State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Spirit Mountain Recreation Area Authority (A Component Unit of the City of Duluth, Minnesota)

Years Ended April 30, 2022, and 2021

Description of the Office of the State Auditor

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

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

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

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

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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Spirit Mountain Recreation Area Authority
(A Component Unit of the
City of Duluth, Minnesota)

Years Ended April 30, 2022, and 2021

Audit Practice Division
Office of the State Auditor
State of Minnesota

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

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Duluth, Minnesota

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Directors	
David Kohlhaas	June 30, 2023
Dave Cizmas	June 30, 2023
Dave Montgomery	June 30, 2023
Daniel Hartman	June 30, 2023
Aaron Stolp	June 30, 2024
Michele Dressel	June 30, 2023
Arik Forsman	June 30, 2024
Vacant	
Vacant	

Interim Executive Director
Ann Glumac

Officers
Chair
Aaron Stolp

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Mayor and City Council
City of Duluth, Minnesota

Board of Directors
Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Spirit Mountain Recreation Area Authority, a component unit of the City of Duluth, Minnesota, as of and for the years ended April 30, 2022, and 2021, 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 Spirit Mountain Recreation Area Authority as of April 30, 2022, and 2021, and the changes in 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 audit 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. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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

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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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; and

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Spirit Mountain Recreation Area Authority's basic financial statements. The Comparative Statements of 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 auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above 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 March 2, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

March 2, 2023

Management's Discussion and Analysis

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Management's Discussion and Analysis
April 30, 2022
(Unaudited)

This section presents management's analysis of the Spirit Mountain Recreation Area Authority's financial condition and activities for the fiscal year ended April 30, 2022. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Fiscal Year 2022 showed an increase in season pass sales and daily lift tickets.

- Alpine Coaster, Campground, Food & Beverage, Banquet and Summer activities revenues all increased as these revenues were reduced in Fiscal Year 2021 as a result of the summer facility closure due to the COVID-19 pandemic.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the Authority on a full accrual, economic resource basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs.

The statement of cash flows presents changes in cash and cash equivalents resulting from operating, capital, financing, and investing activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of material data provided in the statements. The notes present information about the

Authority’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The financial statements were prepared by the Authority’s staff from the detailed books and records of the Authority. The financial statements were audited, and adjusted if material, during the independent external audit process.

SUMMARY OF ORGANIZATION AND BUSINESS

On May 18, 1973, the Minnesota State Legislature enacted Laws, 1973, Chapter 327 (the “Act”), creating the Spirit Mountain Recreation Area Authority. The mission of the Authority as defined in section one of the Act is as follows: The purpose of this Act is to facilitate the development of a land area with the following objectives: (1) the development of wide-range recreational facilities available to both local residents and tourists; (2) the aiding of the economy of northeastern Minnesota by encouraging private enterprise efforts in conjunction with the recreational facilities; and (3) the preservation of the environment in the area by a timely and intelligent plan of development. The Authority was created to have the power and duty to manage the property made up of the area. The State Legislature conferred upon the Authority the power and responsibility for the operation and management of the area. The Mayor of Duluth appoints nine community members, whose appointments are approved by the City Council, to serve on the Board of Directors that oversees the Authority.

The main forms of recreation provided to both local residents and visitors are skiing, both alpine and Nordic, snowboarding, and the Timber Twister Alpine Coaster, which in recent years were joined by the Timber Flyer Zip Line, a 9-hole miniature golf course, and a new snow tubing park in 2012, now branded as the Spirit Mountain Adventure Park. Summertime activities include special events, banquets, meetings, corporate events, mountain biking, and camping, with banquets becoming an even larger business for the Authority, with wedding receptions and corporate/other events. In the summer of 2012, the Authority installed a new four place detachable lift to replace a similar lift and added a new chalet with a bar and restaurant and a new parking lot at the Grand Avenue Chalet entrance. During 2014, two mountain bike trails were constructed, which added lift access mountain biking to the list of summer attractions and further established Spirit Mountain as a year-round recreational facility. Currently, Spirit Mountain features 22 mountain bike trails and a Duluth Traverse trailhead at the lower chalet. A pump track is also located at the Grand Avenue Chalet location. The All Weather Bike Trail provides a true beginner, downhill bike trail. Spirit Mountain hosts several large mountain biking events in which thousands of people attend. A jumping pillow has been added to the Adventure Park. In 2019, the Grand Avenue Nordic Center opened at the lower chalet. Spirit Mountain is responsible for all expenses and revenues from this operation.

The Authority does not have taxing power. Operations are funded from customer revenues. Customer revenues, together with city tourism taxes, fund the acquisition and construction of capital assets.

