117</u>
<b>TRANSFERS:</b>						
Debt Service	-	-	-	-	250,000	250,000
Capital Improvements	-	-	-	-	143,505	143,505
<b>TOTAL TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,505</u>	<u>393,505</u>
<b>DEBT SERVICE:</b>						
Capital Lease Obligation - Principal	-	-	-	145,000	-	145,000
Capital Lease Obligation - Interest	-	-	-	36,550	-	36,550
<b>TOTAL DEBT SERVICE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,550</u>	<u>-</u>	<u>181,550</u>
<b>TOTAL EXPENDITURES/TRANSFERS OUT</b>	<u>\$ 40,035,908</u>	<u>\$ 19,405,561</u>	<u>\$ 12,503,776</u>	<u>\$ 974,926</u>	<u>\$ 393,505</u>	<u>\$ 73,313,676</u>

# **Proprietary Funds**

**ENTERPRISE FUNDS**

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

- Street Lighting -** to account for the operation, maintenance and improvement of the City's street lighting and traffic signal systems.
- Steam District #1 -** to account for the generation and distribution of steam in the downtown area.
- Stormwater Utility -** to account for the operation and maintenance of the storm water sewer collection system.
- Golf -** to account for the operations of Enger Park and Lester Park, the City's two municipal 27-hole golf courses.

**INTERNAL SERVICE FUNDS**

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

- Self-Insurance-** to account for the payment of sundry insurance premiums and loss control activities, as well as the settlement of various claims, judgements and lawsuits against the City.
- Group Health-** to account for the collection of premiums and the payment of dental and health care costs for employees of the City and various outside agencies.
- Fleet services-** to account for the costs associated with the maintenance and operation of the City's fleet of vehicles and equipment, including fuel usage, and to charge such costs back to the various City departments which own and use these assets.
- Employee Vacation Compensation-** to account for the funding and liability for governmental funds compensated absences and associated benefits.

**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
DECEMBER 31, 2011**

T.O.C.

	Street Lighting	Steam District #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 514,593	\$ 2,122,795	\$ 1,649,337	\$ -	\$ 4,286,725
Restricted assets held by trustee	-	-	-	104,012	104,012
Receivables, net:					
Accounts receivable	218,427	1,092,938	481,145	45	1,792,555
Assessments	-	-	30,417	-	30,417
Due from other funds	-	19,976	164,224	-	184,200
Due from component units	-	-	2,613	-	2,613
Due from other governments	-	-	26,022	-	26,022
Inventories	-	277,622	137,841	44,468	459,931
Prepays	-	-	65,971	553	66,524
<b>Total current assets</b>	<b>733,020</b>	<b>3,513,331</b>	<b>2,557,570</b>	<b>149,078</b>	<b>6,952,999</b>
Noncurrent assets:					
Due from other governments	-	25,000	-	-	25,000
Issuance costs	-	61,272	27,459	5,363	94,094
Capital assets, net	1,904,748	9,200,077	13,383,139	2,332,430	26,820,394
<b>Total noncurrent assets</b>	<b>1,904,748</b>	<b>9,286,349</b>	<b>13,410,598</b>	<b>2,337,793</b>	<b>26,939,488</b>
<b>Total assets</b>	<b>2,637,768</b>	<b>12,799,680</b>	<b>15,968,168</b>	<b>2,486,871</b>	<b>33,892,487</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	79,070	445,075	49,150	3,376	576,671
Contracts payable	-	272,506	93,344	-	365,850
Leases payable	-	-	-	106,099	106,099
Due to other funds	1,256	59,844	150,052	13,008	224,160
Interfund loan payable	-	-	-	1,003,616	1,003,616
Due to other governments	-	21,370	6,480	251	28,101
Accrued interest payable	-	104,548	29,432	16,068	150,048
Accrued salaries payable	10,390	-	54,176	-	64,566
Compensated absences	8,312	-	96,192	-	104,504
Unearned revenue	5,527	-	16,130	34,983	56,640
Revenue bonds payable	-	495,000	196,839	145,000	836,839
<b>Total current liabilities</b>	<b>104,555</b>	<b>1,398,343</b>	<b>691,795</b>	<b>1,322,401</b>	<b>3,517,094</b>
Noncurrent liabilities:					
Compensated absences	-	-	16,497	-	16,497
Leases payable	-	-	-	346,823	346,823
Revenue bonds payable	-	5,650,000	1,908,161	-	7,558,161
Less unamortized bond premium (discount)	-	(242)	6,343	-	6,101
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>5,649,758</b>	<b>1,931,001</b>	<b>346,823</b>	<b>7,927,582</b>
<b>Total liabilities</b>	<b>104,555</b>	<b>7,048,101</b>	<b>2,622,796</b>	<b>1,669,224</b>	<b>11,444,676</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,904,748	3,116,591	11,299,255	1,734,508	18,055,102
Restricted for special accounts	-	-	-	103,553	103,553
Unrestricted	628,465	2,634,988	2,046,117	(1,020,414)	4,289,156
<b>Total net assets</b>	<b>\$ 2,533,213</b>	<b>\$ 5,751,579</b>	<b>\$ 13,345,372</b>	<b>\$ 817,647</b>	<b>\$ 22,447,811</b>

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Street Lighting	Steam Dist #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ -	\$ 485,528	\$ 485,528
Charges for services	1,873,843	7,036,063	4,598,436	1,372,984	14,881,326
Miscellaneous revenues	20,195	132,958	34,105	14,065	201,323
Total operating revenues	<u>1,894,038</u>	<u>7,169,021</u>	<u>4,632,541</u>	<u>1,872,577</u>	<u>15,568,177</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	-	-	301,191	301,191
Personal services	393,154	-	1,794,117	103	2,187,374
Supplies	151,634	2,950,613	245,053	69,066	3,416,366
Utilities	650,583	382,118	19,904	47,296	1,099,901
Other services and charges	60,142	2,372,779	806,194	1,366,399	4,605,514
Amortization	-	6,899	3,180	5,851	15,930
Depreciation	222,685	1,008,522	452,148	211,374	1,894,729
Total operating expenses	<u>1,478,198</u>	<u>6,720,931</u>	<u>3,320,596</u>	<u>2,001,280</u>	<u>13,521,005</u>
Operating income	<u>415,840</u>	<u>448,090</u>	<u>1,311,945</u>	<u>(128,703)</u>	<u>2,047,172</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	-	494	39,944	17	40,455
Other revenue	-	2,300,000	-	-	2,300,000
Gain (Loss) on sale or disposition of capital assets	-	-	(1,621)	(29,083)	(30,704)
Interest expense	-	(252,533)	(70,784)	(25,803)	(349,120)
Total non-operating revenue (expenses)	<u>-</u>	<u>2,047,961</u>	<u>(32,461)</u>	<u>(54,869)</u>	<u>1,960,631</u>
Income before transfers	415,840	2,496,051	1,279,484	(183,572)	4,007,803
Capital contributions	-	-	106,000	-	106,000
Transfers out	-	(178,660)	(554,135)	(12,500)	(745,295)
Change in net assets	415,840	2,317,391	831,349	(196,072)	3,368,508
Total net assets - January 1, 2011	<u>2,117,373</u>	<u>3,434,188</u>	<u>12,514,023</u>	<u>1,013,719</u>	<u>19,079,303</u>
Total net assets - December 31, 2011	<u>\$ 2,533,213</u>	<u>\$ 5,751,579</u>	<u>\$ 13,345,372</u>	<u>\$ 817,647</u>	<u>\$ 22,447,811</u>



**CITY OF DULUTH, MINNESOTA  
COMBINING STATEMENT CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Street Lighting	Steam District #1	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,785,399	\$ 7,122,368	\$ 4,670,155	\$ 1,873,416	\$ 15,451,338
Cash paid to suppliers	(860,965)	(5,781,089)	(1,380,064)	(1,767,789)	(9,789,907)
Cash paid to employees	(396,254)	-	(1,919,592)	(103)	(2,315,949)
Other operating revenues	23,286	9,963	6,353	-	39,602
	<u>551,466</u>	<u>1,351,242</u>	<u>1,376,852</u>	<u>105,524</u>	<u>3,385,084</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(129,957)	(555,980)	(12,500)	(698,437)
Interfund financing	(15,475)	(91,633)	-	183,393	76,285
	<u>(15,475)</u>	<u>(221,590)</u>	<u>(555,980)</u>	<u>170,893</u>	<u>(622,152)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital grants and contributions	-	-	80,940	-	80,940
Principal paid on bonds, notes and capitalized leases	-	(515,000)	(95,000)	(125,814)	(735,814)
Interest paid on bonds, notes and capitalized leases	-	(260,912)	(67,787)	-	(328,699)
Transfer to trustee debt service account	-	-	-	(150,603)	(150,603)
Payment of bond issuance costs	-	-	(330)	-	(330)
Special assessments received	-	-	2,475	-	2,475
Acquisition or construction of capital assets	(21,398)	(531,439)	(1,551,628)	-	(2,104,465)
Other reimbursements	-	2,300,000	-	-	2,300,000
	<u>(21,398)</u>	<u>992,649</u>	<u>(1,631,330)</u>	<u>(276,417)</u>	<u>(936,496)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment interest	-	494	39,406	-	39,900
Net increase (decrease) in cash and cash equivalents	514,593	2,122,795	(771,052)	-	1,866,336
Cash and cash equivalents - January 1, 2011	-	-	2,420,389	-	2,420,389
Cash and cash equivalents - December 31, 2011	<u>\$ 514,593</u>	<u>\$ 2,122,795</u>	<u>\$ 1,649,337</u>	<u>\$ -</u>	<u>\$ 4,286,725</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	<u>\$ 415,840</u>	<u>\$ 448,090</u>	<u>\$ 1,311,945</u>	<u>\$ (128,703)</u>	<u>\$ 2,047,172</u>
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	222,685	1,015,421	455,328	217,225	1,910,659
Change in assets and liabilities:					
Decrease (increase) in receivables	(80,803)	(34,290)	(58,584)	4,935	(168,742)
Decrease (increase) in inventory	-	(49,991)	(85,405)	6,917	(128,479)
Decrease (increase) in prepaid items	-	14,257	-	(245)	14,012
Increase (decrease) in payables	(6,870)	(42,245)	(211,936)	9,491	(251,560)
Increase (decrease) in deferred revenues	614	-	(34,496)	(4,096)	(37,978)
	<u>135,626</u>	<u>903,152</u>	<u>64,907</u>	<u>234,227</u>	<u>1,337,912</u>
Net cash provided (used) by operating activities	<u>\$ 551,466</u>	<u>\$ 1,351,242</u>	<u>\$ 1,376,852</u>	<u>\$ 105,524</u>	<u>\$ 3,385,084</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
<b>Golf</b>					
The trustee debt service account paid \$135,000 and \$15,210 for principal and interest payments, respectively, and earned \$17 in interest.					
Capital lease purchase of golf course equipment for \$578,737.					

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF NET ASSETS**  
**GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2011**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,652,827	\$ -	\$ -	\$ 3,387,726	\$ 8,040,553
Restricted assets held by trustee	-	7,295,048	-	-	7,295,048
Accounts receivable, net	-	21,609	-	-	21,609
Due from other funds	-	9,559	311,308	73,866	394,733
Due from component units	10,543	-	-	-	10,543
Inventories	-	-	258,856	-	258,856
Prepays	-	9,154	-	-	9,154
	<u>4,663,370</u>	<u>7,335,370</u>	<u>570,164</u>	<u>3,461,592</u>	<u>16,030,496</u>
Total current assets					
Capital assets, net	-	-	519,890	-	519,890
	<u>4,663,370</u>	<u>7,335,370</u>	<u>1,090,054</u>	<u>3,461,592</u>	<u>16,550,386</u>
Total assets					
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	522	-	190,021	-	190,543
Contracts payable	-	-	6,268	-	6,268
Claims payable	225,615	1,994,940	-	-	2,220,555
Leases payable	-	-	23,887	-	23,887
Due to other funds	30,269	-	-	8,329	38,598
Interfund loan payable	-	-	508,174	-	508,174
Due to other governments	-	-	451	-	451
Accrued interest payable	-	-	199	-	199
Accrued salaries payable	3,416	-	42,178	-	45,594
Compensated absences	-	-	71,843	2,800,000	2,871,843
Unearned revenue	-	60,413	-	-	60,413
	<u>259,822</u>	<u>2,055,353</u>	<u>843,021</u>	<u>2,808,329</u>	<u>5,966,525</u>
Total current liabilities					
Noncurrent liabilities:					
Claims payable	1,239,108	-	-	-	1,239,108
Compensated absences	-	-	21,353	653,263	674,616
	<u>1,239,108</u>	<u>-</u>	<u>21,353</u>	<u>653,263</u>	<u>1,913,724</u>
Total noncurrent liabilities					
Total liabilities	<u>1,498,930</u>	<u>2,055,353</u>	<u>864,374</u>	<u>3,461,592</u>	<u>7,880,249</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	-	496,003	-	496,003
Restricted for health insurance trust	-	5,280,017	-	-	5,280,017
Unrestricted	3,164,440	-	(270,323)	-	2,894,117
	<u>\$ 3,164,440</u>	<u>\$ 5,280,017</u>	<u>\$ 225,680</u>	<u>\$ -</u>	<u>\$ 8,670,137</u>
Total net assets					

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Self Insurance</u>	<u>Group Health</u>	<u>Fleet Services</u>	<u>Employee Vacation Compensation</u>	<u>Total Governmental Activities- Internal Service Funds</u>
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ 2,380,693	\$ -	\$ 2,380,693
Charges for services	2,309,311	17,958,679	1,212,061	3,453,263	24,933,314
Miscellaneous revenues	126,296	719,144	3,987	-	849,427
Total operating revenues	<u>2,435,607</u>	<u>18,677,823</u>	<u>3,596,741</u>	<u>3,453,263</u>	<u>28,163,434</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	-	-	2,191,960	-	2,191,960
Personal services	313,154	-	1,285,435	3,453,263	5,051,852
Supplies	723	-	53,602	-	54,325
Other services and charges	587,532	1,327,504	308,930	-	2,223,966
Depreciation	-	-	68,439	-	68,439
Medical and insurance	779,874	20,061,757	-	-	20,841,631
Total operating expenses	<u>1,681,283</u>	<u>21,389,261</u>	<u>3,908,366</u>	<u>3,453,263</u>	<u>30,432,173</u>
Operating income	<u>754,324</u>	<u>(2,711,438)</u>	<u>(311,625)</u>	<u>-</u>	<u>(2,268,739)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	59,180	89,315	-	56,922	205,417
Intergovernmental revenue	-	-	5,835	-	5,835
Interest expense	-	-	(2,544)	-	(2,544)
Total non-operating revenue (expenses)	<u>59,180</u>	<u>89,315</u>	<u>3,291</u>	<u>56,922</u>	<u>208,708</u>
Income before transfers	813,504	(2,622,123)	(308,334)	56,922	(2,060,031)
Transfers out	<u>(59,180)</u>	<u>(74,494)</u>	<u>-</u>	<u>(56,922)</u>	<u>(190,596)</u>
Change in net assets	754,324	(2,696,617)	(308,334)	-	(2,250,627)
Total net assets - January 1, 2011	<u>2,410,116</u>	<u>7,976,634</u>	<u>534,014</u>	<u>-</u>	<u>10,920,764</u>
Total net assets - December 31, 2011	<u>\$ 3,164,440</u>	<u>\$ 5,280,017</u>	<u>\$ 225,680</u>	<u>\$ -</u>	<u>\$ 8,670,137</u>

**CITY OF DULUTH, MINNESOTA  
 COMBINING STATEMENT OF CASH FLOWS  
 GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Self Insurance	Group Health	Fleet Services	Employee Vacation Compensation	Total Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,457,712	\$ 18,707,162	\$ 3,586,902	\$ 3,504,090	\$ 28,255,866
Cash paid to suppliers	(1,311,294)	(21,026,416)	(2,613,860)	-	(24,951,570)
Cash paid to employees	-	-	(1,274,580)	(3,387,726)	(4,662,306)
Other operating revenues	-	-	3,987	-	3,987
Net cash provided (used) by operating activities	<u>1,146,418</u>	<u>(2,319,254)</u>	<u>(297,551)</u>	<u>116,364</u>	<u>(1,354,023)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(74,494)	-	(56,922)	(131,416)
Operating grants	-	-	5,835	-	5,835
Interfund financing	-	-	466,866	-	466,866
Net cash provided (used) by noncapital	<u>-</u>	<u>(74,494)</u>	<u>472,701</u>	<u>(56,922)</u>	<u>341,285</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on bonds, notes and capitalized leases	-	-	(46,040)	-	(46,040)
Interest paid on bonds, notes and capitalized leases	-	-	(2,928)	-	(2,928)
Acquisition or construction of capital assets	-	-	(126,182)	-	(126,182)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(175,150)</u>	<u>-</u>	<u>(175,150)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment interest	-	89,315	-	56,922	146,237
Net increase (decrease) in cash and cash equivalents	1,146,418	(2,304,433)	-	116,364	(1,041,651)
Cash and cash equivalents - January 1, 2011	3,506,409	9,599,481	-	3,271,362	16,377,252
Cash and cash equivalents - December 31, 2011	<u>\$ 4,652,827</u>	<u>\$ 7,295,048</u>	<u>\$ -</u>	<u>\$ 3,387,726</u>	<u>\$ 15,335,601</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Net operating income (loss)	\$ 754,324	\$ (2,711,438)	\$ (311,625)	\$ -	\$ (2,268,739)
Adjustments to reconcile net operating income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	-	-	68,439	-	68,439
Change in assets and liabilities:					
Decrease (increase) in receivables	22,105	26,661	3,052	42,498	94,316
Decrease (increase) in inventory	-	-	(32,040)	-	(32,040)
Decrease (increase) in prepaid items	-	104,079	-	-	104,079
Increase (decrease) in payables	369,989	258,766	(25,377)	73,866	677,244
Increase (decrease) in deferred revenues	-	2,678	-	-	2,678
Total adjustments	<u>392,094</u>	<u>392,184</u>	<u>14,074</u>	<u>116,364</u>	<u>914,716</u>
Net cash provided (used) by operating activities	<u>\$ 1,146,418</u>	<u>\$ (2,319,254)</u>	<u>\$ (297,551)</u>	<u>\$ 116,364</u>	<u>\$ (1,354,023)</u>

# **Fiduciary Funds**

CITY OF DULUTH, MINNESOTA  
FIDUCIARY FUNDS  
AGENCY FUNDS  
DECEMBER 31, 2011

**AGENCY FUNDS**

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

- Duluth 1200 Loan -** to account for monies received from various sources for the establishment of a venture capital fund managed by an independent non-profit corporation.
- Duluth 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.
- Seaway Port Authority -** to account for property tax revenues used for the operation of the Duluth Port Terminal.

