Duluth Entertainment and Convention Center Authority (A Component Unit of the City of Duluth, Minnesota)

Financial Statements

December 31, 2024

INTRODUCTORY SECTION

Organization
December 31, 2024

	Term Ending
Directors	
Carli Amatuzio	June 30, 2026
Zack Filipovich	June 30, 2026
Kristi Schmidt	June 30, 2026
Pat Mullen	June 30, 2026
Stephanie LaFleur	June 30, 2027
Shane Peterson	June 30, 2026
Peter Singler	June 30, 2026
Council Liaison	
Lynn Marie Nephew	
Officers	
Chair	
Laura Mullen	June 30, 2026
Vice Chair	
Tony Sertich	August 16, 2025
Treasurer	
Maya Mattke	June 30, 2027
Secretary	
Jason Vincent	June 30, 2027
Auditor	
Josh Bailey	Indefinite
Executive Director	
Dan Hartman	Indefinite

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors of
Duluth Entertainment and Convention Center Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Duluth Entertainment and Convention Center Authority (Authority), a component unit of the City of Duluth, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2024, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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. Our opinion on the basic financial statements is not affected by this missing information.

Additional Information

Management is responsible for the accompanying introductory section (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our opinion on the basic financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Eau Claire, Wisconsin
April 28, 2025

BASIC FINANCIAL STATEMENTS

Duluth Entertainment and Convention Center Authority
(A Component Unit of the City of Duluth, Minnesota)

Statement of Net Position
December 31, 2024

Assets and Deferred Outflows of Resources

Current Assets	
Cash and investments	$ 3,046,393
Accounts receivable	662,087
Due from other governments, City of Duluth	1,244,889
Leases receivable	676,682
Inventories	205,869
Prepaid items	138,804
Restricted assets:	
Cash and investments, customer deposits	2,718,864
Cash and investments, employee flexible benefits	13,225
Cash and investments, capital projects	83,587
Accounts receivable, customer deposits	62,739
Total current assets	8,853,139
Noncurrent Assets	
Leases receivable	7,459,953
Capital assets:	
Construction in progress	751,798
Land	905,601
Other capital assets, net of depreciation/amortization	63,404,675
Total noncurrent assets	72,522,027
Total assets	81,375,166
Deferred Outflows of Resources	
Pension related amounts	1,612,921
Other postemployment benefit related amounts	316,537
Total deferred outflows of resources	1,929,458

See notes to financial statements

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities	
Accounts payable	$ 506,241
Salaries payable	229,060
Due to other governments	12,455
Unearned revenue	1,259,677
Accrued interest	26,374
Current portion of accrued compensated absences	353,917
Current portion of software subscription liability	15,293
Current portion of financed purchases liability	121,232
Current labilities payable from restricted assets:	
Customer deposits	2,484,821
Employee flexible benefits plan payable	1,346
Total current liabilities	5,010,416
Noncurrent Liabilities	
Noncurrent portion of financed purchases liability	1,265,491
Net pension liability	2,141,096
Other postemployment benefit liability	1,282,477
Total noncurrent liabilities	4,689,064
Total liabilities	9,699,480
Deferred Inflows of Resources	
Lease related amounts	7,471,648
Pension related amounts	1,524,943
Other postemployment benefit related amounts	390,762
Total deferred inflows of resources	9,387,353
Net Position	
Net investment in capital assets	63,743,644
Unrestricted	474,147
Total net position	$ 64,217,791

Duluth Entertainment and Convention Center Authority
(A Component Unit of the City of Duluth, Minnesota)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2024

Operating Revenues	
Food and beverage	$ 4,578,016
Merchandise	217,001
Space and equipment rent	2,531,883
Parking	1,761,084
Admissions and ticket office charges	1,243,989
Special services	1,048,546
Lease revenue	997,797
Miscellaneous	315,078
Total operating revenues	12,693,394
Operating Expenses	
Compensation and benefits	6,388,688
Supplies and services	2,394,960
Utilities	1,631,531
General and administrative	3,734,662
Depreciation and amortization	3,643,493
Total operating expenses	17,793,334
Operating income (loss)	(5,099,940)
Nonoperating Revenues (Expenses)	
Interest income	357,047
Hotel/motel tax revenue	2,394,338
Naming rights revenue	200,000
Interest expense	(64,293)
Gain (loss) on disposal of capital assets	(75,527)
Total nonoperating revenues (expenses)	2,811,565
Change in net position	(2,288,375)
Net Position, Beginning	66,506,166
Net Position, Ending	$ 64,217,791