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

Condensed Statements of Net Position

	FY 2022	FY 2021	Change from 2021 to 2022 Dollar	Change from 2021 to 2022 Percent (%)	FY 2020
Current and other assets	$ 2,527,537	$ 1,431,994	$ 1,095,543	77	$ 514,857
Capital assets	15,841,019	16,277,129	(436,110)	(3)	17,380,723
Total Assets	$ 18,368,556	$ 17,709,123	$ 659,433	4	$ 17,895,580
Deferred outflows of resources					
Deferred pension outflows	$ 604,744	$ 128,496	$ 476,248	371	$ 238,361
Current liabilities	$ 2,569,098	$ 2,717,479	$ (148,381)	(6)	$ 2,634,777
Long-term liabilities	1,180,196	2,068,908	(888,712)	(43)	2,096,739
Total Liabilities	$ 3,749,294	$ 4,786,387	$ (1,037,093)	(22)	$ 4,731,516
Deferred inflows of resources					
Deferred pension inflows	$ 1,001,081	$ 167,111	$ 833,970	499	$ 336,390
Net investment in capital assets	$ 15,158,430	$ 15,374,945	$ (216,515)	(1)	$ 16,218,489
Unrestricted	(935,505)	(2,490,824)	1,555,319	62	(3,152,454)
Total Net Position	$ 14,222,925	$ 12,884,121	$ 1,338,804	10	$ 13,066,035

Condensed Statements of Revenues, Expenses, and Changes in Net Position (Comparative Amounts)

	FY 2022	FY 2021	Change from 2021 to 2022 Dollar	Change from 2021 to 2022 Percent (%)	FY 2020
Operating revenues	$ 5,616,546	$ 3,367,995	$ 2,248,551	67	$ 4,997,524
Nonoperating revenues	1,144,693	622,997	521,696	84	755,700
Total Revenues	$ 6,761,239	$ 3,990,992	$ 2,770,247	69	$ 5,753,224
Operating expenses	$ 4,294,356	$ 2,999,987	$ 1,294,369	43	$ 4,850,065
Nonoperating expenses	33,746	70,946	(37,200)	(52)	20,867
Depreciation/amortization	1,094,333	1,101,973	(7,640)	(1)	1,181,999
Total Expenses	$ 5,422,435	$ 4,172,906	$ 1,249,529	30	$ 6,052,931
Changes in Net Position	$ 1,338,804	$ (181,914)	$ 1,520,718	836	$ (299,707)
Beginning Net Position	12,884,121	13,066,035	(181,914)	(1)	13,365,742
Ending Net Position	$ 14,222,925	$ 12,884,121	$ 1,338,804	10	$ 13,066,035

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(2022 Budget and Actual)

	Actual	Budget	Budget to Actual Variance	Budget % Variance
Operating revenues	$ 5,616,546	$ 4,870,505	$ 746,041	13
Nonoperating revenues	1,144,693	620,700	523,993	46
Total Revenues	$ 6,761,239	$ 5,491,205	$ 1,270,034	19
Operating expenses	$ 4,294,356	$ 4,806,528	$ 512,172	12
Nonoperating expenses	33,746	47,719	13,973	41
Depreciation/amortization	1,094,333	1,092,000	(2,333)	(1)
Total Expenses	$ 5,422,435	$ 5,946,247	$ 523,812	10
Changes in Net Position	$ 1,338,804	$ (455,042)	$ 1,793,846	134
Beginning Net Position	12,884,121	12,884,121	-	0
Ending Net Position	$ 14,222,925	$ 12,429,079	$ 1,793,846	13

Revenues

The Authority earns operating revenues in both winter and summer. Operating revenues increased by $2,248,551, or 67 percent, in 2022 compared to 2021 as these revenues were reduced in 2021 as a result of the summer facility closure due to COVID-19. Nonoperating revenues increased by $521,696, or 84 percent, in 2022 compared to 2021 primarily as a result of $434,890 of debt forgiveness on the Authority's line of credit.

Expenses

The Authority's operating expenses increased $1,294,369, or 44 percent, from 2021 as these expenses were reduced in 2021 as a result of the summer facility closure due to COVID-19.

Budgetary Highlights

The Authority creates an annual operating budget, which includes proposed expenses and means of financing them. Once management and the Board of Directors approve the budget, it is presented to the Duluth City Council for final approval. The Authority's operating budget remains in effect the entire year and is not revised. Management and the Board of Directors are presented detailed monthly financial statements. However, they are not reported on nor shown in the financial statement section of this report.

Operating revenues were $746,041, or 14 percent, higher than budget due primarily to strong pass sales.

CAPITAL ASSETS

	FY 2022	FY 2021	Change Dollar	Change Percent (%)
Land and land improvements	$ 2,556,044	$ 2,556,044	$ -	0
Equipment	11,706,728	11,631,302	75,426	1
Plant equipment	1,220,511	995,223	225,288	23
Buildings and structures	15,040,448	15,008,730	31,718	1
Furniture and fixtures	267,341	259,831	7,510	3
Other capital assets	1,103,478	1,055,140	48,338	5
Construction in progress	204,270	24,732	179,538	726
Subtotal	$ 32,098,820	$ 31,531,002	$ 567,818	2
Less: accumulated depreciation	(16,257,802)	(15,253,873)	(1,003,929)	(7)
Total Capital Assets, Net	$ 15,841,018	$ 16,277,129	$ (436,111)	(3)

The Authority's ongoing capital plan improvements are made with the long-term goals of the Spirit Mountain Master Plan in mind. As always, we continue to seek ways to streamline the operation, find efficiencies, and provide the best possible guest experience.

Debt Administration

	FY 2022	FY 2021	Change Dollar	Change Percent (%)
Land and land improvements	$ 521,002	$ 699,914	$ (178,912)	(26)
Alpine Coaster lease	104,563	202,270	(97,707)	49
Groomer leases	57,024	-	57,024	100
Total Debt	$ 682,589	$ 902,184	$ (219,595)	(24)

During fiscal year 2022, the Authority's outstanding debt decreased $219,595.

