

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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**City of Duluth**  
**(Including the Duluth**  
**Economic Development Authority)**  
**Duluth, Minnesota**

Management and Compliance Report

Year Ended December 31, 2022

## Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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[www.osa.state.mn.us](http://www.osa.state.mn.us)

**City of Duluth**  
**(Including the Duluth**  
**Economic Development Authority)**  
**Duluth, Minnesota**

Year Ended December 31, 2022



**Office of the State Auditor**

Management and Compliance Report

**Audit Practice Division**  
**Office of the State Auditor**  
**State of Minnesota**

# City of Duluth Duluth, Minnesota

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**City of Duluth**  
**Management and Compliance Report**  
**Year Ended December 31, 2022**



**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***

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2023. These financial statements include the activities of the Spirit Mountain Recreation Area Authority component unit for the year ended April 30, 2022. We issue separate management and compliance reports for the Duluth Airport Authority, the Duluth Entertainment and Convention Center Authority, the Duluth Transit Authority, and the Spirit Mountain Recreation Area Authority component units. This report does not include the results of our audit testing of these component units' internal control over financial reporting or on compliance and other matters. This report does not include the results of our audit testing of the Duluth Economic Development Authority component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Report.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Duluth's internal control over financial reporting 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

identify any deficiencies in internal control over financial reporting 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 City of Duluth'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 City of Duluth 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, miscellaneous provisions, and tax increment financing 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 City'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 over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

July 14, 2023



**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Duluth's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Duluth's major federal programs for the year ended December 31, 2022. The City of Duluth's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Duluth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Duluth and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Duluth's compliance with the compliance requirements referred to above.

**Other Matter – Federal Expenditures Not Included in the Compliance Audit**

The City of Duluth's basic financial statements include the operations of the Duluth Airport Authority and the Duluth Transit Authority component units, which expended \$13,513,309 and \$2,165,878, respectively, in federal awards which are not included in the City of Duluth's Schedule of Expenditures of Federal Awards during the year ended December 31, 2022. Our compliance audit, described in the Opinion on Each Major Federal Program section, does



not include the operations of the Duluth Airport Authority and the Duluth Transit Authority because they had separate single audits in accordance with the Uniform Guidance.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Duluth's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Duluth's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Duluth's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, 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 City of Duluth's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the City of Duluth's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Duluth's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a

material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth as of and for the year ended December 31, 2022, including the Spirit Mountain Recreation Area Authority component unit as of and for the year ended April 30, 2022, and have issued our report thereon dated July 14, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the financial statements as a whole.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

July 14, 2023

# City of Duluth Duluth, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

#### Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.218	CDBG – Entitlement Grants Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
66.468	Drinking Water State Revolving Fund Cluster

The threshold used to distinguish between Type A and B programs was \$1,032,899.

The City of Duluth qualified as a low-risk auditee? **Yes**

### Section II – Financial Statement Findings

None.

### Section III – Federal Award Findings and Questioned Costs

None.

**City of Duluth  
Duluth, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Commerce</b>				
Passed Through Minnesota Department of Natural Resources Coastal Zone Management Administration Awards	11.419	22-306A-02	\$ 2,272	\$ -
<b>U.S. Department of Housing and Urban Development</b>				
Direct				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 2,799,926	\$ 1,940,848
COVID-19 – Community Development Block Grants/ Entitlement Grants	14.218		303,288	238,141
(Total Community Development Block Grants/Entitlement Grants 14.218 \$3,103,214)				
Emergency Solutions Grant Program	14.231		196,303	102,475
COVID-19 – Emergency Solutions Grant Program	14.231		977,968	895,430
(Total Emergency Solutions Grant Program 14.231 \$1,174,271)				
Home Investment Partnerships Program	14.239		458,475	389,412
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 4,735,960</b>	<b>\$ 3,566,306</b>
<b>U.S. Department of the Interior</b>				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-in-Aid	15.904	214201/300-11838	\$ 14,328	\$ -
Outdoor Recreation – Acquisition, Development and Planning	15.916	LW27-01416	177,938	-
<b>Total U.S. Department of the Interior</b>			<b>\$ 192,266</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		\$ 161,076	\$ -
Bulletproof Vest Partnership Program	16.607		22,899	-
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$138,951)	16.710		13,412	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		33,834	-
National Sexual Assault Kit Initiative	16.833		722,270	-
Comprehensive Opioid Abuse Site-Based Program	16.838		686,131	-
Passed Through Minnesota Department of Public Safety				
Missing Children's Assistance	16.543	152986	20,486	-
Crime Victim Assistance	16.575	A-CVS-2022-DULUTHAO-024	81,463	-
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$138,951)	16.710	167077	125,539	-
<b>Total U.S. Department of Justice</b>			<b>\$ 1,867,110</b>	<b>\$ -</b>
<b>U.S. Department of Labor</b>				
Passed Through Senior Service America, Inc.				
Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$328,648)	17.235	116	\$ 238,630	\$ -

