

City of Cloquet, Minnesota



Annual Comprehensive Financial Report
For the Year Ended December 31, 2023

WIPFLI

City of Cloquet

Year Ended December 31, 2023

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City of Cloquet

Year Ended December 31, 2023

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ADMINISTRATIVE OFFICES

101 14th Street • Cloquet MN 55720
Phone: 218-879-3347 • Fax: 218-879-6555
www.cloquetmn.gov

July 17, 2024

To the Honorable Mayor,
City Council, and Citizens
City of Cloquet, Minnesota

State law mandates the City of Cloquet have an annual audit of its financial statements. State law requires the audit to be conducted within 180 days after fiscal year end. This report was prepared to satisfy these requirements for the fiscal year ended December 31, 2023.

The City's management assumes full responsibility for the completeness and reliability of the information contained in this report and has established a comprehensive framework of internal controls for that purpose. The objective of the City's internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement. Absolute assurance is not achievable because the costs of internal controls should not exceed anticipated benefits.

Wipfli, LLP issued an unmodified opinion on the City of Cloquet's financial statements for the year ended December 31, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Government Profile

The City of Cloquet is located in Carlton County along the St. Louis River, just south of the Southwestern tip of Lake Superior. The City of Cloquet is the largest city in Carlton County and located five miles from the county seat. The Minnesota State Demographer's office reports the actual 2011 population to be 12,144 and the estimated 2022 population to be 12,864.

The City of Cloquet is a Statutory Plan A form of government providing a weak Mayor/Council and a City Administrator. All policy decisions and legislative activities

are the responsibility of the Council, but the administrative duties are delegated to the City Administrator. The City Council is comprised of one mayor and six councilors, one chosen at large and five from geographical districts.

The City provides a full range of governmental services including police, street construction and maintenance, library and parks, and public utilities for water, sewer and stormwater.

The City Council is required to adopt a final budget before year end. The fund level is the legal level of budgetary control. The Council may revise the budget at any time upon recommendation of the Administration.

Part of the Fond du Lac Reservation falls within the City's limits. They are a sovereign nation and provide governmental services such as; education, health and human services, housing, and public safety to their members. The Fond du Lac Reservation is the largest employer in the Cloquet area. They own and operate a school, medical and dental clinic, convenience store, and police department within the city limits of Cloquet. They own and operate a casino, hotel, and golf course just outside the city limits.

Local Economy

Cloquet is known as the City of Wood Industries because SAPPI and USG, which produce wood and paper products, are major employers and provide the largest economic base for the City. This area has vast forest lands which support the production of wood products.

SAPPI, the largest industrial business in the City of Cloquet, finished a \$170 million dollar investment into their plant in 2014. With the market for paper dropping, they convert wood pulp into material that is used to make clothing. It is anticipated this will secure marketability of SAPPI products for the next 20 years.

Fond du Lac Tribal and Community College continues to grow each year. They have added several new programs and four year degreed programs (in cooperation with other Universities) to their curriculum. They are one of the fastest growing community colleges in the State of Minnesota.

Community Memorial Hospital expanded the facility in 2013 for approximately \$28 million. This expansion increased the facility by 80,000 square feet, added dialysis, private rooms, larger waiting rooms and several other amenities. They added a private company dialysis clinic in 2015 valued at \$650,000, a wound care center in 2017 valued at \$340,000, and remodeling of the pharmacy for \$320,000 in 2019. More expansion is expected in the near future.

There has been slow sustained growth for the City for several years. Property values decreased from 2010 through 2013 due to the recession, revaluation changes for the June

2012 flood and more veteran's property tax off sets. Values increased the last seven years with the exception of a small estimated taxable market value decrease of .5% in 2016. The 2023 increase is mostly due to the revaluation of residential property. The City issued building permits with value of almost \$7.7 million in 2023. Notable building permits include a commercial building for C&L Distributing in the Cloquet Business park, a kitchen addition at Carmen's Bar and Restaurant, an event center at Pedros Cantina, a remodel of Holy Smokes BBQ & Coffeehouse, and the build-out of 218 TapHouse.

The City collects a .5% local sales tax. The estimated amount for yearly collections was \$550,000 based on the Minnesota Department of Revenue statistics but the City's revenue was \$1.2 million in 2023. The total revenue since the tax started in April 2013 is \$11.3 million. The use of the proceeds is limited to infrastructure, park projects, and the Highway 33/35 development and limited to \$16.5 million or 30 years. The proceeds can't be used for daily operating costs.

The City began collections on an additional .5% local sales tax in May 2023. The estimated amount for yearly collections was \$550,000 based on the Minnesota Department of Revenue statistics, however the City's revenue was \$860,000 in 2023. The use of the proceeds is limited to capital improvements in the Pine Valley Park including Northwoods Credit Union Arena, Pine Valley Ice Arena, and Pine Valley Recreation Area. This 0.5% local sales tax is limited to \$8,150,200.00 or 10 years and the proceeds cannot be used for daily operating costs.

The City of Cloquet's property tax levy increased 6.23% or \$201,890 for 2023. Local government aid increased \$72,200 for 2023. Local government aid was cut significantly in 2003 through 2010 but has been stable for the latest years.

Long-Term Financial Planning

The City utilizes a five year capital improvement program, outlining projected costs and sources of funding for proposed various capital improvement projects. The City's share of funding for future capital purchases and construction is accumulated in the City Sales Tax Projects, Public Works Reserve and Permanent Improvement Capital Projects Funds.

The City prepares a multiple four year budget document. Only the following year's budget is adopted. The other years' budgets are shown as "planning", indicating where the City would be in subsequent years if current trends continued. This allows more insight into how current year decisions affect us in the future.

Relevant Financial Policies

The City has an AA bond rating. The City was rerated in November 2013 and was able to increase its rating two points. The latest rating in 2020 held the AA bond rating. The

City has increased its bond rating four points since 2003 by establishing sound financial policies, healthy fund reserves, manageable debt, and maintaining a stable economy. The upgrades have a positive effect on the sale of the City's bonds, by broadening the City's market and lowering the interest rate for borrowing. The City believes that its 2023 financial results, combined with sufficient unrestricted net position, will result in the continuation of this current bond rating.

An Employee Benefits Internal Service Fund was established in 2005 to accumulate resources for vacation, severance, and retiree health payments to resigning or retiring employees. This allows the City to replace employees immediately without overspending the departmental operating budget that these departing employee's benefits were previously charged. The majority of this future liability was funded in 2006 through large transfers from governmental funds. All estimated accrued vacation, severance, and retiree health benefits were fully funded for the first time in 2012. The net position in 2023 fell short of being fully funded by \$472.

The City has adopted a fund balance policy. Each year the policy is reviewed for compliance and a fund balance policy plan is approved by the Council. It is expected that the City will remain in major compliance with most funds after the 2023 audited results.

Major Initiatives

The City built a water treatment facility estimated at \$7 million. A rate study was conducted in 2017 with the cost of this treatment facility in mind. The water rates increased effective January 2023, with expected rate increases annually.