See notes to financial statements

Duluth Entertainment and Convention Center Authority
(A Component Unit of the City of Duluth, Minnesota)

Statement of Cash Flows
Year Ended December 31, 2024

Cash Flows From Operating Activities	
Received from customers	$ 12,836,497
Paid to suppliers for goods and services	(8,350,711)
Paid to employees for services	(6,388,688)
Received from lessors	997,797
Net cash flows from operating activities	(905,105)
Cash Flows From Noncapital Financing Activities	
Received for naming rights	200,000
City of Duluth hotel/motel taxes	2,396,603
Net cash flows from noncapital financing activities	2,596,603
Cash Flows From Investing Activities	
Interest earned on investments	357,047
Cash Flows From Capital and Related Financing Activities	
Proceeds from financed purchases	810,000
Principal paid on financed purchases	(58,207)
Interest paid	(39,001)
Principal paid on software subscriptions	(48,278)
Acquisition and construction of capital assets	(783,501)
Net cash flows from capital and related financing activities	(118,987)
Net change in cash and cash equivalents	1,929,558
Cash and Cash Equivalents, Beginning	3,932,511
Cash and Cash Equivalents, Ending	$ 5,862,069

See notes to financial statements

Statement of Cash Flows
Year Ended December 31, 2024

Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities	
Operating income (loss)	$ (5,099,940)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation	3,604,693
Amortization	38,800
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Customer accounts receivable	513,146
Other receivables	1,000,340
Inventories	(16,982)
Prepaid items	(125,380)
Accounts payable	(177,267)
Due to other governments	(30,628)
Customer deposits	666,736
Other current liabilities	167,022
Pension related deferrals and liability	(379,640)
Other postemployment benefit deferrals and liability	(68,207)
Lease related deferred inflow of resources	(997,798)
Net cash flows from operating activities	$ (905,105)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position Accounts	
Cash and investments	$ 3,046,393
Cash and investments, restricted	2,815,676
Total cash and cash equivalents	$ 5,862,069
Noncash Capital and Related Financing Activities	
Accounts payable for capital asset purchases	$ 6,840

See notes to financial statements

1. Summary of Significant Accounting Policies

The accounting policies of the Duluth Entertainment and Convention Center Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Authority is a component unit of the City of Duluth, Minnesota, which was created by Minn. Laws 1963, ch. 305; Minn. Laws 1985, 1st Spec. Sess., ch. 15, § 36, as amended; and by Minn. Laws 1998, ch. 404, § 61. The Authority has the power to contract, administer, promote, control, direct, manage, and operate the Duluth Entertainment and Convention Center for the City of Duluth and the State of Minnesota.

Control is vested in the Authority's Board of Directors, which consists of seven Directors appointed by the Mayor of the City of Duluth and approved by resolution of the City Council and four Directors appointed by the Governor of Minnesota.

The City of Duluth reports the transactions of the Authority as a separate component unit in its government-wide financial statements.

This report includes all the funds of the Authority. The reporting entity for the Authority consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The Authority has not identified any organizations that meet these criteria.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Authority are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services be financed or recovered primarily through user charges.

Enterprise funds distinguish operating revenues from nonoperating items. Operating revenues generally result from providing and delivering services in connection with a principal ongoing activity. All revenues not meeting this definition are reported as nonoperating revenues. The principal operating revenues of the Authority are charges for services related to contracting, administering, promoting, controlling, directing, managing and operating the Duluth Entertainment and Convention Center.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchanged-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented January 1, 2024. The impact of implementation was not material to the financial statements.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

The Authority's available cash balances are held by the Treasurer of the City of Duluth. Additional disclosures defining cash and pooled investments can be found in the City of Duluth Annual Comprehensive Financial Report.

Receivables

Amounts due from individuals and organizations are recorded as receivables at year-end. No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

Inventories and Prepaid Items

Inventory is valued at the lower of cost or market value utilizing the first-in/first-out (FIFO) method and charged to expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Capital Assets

Capital assets, which include property, plant, equipment and software subscriptions are reported in the basic financial statements. Capital assets are defined by the Authority as assets with an estimated useful life in excess of three years and an initial cost of $500 or more. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation and amortization of all exhaustible capital assets is recorded as an expense in the statement of revenues, expenses and changes in net position, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Land improvements	20 years
Furniture, equipment and vehicles	3-20 years

Software subscription assets are typically amortized over the subscription term.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Unearned Revenue

Unearned revenue represents advance deposits to reserve Authority facilities for future events, proceeds from the sale of gift certificates and gift cards that have not been redeemed as of year-end, and lease revenues that have not been earned as of year-end.