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/11</u>
<b><u>DULUTH 1200 FUND</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,929,248	\$ 1,207,700	\$ 841,837	\$ 2,295,111
Loans receivable	1,575,150	46,069	524,089	1,097,130
Other assets	349,493	2,017	349,830	1,680
Total assets	<u>\$ 3,853,891</u>	<u>\$ 1,255,786</u>	<u>\$ 1,715,756</u>	<u>\$ 3,393,921</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 540	\$ 230,177	\$ 229,091	\$ 1,626
Due to agency	3,853,351	24,478	485,534	3,392,295
Total liabilities	<u>\$ 3,853,891</u>	<u>\$ 254,655</u>	<u>\$ 714,625</u>	<u>\$ 3,393,921</u>
<b><u>DULUTH PUBLIC ARTS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 46,198</u>	<u>\$ 148,488</u>	<u>\$ 127,823</u>	<u>\$ 66,863</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 127,823	\$ 127,823	\$ -
Due to agency	46,198	148,462	127,797	66,863
Total liabilities	<u>\$ 46,198</u>	<u>\$ 276,285</u>	<u>\$ 255,620</u>	<u>\$ 66,863</u>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/11</u>
<b><u>SEAWAY PORT AUTHORITY</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,756	\$ -	\$ 33,756	\$ -
<b>LIABILITIES</b>				
Due to other governments	\$ 33,756	\$ -	\$ 33,756	\$ -
 <b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,009,202	\$ 1,356,188	\$ 1,003,416	\$ 2,361,974
Loans receivable	1,575,150	46,069	524,089	1,097,130
Other assets	349,493	2,017	349,830	1,680
Total assets	<u>\$ 3,933,845</u>	<u>\$ 1,404,274</u>	<u>\$ 1,877,335</u>	<u>\$ 3,460,784</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 540	\$ 358,000	\$ 356,914	\$ 1,626
Due to other governments	33,756	-	33,756	-
Due to agency	3,899,549	172,940	613,331	3,459,158
Total liabilities	<u>\$ 3,933,845</u>	<u>\$ 530,940</u>	<u>\$ 1,004,001</u>	<u>\$ 3,460,784</u>





**Supplementary  
Information**



**CITY OF DULUTH, MINNESOTA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE\*  
 DECEMBER 31, 2011**

**Governmental funds capital assets:**

Land	\$ 20,603,043
Buildings and structures	50,885,141
Equipment	26,471,009
Infrastructure	271,828,794
Construction in Progress	<u>49,566,123</u>

<b>Total governmental funds capital assets</b>	<b><u><u>\$ 419,354,110</u></u></b>
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**Investments in governmental funds capital assets by source:**

General fund	\$ 13,203,490
Special revenue fund	23,326,269
Capital projects fund	380,685,515
Donations	<u>2,138,836</u>

<b>Total governmental funds capital assets</b>	<b><u><u>\$ 419,354,110</u></u></b>
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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 assets.*

**CITY OF DULUTH, MINNESOTA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY\***  
**DECEMBER 31, 2011**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings and Structures</b>	<b>Equipment</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>General Government</b>						
Legislative and Executive	\$ -	\$ -	\$ 6,319	\$ -	\$ -	\$ 6,319
Planning and Development	1,097,030	-	366,833	-	-	1,463,863
Finance	-	-	392,011	-	-	392,011
Administrative Services	-	-	256,338	-	1,483,062	1,739,400
Management Information Systems	-	-	3,133,614	-	-	3,133,614
Maintenance Operations	6,836,375	15,375,277	10,819,593	14,390,994	523,610	47,945,849
<b>Total General Government</b>	<u>7,933,405</u>	<u>15,375,277</u>	<u>14,974,708</u>	<u>14,390,994</u>	<u>2,006,672</u>	<u>54,681,056</u>
<b>Public Safety</b>						
Police	2,000	2,045,143	3,798,066	562,251	12,431,195	18,838,655
Fire	83,005	2,932,502	6,326,347	-	-	9,341,854
<b>Total Public Safety</b>	<u>85,005</u>	<u>4,977,645</u>	<u>10,124,413</u>	<u>562,251</u>	<u>12,431,195</u>	<u>28,180,509</u>
<b>Public Works</b>						
Street Construction	-	-	-	254,861,574	31,761,323	286,622,897
Engineering	-	-	686,786	-	-	686,786
<b>Total Public Works</b>	<u>-</u>	<u>-</u>	<u>686,786</u>	<u>254,861,574</u>	<u>31,761,323</u>	<u>287,309,683</u>
<b>Culture and Recreation</b>						
Libraries	51,585	7,545,987	191,275	-	-	7,788,847
Parks and Recreation	12,533,048	22,986,232	493,827	2,013,975	3,366,933	41,394,015
<b>Total Culture and Recreation</b>	<u>12,584,633</u>	<u>30,532,219</u>	<u>685,102</u>	<u>2,013,975</u>	<u>3,366,933</u>	<u>49,182,862</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 20,603,043</u>	<u>\$ 50,885,141</u>	<u>\$ 26,471,009</u>	<u>\$ 271,828,794</u>	<u>\$ 49,566,123</u>	<u>\$ 419,354,110</u>

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

**CITY OF DULUTH, MINNESOTA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY\***  
**YEAR ENDED DECEMBER 31, 2011**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets 01/01/11</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets 12/31/11</u>
<b>General Government</b>					
Legislative and Executive	\$ 15,239	\$ -	\$ -	\$ 8,920	\$ 6,319
Planning and Development	1,256,520	-	1,304,373	1,097,030	1,463,863
Finance	392,011	-	-	-	392,011
Administrative Services	358,784	-	1,395,663	15,047	1,739,400
Management Information Systems	1,509,630	-	1,623,984	-	3,133,614
Maintenance Operations	45,732,322	-	3,946,410	1,732,883	47,945,849
<b>Total General Government</b>	<u>49,264,506</u>	<u>-</u>	<u>8,270,430</u>	<u>2,853,880</u>	<u>54,681,056</u>
<b>Public Safety</b>					
Police	8,300,364	-	11,546,791	1,008,500	18,838,655
Fire	9,050,212	-	899,724	608,082	9,341,854
<b>Total Public Safety</b>	<u>17,350,576</u>	<u>-</u>	<u>12,446,515</u>	<u>1,616,582</u>	<u>28,180,509</u>
<b>Public Works</b>					
Street Construction	272,925,649	-	28,812,473	15,115,225	286,622,897
Engineering	698,614	-	29,370	41,198	686,786
<b>Total Public Works</b>	<u>273,624,263</u>	<u>-</u>	<u>28,841,843</u>	<u>15,156,423</u>	<u>287,309,683</u>
<b>Culture and Recreation</b>					
Libraries	7,975,919	-	-	187,072	7,788,847
Parks and Recreation	40,365,014	-	1,259,900	230,899	41,394,015
<b>Total Culture and Recreation</b>	<u>48,340,933</u>	<u>-</u>	<u>1,259,900</u>	<u>417,971</u>	<u>49,182,862</u>
<b>Total Governmental Funds Capital Assets</b>	<u>\$ 388,580,278</u>	<u>\$ -</u>	<u>\$ 50,818,688</u>	<u>\$ 20,044,856</u>	<u>\$ 419,354,110</u>

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

**CITY OF DULUTH  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2011**

T.O.C.

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
<b>Governmental Activities:</b>				
<b>General Obligation Bonds Payable</b>				
<b>General Obligation</b>				
Bayfront Festival Park	\$ 3,135,000	4/1/2001	2/1/2011	\$ 460,000
Duluth Transit Authority	615,000	9/1/2001	2/1/2011	80,000
Bayfront Festival Park Improvement	425,000	12/1/2003	2/1/2012	120,000
Capital Improvement	800,000	3/1/2004	2/1/2014	380,000
Airpark Improvement	945,000	9/1/2004	2/1/2020	695,000
Capital Improvement	1,255,000	6/1/2005	2/1/2015	750,000
Lake Superior Center Refunding	1,765,000	12/19/2005	2/1/2017	1,215,000
Zoo Refunding Issue	1,485,000	12/19/2005	2/1/2012	495,000
Capital Improvement	895,000	9/7/2006	2/1/2016	635,000
Capital Improvement	1,240,000	12/13/2007	2/1/2017	1,000,000
Duluth Entertainment and Convention Center Authority Refunding	3,760,000	12/13/2007	2/1/2014	2,625,000
Aerial Lift Bridge Improvement	1,475,000	8/7/2008	2/1/2019	1,350,000
Duluth Entertainment and Convention Center Improvement	40,635,000	8/7/2008	2/1/2034	40,585,000
Capital Improvement	1,600,000	12/9/2008	2/1/2018	1,455,000
Capital Improvement	7,085,000	12/17/2009	2/1/2020	7,085,000
Capital Improvement - Law Enforcement Center	11,905,000	12/17/2009	2/1/2032	11,905,000
West Michigan Street Improvements Refunding	589,118	12/17/2009	2/1/2018	589,118
Capital Improvements	2,175,000	11/23/2010	2/1/2021	2,175,000
Airport Improvement Refunding	1,850,000	11/23/2010	2/1/2017	1,850,000
Capital Improvement	1,870,000	11/29/2011	2/1/2022	-
<b>Total General Obligation</b>				<b>\$ 75,449,118</b>
<b>General Obligation - Tax Abatement</b>				
Lake Walk Homes Tax Abatement Bonds	\$ 310,000	10/1/2005	2/1/2021	\$ 310,000
<b>Total General Obligation Bonds Payable</b>				<b>\$ 75,759,118</b>
<b>Revenue Bonds Payable</b>				
<b>Lease Revenue Bonds Payable</b>				
Artspace Community Center Refunding	\$ 1,380,000	2/7/2007	8/1/2014	\$ 860,000
<b>Total Revenue Bonds Payable</b>				<b>\$ 860,000</b>
<b>Special Assessment Debt with Government Commitment</b>				
Street Improvement	\$ 3,860,000	9/1/2002	2/1/2018	\$ 2,290,000
Street Improvement	5,035,000	9/1/2003	2/1/2019	3,340,000
General Obligation Improvement	2,010,000	12/1/2003	2/1/2019	130,000
Street Improvement	4,785,000	9/1/2004	2/1/2020	3,485,000
General Obligation Improvement	2,275,000	6/1/2005	2/1/2020	1,755,000
Street Improvement	4,260,000	10/1/2005	2/1/2021	3,370,000
Street Improvement Refunding	2,820,000	12/19/2005	2/1/2012	1,020,000
General Obligation Improvement	1,985,000	9/7/2006	2/1/2021	1,655,000
Street Improvement	3,355,000	9/7/2006	2/1/2022	2,855,000
Street Improvement Refunding	2,395,000	12/19/2006	2/1/2012	1,025,000
Street Improvement Refunding	3,445,000	12/19/2006	2/1/2014	2,095,000
Street Improvement Refunding	3,190,000	12/19/2006	2/1/2016	2,240,000
Street Improvement	2,285,000	12/13/2007	2/1/2023	2,060,000
Street Improvement	2,320,000	8/7/2008	2/1/2024	2,195,000
Street Improvement Refunding	3,055,000	12/9/2008	2/1/2015	2,595,000
General Obligation Improvement Refunding	397,780	12/17/2009	2/1/2015	397,780
General Obligation Improvement Refunding	506,415	12/17/2009	2/1/2015	506,415
General Obligation Improvement Refunding	656,687	12/17/2009	2/1/2016	656,687
General Obligation Improvement Refunding	1,205,000	11/23/2010	2/1/2019	1,205,000
General Obligation Improvement Refunding	1,135,000	11/23/2010	2/1/2019	1,135,000
<b>Total Special Assessment Debt with Government Commitment</b>				<b>\$ 36,010,882</b>
<b>General Obligation Certificates Payable</b>				
Equipment	\$ 1,785,000	12/19/2006	2/1/2012	\$ 755,000
Equipment	1,985,000	12/13/2007	2/1/2013	1,240,000
Equipment	2,515,000	12/9/2008	2/1/2014	2,060,000
Equipment	2,570,000	12/17/2009	2/1/2015	2,570,000
Equipment	2,295,000	11/23/2010	2/1/2016	2,295,000
Equipment	3,095,000	11/29/2011	2/1/2017	-
<b>Total General Obligation Certificates Payable</b>				<b>\$ 8,920,000</b>
<b>Total Governmental Activities Bonds and Certificates Payable</b>				<b>\$ 121,550,000</b>

(Continued)

**CITY OF DULUTH  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2011**

T.O.C.

	Issued	Retired	Dec 31 Balance	Principal Due in 2012	Interest Due in 2012
<b>Governmental Activities:</b>					
<b>General Obligation Bonds Payable</b>					
<b>General Obligation</b>					
Bayfront Festival Park	\$ -	\$ 460,000	\$ -	\$ -	\$ -
Duluth Transit Authority	-	80,000	-	-	-
Bayfront Festival Park Improvement	-	60,000	60,000	60,000	1,080
Capital Improvement	-	90,000	290,000	95,000	7,889
Airpark Improvement	-	55,000	640,000	60,000	23,890
Capital Improvement	-	135,000	615,000	145,000	19,364
Lake Superior Center Refunding	-	155,000	1,060,000	155,000	38,990
Zoo Refunding Issue	-	250,000	245,000	245,000	4,900
Capital Improvement	-	95,000	540,000	100,000	19,600
Capital Improvement	-	130,000	870,000	130,000	32,200
Duluth Entertainment and Convention Center Authority Refunding	-	615,000	2,010,000	640,000	67,600
Aerial Lift Bridge Improvement	-	130,000	1,220,000	135,000	46,063
Duluth Entertainment and Convention Center Improvement	-	70,000	40,515,000	100,000	1,928,937
Capital Improvement	-	160,000	1,295,000	165,000	45,794
Capital Improvement	-	140,000	6,945,000	365,000	216,650
Capital Improvement - Law Enforcement Center	-	-	11,905,000	-	682,283
West Michigan Street Improvements Refunding	-	133,095	456,023	139,052	8,598
Capital Improvements	-	-	2,175,000	185,000	55,375
Airport Improvement Refunding	-	-	1,850,000	290,000	27,853
Capital Improvement	1,870,000	-	1,870,000	-	37,712
<b>Total General Obligation</b>	<b>\$ 1,870,000</b>	<b>\$ 2,758,095</b>	<b>\$ 74,561,023</b>	<b>\$ 3,009,052</b>	<b>\$ 3,264,778</b>
<b>General Obligation - Tax Abatement</b>					
Lake Walk Homes Tax Abatement Bonds	\$ -	\$ 25,000	\$ 285,000	\$ 25,000	\$ 10,880
<b>Total General Obligation Bonds Payable</b>	<b>\$ 1,870,000</b>	<b>\$ 2,783,095</b>	<b>\$ 74,846,023</b>	<b>\$ 3,034,052</b>	<b>\$ 3,275,658</b>
<b>Revenue Bonds Payable</b>					
<b>Lease Revenue Bonds Payable</b>					
Artspace Community Center Refunding	\$ -	\$ 145,000	\$ 715,000	\$ 150,000	\$ 28,600
	\$ -	\$ 145,000	\$ 715,000	\$ 150,000	\$ 28,600
<b>Special Assessment Debt with Government Commitment</b>					
Street Improvement	\$ -	\$ 2,290,000	\$ -	\$ -	\$ -
Street Improvement	-	310,000	3,030,000	320,000	120,094
General Obligation Improvement	-	-	130,000	130,000	2,275
Street Improvement	-	285,000	3,200,000	295,000	125,706
General Obligation Improvement	-	145,000	1,610,000	150,000	60,238
Street Improvement	-	250,000	3,120,000	255,000	121,108
Street Improvement Refunding	-	500,000	520,000	520,000	10,400
General Obligation Improvement	-	120,000	1,535,000	125,000	58,900
Street Improvement	-	185,000	2,670,000	190,000	103,000
Street Improvement Refunding	-	500,000	525,000	525,000	10,500
Street Improvement Refunding	-	490,000	1,605,000	515,000	53,900
Street Improvement Refunding	-	340,000	1,900,000	355,000	68,900
Street Improvement	-	125,000	1,935,000	130,000	74,075
Street Improvement	-	125,000	2,070,000	130,000	85,982
Street Improvement Refunding	-	490,000	2,105,000	500,000	69,038
General Obligation Improvement Refunding	-	89,868	307,912	93,890	5,805
General Obligation Improvement Refunding	-	93,333	413,082	98,353	9,951
General Obligation Improvement Refunding	-	103,704	552,983	108,706	10,644
General Obligation Improvement Refunding	-	-	1,205,000	82,400	26,327
General Obligation Improvement Refunding	-	-	1,135,000	77,600	24,793
<b>Total Special Assessment Debt with Government Commitment</b>	<b>\$ -</b>	<b>\$ 6,441,905</b>	<b>\$ 29,568,977</b>	<b>\$ 4,600,949</b>	<b>\$ 1,041,636</b>
<b>General Obligation Certificates Payable</b>					
Equipment	\$ -	\$ 370,000	\$ 385,000	\$ 385,000	6,978
Equipment	-	400,000	840,000	410,000	30,725
Equipment	-	485,000	1,575,000	505,000	55,575
Equipment	-	485,000	2,085,000	505,000	47,300
Equipment	-	-	2,295,000	445,000	22,445
Equipment	3,095,000	-	3,095,000	-	41,611
<b>Total General Obligation Certificates Payable</b>	<b>\$ 3,095,000</b>	<b>\$ 1,740,000</b>	<b>\$ 10,275,000</b>	<b>\$ 2,250,000</b>	<b>\$ 204,634</b>
<b>Total Governmental Activities Bonds and Certificates Payable</b>	<b>\$ 4,965,000</b>	<b>\$ 11,110,000</b>	<b>\$ 115,405,000</b>	<b>\$ 10,035,001</b>	<b>\$ 4,550,528</b>

(Continued)

**CITY OF DULUTH  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2011**

T.O.C.

