Duluth Seaway Port Authority

Financial and Compliance Report
Year Ended March 31, 2025

Contents

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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2025 and 2024, 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 22, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

RSM US LLP

Duluth, Minnesota
August 22, 2025

Required Supplementary Information

Management's Discussion and Analysis (MD&A)

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, 2025. 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

2025

The Authority's net position increased $10,730,563 (14%), from $74,141,516 in 2024 to $84,872,079 in 2025. This increase was made up of operating loss of $1,514,373, and nonoperating income and capital grants of $12,244,936.

The Authority's operating revenues increased 30% to $4,646,657. This increase results primarily from an increase in activity in the Marine Terminal Department. Operating expenses increased to $6,161,030 (8%) primarily from an increase in operating expense related to repairs and maintenance and depreciation. Operating loss for 2025 is $1,514,373 compared to operating loss of $2,146,747 in 2024.

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.

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.

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, 82% in 2025, 83% in 2024 and 80% in 2023, 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 2025, 2024 and 2023 is restricted for compliance with provisions of bond indentures and grants.

The remaining balance of net position, 18% in 2025, 17% in 2024 and 19% in 2023, 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, 2025, 2024 and 2023:

	2025	2024	2023
Current and other assets	$ 25,256,377	$ 25,898,867	$ 28,598,531
Capital assets	72,394,557	64,125,389	59,688,560
Deferred outflows	110,373	209,668	336,297
Total assets and deferred outflows	97,761,307	90,233,924	88,623,388
Long-term debt outstanding	2,500,385	2,705,474	2,902,021
Other liabilities	1,369,461	1,543,533	2,258,017
Deferred inflows	9,019,382	11,843,401	13,428,780
Total liabilities and deferred inflows	12,889,228	16,092,408	18,588,818
Net position:			
Net investment in capital assets	69,704,088	61,360,641	56,210,242
Restricted	2,085	129,526	241,280
Unrestricted	15,165,906	12,651,349	13,583,048
Total net position	$ 84,872,079	$ 74,141,516	$ 70,034,570

During 2025, capital assets increased largely due to improvements and purchases of $10,300,000 related to the rehabilitation and rebuild of Berths 10 and 11 dock walls resulting in an increase, net of depreciation, of approximately $8,300,000.

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.

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, 2025, 2024 and 2023.

	2025	2024	2023
Revenues:			
Operating revenues	$ 4,646,657	$ 3,574,264	$ 4,538,795
General revenues:			
Property taxes	1,774,379	1,635,206	1,420,077
Gain on sale of capital assets	167,143	-	-
Interest	305,932	221,204	81,396
Other	41,708	2,592	71,244
Total revenues	6,935,819	5,433,266	6,111,512
Expenses:			
Administration	1,512,567	1,429,732	1,389,783
Port promotion	921,074	1,033,110	923,709
Port development	271,404	275,595	268,940
Marine terminal	696,985	524,916	481,548
Interest on long-term debt	110,868	119,410	127,646
Depreciation	2,759,000	2,457,658	2,216,456
Total expenses	6,271,898	5,840,421	5,408,082
Capital grants	10,066,642	4,514,101	6,373,580
Increase in net position	10,730,563	4,106,946	7,077,010
Net position:			
Beginning of year	74,141,516	70,034,570	62,957,560
End of year	$ 84,872,079	$ 74,141,516	$ 70,034,570

During 2025, the Authority recognized capital grants associated with the rehabilitation and rebuild of Berths 10 and 11 dock walls of approximately $10,000,000.

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

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, was $72,394,557 and $64,125,389 as of March 31, 2025 and 2024, 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 13% during 2025. Additional information related to the Authority's capital assets can be found in Note 3 of the notes to the financial statements.

Debt

The Authority's long-term debt was $2,500,385 and $2,705,474 as of March 31, 2025 and 2024, respectively. 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 operations 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 2026, the Authority anticipates that general maritime cargo activity at the Clure Public Marine Terminal will be similar to that of fiscal year 2025, when the Terminal handled 25 vessels, resulting in higher terminal revenue compared to past years. The Authority expects terminal operations, warehousing activities, and the tax levy to be on par with those of fiscal year 2025.