Compensated Absences

Under terms of employment, employees are granted vacation and sick leave and paid time off in varying amounts.

Vacation leave and paid time off is accrued when earned in the financial statements.

Payments for vacation and sick leave and paid time off will be made at rates in effect when the benefits are used. Accumulated vacation leave and paid time off liabilities at December 31, 2024 are determined on the basis of current salary rates and include salary related payments.

Long-Term Obligations

All long-term obligations to be repaid from the Authority's resources are reported as liabilities on the statement of net position. The long-term obligations consist primarily of financed purchases payable, compensated absences and subscription liabilities.

Leases

The Authority is a lessor because it leases capital assets to other entities. As a lessor, the Authority reports a lease receivable and corresponding deferred inflow of resources on the statement of net position. The Authority continues to report and depreciate the capital assets being leased as capital assets of the primary government.

Subscription-Based Information Technology Arrangements

The Authority reports a subscription liability and an intangible right-to-use capital asset (known as the software subscription asset) on the financial statements.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Equity is classified as net position and displayed in three components:

a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net position that does not meet the definition of restricted or net investment in capital assets.

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

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and OPEB expense, the Authority's single-employer defined benefit retiree healthcare plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Trade-Offs

The Authority exchanges scoreboard advertising, attraction admissions, building rent and other services for other non-monetary assets or services, such as radio, television or print advertising. The value of the services exchanged is debited to the appropriate expense accounts and credited to the appropriate revenue accounts.

2. Detailed Notes on All Funds

Deposits and Investments

The City of Duluth Treasurer is designated by Minn. Laws 1963, ch. 305, as the Treasurer of the Authority. The City Treasurer is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit the Authority's cash and to invest in certificates of deposit in financial institutions designated by the Duluth City Council. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond or collateral.

The Authority invests funds in the City of Duluth's investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. The Authority invests in this pool for the purpose of joint investment with the City in order to enhance investment earnings. There are no redemption limitations. The types of investment securities available to the City of Duluth Treasurer are authorized by Minn. Stat. §§ 118A.04 and 118A.05.

The Authority's cash and investments at year-end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	$ 96,812	$ 413,420	Custodial credit
Pooled cash held by the City	2,969,393	2,621,732	Custodial credit
Commercial paper sweep	2,712,864	2,787,406	Custodial credit, credit, concentration of credit, interest rate
Petty cash	83,000	-	N/A
Total cash and investments	$ 5,862,069	$ 5,822,558	

Reconciliation to financial statements	
Per statement of net position	
Cash and investments	$ 3,046,393
Restricted cash and investments	2,815,676
Total cash and investments	$ 5,862,069

Disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are disclosed on an entity-wide basis in the City of Duluth's Annual Comprehensive Financial Report. The Authority is a component unit of the City of Duluth.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Market approach

Investment Type	December 31, 2024 Level 1	Level 2	Level 3	Total
Commercial paper sweep	$ -	$ 2,787,406	$ -	$ 2,787,406
	$ -	$ 2,787,406	$ -	$ 2,787,406

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority. As of December 31, 2024, the Authority's deposits were secured through the City of Duluth’s collateral and FDIC coverage.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2024, the Authority does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2024, the Authority's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
Commercial paper sweep, U.S. Bank National Association	A-1	P-1

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

As of December 31, 2024, the Authority's investment portfolio consists exclusively of an investment in US Bank commercial paper in a sweep account.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2024, the Authority's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Commercial paper sweep, U.S. Bank National Association	$ 2,787,406	1

See Note 1 for further information on deposit and investment policies.

Receivables

All of the receivables on the statement of net position are expected to be collected within one year except for $7,459,953 of leases receivable.

Restricted Assets

The following represent the balances of the restricted assets:

Customer Deposits - consists of cash and receivables escrowed on behalf of various promoters related to advance ticket sales for upcoming events.

Employee Flexible Benefits Plan - consists of amounts withheld from employees pursuant to Internal Revenue Service regulations designated for reimbursement to employees for specific plan expenses.

Capital Projects - consists of amounts received for specific capital projects that were not spent on eligible capital expenses prior to year-end.

