State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Duluth Entertainment and Convention Center Authority (A Component Unit of the City of Duluth, Minnesota)

Year Ended December 31, 2021

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota's local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

Duluth Entertainment and Convention Center Authority (A Component Unit of the City of Duluth, Minnesota)

Year Ended December 31, 2021

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

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DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

ORGANIZATION
DECEMBER 31, 2021

	Term Expires
Directors	
Matthew Baumgartner	June 30, 2023
Martha Bremer	July 1, 2022
Mary Finnegan-Ongaro	January 2, 2023
Carrie Heffernan	January 2, 2023
Laura Mullen	June 30, 2023
Patrick Mullen	January 2, 2023
Bill Nelson	June 30, 2024
Don Ness	July 1, 2022
Peter Singler	March 31, 2023
Jason Vincent	June 30, 2024
Lynne Williams	January 2, 2023
Officers	
President	
Patrick Mullen	
Vice President	
Lynne Williams	
Auditor	
Josh Bailey	Indefinite
Executive Director	
Dan Hartman	Indefinite

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
Duluth Entertainment and Convention Center
 Authority
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Duluth Entertainment and Convention Center Authority, a component unit of the City of Duluth, Minnesota, as of and for the year ended December 31, 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 Duluth Entertainment and Convention Center Authority as of December 31, 2021, and the changes in financial position and its cash flows for the year 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.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
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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.

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 Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA General Employees 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 (GASB) 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Duluth Entertainment and Convention Center Authority's basic financial statements. The Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 June 16, 2022, 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	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

June 16, 2022

BASIC FINANCIAL STATEMENTS

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets		
Current assets		
Cash and cash equivalents	$	2,398,126
Accounts receivable		915,487
Due from City of Duluth		888,538
Inventory		148,331
Prepaid items		58,122
Total current assets	**$**	**4,408,604**
Restricted current assets		
Assets restricted for customers' deposits		
Cash and cash equivalents	$	744,711
Accounts receivable		3,702
Assets restricted for employee flexible benefits		
Cash and cash equivalents		8,178
Total restricted current assets	**$**	**756,591**
Total current assets	**$**	**5,165,195**
Capital assets		
Not depreciated	$	973,759
Depreciated		151,016,308
Less: allowance for depreciation		(78,221,757)
Total capital assets – net of accumulated depreciation	**$**	**73,768,310**
Total noncurrent assets	**$**	**73,768,310**
Total Assets	**$**	**78,933,505**
Deferred Outflows of Resources		
Deferred pension outflows	$	539,536
Deferred other postemployment benefits outflows		456,345
Total Deferred Outflows of Resources	**$**	**995,881**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2021

Liabilities		
Current liabilities		
Accounts payable	$	588,187
Salaries payable		116,323
Contracts payable		51
Compensated absences payable – current		96,342
Unearned revenue		1,019,549
Total current liabilities	**$**	**1,820,452**
Current liabilities payable from restricted assets		
Customer deposits	$	639,952
Employee flexible benefits plan payable		660
Total current liabilities payable from restricted assets	**$**	**640,612**
Total current liabilities	**$**	**2,461,064**
Noncurrent liabilities		
Net pension liability	$	687,542
Other postemployment benefits liability		1,592,827
Total noncurrent liabilities	**$**	**2,280,369**
Total Liabilities	**$**	**4,741,433**
Deferred Inflows of Resources		
Deferred pension inflows	$	2,304,017
Deferred other postemployment benefits inflows		350,219
Total Deferred Inflows of Resources	**$**	**2,654,236**
Net Position		
Investment in capital assets	$	73,768,310
Unrestricted		(1,234,593)
Total Net Position	**$**	**72,533,717**

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

Operating Revenues		
Sales	$	934,604
Charges for services		4,650,903
Miscellaneous		562,875
Total Operating Revenues	**$**	**6,148,382**
Operating Expenses		
Personal services	$	1,157,862
Supplies and services		813,267
Utilities		1,311,712
Other services and charges		2,272,239
Depreciation		3,596,287
Total Operating Expenses	**$**	**9,151,367**
Operating Income (Loss)	**$**	**(3,002,985)**
Nonoperating Revenues (Expenses)		
Interest income	$	10,847
Hotel/motel tax revenue		1,979,567
Naming rights revenue		200,000
Intergovernmental revenue		
Federal		751,745
State		500,000
Sale of capital assets		5,000
Total Nonoperating Revenues (Expenses)	**$**	**3,447,159**
Change in Net Position	$	**444,174**
Net Position – January 1		**72,089,543**
Net Position – December 31	**$**	**72,533,717**