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 construction was completed in March 2025. 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. These infrastructure upgrades will enable increased cargo storage and movement flexibility, allowing cargo owners to capitalize more effectively on market opportunities.

On December 1, 2019, the Authority acquired the 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 services to customers within the Authority's region and globally. In the meantime, a portion of the facility is leased, and the rail spur is utilized as part of Clure Terminal's operations. The Authority is actively pursuing grant funds to support the first phase of the dock's rehabilitation.

In 2010, the Authority entered into a purchase agreement to acquire a 123-acre parcel of land from the United States Steel Corporation, with the goal 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 contingent upon a successful cleanup 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 site cleanup was completed in the spring of 2025. 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.

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, 2025 and 2024

	2025	2024
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents:		
Unrestricted	**$ 4,570,069**	$ 4,875,936
Restricted (Note 9)	**2,085**	129,526
Investments	**2,639,280**	4,319,760
Receivables:		
Taxes	**1,788,161**	1,643,056
Accounts, less allowance for doubtful accounts of $0	**1,559,070**	556,580
Interest	**55,417**	36,979
Leases (Note 4)	**1,512,045**	1,608,395
Due from other governments	**4,323,733**	1,315,571
Prepaid expenses	**132,253**	125,621
Total current assets	**16,582,113**	14,611,424
Noncurrent assets:		
Capital assets (Note 3):		
Land and land improvements	**61,326,129**	50,341,327
Buildings	**43,937,350**	44,380,690
Equipment	**8,238,653**	8,024,862
Construction in progress	**774,027**	988,346
	114,276,159	103,735,225
Less accumulated depreciation	**41,881,602**	39,609,836
Total capital assets	**72,394,557**	64,125,389
Other assets:		
Restricted cash and cash equivalents (Note 9)	**55,500**	55,500
Land held for sale, at cost	**819,547**	821,389
Lease receivable, less current portion (Note 4)	**7,799,217**	10,410,554
Total noncurrent assets	**81,068,821**	75,412,832
Total assets	**97,650,934**	90,024,256
Deferred outflows of resources:		
Deferred pension amounts (Note 6)	**110,373**	209,668
Total assets and deferred outflows	**$ 97,761,307**	$ 90,233,924

See notes to financial statements.

	2025	2024
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable:		
Trade	**$ 65,414**	$ 161,855
Construction and equipment	**190,084**	59,274
Accrued payroll liabilities	**172,638**	171,317
Rent advance liability (Note 7)	**113,721**	113,687
Current maturities of long-term debt (Note 5)	**177,624**	186,505
Total current liabilities	**719,481**	692,638
Noncurrent liabilities:		
Long-term debt, less current maturities (Note 5)	**2,322,761**	2,518,969
Net pension liability (Note 6)	**473,207**	732,537
Long-term accrued payroll liabilities	**298,897**	249,363
Other long-term liabilities	**55,500**	55,500
Total noncurrent liabilities	**3,150,365**	3,556,369
Deferred inflows of resources:		
Deferred pension amounts (Note 6)	**349,440**	264,860
Leases (Note 4)	**8,669,942**	11,578,541
Total liabilities and deferred inflows	**12,889,228**	16,092,408
Net position:		
Net investment in capital assets	**69,704,088**	61,360,641
Restricted (Note 9)	**2,085**	129,526
Unrestricted	**15,165,906**	12,651,349
Total net position	**84,872,079**	74,141,516
Total liabilities, deferred inflows and net position	**$ 97,761,307**	$ 90,233,924

Duluth Seaway Port Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2025 and 2024

	2025	2024
Operating revenues:		
Rentals, interest on rentals, facility fees and other	**$ 4,646,657**	$ 3,574,264
Operating expenses, excluding depreciation:		
Administration	**1,512,567**	1,429,732
Port promotion	**921,074**	1,033,110
Port development	**271,404**	275,595
Marine terminal	**696,985**	524,916
Operating income before depreciation	**1,244,627**	310,911
Depreciation	**2,759,000**	2,457,658
Operating loss	**(1,514,373)**	(2,146,747)
Nonoperating revenues (expenses):		
General tax levies	**1,774,379**	1,635,206
Gain on sale of capital assets	**167,143**	-
Interest income	**305,932**	221,204
Other revenues	**41,708**	2,592
Interest expense	**(110,868)**	(119,410)
	2,178,294	1,739,592
Income (loss) before capital grants	**663,921**	(407,155)
Capital grants	**10,066,642**	4,514,101
Change in net position	**10,730,563**	4,106,946
Net position:		
Beginning of year	**74,141,516**	70,034,570
End of year	**$ 84,872,079**	$ 74,141,516

See notes to financial statements.

