Duluth Seaway Port Authority

Financial and Compliance Report
Year Ended March 31, 2026

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, 2026 and 2025, 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, 2026 and 2025, 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). 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 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.

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In performing an audit in accordance with GAAS, 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 and schedules of departmental operating revenues and expenses 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.

RSM US LLP

Duluth, Minnesota
August 14, 2026

Required Supplementary Information

Management’s Discussion and Analysis (MD&A)

Duluth Seaway Port Authority

Management's Discussion and Analysis
March 31, 2026

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, 2026. 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

2026

The Authority's net position increased $656,545 (1%), from $84,872,079 in 2025 to $85,528,624 in 2026. This increase was made up of operating loss of $1,362,949, and nonoperating income of $2,019,494.

The Authority's operating revenues increased 0.1%, to $4,649,917. This increase results primarily from an increase in activity in the Marine Terminal Department. Operating expenses decreased to $6,012,866 (2%), primarily from an decrease in operating expense related salaries and wages and repairs and maintenance. Operating loss for 2026 is $1,362,949, compared to operating loss of $1,514,373 in 2025.

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 a decrease 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.

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 statements of cash flows present all cash receipts and payments resulting from operational, noncapital financing, capital and related financing and investing activities. These statements summarize 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, 81% in 2026, 82% in 2025 and 83% in 2024, 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 2026, 2025 and 2024, is restricted for compliance with provisions of bond indentures and grants.

The remaining balance of net position, 19% in 2026, 18% in 2025 and 17% in 2024, 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, 2026, 2025 and 2024:

	2026	2025	2024
Current and other assets	$ 23,231,806	$ 25,256,377	$ 25,898,867
Capital assets	71,865,056	72,394,557	64,125,389
Deferred outflows	96,305	110,373	209,668
Total assets and deferred outflows	95,193,167	97,761,307	90,233,924
Long-term debt outstanding	2,291,652	2,500,385	2,705,474
Other liabilities	1,028,014	1,369,461	1,543,533
Deferred inflows	6,344,877	9,019,382	11,843,401
Total liabilities and deferred inflows	9,664,543	12,889,228	16,092,408
Net position:			
Net investment in capital assets	69,572,794	69,704,088	61,360,641
Restricted	2,085	2,085	129,526
Unrestricted	15,953,745	15,165,906	12,651,349
Total net position	$ 85,528,624	$ 84,872,079	$ 74,141,516

During 2026, deferred inflows of resources decreased because the Authority did not enter into any new lease agreements or lease extensions during the year, resulting in lower lease-related deferred inflows reported in the financial statements.

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.

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, 2026, 2025 and 2024.

	2026	2025	2024
Revenues:			
Operating revenues	$ 4,649,917	$ 4,646,657	$ 3,574,264
General revenues:			
Property taxes	1,920,406	1,774,379	1,635,206
Interest	329,153	305,932	221,204
Other	898,473	208,851	2,592
Total revenues	7,797,949	6,935,819	5,433,266
Expenses:			
Administration	1,285,664	1,512,567	1,429,732
Port promotion	964,976	921,074	1,033,110
Port development	331,454	271,404	275,595
Marine terminal	530,776	696,985	524,916
Interest on long-term debt	114,482	110,868	119,410
Depreciation	2,899,996	2,759,000	2,457,658
Loss on disposal of capital assets	558,497	-	-
Loss on due from other governments write-off	455,559	-	-
Total expenses	7,141,404	6,271,898	5,840,421
Capital grants	-	10,066,642	4,514,101
Increase in net position	656,545	10,730,563	4,106,946
Net position:			
Beginning of year	84,872,079	74,141,516	70,034,570
End of year	$ 85,528,624	$ 84,872,079	$ 74,141,516

During 2026, the Authority recognized loss on disposal of capital assets of $558,497, largely associated with write-off of costs related to a land purchase agreement with United States Steel Corporation. The Authority also recognized a loss of $455,559, resulting from a reduction in grant funding awarded by the State of Minnesota.

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.