The City began a city-wide water meter replacement project in 2023 at a cost of approximately \$1.8 million. As of December 31, 2023, the project is 90% complete. The City of Cloquet bonded for this project and is expected to use increased water rates to cover the annual principle and interest payments. Anticipated completion is towards the end of 2024.

In the area of housing, the City had several projects in the recent years. The Trails Edge project started in 2020. In 2018 and 2019 twelve single family patio homes with an estimated value of \$3.5 million adjacent to the Cloquet Country Club were constructed. There were also two housing projects in the community that were approved for housing tax credits. The first project, White Pine Apartments valued at \$6 million consists of 34 units. The second project, Carlton Lofts is the adaptive reuse of the former Cloquet Middle School, is valued at \$14 million consists of 57 units. Another project, the 14th Street Apartments phase three finished construction of a 36 unit across from the Fond du lac Community and Tribal College.

The City conducted a building needs study a few years ago and in response to the needs identified in the plan, the City purchased the Members Cooperative Credit Union building for use as a combined City Hall and Police Department. The project saved \$4

million versus the cost estimates to renovate the current City Hall and Police Department buildings separately. The City finished the remodeling and moved in June 2019.

The City had multiple big infrastructure projects in 2022. The City worked together with Carlton County on the second phase of the 14th Street reconstruction. While Carlton County covered the cost of the road reconstruct, the City was responsible for the estimated \$1 million in water and sewer reconstruction, which was covered by the City's sales tax.

The City received a \$784,000 grant for expansion of the Library. The project was completed at a cost of \$2.5 million with the Library Foundation donating \$250,000 for the construction and another \$225,000 to furnish the new space. The City issued a \$1.5 million bond in 2019 to pay for the balance of the project.

The City took ownership of the Northwoods Hockey arena beginning in January 2019. The City spent \$1.16 million in 2020 to address the freon leak at the small arena and the dehumidification at the large arena. There are expected costs for meeting freon regulations and deferred maintenance that will need to be addressed in the future. The City secured an additional City Sales Tax set to begin in 2023 to address upgrading the Pine Valley Park area which would include the freon regulations at the large arena.

The Cloquet Police Department received \$550,000 in One-Time Public Safety Aid from the State of Minnesota in December of 2023. Using those funds, the City of Cloquet leveraged a \$38,000 grant from the Small Rural Tribal Body Worn Camera Program and purchased the body worn cameras and tasers for \$220,000. The remaining amount of One-Time Public Safety Aid will be spent in 2024 and on.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cloquet for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this Annual Comprehensive Financial Report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Administration Departments. We appreciate the cooperation and support from other City departments both in the preparation of this report and in budget management throughout the year. We also wish to thank the City Administrator, Mayor and members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. The commitment to

maintain high financial standards has helped the City maintain its strong financial condition.

Respectfully submitted,



Katie Bloom
Finance Director

DRAFT

City of Cloquet

Year Ended December 31, 2022

Elected Officials:

	<u>Office</u>	<u>Length of Term</u>	<u>Term Expires</u>
Roger Maki	Mayor	4 years	12/31/26
Warren Carlson	Councilor – Ward 1	4 years	12/31/26
Sheila Lamb	Councilor – Ward 2	4 years	12/31/26
Iris Keller	Councilor – Ward 3	4 years	12/31/24
Kerry Kolodge	Councilor – Ward 4	4 years	12/31/24
Lyz Jaakola	Councilor – Ward 5	4 years	12/31/24
Lara Wilkinson	Councilor – At Large	4 years	12/31/24

Appointed Officials:

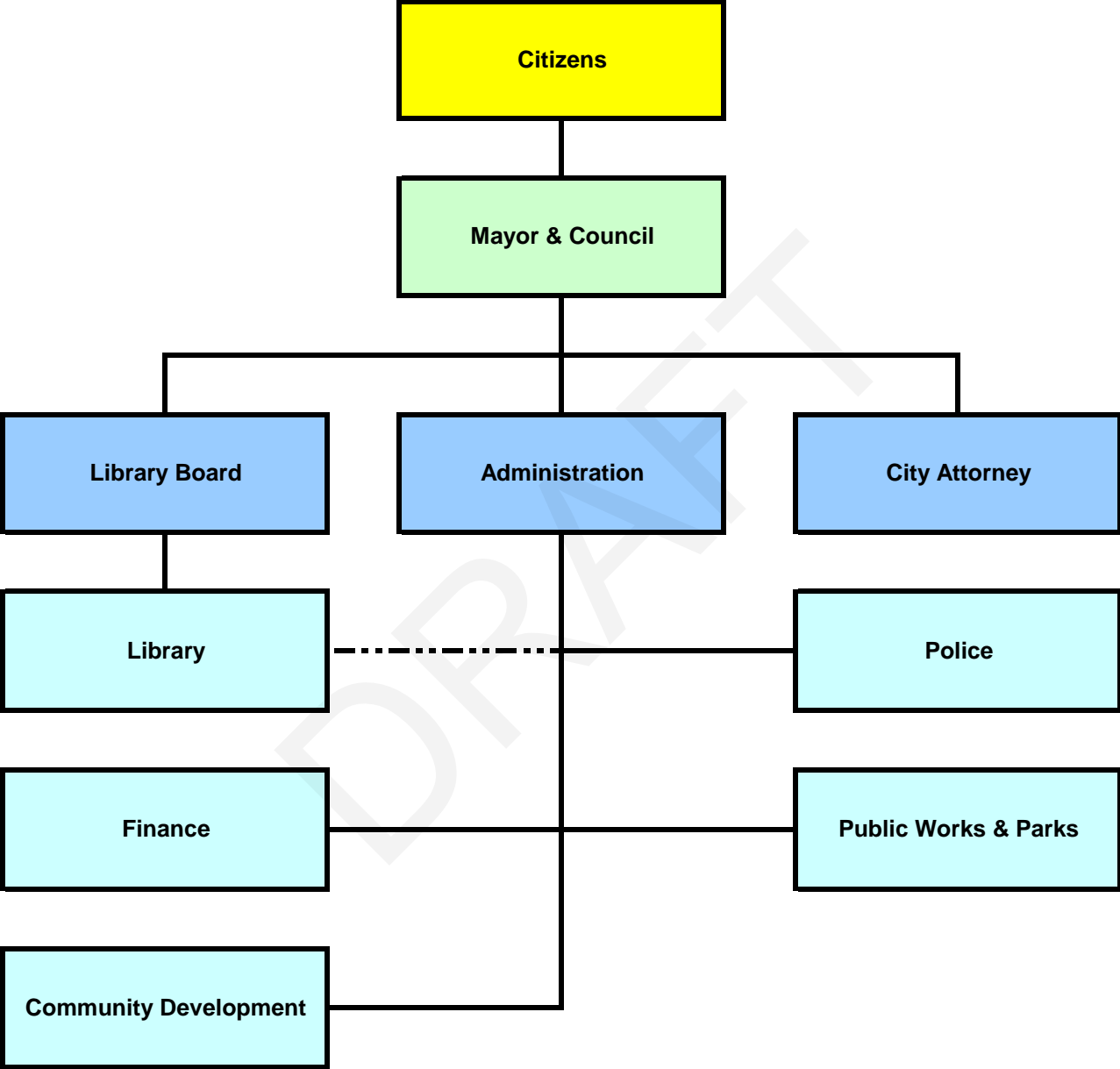
Tim Peterson	City Administrator
Caleb Peterson	Director of Public Works
Derek Randall	Police Chief
Katie Bloom	Finance Director
Holly Hansen	Community Development Director
Courtney Dietsche	Library Director

Appointive:

Rudy, Gassert, Yetka, & Pritchett, P.A. – Attorneys

Wipfli, LLP - Auditors

**City of Cloquet, Minnesota
Organizational Chart**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cloquet
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

To the Honorable City Council
City of Cloquet
Cloquet, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cloquet, Minnesota (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison schedule for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *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 City, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 13 through 19, information about the City's net pension liability, pages 69 through 76, and information about the City's other postemployment benefit plan, page 77, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor governmental fund financial statements and budget to actual statements, pages 80 through 102, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements and budget to actual statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.