Following is a list of restricted assets at December 31, 2024:

Restricted assets:	
Cash and investments, customer deposits	$ 2,718,864
Cash and investments, employee flexible benefits	13,225
Cash and investments, capital projects	83,587
Accounts receivable, customer deposits	62,739
Total restricted assets	$ 2,878,415

Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated/amortized:				
Land	$ 905,601	$ -	$ -	$ 905,601
Construction in progress	-	751,798	-	751,798
Total capital assets not being depreciated/amortized	905,601	751,798	-	1,657,399
Capital assets being depreciated/amortized:				
Land improvements	302,957	-	-	302,957
Buildings	139,069,670	-	99	139,069,571
Equipment	12,835,497	38,543	67,021	12,807,019
Software subscriptions	112,920	-	26,420	86,500
Total capital assets being depreciated/amortized	152,321,044	38,543	93,540	152,266,047
Less accumulated depreciation/amortization for:				
Land improvements	(302,957)	-	-	(302,957)
Buildings	(73,775,478)	(3,099,962)	-	(76,875,440)
Equipment	(11,108,620)	(504,731)	-	(11,613,351)
Software subscriptions	(48,837)	(38,800)	18,013	(69,624)
Total accumulated depreciation/amortization	(85,235,892)	(3,643,493)	18,013	(88,861,372)
Net capital assets being depreciated/amortized	67,085,152	(3,604,950)	75,527	63,404,675
Total capital assets, net of accumulated depreciation/amortization	$ 67,990,753	$ (2,853,152)	$ 75,527	$ 65,062,074

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Other liabilities:					
Subscription liability	$ 63,571	$ -	$ 48,278	$ 15,293	$ 15,293
Financed purchases liability	634,930	810,000	58,207	1,386,723	121,232
Compensated absences *	316,529	37,388	-	353,917	353,917
Total long-term obligations	$ 1,015,030	$ 847,388	$ 106,485	$ 1,755,933	$ 490,442

* The change in the compensated absences liability is presented as a net change.

Future payments of compensated absences do not have an estimated payment schedule. These liabilities will be liquidated by the Authority as they become due.

Financed Purchases

On August 24, 2022, the Authority entered into a financed purchase agreement to finance the purchase and installation of ice making equipment for the Authority's curling facilities. The agreement runs for ten years with an interest rate of 4.99% and annual payments of $89,054. As of December 31, 2024, the net book value of the Pioneer Hall Ice Plant was $704,683 with an acquisition cost of $782,981 and accumulated depreciation of $78,298. This asset is included in buildings in the capital assets footnote.

On August 8, 2024, the Authority entered into a financed purchase agreement to finance the purchase and installation of scoreboard equipment for the Amsoil Arena. The agreement runs for ten years with an interest rate of 6.49% and annual payments of $112,622. As of December 31, 2024, the value of the scoreboard equipment was $729,106. This asset is included in construction in progress in the capital assets footnote.

Future payments under these agreements as of December 31, 2024 were as follows:

	Principal	Interest
Years ending December 31:		
2025	$ 121,232	$ 81,347
2026	127,279	74,397
2027	134,589	67,087
2028	142,327	59,349
2029	150,516	51,160
2030 - 2034	710,780	119,575
Total	$ 1,386,723	$ 452,915

Software Subscription Liability

The Authority has entered into a subscription-based information technology arrangement for financing the acquisition of a parking management system. This arrangement was for three years. This arrangement has been recorded at the present value of its future minimum software subscription payments as of the inception date. This asset is included in software subscriptions in the capital assets footnote.

The future minimum software subscription obligations and the present value of these minimum payments as of December 31, 2024, were as follows:

	Principal	Interest
Year ending December 31:		
2025	$ 15,293	$ 763
Total	$ 15,293	$ 763

Lease Disclosures

Lessor - Lease Receivables

	Receivable	Amount Not Expected to Be Collected Within One Year
Leases receivable	$ 8,136,635	$ 7,459,953

On January 1, 2012, the Authority entered into a lease agreement with Vista Cruises, Inc., for ten years, with two five-year options to renew. This agreement is for the lease of space and facilities. Rent is adjusted by three percent annually. As of December 31, 2024, the Authority reported leases receivable and deferred inflows of resources totaling $625,586 and $573,581, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $57,561 and $19,716, respectively, were received during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenue of $71,698 and interest revenue of $19,716.