ECONOMIC AND OTHER FACTORS

The Authority must consider many factors when setting the fiscal year budgets. Spirit Mountain is not immune from lessened consumer confidence and shrinking spending habits; additionally, weather challenges hamper the consumers' excitement for winter sporting activities and impact Spirit Mountain's ability to make snow during the winter. The Adventure Park is open seasonally and focuses on snow tubing in the winter months and other attractions in the summer months.

We have spent a great deal of time and money addressing the deferred maintenance, upgrading the snow making system, mountain bike trails, as well as other internal infrastructure issues. This money comes from the Spirit Mountain operating revenues and tourism tax support.

We look forward to an improved post COVID-19 economy, additional four-season recreational enhancements, and a successful winter and summer season.

FINANCIAL CONTACT

This financial report is designed to provide customers, creditor's and the public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Finance Department, Spirit Mountain Recreation Area Authority, 9500 Spirit Mountain Place, Duluth, Minnesota 55810.

Basic Financial Statements

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit 1

Comparative Statement of Net Position
April 30, 2022, and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 2,261,533	$ 1,040,470
Accounts receivable	137,622	242,820
Prepaid insurance	60,151	81,363
Inventory	68,231	67,341
Total current assets	**$ 2,527,537**	**$ 1,431,994**
Noncurrent assets		
Capital assets		
Non-depreciable	$ 2,760,314	$ 2,580,776
Depreciable	29,338,507	28,950,226
Less: accumulated depreciation	(16,257,802)	(15,253,873)
Total capital assets – net of accumulated depreciation	**$ 15,841,019**	**$ 16,277,129**
Total Assets	**$ 18,368,556**	**$ 17,709,123**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 604,744**	**$ 128,496**
Liabilities		
Current liabilities		
Accounts payable	$ 173,459	$ 142,464
Due to City of Duluth	673,241	1,206,869
Due to other governments	40,226	34,091
Accrued salaries payable	47,530	36,546
Accrued vacation payable	114,115	101,520
Accrued interest payable	241	-
Leases payable	283,885	260,195
Unearned revenue	1,236,401	935,794
Total current liabilities	**$ 2,569,098**	**$ 2,717,479**
Noncurrent liabilities		
Leases payable	$ 398,704	$ 641,989
Net pension liability	781,492	1,426,919
Total noncurrent liabilities	**$ 1,180,196**	**$ 2,068,908**
Total Liabilities	**$ 3,749,294**	**$ 4,786,387**
Deferred Inflows of Resources		
Deferred pension inflows	**$ 1,001,081**	**$ 167,111**
Net Position		
Net investment in capital assets	$ 15,158,430	$ 15,374,945
Unrestricted	(935,505)	(2,490,824)
Total Net Position	**$ 14,222,925**	**$ 12,884,121**

The notes to the financial statements are an integral part of this statement.

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit 2

Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended April 30, 2022, and 2021

	2022	2021
Operating Revenues		
Sales	$ 871,312	$ 214,338
Less: cost of goods sold	(411,062)	(86,926)
Gross profit on sales	**$ 460,250**	**$ 127,412**
Charges for services	5,141,330	3,216,615
Miscellaneous	14,966	23,968
Total Operating Revenues	**$ 5,616,546**	**$ 3,367,995**
Operating Expenses		
Personal services	$ 2,596,856	$ 1,715,294
Supplies	316,494	144,400
Utilities	493,993	371,333
Other services and charges	887,013	768,960
Depreciation	1,094,333	1,101,973
Total Operating Expenses	**$ 5,388,689**	**$ 4,101,960**
Operating Income (Loss)	**$ 227,857**	**$ (733,965)**
Nonoperating Revenues (Expenses)		
Earnings on investments	$ 5,626	$ 2,297
Tourism tax	620,700	620,700
Gain (loss) on disposal of capital assets	83,477	(18,122)
Forgiveness of due to primary government	434,890	-
Interest expense	(33,746)	(52,824)
Total Nonoperating Revenues (Expenses)	**$ 1,110,947**	**$ 552,051**
Changes in Net Position	**$ 1,338,804**	**$ (181,914)**
Net Position – May 1	**12,884,121**	**13,066,035**
Net Position – April 30	**$ 14,222,925**	**$ 12,884,121**

The notes to the financial statements are an integral part of this statement.

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit 3

Comparative Statement of Cash Flows
For the Years Ended April 30, 2022, and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 6,315,854	$ 3,610,859
Cash paid to suppliers	(2,047,255)	(1,282,697)
Cash paid to employees	(2,860,982)	(1,766,527)
Other cash received	14,966	23,968
Net cash provided by (used in) operating activities	**$ 1,422,583**	**$ 585,603**
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	$ 83,477	$ -
City of Duluth hotel/motel taxes	620,700	620,700
Capital lease payments	(314,359)	(222,644)
Acquisition and construction of capital assets	(596,964)	(137,816)
Net cash provided by (used in) capital and related financing activities	**$ (207,146)**	**$ 260,240**
Cash Flows from Investing Activities		
Interest on investments	**$ 5,626**	**$ 2,297**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 1,221,063**	**$ 848,140**
Cash and Cash Equivalents – May 1	**1,040,470**	**192,330**
Cash and Cash Equivalents – April 30	**$ 2,261,533**	**$ 1,040,470**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Net operating income (loss)	**$ 227,857**	**$ (733,965)**
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	1,094,333	1,101,973
Change in assets and liabilities		
Decrease (increase) in receivables	105,198	(74,484)
Decrease (increase) in prepaid insurance	21,212	(7,004)
Decrease (increase) in inventory	(890)	12,491
Decrease (increase) in deferred pension inflows	833,970	(169,279)
Increase (decrease) in payables	(61,608)	(7,719)
Increase (decrease) in accrued salaries payable	10,984	15,041
Increase (decrease) in accrued vacation payable	12,595	(23,940)
Increase (decrease) in deferred pension outflows	(476,248)	109,865
Increase (decrease) in net pension liability	(645,427)	17,080
Increase (decrease) in unearned revenue	300,607	345,544
Net Cash Provided by (Used in) Operating Activities	**$ 1,422,583**	**$ 585,603**
Non-cash capital activities		
Loss on disposal of capital assets	$ -	$ 18,123
Capital asset trade-ins	-	49,200