Duluth Seaway Port Authority

Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from customers	**$ 3,342,801**	$ 3,184,200
Payments to suppliers	**(1,868,070)**	(1,503,826)
Payments to employees	**(1,661,633)**	(1,607,013)
Other receipts	**102,330**	12,000
Net cash (used in) provided by operating activities	**(84,572)**	85,361
Cash flows from noncapital financing activities:		
General tax levies	**1,629,274**	1,416,644
Other receipts	**41,708**	2,592
Net cash provided by noncapital financing activities	**1,670,982**	1,419,236
Cash flows from capital and related financing activities:		
Purchase of capital assets	**(11,077,163)**	(7,411,510)
Proceeds from sale of capital assets	**346,948**	-
Receipts from other governments	**7,058,480**	7,278,048
Principal payments on long-term debt	**(205,089)**	(196,547)
Interest paid on long-term debt	**(110,868)**	(119,410)
Net cash used in capital and related financing activities	**(3,987,692)**	(449,419)
Cash flows from investing activities:		
Purchase of investments	**(3,359,520)**	(5,040,000)
Proceeds from maturities of investments	**5,040,000**	4,559,760
Interest received	**287,494**	212,421
Net cash provided by (used in) investing activities	**1,967,974**	(267,819)
Net (decrease) increase in cash and cash equivalents	**(433,308)**	787,359
Cash and cash equivalents:		
Beginning	**5,060,962**	4,273,603
Ending	**$ 4,627,654**	$ 5,060,962
Cash and cash equivalents are reported as follows:		
Current assets	**$ 4,570,069**	$ 4,875,936
Restricted assets—current	**2,085**	129,526
Restricted assets—noncurrent	**55,500**	55,500
	$ 4,627,654	$ 5,060,962

(Continued)

Duluth Seaway Port Authority

Statements of Cash Flows (Continued)
Years Ended March 31, 2025 and 2024

	2025	2024
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	**$ (1,514,373)**	$ (2,146,747)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation	**2,759,000**	2,457,658
Change in deferred outflows	**99,295**	126,629
Change in deferred inflows	**(2,824,019)**	(1,585,379)
Changes in assets and liabilities:		
Receivables	**(1,002,490)**	(191,550)
Lease receivables	**2,707,687**	1,631,568
Prepaid expenses	**(6,632)**	(9,357)
Land held for sale	**1,842**	-
Accounts payable and accrued liabilities	**(45,586)**	123,345
Unearned revenue	**34**	21
Net pension liability	**(259,330)**	(320,827)
Net cash (used in) provided by operating activities	**$ (84,572)**	$ 85,361
Supplemental schedule of noncash capital and related financing activities:		
Accounts payable, capital assets	**$ 190,084**	$ 59,274

See notes to financial statements.

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.

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:

	Years
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.

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 2024 and payable in 2025 are recognized as revenues for the fiscal year ended March 31, 2025, as the Authority has an enforceable legal claim to the resources.

Compensated absences: *Accrued vacation*: 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 2025, employees earned $110,597 and used $109,599 of vacation. During 2024, employees earned $117,838 and used $98,405 of vacation. At March 31, 2025 and 2024, the liability totaled $160,537 and $159,539, respectively, a net increase of $998.

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, 2025 and 2024, the liability totaled $298,897 and $249,363, respectively, a net increase of $49,534. 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, 2025 and 2024, the Authority recognized OPEB expenses of $49,534 and $18,105, respectively.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense amounted to $231,856 in 2025 and $266,447 in 2024.

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.