Capital Assets
The Authority's investment in capital assets, net of accumulated depreciation, was $71,865,056 and $72,394,557 as of March 31, 2026 and 2025, 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, decreased 0.7% during 2026. 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 $2,291,652 and $2,500,385 as of March 31, 2026 and 2025, 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 come from operations at 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 FYE2027, the Authority expects general maritime cargo at the Clure Public Marine Terminal to be slightly lower than in FYE2026, when the Terminal handled 23 vessels, reflecting current market conditions. As a result, terminal revenue is expected to be modestly lower than in FYE2026. Despite this anticipated reduction in cargo activity, revenues from leasing, warehousing, and the tax levy are expected to remain stable, providing a solid foundation for Authority operations.

In December 2020, the Authority acquired the Duluth Lake Port dock at Rice's Point. The Authority has been awarded a MARAD Port Infrastructure Development Program (PIDP) grant of $27.5 million and a Minnesota Department of Transportation (MnDOT) Port Development Assistance Program (PDAP) grant totaling $7.5 million. The project which will utilize these funding sources includes demolishing a former grain elevator, reconstructing 1,150 linear feet of dock wall, and redeveloping 7.5 acres of laydown space. Work also includes installing a new water service and stormwater management systems. The total cost of the project is projected to be $38.3 million. These infrastructure upgrades will increase cargo storage capacity and improve cargo movement flexibility, enhancing the Authority's long-term competitiveness and customer service.

The Authority has also been awarded $5 million in Community Project Funding (CPT) toward a total estimated project cost of $10 million to refurbish twin 90-ton electric rail-mounted gantry cranes (130-ton tandem lift capacity) and associated rail infrastructure. These assets are critical for handling breakbulk, heavy-lift, and dimensional cargoes at the Authority's Clure Public Marine Terminal. Manufactured at Clyde Iron Works in Duluth in the late 1950s, these cranes have proudly displayed the Authority's logo for generations of visiting ships. A comprehensive refurbishment is required to extend their useful life, preserve a critical piece of the Port's cargo-handling infrastructure for decades to come, and maintain operational safety, efficiency, and reliability. The Authority is actively pursuing grant funds from the Minnesota Department of Transportation (MnDOT) Port Development Assistance Program (PDAP) to support this multi-million-dollar project.

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, 2026 and 2025

	2026	2025
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents:		
Unrestricted	**$ 2,530,491**	$ 4,570,069
Restricted (Note 9)	**2,085**	2,085
Investments	**8,153,640**	2,639,280
Receivables:		
Taxes	**1,926,257**	1,788,161
Accounts, less allowance for doubtful accounts of $0	**2,749,119**	1,559,070
Interest	**50,302**	55,417
Leases (Note 4)	**1,677,770**	1,512,045
Due from other governments	**108,099**	4,323,733
Prepaid expenses	**137,998**	132,253
Total current assets	**17,335,761**	16,582,113
Noncurrent assets:		
Capital assets (Note 3):		
Land and land improvements	**61,569,214**	61,326,129
Buildings	**46,363,818**	43,937,350
Equipment	**8,366,250**	8,238,653
Construction in progress	**337,410**	774,027
	116,636,692	114,276,159
Less accumulated depreciation	**44,771,636**	41,881,602
Total capital assets	**71,865,056**	72,394,557
Other assets:		
Restricted cash and cash equivalents (Note 9)	**55,500**	55,500
Land held for sale, at cost	**819,547**	819,547
Lease receivable, less current portion (Note 4)	**5,020,998**	7,799,217
Total noncurrent assets	**77,761,101**	81,068,821
Total assets	**95,096,862**	97,650,934
Deferred outflows of resources:		
Deferred pension amounts (Note 6)	**96,305**	110,373
Total assets and deferred outflows	**$ 95,193,167**	$ 97,761,307

See notes to financial statements.