The notes to the financial statements are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies

Organization

The Spirit Mountain Recreation Area Authority was created by Minn. Laws 1973, ch. 327, for the purpose of developing and operating wide-range recreational facilities in the Spirit Mountain area within and adjacent to the City of Duluth, Minnesota. The management of the Authority is vested in nine directors appointed by the Mayor of Duluth and approved by resolution of the City Council.

The accounting policies of the Spirit Mountain Recreation Area Authority conform with accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The Authority is a discretely presented component unit of the City of Duluth reporting entity and, therefore, is included in the City's Annual Comprehensive Financial Report because of the significance of its operations and financial relationships with the City.

Fund Accounting

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

The principal operating revenues of the Authority are charges to customers for sales and services for recreational activities offered within the Spirit Mountain area. All revenues not meeting this definition are reported as nonoperating revenues.

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

Basis of Accounting

The Authority uses the full accrual, economic resource basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of cash flows.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments held by the Treasurer of the City of Duluth. Investments are stated at fair value, and investment revenue is recorded as it is earned. For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Inventories

Inventories of supplies and merchandise for resale are priced at the lower of cost or market value on a first-in, first-out basis.

Capital Assets

Purchased or constructed capital assets are stated at cost. Donated capital assets are recorded at acquisition value on the date of donation. The Authority's policy is to capitalize assets with a useful life of at least three years and a minimum cost of $500. Depreciation of capital assets is determined using the straight-line method.

Estimated Useful Lives of Capital Assets

Classification	Range
Buildings and structures	5 to 40 years
Equipment	3 to 40 years
Furniture and fixtures	5 to 20 years
Other capital assets	5 to 40 years
Planning and development costs	10 years

Accrued Vacation Payable

Full-time employees covered by the Minnesota Arrowhead District Council 96 collective bargaining agreement are granted from 10 to 21 days of vacation per year depending on their years of service. Employees not covered by the collective bargaining agreement are granted from one to four weeks of vacation per year depending on their years of service. Vacation balances up to the amount earned in one year may be carried forward to the subsequent year.

Unearned Revenue

Unredeemed passes and gift certificates are reported as unearned revenue until they are earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources associated with the defined benefit pension plan.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources associated with the defined benefit pension plan.

Pension Plan

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

Classification of Net Position

Net position is classified in the following categories:

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt, if any, attributed to the acquisition, construction, or improvement of the assets.

- Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or constitutional provisions or enabling legislation.

- Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

Trade-Offs

The Authority issues lift passes, rentals, lessons, etc., in exchange for other non-monetary assets or services, such as advertising and other promotional services. The value of the lift passes, rentals, or lessons is credited to the appropriate revenue account and debited to the appropriate expense account.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Detailed Notes

Budget

The Authority adopts an annual budget which is approved by the Duluth City Council.

Budget-to-Actual Comparison for the Year Ending April 30, 2022

	Budget	Actual	Variance
Operating Revenues			
Sales	$ 999,090	$ 871,312	$ (127,778)
Less: cost of goods sold	(363,082)	(411,062)	(47,980)
Gross profit on sales	$ 636,008	$ 460,250	$ (175,758)
Charges for services	4,152,174	5,141,330	989,156
Miscellaneous	82,323	14,966	(67,357)
Total Operating Revenues	$ 4,870,505	$ 5,616,546	$ 746,041
Operating Expenses			
Personal services	$ 3,232,116	$ 2,596,856	$ 635,260
Supplies	341,536	316,494	25,042
Utilities	442,813	493,993	(51,180)
Other services and charges	790,063	887,013	(96,950)
Depreciation	1,092,000	1,094,333	(2,333)
Total Operating Expenses	$ 5,898,528	$ 5,388,689	$ 509,839
Operating Income (Loss)	$ (1,028,023)	$ 227,857	$ 1,255,880
Nonoperating Revenues (Expenses)			
Earnings on investments	$ -	$ 5,626	$ 5,626
Tourism tax	620,700	620,700	-
Gain on sale or disposition of capital assets	-	83,477	83,477
Forgiveness of due to primary government	-	434,890	434,890
Interest expense	(47,719)	(33,746)	13,973
Total Nonoperating Revenues (Expenses)	$ 572,981	$ 1,110,947	$ 537,966
Change in Net Position	$ (455,042)	$ 1,338,804	$ 1,793,846