Note 2. Deposits and Investments

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

	2025	2024
Deposits with financial institutions	$ 568,452	$ 2,442,119
Investments:		
Certificates of deposit	2,639,280	4,319,760
Money market funds	4,059,202	2,618,843
	$ 7,266,934	$ 9,380,722

	2025	2024
Current assets:		
Cash and cash equivalents	$ 4,570,069	$ 4,875,936
Investments	2,639,280	4,319,760
Current restricted assets:		
Cash and cash equivalents	2,085	129,526
Other assets, restricted cash and cash equivalents	55,500	55,500
	$ 7,266,934	$ 9,380,722

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.

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, 2025 and 2024, the Authority's deposits had a bank balance of $846,368 and $2,228,733, 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, 2025, 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, 2025, 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.

Note 3. Capital Assets

	Cost			
	Balance March 31, 2024	Additions	Reclassifications/ Deletions	Balance March 31, 2025
Land and land improvements	$ 50,341,327	$ -	$ 10,984,802	$ 61,326,129
Buildings	44,380,690	-	(443,340)	43,937,350
Equipment	8,024,862	-	213,791	8,238,653
Construction in progress	988,346	11,207,973	(11,422,292)	774,027
	$ 103,735,225	$ 11,207,973	$ (667,039)	$ 114,276,159

	Accumulated Depreciation				Net
	Balance March 31, 2024	Additions	Deductions	Balance March 31, 2025	Book Value March 31, 2025
Land and land improvements	$ 15,280,350	$ 1,420,629	$ -	$ 16,700,979	$ 44,625,150
Buildings	19,177,795	1,106,850	(443,342)	19,841,303	24,096,047
Equipment	5,151,691	231,521	(43,892)	5,339,320	2,899,333
Construction in progress	-	-	-	-	774,027
	$ 39,609,836	$ 2,759,000	$ (487,234)	$ 41,881,602	$ 72,394,557

	Cost			
	Balance March 31, 2023	Additions	Reclassifications/ Deletions	Balance 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
	$ 96,840,738	$ 6,894,487	$ -	$ 103,735,225

	Accumulated Depreciation				Net
	Balance March 31, 2023	Additions	Deductions	Balance March 31, 2024	Book Value 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
	$ 37,152,178	$ 2,457,658	$ -	$ 39,609,836	$ 64,125,389

Note 4. Leases

Lessor: GASB Statement No. 87, *Leases* (GASB 87) 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, 2025 and 2024, were $2,655,361 and $2,688,596, respectively. These totals include $134,364 and $138,054, 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.

The following is a schedule of the future principal and interest payments to be received for lease receivables as of March 31, 2025:

	Principal	Interest	Total
Years ending March 31:			
2026	$ 1,512,045	$ 656,237	$ 2,168,282
2027	1,310,253	548,920	1,859,173
2028	550,790	489,750	1,040,540
2029	594,436	446,105	1,040,541
2030	641,549	398,992	1,040,541
2031-2035	1,908,919	1,497,341	3,406,260
2036-2040	1,581,019	740,507	2,321,526
2041-2045	525,350	403,676	929,026
2046-2050	440,828	158,629	599,457
2051-2055	6,072	99,033	105,105
2056-2060	9,264	95,841	105,105
2061-2065	14,135	90,970	105,105
2066-2070	21,567	83,538	105,105
2071-2075	32,907	72,198	105,105
2076-2080	50,209	54,896	105,105
2081-2085	76,608	28,497	105,105
2086-2090	35,311	1,532	36,843
	$ 9,311,262	$ 5,866,662	$ 15,177,924

Note 5. Long-Term Debt

	2025	2024
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.	$ 2,500,385	$ 2,705,474
	2,500,385	2,705,474
Less current maturities	177,624	186,505
	$ 2,322,761	$ 2,518,969

Note 5. Long-Term Debt (Continued)

The following is a summary of changes in long-term debt at March 31, 2025 and 2024:

	2025				
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note from direct borrowings	$ 2,705,474	$ -	$ 205,089	$ 2,500,385	$ 177,624
	$ 2,705,474	$ -	$ 205,089	$ 2,500,385	$ 177,624

	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
	$ 2,902,021	$ -	$ 196,547	$ 2,705,474	$ 186,505

