

# **Duluth Seaway Port Authority**

Financial and Compliance Report  
Year Ended March 31, 2024

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## Independent Auditor's Report

Board of Commissioners  
Duluth Seaway Port Authority

### Report on the Audit of Financial Statements

#### **Opinion**

We have audited the financial statements of the Duluth Seaway Port Authority (the Authority), as of and for the years ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits 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 Auditor's 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 audits. 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's 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 auditor's 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 management's discussion and analysis, schedule of proportionate share of the net pension liability, and schedule of pension contributions 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedule of revenues and expenses, schedules of departmental operating revenues and expenses and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024, 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 Authority's internal control over financial reporting and compliance.

**RSM US LLP**

Duluth, Minnesota  
August 29, 2024

**Required Supplementary Information**  
**Management's Discussion and Analysis (MD&A)**

## **Duluth Seaway Port Authority**

### **Management's Discussion and Analysis March 31, 2024**

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This section of Duluth Seaway Port Authority's (the Authority) annual financial report presents a discussion and analysis of the Authority's financial performance during the year ended March 31, 2024. Please read this discussion and analysis in conjunction with the Authority's financial statements.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information mandated by accounting principles generally accepted in the United States of America. Certain comparative information between the current year and prior year is required to be presented in the MD&A.

#### **Financial Highlights**

##### **2024**

The Authority's net position increased \$4,106,946 (6%), from \$70,034,570 in 2023 to \$74,141,516 in 2024. This increase was made up of operating loss of \$2,146,747, and nonoperating income and capital grants of \$6,253,693.

The Authority's operating revenues decreased 21% to \$3,574,264. This decrease results primarily from a decrease in activity in the Marine Terminal Department. Operating expenses increased to \$5,721,011 (8%) primarily from an increase in operating expense related to salaries and wages and depreciation. Operating loss for 2024 is \$2,146,747 compared to operating loss of \$741,641 in 2023.

##### **2023**

The Authority's net position increased \$7,077,010 (11%), from \$62,957,560 in 2022 to \$70,034,570 in 2023. This increase was made up of operating loss of \$741,641, and nonoperating income and capital grants of \$7,818,651.

The Authority's operating revenues increased 27% to \$4,538,795. This increase results primarily from an increase in facilities fees and wharfage for the Marine Terminal Department. Operating expenses increased to \$5,280,436 (6%) primarily from an increase in operating expense related to employee benefits. Operating loss for 2023 is \$741,641 compared to operating loss of \$1,439,036 in 2022.

#### **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the Authority's basic financial statements, which consist of two components: 1) Statements of Net Position, Revenues, Expenses and Changes in Net Position and Cash Flows, and 2) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

#### **Basic Financial Statements**

The financial statements are designed to give users details of the Authority's finances, in a manner similar to that of a private-sector business. The statements of net position present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating. The statements of revenues, expenses and changes in net position show how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. The statement of cash flows presents all cash receipts and payments resulting from operational, noncapital financing, capital and related financing and investing activities. This statement summarizes the sources and uses of cash for the current period.

#### **Notes to Financial Statements**

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

## Duluth Seaway Port Authority

### Management's Discussion and Analysis March 31, 2024

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#### Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the combining statements referred to earlier. These statements follow the notes to the financial statements.

#### Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of the Authority's financial position. The largest portion of the Authority's net position, 83% in 2024, 80% in 2023 and 81% in 2022, is net investment in capital assets (land and improvements, buildings and equipment). The Authority uses these assets to provide services to its clients; therefore, these assets are not available for future spending.

Of the Authority's net position balance, less than 1% in 2024, 2023 and 2022 is restricted for compliance with provisions of bond indentures and grants.

The remaining balance of net position, 17% in 2024, 19% in 2023 and 18% in 2022, is unrestricted and may be used to meet the Authority's ongoing obligations to its clients and creditors. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not restricted or included in the determination of net investment in capital assets.

The following table presents a summary of the Authority's net position at March 31, 2024, 2023 and 2022:

	2024	2023	2022
Current and other assets	\$ 25,898,867	\$ 28,598,531	\$ 13,362,228
Capital assets	64,125,389	59,688,560	54,117,012
Deferred outflows	209,668	336,297	454,652
Total assets and deferred outflows	<u>90,233,924</u>	<u>88,623,388</u>	<u>67,933,892</u>
Long-term debt outstanding	2,705,474	2,902,021	3,090,333
Other liabilities	1,543,533	2,258,017	1,314,658
Deferred inflows	11,843,401	13,428,780	571,341
Total liabilities and deferred inflows	<u>16,092,408</u>	<u>18,588,818</u>	<u>4,976,332</u>
Net position:			
Net investment in capital assets	61,360,641	56,210,242	50,930,367
Restricted	129,526	241,280	524,553
Unrestricted	12,651,349	13,583,048	11,502,640
Total net position	<u>\$ 74,141,516</u>	<u>\$ 70,034,570</u>	<u>\$ 62,957,560</u>

During 2024, capital assets increased largely due to improvements and purchases of \$4,200,000 related to the continued construction of a 58,000-square-foot rail-served warehouse addition at the Clure Public Marine Terminal, and \$1,400,000 of rail service improvement project costs, resulting in an increase, net of depreciation, of approximately \$4,400,000.

During 2023, capital assets increased largely due to improvements and purchases of \$5,400,000 related to the construction of a 58,000-square-foot rail-served warehouse addition at the Clure Public Marine Terminal, and \$962,000 of rail service improvement project costs, resulting in an increase, net of depreciation, of approximately \$5,600,000.



## Duluth Seaway Port Authority

### Management's Discussion and Analysis March 31, 2024

To give users a better understanding of the sources and uses of the Authority's net position, the table that follows presents a summary of revenues by source and expenses by function for the years ended March 31, 2024, 2023 and 2022.

	2024	2023	2022
Revenues:			
Operating revenues	\$ 3,574,264	\$ 4,538,795	\$ 3,566,298
General revenues:			
Property taxes	1,635,206	1,420,077	1,357,919
Gain (loss) on sale of capital assets	-	-	350,215
Interest	221,204	81,396	23,069
Other	2,592	71,244	9,474
Total revenues	5,433,266	6,111,512	5,306,975
Expenses:			
Administration	1,429,732	1,389,783	1,247,209
Port promotion	1,033,110	923,709	786,493
Port development	275,595	268,940	239,379
Marine terminal	524,916	481,548	491,122
Interest on long-term debt	119,410	127,646	167,052
Depreciation	2,457,658	2,216,456	2,241,131
Total expenses	5,840,421	5,408,082	5,172,386
Capital grants	4,514,101	6,373,580	38,634
Increase in net position	4,106,946	7,077,010	173,223
Net position:			
Beginning of year	70,034,570	62,957,560	62,784,337
End of year	\$ 74,141,516	\$ 70,034,570	\$ 62,957,560

During 2024, the Authority recognized capital grants associated with the warehouse and rail service improvement projects of approximately \$4,400,000.