	Issue Amount	Issue Date	Final Maturity	Jan 1 Balance
<b>Business-type Activities:</b>				
<b>Revenue Bonds Payable</b>				
<b>Golf Fund</b>				
Revenue Recreation Facility Refunding	\$ 1,040,000	12/14/2004	12/1/2012	\$ 285,000
<b>Revenue and General Obligation Bonds Payable</b>				
<b>Parking Fund</b>				
Parking Improvement Tax Increment	\$ 12,785,000	12/16/2005	2/1/2026	\$ 11,495,000
Technology Village & Parking Improvement	1,965,000	12/9/2008	2/1/2015	1,670,000
<b>Total Parking Fund</b>				<b>\$ 13,165,000</b>
<b>Water Fund</b>				
Water Utility Revenue and General Obligation	\$ 1,120,000	12/19/2006	2/1/2022	\$ 950,000
Water Utility Revenue and General Obligation Refunding	950,000	12/13/2007	2/1/2016	740,000
Water Utility Revenue and General Obligation	196,000	2/19/2009	2/1/2024	186,000
Water Utility Revenue and General Obligation Refunding	1,625,000	11/23/2010	2/1/2018	1,625,000
<b>Total Water Fund</b>				<b>\$ 3,501,000</b>
<b>Gas Fund</b>				
Gas Utility Revenue and General Obligation	\$ 6,090,000	12/1/2003	2/1/2019	\$ 4,080,000
Gas Utility Revenue and General Obligation	1,190,000	12/19/2006	2/1/2022	1,010,000
Gas Utility Revenue and General Obligation Refunding	2,846,814	12/17/2009	2/1/2017	2,846,814
Gas Utility Revenue and General Obligation Refunding	3,125,000	11/29/2011	2/1/2019	-
<b>Total Gas Fund</b>				<b>\$ 7,936,814</b>
<b>Steam District #1 Fund</b>				
Steam Utility Revenue and General Obligation	\$ 325,000	12/1/2000	2/1/2011	\$ 40,000
Steam Utility Revenue and General Obligation	345,000	12/1/2002	2/1/2012	85,000
Steam Utility Revenue and General Obligation	2,250,000	9/1/2003	2/1/2023	1,740,000
Steam Utility Revenue and General Obligation	1,250,000	6/1/2005	2/1/2020	960,000
Steam Utility Revenue and General Obligation	4,525,000	12/19/2006	2/1/2022	3,835,000
<b>Total Steam District # 1 Fund</b>				<b>\$ 6,660,000</b>
<b>Sewer Fund</b>				
Sewer Utility Revenue and General Obligation	\$ 4,045,000	12/1/2004	2/1/2020	\$ 2,935,000
Sewer Utility Revenue and General Obligation	3,515,000	12/19/2005	2/1/2021	2,785,000
Sewer Utility Revenue and General Obligation	945,000	12/19/2006	2/1/2022	800,000
Sewer Utility Revenue and General Obligation	2,120,000	12/13/2007	2/1/2023	1,910,000
Sewer Utility Revenue and General Obligation Refunding	1,325,000	12/13/2007	2/1/2016	995,000
Sewer Utility Revenue and General Obligation	1,444,000	2/19/2009	2/1/2024	1,369,000
Sewer Utility Revenue and General Obligation Refunding	713,186	12/17/2009	2/1/2017	713,186
Sewer Utility Revenue and General Obligation	905,000	12/17/2009	2/1/2025	905,000
Sewer Utility Revenue and General Obligation Refunding	2,025,000	11/23/2010	2/1/2018	2,025,000
Sewer Utility Revenue and General Obligation Refunding	2,265,000	11/29/2011	2/1/2020	-
<b>Total Sewer Fund</b>				<b>\$ 14,437,186</b>
<b>Stormwater Fund</b>				
Stormwater Utility Revenue and General Obligation	\$ 1,705,000	9/7/2006	2/1/2022	\$ 1,445,000
Stormwater Utility Revenue and General Obligation Refunding	755,000	11/23/2010	2/1/2018	755,000
<b>Total Stormwater Fund</b>				<b>\$ 2,200,000</b>
<b>Total Revenue and General Obligation Bonds Payable</b>				<b>\$ 47,900,000</b>
<b>Total Business-type Activities Bonds Payable</b>				<b>\$ 48,185,000</b>
<b>Component Units:</b>				
<b>Duluth Economic Development Authority</b>				
<b>Tax Increment Revenue Bonds Payable -</b>				
Cirrus Tax Increment Revenue	\$ 645,000	3/1/1994	2/1/2012	\$ 90,000
<b>Spirit Mountain Recreation Area</b>				
<b>Revenue Bonds Payable</b>				
Spirit Mountain Recreation Area	\$ 1,646,750	3/31/2003	12/1/2012	\$ 620,104
<b>Duluth Entertainment and Convention Center Authority</b>				
<b>General Obligation Bonds Payable</b>				
Duluth Entertainment and Convention Center Refunding	\$ 6,970,000	4/1/2001	12/1/2011	\$ 775,000
<b>Total Component Units Bonds Payable</b>				<b>\$ 1,485,104</b>

(Continued)

**CITY OF DULUTH  
SCHEDULE OF BONDS AND CERTIFICATES PAYABLE  
DECEMBER 31, 2011**

T.O.C.

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2012</u>	<u>Interest Due in 2012</u>
<b>Business-type Activities:</b>					
<b>Revenue Bonds Payable</b>					
<b>Golf Fund</b>					
Revenue Recreation Facility Refunding	\$ -	\$ 140,000	\$ 145,000	\$ 145,000	\$ 5,510
<b>Revenue and General Obligation Bonds Payable</b>					
<b>Parking Fund</b>					
Parking Improvement Tax Increment	\$ -	\$ 475,000	\$ 11,020,000	\$ 500,000	\$ 575,900
Technology Village & Parking Improvement	-	315,000	1,355,000	325,000	44,363
<b>Total Parking Fund</b>	<b>\$ -</b>	<b>\$ 790,000</b>	<b>\$ 12,375,000</b>	<b>\$ 825,000</b>	<b>\$ 620,263</b>
<b>Water Fund</b>					
Water Utility Revenue and General Obligation	\$ -	\$ 65,000	\$ 885,000	\$ 65,000	\$ 33,124
Water Utility Revenue and General Obligation Refunding	-	110,000	630,000	115,000	22,900
Water Utility Revenue and General Obligation	-	11,000	175,000	11,000	5,678
Water Utility Revenue and General Obligation Refunding	-	-	1,625,000	208,428	35,465
<b>Total Water Fund</b>	<b>\$ -</b>	<b>\$ 186,000</b>	<b>\$ 3,315,000</b>	<b>\$ 399,428</b>	<b>\$ 97,167</b>
<b>Gas Fund</b>					
Gas Utility Revenue and General Obligation	\$ -	\$ 4,080,000	\$ -	\$ -	\$ -
Gas Utility Revenue and General Obligation	-	65,000	945,000	70,000	35,361
Gas Utility Revenue and General Obligation Refunding	-	376,000	2,470,814	390,957	58,181
Gas Utility Revenue and General Obligation Refunding	3,125,000	-	3,125,000	-	72,802
<b>Total Gas Fund</b>	<b>\$ 3,125,000</b>	<b>\$ 4,521,000</b>	<b>\$ 6,540,814</b>	<b>\$ 460,957</b>	<b>\$ 166,344</b>
<b>Steam District #1 Fund</b>					
Steam Utility Revenue and General Obligation	\$ -	\$ 40,000	\$ -	\$ -	\$ -
Steam Utility Revenue and General Obligation	-	40,000	45,000	45,000	1,013
Steam Utility Revenue and General Obligation	-	100,000	1,640,000	105,000	69,485
Steam Utility Revenue and General Obligation	-	80,000	880,000	80,000	32,355
Steam Utility Revenue and General Obligation	-	255,000	3,580,000	265,000	138,394
<b>Total Steam District # 1 Fund</b>	<b>\$ -</b>	<b>\$ 515,000</b>	<b>\$ 6,145,000</b>	<b>\$ 495,000</b>	<b>\$ 241,247</b>
<b>Sewer Fund</b>					
Sewer Utility Revenue and General Obligation	\$ -	\$ 2,415,000	\$ 520,000	\$ 255,000	\$ 15,700
Sewer Utility Revenue and General Obligation	-	205,000	2,580,000	210,000	100,280
Sewer Utility Revenue and General Obligation	-	55,000	745,000	55,000	27,882
Sewer Utility Revenue and General Obligation	-	115,000	1,795,000	120,000	68,718
Sewer Utility Revenue and General Obligation Refunding	-	170,000	825,000	185,000	29,300
Sewer Utility Revenue and General Obligation	-	79,000	1,290,000	84,000	41,797
Sewer Utility Revenue and General Obligation Refunding	-	94,001	619,185	99,042	28,904
Sewer Utility Revenue and General Obligation	-	45,000	860,000	50,000	14,791
Sewer Utility Revenue and General Obligation Refunding	-	-	2,025,000	259,733	44,091
Sewer Utility Revenue and General Obligation Refunding	2,265,000	-	2,265,000	-	32,838
<b>Total Sewer Fund</b>	<b>\$ 2,265,000</b>	<b>\$ 3,178,001</b>	<b>\$ 13,524,185</b>	<b>\$ 1,317,775</b>	<b>\$ 404,301</b>
<b>Stormwater Fund</b>					
Stormwater Utility Revenue and General Obligation	\$ -	\$ 95,000	\$ 1,350,000	\$ 100,000	\$ 52,000
Stormwater Utility Revenue and General Obligation Refunding	-	-	755,000	96,839	16,295
<b>Total Stormwater Fund</b>	<b>\$ -</b>	<b>\$ 95,000</b>	<b>\$ 2,105,000</b>	<b>\$ 196,839</b>	<b>\$ 68,295</b>
<b>Total Revenue and General Obligation Bonds Payable</b>	<b>\$ 5,390,000</b>	<b>\$ 9,285,001</b>	<b>\$ 44,004,999</b>	<b>\$ 3,694,999</b>	<b>\$ 1,597,617</b>
<b>Total Business-type Activities Bonds Payable</b>	<b>\$ 5,390,000</b>	<b>\$ 9,425,001</b>	<b>\$ 44,149,999</b>	<b>\$ 3,839,999</b>	<b>\$ 1,603,127</b>
<b>Component Units:</b>					
<b>Duluth Economic Development Authority</b>					
<b>Tax Increment Revenue Bonds Payable -</b>					
Cirrus Tax Increment Revenue	\$ -	\$ 45,000	\$ 45,000	\$ 45,000	\$ 1,800
<b>Spirit Mountain Recreation Area</b>					
<b>Revenue Bonds Payable</b>					
Spirit Mountain Recreation Area	\$ -	\$ 199,295	\$ 420,809	\$ 208,364	\$ 16,636
<b>Duluth Entertainment and Convention Center Authority</b>					
<b>General Obligation Bonds Payable</b>					
Duluth Entertainment and Convention Center Refunding	\$ -	\$ 775,000	\$ -	\$ -	\$ -
<b>Total Component Units Bonds Payable</b>	<b>\$ -</b>	<b>\$ 1,019,295</b>	<b>\$ 465,809</b>	<b>\$ 253,364</b>	<b>\$ 18,436</b>



**CITY OF DULUTH  
SCHEDULE OF NOTES PAYABLE  
DECEMBER 31, 2011**

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Jan. 1 Balance</u>
<b>Governmental Activities:</b>				
<b>General Obligation</b>				
Public Facilities Authority Note	\$ 364,195	8/8/2002	8/20/2018	\$ 205,000
Greater Minnesota Housing Fund Note	200,000	11/6/2006	11/6/2016	<u>200,000</u>
<b>Total General Obligation</b>				<u>\$ 405,000</u>
<b>Revenue Note</b>				
U.S. Dept. of Housing and Urban Development	\$ 7,876,000	8/1/2005	8/1/2025	<u>\$ 2,966,000</u>
<b>Total Governmental Activities</b>				<u>\$ 3,371,000</u>
<b>Business-type Activities:</b>				
<b>General Obligation</b>				
<b>Water Fund -</b>				
Public Facilities Authority Note	\$ 870,000	8/25/2003	8/20/2018	\$ 516,619
Public Facilities Authority Note	1,971,532	7/23/2004	8/20/2018	1,160,000
Public Facilities Authority Note (Note 1)	1,698,450	10/28/2009	8/20/2019	1,508,363
Public Facilities Authority Note (Note 2)	1,371,653	7/28/2010	8/20/2025	532,514
Public Facilities Authority Note (Note 3)	3,534,265	12/7/2010	8/20/2025	707,770
Public Facilities Authority Note (Note 4)	1,605,655	11/18/2011	8/20/2026	<u>-</u>
<b>Total Water Fund</b>				<u>\$ 4,425,266</u>
<b>Sewer Fund -</b>				
Public Facilities Authority Note	\$ 100,000	8/25/2003	8/20/2018	\$ 59,382
Public Facilities Authority Note	1,179,115	12/12/2003	8/20/2018	711,000
Public Facilities Authority Note	1,973,033	7/12/2007	8/20/2022	1,767,000
Public Facilities Authority Note (Note 5)	796,835	8/20/2009	8/20/2024	564,073
Public Facilities Authority Note	2,414,150	11/25/2009	8/20/2024	2,388,000
Public Facilities Authority Note (Note 6)	3,753,059	7/28/2010	8/20/2025	274,132
Public Facilities Authority Note (Note 7)	9,087,385	7/28/2010	8/20/2025	577,057
Public Facilities Authority Note (Note 8)	354,551	11/18/2011	8/20/2021	-
Public Facilities Authority Note (Note 9)	282,620	11/30/2011	8/20/2021	<u>-</u>
<b>Total Sewer Fund</b>				<u>\$ 6,340,644</u>
<b>Total Business-type Activities</b>				<u>\$ 10,765,910</u>
<b>Component Units:</b>				
<b>Duluth Economic Development Authority</b>				
Fremont Tax Increment Limited Revenue	\$ 650,000	7/1/1997	2/1/2012	<u>\$ 105,000</u>
<b>Duluth Airport Authority</b>				
Revenue Note	\$ 497,379	11/1/2005	6/1/2019	<u>\$ 441,536</u>
<b>Total Component Units</b>				<u>\$ 546,536</u>

Note 1: Only \$ 1,668,813 has been drawn on the Public Facilities Authority Note dated 10/28/2009.

Note 2: Only \$ 1,185,358 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 3: Only \$ 2,682,698 has been drawn on the Public Facilities Authority Note dated 12/7/2010.

Note 4: Only \$ 119,535 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 5: Only \$ 653,561 has been drawn on the Public Facilities Authority Note dated 8/20/2009.

Note 6: Only \$ 1,736,741 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 7: Only \$ 7,657,832 has been drawn on the Public Facilities Authority Note dated 7/28/2010.