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, 2025 and 2024, were $2,500,385 and $2,705,474, respectively. Principal and interest paid was $315,957 for each of the years ended March 31, 2025 and 2024. Total collection of lease principal and interest associated with the note for the years ended March 31, 2025 and 2024, were $356,798 and $350,693, 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, 2025, are as follows:

	Principal	Interest	Total
Years ending March 31:			
2026	$ 177,624	$ 102,162	$ 279,786
2027	223,060	92,897	315,957
2028	232,727	83,230	315,957
2029	242,813	73,144	315,957
2030	253,336	62,621	315,957
2031-2035	1,370,825	139,149	1,509,974
	$ 2,500,385	$ 553,203	$ 3,053,588

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, 353D, 353E, 353G, and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. The General Employees Retirement Plan covers employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

Note 6. Defined Benefit Pension Plan Statewide (Continued)

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

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

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

For calendar years 2025 and 2024, General Plan members were required to contribute 6.5% of their annual covered salary. In calendar years 2025 and 2024, the Authority was required to contribute 7.5% for General Plan members. The Authority’s contributions to the General Employees Retirement Fund (GERF) for the years ended March 31, 2025 and 2024, were $83,455 and $80,789, respectively. The Authority’s contributions were equal to the required contributions as set by state statute.

Note 6. Defined Benefit Pension Plan Statewide (Continued)

Pension costs: At March 31, 2025 and 2024, the Authority reported a liability of $473,207 and $732,537, 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, 2024 and 2023, the State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled $12,220 and $20,102, respectively.

	2025	2024
Authority's proportionate share of the net pension liability	$ 473,207	$ 732,537
State of Minnesota's proportionate share of the net pension liability associated with the Authority	12,220	20,102
Total	$ 485,427	$ 752,639

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Authority's proportionate share was 0.0128% and 0.0131% for fiscal years 2025 and 2024, respectively.

For the years ended March 31, 2025 and 2024, the Authority recognized pension revenue and expense of $53,711 and $38,616, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, for the years ended March 31, 2025 and 2024, the Authority recognized an additional $328 and $90, 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Authority recognized $21,744 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Note 6. Defined Benefit Pension Plan Statewide (Continued)

At March 31, 2025 and 2024, 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:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 44,883	$ -	$ 24,145	$ 5,316
Changes in actuarial assumptions	2,401	182,167	124,743	200,782
Net difference between projected and actual investment earnings	-	141,330	-	36,206
Changes in proportion	-	25,943	-	22,556
Contributions paid to PERA subsequent to the measurement date	63,089	-	60,780	-
Total	$ 110,373	$ 349,440	$ 209,668	$ 264,860

The amount of $63,089 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	2025	2024
Years ending March 31:		
2026	$ (171,255)	$ 9,980
2027	(32,044)	(124,636)
2028	(62,510)	14,576
2029	(36,347)	(15,892)
	$ (302,156)	$ (115,972)

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:

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100.0%	

Actuarial methods and assumptions: The total pension liability was determined by actuarial valuations as of June 30, 2024 and 2023, using the 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%. 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, 2024 and 2023, an investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

For June 30, 2024 and 2023, 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 GERF 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 2024:

Changes in actuarial assumptions:

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

Note 6. Defined Benefit Pension Plan Statewide (Continued)

Changes in plan provisions:

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

Discount rate: The discount rate used to measure the total pension liability in 2025 and 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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%)
2025 net pension liability at different discount rates	$ 1,032,237	$ 473,207	$ 12,250
2024 net pension liability at different discount rates	1,295,917	732,537	269,136

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.

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, 2025 and 2024, the liability related to those rentals totaled $113,721 and $113,687, 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. Subsequent to year-end, the Authority and Lake Superior Warehousing executed a First Amended and Restated Agent Agreement effective April 1, 2025, extending the term through March 31, 2030, with options for three additional five-year renewals.

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, 2025 and 2024:

	2025	2024
Intergovernmental grants; pledged matching funds:		
Dock wall rehabilitation and warehouse construction	$ -	$ 127,441
Other	2,085	2,085
Restricted net position	2,085	129,526
Tenant and other deposits	55,500	55,500
Restricted assets	$ 57,585	$ 185,026

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 and contingencies

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, 2025, the Authority had expended $556,022 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 a contract for an industrial building project. The Authority has approximately $2,000,000 remaining on this contract.