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

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT 3

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities		
Cash received from customers	$	5,787,343
Payments to suppliers		(4,194,339)
Payments to employees		(2,880,606)
Other operating revenues		562,875
Net cash provided by (used in) operating activities	**$**	**(724,727)**
Cash Flows from Noncapital Financing Activities		
City of Duluth hotel/motel taxes	**$**	1,091,029
Operating grants federal		751,745
Operating grants state		500,000
Net cash provided by (used in) noncapital financing activities	**$**	**2,342,774**
Cash Flows from Capital and Related Financing Activities		
Payment received for naming rights	$	200,000
Acquisition or construction of capital assets		(115,536)
Sale of capital assets		5,000
Net cash provided by (used in) capital and related financing activities	**$**	**89,464**
Cash Flows from Investing Activities		
Interest on investments	**$**	**10,847**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**1,718,358**
Cash and Cash Equivalents – January 1		**1,432,657**
Cash and Cash Equivalents – December 31	**$**	**3,151,015**

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

EXHIBIT 3
(Continued)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	**$ (3,002,985)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	3,596,287
(Increase) decrease in accounts receivable	(572,928)
(Increase) decrease in inventories	(81,113)
(Increase) decrease in prepaid items	(24,914)
(Increase) decrease in deferred pension liability outflows	(463,809)
(Increase) decrease in deferred other postemployment benefits outflows	(189,881)
Increase (decrease) in accounts payable	308,906
Increase (decrease) in due to other governments	(692,100)
Increase (decrease) in salaries payable	79,931
Increase (decrease) in unearned revenue	353,728
Increase (decrease) in customer deposits	421,036
Increase (decrease) in net other postemployment benefits liability	(202,271)
Increase (decrease) in compensated absences	17,361
Increase (decrease) in deferred net other postemployment benefits inflows	257,955
Increase (decrease) in deferred pension liability inflows	1,636,366
Increase (decrease) in pension liability	(2,166,296)
Net Cash Provided by (Used in) Operating Activities	**$ (724,727)**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

The Duluth Entertainment and Convention Center Authority was created by Minn. Laws 1963, ch. 305; Minn. Laws 1985, 1st Spec. Sess., ch. 15, § 36, as amended; and by Minn. Laws 1998, ch. 404, § 61. The Authority has the power to contract, administer, promote, control, direct, manage, and operate the Duluth Entertainment and Convention Center for the City of Duluth and the State of Minnesota. The Authority consists of seven Directors appointed by the Mayor of the City of Duluth and approved by resolution of the City Council and four Directors appointed by the Governor of Minnesota.

The accounting policies of the Authority conform with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

For financial reporting purposes, a reporting entity includes all funds, organizations, agencies, boards, commissions, and authorities for which it is financially accountable and other organizations for which the nature and significance of their relationship with it are such that exclusion would cause its financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the reporting entity to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the reporting entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Duluth Entertainment and Convention Center Authority, a component unit of the City of Duluth. The Authority is included in the City of Duluth's reporting entity because of the significance of its operational or financial relationships with the City.

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The accounts of the Duluth Entertainment and Convention Center Authority are presented as an enterprise fund. Enterprise funds are used to account for operations that are 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.

C. Basis of Accounting

Accounting records are maintained on a full accrual, economic resource basis, under which revenues are recorded when earned and expenses are recorded when liabilities are incurred.

D. Budget and Budgetary Accounting

Budgetary control is maintained through an annual budget adopted by the Duluth Entertainment and Convention Center Authority. The budget is prepared on the accrual basis of accounting.

E. 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.

F. Inventories of Merchandise for Resale

Inventories are priced at the lower of cost or market value on a first-in, first-out basis and are recorded as expenses when consumed.

G. Capital Assets

All capital assets are valued at historical or estimated historical cost. Donated capital assets are recorded at acquisition value on the date of donation.

1. Summary of Significant Accounting Policies

G. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

H. Depreciation

Depreciation of capital assets is determined using the straight-line method. The estimated useful lives of the assets are 40 years for buildings, 20 years for land improvements, and three to 20 years for equipment.

I. 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 a 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 pension plans and other postemployment benefits (OPEB) in the statement of net position.

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 so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources associated with pension and OPEB.