**City of Duluth  
Duluth, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022  
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Labor (Continued)</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Senior Community Service Employment Program	17.235	1045101	57,262	-
Senior Community Service Employment Program (Total Senior Community Service Employment Program 17.235 \$328,648)	17.235	2045101	32,756	-
WIOA Cluster				
WIA Adult Program	17.258	0043100	13,759	-
WIA Adult Program	17.258	1043100	152,792	-
WIA Adult Program	17.258	2043100	56,188	-
WIA Adult Program (Total WIA Adult Program 17.258 \$226,379)	17.258	9043101	3,640	-
WIOA Cluster				
WIA Youth Activities	17.259	0043600	9,790	-
WIA Youth Activities	17.259	1043600	270,547	-
WIA Youth Activities (Total WIA Youth Activities 17.259 \$354,697)	17.259	2043600	74,360	-
COVID-19 – Workforce Investment Act (WIA) National				
Emergency Grants	17.277	1040100	123,585	-
Workforce Investment Act (WIA) National Emergency Grants (Total Workforce Investment Act (WIA) National Emergency Grants 17.277 \$243,058)	17.277	1043000	119,473	-
WIOA Cluster				
WIA Dislocated Worker Formula Grants	17.278	0048000	11,947	-
WIA Dislocated Worker Formula Grants	17.278	1048000	41,556	-
WIA Dislocated Worker Formula Grants	17.278	2048000	16,310	-
WIA Dislocated Worker Formula Grants (Total WIA Dislocated Worker Formula Grants 17.278 \$71,602)	17.278	9048001	1,789	-
<b>Total U.S. Department of Labor</b>			<b>\$ 1,224,384</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	OJT 8820 (221)	\$ 3,461	\$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC22-2022-DULUTHPD-064	23,256	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC23-2023-DULUTHPD-024	18,366	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC22-2022-DULUTHPD-064	24,816	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$97,344)	20.608	A-OFFICR22-2022-DULUTHPD-018	54,162	-
Highway Safety Cluster				
National Priority Safety Programs	20.616	A-ENFRC22-2022-DULUTHPD-064	14,990	-
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$47,571)	20.616	A-OFFICR22-2022-DULUTHPD-0018	32,581	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	A-HMEP-2020-DULUTHFD-011	10,771	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 182,403</b>	<b>\$ -</b>

**City of Duluth  
Duluth, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022  
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of the Treasury</b>				
Direct				
Equitable Sharing	21.016		\$ 162,650	\$ -
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>17,895,159</u>	<u>-</u>
<b>Total U.S. Department of the Treasury</b>			<b><u>\$ 18,057,809</u></b>	<b><u>\$ -</u></b>
<b>U.S. Environmental Protection Agency</b>				
Direct				
Great Lakes Program	66.469		\$ 70,842	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		367,663	-
Passed Through Minnesota Public Facilities Authority				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L-024-FY22	<u>3,016,231</u>	<u>-</u>
<b>Total U.S. Environmental Protection Agency</b>			<b><u>\$ 3,454,736</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Rehabilitation Services – Vocational Rehabilitation Grants to States				
	84.126	166894 PR 59596	\$ 4,958	\$ -
	84.126	214048 PR 59596	<u>5,093</u>	<u>-</u>
(Total Rehabilitation Services – Vocational Rehabilitation Grants to States 84.126 \$10,051)				
<b>Total U.S. Department of Education</b>			<b><u>\$ 10,051</u></b>	<b><u>\$ -</u></b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	93.558	2047400	<u>\$ 13,000</u>	<u>\$ -</u>
<b>Executive Office of the President</b>				
Direct				
High Intensity Drug Trafficking Areas Program	95.001		<u>\$ 196,843</u>	<u>\$ -</u>

**City of Duluth  
Duluth, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022  
(Continued)**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Homeland Security</b>				
Direct				
Port Security Grant Program	97.056		\$ 1,011	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4414-DR-MN	2,736,567	-
COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4531-DR-MN	656,863	-
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 3,393,430)				
Hazard Mitigation Grant	97.039	FEMA-4414-2DR-MN	168,766	-
Hazard Mitigation Grant	97.039	FEMA-4414-3DR-MN	846,172	-
(Total Hazard Mitigation Grant 97.039 \$1,014,938)				
Emergency Management Performance Grants	97.042	A-EMPG-2021-DULUTHCI-022	22,519	-
Passed Through St. Louis County, Minnesota				
Homeland Security Grant Program	97.067	OPSG OO MN-ST. LOUIS FY 19	8,557	-
Homeland Security Grant Program	97.067	OPSG OO MN-ST. LOUIS FY 20	52,663	-
(Total Homeland Security Grant Program 97.067 \$61,220)				
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 4,493,118</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 34,429,952</b>	<b>\$ 3,566,306</b>
<b>Totals by Cluster</b>				
Total expenditures for CDBG – Entitlement Grants Cluster			\$ 3,103,214	
Total expenditures for WIOA Cluster			652,678	
Total expenditures for Highway Planning and Construction Cluster			3,461	
Total expenditures for Highway Safety Cluster			70,827	
Total expenditures for Drinking Water State Revolving Fund Cluster			3,016,231	