Wipfli LLP
July 17, 2024
Eau Claire, Wisconsin

Management's Discussion and Analysis

City of Cloquet

Management's Discussion and Analysis

Year Ended December 31, 2023

This section of the City of Cloquet's annual financial report presents a discussion and analysis of the City's financial performance and provides an overview of the City's financial activities for the year ended December 31, 2023. Please read this discussion in conjunction with the City's financial statements, which begin on page 19.

Financial Highlights

- Government-wide assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$67,724,271. Of this amount \$38,490,794 is from governmental activities and \$29,233,477 is from business-type activities.
- The City's total net position increased by \$1,777,241. The net position of governmental activities increased \$438,257 and the net position of business-type activities increased \$1,338,984.
- The City's governmental funds reported combined ending fund balances of \$9,305,473 in the fund financial statements. This is an increase of \$1,194,704 from the 2022 balance of \$8,110,769. Of this amount, \$383,555 or approximately 4.12 percent, is available for spending at the City's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$383,555, or 4.19 percent of the total general fund expenditures of \$9,161,037. The 2023 unassigned fund balance decreased \$629,204 from the 2022 unassigned fund balance of \$1,012,759. This represents a decrease in the unassigned fund balance of 62.13 percent.

Overview of the Financial Statements

This discussion and analysis services as an introduction to the City of Cloquet's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

- The first two statements are government-wide financial statements that provide information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The governmental funds statements explain how general government services were financed, as well as, how grant proceeds were utilized for the short-term and what remains for future spending.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the information in the financial statements.

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

Government-wide Financial Statements

The government-wide financial statements are designed to give users a broad overview of the City's finances, in a manner similar to that of a private-sector business. The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases and decreases in net position over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The statement of activities shows how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected grants and vacation days that are earned, but not used.

Both government-wide financial statements distinguish between functions that are governmental and business-type activities. The City's governmental activities include public safety, streets and highways, community and economic development, culture and recreation, and general administration. Property taxes and state and federal grants and aids finance most of these activities.

The City charges fees to customers to help cover all or most of the cost of certain services it provided. The City's business-type activities include Water Fund, Sewer Fund, and the Stormwater Fund.

The two government-wide financial statements are presented immediately after this discussion and analysis.

Fund Financial Statements

A fund is a set of related accounts that is used to control resources that have been segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. The City of Cloquet, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds are either governmental funds, proprietary, or fiduciary funds.

- Governmental funds - Because the focus of governmental fund financial statements is narrower than government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in order to gain a better understanding of the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide reconciliations to aid in the comparison of governmental funds with governmental activities.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund and the City Sales Tax Projects Fund which are considered to be major funds. Data from the remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included in the combining fund statements in the supplementary information section of this report.

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

- Proprietary funds - The City maintains three enterprise funds which are included in these financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for operation of the Water Fund, Sewer Fund and Stormwater Fund. The Water Fund and Sewer Fund are considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Internal service funds are the other type of proprietary fund. The City's internal service fund is used to accumulate and allocate cost internally among the City's various governmental functions for employee benefit accruals. Because these services benefit governmental functions rather than business-type functions, they have been included with the governmental activities portion of the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the combining statements referred to earlier in connection with nonmajor governmental funds. These statements follow the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. A portion of the City's net position (85.56%) is invested in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its constituents; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it is important to realize the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.30%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for community development. The remaining balance of net position (7.14%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

The following table presents a summary of the City's net position at December 31:

	2023			2022		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Assets						
Current and other assets	\$ 12,840,307	\$ 9,577,429	\$ 22,417,736	\$ 12,081,331	\$ 10,686,729	\$ 22,768,060
Capital assets	44,920,395	31,348,335	76,268,730	45,840,229	29,869,054	75,709,283
Total assets	57,760,702	40,925,764	98,686,466	57,921,560	40,555,783	98,477,343
Deferred outflows of resources	5,406,500	197,034	5,603,534	7,029,256	68,290	7,097,546
Liabilities						
Long-term liabilities	16,999,115	10,998,599	27,997,714	23,453,719	12,135,320	35,589,039
Other liabilities	617,050	540,379	1,157,429	688,938	516,537	1,205,475
Total liabilities	17,616,165	11,538,978	29,155,143	24,142,657	12,651,857	36,794,514
Deferred inflows of resources	7,060,243	350,343	7,410,586	2,755,622	77,723	2,833,345
Net position						
Net investment in capital assets	36,511,316	21,433,675	57,944,991	37,025,229	19,465,054	56,490,283
Restricted	4,943,712		4,943,712	1,247,703		1,247,703
Unrestricted (deficit)	(2,964,234)	7,799,802	4,835,568	(220,395)	8,429,439	8,209,044
Total net position	\$ 38,490,794	\$ 29,233,477	\$ 67,724,271	\$ 38,052,537	\$ 27,894,493	\$ 65,947,030

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

To give users a better understanding of the sources and uses of the City's net position, the table that follows presents a summary of revenues, expenses, and changes in net position for the years ended December 31:

	2023			2022		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues						
Charges for service	\$ 1,386,860	\$ 7,587,581	\$ 8,974,441	\$ 1,356,295	\$ 7,029,435	\$ 8,385,730
Operating grants and contributions	490,440		490,440	1,442,654		1,442,654
Capital grants and contributions	51,302	507,030	558,332	62,741	23,064	85,805
General revenues						
Property taxes	3,571,038		3,571,038	3,279,087		3,279,087
Sales tax	2,139,630		2,139,630	1,287,679		1,287,679
Other taxes	161,470		161,470	168,269		168,269
State aids	3,720,698	-	3,720,698	3,834,628	-	3,834,628
Interest	203,114	287,250	490,364	36,399	37,650	74,049
Other	142,485	61,116	203,601	141,287	102,144	243,431
Transfers	998,142	(998,142)	-	1,997,946	(1,997,946)	
Total revenues	12,865,179	7,444,835	20,310,014	13,606,985	5,194,347	18,801,332
Expenses						
General government	2,131,046		2,131,046	2,081,367		2,081,367
Public safety	4,060,221		4,060,221	3,286,655		3,286,655
Streets and highways	3,084,062		3,084,062	3,382,831		3,382,831
Community and economic development	530,424		530,424	495,240		495,240
Culture and recreation	2,414,082		2,414,082	2,532,335		2,532,335
Interest and fiscal charges	207,087		207,087	231,004		231,004
Water		4,409,922	4,409,922		5,079,021	5,079,021
Sewer		1,554,400	1,554,400		1,708,380	1,708,380
Stormwater		141,529	141,529		151,179	151,179
Total expenses	12,426,922	6,105,851	18,532,773	12,009,432	6,938,580	18,948,012
Change in net position	438,257	1,338,984	1,777,241	1,597,553	(1,744,233)	(146,680)
Net position, beginning of year	38,052,537	27,894,493	65,947,030	36,454,984	29,638,726	66,093,710
Net position, end of year	\$ 38,490,794	\$ 29,233,477	\$ 67,724,271	\$ 38,052,537	\$ 27,894,493	\$ 65,947,030