J. Restricted Assets

Restricted assets consist of promoter-escrowed funds and the employee flexible benefits plan account. Promoter-escrowed funds consist of cash and receivables escrowed on behalf of various promoters related to advance ticket sales for upcoming events. The employee flexible spending plan account consists of amounts withheld from employees pursuant to Internal Revenue Service regulations designated for reimbursement to employees for specific plan expenses.

1. Summary of Significant Accounting Policies (Continued)

K. Unearned Revenue

Unearned revenue represents advance deposits to reserve Authority facilities for future events, proceeds from the sale of gift certificates and gift cards that have not been redeemed as of year-end, and lease revenues that have not been earned as of year-end.

L. Classification of Net Position

Net position is classified in the following categories:

- Investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation.

- 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 investment in capital assets.

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.

M. Operating Revenues

Operating revenues, such as sales and charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

N. 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

1. Summary of Significant Accounting Policies

N. Use of Estimates (Continued)

outflows of resources, liabilities, and deferred inflows or 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.

O. Trade-Offs

The Authority exchanges scoreboard advertising, attraction admissions, building rent, and other services for other non-monetary assets or services such as radio, television, or print advertising. The value of the services exchanged is debited to the appropriate expense accounts and credited to the appropriate revenue accounts.

P. 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.

2. Detailed Notes

A. Deposits and Investments

The City of Duluth Treasurer is designated by Minn. Laws 1963, ch. 305, as the Treasurer of the Authority. The City Treasurer is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit the Authority's cash and to invest in certificates of deposit in financial institutions designated by the Duluth City Council. Minnesota statutes require that all of the Authority's deposits be covered by insurance, surety bond, or collateral.

2. Detailed Notes

A. Deposits and Investments (Continued)

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 GASB Statement No. 40, *Deposit 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.

The following is a summary of the Authority's cash and investments at December 31, 2021:

Current assets	
City of Duluth pooled cash account	$ 325,826
Savings account – operating reserve	2,000,000
Petty cash and change funds	72,300
Total current assets	$ 2,398,126
Restricted current assets	
Ticket office customer deposits – checking	$ 719,511
Ticket office change fund	25,200
Employee flexible benefits plan – checking	8,178
Total restricted current assets	$ 752,889
Total	$ 3,151,015

2. Detailed Notes (Continued)

B. Capital Assets

A summary of the changes in the capital asset accounts for the year ended December 31, 2021, follows:

	Balance January 1, 2021	Increase	Decrease	Balance December 31, 2021
Capital assets not depreciated				
Land	$ 905,601	$ -	$ -	$ 905,601
Construction in progress	-	68,158	-	68,158
Total capital assets not depreciated	$ 905,601	$ 68,158	$ -	$ 973,759
Capital assets depreciated				
Land improvements	$ 302,957	$ -	$ -	$ 302,957
Buildings	138,132,674	8,730	-	138,141,404
Equipment	12,533,248	38,699	-	12,571,947
Total capital assets depreciated	$ 150,968,879	$ 47,429	$ -	$ 151,016,308
Less: accumulated depreciation for				
Land improvements	$ 302,957	$ -	$ -	$ 302,957
Buildings	64,077,505	3,256,411	-	67,333,916
Equipment	10,245,008	339,876	-	10,584,884
Total accumulated depreciation	$ 74,625,470	$ 3,596,287	$ -	$ 78,221,757
Total capital assets depreciated, net	$ 76,343,409	$ (3,548,858)	$ -	$ 72,794,551
Total Capital Assets, Net	$ 77,249,010	$ (3,480,700)	$ -	$ 73,768,310

C. Risk Management

The Authority is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from the previous year. The Authority retains the risk of loss for the first $10,000 per occurrence.

2. Detailed Notes

C. Risk Management (Continued)

Permanent employees are eligible to participate in the City of Duluth Joint Powers Enterprise Trust for the benefit of governmental units of the City. The Authority pays an annual premium for health and dental insurance coverage.

D. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the Duluth Entertainment and Convention Center 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 Duluth Entertainment and Convention Center Authority employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. 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.

2. Detailed Notes

D. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

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.

2. Detailed Notes

D. Defined Benefit Pension Plan (Continued)

3. 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 year ended December 31, 2021, were $147,718. The contributions are equal to the statutorily required contributions as set by state statute.