During 2023, the Authority recognized capital grants associated with the warehouse and rail service improvement projects of approximately \$6,100,000.

#### Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, was \$64,125,389 and \$59,688,560 as of March 31, 2024 and 2023, respectively. This investment includes land and improvements, buildings, equipment and construction in progress. The Authority's total investment in capital assets, net of accumulated depreciation, increased 7% during 2024. Additional information related to the Authority's capital assets can be found in Note 3 of the notes to the financial statements.

#### Debt

At year-end, the Authority has \$2,705,474 in long-term debt compared to \$2,902,021 in 2023. Additional information related to the Authority's debt can be found in Note 5 of the financial statements.

#### Economic Factors and Next Year's Budgets

The Authority's revenues derive from revenue operation of the Clure Public Marine Terminal (cargo handling, warehousing, ship berthing, and intermodal terminal operations), leasing, grant funds and a tax levy from St. Louis County. For fiscal year 2025, the Authority anticipates that general maritime cargo activity at the Clure Public Marine Terminal will increase compared to fiscal year 2024, when the Terminal handled 15 vessels, resulting in higher terminal revenue. The slow maritime season was somewhat offset

## **Duluth Seaway Port Authority**

### **Management's Discussion and Analysis March 31, 2024**

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by the establishment of monthly liner service between the Clure Terminal and Antwerp starting in May 2023, allowing cargo owners to send and receive partial boatload volumes of general cargo and containers on a regularly scheduled basis. This service was made possible by capital investment in a CBP-required container examination station/maritime cargo facility within a Clure Terminal warehouse, which was completed in the summer of 2022. The Authority expects intermodal terminal operations, warehousing activity, and the tax levy to be on par with fiscal year 2024.

The Authority has been awarded a MARAD – Port Infrastructure Development Program (PIDP) grant for \$10.5 million and two Minnesota Department of Transportation (MnDOT) Port Development Assistance Program (PDAP) grants totaling \$7.4 million. These grants helped fund the construction of a 58,000-square-foot rail-served warehouse addition at the Clure Public Marine Terminal and the rehabilitation of 1,775 lineal feet of deteriorating dock walls at Berths 10 and 11 of the Clure Terminal Expansion. The warehouse construction was completed in late December 2023. Dock wall rehabilitation started construction this spring and is anticipated to be completed in December 2024. These improvements will maintain and enhance the Authority's ability to provide supply chain cost savings to regional industries, helping keep them competitive in the global marketplace. This infrastructure upgrade will allow increased cargo storage and movement flexibility, which allows cargo owners to take greater advantage of market opportunities.

On December 1, 2019, the Authority acquired Duluth Lake Port dock on Rice's Point. The future use of this property is still in the planning phase; the Authority's goal is to revitalize the pier and bring it back to life in a way that contributes to the regional economy and further expands service to customers within the Authority's region and around the globe. In the interim, a portion of the facility is leased and the rail spur is used as part of Clure Terminal operations. The Authority is actively pursuing grant funds to support the first phase of rehabilitation of the dock/facility.

In 2010, the Authority entered into a purchase agreement to obtain a 123-acre parcel of land from the United States Steel Corporation in the interest of creating large developable sites for industrial use to support the regional economy. This parcel of land is part of a 600-acre Superfund Site that was previously home to the U.S. Steel Duluth Works integrated steel mill. The purchase is dependent on a successful clean-up of the site. To date, working with U.S. Steel, the Authority has completed the Phase II environmental investigation stage (inclusive of the collection and laboratory analysis of soil and groundwater samples) and prepared a draft Response Action Plan (RAP) for the clean-up of the site. U.S. Steel has submitted the RAP to the Minnesota PCA, and it has been approved. The clean-up of the site started in August of 2023 and should be complete by September 2024. The Authority is conducting preliminary engineering work to help better define property development constraints and costs. The Authority has also obtained special tax increment legislation supporting the redevelopment if the site is purchased.

The Authority was awarded two Minnesota Rail Service Improvement Program grants through MnDOT. These two grants addressed the deteriorating performance of existing curved track and grade crossings and replaced switches, all at the heart of the Clure Public Marine Terminal. The rail and switch reconstruction brought these areas to current industry standards, mitigated potential safety and performance risks of the aging sub-optimal track, and prevented possible derailments or other service stoppages that would disrupt the supply chains of multiple industries served by the Clure Public Marine Terminal. Phase I and Phase II construction were supported by grants completed in the spring of 2022 and late summer of 2023.

The Authority was also awarded a Federal Emergency Management Agency (FEMA) grant to modernize and expand the Clure Public Marine Terminal security camera system. This project was completed in the fall of 2023.

**Duluth Seaway Port Authority**

**Management's Discussion and Analysis  
March 31, 2024**

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**Requests for Information**

This financial report is meant to provide a general overview for all those with an interest in the Authority's finances. Questions concerning information provided in the report, or requests for additional financial information, should be addressed to the Authority, 802 Garfield Ave., Duluth, Minnesota 55802, Attention: Chief Financial Officer.

**Duluth Seaway Port Authority**

**Statements of Net Position  
March 31, 2024 and 2023**

	2024	2023
<b>Assets and Deferred Outflows</b>		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 4,875,936	\$ 3,976,823
Restricted (Note 9)	129,526	241,280
Investments	4,319,760	3,839,520
Receivables:		
Taxes	1,643,056	1,424,494
Accounts, less allowance for doubtful accounts of \$0	556,580	365,030
Interest	36,979	28,196
Leases (Note 4)	1,608,395	1,631,569
Due from other governments	1,315,571	4,079,518
Prepaid expenses	125,621	116,264
<b>Total current assets</b>	<b>14,611,424</b>	<b>15,702,694</b>
Noncurrent assets:		
Capital assets (Note 3):		
Land and land improvements	50,341,327	47,767,790
Buildings	44,380,690	34,739,242
Equipment	8,024,862	7,789,191
Construction in progress	988,346	6,544,515
	<b>103,735,225</b>	<b>96,840,738</b>
Less accumulated depreciation	39,609,836	37,152,178
<b>Total capital assets</b>	<b>64,125,389</b>	<b>59,688,560</b>
Other assets:		
Restricted cash and cash equivalents (Note 9)	55,500	55,500
Land held for sale, at cost	821,389	821,389
Lease receivable, less current portion (Note 4)	10,410,554	12,018,948
<b>Total noncurrent assets</b>	<b>75,412,832</b>	<b>72,584,397</b>
<b>Total assets</b>	<b>90,024,256</b>	<b>88,287,091</b>
Deferred outflows of resources:		
Deferred pension amounts (Note 6)	209,668	336,297
<b>Total assets and deferred outflows</b>	<b>\$ 90,233,924</b>	<b>\$ 88,623,388</b>

See notes to financial statements.