		2026		2025
Liabilities, Deferred Inflows and Net Position				
Current liabilities:				
Accounts payable:				
Trade	**$**	**55,868**	$	65,414
Construction and equipment		**610**		190,084
Accrued payroll liabilities		**153,837**		172,638
Rent advance liability (Note 7)		**113,754**		113,721
Current maturities of long-term debt (Note 5)		**182,202**		177,624
Total current liabilities		**506,271**		719,481
Noncurrent liabilities:				
Long-term debt, less current maturities (Note 5)		**2,109,450**		2,322,761
Net pension liability (Note 6)		**406,836**		473,207
Long-term accrued payroll liabilities		**241,609**		298,897
Other long-term liabilities		**55,500**		55,500
Total noncurrent liabilities		**2,813,395**		3,150,365
Deferred inflows of resources:				
Deferred pension amounts (Note 6)		**280,534**		349,440
Leases (Note 4)		**6,064,343**		8,669,942
Total liabilities and deferred inflows		**9,664,543**		12,889,228
Net position:				
Net investment in capital assets		**69,572,794**		69,704,088
Restricted (Note 9)		**2,085**		2,085
Unrestricted		**15,953,745**		15,165,906
Total net position		**85,528,624**		84,872,079
Total liabilities, deferred inflows and net position	**$**	**95,193,167**	$	97,761,307

Duluth Seaway Port Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2026 and 2025

	2026	2025
Operating revenues:		
Rentals, interest on rentals, facility fees and other	**$ 4,649,917**	$ 4,646,657
Operating expenses, excluding depreciation:		
Administration	**1,285,664**	1,512,567
Port promotion	**964,976**	921,074
Port development	**331,454**	271,404
Marine terminal	**530,776**	696,985
Operating income before depreciation	**1,537,047**	1,244,627
Depreciation	**2,899,996**	2,759,000
Operating loss	**(1,362,949)**	(1,514,373)
Nonoperating revenues (expenses):		
General tax levies	**1,920,406**	1,774,379
Interest income	**329,153**	305,932
Other revenues	**898,473**	208,851
Interest expense	**(114,482)**	(110,868)
Loss on disposal of capital assets	**(558,497)**	-
Loss on due from other governments write-off	**(455,559)**	-
	2,019,494	2,178,294
Income before capital grants	**656,545**	663,921
Capital Grants	**-**	10,066,642
Change in net position	**656,545**	10,730,563
Net position:		
Beginning of year	**84,872,079**	74,141,516
End of year	**$ 85,528,624**	$ 84,872,079

See notes to financial statements.

Duluth Seaway Port Authority

Statements of Cash Flows
Years Ended March 31, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Receipts from customers	$ 3,453,745	$ 3,342,801
Payments to suppliers	(1,622,261)	(1,868,070)
Payments to employees	(1,703,198)	(1,661,633)
Other receipts	13,051	102,330
Net cash provided by (used in) operating activities	**141,337**	(84,572)
Cash flows from noncapital financing activities:		
General tax levies	1,782,310	1,629,274
Other receipts	898,473	41,708
Net cash provided by noncapital financing activities	**2,680,783**	1,670,982
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,129,104)	(10,898,513)
Proceeds from sale of capital assets	10,638	168,298
Receipts from other governments	3,760,075	7,058,480
Principal payments on long-term debt	(208,733)	(205,089)
Interest paid on long-term debt	(114,482)	(110,868)
Net cash provided by (used in) capital and related financing activities	**318,394**	(3,987,692)
Cash flows from investing activities:		
Purchase of investments	(6,954,360)	(3,359,520)
Proceeds from maturities of investments	1,440,000	5,040,000
Interest received	334,268	287,494
Net cash (used in) provided by investing activities	**(5,180,092)**	1,967,974
Net decrease in cash and cash equivalents	**(2,039,578)**	(433,308)
Cash and cash equivalents:		
Beginning	4,627,654	5,060,962
Ending	$ 2,588,076	$ 4,627,654
Cash and cash equivalents are reported as follows:		
Current assets	$ 2,530,491	$ 4,570,069
Restricted assets—current	2,085	2,085
Restricted assets—noncurrent	55,500	55,500
	$ 2,588,076	$ 4,627,654

(Continued)