Note 8: Only \$ 108,000 has been drawn on the Public Facilities Authority Note dated 11/18/2011.

Note 9: Only \$ 81,741 has been drawn on the Public Facilities Authority Note dated 11/30/2011.

**CITY OF DULUTH  
SCHEDULE OF NOTES PAYABLE  
DECEMBER 31, 2011**

	<u>Issued</u>	<u>Retired</u>	<u>Dec 31 Balance</u>	<u>Principal Due in 2012</u>	<u>Interest Due in 2012</u>
<b>Governmental Activities:</b>					
<b>General Obligation</b>					
Public Facilities Authority Note	\$ -	\$ 25,000	\$ 180,000	\$ 25,000	\$ 1,800
Greater Minnesota Housing Fund Note	-	200,000	-	-	-
<b>Total General Obligation</b>	<b>\$ -</b>	<b>\$ 225,000</b>	<b>\$ 180,000</b>	<b>\$ 25,000</b>	<b>\$ 1,800</b>
<b>Revenue Note</b>					
U.S. Dept. of Housing and Urban Development	\$ -	\$ 60,000	\$ 2,906,000	\$ 65,000	\$ 164,849
<b>Total Governmental Activities</b>	<b>\$ -</b>	<b>\$ 285,000</b>	<b>\$ 3,086,000</b>	<b>\$ 90,000</b>	<b>\$ 166,649</b>
<b>Business-type Activities:</b>					
<b>General Obligation</b>					
<b>Water Fund -</b>					
Public Facilities Authority Note	\$ -	\$ 58,299	\$ 458,320	\$ 60,093	\$ 12,920
Public Facilities Authority Note	-	133,000	1,027,000	136,000	25,983
Public Facilities Authority Note	-	164,000	1,344,363	165,000	14,661
Public Facilities Authority Note	652,844	82,653	1,102,705	85,000	14,258
Public Facilities Authority Note	1,974,928	105,265	2,577,433	228,000	26,809
Public Facilities Authority Note	119,535	-	119,535	15,655	3,669
<b>Total Water Fund</b>	<b>\$ 2,747,307</b>	<b>\$ 543,217</b>	<b>\$ 6,629,356</b>	<b>\$ 689,748</b>	<b>\$ 98,300</b>
<b>Sewer Fund -</b>					
Public Facilities Authority Note	\$ -	\$ 6,701	\$ 52,681	\$ 6,907	\$ 1,485
Public Facilities Authority Note	-	85,000	626,000	86,000	8,388
Public Facilities Authority Note	-	138,000	1,629,000	140,000	18,734
Public Facilities Authority Note	58,653	48,000	574,726	49,000	12,308
Public Facilities Authority Note	-	149,000	2,239,000	152,000	45,161
Public Facilities Authority Note	1,462,609	226,059	1,510,682	232,000	17,084
Public Facilities Authority Note	7,080,775	547,386	7,110,446	562,000	86,642
Public Facilities Authority Note	108,000	-	108,000	5,551	4,517
Public Facilities Authority Note	81,741	-	81,741	12,620	903
<b>Total Sewer Fund</b>	<b>\$ 8,791,778</b>	<b>\$ 1,200,146</b>	<b>\$ 13,932,276</b>	<b>\$ 1,246,078</b>	<b>\$ 195,222</b>
<b>Total Business-type Activities</b>	<b>\$ 11,539,085</b>	<b>\$ 1,743,363</b>	<b>\$ 20,561,632</b>	<b>\$ 1,935,826</b>	<b>\$ 293,522</b>
<b>Component Units:</b>					
<b>Duluth Economic Development Authority</b>					
Fremont Tax Increment Limited Revenue	\$ -	\$ 55,000	\$ 50,000	\$ 50,000	\$ 1,425
<b>Duluth Airport Authority</b>					
Revenue Note	\$ -	\$ 36,719	\$ 404,817	\$ 40,040	\$ 34,960
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ 91,719</b>	<b>\$ 454,817</b>	<b>\$ 90,040</b>	<b>\$ 36,385</b>

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF INTERGOVERNMENTAL REVENUES**  
**YEAR ENDED DECEMBER 31, 2011**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
<b>SHARED REVENUE:</b>						
<b>State of Minnesota</b>						
Local Government Aid	\$ 27,449,555	\$ -	\$ -	\$ -	\$ -	\$ 27,449,555
Property Tax Aid	-	-	11,298	808	-	12,106
PERA Aid	124,428	-	-	-	54,402	178,830
Insurance Premium	1,580,030	-	-	-	-	1,580,030
<b>TOTAL SHARED REVENUE</b>	<b>29,154,013</b>	<b>-</b>	<b>11,298</b>	<b>808</b>	<b>54,402</b>	<b>29,220,521</b>
<b>STATE GRANTS:</b>						
<b>State of Minnesota, Department of Commerce</b>						
Auto Theft Prevention Program	-	34,895	-	-	-	34,895
<b>Education</b>						
Opportunity Online Hardware	-	5,812	-	-	-	5,812
<b>Employment and Economic Development</b>						
Oneota Brownfields Redevelopment	-	664,780	-	-	-	664,780
Contamination Cleanup Program	-	379,923	-	-	-	379,923
Youth Program	-	108,482	-	-	-	108,482
Dislocated Workers	-	146,814	-	-	-	146,814
<b>Employment and Economic Development Total</b>	<b>-</b>	<b>1,299,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,299,999</b>
<b>Historical Society</b>						
Historical and Cultural Preservation Project	-	225,000	-	-	-	225,000
<b>Natural Resources</b>						
Snowmobile Trail	20,925	-	-	-	-	20,925
Summer Maintenance Clyde Avenue and Rice	600	-	-	-	-	600
Lake Superior Zoo	-	160,000	-	-	-	160,000
<b>Natural Resources Total</b>	<b>21,525</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,525</b>
<b>Peace Officers Board</b>						
Post Training Reimbursement	55,036	-	-	-	-	55,036
<b>Public Safety</b>						
Crime Victims Emergency Fund	-	1,030	-	-	-	1,030
Pilot Enforcement Project	-	82,460	-	-	-	82,460
Narcotic/Gang Strike Force	-	306,626	-	-	-	306,626
HAZMAT Regional Response Team	1,200	-	-	-	-	1,200
Financial Crimes Task Force	52,711	25,000	-	-	-	77,711
Bulletproof Vests	19,015	-	-	-	-	19,015
<b>Public Safety Total</b>	<b>72,926</b>	<b>415,116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>488,042</b>
<b>Revenue</b>						
Market Value Credit	21,965	-	-	-	-	21,965
<b>Transportation</b>						
MSA Street Maintenance Allotment	1,606,208	-	-	-	-	1,606,208
MSA Street Construction Allotment	-	-	-	4,779,695	-	4,779,695
Municipal Turnback	-	-	-	563,097	-	563,097
Bridge Bonding	-	-	-	2,000,985	-	2,000,985
Detour Agreement	-	-	-	2,445	-	2,445
U of M Operational Research Assistance Program	-	-	-	10,000	-	10,000
<b>Transportation Total</b>	<b>1,606,208</b>	<b>-</b>	<b>-</b>	<b>7,356,222</b>	<b>-</b>	<b>8,962,430</b>
<b>TOTAL STATE GRANTS</b>	<b>1,777,660</b>	<b>2,140,822</b>	<b>-</b>	<b>7,356,222</b>	<b>-</b>	<b>11,274,704</b>
<b>OTHER GRANTS:</b>						
<b>St. Louis County</b>						
Job Training Services	-	1,060,036	-	-	-	1,060,036
Other	161,017	-	-	-	-	161,017
<b>St. Louis County Total</b>	<b>161,017</b>	<b>1,060,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,221,053</b>
<b>Housing and Redevelopment Authority</b>						
Independent School District #709	44,473	55,688	-	-	-	100,161
Other	211,000	-	-	-	-	211,000
	16,750	20	-	-	-	16,770
<b>TOTAL OTHER GRANTS</b>	<b>\$ 433,240</b>	<b>\$ 1,115,744</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,548,984</b>

(continued)

**CITY OF DULUTH, MINNESOTA**  
**SCHEDULE OF INTERGOVERNMENTAL REVENUES**  
**YEAR ENDED DECEMBER 31, 2011**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Proprietary & Internal Service Funds	Totals
<b>FEDERAL GRANTS:</b>						
<b>Federal, Department of Agriculture</b>						
Commerce						
Coastal Zone Management Grant	-	-	-	-	26,022	26,022
Broadband Technology Opportunities Program	-	4,743	-	-	-	4,743
Increase Public Awareness of Emerald Ash	1,205	-	-	-	-	1,205
Commerce Total	1,205	4,743	-	-	26,022	31,970
Energy						
Duluth Energy Efficiency Program	-	783,930	-	-	-	783,930
Energy Efficiency and Conservation Block Grant	-	579,132	-	-	-	579,132
Energy Total	-	1,363,062	-	-	-	1,363,062
Environmental Protection Agency						
Hazardous Substances Contamination	-	113,487	-	-	-	113,487
Petroleum Brownfields Assessment	-	19,649	-	-	-	19,649
Climate Showcase Communities Grant	-	36,232	-	-	-	36,232
Nonpoint Source Implementation Grant	-	-	-	-	54,918	54,918
Environmental Protection Agency Total	-	169,368	-	-	54,918	224,286
Homeland Security						
Homeland Security Grant Program	-	90,044	-	-	-	90,044
Assistance to Firefighters	-	99,845	-	-	-	99,845
Port Security Grant Program	-	434,191	-	-	-	434,191
Homeland Security Total	-	624,080	-	-	-	624,080
Housing and Urban Development						
Community Development Block Grant	-	2,786,266	-	-	-	2,786,266
HOME Investment Partnership	-	908,194	-	-	-	908,194
Emergency Shelter	-	116,073	-	-	-	116,073
Lead-Based Paint Hazard Control Grant Program	-	185,375	-	-	-	185,375
Fair Housing Enforcement	14,820	-	-	-	-	14,820
Homelessness Prevention and Rapid Rehousing	-	560,417	-	-	-	560,417
Neighborhood Stabilization Program	-	561,331	-	-	-	561,331
Housing and Urban Development Total	14,820	5,117,656	-	-	-	5,132,476
Justice						
Grants to Encourage Arrest Policies	-	192,602	-	-	-	192,602
ATF (Alcohol Tobacco Firearms) Task Force	18,874	42,569	-	-	-	61,443
Blueprint for Safety	-	27,166	-	-	-	27,166
Bulletproof Vest Partnership Program	18,891	-	-	-	-	18,891
Organized Crime Drug Enforcement Task Force	51,085	-	-	-	-	51,085
Edward Byrne Memorial Formula Grant	-	237,504	-	-	-	237,504
Forensic Crime	-	103,462	-	-	-	103,462
Community Policing Development	-	151,477	-	-	-	151,477
Justice Total	88,850	754,780	-	-	-	843,630
Labor						
Senior Community Service Employment	-	408,685	-	-	-	408,685
Dislocated Workers	-	235,129	-	-	-	235,129
Workforce Investment Act	-	744,589	-	-	-	744,589
Labor Total	-	1,388,403	-	-	-	1,388,403
Transportation						
Hazardous Material Response Training	-	3,960	-	-	-	3,960
Highway Planning and Construction	-	-	-	3,442,284	-	3,442,284
Safe Routes to School	-	-	-	10,442	-	10,442
Skyline Parkway Wayfinding Plan	-	79,000	-	-	-	79,000
Transportation Total	-	82,960	-	3,452,726	-	3,535,686
<b>TOTAL FEDERAL GRANTS</b>	<b>104,875</b>	<b>9,505,052</b>	<b>-</b>	<b>3,452,726</b>	<b>80,940</b>	<b>13,143,593</b>
<b>OTHER FEDERAL</b>						
Health and Human Services						
Early Retiree Reinsurance Program	-	919,475	-	-	-	919,475
Medicare D Reimbursement	-	-	-	-	211,997	211,997
Justice						
Regional Fugitive Task Force	1,216	-	-	-	-	1,216
Treasury						
Build America Interest Rebate	-	-	238,799	-	-	238,799
<b>TOTAL OTHER FEDERAL GRANTS</b>	<b>1,216</b>	<b>919,475</b>	<b>238,799</b>	<b>-</b>	<b>211,997</b>	<b>1,371,487</b>
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<b>\$ 31,471,004</b>	<b>\$ 13,681,093</b>	<b>\$ 250,097</b>	<b>\$ 10,809,756</b>	<b>\$ 347,339</b>	<b>\$ 56,559,289</b>

**CITY OF DULUTH, MINNESOTA**  
**BALANCE SHEET**  
**DULUTH ECONOMIC DEVELOPMENT AUTHORITY**  
**COMPONENT UNIT - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2011**

	<b>General Operating</b>	<b>Loan Programs</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,109,066	\$ 1,993,636	\$ 1,460,237	\$ 5,231,163	\$ 9,794,102
Taxes receivable, net	-	-	84,979	-	84,979
Accounts receivable, net	56,625	-	7,387	2,221	66,233
Assessments receivable, net	59,652	-	-	-	59,652
Loans receivable, net	257,956	2,074,212	-	1,531,248	3,863,416
Deposits receivable	-	250,000	-	-	250,000
Due from other funds	176,297	-	-	1,027,406	1,203,703
Due from primary government	131,607	-	-	-	131,607
Due from other governments	27,855	-	3,138	-	30,993
Prepays	-	-	-	247,662	247,662
Capital assets held for resale	192,500	-	-	-	192,500
<b>Total Assets</b>	<b>\$ 2,011,558</b>	<b>\$ 4,317,848</b>	<b>\$ 1,555,741</b>	<b>\$ 8,039,700</b>	<b>\$ 15,924,847</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 25,533	\$ -	\$ 5,215	\$ 3,886	\$ 34,634
Contracts payable	145,827	-	-	91,642	237,469
Loans payable	358,946	-	-	-	358,946
Due to other funds	1,297	-	1,027,406	175,000	1,203,703
Due to primary government	647,359	-	-	-	647,359
Due to other governments	15,030	-	338,380	36,348	389,758
Deferred revenues	345,463	-	77,500	1,496,436	1,919,399
<b>Total Liabilities</b>	<b>1,539,455</b>	<b>-</b>	<b>1,448,501</b>	<b>1,803,312</b>	<b>4,791,268</b>
<b>FUND BALANCES:</b>					
Non-Spendable	192,500	2,125,360	-	277,033	2,594,893
Restricted	-	-	107,240	5,959,355	6,066,595
Committed	-	965,320	-	-	965,320
Assigned	-	1,227,168	-	-	1,227,168
Unassigned	279,603	-	-	-	279,603
<b>Total Fund Balances</b>	<b>472,103</b>	<b>4,317,848</b>	<b>107,240</b>	<b>6,236,388</b>	<b>11,133,579</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,011,558</b>	<b>\$ 4,317,848</b>	<b>\$ 1,555,741</b>	<b>\$ 8,039,700</b>	

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

Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	20,061,055
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,644,075
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(97,704)
Other assets that are not available to pay for current period expenditures, and therefore, are not reported in the funds.	3,738
Net assets of governmental activities	<u>\$ 32,744,743</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, 2011**

	<u>General Operating</u>	<u>Loan Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUES:</b>					
<b>Taxes</b>					
Tax increments	\$ -	\$ -	\$ 1,971,945	\$ -	\$ 1,971,945
<b>Intergovernmental revenues</b>					
Market value credit aid	-	-	64,897	-	64,897
State and federal grants	156,790	-	-	-	156,790
<b>Charges for services</b>					
Parking meters	275,186	-	-	-	275,186
Assessment fees	64,417	-	-	-	64,417
<b>Miscellaneous revenues</b>					
Earnings on investments	326	27,767	392	111,330	139,815
Interest	-	84,112	-	2,856	86,968
Other	479,939	-	7,387	34,467	521,793
<b>Total Revenues</b>	<u>976,658</u>	<u>111,879</u>	<u>2,044,621</u>	<u>148,653</u>	<u>3,281,811</u>
<b>EXPENDITURES:</b>					
<b>Current</b>					
<b>Urban and economic development</b>					
Other services and charges	814,496	46	-	736,137	1,550,679
Economic development projects	440,627	26,923	568,505	1,777,695	2,813,750
<b>Capital Outlay</b>					
<b>Urban and economic development</b>					
Land	9,967	-	-	-	9,967
<b>Debt Service</b>					
Principal retirement	-	-	100,000	-	100,000
Interest and fiscal fees	-	-	370,343	-	370,343
<b>Total Expenditures</b>	<u>1,265,090</u>	<u>26,969</u>	<u>1,038,848</u>	<u>2,513,832</u>	<u>4,844,739</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(288,432)</u>	<u>84,910</u>	<u>1,005,773</u>	<u>(2,365,179)</u>	<u>(1,562,928)</u>
<b>OTHER FINANCING SOURCES/USES:</b>					
<b>Operating transfer in</b>					
DEDA Capital Projects	175,000	-	-	-	175,000
DEDA Debt Service	-	-	-	1,027,406	1,027,406
<b>Total Operating Transfer In</b>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>1,027,406</u>	<u>1,202,406</u>
<b>Operating transfers out</b>					
DEDA Capital Projects	-	-	(1,027,406)	-	(1,027,406)
DEDA General Operating	-	-	-	(175,000)	(175,000)
<b>Total Operating Transfers Out</b>	<u>-</u>	<u>-</u>	<u>(1,027,406)</u>	<u>(175,000)</u>	<u>(1,202,406)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>175,000</u>	<u>-</u>	<u>(1,027,406)</u>	<u>852,406</u>	<u>-</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(113,432)</u>	<u>84,910</u>	<u>(21,633)</u>	<u>(1,512,773)</u>	<u>(1,562,928)</u>
<b>FUND BALANCES:</b>					
Fund Balance - January 1, 2011	<u>585,535</u>	<u>4,232,938</u>	<u>128,873</u>	<u>7,749,161</u>	<u>12,696,507</u>
Fund Balance - December 31, 2011	<u>\$ 472,103</u>	<u>\$ 4,317,848</u>	<u>\$ 107,240</u>	<u>\$ 6,236,388</u>	<u>\$11,133,579</u>