	2024	2023
<b>Liabilities, Deferred Inflows and Net Position</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 161,855	\$ 77,669
Construction and equipment	59,274	576,297
Accrued payroll liabilities	171,317	150,263
Rent advance liability (Note 7)	113,687	113,666
Current maturities of long-term debt (Note 5)	186,505	195,016
<b>Total current liabilities</b>	<b>692,638</b>	<b>1,112,911</b>
Noncurrent liabilities:		
Long-term debt, less current maturities (Note 5)	2,518,969	2,707,005
Net pension liability (Note 6)	732,537	1,053,364
Long-term accrued payroll liabilities	249,363	231,258
Other long-term liabilities	55,500	55,500
<b>Total noncurrent liabilities</b>	<b>3,556,369</b>	<b>4,047,127</b>
Deferred inflows of resources:		
Deferred pension amounts (Note 6)	264,860	32,136
Leases (Note 4)	11,578,541	13,396,644
<b>Total liabilities and deferred inflows</b>	<b>16,092,408</b>	<b>18,588,818</b>
Net position:		
Net investment in capital assets	61,360,641	56,210,242
Restricted (Note 9)	129,526	241,280
Unrestricted	12,651,349	13,583,048
<b>Total net position</b>	<b>74,141,516</b>	<b>70,034,570</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 90,233,924</b>	<b>\$ 88,623,388</b>

**Duluth Seaway Port Authority**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended March 31, 2024 and 2023**

	2024	2023
Operating revenues:		
Rentals, interest on rentals, facility fees and other	\$ 3,574,264	\$ 4,538,795
Operating expenses, excluding depreciation:		
Administration	1,429,732	1,389,783
Port Promotion	1,033,110	923,709
Port Development	275,595	268,940
Marine Terminal	524,916	481,548
<b>Operating income before depreciation</b>	<b>310,911</b>	<b>1,474,815</b>
Depreciation	2,457,658	2,216,456
<b>Operating loss</b>	<b>(2,146,747)</b>	<b>(741,641)</b>
Nonoperating revenues (expenses):		
General tax levies	1,635,206	1,420,077
Interest income	221,204	81,396
Other revenues	2,592	71,244
Interest expense	(119,410)	(127,646)
	<b>1,739,592</b>	<b>1,445,071</b>
<b>Income (loss) before capital grants</b>	<b>(407,155)</b>	<b>703,430</b>
Capital grants	4,514,101	6,373,580
<b>Change in net position</b>	<b>4,106,946</b>	<b>7,077,010</b>
Net position:		
Beginning of year	70,034,570	62,957,560
End of year	<b>\$ 74,141,516</b>	<b>\$ 70,034,570</b>

See notes to financial statements.

**Duluth Seaway Port Authority**

**Statements of Cash Flows**  
**Years Ended March 31, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 3,184,200	\$ 4,442,321
Payments to suppliers	(1,503,826)	(1,457,850)
Payments to employees	(1,607,013)	(1,575,705)
Other receipts	12,000	57,850
<b>Net cash provided by operating activities</b>	<b>85,361</b>	<b>1,466,616</b>
Cash flows from noncapital financing activities:		
General tax levies	1,416,644	1,351,903
Other receipts	2,592	71,244
<b>Net cash provided by noncapital financing activities</b>	<b>1,419,236</b>	<b>1,423,147</b>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(7,411,510)	(7,308,019)
Receipts from other governments	7,278,048	2,297,062
Principal payments on long-term debt	(196,547)	(188,312)
Interest paid on long-term debt	(119,410)	(127,646)
<b>Net cash used in capital and related financing activities</b>	<b>(449,419)</b>	<b>(5,326,915)</b>
Cash flows from investing activities:		
Purchase of investments	(5,040,000)	(3,361,337)
Proceeds from maturities of investments	4,559,760	8,424,705
Interest received	212,421	57,684
<b>Net cash (used in) provided by investing activities</b>	<b>(267,819)</b>	<b>5,121,052</b>
<b>Net increase in cash and cash equivalents</b>	<b>787,359</b>	<b>2,683,900</b>
Cash and cash equivalents:		
Beginning	4,273,603	1,589,703
Ending	<b>\$ 5,060,962</b>	<b>\$ 4,273,603</b>
Cash and cash equivalents are reported as follows:		
Current assets	\$ 4,875,936	\$ 3,976,823
Restricted assets—current	129,526	241,280
Restricted assets—noncurrent	55,500	55,500
	<b>\$ 5,060,962</b>	<b>\$ 4,273,603</b>

(Continued)

**Duluth Seaway Port Authority**

**Statements of Cash Flows (Continued)**  
**Years Ended March 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,146,747)	\$ (741,641)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,457,658	2,216,456
Change in deferred outflows	126,629	118,355
Change in deferred inflows	(1,585,379)	12,857,439
Changes in assets and liabilities:		
Receivables	(191,550)	194,481
Lease receivables	1,631,568	(13,650,517)
Prepaid expenses	(9,357)	2,247
Land held for sale	-	6,422
Accounts payable and accrued liabilities	123,345	(15,014)
Unearned revenue	21	14,346
Net pension liability	(320,827)	464,042
<b>Net cash provided by operating activities</b>	<b>\$ 85,361</b>	<b>\$ 1,466,616</b>
Supplemental schedule of noncash capital and related financing activities:		
Accounts payable, capital assets	\$ 59,274	\$ 576,297

See notes to financial statements.



## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies

**Nature of operations:** Duluth Seaway Port Authority (the Authority) is a corporate body created in accordance with Minnesota Statute Section 469.048. The Authority is an enterprise operation managed by a seven-member Board of Commissioners appointed as follows: two by the State of Minnesota, two by St. Louis County, and three by the City of Duluth, Minnesota.

The operational departments within the Authority are as follows:

**Administration:** The Authority oversees all departments and monitors all enterprise operations within the Port District. Revenue consists principally of rental revenues. Substantially all property and equipment is leased to others.

**Port promotion:** The Authority promotes the use of the Port of Duluth (the Port) on a local, regional, national and global basis; responds to the needs of both the users of the Port and the providers of services within the Port; and encourages shippers to use the public marine terminal.

**Port development:** The Authority oversees owned property and facilities and assists with development of the private and public enterprise operations within the Port District.

**Marine terminal:** The Authority owns maritime facilities that are operated by a private company under an agent operating agreement.