Duluth Seaway Port Authority

Statements of Cash Flows (Continued)
Years Ended March 31, 2026 and 2025

		2026		2025
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	**$**	**(1,362,949)**	$	(1,514,373)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation		**2,899,996**		2,759,000
Change in deferred outflows		**14,068**		99,295
Change in deferred inflows		**(2,674,505)**		(2,824,019)
Changes in assets and liabilities:				
Receivables		**(1,190,049)**		(1,002,490)
Lease receivables		**2,612,494**		2,707,687
Prepaid expenses		**(5,745)**		(6,632)
Land held for sale		**-**		1,842
Accounts payable and accrued liabilities		**(85,635)**		(45,586)
Unearned revenue		**33**		34
Net pension liability		**(66,371)**		(259,330)
Net cash provided by (used in) operating activities	**$**	**141,337**	$	(84,572)
Supplemental schedule of noncash capital and related financing activities:				
Accounts payable, capital assets	**$**	**610**	$	190,084
Trade-in value of capital assets	**$**	**-**	$	178,650

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 2025, and payable in 2026, are recognized as revenues for the fiscal year ended March 31, 2026, 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 statements of net position. During 2026, employees earned $119,583 and used $139,174 of vacation. During 2025, employees earned $110,597 and used $109,599 of vacation. At March 31, 2026 and 2025, the liability totaled $140,946 and $160,537, respectively, a net decrease of $19,591.

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, 2026 and 2025, the liability totaled $241,609 and $298,897, respectively, a net decrease of $57,288. 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, 2026 and 2025, the Authority recognized OPEB expenses of $49,726 and $49,534, respectively.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense amounted to $279,087 in 2026 and $231,856 in 2025.

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 statements of net position as follows:

	2026	2025
Deposits with financial institutions	$ 364,367	$ 568,452
Investments:		
Certificates of deposit	8,153,640	2,639,280
Money market funds	2,223,709	4,059,202
	$ 10,741,716	$ 7,266,934

	2026	2025
Current assets:		
Cash and cash equivalents	$ 2,530,491	$ 4,570,069
Investments	8,153,640	2,639,280
Current restricted assets:		
Cash and cash equivalents	2,085	2,085
Other assets, restricted cash and cash equivalents	55,500	55,500
	$ 10,741,716	$ 7,266,934

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.

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.

Note 2. Deposits and Investments (Continued)

At March 31, 2026 and 2025, the Authority's deposits had a bank balance of $391,800 and $1,097,368, 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, 2026, 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, 2026, 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 five years or less. 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, 2025	Additions	Reclassifications/ Deletions	Balance March 31, 2026
Land and land improvements	$ 61,326,129	$ -	$ 243,085	$ 61,569,214
Buildings	43,937,350	-	2,426,468	46,363,818
Equipment	8,238,653	-	127,597	8,366,250
Construction in progress	774,027	2,939,630	(3,376,247)	337,410
	$ 114,276,159	$ 2,939,630	$ (579,097)	$ 116,636,692

	Accumulated Depreciation				Net
	Balance March 31, 2025	Additions	Deductions	Balance March 31, 2025	Book Value March 31, 2026
Land and land improvements	$ 16,700,979	$ 1,544,008	$ -	$ 18,244,987	$ 43,324,227
Buildings	19,841,303	1,108,937	-	20,950,240	25,413,578
Equipment	5,339,320	247,051	(9,962)	5,576,409	2,789,841
Construction in progress	-	-	-	-	337,410
	$ 41,881,602	$ 2,899,996	$ (9,962)	$ 44,771,636	$ 71,865,056

	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

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, 2026 and 2025, were $2,409,582 and $2,655,361, respectively. These totals include $101,778 and $134,364, 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.