4. Pension Costs

At December 31, 2021, the Authority reported a liability of $687,542 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 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, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the Authority's proportion was 0.0161 percent. It was 0.0476 percent measured as of June 30, 2020. The Authority recognized pension expense of $846,056 for its proportionate share of the General Employees Plan's pension expense.

The Authority also recognized $1,695 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.

2. Detailed Notes

D. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The Authority's proportionate share of the net pension liability	$	687,542
State of Minnesota's proportionate share of the net pension liability associated with the Authority		21,007
Total	$	708,549

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 15,322	$ 25,804
Changes in actuarial assumptions	419,799	48,210
Difference between projected and actual investment earnings	-	501,153
Changes in proportion	-	1,728,850
Contributions paid to PERA subsequent to the measurement date	104,415	-
Total	$ 539,536	$ 2,304,017

The $104,415 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 December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (679,744)
2023	(594,875)
2024	(431,869)
2025	(162,408)

2. Detailed Notes

D. Defined Benefit Pension Plan (Continued)

5. Actuarial Assumptions

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

Inflation	2.25 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	6.50 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. 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

2. Detailed Notes

D. Defined Benefit Pension Plan (Continued)

6. 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.

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 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.

8. 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:

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 1,402,235
Current	6.50	687,542
1% Increase	7.50	101,093

2. Detailed Notes

D. Defined Benefit Pension Plan (Continued)

9. 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.

E. Other Postemployment Benefits (OPEB)

1. Plan Description

The Duluth Entertainment and Convention Center Authority provides postemployment health insurance benefits for certain retired employees under a single-employer defined benefit health care plan. Employees who retired between January 1, 1983, and January 1, 1995, and employees who were full-time employees prior to January 1, 1995, and retire from the Authority at or after age 62 with at least ten years of full-time service, are eligible to receive hospital/medical benefits to the same extent as active employees for the life of the retiree or surviving spouse. The Authority will pay 80 percent of the premium for these qualifying retirees.

Active employees who retire from the Authority when eligible to receive a retirement benefit from PERA who do not qualify for the aforementioned benefits, and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependents under the Authority's health benefits program. These retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

The Authority's employment contract with the Executive Director provides for continuing family health insurance coverage for a period of 18 months following the termination of their employment contract. The Authority will provide this benefit.

2. Detailed Notes

E. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

The Authority participates in the City of Duluth's Joint Powers Enterprise Trust and pays the required premiums to provide health care benefits for eligible retirees and claimed dependents. Premiums paid for eligible retirees and claimed dependents for health care insurance totaled $101,275 in 2021.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	27
Active plan participants	12
Total	39

2. Total OPEB Liability

The Authority's total OPEB liability of $1,592,827 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability, as measured as of December 31, 2021, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 percent, average wage inflation plus merit/productivity increases
Health care cost trend	8.00 percent, decreasing 0.50 percent per year to an ultimate rate of 5.00 percent

2. Detailed Notes

E. Other Postemployment Benefits (OPEB))

2. Total OPEB Liability (Continued)

The current year discount rate is 2.25 percent, which is a change from the prior year rate of 1.93 percent. For the current valuation, the discount rate was based from the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates are based on the PUB-2010 Headcount-Weighted table rates projected with Scale MP-2021.

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2020	$ 1,795,098
Changes for the year	
Service cost	$ 1,237
Interest	31,656
Differences between expected and actual experience	282,784
Changes in assumptions	(340,082)
Benefit payments	(177,866)
Net change	$ (202,271)
Balance at December 31, 2021	$ 1,592,827

4. OPEB Liability Sensitivity

The following presents the total OPEB liability of the Authority, calculated using the discount rate previously disclosed, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	1.25%	$ 1,794,071
Current	2.25	1,592,827
1% Increase	3.25	1,427,286

2. Detailed Notes

E. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the Authority, calculated using the health care cost trend previously disclosed, as well as what the Authority's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	7.00% Decreasing to 4.00%	$ 1,420,733
Current	8.00% Decreasing to 5.00%	1,592,827
1% Increase	9.00% Decreasing to 6.00%	1,798,295

5. OPEB Expense

For the year ended December 31, 2021, the Authority recognized OPEB expense of $134,197. The Authority reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected projected and actual earnings	$ 226,787	$ 14,727
Changes in actuarial assumptions	229,558	335,492
Total	$ 456,345	$ 350,219

2. Detailed Notes

E. Other Postemployment Benefits (OPEB)

5. OPEB Expense (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	$ 10,776
2023	10,776
2024	10,776
2025	10,776
2026	21,554
Thereafter	41,468

6. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred for the 2021 valuation:

- The discount rate was increased from 1.93 percent to 2.25 percent as of December 31, 2021.
- Per-capita costs were updated to reflect experience since the previous valuation as well as the change in TPA from HealthPartners to Medica.
- Base mortality rates were updated from the RPH-2014 Total Dataset Headcount-Weighted tables to the new PUB-2010 Headcount-Weighted tables. "Safety" tables were used for police and fire participants, and "General" tables for all others.
- The mortality improvement scale was updated from MP-2018 to MP-2020 as of the valuation date, and again to MP-2021 as of measurement date December 31, 2021.

2. Detailed Notes (Continued)

F. Compensated Absences

Full-time employees are granted from ten to 25 days of vacation time per year depending on their years of service. Vacation earned during one year must be taken within the following year. The Executive Director is allowed to carry forward up to 50 days of vacation. Upon termination of employment, employees are compensated for the full value of all unused vacation pay.

To comply with the City of Duluth's earned sick and safe mandate, effective January 1, 2019, part-time employees accrue PTO at the start of their employment. The rate of accrual is based on longevity and ranges from 0.02 hours to 0.05 hours of earned PTO for every hour worked. Unused vacation and personal leave earned as of December 31, 2021, is estimated to be $96,342 and is recognized as a liability in the financial statements.

Sick leave is earned at the rate of 1.50 days per month for full-time personnel. No more than 150 days may be carried at any time. Employees are not compensated for unused sick leave upon termination of employment.

The contingent liability for sick leave at December 31, 2021, was estimated to be $373,881 and is not recognized as a liability in the financial statements.

G. Unearned Revenue

Unearned revenue as of December 31, 2021, consists of the following:

Advance deposits for future events	$	133,906
Gift certificates		13,349
Unearned lease revenue		872,294
Total	$	1,019,549

H. Minimum Future Rents Receivable

On January 1, 2012, the Authority entered into a lease agreement with Vista Cruises, Inc., for ten years, with two five-year options to renew. This agreement is for the lease of space and facilities. Rent is adjusted by three percent annually. In 2021, rent was $71,763.

2. Detailed Notes

H. Minimum Future Rents Receivable (Continued)

On April 13, 2004, the Authority entered into a lease agreement with Cinema Entertainment Corporation (CEC) for 20 years, with two five-year options to renew. This agreement is for the lease of property on which CEC constructed a theater. The annual rent of $175,000 will be increased by two percent each year in years two through ten and three percent each year in years 11 through 20. In May 2007, Marcus Theatre Corporation purchased the Duluth 10 theater from CEC and is now responsible for the lease. On January 1, 2012, an amended lease agreement was signed with B & G Realty, LLC, to include the OMNIMAX Theatre space in the leased premises for an additional $36,000 per year, with an annual Consumer Price Index increase beginning January 1, 2015. In addition, the Authority agreed to reimburse B & G Realty, through lease payment deductions, $25,000 for expenses related to the conversion and remodeling of said space. On April 18 and August 1, 2012, the reimbursable amount to B & G Realty was increased $10,000 and $11,417, respectively, for a total of $46,417 for conversion and remodeling.

On November 18, 2010, the Authority entered into a lease agreement with the University of Minnesota for 25 years to rent space, facilities, and advertising for the men's and women's hockey programs in the new AMSOIL Arena. The annual rent ranges from $468,800 in 2011 to $898,270 in 2033. These lease revenues are dedicated to repay the City of Duluth bonds which were used to construct the new arena.

On October 1, 2015, the Authority entered into a 22-year lease agreement with the Duluth Curling Club, Inc., to occupy a portion of the Pioneer Hall Clubrooms for year-round rental at an annual rate of $43,358, and the Pioneer Hall Annex Ice Arena for a rental rate of $43,358 for pre-defined curling season dates. The rental rate increases annually by two percent.

Minimum future rents on non-cancellable leases are:

Year	
2022	$ 1,132,019
2023	1,088,882
2024	1,065,271
2025	811,466
2026	834,786
After 2026	7,142,460
Total	$ 12,074,884

2. Detailed Notes (Continued)

I. Naming Rights Agreement

On June 29, 2010, the Authority entered into an agreement with AMSOIL, Inc., for naming rights to the new arena which was completed in 2010. The agreement grants AMSOIL, Inc., the rights to name the new arena in exchange for an initial payment of $2,000,000 in 2010 and payments of $200,000 per year for the years 2011 through 2031.