**Reporting entity:** Generally accepted accounting principles define the financial reporting entity as consisting of: (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the criteria provided, there are no entities that should be presented with the Authority.

The Authority is considered a special-purpose government and is not a component unit of any other government because a voting majority of its Board of Commissioners is not appointed by any single entity and it is fiscally independent.

#### Significant accounting policies:

**Measurement focus and basis of accounting:** The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, assets and deferred outflows and liabilities and deferred inflows resulting from exchange and exchange-type transactions are recognized when the exchange takes place. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. The operating statements present increases (revenues) and decreases (expenses) in net position.

**Cash and cash equivalents:** For purposes of reporting the statements of cash flows, the Authority considers all cash accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market funds.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

**Investments:** Investments are accounted for at amortized cost (money market funds) or fair value, which is the price that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Fair value of actively traded securities is determined by the reported market value of securities trading on national exchanges. Values of securities not actively traded are based on observable inputs of similar financial instruments or on the fair value of the underlying assets. Accrued income on investments is recorded as earned. Investment transactions are recorded on the settlement date.

**Leases:** The Authority is a lessor in real estate leases. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements. The Authority recognizes lease receivables with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the leases receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the leases receivable.

**Capital assets:** Capital assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Contributed assets are recorded at estimated acquisition cost on the date received. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Costs incurred for repairs and maintenance are expensed as incurred. The estimated useful lives are as follows:

	<u>Years</u>
Land improvements	10-50
Buildings	20-50
Equipment	4-30

**Deferred inflows and deferred outflows:** Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. Deferred outflows include pension related deferrals and contributions made to the pension plan in the current fiscal year. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. Such items include pension-related deferrals and lease related deferred inflows.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

**Net position:** Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of these assets. Restricted net position is noncapital net position that must be used for a particular purpose, as specified by external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted. 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.

**Operating revenues and expenses:** Operating revenues and expenses generally result from activities of the Authority's principal ongoing operations, which are administration, port promotion, port development and marine terminal activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Property tax levies:** The Authority may request the City of Duluth to levy a tax for its benefit. This mandatory levy may not exceed 0.01813% of the taxable market value of the taxable property in the City of Duluth. The amount levied is paid to the Authority by St. Louis County. The property taxes are levied in December of each year and become an enforceable lien on the properties in January. St. Louis County assesses and collects the property taxes and remits the portion collected for the Authority in July and December of each year. Property taxes certified in December 2023 and payable in 2024 are recognized as revenues for the fiscal year ended March 31, 2024, as the Authority has an enforceable legal claim to the resources.

**Compensated absences:** Employees accumulate vacation hours for subsequent use or for payment upon termination, death or retirement. A maximum carryover of 80 vacation hours has been established by Board resolution. A liability is recorded for earned but unpaid vacation and reported in the accrued payroll liabilities on the statement of net position. During 2024, employees earned \$117,838 and used \$98,405 of vacation. During 2023, employees earned \$105,088 and used \$98,886 of vacation. At March 31, 2024 and 2023, the liability totaled \$159,539 and \$140,106, respectively.

**Defined contribution Other Postemployment Benefits (OPEB) plan:** For employees with 10 years of continuous service at time of retirement, the Authority makes payments into a postemployment health care savings account known as the Minnesota Health Care Savings Plan administered by the Minnesota State Retirement System. The total of the payments made for a retiree is limited to the number of unused sick days at retirement (up to a maximum of 120 days) multiplied by the average daily earnings of all full-time employees at the retirement date. The Authority accrues this benefit for qualifying employees and for employees the Authority estimates will become qualified. At March 31, 2024 and 2023, the liability totaled \$249,363 and \$231,258, respectively. No assets are accumulated in a trust. The Authority may annually review this plan and change the plan as deemed necessary or desirable.

For the years ended March 31, 2024 and 2023, the Authority recognized OPEB expenses of \$18,105 and \$8,989, respectively.

**Advertising costs:** Advertising costs are expensed as incurred. Advertising expense amounted to \$266,447 in 2024 and \$208,242 in 2023.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

**Pensions:** For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

**Use of estimates in the preparation of financial statements:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow 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.

**Reclassifications:** Certain amounts as previously reported in 2023 have been reclassified to be consistent with the classifications adopted in 2024 with no effect on total net position.

#### Note 2. Deposits and Investments

The carrying amount of deposits and investments are included in the Authority's statement of net position as follows:

	2024	2023
Deposits with financial institutions	\$ 2,442,119	\$ 2,368,843
Investments:		
Certificates of deposit	4,319,760	3,839,520
Money market funds	2,618,843	1,904,760
	<u>\$ 9,380,722</u>	<u>\$ 8,113,123</u>
	2024	2023
Current assets:		
Cash and cash equivalents	\$ 4,875,936	\$ 3,976,823
Investments	4,319,760	3,839,520
Current restricted assets:		
Cash and cash equivalents	129,526	241,280
Other assets, restricted cash and cash equivalents	55,500	55,500
	<u>\$ 9,380,722</u>	<u>\$ 8,113,123</u>

**Deposits:** In accordance with Minnesota Statutes, the Authority maintains deposits at those depository banks authorized by the Board. Such depositories are members of the Federal Reserve System.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 2. Deposits and Investments (Continued)

Minnesota Statutes require that all Authority deposits be protected by surety bond or collateral. Authorized collateral includes U.S. governmental treasury bills, notes or bonds; issues of U.S. government agencies; certain rated general and revenue obligations of state and local governments; certain types of standby letters of credit and insured certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Authority's Treasurer or in a financial institution other than that furnishing collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). The Authority does not have a formal policy for deposits.

At March 31, 2024 and 2023, the Authority's deposits had a bank balance of \$2,228,733 and \$2,393,086, respectively, which were entirely covered by federal depository insurance and pledged collateral.

**Investments:** Minnesota Statutes authorize the Authority to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, shares of certain investment companies, general obligations of the State of Minnesota and its municipalities, banker's acceptances, commercial paper, guaranteed investment contracts and certificates of deposits.

**Investment policy:** The Authority does not have a formal investment policy.

**Credit risk:** Generally, credit risk is the risk that the issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. As of March 31, 2024, the Authority's money market funds and certificates of deposits had a credit rating of Aaa-mf and Unrated, respectively, as reported by Moody's.

**Custodial credit risk:** This is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. As of March 31, 2024, the Authority's money market funds were held in the name of the Authority and are not subject to custodial credit risk.

**Interest rate risk:** This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments with longer maturities have greater sensitivity to fair value changes based on market interest rates. Certificates of deposits have a maturity of less than two years. Money market funds have a maturity of less than one year.

**Fair value reporting:** There is an established hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

**Level 1:** Investments are those whose values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

**Level 2:** Investments are those with inputs, other than quoted prices included within Level 1 that are observable for an asset (liability), either directly or indirectly.