Note 4. Leases (Continued)

The following is a schedule of the future principal and interest payments to be received for lease receivables as of March 31, 2026:

	Principal	Interest	Total
Years ending March 31:			
2027	$ 1,677,770	415,393	$ 2,093,163
2028	697,024	342,734	1,039,758
2029	646,534	294,159	940,693
2030	621,299	252,209	873,508
2031	374,067	215,653	589,720
2032-2036	1,195,704	817,007	2,012,711
2037-2041	862,915	357,074	1,219,989
2042-2046	407,895	172,186	580,081
2047-2051	215,560	16,472	232,032
	$ 6,698,768	$ 2,882,887	$ 9,581,655

Note 5. Long-Term Debt

	2026	2025
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.	$ 2,291,652	$ 2,500,385
	2,291,652	2,500,385
Less current maturities	182,202	177,624
	$ 2,109,450	$ 2,322,761

The following is a summary of changes in long-term debt at March 31, 2026 and 2025:

	2026				
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note from direct borrowings	$ 2,500,385	$ -	$ 208,733	$ 2,291,652	$ 182,202

	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

Note 5. Long-Term Debt (Continued)

The Authority has pledged, as security for the direct borrowing, future net revenues from use and occupancy of the Authority's facilities, to repay the $3.5 million in direct borrowings issued in fiscal year 2020. Proceeds from the direct borrowing provided financing for the purchase of multiple buildings which net revenue is generated from leases to repay the note. The note is payable solely from the net revenues, and are payable through fiscal year 2035. The total principal and interest remaining to be paid on the note at March 31, 2026 and 2025, were $2,291,652 and $2,500,385, respectively. Principal and interest paid was $315,957 for each of the years ended March 31, 2026 and 2025. Total collection of lease principal and interest associated with the note for the years ended March 31, 2026 and 2025, were $362,798 and $356,798, 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, 2026, are as follows:

	Principal	Interest	Total
Years ending March 31:			
2027	$ 182,202	$ 92,897	$ 275,099
2028	232,727	83,230	315,957
2029	242,813	73,144	315,957
2030	253,336	62,621	315,957
2031	264,315	51,864	316,179
2032-2035	1,116,259	87,507	1,203,766
	$ 2,291,652	$ 451,263	$ 2,742,915

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.

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.

Note 6. Defined Benefit Pension Plan Statewide (Continued)

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 2025 annual increase was 1.25%. 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 2026 and 2025, General Plan members were required to contribute 6.5% of their annual covered salary. In calendar years 2026 and 2025, 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, 2026 and 2025, were $77,725 and $83,455, respectively. The Authority's contributions were equal to the required contributions, as set by state statute.

Pension costs: At March 31, 2026 and 2025, the Authority reported a liability of $406,836 and $473,207, 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, 2025 and 2024, the State of Minnesota's proportionate share of the net pension liability associated with the Authority totaled $9,814 and $12,220, respectively.

	2026	2025
Authority's proportionate share of the net pension liability	$ 406,836	$ 473,207
State of Minnesota's proportionate share of the net pension liability associated with the Authority	9,814	12,220
Total	$ 416,650	$ 485,427

Note 6. Defined Benefit Pension Plan Statewide (Continued)

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The Authority's proportionate share was 0.0123% and 0.0128% for fiscal years 2026 and 2025, respectively.

For the years ended March 31, 2026 and 2025, the Authority recognized pension revenue of $15,280 and $53,711, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, for the years ended March 31, 2026 and 2025, the Authority recognized an additional $1,505 and $328, respectively, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution to the General Employees Fund.

At March 31, 2026 and 2025, 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:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 38,763	$ -	$ 44,883	$ -
Changes in actuarial assumptions	-	83,809	2,401	182,167
Net difference between projected and actual investment earnings	-	161,884	-	141,330
Changes in proportion	-	34,841	-	25,943
Contributions paid to PERA subsequent to the measurement date	57,542	-	63,089	-
Total	$ 96,305	$ 280,534	$ 110,373	$ 349,440

The amount of $57,542 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, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	2026	2025
Years ending March 31:		
2027	$ (61,260)	$ (171,255)
2028	(88,448)	(32,044)
2029	(63,146)	(62,510)
2030	(28,917)	(36,347)
	$ (241,771)	$ (302,156)

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, 2025 and 2024, 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%. The 7.0% 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, 2025 and 2024, an investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

- Inflation is assumed to be 2.25% for June 30, 2025 and 2024.