CITY OF DULUTH, MINNESOTA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
 COMPONENT UNIT - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds \$ (1,562,928)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,007,107)

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 assets. This amount is the net effect of these differences. 102,823

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (396,061)

Some expenses 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. (2,193)

Change in net assets of governmental activities \$ (2,865,466)

**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
<b>U.S. Department of Commerce</b>			
Passed Through Minnesota Department of Natural Resources			
Coastal Zone Management Administration Awards	Various	11.419	\$ 52,581
Broadband Technology Opportunities Program - ARRA	0045000	11.557	4,743
<b>Total U.S. Department of Commerce</b>			<b>\$ 57,324</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct			
Community Development Block Grants/Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants		14.218	\$ 3,269,893
Community Development Block Grants/Entitlement Grants - ARRA		14.253	25,340
Emergency Shelter Grants Program		14.231	116,073
Home Investment Partnerships Program		14.239	958,181
Homelessness Prevention and Rapid Re-Housing Program - ARRA		14.257	560,417
Fair Housing Assistance Program - States and Local		14.401	14,820
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	185,375
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 5,130,099</b>
<b>U.S. Department of Justice</b>			
Direct			
Alcohol, Tobacco, and Firearms Training Assistance		16.012	61,443
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		16.590	219,768
Local Law Enforcement Block Grant		16.592	51,085
Bulletproof Vest Partnership Program		16.607	18,891
Edward Byrne Memorial Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program		16.738	44,443
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA		16.804	30,364
Edward Byrne Memorial Competitive Grant Program - ARRA		16.808	103,462
Passed Through the City of Chisholm			
Public Safety Partnership and Community Policing Grants		16.710	74,916
Passed Through the City of Superior			
Public Safety Partnership and Community Policing Grants		16.710	9,730
Passed Through the City of Virginia			
Public Safety Partnership and Community Policing Grants		16.710	66,831
Passed Through the Minnesota Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program Cluster			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories - ARRA	2010-JAGR-00351	16.803	162,697
<b>Total U.S. Department of Justice</b>			<b>\$ 843,630</b>
<b>U.S. Department of Labor</b>			
Passed Through Senior Service America, Inc.			
Senior Community Service Employment Program		17.235	\$ 308,693
Passed Through Minnesota Department of Employment and Economic Development			
Senior Community Service Employment Program	1045100	17.235	172,071
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	PY10-004	17.258	275,450
WIA Youth Activities	PY10-004	17.259	385,191
WIA Dislocated Workers	PY10-004	17.260	92,544
WIA Dislocated Workers Formula Grant		17.278	142,584
<b>Total U.S. Department of Labor</b>			<b>\$ 1,376,533</b>

(continued)



**CITY OF DULUTH, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	Various	20.205	\$ 394,901
Highway Planning and Construction - ARRA	SP 118-140-030	20.205	1,787,465
Passed Through Minnesota Department of Public Safety			
Interagency Hazardous Materials Public Sector Training and Planning Grant	2010-HMEP-00793	20.703	3,960
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,186,326</b>
<b>U.S. Environmental Protection Agency</b>			
Direct			
Climate Showcase Communities Grant Program		66.041	\$ 36,232
Brownfield Assessment and Cleanup Cooperative Agreements		66.818	154,261
Passed through Minnesota Department of Employment and Economic Development			
Capitalization Grants for Clean Water State Revolving Funds Cluster			
Capitalization Grants for Clean Water State Revolving Funds	Various	66.458	8,733,125
Capitalization Grants for Clean Water State Revolving Funds - ARRA	MPFA-08-0062-R-FY09	66.458	58,653
Capitalization Grants for Drinking Water State Revolving Funds	Various	66.468	2,747,307
Passed through Minnesota Pollution Control Agency			
Nonpoint Source Implementation Grants	C9-97593507-0	66.460	54,918
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 11,784,496</b>
<b>U.S. Department of Energy</b>			
Direct			
Energy Efficiency and Conservation Block Grant Program - ARRA		81.128	\$ 579,132
Passed through the Minnesota Department of Commerce			
State Energy Program - ARRA	B49966	81.041	782,867
<b>Total U.S. Department of Energy</b>			<b>\$ 1,361,999</b>
<b>U.S. Department of Homeland Security</b>			
Direct			
Assistance to Firefighters Grant		97.044	\$ 99,845
Port Security Grant Programs		97.056	257,199
Passed Through Minnesota Department of Public Safety			
Port Security Grant Programs	2008-PSGP-00799	97.056	6,783
Homeland Security Grant Program	Various	97.067	77,135
Passed Through St. Louis County			
Homeland Security Grant Program	2010-OSGP-00822	97.067	36,297
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 477,259</b>
<b>Total Federal Awards</b>			<b>\$ 23,217,666</b>

**CITY OF DULUTH, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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 \$8,778,088 and \$1,594,099 in federal awards expended by the Duluth Airport Authority and Duluth Transit Authority, respectively, component units of the City, which had separate single audits. The City's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Duluth under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Duluth, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Duluth.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 13,143,593
Grants received more than 90 days after year-end, deferred in 2011	
Brownfield Assessment and Cleanup Cooperative Agreements	21,125
Highway Planning and Construction	214,637
Home Investment Partnerships Program	49,987
Homeland Security Grant Program	23,388
Senior Community Service Employment Program	72,079
Workforce Investment Act - Youth Activities	9,638
Deferred in 2010, recognized as revenue in 2011	
Community Development Block Grants/Entitlement Grants	(52,364)
Workforce Investment Act - Adult Program	(62,160)
Workforce Investment Act - Youth Activities	(31,427)
Highway Planning and Construction	(1,563,997)
State Energy Program - ARRA	(1,063)
Port Security Grant Programs	(170,209)
Capital grants received in enterprise funds	
Capitalization Grants for Clean Water State Revolving Funds	8,733,125
Capitalization Grants for Clean Water State Revolving Funds - ARRA	58,653
Capitalization Grants for Drinking Water State Revolving Funds	2,747,307
Grant received by Component Unit - DEDA	
Coastal Zone Management Administration Award	<u>25,354</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 23,217,666</u>

**CITY OF DULUTH, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

5. Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,675,897
14.231	Emergency Shelter Grants Program	112,443
14.239	Home Investment Partnerships Program	915,536
14.257	Homelessness Prevention and Rapid Re-Housing Program - ARRA	540,280
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	177,999
66.041	Climate Showcase Communities Grant Program	36,232
81.041	State Energy Program - ARRA	782,867
		<hr/>
Total		<u>\$ 5,241,254</u>

6. American Recovery and Reinvestment Act

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



**STATISTICAL**

**SECTION**

# STATISTICAL SECTION

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

## Guide to Statistical Section

### **Financial Trends - Pages 138 - 145**

*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 146-148**

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

### **Debt Capacity - Pages 149-152**

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

### **Demographic and Economic Information - Pages 153-154**

*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 155-159**

*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  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 119,109,618	\$ 129,099,323	\$ 146,521,749	\$ 155,698,901	\$ 171,675,354
Restricted	24,429,416	24,886,042	30,712,294	28,531,432	29,935,162
Unrestricted	<u>1,097,094</u>	<u>12,154,111</u>	<u>48,153,658</u>	<u>55,324,852</u>	<u>66,303,461</u>
Total governmental activities net assets	<u>\$ 144,636,128</u>	<u>\$ 166,139,476</u>	<u>\$ 225,387,701</u>	<u>\$ 239,555,185</u>	<u>\$ 267,913,977</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 84,981,950	\$ 83,949,511	\$ 87,721,493	\$ 91,986,495	\$ 95,017,361
Restricted	150,000	150,529	2,181,329	2,182,045	2,201,848
Unrestricted	<u>25,484,429</u>	<u>29,289,746</u>	<u>26,228,252</u>	<u>25,641,077</u>	<u>24,713,278</u>
Total business-type activities net assets	<u>\$ 110,616,379</u>	<u>\$ 113,389,786</u>	<u>\$ 116,131,074</u>	<u>\$ 119,809,617</u>	<u>\$ 121,932,487</u>
Primary government					
Invested in capital assets, net of related debt	\$ 204,091,568	\$ 213,048,834	\$ 234,243,242	\$ 247,685,396	\$ 266,692,715
Restricted	24,579,416	25,036,571	32,893,623	30,713,477	32,137,010
Unrestricted	<u>26,581,523</u>	<u>41,443,857</u>	<u>74,381,910</u>	<u>80,965,929</u>	<u>91,016,739</u>
Total primary government net assets	<u>\$ 255,252,507</u>	<u>\$ 279,529,262</u>	<u>\$ 341,518,775</u>	<u>\$ 359,364,802</u>	<u>\$ 389,846,464</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 183,581,640	\$ 188,129,975	\$ 202,558,996	\$ 197,355,610	\$ 213,619,166
Restricted	23,911,854	24,241,591	23,345,567	22,294,675	43,113,335
Unrestricted	<u>76,555,455</u>	<u>73,230,385</u>	<u>53,057,668</u>	<u>9,970,184</u>	<u>(22,596,696)</u>
Total governmental activities net assets	<u>\$ 284,048,949</u>	<u>\$ 285,601,951</u>	<u>\$ 278,962,231</u>	<u>\$ 229,620,469</u>	<u>\$ 234,135,805</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 112,994,409	\$ 119,657,883	\$ 117,943,713	\$ 136,180,485	\$ 150,333,747
Restricted	2,222,671	2,204,022	2,088,446	2,108,171	1,998,139
Unrestricted	<u>17,076,630</u>	<u>17,998,534</u>	<u>24,767,225</u>	<u>22,771,757</u>	<u>21,865,404</u>
Total business-type activities net assets	<u>\$ 132,293,710</u>	<u>\$ 139,860,439</u>	<u>\$ 144,799,384</u>	<u>\$ 161,060,413</u>	<u>\$ 174,197,290</u>
Primary government					
Invested in capital assets, net of related debt	\$ 296,576,049	307,787,858	320,502,709	333,536,095	363,952,913
Restricted	26,134,525	26,445,613	25,434,013	24,402,846	45,111,474
Unrestricted	<u>93,632,085</u>	<u>91,228,919</u>	<u>77,824,893</u>	<u>32,741,941</u>	<u>(731,292)</u>
Total primary government net assets	<u>\$ 416,342,659</u>	<u>\$ 425,462,390</u>	<u>\$ 423,761,615</u>	<u>\$ 390,680,882</u>	<u>\$ 408,333,095</u>

Source: Statement of Net Assets

Unaudited

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

	<u>2002</u>	<u>2003</u>	<u>2004*</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 19,163,984	\$ 18,164,487	\$ 20,669,584	\$ 21,287,443	\$ 20,902,934
Public safety	26,045,849	25,163,652	25,285,634	28,069,291	28,480,845
Public works	16,485,742	14,061,511	12,580,602	13,720,883	13,823,001
Culture and recreation	8,541,853	7,493,744	6,385,653	7,400,480	9,107,022
Urban and economic development	13,939,868	11,081,790	14,173,566	23,676,985	12,773,203
Interest	<u>6,855,458</u>	<u>6,046,179</u>	<u>6,917,787</u>	<u>6,749,211</u>	<u>7,427,045</u>
Total governmental activities expenses	<u>91,032,754</u>	<u>82,011,363</u>	<u>86,012,826</u>	<u>100,904,293</u>	<u>92,514,050</u>
Business-type activities:					
Water	9,734,767	8,945,765	8,465,593	9,463,342	9,827,419
Gas	36,290,401	38,806,370	41,883,691	50,491,710	45,278,118
Sewer	15,355,339	15,240,922	14,610,838	13,454,790	14,928,433
Stormwater	2,227,108	2,354,872	2,470,513	2,508,496	2,776,726
Steam district #1	3,399,206	3,597,759	3,893,705	4,085,845	4,628,019
Steam district #2	7,917,186	8,497,270	8,677,762	8,919,977	9,314,893
Golf	1,756,201	1,754,734	1,762,485	1,908,334	1,889,657
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
Total business-type activities expenses	<u>76,680,208</u>	<u>79,197,692</u>	<u>81,764,587</u>	<u>90,832,494</u>	<u>88,643,265</u>
Total primary government expenses	<u>\$ 167,712,962</u>	<u>\$ 161,209,055</u>	<u>\$ 167,777,413</u>	<u>\$ 191,736,787</u>	<u>\$ 181,157,315</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 4,124,263	\$ 4,307,134	\$ 4,935,952	\$ 1,434,650	\$ 1,804,560
Public safety	1,956,737	2,040,761	2,555,502	2,394,256	3,305,117
Public works	957,365	670,756	364,600	724,710	1,096,718
Culture and recreation	578,927	737,820	679,580	856,974	807,245
Urban and economic development	10,919	68,323	1,914,397	7,300,488	908,279
Operating grants and contributions	14,328,781	11,580,360	11,944,143	9,884,061	10,469,744
Capital grants and contributions	<u>14,919,934</u>	<u>11,074,089</u>	<u>13,955,413</u>	<u>11,565,853</u>	<u>12,445,080</u>
Total governmental activities program revenues	<u>36,876,926</u>	<u>30,479,243</u>	<u>36,349,587</u>	<u>34,160,992</u>	<u>30,836,743</u>
Business-type activities:					
Charges for services:					
Water	9,598,099	9,732,863	9,884,976	10,315,543	11,025,294
Gas	38,088,753	42,245,487	45,110,428	55,339,940	49,534,016
Sewer	16,498,761	16,872,231	16,639,746	14,347,815	15,507,006
Stormwater	3,106,087	2,904,443	2,924,170	2,982,846	3,098,403
Steam district #1	3,548,873	3,683,243	4,016,386	4,416,123	4,686,723
Steam district #2	5,972,570	6,136,880	6,383,327	6,584,168	6,959,000
Golf	1,482,071	1,570,600	1,732,131	1,699,090	1,893,564
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
Capital grants and contributions	<u>2,965,465</u>	<u>1,762,519</u>	<u>943,565</u>	<u>2,179,046</u>	<u>2,960,981</u>
Total business-type activities program revenues	<u>81,260,679</u>	<u>84,908,266</u>	<u>87,634,729</u>	<u>97,864,571</u>	<u>95,664,987</u>
Total primary government program revenues	<u>\$ 118,137,605</u>	<u>\$ 115,387,509</u>	<u>\$ 123,984,316</u>	<u>\$ 132,025,563</u>	<u>\$ 126,501,730</u>

(continued)

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

	<u>2002</u>	<u>2003</u>	<u>2004*</u>	<u>2005</u>	<u>2006</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (54,155,828)	\$ (51,532,120)	\$ (49,663,239)	\$ (66,743,301)	\$ (61,677,307)
Business-type activities	<u>4,580,471</u>	<u>5,710,574</u>	<u>5,870,142</u>	<u>7,032,077</u>	<u>7,021,722</u>
Total primary government net expense	<u>\$ (49,575,357)</u>	<u>\$ (45,821,546)</u>	<u>\$ (43,793,097)</u>	<u>\$ (59,711,224)</u>	<u>\$ (54,655,585)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 9,856,199	\$ 9,510,074	\$ 15,478,942	\$ 16,489,656	\$ 15,709,840
Market value credit aid	-	1,254,477	1,196,015	1,260,395	1,184,399
Sales taxes	15,350,586	14,903,251	15,478,954	15,963,891	16,860,351
Other taxes	1,945,693	1,937,557	1,924,690	1,945,956	2,006,659
Casino shared revenues	5,521,705	5,440,225	5,653,523	5,608,777	5,844,787
Grants and shared revenues not restricted to specific programs	35,095,985	32,840,817	32,502,413	31,443,085	32,249,900
Investment income	3,406,336	1,168,695	2,243,381	2,858,882	5,131,090
Gain on sale or disposition of capital assets	55,325	335,352	-	-	262,367
Miscellaneous	751,895	570,108	641,584	4,900,055	5,170,612
Special Items	-	-	-	-	-
Transfers	<u>3,742,445</u>	<u>3,214,912</u>	<u>3,695,422</u>	<u>4,070,710</u>	<u>5,616,094</u>
Total governmental activities	<u>75,726,169</u>	<u>71,175,468</u>	<u>78,814,924</u>	<u>84,541,407</u>	<u>90,036,099</u>
Business-type activities:					
Grants and shared revenues not restricted to specific programs	-	-	-	-	-
Investment income	718,578	244,231	485,428	715,342	824,428
Gain on sale or disposition of capital assets	20,519	33,514	81,140	1,834	30,268
Miscellaneous	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Transfers	<u>(3,742,445)</u>	<u>(3,214,912)</u>	<u>(3,695,422)</u>	<u>(4,070,710)</u>	<u>(5,616,094)</u>
Total business-type activities	<u>(3,003,348)</u>	<u>(2,937,167)</u>	<u>(3,128,854)</u>	<u>(3,353,534)</u>	<u>(4,761,398)</u>
Total primary government	<u>\$ 72,722,821</u>	<u>\$ 68,238,301</u>	<u>\$ 75,686,070</u>	<u>\$ 81,187,873</u>	<u>\$ 85,274,701</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 21,570,341	\$ 19,643,348	\$ 29,151,685	\$ 17,798,106	\$ 28,358,792
Business-type activities	<u>1,577,123</u>	<u>2,773,407</u>	<u>2,741,288</u>	<u>3,678,543</u>	<u>2,260,324</u>
Total primary government	<u>\$ 23,147,464</u>	<u>\$ 22,416,755</u>	<u>\$ 31,892,973</u>	<u>\$ 21,476,649</u>	<u>\$ 30,619,116</u>

