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, 2022

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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

Year Ended December 31, 2022

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
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	Term Ending
Directors	
Matthew Baumgartner	June 30, 2023
Martha Bremer	July 2, 2025
Mary Finnegan	January 2, 2023
Carrie Heffernan	January 2, 2023
Laura Mullen	June 30, 2023
Patrick Mullen	January 2, 2023
Bill Nelson	June 30, 2024
Tony Sertich	August 16, 2025
Peter Singler	June 30, 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, 2022, 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, 2022, and the changes in financial position, and its cash flows thereof 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the Authority adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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

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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 retirement plan schedules, and Notes to the Required Supplementary Information to 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

June 15, 2023

Basic Financial Statements

Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Exhibit 1

Statement of Net Position
December 31, 2022

Assets		
Current assets		
Cash and cash equivalents	$	2,719,001
Accounts receivable		849,562
Due from City of Duluth		1,122,622
Leases receivable		9,855,296
Inventory		186,100
Prepaid items		20,085
Total current assets	**$**	**14,752,666**
Restricted current assets		
Assets restricted for customers' deposits		
Cash and cash equivalents	$	1,336,337
Accounts receivable		319,663
Assets restricted for employee flexible benefits		
Cash and cash equivalents		23,709
Total restricted current assets	**$**	**1,679,709**
Total current assets	**$**	**16,432,375**
Capital assets		
Not depreciated	$	1,704,474
Depreciated		151,080,117
Less: allowance for depreciation		(81,636,472)
Total capital assets – net of accumulated depreciation	**$**	**71,148,119**
Total noncurrent assets	**$**	**71,148,119**
Total Assets	**$**	**87,580,494**
Deferred Outflows of Resources		
Deferred pension outflows	$	2,406,406
Deferred other postemployment benefits outflows		363,442
Total Deferred Outflows of Resources	**$**	**2,769,848**

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

Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2022

<u>Liabilities</u>		
Current liabilities		
Accounts payable	$	747,534
Salaries payable		190,695
Contracts payable		51
Compensated absences payable – current		312,003
Due to other governments		54,352
Unearned revenue		1,161,622
Financed purchase payable – current		55,379
Total current liabilities	**$**	**2,521,636**
Current liabilities payable from restricted assets		
Customer deposits	$	859,715
Employee flexible benefits plan payable		660
Total current liabilities payable from restricted assets	**$**	**860,375**
Total current liabilities	**$**	**3,382,011**
Noncurrent liabilities		
Financed purchase payable – long-term	$	644,621
Net pension liability		3,587,775
Other postemployment benefits liability		1,224,663
Total noncurrent liabilities	**$**	**5,457,059**
Total Liabilities	**$**	**8,839,070**
Deferred Inflows of Resources		
Deferred leases inflows	$	9,573,101
Deferred pension inflows		1,124,897
Deferred other postemployment benefits inflows		514,642
Total Deferred Inflows of Resources	**$**	**11,212,640**
<u>Net Position</u>		
Net investment in capital assets	$	70,448,120
Unrestricted		(149,488)
Total Net Position	**$**	**70,298,632**

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

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, 2022

Operating Revenues		
Sales	$	3,823,270
Charges for services		6,002,899
Lease revenue		1,103,655
Miscellaneous		299,746
Total Operating Revenues	**$**	**11,229,570**
Operating Expenses		
Personal services	$	6,502,795
Supplies and services		2,063,932
Utilities		1,913,797
Other services and charges		2,973,399
Depreciation		3,418,215
Total Operating Expenses	**$**	**16,872,138**
Operating Income (Loss)	**$**	**(5,642,568)**
Nonoperating Revenues (Expenses)		
Interest income	$	345,759
Hotel/motel tax revenue		2,232,552
Naming rights revenue		200,000
Intergovernmental revenue		
Federal		375,872
Local		250,000
Sale of capital assets		3,300
Total Nonoperating Revenues (Expenses)	**$**	**3,407,483**
Change in Net Position	**$**	**(2,235,085)**
Net Position – January 1		**72,533,717**
Net Position – December 31	**$**	**70,298,632**