**Level 3:** Investments classified as Level 3 have unobservable inputs for an asset (liability) and may require a degree of professional judgment.

The certificates of deposit are valued using the Level 2 inputs of the fair value hierarchy. The Authority's investments in money market funds are measured at amortized cost.

## Duluth Seaway Port Authority

### Notes to Financial Statements

#### Note 3. Capital Assets

	Cost			
	Balance	Additions	Reclassifications/	Balance
	March 31, 2023		Deletions	March 31, 2024
Land and land improvements	\$ 47,767,790	\$ -	\$ 2,573,537	\$ 50,341,327
Buildings	34,739,242	-	9,641,448	44,380,690
Equipment	7,789,191	-	235,671	8,024,862
Construction in progress	6,544,515	6,894,487	(12,450,656)	988,346
	<u>\$ 96,840,738</u>	<u>\$ 6,894,487</u>	<u>\$ -</u>	<u>\$ 103,735,225</u>

	Accumulated Depreciation				Net Book Value March 31, 2024
	Balance	Additions	Deductions	Balance	
	March 31, 2023			March 31, 2024	
Land and land improvements	\$ 14,043,324	\$ 1,237,026	\$ -	\$ 15,280,350	\$ 35,060,977
Buildings	18,174,411	1,003,384	-	19,177,795	25,202,895
Equipment	4,934,443	217,248	-	5,151,691	2,873,171
Construction in progress	-	-	-	-	988,346
	<u>\$ 37,152,178</u>	<u>\$ 2,457,658</u>	<u>\$ -</u>	<u>\$ 39,609,836</u>	<u>\$ 64,125,389</u>

	Cost			
	Balance	Additions	Reclassifications/	Balance
	March 31, 2022		Deletions	March 31, 2023
Land and land improvements	\$ 46,602,326	\$ -	\$ 1,165,464	\$ 47,767,790
Buildings	32,779,967	-	1,959,275	34,739,242
Equipment	7,729,555	-	59,636	7,789,191
Construction in progress	1,940,886	7,788,004	(3,184,375)	6,544,515
	<u>\$ 89,052,734</u>	<u>\$ 7,788,004</u>	<u>\$ -</u>	<u>\$ 96,840,738</u>

	Accumulated Depreciation				Net Book Value March 31, 2023
	Balance	Additions	Deductions	Balance	
	March 31, 2022			March 31, 2023	
Land and land improvements	\$ 12,894,117	\$ 1,149,207	\$ -	\$ 14,043,324	\$ 33,724,466
Buildings	17,317,525	856,886	-	18,174,411	16,564,831
Equipment	4,724,080	210,363	-	4,934,443	2,854,748
Construction in progress	-	-	-	-	6,544,515
	<u>\$ 34,935,722</u>	<u>\$ 2,216,456</u>	<u>\$ -</u>	<u>\$ 37,152,178</u>	<u>\$ 59,688,560</u>

#### Note 4. Leases

**Lessor:** During the year ended March 31, 2023, the Authority adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases* (GASB 87), which establishes criteria for identifying and reporting certain lease assets and liabilities.

The Authority is a lessor for substantially all of its property and equipment. The new guidance resulted in the Authority recognizing a lease receivable and a deferred inflow of resources on the financial statements. The total amount of inflows of resources, including lease revenue, and interest revenue recognized for the years ended March 31, 2024 and 2023, were \$2,688,596 and \$2,653,812, respectively. These totals include \$138,054 and \$115,459, respectively, of variable and other payments not recorded in the measurement of lease receivable. Variable payments consist of dockage and mooring fees for loading and unloading cargo at the leased premises.

## Duluth Seaway Port Authority

### Notes to Financial Statements

#### Note 4. Leases (Continued)

The following is a schedule of the future principal and interest payments to be received for lease receivables as of March 31, 2024:

	Principal	Interest	Total
Years ending March 31:			
2025	\$ 1,608,395	521,951	\$ 2,130,346
2026	1,629,341	453,186	2,082,527
2027	1,387,787	385,629	1,773,416
2028	607,946	346,839	954,785
2029	637,296	317,489	954,785
2030-2034	2,479,301	1,192,949	3,672,250
2035-2039	2,150,784	633,742	2,784,526
2040-2044	599,850	329,176	929,026
2045-2049	605,125	159,117	764,242
2050-2054	12,035	93,070	105,105
2055-2059	16,436	88,669	105,105
2060-2064	22,447	82,658	105,105
2065-2069	30,657	74,448	105,105
2070-2074	41,869	63,236	105,105
2075-2079	57,181	47,924	105,105
2080-2084	78,094	27,011	105,105
2085-2087	54,405	3,402	57,807
	<u>\$ 12,018,949</u>	<u>\$ 4,820,496</u>	<u>\$ 16,839,445</u>

#### Note 5. Long-Term Debt

	2024	2023
Direct borrowings:		
Note payable at a fixed rate of 4.25%, due in monthly installments of \$26,330 due on November 22, 2034. Lease revenues and a building are pledged as collateral.	\$ 2,705,474	\$ 2,902,021
	2,705,474	2,902,021
Less current maturities	186,505	195,016
	<u>\$ 2,518,969</u>	<u>\$ 2,707,005</u>

The following is a summary of changes in long-term debt at March 31, 2024 and 2023:

	2024				
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note from direct borrowings	\$ 2,902,021	\$ -	\$ 196,547	\$ 2,705,474	\$ 186,505
	<u>\$ 2,902,021</u>	<u>\$ -</u>	<u>\$ 196,547</u>	<u>\$ 2,705,474</u>	<u>\$ 186,505</u>
	2023				
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note from direct borrowings	\$ 3,090,333	\$ -	\$ 188,312	\$ 2,902,021	\$ 195,016
	<u>\$ 3,090,333</u>	<u>\$ -</u>	<u>\$ 188,312</u>	<u>\$ 2,902,021</u>	<u>\$ 195,016</u>

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 5. Long-Term Debt (Continued)

The Authority has pledged, as security for the direct borrowing, future net revenues from use and occupancy of the Authority's facilities, to repay the \$3.5 million in direct borrowings issued in fiscal year 2020. Proceeds from the direct borrowing provided financing for the purchase of multiple buildings which net revenue is generated from leases to repay the note. The note is payable solely from the net revenues and are payable through fiscal year 2035. The total principal and interest remaining to be paid on the note at March 31, 2024 and 2023, were \$2,705,474 and \$2,902,021, respectively. Principal and interest paid was \$315,957 for each of the years ended March 31, 2024 and 2023. Total collection of lease principal and interest associated with the note for the years ended March 31, 2024 and 2023, were \$350,693 and \$345,504, respectively.