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

Source: Statement of Activities

(continued)



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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 35,023,700	\$ 25,028,329	\$ 35,376,090	\$ 36,014,153	\$ 38,577,305
Public safety	30,350,398	36,478,984	36,397,795	38,100,958	37,895,850
Public works	15,232,820	15,817,121	7,616,214	13,657,626	9,040,308
Culture and recreation	6,851,355	13,962,001	24,655,278	25,434,289	7,986,366
Urban and economic development	13,178,400	18,180,805	15,722,245	14,549,117	15,446,838
Interest	<u>7,762,355</u>	<u>4,749,041</u>	<u>5,175,178</u>	<u>5,409,679</u>	<u>4,692,654</u>
Total governmental activities expenses	<u>108,399,028</u>	<u>114,216,281</u>	<u>124,942,800</u>	<u>133,165,822</u>	<u>113,639,321</u>
Business-type activities:					
Water	10,865,334	11,325,128	10,717,468	10,810,875	11,218,488
Gas	47,107,309	54,336,765	38,462,243	35,800,001	36,217,536
Sewer	15,023,848	16,747,150	17,569,046	16,259,669	17,291,803
Stormwater	2,865,872	2,876,181	3,308,604	3,333,875	3,474,137
Steam district #1	5,367,034	5,851,628	5,994,665	6,258,368	6,974,162
Steam district #2	11,397,738	10,024,789	9,031,530	-	-
Golf	1,887,795	1,886,874	1,895,162	2,006,633	2,056,166
Parking	1,871,344	2,030,206	1,881,852	1,957,414	1,939,941
Street Lighting	-	309,920	1,391,981	1,557,525	1,480,674
Total business-type activities expenses	<u>96,386,274</u>	<u>105,388,641</u>	<u>90,252,551</u>	<u>77,984,360</u>	<u>80,652,907</u>
Total primary government expenses	<u>\$ 204,785,302</u>	<u>\$ 219,604,922</u>	<u>\$ 215,195,351</u>	<u>\$ 211,150,182</u>	<u>\$ 194,292,228</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 4,008,714	\$ 3,846,472	\$ 4,514,042	\$ 4,619,911	\$ 4,673,037
Public safety	2,451,449	2,434,033	2,555,541	3,330,905	2,975,998
Public works	353,575	392,155	349,364	369,068	370,237
Culture and recreation	815,732	797,188	1,108,600	1,297,370	1,273,472
Urban and economic development	922,159	910,181	525,437	280,880	310,839
Operating grants and contributions	11,209,578	12,997,358	11,846,124	14,164,865	15,685,467
Capital grants and contributions	<u>13,674,386</u>	<u>8,200,343</u>	<u>7,095,416</u>	<u>17,075,628</u>	<u>13,067,199</u>
Total governmental activities program revenues	<u>33,435,593</u>	<u>29,577,730</u>	<u>27,994,524</u>	<u>41,138,627</u>	<u>38,356,249</u>
Business-type activities:					
Charges for services:					
Water	12,166,968	11,370,681	11,961,915	12,024,675	11,743,510
Gas	47,489,082	58,604,811	46,419,426	39,882,397	41,415,145
Sewer	15,771,516	17,224,701	20,320,378	20,347,330	20,040,992
Stormwater	3,916,525	4,563,498	5,222,917	4,730,608	4,632,541
Steam district #1	5,261,495	5,959,836	6,152,268	6,617,346	7,169,021
Steam district #2	8,985,844	8,834,290	8,384,720	-	-
Golf	1,887,737	1,879,530	1,945,446	1,967,401	1,872,577
Parking	2,138,316	4,136,535	2,524,682	2,563,215	2,567,703
Street Lighting	-	88,924	1,271,623	1,270,118	1,894,038
Capital grants and contributions	<u>4,468,083</u>	<u>1,970,497</u>	<u>3,836,174</u>	<u>9,104,643</u>	<u>5,135,700</u>
Total business-type activities program revenues	<u>102,085,566</u>	<u>114,633,303</u>	<u>108,039,549</u>	<u>98,507,733</u>	<u>96,471,227</u>
Total primary government program revenues	<u>\$ 135,521,159</u>	<u>\$ 144,211,033</u>	<u>\$ 136,034,073</u>	<u>\$ 139,646,360</u>	<u>\$ 134,827,476</u>

(continued)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (74,963,435)	\$ (84,638,551)	\$ (96,948,276)	\$ (92,027,195)	\$ (75,283,072)
Business-type activities	<u>5,699,292</u>	<u>9,244,662</u>	<u>17,786,998</u>	<u>20,523,373</u>	<u>15,818,320</u>
Total primary government net expense	<u>\$ (69,264,143)</u>	<u>\$ (75,393,889)</u>	<u>\$ (79,161,278)</u>	<u>\$ (71,503,822)</u>	<u>\$ (59,464,752)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 17,452,324	\$ 18,170,135	\$ 18,125,284	\$ 16,001,873	\$ 16,718,385
Market value credit aid	1,191,228	1,086,482	1,147,029	33,675	34,071
Sales taxes	17,509,877	18,363,052	18,009,914	19,252,407	20,071,454
Other taxes	2,051,173	2,049,848	2,573,884	2,014,928	2,082,212
Casino shared revenues	6,430,460	6,156,767	5,963,162	6,258,727	2,096,800
Grants and shared revenues not restricted to specific programs	31,725,087	30,311,915	31,498,519	29,130,992	29,154,013
Investment income	4,690,453	4,058,373	4,034,753	2,307,506	2,934,301
Gain on sale or disposition of capital assets	37,803	136,787	84,278	19,174	169,695
Miscellaneous	1,062,999	3,623,533	1,031,930	13,584	1,157,996
Special Items	12,708,044	-	-	-	-
Transfers	<u>(3,761,041)</u>	<u>2,234,661</u>	<u>7,839,803</u>	<u>4,552,145</u>	<u>5,379,481</u>
Total governmental activities	<u>91,098,407</u>	<u>86,191,553</u>	<u>90,308,556</u>	<u>79,585,011</u>	<u>79,798,408</u>
Business-type activities:					
Grants and shared revenues not restricted to specific programs	-	-	-	-	48,567
Investment income	878,763	545,151	320,540	282,545	349,471
Gain on sale or disposition of capital assets	22,127	11,577	112,447	7,256	-
Miscellaneous	-	-	-	-	2,300,000
Extraordinary items	-	-	(5,441,237)	-	-
Transfers	<u>3,761,041</u>	<u>(2,234,661)</u>	<u>(7,839,803)</u>	<u>(4,552,145)</u>	<u>(5,379,481)</u>
Total business-type activities	<u>4,661,931</u>	<u>(1,677,933)</u>	<u>(12,848,053)</u>	<u>(4,262,344)</u>	<u>(2,681,443)</u>
Total primary government	<u>\$ 95,760,338</u>	<u>\$ 84,513,620</u>	<u>\$ 77,460,503</u>	<u>\$ 75,322,667</u>	<u>\$ 77,116,965</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 16,134,972	\$ 1,553,002	\$ (6,639,720)	\$ (12,442,184)	\$ 4,515,336
Business-type activities	<u>10,361,223</u>	<u>7,566,729</u>	<u>4,938,945</u>	<u>16,261,029</u>	<u>13,136,877</u>
Total primary government	<u>\$ 26,496,195</u>	<u>\$ 9,119,731</u>	<u>\$ (1,700,775)</u>	<u>\$ 3,818,845</u>	<u>\$ 17,652,213</u>

Unaudited

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund					
Reserved	\$ 523,439	\$ 518,339	\$ 575,992	\$ 650,718	\$ 816,458
Unreserved	5,531,067	4,487,573	5,439,550	4,224,264	4,237,396
Nonspendable*	-	-	-	-	-
Restricted*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total general fund	<u>\$ 6,054,506</u>	<u>\$ 5,005,912</u>	<u>\$ 6,015,542</u>	<u>\$ 4,874,982</u>	<u>\$ 5,053,854</u>
All other governmental funds					
Reserved	\$ 12,536,767	\$ 13,621,208	\$ 19,033,022	\$ 34,078,985	\$ 23,363,256
Unreserved, reported in:					
Special revenue funds	41,990,679	47,128,380	58,384,931	61,376,988	65,770,619
Debt service funds	13,471,340	13,892,475	13,165,779	9,480,448	8,968,752
Capital projects funds	(3,757,026)	(4,241,951)	2,139,384	(4,653,373)	(2,523,300)
Restricted*	-	-	-	-	-
Committed*	-	-	-	-	-
Assigned*	-	-	-	-	-
Unassigned*	-	-	-	-	-
Total all other governmental funds	<u>\$ 64,241,760</u>	<u>\$ 70,400,112</u>	<u>\$ 92,723,116</u>	<u>\$ 100,283,048</u>	<u>\$ 95,579,327</u>

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>
General fund					
Reserved	\$ 190,911	\$ 325,430	\$ 436,860	\$ 368,134	\$ -
Unreserved	1,423,116	(1,345,024)	1,962,587	5,579,282	-
Nonspendable*	-	-	-	-	138,012
Restricted*	-	-	-	-	120,766
Assigned*	-	-	-	-	332,997
Unassigned*	-	-	-	-	7,664,417
Total general fund	<u>\$ 1,614,027</u>	<u>\$ (1,019,594)</u>	<u>\$ 2,399,447</u>	<u>\$ 5,947,416</u>	<u>\$ 8,256,192</u>
All other governmental funds					
Reserved	\$ 14,628,923	\$ 13,599,551	\$ 17,658,025	\$ 22,178,725	\$ -
Unreserved, reported in:					
Special revenue funds	63,097,631	67,075,700	55,293,268	38,712,371	-
Debt service funds	11,125,923	11,201,667	12,384,602	13,496,346	-
Capital projects funds	5,986,870	48,030,782	45,990,283	10,263,175	-
Restricted*	-	-	-	-	36,801,571
Committed*	-	-	-	-	144,721
Assigned*	-	-	-	-	27,983,067
Unassigned*	-	-	-	-	(255,786)
Total all other governmental funds	<u>\$ 94,839,347</u>	<u>\$ 139,907,700</u>	<u>\$ 131,326,178</u>	<u>\$ 84,650,617</u>	<u>\$ 64,673,573</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				
	2002*	2003	2004**	2005	2006
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 9,955,083	\$ 9,259,909	\$ 15,522,334	\$ 16,321,413	\$ 15,469,329
Sales taxes	15,350,586	14,903,251	15,478,954	15,963,891	16,860,351
Other taxes	1,945,693	1,937,557	1,924,690	1,945,956	2,006,659
Licenses and permits	609,550	658,314	680,953	853,927	987,464
Intergovernmental revenues	57,166,830	54,781,689	52,057,762	49,263,351	51,467,392
Charges for services	5,831,871	6,091,850	6,549,128	7,969,577	8,718,615
Fines and forfeits	947,610	994,710	1,083,084	1,002,752	905,324
Special assessments	3,530,095	2,671,352	2,735,163	3,237,809	2,964,983
Investment income	3,102,648	1,089,073	2,044,335	2,574,786	4,576,550
Miscellaneous revenues	<u>9,010,620</u>	<u>11,093,844</u>	<u>12,536,138</u>	<u>12,091,312</u>	<u>14,978,054</u>
Total revenues	<u>107,450,586</u>	<u>103,481,549</u>	<u>110,612,541</u>	<u>111,224,774</u>	<u>118,934,721</u>
<b>Expenditures</b>					
General government	19,124,773	19,040,102	19,574,200	19,885,273	21,248,502
Public safety	29,423,941	28,861,649	29,082,948	31,519,654	33,176,998
Public works	9,833,899	9,618,124	9,947,392	9,979,171	10,358,429
Culture and recreation	7,395,397	6,919,311	6,945,317	6,713,232	6,978,630
Urban and economic development	12,565,206	12,005,724	15,511,249	19,828,474	12,694,861
Debt service					
Principal retirement	10,247,366	11,107,478	13,610,613	16,956,649	15,175,505
Interest and fiscal fees	4,599,568	4,179,881	4,857,973	5,040,518	5,589,857
Revenue pledge	-	-	-	2,612,545	1,383,363
Bond issuance costs	48,934	148,000	180,618	407,773	269,189
Capital outlay	<u>23,186,154</u>	<u>18,671,264</u>	<u>17,010,131</u>	<u>23,478,917</u>	<u>30,731,546</u>
Total expenditures	<u>116,425,238</u>	<u>110,551,533</u>	<u>116,720,441</u>	<u>136,422,206</u>	<u>137,606,880</u>
Excess of revenues over (under) expenditures	<u>(8,974,652)</u>	<u>(7,069,984)</u>	<u>(6,107,900)</u>	<u>(25,197,432)</u>	<u>(18,672,159)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	12,975,000	8,670,000	7,885,000	28,265,000	17,050,000
Proceeds from refundings	-	-	-	-	-
Premium on issuance of bonds	-	-	159,777	197,367	287,586
Issuance of refunding bonds	-	6,925,000	-	-	-
Sale of capital asset	55,325	335,352	24,000	-	-
Loan proceeds	-	-	-	6,594,000	1,482,000
Payment to refunded bond escrow agent	(1,683,463)	(6,965,522)	-	(7,690,417)	(10,626,155)
Transfers in	16,410,573	12,769,347	18,584,108	19,413,529	28,843,364
Transfers out	<u>(13,430,154)</u>	<u>(9,554,435)</u>	<u>(14,773,286)</u>	<u>(15,162,675)</u>	<u>(22,889,485)</u>
Total other financing sources (uses)	<u>14,327,281</u>	<u>12,179,742</u>	<u>11,879,599</u>	<u>31,616,804</u>	<u>14,147,310</u>
Net change in fund balances	<u>\$ 5,352,629</u>	<u>\$ 5,109,758</u>	<u>\$ 5,771,699</u>	<u>\$ 6,419,372</u>	<u>\$ (4,524,849)</u>
Debt service as a percentage of noncapital expenditures					
	15.9%	16.7%	19.1%	19.1%	19.9%

\*Implementation of Governmental Accounting Standards Board Statement No. 34 in 2002.

General Governmental includes Capital Projects Fund.