# City of Duluth Duluth, Minnesota

## Notes to the Schedule of Expenditure of Federal Awards As of and for the Year Ended December 31, 2022

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### **Note 1 – Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Duluth. The City's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$13,513,309 and \$2,165,878 in federal awards expended by the Duluth Airport Authority and the Duluth Transit Authority, respectively, component units of the City, which had separate single audits. Additionally, the schedule does not include \$375,872 in federal awards expended by the Duluth Entertainment and Convention Center Authority component unit. The component unit is legally separate from the City of Duluth and expended less than \$750,000 of federal awards for the year ended December 31, 2022, and therefore, was not subject to the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **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, 2022. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City of Duluth, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Duluth.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 2 – De Minimis Cost Rate**

The City of Duluth has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.



# City of Duluth Duluth, Minnesota

## Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 21,207,695
Expenditures of Equitable Sharing Funds	162,650
Expenditures of Revolving Loan Fund	
Community Development Block Grants	422,378
Police Task Force Agreements	
Homeland Security Investigations	(5,683)
Minneapolis Child Exploitation and Human Trafficking Task Force	(13,529)
United States Marshals Service	(6,672)
Grants received more than 45 days after year-end, unavailable in 2022	
Bulletproof Vest Partnership Program	10,320
Community Development Block Grants/Entitlement Grants	156,510
COVID-19 – Community Development Block Grants/Entitlement Grants	28,792
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	3,279,436
Edward Byrne Memorial Justice Assistance Grant Program	37,306
Emergency Management Performance Grants	2,519
Emergency Solutions Grant Program	3,150
COVID-19 – Emergency Solutions Grant Program	11,262
Great Lakes Program	20,750
High Intensity Drug Trafficking Areas Program	248
Home Investment Partnerships Program	6,783
Interagency Hazardous Materials Public Sector Training and Planning Grants	6,187
Outdoor Recreation Acquisition, Development and Planning	177,938
Public Safety Partnership and Community Policing Grants	1,548
Senior Community Service Employment Program	2
Temporary Assistance for Needy Families	2,918
WIA Adult Program	16
Workforce Investment Act (WIA) National Emergency Grants	1,223
WIA Dislocated Worker Formula Grants	5
WIA Youth Program	675
Unavailable in 2021, recognized as revenue in 2022	
Bulletproof Vest Partnership Program	(17,221)
Community Development Block Grants/Entitlement Grants	(66,881)
COVID-19 – Community Development Block Grants/Entitlement Grants	(7,194)
Comprehensive Opioid Abuse Site-Based Program	(3,600)
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	(691,605)
Edward Byrne Memorial Justice Assistance Grant Program	(37,306)
Emergency Solutions Grant Program	(3,192)
COVID-19 – Emergency Solutions Grant Program	(5,260)
High Intensity Drug Trafficking Areas Program	(72,019)
Highway Planning and Construction	(121,691)
Home Investment Partnerships Program	(4,785)
National Sexual Assault Kit Initiative	(452)
Outdoor Recreation Acquisition, Development and Planning	(25,000)
Port Security Grant Program	(1,025)
Public Safety Partnership and Community Policing Grants	(41,623)
Rehabilitation Services – Vocational Rehabilitation Grants to States	(188)
Senior Community Service Employment Program	(3,925)
Temporary Assistance for Needy Families	(5,196)
WIA Adult Program	(54)
Workforce Investment Act (WIA) National Emergency Grants	(623)
WIA Dislocated Worker Formula Grants	(26)
WIA Youth Activities	(215)
Capital grants received in enterprise funds	
Capitalization Grants for Drinking Water State Revolving Funds	3,016,231
Timing differences between expenditures and related reimbursements	45,382
Capital Contributions	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	6,962,993
Expenditures per Schedule of Expenditures of Federal Awards	\$ 34,429,952

**Duluth Economic Development Authority  
Management and Compliance Report  
Year Ended December 31, 2022**



**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***

Independent Auditor's Report

Board of Commissioners  
Duluth Economic Development Authority  
Duluth, Minnesota

We have audited, 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, the financial statements of the City of Duluth, Minnesota, which include as Supplementary Information, the financial statements of the Duluth Economic Development Authority, a discretely presented component unit, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 14, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Duluth Economic Development Authority's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Duluth Economic Development 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 Duluth Economic Development Authority failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing 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 over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* 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. This 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. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

July 14, 2023