On April 13, 2004, the Authority entered into a lease agreement with Cinema Entertainment Corporation (CEC) for 20 years, with two five-year options to renew. This agreement is for the lease of property on which CEC constructed a theater. The annual rent of $175,000 will be increased by two percent each year in years two through ten and three percent each year in years 11 through 20. In May 2007, Marcus Theatre Corporation purchased the Duluth 10 theater from CEC and is now responsible for the lease. On January 1, 2012, an amended lease agreement was signed with B & G Realty, LLC, to include the OMNIMAX Theatre space in the leased premises for an additional $36,000 per year, with an annual Consumer Price Index increase beginning January 1, 2015. In addition, the Authority agreed to reimburse B & G Realty, through lease payment deductions, $25,000 for expenses related to the conversion and remodeling of said space. On April 18 and August 1, 2012, the reimbursable amount to B & G Realty was increased $10,000 and $11,417, respectively, for a total of $46,417 for conversion and remodeling. As of December 31, 2024, the Authority reported leases receivable and deferred inflows of resources totaling $27,194 and $27,194, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $269,685 and $3,382, respectively, were received during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenue of $235,941 and interest revenue of $3,382. On February 1, 2025, the Authority entered into a new lease agreement with B& G Realty for a term of five years, with three five-year options to renew.

On November 18, 2010, the Authority entered into a lease agreement with the University of Minnesota for 25 years to rent space, facilities, and advertising for the men's and women's hockey programs in the new AMSOIL Arena. The annual rent ranges from $468,800 in 2011 to $898,270 in 2033. These lease revenues may be used to repay the City of Duluth bonds, which were issued for the purpose of construction of the new arena. As of December 31, 2024, the Authority reported leases receivable and deferred inflows of resources totaling $6,196,043 and $5,670,256, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $487,930 and $200,519, respectively, were received during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenue of $630,029 and interest revenue of $200,519.

On October 1, 2015, the Authority entered into a 22-year lease agreement with the Duluth Curling Club, Inc., to occupy a portion of the Pioneer Hall Clubrooms for year-round rental at an annual rate of $43,358, and the Pioneer Hall Annex Ice Arena for a rental rate of $43,358, for pre-defined curling season dates. In October 2017, the rental rate increases annually by two percent for five years and then by three percent annually until the end of the lease term. As of December 31, 2024, the Authority reported leases receivable and deferred inflows of resources totaling $1,287,812 and $1,200,617, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $60,720 and $39,633, respectively, were received during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenue of $87,324 and interest revenue of $39,633.

Net Position

Net position reported on the statement of net position at December 31, 2024 includes the following:

Net investment in capital assets:	
Construction in progress	$ 751,798
Land	905,601
Other capital assets, net of depreciation/amortization	63,404,675
Less long-term capital-related obligations outstanding (excluding unspent proceeds)	(1,318,430)
	$ 63,743,644

3. Other Information

Employees' Retirement System

Public Employees Retirement Association (PERA)

Plan Description. The Authority participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

Benefits Provided. PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989 receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Contributions. Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the Authority was required to contribute 7.50% for General Plan members. The Authority's contributions to the General Employees Fund for the year ended December 31, 2024, were $367,628. The Authority's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs. At December 31, 2024, the Authority reported a liability of $2,141,096 for its proportionate share of the General Employees Fund's net pension liability. The Authority's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled $55,364.

Authority's proportionate share of the net pension liability	$ 2,141,096
State of Minnesota's proportionate share of the net pension liability associated with the Authority	55,364
Total	$ 2,196,460

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Authority's proportionate share was 0.0579% at the end of the measurement period and 0.0639% for the beginning of the period.

For the year ended December 31, 2024, the Authority recognized pension expense of $60,866 for its proportionate share of the General Employees Plan's pension expense. In addition, the Authority recognized an additional $1,484 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Authority recognized $98,510 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 209,099	$ -
Changes in actuarial assumptions	12,265	871,518
Net difference between projected and actual investment earnings	-	402,441
Changes in proportion	1,204,177	250,984
Contributions paid to PERA subsequent to the measurement date	187,380	-
Total	$ 1,612,921	$ 1,524,943

The $187,380 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2025	$ 127,774
2026	290,182
2027	(353,255)
2028	(164,103)

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Total	100.00 %	

Actuarial Methods and Assumptions

The total pension liability for the cost-sharing defined benefit plan was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
The Authority's proportionate share of the General Employees Fund net pension liability	$ 4,676,497	$ 2,141,096	$ 55,496

Pension Plan Fiduciary Net Position

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

Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Authority provides postemployment health insurance benefits for certain retired employees under a single-employer defined benefit health care plan. Employees who retired between January 1, 1983, and January 1, 1995, and employees who were full-time employees prior to January 1, 1995, and retire from the Authority at or after age 62 with at least ten years of full-time service, are eligible to receive hospital/medical benefits to the same extent as active employees for the life of the retiree or surviving spouse. The Authority will pay 80% of the premium for these qualifying retirees.