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, 2022

Cash Flows from Operating Activities		
Cash received from customers	$	9,919,068
Payments to suppliers		(6,791,512)
Payments to employees		(6,415,005)
Other operating revenues		299,746
Net cash provided by (used in) operating activities	**$**	**(2,987,703)**
Cash Flows from Noncapital Financing Activities		
City of Duluth hotel/motel taxes	$	1,998,468
Operating grants federal		375,872
Operating grants local		250,000
Net cash provided by (used in) noncapital financing activities	**$**	**2,624,340**
Cash Flows from Capital and Related Financing Activities		
Payment received for naming rights	$	200,000
Acquisition or construction of capital assets		(98,024)
Lease payments received (including $306,957 of interest)		1,147,317
Sale of capital assets		3,300
Net cash provided by (used in) capital and related financing activities	**$**	**1,252,593**
Cash Flows from Investing Activities		
Interest on investments	**$**	**38,802**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**928,032**
Cash and Cash Equivalents – January 1		**3,151,015**
Cash and Cash Equivalents – December 31	**$**	**4,079,047**

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

Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Exhibit 3
(Continued)

Statement of Cash Flows
Year Ended December 31, 2022

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(5,642,568)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Lease revenue		(1,103,655)
Depreciation		3,418,215
(Increase) decrease in accounts receivable		(250,036)
(Increase) decrease in inventories		(37,769)
(Increase) decrease in prepaid items		38,037
(Increase) decrease in deferred pension liability outflows		(1,866,870)
(Increase) decrease in deferred other postemployment benefits outflows		92,903
Increase (decrease) in accounts payable		159,348
Increase (decrease) in due to other governments		54,352
Increase (decrease) in salaries payable		74,372
Increase (decrease) in unearned revenue		123,171
Increase (decrease) in customer deposits		219,764
Increase (decrease) in net other postemployment benefits liability		(368,164)
Increase (decrease) in compensated absences		215,661
Increase (decrease) in deferred net other postemployment benefits inflows		164,423
Increase (decrease) in deferred pension liability inflows		(1,179,120)
Increase (decrease) in pension liability		2,900,233
Net Cash Provided by (Used in) Operating Activities	**$**	**(2,987,703)**

Note 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.

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.

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.

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.

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.

Cash and Cash Equivalents

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

Inventories 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.

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.

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.

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.

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 leases, pension, and OPEB.

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.

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.

Classification of Net Position

Net position is classified in the following categories:

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation.

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

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

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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows 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.

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.

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.

Change in Accounting Principles

During the year ended December 31, 2022, the Authority adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the financial statements by increasing the beginning balances of the leases receivable and deferred inflows by $10,676,755.

Note 2 – Detailed Notes

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.

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.

Summary of Cash and Investments of the Duluth Entertainment and Convention Center Authority at December 31, 2022

Current cash and cash equivalents		
City of Duluth pooled cash account	$	596,701
Savings account – operating reserve		2,000,000
Petty cash and change funds		122,300
Total current cash and cash equivalents	$	2,719,001
Restricted current cash and cash equivalents		
Ticket office customer deposits – checking	$	1,315,137
Ticket office change fund		21,200
Employee flexible benefits plan – checking		23,709
Total restricted current cash and cash equivalents	$	1,360,046
Total	$	4,079,047