The Authority's outstanding note from direct borrowings contains a provision that if the underlying property is sold outstanding amounts become immediately due.

Debt service requirements on long-term debt at March 31, 2024, are as follows:

	Principal	Interest	Total
Years ending March 31:			
2025	\$ 186,505	111,042	\$ 297,547
2026	213,795	102,162	315,957
2027	223,060	92,897	315,957
2028	232,727	83,230	315,957
2029	242,813	73,144	315,957
2030-2034	1,381,333	198,452	1,579,785
2035	225,241	3,317	228,558
	<u>\$ 2,705,474</u>	<u>\$ 664,244</u>	<u>\$ 3,369,718</u>

#### Note 6. Defined Benefit Pension Plan Statewide

**Plan description:** The Authority participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. The General Employees Retirement Plan covers all full-time and certain part-time employees of the Authority. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**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.



## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 6. Defined Benefit Pension Plan Statewide (Continued)

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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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 Social Security Administration (SSA), with a minimum increase of at least 1% and a maximum of 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 reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

**Contributions:** Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

For calendar years 2024 and 2023, Coordinated Plan members were required to contribute 6.5% of their annual covered salary. In calendar years 2024 and 2023, the Authority was required to contribute 7.5% for Coordinated Plan members. The Authority's contributions to the General Employees Retirement Fund (GERF) for the year ended March 31, 2024 and 2023, were \$80,789 and \$77,106, respectively. The Authority's contributions were equal to the required contributions as set by state statute.

**Pension costs:** At March 31, 2024 and 2023, the Authority reported a liability of \$732,537 and \$1,053,364, respectively, for its proportionate share of the GERF'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. At June 30, 2023 and 2022, the State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled \$20,102 and \$30,904, respectively.

The net pension liability was measured as of June 30, 2023, 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 proportionate share 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Authority's proportionate share was 0.0131% and 0.0133% for fiscal year 2024 and 2023, respectively.

	2024	2023
Authority's proportionate share of the net pension liability	\$ 732,537	\$ 1,053,364
State of Minnesota's proportionate share of the net pension liability associated with the Authority	20,102	30,904
Total	<u>\$ 752,639</u>	<u>\$ 1,084,268</u>

## Duluth Seaway Port Authority

### Notes to Financial Statements

#### Note 6. Defined Benefit Pension Plan Statewide (Continued)

For the years ended March 31, 2024 and 2023, the Authority recognized pension expense of \$38,616 and \$47,810, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, for the years ended March 31, 2024 and 2023, the Authority recognized an additional \$90 and \$4,618, respectively, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution to the General Employees Fund.

At March 31, 2024 and 2023, the Authority reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 24,145	\$ 5,316	\$ 8,799	\$ 11,676
Changes in actuarial assumptions	124,743	200,782	247,086	4,445
Net difference between projected and actual investment earnings	-	36,206	4,517	-
Changes in proportion	-	22,556	17,969	16,015
Contributions paid to PERA subsequent to the measurement date	60,780	-	57,926	-
Total	<u>\$ 209,668</u>	<u>\$ 264,860</u>	<u>\$ 336,297</u>	<u>\$ 32,136</u>

The amount of \$60,780 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	2024	2023
Years ending March 31:		
2025	\$ 9,980	\$ 104,259
2026	(124,636)	90,666
2027	14,576	(43,950)
2028	(15,892)	95,260
	<u>\$ (115,972)</u>	<u>\$ 246,235</u>

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 6. Defined Benefit Pension Plan Statewide (Continued)

**Long-term expected return on investments:** 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:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25%	0.75%
Private markets	25%	5.90%
Total	<u>100%</u>	

**Actuarial methods and assumptions:** The total pension liability in the June 30, 2023 and 2022, actuarial valuations were determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0% and 6.5%, respectively. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. For June 30, 2023 and 2022, an investment return of 7.0% and 6.5%, respectively, were deemed to be within that range of reasonableness for financial reporting purposes.

For June 30, 2023 and 2022, inflation is assumed to be 2.25%. Benefit increases after retirement are assumed to be 1.25%.

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions are reviewed every four years. The most recent four-year experience study for the GEF was completed 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 2023:

***Changes in actuarial assumptions:***

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 6. Defined Benefit Pension Plan Statewide (Continued)

##### *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 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**Discount rate:** The discount rate used to measure the total pension liability in 2024 and 2023 was 7.0% and 6.5%, respectively. 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 Fund 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% Lower (6.00%)	Current Discount Rate (7.00%)	1% Higher (8.00%)
2024 net pension liability at different discount rates	\$ 1,295,917	\$ 732,537	\$ 269,136
2023 net pension liability at different discount rates	1,663,844	1,053,364	562,677

**Pension plan fiduciary net position:** Detailed information about the General Employees Fund'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](http://www.mnpera.org).

#### Note 7. Rent Advance Liability

The Authority receives rent payments in advance from various tenants. Payments range from a monthly to an annual basis. The Authority recognizes a rent advance liability for payments received in advance. At March 31, 2024 and 2023, the liability related to those rentals totaled \$113,687 and \$113,666, respectively.

#### Note 8. Marine Terminal Operations

The Authority has engaged the services of Lake Superior Warehousing Co., Inc. as operator for the Arthur M. Clure Public Marine Terminal through March 31, 2025. The agreement stipulates distributions to Lake Superior Warehousing Co., Inc., and the Authority based on an agreed-upon revenue share formula. The Authority has fiscal responsibility for property insurance and facility maintenance, excluding equipment maintenance. Customary harbor charges of dockage, wharfage and mooring are retained by the Authority.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### Note 9. Restricted Assets and Net Position

Restricted assets and net position are composed of cash and investments that must be used for a specific purpose as required by contract with outside parties. The following is a summary of the restricted assets and net position at March 31, 2024 and 2023:

	2024	2023
Intergovernmental grants; pledged matching funds:		
Dock wall rehabilitation and warehouse construction	\$ 127,441	\$ 127,441
Clure Public Marine Terminal security surveillance enhancement project	-	111,754
Other	2,085	2,085
Restricted net position	<u>129,526</u>	<u>241,280</u>
Tenant and other deposits	55,500	55,500
Restricted assets	<u>\$ 185,026</u>	<u>\$ 296,780</u>

#### Note 10. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees and natural disasters. The Authority has purchased commercial insurance for all risks. Settled claims have not exceeded coverage in any of the last three years.