Active employees who retire from the Authority when eligible to receive a retirement benefit from PERA who do not qualify for the aforementioned benefits, and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependents under the Authority's health benefits program. These retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

The Authority's employment contract with the Executive Director provides for continuing family health insurance coverage for a period of 18 months following the termination of their employment contract. The Authority will provide this benefit.

The Authority participates in the City of Duluth's Joint Powers Enterprise Trust and pays the required premiums to provide health care benefits for eligible retirees and claimed dependents. Premiums paid for eligible retirees and claimed dependents for health care insurance totaled $94,223 in 2024.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

Benefits Provided

The Authority does not have assets designated to pay for OPEB-related costs. The eligibility for, amount, duration of and the Authority contributions to the cost of the benefits provided vary by contract and date of retirement. The Authority is funding this liability on a pay-as-you-go basis.

Employees Covered by Benefit Terms

As of the January 1, 2023 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	26
Active plan participants	43
Total	69

Total OPEB Liability

The Authority's total OPEB liability of $1,282,477 was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	3.50%
Health care cost trend	7.00%, decreasing 0.50% per year to an ultimate rate of 5.00%

The discount rate is 4.28%. The discount rate is based on the S&P Municipal Bond 20-Year High-Grade Rate Index.

Mortality rates are based on the Pub-2010 Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The following changes in assumptions occurred in 2024:

- The discount rate was changed from 4.00% to 4.28%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2024	$ 1,356,924
Changes for the year:	
Service cost	11,101
Interest	52,837
Differences between expected and actual experience	(8,658)
Changes in assumptions	(35,504)
Benefit payments	(94,223)
Net change	(74,447)
Balance at December 31, 2024	$ 1,282,477

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that are one percentage-point-lower or one percentage-point-higher than the current discount rate:

	1% Decrease in Discount Rate (3.28%)	Current Discount Rate (4.28%)	1% Increase to Discount Rate (5.28%)
Total OPEB liability	$ 1,417,419	$ 1,282,477	$ 1,168,209

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point-lower or one percentage-point-higher than the current healthcare cost trend rates:

	1% Decrease to Healthcare Cost Trend Rates (6.00% Decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.00% Decreasing to 5.00%)	1% Increase to Healthcare Cost Trend Rates (8.00% Decreasing to 6.00%)
Total OPEB liability	$ 1,144,964	$ 1,282,477	$ 1,445,779

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024, the Authority recognized OPEB expense of $26,016. At December 31, 2024, the Authority reported deferred outflows and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 125,750	$ 34,086
Changes in actuarial assumptions	190,787	356,676
Total	$ 316,537	$ 390,762

Amounts reported as deferred outflows and inflows of resources related will be recognized in OPEB expense in the future fiscal years as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2025	$ (37,922)
2026	(27,144)
2027	(15,352)
2028	(40,576)
2029	9,132
Thereafter	37,637

Naming Rights Agreement

On June 29, 2010, the Authority entered into an agreement with AMSOIL, Inc., for naming rights to the new arena which was completed in 2010. The agreement grants AMSOIL, Inc., the rights to name the new arena in exchange for an initial payment of $2,000,000 in 2010 and payments of $200,000 per year for the years 2011 through 2031.

Minimum future rents on this agreement as of December 31, 2024 are:

	Amount
Years ending December 31:	
2025	$ 200,000
2026	200,000
2027	200,000
2028	200,000
2029	200,000
2030	200,000
Total	$ 1,200,000

Pledge Agreement With City of Duluth

In 2010, the Authority completed construction on a new arena and parking ramp. The total project cost of $78,285,000 was funded by a state grant of $38,000,000 and City of Duluth general obligation bond proceeds of $40,285,000.

In March 2016, the City of Duluth issued $33,440,000 in General Obligation Duluth Entertainment and Convention Center Authority Improvement Refunding Bonds, Series 2016A, to refund the City of Duluth's Series 2008A Duluth Entertainment and Convention Center Authority Improvement Bonds of $40,285,000. The transaction resulted in a net present value savings of $5,414,950.

The Authority entered into a pledge agreement with the City of Duluth dated August 7, 2008, that requires the Authority to pledge $461,000 per year of Authority revenues beginning in 2012 through the life of the bonds ending in 2034. The pledged revenues will be used in combination with the City of Duluth's 0.75% food and beverage taxes and University of Minnesota Duluth lease revenues to repay the principal and interest on the bonds.