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

Governmental activities

The governmental activities increased the City's net position by \$438,257 which represents 25% of the total increase in the net position of the City. Major changes in revenues and expenses compared to 2022 are as follows:

- Public safety expenditures increased by roughly \$775,000.
- Tax revenue increased by roughly \$1.143 million due to additional collections of sales tax as well as an increase in the overall property tax levy.

Business-type activities

Business-type activities increased the City's net position \$1.339 million. Major changes in revenues and expenses compared to 2022 are as follows:

- Charges for service increased due to more usage from Sappi.
- Water and sewer expenses decreased largely due to staffing and personnel expenses being much lower.

Fund Financial Analysis

As noted earlier, the City of Cloquet uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

General Fund Budgetary Highlights

The City did amend the originally approved budget for 2023 to reduce expenditures by \$300,000 due to a broadband project that wasn't expected to begin until 2024. Actual revenues were \$375,791 more than budgeted. Actual current expenditures varied from budget by \$800,247 more than anticipated. The variance is due to a broadband project of roughly \$300,000 that wasn't expected to begin until 2024 plus an unbudgeted repair at the Northwoods Hockey Arena of about \$100,000.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the City's financing requirements; unrestricted fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year. As of December 31, 2023, the City's governmental funds reported a combined fund balance of \$9,305,473, an increase of \$1,194,704 from the 2022 balance of \$8,110,769. Of the total fund balance amount, \$383,555 or 4.12 percent, which is reported as unassigned fund balance, is available for spending at the City's discretion.

The General Fund is the main operating fund of the City of Cloquet. At December 31, 2023, fund balance of the General Fund was \$3,465,916 with 11.07 percent reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 4.19 percent of total General Fund expenditures. During 2023, the fund balance of the General Fund decreased by \$523,219.

City of Cloquet

Management's Discussion and Analysis (Continued)

Year Ended December 31, 2023

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, only in more detail. The proprietary funds net position increased \$1,338,984 in 2023, compared to a decrease in net position of \$1,744,233 in 2022. Operating income for 2023 was \$1,743,887, compared to operating income of \$409,922 from 2022.

Capital Assets

The City of Cloquet's investment in capital assets as of December 31, 2023, was \$76,268,730, net of accumulated depreciation and amortization. This investment includes land, buildings, infrastructure, distribution system, furniture, machinery, equipment, lease assets and construction-in-progress. Additional information related to the City's capital assets can be found in Note 6 of the notes to the financial statements.

Debt

The City had \$12,240,000 in bond obligations and Minnesota Public Authority loans outstanding in the amount of \$5,773,000 at the end of 2023.

The City continues to stay below the debt limits established by the State.

Other liabilities for obligations such as vacation, sick leave, and net pension liability are discussed further in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The City of Cloquet's elected and appointed officials considered many factors when they set the 2024 budget, levies, rates and fees that will be charged for the business-type activities. Factors considered when adopting the General Fund budget were departmental requirements, as well as normal inflationary increase in expenditures and revenues. Current economic conditions, both on the local and state level, were also considered. In general, it has been the City Council's goal to increase the fund balance to reach, and then maintain, the State Auditor's recommended level. It is expected this goal will continue into the future.

Requests for Information

This financial report is meant to provide a general overview of the City of Cloquet's finances for all those with an interest in the City's finances. Questions concerning information provided in the report, or requests for additional financial information, should be addressed to the City of Cloquet's Finance Department, 101 14th Street, Cloquet, Minnesota 55720.

Basic Financial Statements

City of Cloquet

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,207,901	\$ 7,258,723	\$ 16,466,624
Accounts receivable, net	123,466	1,134,296	1,257,762
Delinquent taxes receivable	88,486		88,486
Special assessments receivable	170,407	683,886	854,293
Interest receivable	29,834	30,800	60,634
Due from other governments	536,574	140,140	676,714
Internal balances	-	-	
Prepaid items	77,745	2,386	80,131
Inventories	247,086	327,198	574,284
Leases receivable	2,194,383		2,194,383
Loans receivable	164,425		164,425
Capital assets, net of depreciation and amortization			
Lease assets, net of amortization	16,817		16,817
Assets not being depreciated	8,137,906	2,274,839	10,412,745
Assets being depreciated, net	36,765,672	29,073,496	65,839,168
Total assets	57,760,702	40,925,764	98,686,466
Deferred outflows of resources	5,406,500	197,034	5,603,534
Total assets and deferred outflows of resources	\$ 63,167,202	\$ 41,122,798	\$ 104,290,000
Liabilities			
Accounts payable	\$ 365,426	\$ 303,381	\$ 668,807
Accrued wages and related liabilities	99,599	29,075	128,674
Accrued interest payable	90,382	78,218	168,600
Due to other governments	61,643	129,705	191,348
Long-term liabilities			
Due within one year	775,370	747,083	1,522,453
Due in more than one year	16,223,745	10,251,516	26,475,261
Total liabilities	17,616,165	11,538,978	29,155,143
Deferred inflows of resources			
Related to pensions	4,889,909	350,343	5,240,252
Leases receivable	2,170,334		2,170,334
Total deferred inflows of resources	7,060,243	350,343	7,410,586
Net position			
Net investment in capital assets	36,511,316	21,433,675	57,944,991
Restricted	4,943,712		4,943,712
Unrestricted	(2,964,234)	7,799,802	4,835,568
Total net position	38,490,794	29,233,477	67,724,271
Total liabilities, deferred inflows of resources, and net position	\$ 63,167,202	\$ 41,122,798	\$ 104,290,000

See accompanying notes to financial statements.