Budget-to-Actual Comparison for the Year Ending April 30, 2021

	Budget	Actual	Variance
Operating Revenues			
Sales	$ 193,049	$ 214,338	$ 21,289
Less: cost of goods sold	(258,548)	(86,926)	171,622
Gross profit on sales	$ (65,499)	$ 127,412	$ 192,911
Charges for services	2,857,512	3,216,615	359,103
Miscellaneous	9,659	23,968	14,309
Total Operating Revenues	$ 2,801,672	$ 3,367,995	$ 566,323
Operating Expenses			
Personal services	$ 1,620,388	$ 1,715,294	$ (94,906)
Supplies	169,080	144,400	24,680
Utilities	343,031	371,333	(28,302)
Other services and charges	576,279	768,960	(192,681)
Depreciation	1,060,619	1,101,973	(41,354)
Total Operating Expenses	$ 3,769,397	$ 4,101,960	$ (332,563)
Operating Income (Loss)	$ (967,725)	$ (733,965)	$ 233,760
Nonoperating Revenues (Expenses)			
Earnings on investments	$ 52	$ 2,297	$ 2,245
Tourism tax	420,700	620,700	200,000
Gain on sale or disposition of capital assets	-	(18,122)	(18,122)
Interest expense	(47,356)	(52,824)	(5,468)
Total Nonoperating Revenues (Expenses)	$ 373,396	$ 552,051	$ 178,655
Change in Net Position	$ (594,329)	$ (181,914)	$ 412,415

Deposits

The Treasurer of the City of Duluth is designated by Minn. Laws 1973, ch. 327, as Treasurer of the Authority. Authority deposits are pooled with all other City deposits. The City Treasurer is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit cash and to invest in certificates of deposit in financial institutions designated by the Duluth City Council. Minnesota statutes require that all Authority deposits be covered by insurance, surety bond, or collateral.

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

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

Cash and Cash Equivalents for the Years Ending April 30

	2022	2021
City Treasurer	$ 2,226,874	$ 1,032,511
Petty cash and change funds	34,659	7,959
Total Cash and Cash Equivalents	$ 2,261,533	$ 1,040,470

Capital Assets

A summary of the changes in capital assets for the years ended April 30, 2022, and 2021, follows:

Changes in Capital Assets for the Year Ending April 30, 2022

	Balance May 1, 2021	Additions	Deductions	Balance April 30, 2022
Capital assets not depreciated				
Land and land improvements	$ 2,556,044	$ -	$ -	$ 2,556,044
Construction in progress	24,732	179,538	-	204,270
Total capital assets not depreciated	$ 2,580,776	$ 179,538	$ -	$ 2,760,314
Capital assets depreciated				
Buildings and structures	$ 15,008,730	$ 31,718	$ -	$ 15,040,448
Equipment	12,626,525	391,119	90,405	12,927,239
Furniture and fixtures	259,831	7,511	-	267,342
Other capital assets	1,055,140	48,338	-	1,103,478
Total capital assets depreciated	$ 28,950,226	$ 478,686	$ 90,405	$ 29,338,507
Less: accumulated depreciation for				
Buildings and structures	$ 6,623,868	$ 495,972	$ -	$ 7,119,840
Equipment	7,672,322	548,249	90,405	8,130,166
Furniture and fixtures	259,305	1,850	-	261,155
Other capital assets	698,378	48,263	-	746,641
Total accumulated depreciation	$ 15,253,873	$ 1,094,334	$ 90,405	$ 16,257,802
Total capital assets depreciated, net	$ 13,696,353	$ (615,648)	$ -	$ 13,080,705
Capital Assets, Net	$ 16,277,129	$ (436,110)	$ -	$ 15,841,019

Changes in Capital Assets for the Year Ending April 30, 2021

	Balance May 1, 2020	Additions	Deductions	Balance April 30, 2021
Capital assets not depreciated				
Land and land improvements	$ 2,556,044	$ -	$ -	$ 2,556,044
Construction in progress	113,744	-	89,012	24,732
Total capital assets not depreciated	$ 2,669,788	$ -	$ 89,012	$ 2,580,776
Capital assets depreciated				
Buildings and structures	$ 15,008,730	$ -	$ -	$ 15,008,730
Equipment	12,701,304	154,713	229,492	12,626,525
Furniture and fixtures	259,831	-	-	259,831
Other capital assets	1,055,140	-	-	1,055,140
Total capital assets depreciated	$ 29,025,005	$ 154,713	$ 229,492	$ 28,950,226
Less: accumulated depreciation for				
Buildings and structures	$ 6,129,372	$ 494,496	$ -	$ 6,623,868
Equipment	7,273,707	560,784	162,169	7,672,322
Furniture and fixtures	258,854	451	-	259,305
Other capital assets	652,137	46,241	-	698,378
Total accumulated depreciation	$ 14,314,070	$ 1,101,972	$ 162,169	$ 15,253,873
Total capital assets depreciated, Net	$ 14,710,935	$ (947,259)	$ 67,323	$ 13,696,353
Capital Assets, Net	$ 17,380,723	$ (947,259)	$ 156,335	$ 16,277,129

Vacation and Sick Leave

Unpaid vacation leave earned as of April 30, 2022, and 2021, is $114,115 and $101,520, respectively, and is recognized as a liability in the financial statements.

Sick leave is recorded as an expense when paid. The contingent liability for unused sick leave is not recognized in the financial statements.

Due to City of Duluth

The City of Duluth extended the Authority a line of credit to assist in the management of cash flow within the budget approved.

At its May 10, 2021, council meeting, the Duluth City Council authorized the forgiveness of up to $900,000 of the line of credit in exchange for Spirit Mountain making investments in capital improvements during calendar years 2021, 2022, and 2023. The Authority must make a payment toward capital improvements of not less than $100,000 during each calendar year. The amount of forgiveness in any of the calendar years is limited to the amount paid towards capital improvements by the Authority or $500,000, whichever is less.