Note 12. Executive Orders

During the year ended March 31, 2025, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration’s policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the EOs. During the year ended March 31, 2025, the Authority recognized federal financial assistance totaling $6,412,688, and at March 31, 2025 had outstanding federal receivables of $1,128,909 and was subsequently collected in June 2025. As of the date of this report, the full impact of President Trump’s EOs on the Authority’s future federal programs and funding has not been determined. Management is actively monitoring the situation and assessing the potential effects on the Authority’s basic financial statements.

Note 13. 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. 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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Authority beginning with its year ending March 31, 2027. The objective of this statement is to enhance the capital asset note disclosures required by GASB Statement No. 34 by requiring separate disclosure of certain types of capital assets, including lease assets, subscription-based IT assets, and other intangible assets, by major class. This statement also introduces new disclosure requirements for capital assets held for sale. These changes are intended to improve the consistency, comparability, and usefulness of financial information for decision-making and accountability.

Note 14. Subsequent Events

Subsequent events have been evaluated through August 22, 2025, 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) of the NPL (a)	State's Proportionate Share (Amount) of the NPL (b)	Employer's and State's Proportionate Share (Amount) of the NPL (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, 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%
June 30, 2024	0.0128%	473,207	12,220	485,427	1,081,949	43.74%	89.08%

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, 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%
March 31, 2025	83,455	83,455	-	1,081,949	7.7%

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

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

Duluth Seaway Port Authority

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

Changes in Plan Provisions:

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

2021 Changes

Changes in Actuarial Assumptions:

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

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

Changes in Plan Provisions:

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

2020 Changes

Changes in Actuarial Assumptions:

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

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

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

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

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

Duluth Seaway Port Authority

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

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

- The 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.

Duluth Seaway Port Authority

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

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.

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.

Supplementary Information

Duluth Seaway Port Authority

Combining Schedule of Revenues and Expenses
Year Ended March 31, 2025

	Operational Departments				
	Administration	Port Promotion	Port Development	Marine Terminal	Combined
Operating revenues	$ 2,739,692	$ -	$ 12,000	$ 1,894,965	$ 4,646,657
Operating expenses, excluding depreciation	1,512,567	921,074	271,404	696,985	3,402,030
Operating income (loss) before depreciation	1,227,125	(921,074)	(259,404)	1,197,980	1,244,627
Depreciation	1,355,083	-	-	1,403,917	2,759,000
Operating loss	(127,958)	(921,074)	(259,404)	(205,937)	(1,514,373)
Nonoperating revenues (expenses):					
General tax levies	-	-	1,774,379	-	1,774,379
Gain on sale of capital assets	167,143	-	-	-	167,143
Interest income	305,932	-	-	-	305,932
Other revenues	41,708	-	-	-	41,708
Interest expense	(110,868)	-	-	-	(110,868)
	403,915	-	1,774,379	-	2,178,294
Income (loss) before capital grants	275,957	(921,074)	1,514,975	(205,937)	663,921
Capital grants	10,066,642	-	-	-	10,066,642
Total capital grants	10,066,642	-	-	-	10,066,642
Change in net position	$ 10,342,599	$ (921,074)	$ 1,514,975	$ (205,937)	$ 10,730,563

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Administration
Years Ended March 31, 2025 and 2024

	2025	2024
Departmental revenues:		
Rentals	$ 2,099,708	$ 2,026,335
Interest on rentals	549,654	590,263
Gain on sale of land held for resale	90,330	-
	2,739,692	2,616,598
Departmental expenses:		
Salaries and wages	667,972	620,050
Employee benefits:		
Health, welfare and pension	205,754	281,677
Social security tax	45,133	42,253
Workers' compensation insurance	1,748	3,214
Advertising and promotion	4,982	1,694
Commissioner fees	6,765	6,600
Consulting	149,856	115,813
Dues and subscriptions	790	2,532
Insurance	78,092	71,044
Office	34,188	21,516
Other	18,296	19,648
Professional services	55,108	38,747
Repairs, maintenance and supplies	119,695	104,701
Telephone	10,684	9,135
Travel and entertainment	48,941	33,594
Utilities	64,563	57,514
Total departmental expenses	1,512,567	1,429,732
Departmental income before depreciation	1,227,125	1,186,866
Depreciation	1,355,083	1,232,331
Departmental operating loss	$ (127,958)	$ (45,465)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Port Promotion
Years Ended March 31, 2025 and 2024