- Benefit increases after retirement are assumed to be 1.50% and 1.25% for June 30, 2025 and 2024, respectively.

Salary growth assumptions range in annual increments from 11.5% 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 2025:

Changes in actuarial assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.

- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Note 6. Defined Benefit Pension Plan Statewide (Continued)

Changes in plan provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Discount rate: The discount rate used to measure the total pension liability in 2026 and 2025 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. 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%)
2026 net pension liability at different discount rates	$ 988,140	$ 406,836	$ (64,733)
2025 net pension liability at different discount rates	1,032,237	473,207	12,250

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, 2026 and 2025, the liability related to those rentals totaled $113,754 and $113,721, 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, 2030, with options for three additional five-year renewals. 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.

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, 2026 and 2025:

	2026	2025
Other	$ 2,085	$ 2,085
Restricted net position	2,085	2,085
Tenant and other deposits	55,500	55,500
Restricted assets	$ 57,585	$ 57,585

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 United States Steel Corporation to purchase 123 acres of land located within a Superfund site for $10,000 per acre. U.S. Steel was identified as the responsible party for the site, and the purchase was contingent upon remediation of the contaminated soil and removal of the property's Superfund status. Prior to the anticipated acquisition, the Authority incurred $556,022 of project-related testing and site evaluation costs, which were capitalized and reported as construction in progress. During fiscal year 2026, the purchase agreement was mutually terminated by both parties. As a result, the Authority wrote off the $556,022 of previously capitalized development costs.

The Authority has entered into a contract for gantry crane refurbishing. The Authority has approximately $100,000 remaining on this contract.

Note 12. Pending Accounting Standards

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

GASB Statement No. 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.

GASB Statement No. 105, *Subsequent Events*, will be effective for the Authority beginning with its year ending March 31, 2028. The objective of this statement is to improve the financial reporting requirements for subsequent events by 1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and 2) specifying the information items that are required to be disclosed about subsequent events.

Note 13. Subsequent Events

Subsequent events have been evaluated through August 14, 2026, 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 Ended	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, 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%
June 30, 2025	0.0123%	406,836	9,814	416,650	1,038,751	39.17%	90.78%

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, 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%
March 31, 2026	77,725	77,725	-	1,038,751	7.5%

2025 Changes

Changes in Actuarial Assumptions

The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.

The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

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.

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.

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.

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, 2026

	Operational Departments				
	Administration	Port Promotion	Port Development	Marine Terminal	Combined
Operating revenues	$ 2,490,276	$ -	$ 12,000	$ 2,147,641	$ 4,649,917
Operating expenses, excluding depreciation	1,285,664	964,976	331,454	530,776	3,112,870
Operating income (loss) before depreciation	1,204,612	(964,976)	(319,454)	1,616,865	1,537,047
Depreciation	1,463,327	-	-	1,436,669	2,899,996
Operating (loss) income	(258,715)	(964,976)	(319,454)	180,196	(1,362,949)
Nonoperating revenues (expenses):					
General tax levies	-	-	1,920,406	-	1,920,406
Interest income	329,153	-	-	-	329,153
Other revenues	898,473	-	-	-	898,473
Interest expense	(114,482)	-	-	-	(114,482)
Loss on disposal of capital assets	(558,497)	-	-	-	(558,497)
Loss on due from other governments write-off	(455,559)				(455,559)
	99,088	-	1,920,406	-	2,019,494
Change in net position	$ (159,627)	$ (964,976)	$ 1,600,952	$ 180,196	$ 656,545

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Administration
Years Ended March 31, 2026 and 2025