Amounts Due to the City of Duluth for the Years Ending April 30

	2022	2021
General Fund – sales tax	$ 8,131	$ 6,869
General Fund – line of credit	665,110	1,200,000
Total	$ 673,241	$ 1,206,869

Pledge Agreement with City of Duluth

On February 23, 2012, the City of Duluth issued General Obligation Tax Abatement Bonds, Series 2012A, in the amount of $7,055,000. The proceeds from these bonds were used to finance capital improvements to the Spirit Mountain Recreation Area Authority, including lift improvements, parking lot improvements, and a new chalet on Grand Avenue.

The Authority entered into a pledge agreement with the City of Duluth dated February 23, 2012. Under this agreement, the City has pledged tax abatement revenue for paying the principal and interest on the bonds, but the City's and Authority's plan of finance for the project is for the City to provide $500,000 per year of tourism taxes toward the repayment of the bond principal and interest, and the Authority to pledge operating revenues to pay the balance of the principal and interest owed each year until the bond is paid off in 2030.

Capitalized Lease Obligations

The Authority acquired equipment through capital leases arrangements.

Capitalized Lease Property for the Years Ending April 30

	2022	2021
Equipment	$ 3,611,273	$ 3,177,967
Less: accumulated depreciation	(1,941,035)	(1,666,303)
Net Capital Lease Property	$ 1,670,238	$ 1,511,664

Minimum Future Lease Payments for the Year Ending April 30, 2022

	Principal	Interest
2023	$ 283,885	$ 24,158
2024	216,326	11,402
2025	159,696	3,390
2026	13,269	1,251
2027	9,413	266
Total	$ 682,589	$ 40,467

Minimum Future Lease Payments for the Year Ending April 30, 2021

	Principal	Interest
2022	$ 260,195	$ 34,464
2023	301,825	20,241
2024	204,900	8,308
2025	135,264	1,183
Total	$ 902,184	$ 64,196

Detail of Capital Lease Obligations for the Years Ending April 30

	2022	2021
A $2,340,150 lease purchase for purchase, design, and installation of an Alpine Coaster and construction of a ticket/concession building and parking lot, dated January 26, 2010, due in periodic installments commencing September 1, 2010, through February 1, 2025, with interest at 3.96 percent.	$ 521,002	$ 699,914
A $202,271 lease purchase for a groomer, dated April 29, 2021, due in periodic installments through April 15, 2023, with interest at 7.50 percent.	104,563	202,270
A $61,261 lease purchase for DSC radios, dated February 1, 2022, due in monthly payments through December 1, 2026, with interest at 7.50 percent.	57,024	-
Total	$ 682,589	$ 902,184
Current portion	$ 283,885	$ 260,195
Long-term portion	398,704	641,989
Total	$ 682,589	$ 902,184

Changes in Capital Lease Obligations for the Years Ending April 30

	2022	2021
Balance, beginning of year	$ 902,184	$ 869,734
Additions	61,261	202,270
Reductions	(280,856)	(169,820)
Balance, end of year	$ 682,589	$ 902,184

Operating Lease

The Authority is obligated under an operating lease for office equipment. Lease expense for fiscal years 2022 and 2021 is $6,293 and $6,080, respectively. The future minimum rental payments, which are not reported as liabilities in the financial statements at April 30, 2022, and 2021, are $4,164 due in fiscal years 2022, 2023, and 2024, and $1,041 due in fiscal year 2025.

Mountain Villas Agreements

In November 1979, the Authority entered into an agreement with the Mountain Villas Owner's Association, Inc., for the rental of property associated with 15 rental housing units sold by the Authority to the Association. The agreement provides for an annual base rental payment of $15,000 by the Association and features an annual inflation adjustment clause equal to the change in the consumer price index. This clause was not invoked by the Authority until 1989.

In November 2016, the Authority entered into another agreement with the Mountain Villas Owner's Association, Inc., to manage the 15 rental housing units owned by the Association. The agreement provides payment to the Authority of an annual base management fee of $27,000 plus ten percent of gross sales. The Authority and the Mountain Villas Owners Association, Inc., agreed to terminate the management agreement as of March 31, 2022.

Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of the Spirit Mountain Recreation Area Authority are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost sharing, multiple employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Spirit Mountain Recreation Area Authority employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2021.

In 2021, the Authority was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

The Authority's contributions for the General Employees Plan for the years ended April 30, 2022, and 2021, were $122,350 and $80,962, respectively. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

At April 30, 2022, and 2021, the Authority reported a liability of $781,492 and $1,426,919, respectively, for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, and July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the Authority's proportion was 0.0183 percent. It was 0.0238 percent measured as of June 30, 2020. For the years ended April 30, 2022, and 2021, the Authority recognized pension expense of $(163,425) and $42,449, respectively, for its proportionate share of the General Employees Plan's pension expense.

The Authority also recognized $1,930 and $3,824 for the years ended April 30, 2022, and 2021, respectively, as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

The Authority's Share of the General Employees Plan's
Net Pension Liability and the State's Related Liability
For the Years Ending April 30

	2022	2021
The Authority's proportionate share of the net pension liability	$ 781,492	$ 1,426,919
State of Minnesota's proportionate share of the net pension liability associated with the Authority	23,917	43,940
Total	$ 805,409	$ 1,470,859

The Authority reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions.