City of Cloquet

Statement of Activities

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 2,131,046	\$ 257,644	\$ 149,140	\$	\$ (1,724,262)	\$	\$ (1,724,262)
Public safety	4,060,221	645,977	407		(3,413,837)		(3,413,837)
Streets and highways	3,084,062	204,708	339,212	51,302	(2,488,840)		(2,488,840)
Community and economic development	530,424	29,074			(501,350)		(501,350)
Culture and recreation	2,414,082	249,457	1,681		(2,162,944)		(2,162,944)
Interest and fiscal charges	207,087				(207,087)		(207,087)
Total governmental activities	\$ 12,426,922	\$ 1,386,860	\$ 490,440	\$ 51,302	(10,498,320)		(10,498,320)
Business-type activities							
Water	\$ 4,409,922	\$ 4,994,061	\$	\$ 306,799		890,938	890,938
Sewer	1,554,400	2,260,510		200,231		906,341	906,341
Stormwater	141,529	333,010				191,481	191,481
Total business-type activities	\$ 6,105,851	\$ 7,587,581	\$	\$ 507,030		1,988,760	1,988,760
General revenues							
Property taxes					3,571,038		3,571,038
Sales tax					2,139,630		2,139,630
Lodging tax					77,296		77,296
Franchise tax					84,174		84,174
State aids					3,720,698		3,720,698
Interest income					203,114	287,250	490,364
Other					142,485	61,116	203,601
Transfers					998,142	(998,142)	
Total general revenues and transfers					10,936,577	(649,776)	10,286,801
Change in net position					438,257	1,338,984	1,777,241
Net position, beginning of the year					38,052,537	27,894,493	65,947,030
Net position, end of the year					\$ 38,490,794	\$ 29,233,477	\$ 67,724,271

See accompanying notes to financial statements.

City of Cloquet

Balance Sheet – Governmental Funds

December 31, 2023

	General Fund	City Sales Tax Projects Fund	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 3,215,220	\$ 1,306,412	\$ 4,089,540	\$ 8,611,172
Accounts receivable	61,694	9,205	52,567	123,466
Delinquent taxes receivable	65,277		23,209	88,486
Special assessments receivable			170,407	170,407
Interest receivable	23,134		4,400	27,534
Due from other governments	270,774	111,483	154,317	536,574
Due from other funds	111,381		200,000	311,381
Prepaid items	75,934			75,934
Inventories	247,086			247,086
Leases receivable	2,194,383			2,194,383
Loans receivable			164,425	164,425
Total assets	\$ 6,264,883	\$ 1,427,100	\$ 4,858,865	\$ 12,550,848
Liabilities				
Accounts payable	\$ 233,950		131,476	365,426
Accrued wages and related liabilities	89,312		10,287	99,599
Due to other governments	56,904		4,739	61,643
Due to other funds	200,000		111,381	311,381
Total liabilities	580,166		257,883	838,049
Deferred inflows of resources				
Unavailable revenue			2,179	2,179
Leases receivable	2,170,334			2,170,334
Delinquent property taxes	48,467		15,713	64,180
Delinquent special assessments			170,633	170,633
Total deferred inflows of resources	2,218,801		188,525	2,407,326
Fund balances				
Nonspendable	323,020			323,020
Restricted	27,646	1,427,100	3,579,348	5,034,094
Committed	2,731,695		727,220	3,458,915
Assigned			105,889	105,889
Unassigned	383,555			383,555
Total fund balances	3,465,916	1,427,100	4,412,457	9,305,473
Total liabilities, deferred inflows of resources and fund balances	\$ 6,264,883	\$ 1,427,100	\$ 4,858,865	\$ 12,550,848

See accompanying notes to financial statements.

City of Cloquet

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2023

Total fund balances - governmental funds \$ 9,305,473

Amounts reported for governmental activities in the statement of activities
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are
not reported as assets in governmental funds.

Cost of capital assets	69,170,531
Less accumulated depreciation	(24,266,953)
Cost of lease assets	58,001
Less accumulated amortization	(41,184)

Internal service funds are used by management to charge the costs of employee accrued benefits
to individual funds. The assets and liabilities of the internal service fund is included in governmental
activities in the statement of net position. (472)

Long-term assets are not available to pay for current period expenditures and therefore,
are deferred in the funds. 236,992

Long-term liabilities, including bonds and notes payable, and leases payable, are not due
and payable in the current period and therefore are not reported as liabilities in the funds. Also,
governmental funds report the effect of premiums, discounts, and similar items when debt is first
issued, whereas these amounts are deferred and amortized in the statement of net position.

General obligation bonds and notes	(8,300,000)
Unamortized bond premiums	(92,133)
Leases payable	(16,946)

Governmental funds do not report a liability for accrued interest until due and payable. (90,382)

The total other postemployment employment benefit liability are only reported in the
statement of net position.

Total other post employment benefit liability	(3,777,142)
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The net pension liability and the deferred outflows of resources and inflow of resources
related to pensions are only reported in the statement of net position.

Net pension liability	(4,211,582)
Deferred outflows of resources	5,406,500
Deferred inflows of resources	(4,889,909)

Total net position - governmental activities \$ 38,490,794

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2023

	General Fund	City Sales Tax Projects Fund	Nonmajor Governmental Funds	Total
Revenues				
Taxes	\$ 2,651,848	\$ 1,278,769	\$ 1,937,273	\$ 5,867,890
Special assessments			51,302	51,302
Licenses and permits	132,222			132,222
Intergovernmental	3,831,419	7,424	631,781	4,470,624
Charges for services	614,242		100,933	715,175
Fines and forfeitures	78,426			78,426
Interest income	161,364		41,750	203,114
Miscellaneous	208,510		219,696	428,206
Total revenues	7,678,031	1,286,193	2,982,735	11,946,959
Expenditures				
Current				
General government	1,619,366			1,619,366
Public safety	3,900,039			3,900,039
Streets and highways	2,201,971			2,201,971
Community and economic development	318,245		212,179	530,424
Culture and recreation	1,103,140		810,510	1,913,650
Capital outlay	18,276	49,048	762,018	829,342
Debt service				
Principal			526,062	526,062
Interest and fiscal charges			229,543	229,543
Total expenditures	9,161,037	49,048	2,540,312	11,750,397
Excess (deficiency) of revenues over expenditures	(1,483,006)	1,237,145	442,423	196,562
Other financing sources (uses)				
Transfers in	1,159,787		797,300	1,957,087
Transfers out	(200,000)	(679,158)	(79,787)	(958,945)
Net other financing sources (uses)	959,787	(679,158)	717,513	998,142
Net change in fund balances	(523,219)	557,987	1,159,936	1,194,704
Fund balances, beginning	3,989,135	869,113	3,252,521	8,110,769
Fund balances, ending	\$ 3,465,916	\$ 1,427,100	\$ 4,412,457	\$ 9,305,473

See accompanying notes to financial statements.