Capital Assets

A summary of the changes in the capital asset accounts for the year ended December 31, 2022, follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
Capital assets not depreciated				
Land	$ 905,601	$ -	$ -	$ 905,601
Construction in progress	68,158	730,715	-	798,873
Total capital assets not depreciated	$ 973,759	$ 730,715	$ -	$ 1,704,474
Capital assets depreciated				
Land improvements	$ 302,957	$ -	$ -	$ 302,957
Buildings	138,141,404	-	-	138,141,404
Equipment	12,571,947	67,309	3,500	12,635,756
Total capital assets depreciated	$ 151,016,308	$ 67,309	$ 3,500	$ 151,080,117
Less: accumulated depreciation for				
Land improvements	$ 302,957	$ -	$ -	$ 302,957
Buildings	67,333,916	3,142,872	-	70,476,788
Equipment	10,584,884	275,343	3,500	10,856,727
Total accumulated depreciation	$ 78,221,757	$ 3,418,215	$ 3,500	$ 81,636,472
Total capital assets depreciated, net	$ 72,794,551	$ (3,350,906)	$ -	$ 69,443,645
Capital Assets, Net	$ 73,768,310	$ (2,620,191)	$ -	$ 71,148,119

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.

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.

Defined Benefit Pension Plan

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. These plans are 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.

Benefits Provided

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

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

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

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

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

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2022. The employer was required to contribute 7.50 percent of annual covered salary in 2022. The employee and employer rates did not change from 2021.

The Authority's contributions for the General Employees Plan for the year ended December 31, 2022, were $333,132. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

General Employees Plan

At December 31, 2022, the Authority reported a liability of $3,587,775 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the Authority's proportion was 0.0453 percent. It was 0.0161 percent measured as of June 30, 2021. The Authority recognized pension expense of $187,340 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The Authority recognized an additional $15,707 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The Authority's proportionate share of the net pension liability	$	3,587,775
State of Minnesota's proportionate share of the net pension liability associated with the Authority		105,120
Total	$	3,692,895

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:

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,968	$ 16,003
Changes in actuarial assumptions	304,395	15,333
Difference between projected and actual investment earnings	953,722	-
Changes in proportion	935,228	1,093,561
Contributions paid to PERA subsequent to the measurement date	183,093	-
Total	$ 2,406,406	$ 1,124,897

The $183,093 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 59,494
2024	222,500
2025	491,961
2026	324,461

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund
Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	6.50%

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 for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan per year through December 31, 2054, and 1.50 percent per year thereafter.

Actuarial assumptions used in the June 30, 2022, 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 July 12, 2022, 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following change in actuarial assumptions occurred in 2022:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 5,667,078
Current	6.50%	3,587,775
1% Increase	7.50%	1,882,425

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.

Other Postemployment Benefits (OPEB)

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.

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 $96,673 in 2022.

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.

Employees Covered by the OPEB Benefit Terms
As of the January 1, 2021, Actuarial Valuation

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

Total OPEB Liability

The Authority's total OPEB liability of $1,224,663 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability, as measured as of December 31, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.20 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

The current year discount rate is 4.31 percent, which is a change from the prior year rate of 2.25 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.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

Balance at December 31, 2021	$	1,592,827
Changes for the year		
Service cost	$	1,171
Interest		34,764
Differences between expected and actual experience		(24,826)
Changes in assumptions		(282,600)
Benefit payments		(96,673)
Net change	$	(368,164)
Balance at December 31, 2022	$	1,224,663

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:

Sensitivity of the Total OPEB Liability to Changes
In the Discount Rate as of December 31, 2022

	Discount Rate		Total OPEB Liability
1% Decrease	3.31%	$	1,354,269
Current	4.31%		1,224,663
1% Increase	5.31%		1,115,534

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:

Sensitivity of the Total OPEB Liability to Changes
In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate		Total OPEB Liability
1% Decrease	7.00% Decreasing to 4.00%	$	1,097,924
Current	8.00% Decreasing to 5.00%		1,224,663
1% Increase	9.00% Decreasing to 6.00%		1,373,558

OPEB Expense

For the year ended December 31, 2022, the Authority recognized OPEB expense of ($110,838). The Authority reported deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 170,790	$ 31,815
Changes in actuarial assumptions	192,652	482,827
Total	$ 363,442	$ 514,642

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

Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	$ (50,100)
2024	(50,100)
2025	(50,100)
2026	(39,322)
2027	30,300
Thereafter	8,122

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred for the 2022 interim valuation:

- Discount rate was increased from 2.25 percent to 4.31 percent.
- Pre-65 medical trend was shifted to maintain the same rate of 8.00 percent.
- Post-65 immediate medical trend was increased to 4.25 percent to reflect current industry trends and inflationary environment.