General Employees Plan
Deferred Outflow of Resources and Deferred Inflows of Resources
For the Years Ending April 30

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,690	$ 24,748	$ 13,921	$ 5,399
Changes in actuarial assumptions	477,163	22,994	-	54,513
Difference between projected and actual investment earnings	-	659,032	14,349	-
Changes in proportion	11,095	294,307	22,190	107,199
Contributions paid to PERA Subsequent to the measurement date	109,796	-	78,036	-
Total	$ 604,744	$ 1,001,081	$ 128,496	$ 167,111

The $109,796 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2022. At April 30, 2021, $78,036 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense in upcoming periods.

Schedule of Amortization of Deferred Outflows and Inflows of Resources as of April 30, 2022

Year Ended April 30		Pension Expense Amount
2023	$	(129,725)
2024		(111,250)
2025		(80,558)
2026		(184,600)

Schedule of Amortization of Deferred Outflows and Inflows of Resources as of April 30, 2021

Year Ended April 30		Pension Expense Amount
2022	$	(140,217)
2023		(14,692)
2024		3,783
2025		34,475

Actuarial Assumptions

The total pension liability in the June 30, 2021, and June 30, 2020, actuarial valuations was determined using the individual entry-age normal actuarial cost method and additional actuarial assumptions.

General Employees Plan Actuarial Assumptions for the Years Ending June 30

	2021	2020
Inflation	2.25 percent per year	2.25 percent per year
Active member payroll growth	3.00 percent per year	3.00 percent per year
Investment rate of return	6.50 percent	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent for the year ended June 30, 2021, and 7.50 percent for the year ended June 30, 2020. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class
Asset Class Allocation and Expected Return as of June 20, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021 and 2020:

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 changes result 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 Employee 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 Retiree 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 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate previously disclosed, 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.

Spirit Mountain's Proportionate Share
Sensitivity of the Net Pension Liability to Changes in the Discount Rate
For the Years Ending April 30
Pension Liability Sensitivity – Discount Rate

	Proportionate Share of the General Employees Plan			
	2022		2021	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 1,593,845	6.50%	$ 2,286,856
Current	6.50%	781,492	7.50%	1,426,919
1% Increase	7.50%	114,907	8.50%	717,540

Pension Plan Fiduciary Net Position

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

Note 3 – Risk Management

The Authority uses State Fund Mutual (SFM) to insure against its obligation to provide benefits to employees pursuant to the Minnesota Workers' Compensation Act. The Authority participates in the League of Minnesota Cities (LMC) for commercial insurance and to insure against general liability claims, except the liability claims arising by reason of selling, serving, or furnishing alcoholic beverages. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years. No liability has been recognized in the financial statements for excess workers' compensation claims and costs.

For general liability claims insured through the LMC, the Authority retains responsibility for paying the first $50,000 of each loss resulting from each occurrence. The maximum coverage provided by the LMC was $500,000 per claimant and $2,000,000 per occurrence. The estimated liability of the Authority for general liability claims, where coverage is not provided, is accrued if the Authority's attorney determines settlement is probable, based on a case-by-case evaluation.

Required Supplementary Information

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit A-1

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
April 30, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Spirit Mountain Recreation Area Authority (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0183 %	$ 781,492	$ 23,917	$ 805,409	$ 1,207,871	64.70 %	87.00 %
2020	0.0238	1,426,919	43,940	1,470,859	1,670,505	85.42	79.06
2019	0.0255	1,409,839	43,831	1,453,670	1,802,067	78.23	80.23
2018	0.0247	1,370,255	44,929	1,415,184	1,522,947	89.97	79.53
2017	0.0270	1,723,661	21,676	1,745,337	1,739,320	99.10	75.90
2016	0.0249	2,021,757	26,483	2,048,240	1,659,293	121.84	68.91
2015	0.0289	1,497,748	N/A	1,497,748	1,670,387	89.66	78.19
2014	0.0316	1,484,410	N/A	1,484,410	1,737,780	85.42	78.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit A-2

Schedule of Contributions
PERA General Employees Retirement Plan
April 30, 2022

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 122,350	$ 122,350	$ -	$ 1,631,338	7.50 %
2021	80,962	80,962	-	1,079,495	7.50
2020	147,641	147,641	-	1,968,547	7.50
2019	131,464	131,464	-	1,752,857	7.50
2018	114,178	114,178	-	1,522,373	7.50
2017	125,108	125,108	-	1,668,107	7.50
2016	115,982	115,982	-	1,546,427	7.50
2015	127,523	104,147	(23,376)	1,737,780	5.99

This schedule is intended to show information for ten years. Additional years will be displayed as they become available
The Spirit Mountain Recreation Area Authority's year-end is April 30.

The notes to the required supplementary information are an integral part of this schedule.