#### Note 11. Commitments

The Authority entered into an agreement with the United States Steel Corporation to purchase 123 acres of land located within a Superfund site for \$10,000 an acre. U.S. Steel has been identified as the responsible party. The purchase is contingent upon the remediation of the contaminated soil and the land being delisted from Superfund status. At March 31, 2024, the Authority had expended \$539,278 for this project. If the remediation cost is deemed to be excessive by either the Authority or U.S. Steel, either party may terminate the purchase agreement. The drilling and analyzing the soil has been completed on the property. The Response Action Plans for both the Superfund delisting (Federal Environmental Protection Agency) and the voluntary investigation and clean-up (Minnesota Pollution Control Agency) are being prepared by U.S. Steel and the Authority. By contract with U.S. Steel, the Authority will be responsible for payment of 25% of the costs to clean the targeted property. All cost associated with testing and cleaning are being recorded as construction in progress. If terminated, the Authority will write off the capitalized development costs.

The Authority has entered into several contracts, including rehabilitation of dock walls and rail service improvement. The Authority has approximately \$9,500,000 remaining on these contracts.

## Duluth Seaway Port Authority

### Notes to Financial Statements

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#### **Note 12. Pending Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Authority. Management has not yet evaluated the impact of these statements. Listed below are the statements that may impact future financial statements of the Authority:

GASB Statement No. 99, *Omnibus 2022*, was effective for the Authority beginning with its year ending March 31, 2024, for requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements; and will be effective March 31, 2025, for requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing: (1) practice issues that have been identified during implementation and application of certain GASB statements, and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for the Authority beginning with its year ending March 31, 2025. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective for the Authority beginning with its year ending March 31, 2025. The objective of this statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the Authority beginning with its year ending March 31, 2026. The objective of this statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the Authority beginning with its year ending March 31, 2027. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

#### **Note 13. Subsequent Events**

Subsequent events have been evaluated through August 29, 2024, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

## Duluth Seaway Port Authority

### Schedule of Proportionate Share of the Net Pension Liability PERA General Employees Retirement Fund

Plan Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (NPL)	Employer's Proportionate Share (Amount) (a)	State's Proportionate Share (Amount) (b)	Employer's and State's Proportionate Share (Amount) (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2014	0.0156%	\$ 732,810	\$ -	\$ 732,810	\$ 823,803	88.95%	78.75%
June 30, 2015	0.0155%	803,290	-	803,290	927,786	86.58%	78.19%
June 30, 2016	0.0157%	1,274,762	16,644	1,291,406	982,357	129.77%	68.91%
June 30, 2017	0.0158%	1,008,662	12,660	1,021,322	1,016,007	99.28%	75.90%
June 30, 2018	0.0146%	809,948	26,429	836,377	978,548	82.77%	79.53%
June 30, 2019	0.0125%	691,097	21,499	712,596	887,882	77.84%	80.23%
June 30, 2020	0.0138%	827,373	25,467	852,840	982,615	84.20%	79.06%
June 30, 2021	0.0138%	589,322	17,970	607,292	1,044,187	56.44%	87.00%
June 30, 2022	0.0133%	1,053,364	30,904	1,084,268	997,167	105.64%	76.67%
June 30, 2023	0.0131%	732,537	20,102	752,639	1,039,132	70.50%	83.10%



**Duluth Seaway Port Authority**

**Schedule of Pension Contributions  
PERA General Employees Retirement Fund**

Fiscal Year Ended	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
March 31, 2015	\$ 65,537	\$ 65,537	\$ -	\$ 895,902	7.3%
March 31, 2016	71,583	71,583	-	971,670	7.4%
March 31, 2017	74,984	74,984	-	999,793	7.5%
March 31, 2018	78,255	78,255	-	1,043,401	7.5%
March 31, 2019	63,579	63,579	-	847,718	7.5%
March 31, 2020	73,075	73,075	-	974,338	7.5%
March 31, 2021	74,190	74,190	-	1,050,905	7.1%
March 31, 2022	73,992	73,992	-	1,044,187	7.1%
March 31, 2023	77,106	77,106	-	997,167	7.7%
March 31, 2024	80,789	80,789	-	1,039,132	7.8%

## **Duluth Seaway Port Authority**

### **Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios**

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#### **2023 Changes**

##### **Changes in Actuarial Assumptions**

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

##### **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 2.5% 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.

## Duluth Seaway Port Authority

### Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

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#### 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 two to five 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 from 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 mortality 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.

## Duluth Seaway Port Authority

### Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

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#### 2018 Changes

##### ***Changes in Actuarial Assumptions:***

- The morality 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 4.00% to 3.00%, 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.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

##### ***Changes in Plan Provisions:***

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

## Duluth Seaway Port Authority

### Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

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#### 2016 Changes

##### *Changes in Actuarial Assumptions:*

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study 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 have been no changes since the prior valuation.

#### 2015 Changes

##### *Changes in Actuarial Assumptions:*

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% 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 increase 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, was due September 2015.

## **Supplementary Information**

**Duluth Seaway Port Authority**

**Combining Schedule of Revenues and Expenses  
Year Ended March 31, 2024**

	Operational Departments				Combined
	Administration	Port Promotion	Port Development	Marine Terminal	
Operating revenues	\$ 2,616,598	\$ -	\$ 12,000	\$ 945,666	\$ 3,574,264
Operating expenses, excluding depreciation	1,429,732	1,033,110	275,595	524,916	3,263,353
<b>Operating income (loss) before depreciation</b>	1,186,866	(1,033,110)	(263,595)	420,750	310,911
Depreciation	1,232,331	-	-	1,225,327	2,457,658
<b>Operating loss</b>	(45,465)	(1,033,110)	(263,595)	(804,577)	(2,146,747)
Nonoperating revenues (expenses):					
General tax levies	-	-	1,635,206	-	1,635,206
Interest income	221,204	-	-	-	221,204
Other revenues	2,592	-	-	-	2,592
Interest expense	(119,410)	-	-	-	(119,410)
	104,386	-	1,635,206	-	1,739,592
<b>Income (loss) before capital grants</b>	58,921	(1,033,110)	1,371,611	(804,577)	(407,155)
Capital grants	4,514,101	-	-	-	4,514,101
<b>Total capital grants</b>	4,514,101	-	-	-	4,514,101
<b>Change in net position</b>	<b>\$ 4,573,022</b>	<b>\$ (1,033,110)</b>	<b>\$ 1,371,611</b>	<b>\$ (804,577)</b>	<b>\$ 4,106,946</b>