City of Cloquet

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds

For the Year Ended December 31, 2023

Total net change in fund balances - governmental funds	\$ 1,194,704
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay expenditures	781,977
Depreciation expense	(1,691,745)
Disposal of capital assets	(26,883)
Amortization expense	(20,592)
Internal service funds are used by management to charge the costs of employee accrued benefits to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	(18,349)
Repayment of bond principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
General obligation bonds and notes	515,000
Amortization of bond premium	6,825
Leases payable	20,609
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. However, in the statement of activities, interest expense is recognized as it accrued, regardless of when due.	
	6,084
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(79,925)
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of the benefits earned during the year.	
Change in deferred outflows of resources related to pensions	(1,622,756)
Change in deferred inflows of resources related to pensions	(4,556,890)
Change in pension liability	4,986,971
Change in other post employment benefit liability	943,227
Change in net position - governmental activities	\$ 438,257

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual – General Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 2,623,390	\$ 2,651,848	\$ 28,458
Licenses and permits	168,150	132,222	(35,928)
Intergovernmental	3,464,300	3,831,419	367,119
Charges for services	729,400	614,242	(115,158)
Fines and forfeitures	60,000	78,426	18,426
Interest income	150,000	161,364	11,364
Miscellaneous	107,000	208,510	101,510
Total revenues	7,302,240	7,678,031	375,791
Expenditures			
Current			
General government	1,518,915	1,619,366	100,451
Public safety	3,708,075	3,900,039	191,964
Streets and highways	2,021,025	2,201,971	180,946
Community and economic development	226,925	318,245	91,320
Culture and recreation	871,350	1,103,140	231,790
Capital outlay	14,500	18,276	3,776
Total expenditures	8,360,790	9,161,037	800,247
Excess (deficiency) of revenues over expenditures	(1,058,550)	(1,483,006)	(424,456)
Other financing sources (uses)			
Transfers in	1,142,550	1,159,787	17,237
Transfers out	(200,000)	(200,000)	-
Net other financing sources (uses)	942,550	959,787	17,237
Net change in fund balance	(116,000)	(523,219)	(407,219)
Fund balance, beginning	3,989,135	3,989,135	
Fund balance, ending	\$ 3,873,135	\$ 3,465,916	\$ (407,219)

See accompanying notes to financial statements.

City of Cloquet

Statement of Net Position – Proprietary Funds

December 31, 2023

	Business-Type Activities				Governmental-Activity
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total	Internal Service - Employee Benefit
Assets					
Current assets					
Cash and cash equivalents	\$ 5,192,699	\$ 2,026,793	\$ 39,231	\$ 7,258,723	\$ 596,729
Accounts receivable, net	815,854	279,836	38,606	1,134,296	
Special assessments receivable, current	63,063	39,824		102,887	
Interest receivable	23,100	7,000	700	30,800	2,300
Due from other governments	1,846	138,294		140,140	
Prepaid expenses	2,386			2,386	1,811
Inventories	299,256	27,942		327,198	
Total current assets	6,398,204	2,519,689	78,537	8,996,430	600,840
Noncurrent assets					
Special assessments receivable	355,552	225,447		580,999	
Capital assets, net of depreciation					
Assets not being depreciated	2,174,012	100,342	485	2,274,839	
Assets being depreciated, net	21,028,409	6,636,382	1,408,705	29,073,496	
Total noncurrent assets	23,557,973	6,962,171	1,409,190	31,929,334	
Total assets	29,956,177	9,481,860	1,487,727	40,925,764	600,840
Deferred outflows of resources	157,447	39,587		197,034	
Total assets and deferred outflows of resources	\$ 30,113,624	\$ 9,521,447	\$ 1,487,727	\$ 41,122,798	\$ 600,840

See accompanying notes to financial statements.

City of Cloquet

Statement of Net Position – Proprietary Funds (Continued)

December 31, 2023

	Busienss-Type Activities				Governmental-Activity
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total	Internal Service - Employee Benefit
Liabilities					
Current liabilities					
Accounts payable	\$ 286,038	\$ 17,323	\$ 20	\$ 303,381	\$
Accrued wages and related liabilities	22,012	7,063		29,075	
Accrued interest payable	71,266	3,958	2,994	78,218	
Due to other governments	53,858	75,847		129,705	
Compensated absences, current portion	58,650	15,283		73,933	221,599
Loans and bonds payable, current portion	595,000	25,000	20,000	640,000	
Bond premium, current portion	33,150			33,150	
Total current liabilities	1,119,974	144,474	23,014	1,287,462	221,599
Noncurrent liabilities					
Compensated absences	123,455	34,020		157,475	379,713
Loans and bonds payable	8,158,000	520,000	395,000	9,073,000	
Bond premium, net of amortization	168,510			168,510	
Net pension liability	617,987	155,379		773,366	
Other Post Employment Benefit Liability	59,374	19,791		79,165	
Total noncurrent liabilities	9,127,326	729,190	395,000	10,251,516	379,713
Total liabilities	10,247,300	873,664	418,014	11,538,978	601,312
Deferred inflows of resources	279,955	70,388		350,343	
Net position					
Net investment in capital assets	14,247,761	6,191,724	994,190	21,433,675	
Unrestricted	5,338,608	2,385,671	75,523	7,799,802	(472)
Total net position	19,586,369	8,577,395	1,069,713	29,233,477	(472)
Total liabilities, deferred inflows of resources and net position	\$ 30,113,624	\$ 9,521,447	\$ 1,487,727	\$ 41,122,798	\$ 600,840

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds December 31, 2023

	Business-Type Activities				Governmental-Activity
	Water Fund	Sewer Fund	Nonmajor Stormwater Fund	Total	Internal Service - Employee Benefit
Operating revenues					
Charges for service	\$ 4,994,061	\$ 2,260,510	\$ 333,010	\$ 7,587,581	\$
Other revenues	9,891	696	50,529	61,116	3,508
Total operating revenues	5,003,952	2,261,206	383,539	7,648,697	3,508
Operating expenses					
Salaries and benefits	1,052,207	272,695		1,324,902	43,007
Supplies	215,361	22,896	8,457	246,714	
Electric service	1,851,513			1,851,513	
WLSSD Charges		944,289		944,289	
Property tax	15,621			15,621	
Other services and charges	563,646	106,340	73,186	743,172	
Depreciation and amortization	560,379	198,674	52,696	811,749	
Total operating expenses	4,258,727	1,544,894	134,339	5,937,960	43,007
Operating income (loss)	745,225	716,312	249,200	1,710,737	(39,499)
Nonoperating revenues (expenses)					
Investment income	215,400	65,500	6,350	287,250	21,150
Interest expense	(151,195)	(9,506)	(7,190)	(167,891)	
Total nonoperating revenues	64,205	55,994	(840)	119,359	21,150
Income (loss) before contributions and transfers	809,430	772,306	248,360	1,830,096	(18,349)
Contributions and transfers					
Contributions for capital assets	306,799	200,231		507,030	
Transfers in	222,773			222,773	
Transfers out	(635,000)	(335,915)	(250,000)	(1,220,915)	
Total contributions and transfers	(105,428)	(135,684)	(250,000)	(491,112)	
Change in net position	704,002	636,622	(1,640)	1,338,984	(18,349)
Net position, January 1	18,882,367	7,940,773	1,071,353	27,894,493	17,877
Net position, December 31	\$ 19,586,369	\$ 8,577,395	\$ 1,069,713	\$ 29,233,477	\$ (472)

See accompanying notes to financial statements.