Note 1 – Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 Employee 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 Retiree 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 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the

100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- 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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to

$21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Supplementary Information

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit B-1

Comparative Statement of Operating Revenues
For the Years Ended April 30, 2022, and 2021

	2022	2021
Sales		
Food	$ 385,795	$ 93,093
Liquor	181,042	50,264
Ski shop	119,435	70,981
Grand Avenue Chalet	185,040	-
Less: cost of goods sold	(411,062)	(86,926)
Net sales	**$ 460,250**	**$ 127,412**
Charges for Services		
Season passes	$ 1,552,374	$ 1,325,232
Daily lift tickets	1,577,029	1,267,467
Alpine Coaster	748,856	116,629
Ski school and snow sports	149,337	73,577
Ski rental	288,370	163,314
Snowboard rental	66,996	128,631
Locker rental	15,038	13,002
Nordic tickets and rental	22,096	3,900
Snocross	(629)	(221)
Campground	259,156	379
Mountain Villas management fee	128,926	124,814
Summer activities	333,781	(109)
Total charges for services	**$ 5,141,330**	**$ 3,216,615**
Miscellaneous		
Other revenues	**$ 14,966**	**$ 23,968**
Total Operating Revenues	**$ 5,616,546**	**$ 3,367,995**

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Exhibit B-2

Comparative Statement of Operating Expenses
For the Years Ended April 30, 2022, and 2021

	2022	2021
Department		
Food and beverage	$ 332,813	$ 172,394
Housekeeping	-	13,209
Rental	103,921	43,220
Ski shop	12,014	5,899
Campground	113,522	6,677
Parking and shuttle	3,268	1,556
Building and grounds	160,204	217,440
Skyline building maintenance	233,320	-
Ski school and snow sports center	167,060	158,035
Outside mountain operations	1,828,799	1,320,160
Nordic	8,980	9,946
Ski patrol	33,192	14,949
Sales and marketing	233,427	181,737
Office administration	503,579	736,849
Mountain Villas	56,790	60,872
Grand Avenue Chalet	200,108	41,113
Summer activities	62,748	-
Adventure Park	240,611	15,931
Total departmental costs	**$ 4,294,356**	**$ 2,999,987**
Depreciation	1,094,333	1,101,973
Total Operating Expenses	**$ 5,388,689**	**$ 4,101,960**

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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*

<u>Independent Auditor's Report</u>

Mayor and City Council
City of Duluth, Minnesota

Board of Directors
Spirit Mountain Recreation Area Authority
Duluth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Spirit Mountain Recreation Area Authority, a component unit of the City of Duluth, Minnesota, as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Spirit Mountain Recreation Area Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Spirit Mountain Recreation Area Authority's response to the internal control finding identified in our audit and described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

March 2, 2023

Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Schedule of Findings and Recommendations
For the Year Ended April 30, 2022

Findings Related to Financial Statements Audited in Accordance with *Government Auditing Standards*

2022-001 **<u>Segregation of Duties - Cash Collections</u>**
Prior Year Finding Number: 2021-001
Repeat Finding Since: 2015
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Spirit Mountain Recreation Area Authority's assets, proper segregation of record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel, segregation of duties necessary to ensure adequate internal accounting control is not possible.

Context: The size of the Authority and its staffing limits the internal control that management can design and implement into the organization. Without proper segregation of duties, errors or irregularities may not be detected timely.

Effect: Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The size of the Spirit Mountain Recreation Area Authority and its staffing limits the internal control that management can design and implement into the organization.

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Directors and management be mindful that limited staffing causes inherent risks in safeguarding the Authority's assets and the proper reporting of its financial activity. We recommend the Board of Directors and management continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

View of Responsible Official: Concur

Representation of the
Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Corrective Action Plan
For the Year Ended April 30, 2022

Finding Number: 2022-001
Finding Title: Segregation of Duties – Cash Collections

Name of Contact Person Responsible for Corrective Action:

Ann Glumac, Interim Executive Director, and Dave Wadsworth, Director of Finance

Corrective Action Planned:

Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. We currently have policies and procedures in place to provide an ongoing monitoring system. We will continue with this monitoring and develop additional policies and procedures, as needed, to improve our internal control.

Anticipated Completion Date:

Ongoing, the Spirit Mountain Recreation Area Authority understands the risk and is willing to assume the responsibility.

Representation of the
Spirit Mountain Recreation Area Authority
Duluth, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended April 30, 2022

Finding Number: 2021-001
Year of Finding Origination: 2015
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel, segregation of duties necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported: Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. We currently have policies and procedures in place to provide an ongoing monitoring system. We will continue with this monitoring and develop additional policies and procedures, as needed, to improve our internal control.

Status: Not Corrected. The Spirit Mountain Recreation Area Authority understands the risk and is willing to assume the responsibility.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002
Repeat Finding Since: 2020
Finding Title: Financial Condition

Summary of Condition: The financial condition of the Spirit Mountain Recreation Area Authority has declined to the point where current liabilities of $2,717,479 exceeds current assets of $1,431,840 by $1,285,639 as of April 30, 2021. This indicates that the Authority does not have sufficient liquidity available to cover all of its short-term obligations to its vendors and employees.

Summary of Corrective Action Previously Reported: On behalf of Spirit Mountain Recreation Area Authority (SMRAA), the City of Duluth engaged industry consultants to provide data and insights to a mayoral task force charged with making recommendations to return SMRAA to a sustainable business model. Subsequently, SMRAA has worked to implement all feasible recommendations that resulted from the mayoral task force in an effort to improve revenue generation and margins. Additionally, the City of Duluth has passed a SMRAA specific debt forgiveness resolution that provides for up to $500,000 forgiveness per year on the outstanding balance on our line of credit contingent on investing in the capital infrastructure of the facility, employing a dollar for dollar match. In order to receive the forgiveness benefit of the resolution, SMRAA must repay $100,000 per year to the City of Duluth in calendar years 2021, 2022 and 2023.

Status: Fully Corrected.

Corrective action taken was significantly different than the action previously reported.

The change in corrective action plan is simply a continuation of efforts to implement feasible recommendations from the mayoral task force.