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, 2022, is estimated to be $312,003 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, 2022, was estimated to be $441,865 and is not recognized as a liability in the financial statements.

Leases Receivable

Leases Receivable as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Leases receivable	$ 9,855,296	$ -	$ 9,855,296	$ 8,985,338

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. As of December 31, 2022, the Authority reported leases receivable and deferred inflows of resources totaling $736,795 and $716,977, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $51,880 and $20,960, respectively, were received during the year ended December 31, 2022. Inflows of resources recognized during the current year consisted of lease revenue of $71,698 and interest revenue of $20,960.

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. As of December 31, 2022, the Authority reported leases receivable and deferred inflows of resources totaling $574,750 and $550,544, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $290,398 and $19,790, respectively, were received during the year ended December 31, 2022. Inflows of resources recognized during the current year consisted of lease revenue of $314,604 and interest revenue of $19,790.

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. As of December 31, 2022, the Authority reported leases receivable and deferred inflows of resources totaling $7,138,224 and $6,930,315, respectively. The lease receivable will be reduced as repayments are received. Principal and interest totaling $422,119 and $226,810, respectively, were received during the year ended December 31, 2022. Inflows of resources recognized during the current year consisted of lease revenue of $630,029 and interest revenue of $226,810.

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. In October 2017, the rental rate increases annually by two percent for five years and then by three percent annually until the end of the lease term. As of December 31, 2022, the Authority reported leases receivable and deferred inflows of resources totaling $1,405,527 and $1,375,265. The lease receivable will be reduced as repayments are received. Principal and interest totaling $57,062 and $39,397, respectively, were received during the year ended December 31, 2022. Inflows of resources recognized during the current year consisted of lease revenue of $87,324 and interest revenue of $39,397.

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:

Minimum Future Rents as of December 31, 2022

Year	Amount
2023	$ 200,000
2024	200,000
2025	200,000
2026	200,000
2027	200,000
After 2027	600,000
Total	$ 1,600,000

Long-Term Liabilities

Financed Purchase

In August 2022, the Duluth Entertainment and Convention Center Authority entered into a financed purchase agreement to finance the purchase and installation of ice making equipment for the Authority's curling facilities. The agreement runs for ten years with an interest rate of 4.99 percent and annual payments of $89,054. Upon final payment of the agreement, the ice making equipment will become the Authority's property and recorded as capital assets of the Authority. At December 31, 2022, the value of the ice making equipment was $715,897.

Financed Purchase Requirements as of December 31, 2022

Year Ended December 31	Principal	Interest
2023	$ 55,379	$ 33,675
2024	58,207	30,847
2025	61,178	27,875
2026	64,302	24,752
2027	67,585	21,469
2028-2032	393,349	51,922
Total	$ 700,000	$ 190,540

The following is a schedule of long-term liability activity of the Duluth Entertainment and Convention Center Authority for the year ended December 31, 2022:

Long-Term Liabilities for the Year Ended December 31, 2022

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Financed purchase	$ -	$ 700,000	$ -	$ 700,000	$ 55,379
Compensated absences payable	96,342	238,275	22,614	312,003	312,003
Total Long-Term Liabilities	$ 96,342	$ 938,275	$ 22,614	$ 1,012,003	$ 367,382

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.

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.

Budget to Actual for 2022

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, 2022, follows.