	2026	2025
Departmental revenues:		
Rentals	**$ 1,779,383**	$ 2,099,708
Interest on rentals	**630,199**	549,654
Charges for Services	**79,643**	-
Gain on sale of land held for resale	**1,051**	90,330
	2,490,276	2,739,692
Departmental expenses:		
Salaries and wages	**566,572**	667,972
Employee benefits:		
Health, welfare and pension	**138,657**	205,754
Social security tax	**40,422**	45,133
Workers' compensation insurance	**1,397**	1,748
Advertising and promotion	**8,067**	4,982
Commissioner fees	**7,480**	6,765
Consulting	**114,174**	149,856
Dues and subscriptions	**1,189**	790
Insurance	**85,689**	78,092
Office	**29,821**	34,188
Other	**23,063**	18,296
Professional services	**49,096**	55,108
Repairs, maintenance and supplies	**109,368**	119,695
Telephone	**7,365**	10,684
Travel and entertainment	**39,632**	48,941
Utilities	**63,672**	64,563
Total departmental expenses	**1,285,664**	1,512,567
Departmental income before depreciation	**1,204,612**	1,227,125
Depreciation	**1,463,327**	1,355,083
Departmental operating loss	**$ (258,715)**	$ (127,958)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Port Promotion
Years Ended March 31, 2026 and 2025

	2026	2025
Departmental revenues	**$ -**	$ -
Departmental expenses:		
Salaries and wages	**386,859**	367,491
Employee benefits:		
Health, welfare and pension	**150,513**	145,668
Social security tax	**29,877**	28,702
Workers' compensation insurance	**1,334**	1,669
Advertising and promotion	**228,632**	188,820
Consulting	**5,327**	24,742
Cruise ship visits	**-**	1,197
Dues and subscriptions	**62,508**	56,133
Insurance	**4,103**	4,101
Maritime representative	**34,153**	36,128
Other	**1,035**	2,295
Photographs and supplies	**691**	1,134
Telephone	**2,604**	1,565
Travel and entertainment	**57,340**	61,429
Total departmental expenses	**964,976**	921,074
Departmental loss before depreciation	**(964,976)**	(921,074)
Depreciation	**-**	-
Departmental operating loss	**$ (964,976)**	$ (921,074)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Port Development
Years Ended March 31, 2026 and 2025

	2026	2025
Departmental revenues:		
Other	$ 12,000	$ 12,000
Total departmental revenues	12,000	12,000
Departmental expenses:		
Salaries and wages	140,569	127,871
Employee benefits:		
Health, welfare and pension	39,546	35,100
Social security tax	9,709	9,369
Workers' compensation insurance	445	556
Consulting	115,785	72,595
Other	1,780	1,771
Professional services	22,573	23,245
Telephone	789	726
Travel and entertainment	258	171
Total departmental expenses	331,454	271,404
Departmental loss before depreciation	(319,454)	(259,404)
Depreciation	-	-
Departmental operating loss	$ (319,454)	$ (259,404)

Duluth Seaway Port Authority

Schedules of Departmental Operating Revenues and Expenses
Marine Terminal
Years Ended March 31, 2026 and 2025

	2026	2025
Departmental revenues:		
Dockage and mooring	**$ 148,147**	$ 190,678
Rentals	**-**	6,000
Facilities fee	**1,793,353**	1,524,591
Wharfage	**206,141**	173,696
Total departmental revenues	**2,147,641**	1,894,965
Departmental expenses:		
Advertising and promotion	**42,389**	38,051
Consulting	**7,920**	3,000
Insurance	**163,013**	152,969
Other	**693**	660
Professional services	**(4,647)**	23,201
Travel and entertainment	**50**	174
Protection service	**15,342**	13,027
Repairs and maintenance	**240,464**	402,086
Utilities	**65,552**	63,817
Total departmental expenses	**530,776**	696,985
Departmental income before depreciation	**1,616,865**	1,197,980
Depreciation	**1,436,669**	1,403,917
Departmental operating income (loss)	**$ 180,196**	$ (205,937)

RSM US LLP

Independent Auditor's Report on Minnesota Legal Compliance

Board of Commissioners
Duluth Seaway Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of Duluth Seaway Port Authority as of and for the year ended March 31, 2026, 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 14, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the Authority and the State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Duluth, Minnesota
August 14, 2026

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