Risk Management

The Authority is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to or destruction of assets; errors or omissions; injuries to employees; or natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority did not have a loss exceeding the limits of insurance coverage for any of the past three years. There were no significant reductions in insurance coverage from the prior year. The Authority retains the risk of loss for the first $10,000 per occurrence.

Permanent employees are eligible to participate in the City of Duluth Joint Powers Enterprise Trust for the benefit of governmental units of the City. The Authority pays an annual premium for health and dental insurance coverage.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the financial statements as expenses when the related liabilities are incurred.

From time to time, the Authority may be party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Authority's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position or results of operations.

Related Parties

During 2024, the City of Duluth contributed $2,394,338 to the Authority. The contribution is included as nonoperating revenue on the statement of revenues, expenses and changes in net position. The City of Duluth also provides various administrative services to the Authority. Contractual costs of $14,700 for these services are included as operating expenses in the financial statements.

Budget to Actual

The Duluth Entertainment and Convention Center Authority adopts a budget to be approved by the Duluth City Council. A summary of the operating budget compared to actual for the year ended December 31, 2024, follows.

	Budget	Actual	Variance
Operating revenues	$ 13,569,703	$ 12,693,394	$ (876,309)
Operative expenses	16,217,188	17,793,334	(1,576,146)
Operating income (loss)	(2,647,485)	(5,099,940)	(2,452,455)
Nonoperating revenues (expenses)	2,042,796	2,811,565	768,769
Change in net position	$ (604,689)	$ (2,288,375)	$ (1,683,686)

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Duluth Entertainment and Convention Center Authority
(A Component Unit of the City of Duluth, Minnesota)

Schedule of Changes in the Total Other Postemployment Benefits Liability and Related Ratios - Single Employer Plan
Year Ended December 31, 2024

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	$ 11,101	$ 6,093	$ 1,171	$ 1,237	$ 10,685	$ 10,323	$ 20,995
Interest	52,837	54,840	34,764	31,656	54,652	56,444	54,083
Differences between expected and actual experience	(8,658)	82,346	(24,826)	282,784	-	(23,193)	-
Changes of assumptions or other inputs	(35,504)	88,487	(282,600)	(340,082)	303,370	(12,701)	(85,938)
Benefit payments	(94,223)	(99,505)	(96,673)	(177,866)	(115,449)	(116,784)	(100,717)
Other changes	-	-	-	-	(12,010)	-	-
Net change in total OPEB liability	(74,447)	132,261	(368,164)	(202,271)	241,248	(85,911)	(111,577)
Total OPEB Liability, Beginning	1,356,924	1,224,663	1,592,827	1,795,098	1,553,850	1,639,761	1,751,338
Total OPEB Liability, Ending	$ 1,282,477	$ 1,356,924	$ 1,224,663	$ 1,592,827	$ 1,795,098	$ 1,553,850	$ 1,639,761
Covered-Employee Payroll	$ 2,477,812	$ 2,577,985	$ 808,846	$ 781,494	$ 2,229,474	$ 1,846,454	$ 1,783,617
Total OPEB Liability as a Percentage of Covered-Employee Payroll	51.76%	52.64%	151.41%	203.82%	80.52%	84.15%	91.93%

See notes to required supplementary information

Duluth Entertainment and Convention Center Authority
(A Component Unit of the City of Duluth, Minnesota)

Schedule of Employer's Proportionate Share of the Net Pension Liability - PERA General Employees Retirement Fund
Year Ended December 31, 2024

Employer Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated With the Employer (b)	Employer and State's Proportionate Share of the Net Pension Liability Associated With Employer (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2024	6/30/2024	0.0579 %	$ 2,141,096	$ 55,364	$ 2,196,460	$ 4,901,678	43.68 %	89.10 %
12/31/2023	6/30/2023	0.0639	3,573,216	98,559	3,671,775	5,082,787	70.30	83.10
12/31/2022	6/30/2022	0.0453	3,587,775	105,120	3,692,895	3,392,720	105.75	76.67
12/31/2021	6/30/2021	0.0161	687,542	21,007	708,549	1,161,133	59.21	87.00
12/31/2020	6/30/2020	0.0476	2,853,838	88,060	2,941,898	3,397,573	84.00	79.06
12/31/2019	6/30/2019	0.0584	3,228,805	100,329	3,329,134	4,123,080	78.31	80.23
12/31/2018	6/30/2018	0.0594	3,295,268	108,005	3,403,273	3,986,093	82.67	79.53
12/31/2017	6/30/2017	0.0623	3,977,191	50,003	4,027,194	3,635,889	109.39	75.90
12/31/2016	6/30/2016	0.0591	4,798,627	62,701	4,861,328	3,620,162	132.55	68.91
12/31/2015	6/30/2015	0.0590	3,057,686	N/A	3,057,686	3,463,401	88.29	78.19