Budget-to-Actual Comparison for the Year Ending December 31, 2022

	Budget	Actual	Variance
Operating Revenues	$ 10,150,605	$ 11,229,570	$ 1,078,965
Operative Expenses	14,159,694	16,872,138	(2,712,444)
Operating Income (Loss)	$ (4,009,089)	$ (5,642,568)	$ (1,633,479)
Nonoperating Revenues (Expenses)	2,007,800	3,407,483	1,399,683
Change in Net Position	$ (2,001,289)	$ (2,235,085)	$ (233,796)

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, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 1,171	$ 1,237	$ 10,685	$ 10,323	$ 20,995
Interest	34,764	31,656	54,652	56,444	54,083
Differences between expected and actual experience	(24,826)	282,784	-	(23,193)	-
Changes of assumption or other inputs	(282,600)	(340,082)	303,370	(12,701)	(85,938)
Benefit payments	(96,673)	(177,866)	(115,449)	(116,784)	(100,717)
Other changes	-	-	(12,010)	-	-
Net change in total OPEB liability	**$ (368,164)**	**$ (202,271)**	**$ 241,248**	**$ (85,911)**	**$ (111,577)**
Total OPEB Liability – Beginning	**1,592,827**	**1,795,098**	**1,553,850**	**1,639,761**	**1,751,338**
Total OPEB Liability – Ending	**$ 1,224,663**	**$ 1,592,827**	**$ 1,795,098**	**$ 1,553,850**	**$ 1,639,761**
Covered-employee payroll	$ 808,846	$ 781,494	$ 2,229,474	$ 1,846,454	$ 1,783,617
Total OPEB liability (asset) as a percentage of covered-employee payroll	151.41%	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, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the 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
2022	0.0453 %	$ 3,587,775	$ 105,120	$ 3,692,895	$ 3,392,720	105.75 %	76.67 %
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

Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Exhibit A-3

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 333,132	$ 333,132	$ -	$ 4,441,760	7.50 %
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 Duluth Entertainment and Convention Center Authority's year-end is December 31.

Note 1 – Other Postemployment Benefits Funded Status

In 2008, 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 in the notes to the financial statements for additional information regarding the Authority's other postemployment benefits.

Note 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:

2022

- Discount rate was increased from 2.25 percent to 4.31 percent.
- Pre-65 medical trend was shifted to maintain the same rate of 8.00 percent.
- Post-65 immediate medical trend was increased to 4.25 percent to reflect current industry trends and inflationary environment.

2021

- The discount rate was increased from 1.93 percent to 2.25.
- 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.

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.

Note 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

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

2020

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

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

<u>2019</u>

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

<u>2018</u>

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning

July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state’s required contribution is $16 million in PERA’s fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
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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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 15, 2023.

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 over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as items 2022-001, 2022-002, and 2022-003 that we consider to be significant deficiencies.

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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, we noted that the Duluth Entertainment and Convention Center Authority failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as it relates to accounting matters, as described in the Schedule of Findings and Recommendations as item 2022-004. Also, 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, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

Duluth Entertainment and Convention Center Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Duluth Entertainment and Convention Center Authority's response to the internal control and legal compliance findings identified in our audit and described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

June 15, 2023

Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Schedule of Findings and Recommendations
For the Year Ended December 31, 2022

Section I – Financial Statement Findings

2022-001 **Journal Entry Approval**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: The Duluth Entertainment and Convention Center Authority's procedure related to the processing of journal entries requires each journal entry to have supporting documentation and be approved by the Executive Director or Finance Director.

Condition: Twenty of the 25 journal entries tested were not reviewed and approved by the proper individual.

Context: There were several staffing changes during 2022 which affected the availability of staff to perform certain accounting functions.

Effect: Without proper review and approval, there is an increased risk that errors or irregularities may not be detected in a timely manner.

Cause: Due to staffing changes, the Executive Director and Finance Director were unaware of the Authority's journal entry review procedures.