**Duluth Seaway Port Authority**

**Schedules of Departmental Operating Revenues and Expenses  
Administration  
Years Ended March 31, 2024 and 2023**

	2024	2023
Departmental revenues:		
Rentals	\$ 2,026,335	\$ 1,924,210
Interest on rentals	590,263	657,603
Gain on sale of land held for resale	-	45,850
	<u>2,616,598</u>	<u>2,627,663</u>
Departmental expenses:		
Salaries and wages	620,050	575,714
Employee benefits:		
Health, welfare and pension	281,677	294,429
Social security tax	42,253	40,473
Workers' compensation insurance	3,214	4,251
Advertising and promotion	1,694	643
Commissioner fees	6,600	6,710
Consulting	115,813	65,019
Dues and subscriptions	2,532	1,828
Insurance	71,044	73,005
Office	21,516	11,738
Other	19,648	22,634
Professional services	38,747	57,789
Repairs, maintenance and supplies	104,701	119,357
Telephone	9,135	8,525
Travel and entertainment	33,594	42,402
Utilities	57,514	65,266
<b>Total departmental expenses</b>	<u>1,429,732</u>	<u>1,389,783</u>
<b>Departmental income before depreciation</b>	1,186,866	1,237,880
Depreciation	<u>1,232,331</u>	<u>1,218,610</u>
<b>Departmental operating (loss) income</b>	<u>\$ (45,465)</u>	<u>\$ 19,270</u>



**Duluth Seaway Port Authority**

**Schedules of Departmental Operating Revenues and Expenses  
Port Promotion  
Years Ended March 31, 2024 and 2023**

	2024	2023
Departmental revenues	\$ -	\$ -
Departmental expenses:		
Salaries and wages	395,239	352,320
Employee benefits:		
Health, welfare and pension	144,924	132,477
Social security tax	29,773	27,484
Workers' compensation insurance	2,762	3,454
Advertising and promotion	222,958	173,869
Consulting	57,735	87,915
Cruise ship visits	1,317	2,708
Dues and subscriptions	55,190	50,100
Foreign trade zone	-	-
Insurance	3,942	4,002
Maritime representative	35,779	34,716
Other	2,303	929
Photographs and supplies	330	-
Repairs, maintenance and supplies	-	-
Telephone	2,328	2,287
Travel and entertainment	78,530	51,448
<b>Total departmental expenses</b>	<b>1,033,110</b>	<b>923,709</b>
<b>Departmental loss before depreciation</b>	<b>(1,033,110)</b>	<b>(923,709)</b>
Depreciation	-	-
<b>Departmental operating loss</b>	<b>\$ (1,033,110)</b>	<b>\$ (923,709)</b>

**Duluth Seaway Port Authority**

**Schedules of Departmental Operating Revenues and Expenses  
Port Development  
Years Ended March 31, 2024 and 2023**

	2024	2023
Departmental revenues:		
Other	\$ 12,000	\$ 12,000
<b>Total departmental revenues</b>	<u>12,000</u>	<u>12,000</u>
Departmental expenses:		
Salaries and wages	122,389	117,940
Employee benefits:		
Health, welfare and pension	32,753	32,367
Social security tax	9,063	8,680
Workers' compensation insurance	601	510
Consulting	66,933	56,637
Other	3,505	1,767
Professional services	31,440	47,601
Telephone	900	900
Travel and entertainment	8,011	2,538
<b>Total departmental expenses</b>	<u>275,595</u>	<u>268,940</u>
<b>Departmental loss before depreciation</b>	(263,595)	(256,940)
Depreciation	-	-
<b>Departmental operating loss</b>	<u>\$ (263,595)</u>	<u>\$ (256,940)</u>

**Duluth Seaway Port Authority**

**Schedules of Departmental Operating Revenues and Expenses  
Marine Terminal  
Years Ended March 31, 2024 and 2023**

	2024	2023
Departmental revenues:		
Dockage and mooring	\$ 127,769	\$ 199,545
Rentals	72,000	72,000
Facilities fee	678,074	1,465,173
Wharfage	67,823	162,414
<b>Total departmental revenues</b>	<b>945,666</b>	<b>1,899,132</b>
Departmental expenses:		
Advertising and promotion	41,795	33,728
Consulting	10,727	-
Foreign trade zone	-	-
Insurance	137,580	120,530
Other	660	660
Professional services	(8,301)	(16,405)
Travel and entertainment	131	203
Protection service	12,363	21,832
Repairs and maintenance	271,172	275,293
Utilities	58,789	45,707
<b>Total departmental expenses</b>	<b>524,916</b>	<b>481,548</b>
<b>Departmental income before depreciation</b>	<b>420,750</b>	<b>1,417,584</b>
Depreciation	1,225,327	997,846
<b>Departmental operating (loss) income</b>	<b>\$ (804,577)</b>	<b>\$ 419,738</b>

**Duluth Seaway Port Authority**

**Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2024**

Federal Grantor/Program Title	Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation:			
Direct:			
Maritime Administration - Port Infrastructure Development Program	20.823	\$ -	\$ 1,171,371
Total U.S. Department of Transportation		-	1,171,371
U.S. Environmental Protection Agency:			
Direct:			
Brownfields Multipurpose, Assessment Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	-	18,855
Total U.S. Environmental Protection Agency		-	18,855
U.S. Department of Homeland Security:			
Direct:			
Port Security Grant Program	97.056	-	100,779
Total U.S. Department of Homeland Security		-	100,779
<b>Total expenditures of federal awards</b>		<b>\$ -</b>	<b>\$ 1,291,005</b>

See notes to schedule of expenditures of federal awards.

## Duluth Seaway Port Authority

### Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2024

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended March 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Authority.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3. Indirect Cost Rate**

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Seaway Port 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 Seaway Port Authority (the Authority), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 29, 2024.

**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*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Duluth, Minnesota  
August 29, 2024

**Report on Compliance for the Major Federal Program  
and Report on Internal Control Over Compliance Required by the  
Uniform Guidance**

**Independent Auditor's Report**

Board of Commissioners  
Duluth Seaway Port Authority

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

***Opinion on the Major Federal Program***

We have audited the Duluth Seaway Port Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended March 31, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2024.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Authority 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 the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***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 Authority'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 Authority'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 GAAS, *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 Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority'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 Authority'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.

*RSM US LLP*

Duluth, Minnesota  
August 29, 2024

**Duluth Seaway Port Authority**

**Schedule of Findings and Questioned Costs  
Year Ended March 31, 2024**

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I. Summary of Auditor's Results

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified
  
2. Internal control over financial reporting:
  - Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None Reported
  
3. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

B. Federal Awards

1. Internal control over major federal programs:
  - Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None Reported
  
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
  
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

C. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.823	Maritime Administration – Port Infrastructure Development Program

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

II. Financial Statement Findings

No matters to report.

III. Federal Awards Findings and Questioned Costs

No matters to report.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED MARCH 31, 2024**

The prior year audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.



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Kevin Beardsley, CFO

## Independent Auditor's Report on Minnesota Legal Compliance

Board of Commissioners  
Duluth Seaway Port Authority

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 Duluth Seaway Port Authority (the Authority) as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 29, 2024.

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, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes § 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Duluth, Minnesota  
August 29, 2024