City of Duluth

(Including the Duluth Economic Development Authority)

Duluth, Minnesota

Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

(651) 296-2551 | State.Auditor@osa.state.mn.us | www.osa.state.mn.us

City of Duluth
Duluth, Minnesota

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City of Duluth
Management and Compliance Report

Year Ended December 31, 2025

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's 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*

The Honorable Roger Reinert, Mayor,
and Members of the City Council
Duluth, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Duluth, Minnesota, as of and for the year ended December 31, 2025, including the Spirit Mountain Recreation Area Authority component unit as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2026. Our report includes a reference to other auditors who audited the financial statements of the Duluth Entertainment and Convention Center Authority, the Duluth Airport Authority, the Duluth Transit Authority, and the Spirit Mountain Recreation Area Authority discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report also does not include the results of our audit testing of the Duluth Economic Development Authority component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Duluth'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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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 City of Duluth'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 City of Duluth 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, miscellaneous provisions, and tax increment financing 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 City'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 and 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 City'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 City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

June 29, 2026

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Roger Reinert, Mayor,
and Members of the City Council
Duluth, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Duluth'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 each of the City of Duluth's major federal programs for the year ended December 31, 2025. The City of Duluth's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Duluth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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.

We are required to be independent of the City of Duluth 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 each major federal program. Our audit does not provide a legal determination of the City of Duluth's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditure Not Included in the Compliance Audit

The City of Duluth's basic financial statements include the operations of the Duluth Airport Authority and the Duluth Transit Authority, which expended $14,796,184 and $9,669,195, respectively, in federal awards which are not included in the City of Duluth's Schedule of Expenditures of Federal Awards during the year ended December 31, 2025. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the Duluth Airport Authority and the Duluth Transit Authority because other auditors performed a single audit in accordance with the Uniform Guidance.

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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 City of Duluth's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Duluth'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 City of Duluth's compliance with the requirements of each 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 City'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 City'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 City'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Duluth's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Duluth'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001 and 2025-002 to be significant deficiencies.

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 City of Duluth's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Duluth'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/Lisa Young*
Julie Blaha State Auditor	Lisa Young, CPA Deputy State Auditor

June 29, 2026

City of Duluth
Duluth, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section 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 generally accepted accounting principles: **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 federal programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal programs: **Unmodified**

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

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
14.218	CDBG – Entitlement Grants Cluster
66.468	Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

The City of Duluth qualified as a low-risk auditee? **Yes**

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2025-001 **Equipment and Real Property Management**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Housing and Urban Development
Program: 14.218 Community Development Block Grants/Entitlement Grants
Award Number and Year: B-25-MC-27-0002, 2025

Pass-Through Agency: N/A – Direct

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish, document, 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 award.

Title 2 U.S. *Code of Federal Regulations* § 200.313 (d) states that regardless of whether the equipment is acquired in part or its entirety under the federal award, the recipient or subrecipient must manage equipment (including replacement equipment). Specifically, Title 2 U.S. *Code of Federal Regulations* § 200.313 (d)(1) states that property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the federal award identification number (FAIN)), the title holder, the acquisition date, the cost of the property, the percentage of the federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

Condition: The City of Duluth maintains a listing of equipment acquired with Community Development Block Grants/Entitlement Grant (CDBG) funds; however, the listing does not include all information required by Title 2 U.S. *Code of Federal Regulations* § 200.313 (d)(1).

In the sample of six items tested from the CDBG equipment listing, one of the items tested was no longer in use. A review of the City's governmental capital asset listing disclosed $142,000 of City park improvements partially funded from the 2016, 2017, and 2018 CDBG projects that were not listed on the CDBG equipment listing.

Questioned Costs: Undetermined. Elements of the missing information, such as serial number and location, are not quantifiable as costs.

Context: The City of Duluth maintains a listing of equipment; however, the listing does not include the serial number or other identification number, the FAIN, who holds title (City or subrecipient), acquisition date, the percentage of federal award participation, or the disposition data, including the date of disposal and sales price of the property, nor is the City's CDBG equipment listing complete.

The City's CDBG equipment listing included 19 items totaling $518,355; a sample of six items totaling $178,885 was tested. The sample size was based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The City of Duluth is not in compliance with Title 2 U.S. *Code of Federal Regulations* §§ 200.313 (d) and (d)(1).

Cause: Oversight by City staff.

Recommendation: We recommend the City of Duluth implement procedures to ensure the equipment and real property listing includes all the required information. The City should also implement procedures to identify asset additions and disposals to ensure that they are properly identified, recorded, maintained, and safeguarded.