Recommendation: We recommend the Authority review and approve journal entries in accordance with the Authority's journal entry policy.

View of Responsible Official: Concur

2022-002 **Access to Computer Systems/Network**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: When employees leave Authority employment, their access to the Authority's computer systems and network should be removed in a timely manner. It is the Authority's policy to fully remove or disable access at the time of departure.

Condition: The Authority was unable to provide documentation showing network access or point-of-sale access was removed in a timely manner for three terminated employees tested.

Context: Of the eight employees tested, there was one employee with network access that may not have been removed in a timely manner. Additionally, there were two employees with point-of-sale system access that may not have been removed in a timely manner.

The auditor was able to verify accounts were disabled at the time of the audit, but no documentation was maintained to support whether the removal was timely.

Effect: When terminated employees have access to the Authority's computer systems, network, and data, it increases the risk that malicious damage to that information, fraud, and/or misstatements may occur.

Cause: The Authority does not have a process in place to formally track when an employee's access to the various computer systems/network is removed.

Recommendation: We recommend the Authority implement additional procedures to ensure the removal of terminated employees' computer system and network access in a timely manner and retain documentation of the removal including the date of removal.

View of Responsible Official: Concur

2022-003 **Credit Card Procedures for Approval of Payment**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: The Authority has a credit card policy that outlines the procedures for approval of credit card statements for payment. Per policy, once a credit card statement is received for payment, "Accounts Payable will match the receipts to the individual items and review the appropriate accounting code. The statement along with a summary will be submitted to the Finance Director for approval."

Condition: Seven of 20 credit card statements tested were not properly approved by the Finance Director in accordance with the Authority's credit card policy.

Context: The Authority's policy is to have all credit card statements reviewed and approved by the Finance Director.

Effect: Without the proper approval, errors, misstatements, or fraudulent activity may not be found in a timely manner. The Authority is also not incompliance with the Authority's credit card policy.

Cause: Due to staffing changes, the Authority's procedures over the approval of credit cards were not properly followed.

Recommendation: We recommend the Authority implement additional procedures to ensure that all credit card statements are reviewed and approved in accordance with the Authority's credit card policy.

View of Responsible Official: Concur

Section II – Other Findings and Recommendations

2022-004 **Use of Public Funds**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: In general, a public entity must have express or implied statutory (or charter) authority to make an expenditure. In addition, the expenditure must be made for a public purpose. *See* Minn. Const., art. X, § 1 (“Taxes shall be levied and collected for public purposes.”); Visina v. Freeman, 89 N.W.2d 635 (1958) (courts generally construe “public purpose” to mean “such an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government”); Tousley v. Leach, 180 Minn. 293, 230 N.W. 788 (1930) (public funds may be used by public entity if the purpose is a public one for which tax money may be used, there is authority to make the expenditure, and the use is genuine).

Furthermore, the Authority, a component unit of the City of Duluth, has those powers granted to cities, and cities have limited authority to spend public funds to recognize employees under Minn. Stat. § 15.46, which authorizes cities to “establish and operate a program” of employee recognition services and an employee wellness program. Properly established programs should be in writing and approved by the Board. The policies should include clear recognition objectives and the Board must determine what amounts can be expended as “necessary to achieve the objectives of the program.”

Condition: The following authority, public purpose, compliance and documentation issues were noted during a review of the 2022 Authority expenditures.

- Two instances where the Authority paid for new employee welcome gifts.
- One instance where the Authority paid for an employee appreciation party and raffle prizes for party attendees.
- One instance where the Authority paid for retirement gifts for employees.
- One instance where the Authority paid for a social gathering for the board members and a guest.
- One instance where the Authority paid for a paddleboarding event for all employees to attend.
- Three instances where the Authority paid for meals that did not have the meeting attendees listed or business purpose documented on the expenditure for payment. Additionally, one of the three meals did not retain the proper signature for approval.
- Employee discounts are provided by the Authority at the Irvin and Vista Fleet Gift shops.
- A volunteer program was started by the Authority during 2022 that allows volunteers to be reimbursed for their services through a donation by the Authority to a charity of the volunteer’s choice.