Minimum future rents on this agreement are:

Year	
2022	$ 200,000
2023	200,000
2024	200,000
2025	200,000
2026	200,000
After 2026	800,000
Total	$ 1,800,000

J. Long-Term Liabilities

The following is a schedule of long-term liability activity of the Duluth Entertainment and Convention Center Authority for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Compensated absences payable	$ 78,981	$ 112,979	$ 95,618	$ 96,342	$ 96,342

K. Pledge Agreement with City of Duluth

In 2010, the Authority completed construction on a new arena and parking ramp. The total project cost of $78,285,000 was funded by a state grant of $38,000,000 and City of Duluth general obligation bond proceeds of $40,285,000.

2. Detailed Notes

K. Pledge Agreement with City of Duluth (Continued)

In March 2016, the City of Duluth issued $33,440,000 in General Obligation Duluth Entertainment and Convention Center Authority Improvement Refunding Bonds, Series 2016A, to refund the City of Duluth's Series 2008A Duluth Entertainment and Convention Center Authority Improvement Bonds of $40,285,000. The transaction resulted in a net present value savings of $5,414,950.

The Authority entered into a pledge agreement with the City of Duluth dated August 7, 2008, that requires the Authority to pledge $461,000 per year of Authority revenues beginning in 2012 through the life of the bonds ending in 2034. The pledged revenues will be used in combination with the City of Duluth's 0.75 percent food and beverage taxes and University of Minnesota Duluth lease revenues to repay the principal and interest on the bonds.

L. Budget to Actual for 2021

The Duluth Entertainment and Convention Center Authority adopts a budget to be approved by the Duluth City Council. A summary of the operating budget compared to actual for the year ended December 31, 2021, follows.

	Budget	Actual	Variance
Operating Revenues	$ 4,195,662	$ 6,148,382	$ 1,952,720
Operating Expenses	10,263,990	9,151,367	1,112,623
Operating Income (Loss)	$ (6,068,328)	$ (3,002,985)	$ 3,065,343
Nonoperating Revenues (Expenses)	1,553,265	3,447,159	1,893,894
Change in Net Position	$ (4,515,063)	$ 444,174	$ 4,959,237

In 2021, the Authority's budget varied from actual amounts due to the changes in operations caused by the COVID-19 pandemic.

REQUIRED SUPPLEMENTARY INFORMATION

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT A-1

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 1,237	$ 10,685	$ 10,323	$ 20,995
Interest	31,656	54,652	56,444	54,083
Differences between expected and actual experience	282,784	-	(23,193)	-
Changes of assumption or other inputs	(340,082)	303,370	(12,701)	(85,938)
Benefit payments	(177,866)	(115,449)	(116,784)	(100,717)
Other changes	-	(12,010)	-	-
Net change in total OPEB liability	**$ (202,271)**	**$ 241,248**	**$ (85,911)**	**$ (111,577)**
Total OPEB Liability – Beginning	**1,795,098**	**1,553,850**	**1,639,761**	**1,751,338**
Total OPEB Liability – Ending	**$ 1,592,827**	**$ 1,795,098**	**$ 1,553,850**	**$ 1,639,761**
Covered-employee payroll	$ 781,494	$ 2,229,474	$ 1,846,454	$ 1,783,617
Total OPEB liability (asset) as a percentage of covered-employee payroll	203.82%	80.52%	84.15%	91.93%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

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 Duluth Entertainment and Convention Center 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	0.0161 %	$ 687,542	$ 21,007	$ 708,549	$ 1,161,133	59.21 %	87.00 %
2020	0.0476	2,853,838	88,060	2,941,898	3,397,573	84.00	79.06
2019	0.0584	3,228,805	100,329	3,329,134	4,123,080	78.31	80.23
2018	0.0594	3,295,268	108,005	3,403,273	3,986,093	82.67	79.53
2017	0.0623	3,977,191	50,003	4,027,194	3,635,889	109.39	75.90
2016	0.0591	4,798,627	62,701	4,861,328	3,620,162	132.55	68.91
2015	0.0590	3,057,686	N/A	3,057,686	3,463,401	88.29	78.19

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

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

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)
2021	$ 147,718	$ 147,718	$ -	$ 1,969,573	7.50 %
2020	143,804	143,804	-	1,917,387	7.50
2019	317,245	317,245	-	4,229,933	7.50
2018	296,680	296,680	-	3,955,733	7.50
2017	300,466	300,466	-	4,006,219	7.50
2016	267,844	267,844	-	3,715,149	7.21
2015	277,570	264,824	(12,746)	3,700,932	7.16

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The Authority's year-end is December 31.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Other Postemployment Benefits Funded Status

In 2018, the Duluth Entertainment and Convention Center Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 2.E. in the notes to the financial statements for additional information regarding the Authority's other postemployment benefits.