Schedule of Employer Contributions - PERA General Employees Retirement Fund
Year Ended December 31, 2024

Employer Fiscal Year-End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2024	$ 358,029	$ 358,029	$ -	$ 4,773,726	7.50 %
12/31/2023	395,092	395,092	-	5,267,893	7.50
12/31/2022	333,132	333,132	-	4,441,760	7.50
12/31/2021	147,718	147,718	-	1,969,573	7.50
12/31/2020	143,804	143,804	-	1,917,387	7.50
12/31/2019	317,245	317,245	-	4,229,933	7.50
12/31/2018	296,680	296,680	-	3,955,733	7.50
12/31/2017	300,466	300,466	-	4,006,219	7.50
12/31/2016	267,844	267,844	-	3,715,149	7.21
12/31/2015	277,570	264,824	12,746	3,700,932	7.16

See notes to required supplementary information

Other Postemployment Benefits

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Authority is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

The following changes of assumptions were reflected in the OPEB actuarial valuations:

2024 Changes

The discount rate was changed from 4.00% to 4.28%.

2023 Changes

The discount rate was changed from 4.31% to 4.00%.

Per-capita costs were updated to reflect experience since the previous valuation as well as the change in third-party administrators.

The participation percentage for future retirees that pay 100% of the premium rates was increased from 25% to 40%.

Retirement rates were updated based on the results of the 2023 actuarial experience study.

Terminations were updated based on the results of the 2023 actuarial experience study.

2022 Changes

The discount rate was changed from 2.25% to 4.31%.

The pre-65 medical trend was shifted to maintain the same rate of 8.00%.

The post-65 immediate medical trend was increased to 4.25% to reflect current industry trends and inflationary environment.

2021 Changes

The discount rate was changed from 1.93% to 2.25%.

Per-capita costs were updated to reflect experience since the previous valuation as well as the change in third-party administrators from HealthPartners to Medica.

Base mortality rates were updated from the RPH-2014 Total Dataset Headcount-Weighted tables to the new Pub-2010 Headcount-Weighted tables. "Safety" tables were used for police and fire participants and “General” tables for all others.

The mortality improvement scale was updated from MP-2018 to MP-2020 as of the valuation date, and again to MP-2021 as of measurement date December 31, 2021.

2020 Changes

The discount rate was changed from 3.64% to 1.93% based on changes in the municipal bond market.

The additional 1% load applied to Plan liabilities to estimate the impact of potential future excise taxes on high-cost (Cadillac) plan benefits was removed due to the excise taxes being repealed via the SECURE Act.

2019 Changes

The discount rate was changed from 3.70% to 3.64% based on changes in the municipal bond market.

The per-capita costs were updated to reflect experience since the previous valuation.

An additional 1% load was applied to Plan liabilities to estimate the impact of potential future excise taxes on high-cost (Cadillac) plan benefits.

The mortality improvement scale was updated from MP-2016 to MP-2018.

2018 Changes

The per-capita costs were updated to reflect experience.

The health care trend was shifted to maintain the same immediate rate.

The mortality was updated to reflect more current rates based on the 2014 SOA study.

The actuarial cost method was changed to Entry Age Normal as a level percentage of payroll, per GASB 75 standards.

The discount rate was changed from 3.25% to 3.70% to reflect the current municipal bond market.

Public Employees Retirement Association (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

For purposes of these schedules, covered payroll is defined as pensionable wages.

Changes in Benefit Terms

There were no changes of benefit terms for any participating employer in the PERA.

Changes in Assumptions and Plan Provisions

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions:

The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions:

The State's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

2015 Changes

Changes in Actuarial Assumptions:

The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions:

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, is due September 2015.

Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards* and
Minnesota Legal Compliance

Independent Auditors' Report

To the Board of Directors of
Duluth Entertainment and Convention Center Authority

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Duluth Entertainment and Convention Center Authority (the Authority), which comprise the Authority's statement of financial position as of December 31, 2024, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Eau Claire, Wisconsin
April 28, 2025

Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

None

Minnesota Legal Compliance Findings

None