Context: The Authority has a wellness policy in place, but the policy does not provide detailed information on how the Authority will promote the health and wellness of their employees, nor does it contain any expense limits.

Additionally, the Authority does not have a written employee recognition policy as required by Minnesota statutes that establishes how employees are recognized for their service.

Effect: Authority funds were used for expenditures that either do not meet a public purpose or a purpose for which the Authority does not have statutory authority.

Cause: The Authority's policies, procedures, and training of staff were not sufficient to ensure expenditures met a public purpose.

Recommendation: We recommend that the Authority discontinue the practice of spending public funds for unauthorized items that do not meet a public purpose. We also recommend that the Authority develop an employee recognition policy that clearly identifies how employees are to be recognized for their years of service and the amounts to be expended to achieve the objectives of the policy. We also recommend that the Authority reevaluate their wellness policy to clearly identify how the Authority will encourage wellness activities for employees and identify the amounts to be spent on the wellness activities. Both policies should be in writing and approved by the Authority's Board. We also recommend that the Authority implement procedures to ensure that the business meals policy is followed and only meals that meet the criteria of the policy are paid by the Authority.

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, 2022

Finding Number: 2022-001
Finding Title: Journal Entry Approval

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

Corrective Action Planned:

1. Review current Journal Entry Policy and approval process.
2. Amend internal procedures as necessary to ensure journal entry policy is followed.
3. Provide training to employees.
4. Review journal entries to ensure journal entry approval policy is followed.

Anticipated Completion Date: December 31, 2023

Finding Number: 2022-002
Finding Title: Access to Computer Systems/Network

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

Corrective Action Planned:

1. Research best practices and regulation surrounding system access termination procedures.
2. Utilize research to inform the creation of a policy and procedure for system access terminations.
3. Create a tracking sheet to detail system access terminations for auditing purposes.
4. Provide education to supervisory staff and system administrator staff regarding the system access termination process and tracking sheet.

Anticipated Completion Date: December 31, 2023

Finding Number: 2022-003
Finding Title: Credit Card Procedures for Approval of Payment

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

Corrective Action Planned:

1. Review current Credit Card Policy that outlines the procedure for approval of credit card statements for payment.
2. Amend internal procedures as necessary to ensure all credit card statements are reviewed and approved in accordance with the Credit Card Policy.
3. Provide training to employees.
4. Review credit card statements to ensure approval policy is followed and ensure approval documentation is retained.

Anticipated Completion Date: December 31, 2023

Finding Number: 2022-004
Finding Title: Use of Public Funds

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

Corrective Action Planned:

1. Review regulatory references to Public Purpose provided by the Auditor.
2. Research best practices and regulations related to entities classified as Political Sub-Divisions regarding Public Purpose and expenditure of funds.
3. Utilize research to develop an updated and Board-approved employee recognition and wellness program (policy). Ensure the policy addresses the following:
   a. Identify how employees will be recognized for years of service
   b. Identify the amounts to be expended to achieve objectives of the policy
   c. Identify and clearly articulate how the DECC will encourage wellness activities for employees
   d. Identify the amounts to be spent on wellness activities
4. Review and, if necessary, update our business meal policy.
5. Provide education to staff regarding the employee recognition and wellness program.
6. Provide education to management staff regarding the DECC's business meal policy.

Anticipated Completion Date: December 31, 2023

Representation of Duluth Entertainment and Convention Center Authority
Duluth, Minnesota

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2022

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

Summary of 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.

Summary of Corrective Action Previously Reported:

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 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.

Status: Fully Corrected. Corrective action was taken.

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

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

Summary of 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.

Summary of Corrective Action Previously Reported:

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.

Status: Fully Corrected. Corrective action was taken.

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