2. Other Postemployment Benefits – Changes in Significant Actuarial Methods and Assumptions

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred for the valuation:

2021

- The discount rate was increased from 1.93 percent to 2.25 as of December 31, 2021.
- Per-capita costs were updated to reflect experience since the previous valuation as well as the change in TPA from HealthPartners to Medica.
- Base mortality rates were updated from the RPH-2014 Total Dataset Headcount-Weighted tables to the new PUB-2010 Headcount Weighted tables. "Safety" tables were used for police and fire participants, and "General" tables for all others.
- The mortality improvement scale was updated from MP-2018 to MP-2020 as of the valuation date, and again to MP-2021 as of measurement date December 31, 2021.

2. Other Postemployment Benefits – Changes in Significant Actuarial Methods and Assumptions (Continued)

2020

- The discount rate was decreased from 3.64 percent to 1.93 percent based on changes in the municipal bond market.

- The additional one percent load applied to Plan liabilities to estimate the impact of potential future excise taxes on high-cost (“Cadillac”) plan benefits was removed due to the excise taxes being repealed via the SECURE Act.

2019

- The discount rate was decreased from 3.70 percent to 3.64 percent based on changes in the municipal bond market.

- The per-capita costs were updated to reflect experience since the previous valuation.

- An additional one percent load was applied to Plan liabilities to estimate the impact of potential future excise taxes on high-cost (“Cadillac”) plan benefits.

- The mortality improvement scale was updated from MP-2016 to MP-2018.

2018

- The per-capita costs were updated to reflect experience.

- The health care trend was shifted to maintain the same immediate rate.

- The mortality was updated to reflect more current rates based on the 2014 SOA study.

- The actuarial cost method was changed to Entry Age Normal as a level percentage of payroll, per GASB 75 standards.

- The discount rate increased from 3.25 percent to 3.70 percent to reflect the current municipal bond market.

3. 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.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- 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 MP-2017 to 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.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- 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.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- 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

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

EXHIBIT B-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Expenditures
Small Business Administration		
Direct		
Shuttered Venue Operators Grant Program	59.075	**$ 751,745**

The Authority did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

The notes to the Schedule of Expendirtures of Federal Awards are an intergral part of this schedule.

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

   A. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Duluth Entertainment and Convention Center Authority. The Authority's reporting entity is defined in Note 1 to the financial statements.

   B. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Duluth Entertainment and Convention Center Authority under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Duluth Entertainment and Convention Center Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Duluth Entertainment and Convention Center Authority.

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

2. De Minimis Cost Rate

   The Duluth Entertainment and Convention Center Authority has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were charged to this grant.

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*

Independent Auditor's Report

Mayor and City Council
City of Duluth, Minnesota

Board of Directors
Duluth Entertainment and Convention Center
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 Duluth Entertainment and Convention Center Authority, a component unit of the City of Duluth, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Duluth Entertainment and Convention Center 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.

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	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

June 16, 2022

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Mayor and City Council
City of Duluth, Minnesota

Board of Directors
Duluth Entertainment and Convention Center
 Authority
Duluth, Minnesota

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the Duluth Entertainment and Convention Center Authority's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Duluth Entertainment and Convention Center Authority's major federal program for the year ended December 31, 2021. The Duluth Entertainment and Convention Center Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Shuttered Venue Operators Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Duluth Entertainment and Convention Center Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Shuttered Venue Operators Grant Program for the year ended December 31, 2021.

Basis for Qualified Opinion

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

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We are required to be independent of the Duluth Entertainment and Convention Center Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Duluth Entertainment and Convention Center Authority's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Shuttered Venue Operators Grant Program
As described in the accompanying Schedule of Findings and Questioned Costs, the Duluth Entertainment and Convention Center Authority did not comply with requirements regarding Assistance Listing No. 59.075, Shuttered Venue Operators Grant Program, as described in finding numbers 2021-001 and 2021-002 for Procurement and Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for the Duluth Entertainment and Convention Center Authority to comply with the requirements applicable to that program.