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

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

(continued)

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

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 17,837,011	\$ 17,776,235	\$ 17,859,578	\$ 15,953,934	\$ 16,581,461
Sales taxes	17,509,877	18,363,052	18,009,914	19,252,407	20,071,454
Other taxes	2,051,173	2,049,848	2,573,884	2,014,928	2,082,212
Licenses and permits	1,111,727	985,506	1,149,265	1,182,044	1,407,951
Intergovernmental revenues	53,793,307	50,315,079	50,047,221	55,756,919	56,211,950
Charges for services	5,995,079	5,802,260	6,348,063	6,902,683	6,453,510
Fines and forfeits	1,086,304	1,056,783	1,770,427	1,791,604	1,579,021
Special assessments	2,941,244	2,609,585	2,948,975	2,741,754	2,837,628
Investment income	3,908,135	3,364,141	3,691,734	2,051,772	2,669,071
Miscellaneous revenues	<u>10,641,263</u>	<u>12,202,008</u>	<u>6,321,696</u>	<u>3,285,276</u>	<u>3,956,649</u>
Total revenues	<u>116,875,120</u>	<u>114,524,497</u>	<u>110,720,757</u>	<u>110,933,321</u>	<u>113,850,907</u>
<b>Expenditures</b>					
General government	32,109,525	23,062,581	32,743,783	32,628,277	33,469,098
Public safety	33,319,542	35,661,590	36,718,739	33,901,872	34,606,780
Public works	11,080,239	12,106,097	1,872,986	7,164,216	2,081,437
Culture and recreation	6,716,210	8,037,797	6,095,879	6,570,834	6,865,686
Urban and economic development	14,531,149	16,515,445	14,059,428	14,177,365	15,251,986
Debt service					
Principal retirement	11,454,452	9,984,002	12,354,000	10,254,000	11,395,000
Interest and fiscal fees	4,777,420	4,377,160	5,264,029	5,441,345	4,989,456
Revenue pledge	2,966,875	-	-	-	-
Bond issuance costs	205,336	544,187	442,358	140,135	80,184
Capital outlay	<u>13,496,052</u>	<u>15,749,543</u>	<u>36,274,174</u>	<u>37,344,799</u>	<u>33,452,857</u>
Total expenditures	<u>130,656,800</u>	<u>126,038,402</u>	<u>145,825,376</u>	<u>147,622,843</u>	<u>142,192,484</u>
Excess of revenues over (under) expenditures	<u>(13,781,680)</u>	<u>(11,513,905)</u>	<u>(35,104,619)</u>	<u>(36,689,522)</u>	<u>(28,341,577)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	10,650,000	51,600,000	21,560,000	4,470,000	4,965,000
Proceeds from refundings	-	-	2,150,000	4,190,000	-
Premium on issuance of bonds	269,594	383,591	578,200	109,851	138,232
Issuance of refunding bonds	-	-	-	-	-
Sale of capital asset	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Payment to refunded bond escrow agent	(5,827,735)	(3,570,023)	(2,150,000)	(4,155,250)	-
Transfers in	29,700,237	25,900,738	37,591,473	26,903,985	23,957,020
Transfers out	<u>(25,190,223)</u>	<u>(20,365,669)</u>	<u>(29,787,535)</u>	<u>(22,207,637)</u>	<u>(18,386,943)</u>
Total other financing sources (uses)	<u>9,601,873</u>	<u>53,948,637</u>	<u>29,942,138</u>	<u>9,310,949</u>	<u>10,673,309</u>
Net change in fund balances	<u>\$ (4,179,807)</u>	<u>\$ 42,434,732</u>	<u>\$ (5,162,481)</u>	<u>\$ (27,378,573)</u>	<u>\$ (17,668,268)</u>
Debt service as a percentage of noncapital expenditures	13.8%	12.8%	13.7%	12.3%	14.8%

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
2002	2,477,595,400	23,719,895	583,024,800	10,453,000
2003	2,725,278,200	25,641,929	602,397,500	10,482,303
2004	3,351,249,500	29,833,979	642,098,600	12,109,770
2005	3,972,632,500	35,109,144	760,035,800	14,421,069
2006	4,114,469,300	39,255,023	822,511,200	15,028,434
2007	4,200,391,700	41,880,176	880,587,500	16,128,121
2008	4,456,568,100	44,910,418	909,880,320	16,677,463
2009	4,617,041,700	46,697,414	1,009,119,300	18,491,015
2010	4,542,850,233	48,956,915	1,026,182,900	21,309,642
2011	4,420,687,000	47,423,816	1,024,073,000	21,384,017

Fiscal Year Ended December 31	Personal Property			
	Residential		Commercial	
	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity
2002	16,271,300	162,086	65,996,400	1,306,895
2003	16,922,200	168,654	64,502,300	1,278,679
2004	17,023,600	169,124	70,268,600	1,392,633
2005	17,840,900	176,231	73,834,400	1,462,013
2006	18,899,500	186,310	81,333,600	1,611,889
2007	20,534,000	204,985	96,120,400	1,862,143
2008	26,367,500	237,933	94,106,400	1,521,098
2009	28,544,000	284,456	75,270,300	1,435,859
2010	30,165,000	378,816	78,621,200	1,544,328
2011	28,403,100	369,643	84,724,000	1,637,265

Fiscal Year Ended December 31	Total		Percentage of Total Tax Capacity to	
	Estimated Market Value	Tax Capacity	Total Estimated Market Value	Tax Rate
	2002	3,142,887,900	35,641,876	1.13%
2003	3,409,100,200	37,571,565	1.10%	0.29027
2004	4,080,640,300	43,505,506	1.07%	0.26866
2005	4,824,343,600	51,168,457	1.06%	0.24215
2006	5,037,213,600	56,081,656	1.11%	0.22183
2007	5,197,633,600	60,075,425	1.16%	0.22939
2008	5,486,922,320	63,346,912	1.15%	0.23259
2009	5,729,975,300	66,908,744	1.17%	0.25403
2010	5,677,819,333	72,189,701	1.27%	0.26331
2011	5,557,887,100	70,814,741	1.27%	0.27956

Unaudited

**CITY OF DULUTH, MINNESOTA  
PROPERTY TAX RATES\* AND PRINCIPAL PROPERTY TAXPAYERS  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	City			Overlapping Rates			Total Direct & Overlapping Rates
	Operations	Debt Service	Total Direct	Schools	County	Special	
2002	0.16673	0.12303	0.28976	0.18180	0.87363	0.04860	1.39379
2003	0.17070	0.11957	0.29027	0.14816	0.81464	0.05631	1.30938
2004	0.16861	0.10005	0.26866	0.11778	0.77282	0.06810	1.22736
2005	0.15770	0.08445	0.24215	0.11405	0.67545	0.06902	1.10067
2006	0.15126	0.07057	0.22183	0.10994	0.63330	0.06576	1.03083
2007	0.14780	0.08159	0.22939	0.10881	0.63013	0.06615	1.03447
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	1.41125

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

Source: St. Louis County web site

Unaudited

**Principal Property Taxpayers  
Current Year and Nine Years Ago**

Taxpayer	Type of Business	2011			2002		
		Estimated Market Value	Rank	Percentage of Total Market Value	Estimated Market Value	Rank	Percentage of Total Market Value
Minnesota Power	Electric utility	\$ 133,226,100	1	2.40%	\$ 81,940,400	1	2.61%
Simon Property, Inc.	Shopping mall	53,123,000	2	0.96%	23,613,700	3	0.75%
St. Mary's Med Center / Duluth Clinic	Healthcare / hospital	48,138,300	3	0.87%	23,109,100	4	0.74%
Bowman Properties	Apartments	38,385,400	4	0.69%	-	-	-
D M & I R Railroad	Railroad	37,183,200	5	0.67%	-	-	-
IRET Properties	Property management	24,469,600	6	0.44%	-	-	-
StoraEnso North America	Paper mill	22,445,100	7	0.40%	46,589,600	2	1.48%
Riverland AG Corp	Grain elevators	18,334,000	8	0.33%	-	-	-
ZMC Hotels	Hotels	16,197,500	9	0.29%	-	-	-
Tech Village	Office/Tech building	11,332,800	10	0.20%	-	-	-
Northwest Air	Airbus maintenance	-	-	-	12,352,600	5	0.39%
Cirrus Design	Plane manufacturer	-	-	-	9,207,900	6	0.29%
US Bank	Bank/Office building	-	-	-	7,692,600	7	0.24%
Home Depot	Retail/Developer	-	-	-	7,192,700	8	0.23%
Bradley Operating Limited	Strip mall	-	-	-	6,726,600	9	0.21%
JMM Limited Partnership	Retail/Hotel	-	-	-	6,406,000	10	0.20%
		<u>\$ 402,835,000</u>		<u>7.25%</u>	<u>\$ 224,831,200</u>		<u>7.15%</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	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	9,038,100	8,889,198	98.4%	234,325	9,123,523	100.9%
2003	9,679,200	9,511,986	98.3%	176,896	9,688,882	100.1%
2004	10,153,500	9,872,757	97.2%	160,597	10,033,354	98.8%
2005	10,730,400	10,507,463	97.9%	165,448	10,672,911	99.5%
2006	11,102,100	10,839,881	97.6%	211,725	11,051,606	99.5%
2007	12,208,400	11,890,737	97.4%	238,269	12,129,006	99.3%
2008	13,543,600	13,088,415	96.6%	270,915	13,359,330	98.6%
2009	15,437,800	14,893,155	96.5%	317,438	15,210,593	98.5%
2010	17,176,100	15,565,507	90.6%	257,470	15,822,977	92.1%
2011	17,791,500	16,093,334	90.5%	-	16,093,334	90.5%

Unaudited

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(amounts expressed in thousands, except per capita amount)**

Fiscal Year	Governmental Activities					Special Assessment Debt with Government Commitment				Capital Leases
	General Obligation Bonds	General Obligation Tax Increment Bonds	General Obligation Tax Abatement Bonds	Tax Increment Revenue Bonds	Lease Revenue Bonds	General Obligation Certificates	Revenue Notes	Revenue		
2002	30,093	-	-	8,100	2,115	49,443	5,175	140	824	
2003	28,208	-	-	6,500	2,005	52,555	4,590	364	647	
2004	26,974	4,348	-	10,167	1,890	53,018	4,310	1,418	459	
2005	33,813	7,282	310	3,919	1,770	53,919	3,915	7,780	260	
2006	32,439	6,381	310	2,543	1,640	53,600	4,395	4,367	227	
2007	19,502	23	310	1,240	1,250	52,060	5,270	3,943	193	
2008	60,815	-	310	175	1,125	48,845	6,715	3,744	155	
2009	76,699	-	310	135	995	41,106	8,065	3,026	114	
2010	75,449	-	310	-	860	36,011	8,920	2,966	70	
2011	74,561	-	285	-	715	29,569	10,275	2,906	24	

**Business-Type Activities**

Fiscal Year	Revenue Bonds	Revenue and General Obligation Bonds	Revenue Notes	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita*
2002	1,755	30,100	-	-	127,745	6.58%	1,485
2003	1,490	36,380	1,435	121	134,295	6.81%	1,560
2004	1,040	38,210	3,594	80	145,508	7.02%	1,696
2005	920	40,340	3,790	37	158,055	7.59%	1,840
2006	800	46,815	3,517	369	157,403	7.15%	1,848
2007	675	60,595	4,946	282	150,289	6.45%	1,759
2008	550	56,315	4,892	8,999	192,640	8.06%	2,261
2009	420	54,505	5,906	9,120	200,401	8.76%	2,343
2010	285	47,900	10,766	8,725	192,262	8.52%	2,229
2011	145	44,005	20,562	8,672	191,719	8.50%	2,222

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

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

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

Unaudited



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

**Ratios of Net General Obligation Bonded Debt**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Tax Capacity</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Percent of Net Bonded Debt to Tax Capacity</b>	<b>Net Bonded Debt per Capita</b>
2002	86,044	35,641,876	35,268,100	1,881,129	33,386,971	93.67%	388.02
2003	86,082	37,571,565	32,798,400	4,880,479	27,917,921	74.31%	324.32
2004*	85,782	43,505,506	35,632,400	5,903,348	29,729,052	68.33%	346.57
2005	85,889	51,168,457	45,320,700	6,287,564	39,033,136	76.28%	454.46
2006	85,170	56,081,656	43,525,000	6,162,546	37,362,454	66.62%	438.68
2007**	85,439	60,075,425	25,105,000	13,943,940	11,161,060	18.58%	130.63
2008	85,220	63,346,912	67,840,000	14,636,181	53,203,819	83.99%	624.31
2009	85,530	66,908,744	85,074,118	18,612,250	66,461,868	99.33%	777.06
2010***	86,265	72,189,701	84,679,118	19,144,190	65,534,928	90.78%	759.69
2011	86,265	70,814,741	85,121,023	18,629,920	66,491,103	93.89%	770.78

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

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

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

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

Unaudited

**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2011**

<b>Governmental Unit</b>	<b>General Obligation Debt</b>	<b>Percent Chargeable to City</b>	<b>Amount Chargeable to City</b>
Independent School District 709	\$ 66,960,000	88.3%	\$ 59,125,680
Independent School District 704	22,220,000	6.2%	1,377,640
St. Louis County	36,550,000	36.0%	13,158,000
Subtotal, overlapping debt			73,661,320
City of Duluth direct debt			115,428,887
Total direct and overlapping debt			\$ 189,090,207

Unaudited

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.

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Taxable market value	\$ 3,142,887,900	\$ 3,409,100,200	\$ 4,080,640,300	\$ 4,824,343,600	\$ 5,037,213,600
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 62,857,758</u>	<u>\$ 68,182,004</u>	<u>\$ 81,612,806</u>	<u>\$ 96,486,872</u>	<u>\$ 100,744,272</u>
Debt applicable to limit:					
Total bonds payable	\$ 126,781,000	\$ 131,728,000	\$ 139,957,491	\$ 146,189,413	\$ 148,923,488
Less: Deductions allowable	(100,307,900)	(107,309,600)	(117,408,091)	(116,546,513)	(119,604,288)
Total net debt applicable to limit	<u>\$ 26,473,100</u>	<u>\$ 24,418,400</u>	<u>\$ 22,549,400</u>	<u>\$ 29,642,900</u>	<u>\$ 29,319,200</u>
Total net debt applicable to the limit as a percentage of debt limit	42.12%	35.81%	27.63%	30.72%	29.10%

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxable market value	\$ 5,197,633,600	\$ 5,486,922,320	\$ 5,729,975,300	\$ 5,677,819,333	\$ 5,557,887,100
Legal debt limit %	2%	2%	2%	2%	2%
Legal debt limit	<u>\$ 103,952,672</u>	<u>\$ 109,738,446</u>	<u>\$ 114,599,506</u>	<u>\$ 113,556,387</u>	<u>\$ 111,157,742</u>
Debt applicable to limit:					
Total bonds payable	\$ 140,925,002	\$ 174,850,000	\$ 182,235,000	\$ 169,735,000	\$ 159,554,999
Less: Deductions allowable	(121,323,002)	(152,495,000)	(141,965,882)	(128,955,882)	(117,723,976)
Total net debt applicable to limit	<u>\$ 19,602,000</u>	<u>\$ 22,355,000</u>	<u>\$ 40,269,118</u>	<u>\$ 40,779,118</u>	<u>\$ 41,831,023</u>
Total net debt applicable to the limit as a percentage of debt limit	18.86%	20.37%	35.14%	35.91%	37.63%

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	
<b><u>WATER REVENUE BOND</u></b>							
2002	\$ 9,787,215	\$ 6,601,830	\$ 3,185,385	\$ 685,000	\$ 328,420	\$ 1,013,420	3.14
2003	9,841,217	7,318,249	2,522,968	882,000	304,781	1,186,781	2.13
2004	10,041,273	7,165,410	2,875,863	918,000	269,155	1,187,155	2.42
2005	10,450,145	8,033,370	2,416,775	1,002,124	253,705	1,255,829	1.92
2006	11,104,194	8,399,508	2,704,686	989,000	218,199	1,207,199	2.24
2007	12,393,947	9,545,749	2,848,198	613,000	173,606	786,606	3.62
2008	11,460,937	9,930,687	1,530,250	446,000	167,583	613,583	2.49
2009	11,997,431	9,250,685	2,746,746	460,000	157,856	617,856	4.45
2010	12,045,133	9,275,099	2,770,034	186,000	94,605	280,605	9.87
2011	11,747,715	9,395,019	2,352,696	399,428	97,166	496,594	4.74
<b><u>GAS REVENUE BOND</u></b>							
2002	\$ 38,394,277	\$ 33,626,427	\$ 4,767,850	\$ 235,000	\$ 338,116	\$ 573,116	8.32
2003	42,313,867	37,357,082	4,956,785	455,000	493,552	948,552	5.23
2004	45,272,089	40,575,751	4,696,338	757,000	544,805	1,301,805	3.61
2005	55,642,735	48,960,275	6,682,460	825,000	519,365	1,344,365	4.97
2006	49,890,597	43,701,022	6,189,575	844,000	520,369	1,364,369	4.54
2007	47,701,819	45,655,468	2,046,351	933,000	507,486	1,440,486	1.42
2008	58,737,875	52,926,055	5,811,820	964,000	473,807	1,437,807	4.04
2009	46,526,246	36,939,946	9,586,300	652,000	341,269	993,269	9.65
2010	39,970,909	34,319,333	5,651,576	821,000	255,813	1,076,813	5.25
2011	41,552,067	34,549,583	7,002,484	855,957	305,411	1,161,368	6.03
<b><u>SEWER REVENUE BOND</u></b>							
2002	\$ 16,560,152	\$ 13,815,859	\$ 2,744,293	\$ 925,000	\$ 396,905	\$ 1,321,905	2.08
2003	16,913,297	14,380,362	2,532,935	714,000	365,128	1,079,128	2.35
2004	16,407,422	13,705,780	2,701,642	750,000	441,383	1,191,383	2.27
2005	14,506,025	12,332,037	2,173,988	1,057,876	564,507	1,622,383	1.34
2006	15,700,498	13,679,753	2,020,745	1,192,000	584,732	1,776,732	1.14
2007	15,997,397	13,727,755	2,269,642	1,136,000	568,932	1,704,932	1.33
2008	17,368,159	15,398,048	1,970,111	1,365,000	574,828	1,939,828	1.02
2009	20,344,639	15,900,214	4,444,425	1,274,000	567,498	1,841,498	2.41
2010	20,388,169	14,482,465	5,905,704	1,008,000	482,913	1,490,913	3.96
2011	20,130,587	15,215,558	4,915,029	1,317,776	404,300	1,722,076	2.85
<b><u>STORMWATER REVENUE BOND</u></b>							
2002	\$ 2,774,284	\$ 1,869,425	\$ 904,859	\$ -	\$ 47,999	\$ 47,999	18.85
2003	2,861,113	2,147,125	713,988	74,000	51,437	125,437	5.69
2004	2,904,664	2,220,714	683,950	75,000	49,575	124,575	5.49
2005	3,012,171	2,232,765	779,406	76,000	47,592	123,592	6.31
2006	3,050,492	2,442,658	607,834	80,000	106,727	186,727	3.26
2007	3,991,834	2,501,932	1,489,902	168,000	109,299	277,299	5.37
2008	4,576,883	2,559,032	2,017,851	170,000	103,169	273,169	7.39
2009	5,187,017	2,862,787	2,324,230	179,000	96,730	275,730	8.43
2010	4,734,525	2,845,983	1,888,542	95,000	67,887	162,887	11.59
2011	4,672,485	2,868,448	1,804,037	196,839	68,295	265,134	6.80