	2025	2024
Departmental revenues	$ -	$ -
Departmental expenses:		
Salaries and wages	367,491	395,239
Employee benefits:		
Health, welfare and pension	145,668	144,924
Social security tax	28,702	29,773
Workers' compensation insurance	1,669	2,762
Advertising and promotion	188,820	222,958
Consulting	24,742	57,735
Cruise ship visits	1,197	1,317
Dues and subscriptions	56,133	55,190
Insurance	4,101	3,942
Maritime representative	36,128	35,779
Other	2,295	2,303
Photographs and supplies	1,134	330
Telephone	1,565	2,328
Travel and entertainment	61,429	78,530
Total departmental expenses	921,074	1,033,110
Departmental loss before depreciation	(921,074)	(1,033,110)
Depreciation	-	-
Departmental operating loss	$ (921,074)	$ (1,033,110)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Port Development
Years Ended March 31, 2025 and 2024

	2025	2024
Departmental revenues:		
Other	$ 12,000	$ 12,000
Total departmental revenues	12,000	12,000
Departmental expenses:		
Salaries and wages	127,871	122,389
Employee benefits:		
Health, welfare and pension	35,100	32,753
Social security tax	9,369	9,063
Workers' compensation insurance	556	601
Consulting	72,595	66,933
Other	1,771	3,505
Professional services	23,245	31,440
Telephone	726	900
Travel and entertainment	171	8,011
Total departmental expenses	271,404	275,595
Departmental loss before depreciation	(259,404)	(263,595)
Depreciation	-	-
Departmental operating loss	$ (259,404)	$ (263,595)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Marine Terminal
Years Ended March 31, 2025 and 2024

	2025	2024
Departmental revenues:		
Dockage and mooring	$ 190,678	$ 127,769
Rentals	6,000	72,000
Facilities fee	1,524,591	678,074
Wharfage	173,696	67,823
Total departmental revenues	1,894,965	945,666
Departmental expenses:		
Advertising and promotion	38,051	41,795
Consulting	3,000	10,727
Insurance	152,969	137,580
Other	660	660
Professional services	23,201	(8,301)
Travel and entertainment	174	131
Protection service	13,027	12,363
Repairs and maintenance	402,086	271,172
Utilities	63,817	58,789
Total departmental expenses	696,985	524,916
Departmental income before depreciation	1,197,980	420,750
Depreciation	1,403,917	1,225,327
Departmental operating loss	$ (205,937)	$ (804,577)

Duluth Seaway Port Authority

Schedule of Expenditures of Federal Awards
Year Ended March 31, 2025

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	$ -	$ 6,333,537
Total U.S. Department of Transportation		-	6,333,537
U.S. Environmental Protection Agency:			
Direct:			
Brownfields Multipurpose, Assessment Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	-	79,151
Total U.S. Environmental Protection Agency		-	79,151
Total expenditures of federal awards		$ -	$ 6,412,688

See notes to schedule of expenditures of federal awards.

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, 2025. 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, 2025, 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 22, 2025.

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

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

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

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

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 22, 2025

**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, 2025. 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, 2025.

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 22, 2025

Duluth Seaway Port Authority

Schedule of Findings and Questioned Costs
Year Ended March 31, 2025

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? X Yes ____ No

II. Financial Statement Findings

No matters to report.

III. Federal Awards Findings and Questioned Costs

No matters to report.

Duluth Seaway Port Authority
802 Garfield Avenue
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SUMMARY SCHEDULE OF PRIOR AUDIT

FINDINGS FOR THE YEAR ENDED MARCH 31, 2025

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.

Kevin Beardsley, Executive Director

RSM

RSM US LLP

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, 2025, 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 22, 2025.

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 22, 2025