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Duluth Entertainment and Convention Center Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of the Duluth Entertainment and Convention Center Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Duluth Entertainment and Convention Center Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Duluth Entertainment and Convention Center Authority's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Duluth Entertainment and Convention Center Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Duluth Entertainment and Convention Center Authority's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Duluth Entertainment and Convention Center Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

June 16, 2022

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECMBER 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major program:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Modified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Assistance Listing Number	Name of Federal Program or Cluster
59.075	Shuttered Venue Operators Grant Program

The threshold for distinguishing between Types A and B programs was $750,000.

The Duluth Entertainment and Convention Center Authority qualified as a low-risk auditee? **No**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-001 Procurement – Uniform Guidance Written Policies and Procedures
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: Small Business Administration
Program: 59.075 Shuttered Venue Operators Grant Program
Award Number and Year: SBAHQ21SV001553, 2021

Pass-Through Agency: N/A

Criteria: Title 2. U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. In addition, Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation.

Condition: The Authority has not developed written procurement policies which include required components of a procurement policy in accordance with Title 2 U.S. Code of Federal Regulations § 200.318.

Questioned Costs: None.

Context: Written policies and procedures that reflect the required components of federal regulations improve controls to help ensure compliance with federal award requirements.

Effect: Written policies and procedures that do not reflect specific Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: The Authority has not received federal awards in prior years, so they were unaware of the written policies and procedures required to reflect specific Uniform Guidance procurement requirements.

Recommendation: We recommend the Authority develop and implement written policies and procedures that can be consistently applied by all staff which, when followed, ensures compliance with Uniform Guidance procurement requirements.

View of Responsible Official: Concur

2021-002 Procurement, Suspension, and Debarment
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: Small Business Administration
Program: 59.075 Shuttered Venue Operators Grant Program
Award Number and Year: SBAHQ21SV001553, 2021

Pass-Through Agency: N/A

Criteria: Title 2. U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. In addition, non-federal entities must follow federal guidance regarding verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h) when entering into covered transactions.

Condition: In a sample of two procurement transactions tested, the Authority had no documentation to meet the verification requirements as to whether the vendor was debarred, suspended, or whether other exclusions existed.

Questioned Costs: None.

Context: The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The Authority is not in compliance with federal grant requirements.

Cause: The Authority has not received federal awards in prior years, so they were unaware of the requirements regarding verifying debarment, suspension, and exclusions when entering into covered transactions.

Recommendation: We recommend the Authority develop and implement policies and procedures to maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the Authority and this documentation be completed prior to entering into a covered transaction.

View of Responsible Official: Concur

**REPRESENTATION OF THE DULUTH ENTERTAINMENT
AND CONVENTION CENTER AUTHORITY
DULUTH, MINNESOTA**

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001
Finding Title: Procurement – Uniform Guidance Written Policies and Procedures
Program: Shuttered Venue Operators Grant, Assistance Listing # 59.075

Name of Contact Person Responsible for Corrective Action: Daniel Hartman, Executive Director

Corrective Action Planned:

1. Review procurement regulation reference as provided by Auditors and utilize this information to inform the creation of a procurement policy for the DECC.
2. Review the procurement policy with the DECC Governance Committee for additional edits.
3. Seek policy approval from the DECC Governance Committee.
4. Present the procurement policy to the DECC Board of Directors for review and adoption.
5. Provide education to staff, in particular staff with purchasing authority, on the adoption and implementation of the DECC's procurement policy.

Anticipated Completion Date: January 1, 2023

Finding Number: 2021-002
Finding Title: Procurement, Suspension, and Debarment
Program: Shuttered Venue Operators Grant, Assistance Listing # 59.075

Name of Contact Person Responsible for Corrective Action: Daniel Hartman, Executive Director

Corrective Action Planned:

1. Research best practices and regulation surrounding covered transactions from vendors.
2. Utilize research to inform the creation of a procedure for vendor review prior to purchase.
3. Based upon best practices and regulation, the DECC will review covered transactions prior to purchase to ensure the vendor is not excluded, debarred, or suspended.
4. In conjunction with the procedure, the DECC will utilize software, modules, or Federal portals to check vendor status as appropriate. Examples may include: SanctionCheck or similar software, or federal sites: OIG, SAM, etc.

Anticipated Completion Date: January 1, 2023