View of Responsible Official: Concur

2025-002 **Reporting – Federal Funding Accountability and Transparency Act (FFATA)**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Housing and Urban Development
Program: 14.218 Community Development Block Grants/Entitlement Grants
Award Number and Year: B-24-MC-27-0002, 2024 and B-25-MC-27-0002, 2025

Pass-Through Agency: N/A – Direct

Criteria: Title 2 *U.S. Code of Federal Regulations* § 200.303 states that the auditee must establish, document, 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 award.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, that are codified in Title 2 U.S. *Code of Federal Regulations*, Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) or SAM.gov. Title 2 U.S. *Code of Federal Regulations*, Appendix A to Part 170, requires reporting a subaward, once issued, by the end of the subsequent month.

Condition: In the sample of four transactions selected from the 2025 submitted FFATA subawards, two subawards were not submitted by the due date. One of these subaward reports was incorrectly entered in SAM.gov.

Additionally, one sub-award issued during 2025 relating to the 2024 award year in the amount of $78,300, was not submitted in SAM.gov.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect
4	1	2	1
Dollar Amount of Tested Transactions	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**
$ 505,480	$ 78,300	$ 75,480	$ 30,000

Questioned Costs: None.

Context: For the subaward not reported, a subrecipient requested that safety improvements be incorporated in a City road project and requested federal funding from the City to pay for those improvements. The City originated an award in the amount of $78,300, provided federal funding to the subrecipient, and made the safety improvements. The subrecipient then reimbursed that funding to the City.

For the two reports not reported timely, these were due in late January 2026 but were submitted a month late.

For the subaward reported for the incorrect amount, the amount submitted to SAM.gov was $30,000 but the subaward was issued for $25,000 and, therefore, would be exempt from FFATA reporting requirements.

The population included nine subawards reported in 2025 totaling $959,480, with the sample of four subawards totaling $505,480. The sample size was based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The City of Duluth is not in compliance with FFATA reporting requirements.

Cause: The subaward not reported by the City was omitted from FFATA reporting under the mistaken assumption that the reimbursement received from the subrecipient exempted the transaction from compliance. City staff reported they had difficulties in January 2026 with accessing the SAM.gov website which delayed the submission of the subaward reports until February 27, 2026. The incorrect subaward in SAM.gov was the result of an entry error; the submissions to SAM.gov are not reviewed.

Recommendation: We recommend the City of Duluth implement procedures to ensure reports are submitted as required by FFATA.

View of Responsible Official: Concur

218-730-5000 | info@duluthmn.gov
411 West First Street | Duluth, Minnesota 55802
www.duluthmn.gov

Representation of the City of Duluth
Duluth, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2025

Finding Number: 2025-001
Finding Title: Equipment and Real Property Management
Program: 14.218 Community Development Block Grants/Entitlement Grants

Name of Contact Person Responsible for Corrective Action:

Jenn Moses, Manager of Planning and Community Development

Corrective Action Planned:

- Conduct a training for community development staff on federal regulations related to equipment and real property management
- Assign specific employees oversight of equipment inventory
- Coordinate with the finance department to ensure all CDBG assets are appropriately categorized within inventory
- Implement monitoring protocol for yearly audit of the inventory

Anticipated Completion Date:

November 30, 2026

Finding Number: 2025-002
Finding Title: Reporting – Federal Funding Accountability and Transparency Act (FFATA)
Program: 14.218 Community Development Block Grants/Entitlement Grants

Name of Contact Person Responsible for Corrective Action:

Jenn Moses, Manager of Planning and Community Development

Corrective Action Planned:

- Update FFATA reporting by June 25, 2026
- Implement new procedures for monthly review of FFATA reporting with multiple team members

Anticipated Completion Date:

July 31, 2026

218-730-5000 | info@duluthmn.gov
411 West First Street | Duluth, Minnesota 55802
www.duluthmn.gov

Representation of the City of Duluth
Duluth, Minnesota

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2025

Finding Number: 2024-001
Year of Finding Origination: 2023
Finding Title: Key Card Access to Inventory Warehouse

Summary of Condition: The City's Property Maintenance Department did not remove or disable duplicate employee key cards to the Inventory Warehouse in a timely manner. In addition, certain employees were provided access that did not correspond with their assigned jobs duties.

Summary of Corrective Action Previously Reported:

- Utility operations is working on policies and procedures for timely notification of Utility Operations staff when access needs to be terminated.
- Utility Operations is currently ensuring that all door access for former employees is not only unchecked but that all individual door access is removed as well.
- Utility operations will run a quarterly report to ensure proper employees are accessing all secured areas.
- Utility Operations is currently working with IT to implement a new key card system for the building that will ensure timely door access termination to all former employees.

Status: Fully Corrected. Corrective action was taken.

Duluth Economic Development Authority
Management and Compliance Report

Year Ended December 31, 2025

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's 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*

Board of Commissioners
Duluth Economic Development Authority
Duluth, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Duluth, Minnesota, which include as Supplementary Information, the financial statements of the Duluth Economic Development Authority, a discretely presented component unit, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Duluth Economic Development 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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 Economic Development 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

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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 Economic Development Authority failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing 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 and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

June 29, 2026