(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	
<b><u>STEAM DISTRICT #1 REVENUE BOND</u></b>							
2002	\$ 3,548,873	\$ 3,008,319	\$ 540,554	\$ 300,000	\$ 45,309	\$ 345,309	1.57
2003	3,686,289	3,225,286	461,003	90,000	115,822	205,822	2.24
2004	4,021,712	3,373,137	648,575	135,000	118,620	253,620	2.56
2005	4,416,123	3,491,603	924,520	185,000	165,218	350,218	2.64
2006	4,687,255	3,994,525	692,730	265,000	262,113	527,113	1.31
2007	5,266,902	4,284,102	982,800	475,000	318,493	793,493	1.24
2008	5,959,836	4,576,313	1,383,523	510,000	299,986	809,986	1.71
2009	6,152,268	4,784,338	1,367,930	500,000	280,645	780,645	1.75
2010	6,497,846	5,032,398	1,465,448	515,000	260,912	775,912	1.89
2011	7,169,515	5,712,409	1,457,106	495,000	241,246	736,246	1.98
<b><u>GOLF REVENUE BOND</u></b>							
2002	\$ 1,487,619	\$ 1,392,197	\$ 95,422	\$ 265,000	\$ 105,528	\$ 370,528	0.26
2003	1,572,912	1,411,583	161,329	275,000	89,893	364,893	0.44
2004	1,735,653	1,441,402	294,251	120,000	31,595	151,595	1.94
2005	1,699,090	1,633,529	65,561	120,000	29,195	149,195	0.44
2006	1,901,413	1,672,256	229,157	125,000	26,435	151,435	1.51
2007	1,895,981	1,675,892	220,089	125,000	23,185	148,185	1.49
2008	1,882,898	1,707,326	175,572	130,000	19,435	149,435	1.17
2009	1,945,535	1,723,055	222,480	135,000	15,210	150,210	1.48
2010	1,967,418	1,858,207	109,211	140,000	10,620	150,620	0.73
2011	1,872,594	1,789,906	82,688	145,000	5,510	150,510	0.55
<b><u>PARKING REVENUE BOND</u></b>							
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

## Notes:

- (1) Includes operating revenue and interest earnings.  
(2) Includes operating expenses, excluding depreciation.

Unaudited

**CITY OF DULUTH, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS AND  
PRINCIPAL EMPLOYERS  
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>
2002	86,044	\$ 1,940,558,194	\$ 22,553	12,555	5.0%
2003	86,082	1,973,465,217	22,925	12,321	5.4%
2004	85,782	2,071,632,035	24,150	11,979	5.4%
2005	85,889	2,082,363,825	24,245	11,123	4.9%
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	6.5%
2009	85,530	2,286,461,687	26,733	9,195	7.1%
2010	86,265	2,255,553,694	26,147	8,780	7.6%
2011	86,265 *	2,255,553,694 *	26,147	8,815	6.9%

Data sources:

The population figures are estimates of the State Demographer.

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

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

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

\*Estimates

Unaudited

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

<u>Employer</u>	<u>Type of Business</u>	<u>2011</u>			<u>2002</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	5,168	1	12.12%	6,667	1	15.26%
St. Louis County	Government	1,956	2	4.59%	1,523	4	3.48%
University of Minnesota - Duluth	Education	1,700	3	3.99%	1,500	5	3.43%
St. Luke's Hospital	Healthcare / hospital	1,602	4	3.76%	1,942	3	4.44%
Independent School District 709	Education	1,426	5	3.34%	2,325	2	5.32%
Allete (Minnesota Power)	Electric utility	1,419	6	3.33%	738	9	1.69%
Uniprise (United Health Care)	Insurance	1,362	7	3.19%	907	8	2.08%
Duluth Air National Guard Base	Military	1,068	8	2.50%	-	-	-
City of Duluth	Government	870	9	2.04%	955	6	2.19%
US Government	Government	850	10	1.99%	-	-	-
U.S. Postal Service	Postal encoding center	-	-	-	953	7	2.18%
Cirrus Design	Aviation	-	-	-	603	10	1.38%
		<u>17,421</u>		<u>40.85%</u>	<u>18,113</u>		<u>41.45%</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				
	2002	2003	2004	2005	2006
General government	226.8	221.8	207.0	205.0	204.0
Public safety					
Police	179.0	179.0	171.0	169.0	173.0
Fire	161.0	162.0	159.0	154.0	159.0
Public works	34.8	34.8	31.4	30.4	30.4
Culture and recreation					
Parks and recreation	23.2	23.2	22.2	20.2	18.2
Zoo	13.0	13.0	12.0	11.0	11.0
Library	65.6	65.6	59.7	58.6	58.6
Urban and economic development	47.0	47.0	41.0	37.0	37.0
Water & Gas	141.8	139.9	135.5	135.2	131.9
Sewer	34.7	33.6	33.3	37.4	38.6
Stormwater	19.9	17.9	19.8	20.0	20.1
Golf	8.0	8.0	8.0	5.0	5.0
Parking	-	-	-	-	-
Street Lighting	-	-	-	-	-
<b>Total</b>	<b>954.8</b>	<b>945.8</b>	<b>899.9</b>	<b>882.8</b>	<b>886.8</b>

Function:	Full-time Equivalent Employees as of December 31				
	2007	2008	2009	2010	2011
General government	194.4	183.0	185.0	223.0	210.5
Public safety					
Police	174.0	179.0	182.0	187.0	185.0
Fire	158.0	157.0	159.0	158.0	159.0
Public works	29.2	28.4	22.4	21.2	22.0
Culture and recreation					
Parks and recreation	19.2	17.6	7.5	7.5	7.5
Zoo	12.0	11.0	-	-	-
Library	59.6	57.3	47.3	43.5	43.5
Urban and economic development	33.0	33.0	31.0	35.0	43.5
Water & Gas	124.9	122.5	120.5	124.8	128.2
Sewer	38.6	38.6	38.6	38.4	38.4
Stormwater	20.1	20.1	21.1	24.2	24.2
Golf	3.0	-	-	-	-
Parking	-	4.0	4.0	4.0	3.0
Street Lighting	-	-	4.0	4.0	5.0
<b>Total</b>	<b>866.0</b>	<b>851.5</b>	<b>822.4</b>	<b>870.6</b>	<b>869.8</b>

Note: Steam District #1 has no city employees.

Source: City of Duluth Budget Office

Unaudited

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

Function:	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Police</b>					
Criminal offences	17,928	17,610	16,352	9,659	9,916
Adult and juvenile arrests	6,805	4,503	4,042	3,329	4,648
Traffic violations	8,602	7,290	5,978	3,752	6,184
Parking violations	69,453	68,721	69,906	66,555	76,095
<b>Fire</b>					
Number of calls answered	6,944	7,015	7,193	7,462	7,981
Number of inspections conducted	3,140	3,500	1,200	1,200	1,200
<b>Public works</b>					
<b>Construction permits:</b>					
Permits issued	2,743	2,659	2,456	2,400	2,080
Estimated cost of construction during year	\$ 105,056,128	\$ 101,287,887	\$ 175,360,742	\$ 121,160,329	\$ 194,794,123
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	57,752	43,825	53,330	58,492	48,510
Participation in recreation	306,168	287,127	253,496	129,000	129,998
Zoo regular customers	113,982	116,862	107,227	93,870	102,865
<b>Library</b>					
Registered borrowers	77,580	59,080	63,851	49,011	48,884
Items in collection*	345,709	341,119	341,034	354,480	355,668
Items loaned	976,951	972,650	970,342	969,186	969,972
Library visits	509,147	490,182	493,181	480,173	470,684
Reference/research questions answered**	197,796	230,310	237,517	226,222	231,445
<b>Water</b>					
Meters in service	27,459	27,572	27,696	27,809	27,948
Average number of gallons treated per month	531,922,500	562,962,000	537,703,000	514,360,000	518,865,000
Water pumped - million cubic feet	875.8	903.1	862.6	825.1	832.4
Water sold - million cubic feet	737.0	730.7	718.8	704.7	697.8
Daily average consumption in gallons	17,947,726	15,214,250	17,630,000	16,910,466	17,058,575
<b>Gas</b>					
Meters in service	24,613	24,857	24,970	25,085	25,278
MMBTU sold	5,124,065	5,289,874	5,066,848	4,777,330	4,285,167
<b>Sewer</b>					
Number of service connections	28,835	28,835	28,835	28,840	28,845
Daily average treatment in gallons	16,500,000	16,500,000	16,500,000	14,580,000	14,780,000
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	24,052	19,734	40,535	14,448	10,599
<b>Steam District #1</b>					
Steam sold (in 1,000 lbs)	333,657	363,175	353,808	376,485	422,651
<b>Golf</b>					
Season passes	1,195	1,231	1,159	1,037	1,046
Daily tickets	37,673	37,399	35,826	35,524	41,467
Carts	11,875	13,079	12,652	13,509	14,323
Rounds played	91,613	98,436	91,909	84,382	89,287

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

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

Sources: Various government departments

(continued)

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

Function:	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Police</b>					
Criminal offences	10,277	10,376	10,452	10,187	10,930
Adult and juvenile arrests	4,485	4,312	4,759	4,484	4,370
Traffic violations	3,344	2,951	2,153	5,241	9,746
Parking violations	62,556	49,498	54,953	57,537	51,962
<b>Fire</b>					
Number of calls answered	8,090	8,552	9,319	8,484	9,262
Number of inspections conducted	1,200	1,200	1,200	1,200	1,200
<b>Public works</b>					
<b>Construction permits:</b>					
Permits issued	3,117	2,757	2,362	2,026	1,700
Estimated cost of construction during year	\$ 93,080,667	\$ 115,091,545	\$ 113,965,408	\$ 238,186,019	\$ 173,357,959
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Participation in special events	47,143	59,353	42,858	48,896	39,839
Participation in recreation	117,118	112,826	36,217	31,905	15,436
Zoo regular customers	117,269	92,218	91,606	102,986	93,705
<b>Library</b>					
Registered borrowers	49,660	49,233	47,662	46,592	47,965
Items in collection*	359,805	344,302	620,941	620,101	463,418
Items loaned	969,756	901,128	881,268	929,161	902,221
Library visits	462,950	404,724	362,719	380,982	376,817
Reference/research questions answered**	194,604	250,756	67,460	80,678	79,443
<b>Water</b>					
Meters in service	28,087	28,016	27,950	30,317	29,069
Average number of gallons treated per month	527,489,906	514,647,500	516,805,833	481,950,833	461,125,000
Water pumped - million cubic feet	846.0	826.0	829.1	773.1	739.8
Water sold - million cubic feet	746.0	601.0	658.0	665.5	589.6
Daily average consumption in gallons	17,342,134	16,919,918	16,973,333	15,844,958	15,160,274
<b>Gas</b>					
Meters in service	25,642	25,983	26,148	26,668	26,693
MMBTU sold	4,808,178	5,169,299	4,804,897	4,617,923	5,184,800
<b>Sewer</b>					
Number of service connections	28,845	28,845	28,845	28,845	28,845
Daily average treatment in gallons	13,150,675	15,249,900	13,740,000	14,859,000	13,284,575
Maximum daily capacity of treatment plant in gallons	86,570,000	86,570,000	86,570,000	86,570,000	86,570,000
<b>Stormwater</b>					
Cleaning storm sewer pipe (in feet)	9,409	21,254	23,358	14,734	14,750
<b>Steam District #1</b>					
Steam sold (in 1,000 lbs)	436,966	465,717	441,808	403,085	409,295
<b>Golf</b>					
Season passes	1,005	928	1,023	1,024	985
Daily tickets	34,274	35,230	33,815	32,252	32,101
Carts	13,255	12,811	11,128	10,670	12,553
Rounds played	84,185	83,390	80,987	79,430	75,480

Unaudited



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

Function:	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Police</b>					
Patrol units	78	81	75	92	87
<b>Fire</b>					
Fire stations	9	9	9	9	9
<b>Public works</b>					
<b>Miles of streets and alleys:</b>					
Miles of streets - paved	460.46	462.87	466.63	469.20	471.90
Miles of streets - unpaved	81.05	80.13	78.56	77.31	76.61
Miles of sidewalk	380.60	380.77	380.83	381.33	382.56
<b>Number of street lights:</b>					
Ornamental lamps (no. of bulbs)	3,241	3,241	3,241	3,712	3,758
Overhead street lamps	3,740	3,740	3,740	3,727	3,732
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	129	129	129	129	107
Park acreage	11,862	11,862	11,862	11,862	11,862
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	31	30	23	23	22
Community clubs/field houses operated	27	27	27	27	27
Number of athletic fields	39	39	39	39	36
Number of hiking trails	13	13	13	13	13
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	397.85	403.38	406.24	408.22	408.30
Number of hydrants	2,196	2,231	2,279	2,363	2,373
Maximum daily capacity of plant in gallons	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	465.30	478.50	482.20	488.30	495.34
<b>Sewer</b>					
Miles of sanitary sewers	420.81	420.81	404.00	408.00	409.00
<b>Stormwater</b>					
Miles of storm sewers	262.48	262.48	311.00	349.00	351.00
<b>Steam District #1</b>					
Miles of line	10.00	10.00	10.50	11.00	11.00
<b>Golf</b>					
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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Police</b>					
Patrol units	96	96	91	96	94
<b>Fire</b>					
Fire stations	9	9	9	9	9
<b>Public works</b>					
<b>Miles of streets and alleys:</b>					
Miles of streets - paved	474.66	476.30	476.30	469.00	470.23
Miles of streets - unpaved	73.85	73.11	73.11	48.02	48.02
Miles of sidewalk	382.56	382.56	382.56	277.00	409.00
<b>Number of street lights:</b>					
Ornamental lamps (no. of bulbs)	3,758	3,758	3,930	3,930	3,930
Overhead street lamps	3,732	3,732	3,657	3,665	3,665
<b>Culture and recreation</b>					
<b>Parks and recreation department</b>					
Number of parks	107	111	145	127	127
Park acreage	11,862	13,490	11,880	15,255	15,255
Number of ski hills	2	2	2	2	2
Number of municipal tennis courts	22	22	15	17	17
Community clubs/field houses operated	27	27	22	22	22
Number of athletic fields	36	36	57	57	57
Number of hiking trails	13	13	13	13	14
<b>Library department</b>					
Libraries/branches	3	3	3	3	3
<b>Water</b>					
Miles of water mains	413.70	413.79	414.59	424.10	426.30
Number of hydrants	2,396	2,500	2,506	2,535	2,583
Maximum daily capacity of plant in gallons	32,000,000	35,000,000	32,000,000	32,000,000	32,000,000
<b>Gas</b>					
Miles of gas mains	508.00	510.20	506.00	512.40	511.00
<b>Sewer</b>					
Miles of sanitary sewers	409.00	424.00	444.00	392.00	382.00
<b>Stormwater</b>					
Miles of storm sewers	288.00	431.00	431.00	431.00	431.00
<b>Steam District #1</b>					
Miles of line	11.00	11.00	11.00	11.00	11.00
<b>Golf</b>					
Number of municipal golf courses	2	2	2	2	2

Unaudited

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

T.O.C.

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>COMPONENT UNITS-</b>					
<b>Duluth Entertainment and Convention Center (DECC) -</b>					
Number of events	588	512	522	545	534
Number of conventions	60	38	44	43	43
<b>Duluth Airport Authority -</b>					
Number of passengers	303,070	253,454	316,912	305,750	290,421
<b>Duluth Transit Authority -</b>					
Number of buses	72	66	66	72	72
Number of routes	18	18	17	18	18
Number of passengers	3,048,430	2,771,990	2,647,051	2,709,249	2,692,931
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority -</b>					
Skier visits	148,495	134,518	151,381	140,480	156,301
Season passes	10,086	11,129	9,385	8,630	9,209

	Fiscal Year				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>COMPONENT UNITS-</b>					
<b>Duluth Entertainment and Convention Center (DECC) -</b>					
Number of events	523	533	536	690	510
Number of conventions	45	57	48	49	46
<b>Duluth Airport Authority -</b>					
Number of passengers	349,447	303,163	257,561	306,330	295,212
<b>Duluth Transit Authority -</b>					
Number of buses	72	72	67	66	66
Number of routes	20	20	18	18	19
Number of passengers	2,854,467	3,219,758	3,173,485	3,171,087	3,264,479
Service area (square miles)	143	143	143	143	143
<b>Spirit Mountain Recreation Area Authority -</b>					
Skier visits	166,304	181,365	153,287	144,579	155,450
Season passes	8,920	8,028	8,123	7,728	7,835

Unaudited