City of Cloquet

Statement of Cash Flows – Proprietary Funds

December 31, 2023

	Business-Type Activities				Governmental-Activity Internal Service - Employee Benefit
	Water Fund	Sewer Fund	Stormwater Fund	Total	
Cash flows from operating activities					
Receipts from customers	\$ 4,776,883	\$ 2,151,152	\$ 384,233	\$ 7,312,268	\$ 3,508
Payments to employees	(1,242,177)	(349,916)		(1,592,093)	(24,979)
Payment to suppliers	(2,572,139)	(1,026,187)	(72,127)	(3,670,453)	(1,811)
Net cash provided by (used in) operating activities	962,567	775,049	312,106	2,049,722	(23,282)
Cash flows from noncapital financing activities					
Transfers in (out)	(412,227)	(335,915)	(250,000)	(998,142)	
Cash flows from capital and related financing activities					
Purchase of capital assets	(1,893,073)	(182,600)	(215,357)	(2,291,030)	
Capital contributions received	306,799	200,231		507,030	
Repayment of long-term debt	(646,000)	(25,000)	(20,000)	(691,000)	
Interest expense	(181,632)	(9,538)	(7,215)	(198,385)	
Net cash used in capital and related financing activities	(2,413,906)	(16,907)	(242,572)	(2,673,385)	
Cash flows from investing activities					
Investment income	210,200	62,500	6,250	278,950	20,550
Net increase (decrease) in cash and cash equivalents	(1,653,366)	484,727	(174,216)	(1,342,855)	(2,732)
Cash and cash equivalents, January 1	6,846,065	1,542,066	213,447	8,601,578	599,461
Cash and cash equivalents, December 31	\$ 5,192,699	\$ 2,026,793	\$ 39,231	\$ 7,258,723	\$ 596,729

See accompanying notes to financial statements.

City of Cloquet

Statement of Cash Flows – Proprietary Funds (Continued)

For the Year Ended December 31, 2023

	Business-Type Activities				Governmental-Activity
	Water Fund	Sewer Fund	Stormwater Fund	Total	Internal Service - Employee Benefit
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 745,225	\$ 716,312	\$ 249,200	\$ 1,710,737	\$ (39,499)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	560,379	198,674	52,696	811,749	
Change in pension related items	(180,963)	(78,818)		(259,781)	
Change in OPEB related items	(8,595)	(5,694)		(14,289)	
Changes in assets and liabilities					
Accounts receivable	(69,264)	(6,857)	694	(75,427)	
Special assessments receivable	(157,805)	(103,197)		(261,002)	
Inventories	38,119	7,385		45,504	
Due from other governments	1,303	34,016	30,486	65,805	
Prepaid expenses	(135)			(135)	(1,811)
Accrued wages and related liabilities	561	944		1,505	
Accounts payable	33,354	2,050	(20,970)	14,434	
Due to other governments	1,361	3,886		5,247	
Compensated absences	(973)	6,348		5,375	18,028
Net cash provided by (used in) operating activities	\$ 962,567	\$ 775,049	\$ 312,106	\$ 2,049,722	\$ (23,282)

See accompanying notes to financial statements.

City of Cloquet

Notes to Financial Statements

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies

Introduction

The City of Cloquet, Minnesota, was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. The City is governed by an elected mayor and six-member council. The City provides services including public safety, public works, culture and recreation, economic development, general administrative services, water, sewer, and stormwater.

Financial Reporting Entity

Accounting principles generally accepted in the United States require that the reporting entity include (1) the City, (2) organizations for which the City is financially accountable and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and commissions and other component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would render the financial statements to be misleading or incomplete.

As a result of applying the component unit definition criteria above, one organization has been defined in accordance with GASB standards and is presented in this report as a blended component unit (reported as if they were part of the City). The blended component unit is as follows:

1. The Cloquet Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Cloquet EDA is reported as if it were part of the primary government because it provides services exclusively for the City of Cloquet. While it provides services exclusively for the City of Cloquet, the citizens and businesses of the City benefit from an improved economic environment. Separate financial statements are not prepared for the Cloquet EDA.

The Cloquet Area Fire District (District) is responsible for fire and emergency medical services within the City's jurisdiction. Only three of the eight board members are appointed by the City Council. The District obtained levy authority in 2010 and is not fiscally dependent on the City. Therefore, the District is a related party but not a component unit. The City provides fiscal services, fleet services, and some building maintenance to the District.

The City Council appoints all of the governing board of the Cloquet Housing and Redevelopment Authority but is not able to impose its will nor does a financial benefit or burden relationship exist. Therefore, the Cloquet Housing and Redevelopment Authority is a related party but not a component unit. There were no transactions between the two entities during the year and there are no receivables or payables between the entities.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The financial statements are prepared from accounts of the City that are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are classified into government and business-type activities, which are further divided into separate fund types. The fund categories and a description of each existing fund type follows:

Governmental Funds

General Fund - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for accumulated resources for, and payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Accounts for financial resources to be used for acquisition of construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Depreciation expense is recorded as an allocated expense in the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Financial Statements:

The emphasis of fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other funds (nonmajor).

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

City Sales Tax Projects Fund - Accounts for the resources that are restricted, committed, or assigned for capital projects to be funded through the City Sales Tax.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

Water Fund – Accounts for the activity of providing water services to the public.

Sewer Fund – Accounts for the activity of providing sewage disposal services to the public.

The City reports the following fund type:

Employee Benefit Accruals Internal Service Fund – Accounts for the compensated absences, sick leave severance, and health care savings contribution provided to governmental fund employees.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current period. State revenue is recognized in the year in which it applies according to Minnesota Statutes. Special assessment revenue is recognized in the year it is received. Other revenues are considered measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred. Debt service expenditures and other contingencies are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 **Summary of Significant Accounting Policies (Continued)**

revenue of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Interfund transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. The internal balances caption on the government-wide statement of net position represents interfund receivables or payables between the two types of activities: governmental and business-type.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The City's cash and cash equivalents includes cash on hand, demand deposits and investments with original maturities of three months or less from the date of purchase.

Investments

Investments in government securities are accounted for at fair value. Investments in external investment pools are valued at net asset value (NAV), as provided by the pool. Investments in money market accounts are valued at amortized cost.

Receivables

Property tax levies are set by the Council in December of each year and are certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30.

The County provides tax settlements to cities and other taxing districts in January, June, and November or December. Taxes, which remain unpaid at December 31, are classified as delinquent taxes receivable and are fully offset by unearned revenue because they are not known to be available to finance current expenditures. No allowance has been established for delinquent taxes receivable since unpaid amounts would be collectible upon the sale of the property.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 **Summary of Significant Accounting Policies (Continued)**

Special assessments are certified to the County in November of each year for collection in the following year. Payments collected by the County are remitted to the City in January, June, and November or December. Special assessments receivable are fully offset by deferred inflows of resources because they are not known to be available to finance current expenditures. No allowance has been established for special assessments receivable since they are a lien on the property and would be collectible upon the sale of the property.

Public utility receivables are shown at a gross amount since most utility receivables are assessable to the property and are collectible with property taxes yearly.

Loan receivables recorded in the governmental funds consist of business loans using funds provided through state and federal grants. The loans have been collateralized and call for periodic payments of principal and interest.

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

Prepaid Items

Payments made to vendors for services that will benefit future periods beyond December 31, 2023 are recorded as prepaid items. Prepaids are recorded as expenditures/expenses when services are provided rather than when paid.

Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as follows: all land, land improvements, and buildings with an initial cost of \$5,000 or more and a useful life of more than five years, equipment, and vehicles with an initial cost of \$5,000 or more and a three-year useful life and infrastructure with an initial cost of \$25,000 or more and a five-year useful life. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value on the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 30
Infrastructure	5 - 99
Buildings	5 - 75
Equipment and vehicles	3 - 20
Distribution system	5 - 99

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 (expenditure/expense) until then. Currently, the City has one item, pension obligation outflows, that is reported in this category.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report 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 City has reported unavailable revenue from delinquent property taxes and special assessments, and loans receivable, which arise only under a modified accrual basis of accounting, in the governmental funds balance sheet. The City has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Compensated Absences

The City's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation leave and sick pay benefits. The liability for these compensated absences is recorded as a liability in the government wide financial statements with the current portion of this liability estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absences liability payable if the liability has matured as a result of employee resignations and retirements for example. The proprietary funds report the liability as incurred. The Governmental Funds compensated absence liability is reported in the Employee Benefit Accruals Internal Service Fund.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Long-term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issued, premiums, and discounts are reported as other financing sources while issuance costs are reported as debt service expenditures.

GASB 87 Leases

The City is a lessee in several noncancelable leases. If the contract provides the City the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the City's incremental borrowing rate. The City uses the incremental borrowing rate based on the information available at the commencement date for all leases. The City's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for leases is amortized on a straight-line basis over the lease term.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Public Employees Retirement Association (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 is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balances

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are: non-spendable, restricted, committed, and assigned.

Non-spendable fund balance consists of amounts that cannot be spent because it is not in spendable form.

Restricted fund balance consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints established by state statutory provisions.

Committed fund balance consists of amounts that are constrained for specific purposes that are internally imposed by a formal action of the City Council.

Assigned fund balance consists of amounts intended to be used for specific purposes but do not meet the criteria to be classified as restrict or committed. In accordance with the City's fund balance policy, the City's management is authorized to assign fund balance to a specific purpose.

Unassigned fund balance consists of spendable amounts not contained in another classification and available to meet any current and future years' expenditures. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted resources are available. If resources from more than one fund balance classification can be spent, the City will strive to spend resources in the following order: restricted, committed, assigned and unassigned.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government wide, proprietary, and fiduciary financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets. Restricted net position consists of net position with constraints placed on the use either by external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Unrestricted net position is other net position that does not meet the definition of restricted or net investment in capital assets. The City applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position is available.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 1 **Summary of Significant Accounting Policies (Continued)**

Change in Accounting Policy

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96 SBITAs. The statement enhances the relevance and reliability of a government's financial statement by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The adoption of this guidance did not affect beginning net position for the year ended December 31, 2023 and, accordingly, restatement of beginning net position was not necessary.

Note 2 **Stewardship, Compliance and Accountability**

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States for the governmental funds classified as the general fund, special revenue funds, debt service funds, and capital project funds. These budgets are approved by the City Council at the fund level for revenues and expenditures. All annual appropriations lapse at year-end.

The budget is legally enacted through passage of a resolution. The City Council may authorize transfer of budgeted amounts between any fund.

Formal budgetary integration is employed as a management control during the year. Budgetary control is maintained at the fund level and adjustments can be made within the department budget by the City Council. There is a constant review process, and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessary, and (3) funds are available.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 2 Stewardship, Compliance and Accountability (continued)

The following is a summary of funds which had expenditures in excess of budget for the year ended December 31, 2023:

	Original and Final Budget	Actual	Variance
General fund:			
General Government	\$ 1,518,915	\$ 1,619,366	\$ 100,451
Public Safety	3,708,075	3,900,039	191,964
Streets and highways	2,021,025	2,201,971	180,946
Community and economic development	226,925	318,245	91,320
Culture and recreation	871,350	1,103,140	231,790
Capital outlay	14,500	18,276	3,776
City Sales Tax Capital Projects Fund		49,048	49,048
Cable Television Fund	92,500	94,716	2,216
Economic Development Authority - LDO Loan Fund	2,200	2,500	300
Economic Development Authority - CDBG Loan Fund	10,000	22,521	12,521
Economic Development Authority - SCDP Loan Fund	10,000	29,277	19,277
Tax Increment Financing 14th Street Apartments Fund	52,100	56,404	4,304
Swimming Pond Bonds Fund	100,400	100,438	38
Public Works Reserve Fund	286,600	734,270	447,670
City Sales Tax Bonds Fund	546,500	547,265	765
	<u>\$ 7,942,175</u>	<u>\$ 9,178,110</u>	<u>\$ 1,235,935</u>

Fund Balance Policy

The City has adopted a formal fund balance policy for all funds. The unrestricted fund balance shall be at a minimum of 35% to 50% of fund operating revenues or no less than five months of operating expenditures for the General Fund and Special Revenue funds that are supported predominately by property taxes. Debt Service Funds fund balance should be sufficient to meet debt service payments. Capital Project Funds should have sufficient equity balances to support the five-year capital improvement plan. Internal Service Fund equity should be sufficient to fund accrued compensated absences, severance, and retiree health liabilities. Enterprise Funds unrestricted net assets should be sufficient to operate and maintain the activities.

Note 3 Deposits and Investments

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statute requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 3 Deposits and Investments (continued)

Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City requires collateral for deposits over Federal Deposit Insurance Company (FDIC) insurance amounts. At December 31, 2023, the City's deposits were not exposed to custodial credit risk.

Investments

Minnesota statute 118A.04 and 118A.05 generally authorize the types of investments available to the City as; securities which are direct obligation or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota statute 118A.04 subd. 6; mutual funds through share of registered investment companies provided the mutual fund receives certain ratings depending on its investments; general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service; bankers' acceptances of United States banks; commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Concentration of Credit Risk - The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City has no policy that would limit its investment in a single issuer.

Interest Rate Risk - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City's investment policy is to invest in both shorter and longer-term investments to limit exposure to interest rate risk.

State law limits investments as discussed above. The City has no investment policy that would further limit its investment choices.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 3 Deposits and Investments (Continued)

At December 31, 2023, the City had the following investments:

Investment Type	Fair Value	Maturities		
		Less Than 1 Year	1-3 Years	3+ Years
Municipal bonds	\$ 1,024,853	\$ 342,976	\$ 681,877	\$
Negotiable certificates	4,764,460	1,195,519	2,586,450	982,491
US agencies	747,095	747,095		
Money market mutual	4,969,447	4,969,447		
Total investments	<u>\$ 11,505,855</u>	<u>\$ 7,255,037</u>	<u>\$ 3,268,327</u>	<u>\$ 982,491</u>

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The City has the following investments valued at recurring fair value measurements at December 31, 2023:

Investments by fair value level	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$ 1,024,853	\$	\$ 1,024,853	\$
US agencies	747,095		747,095	
Negotiable CD's	4,764,460		4,764,460	
Total	<u>6,536,408</u>	<u>\$ -</u>	<u>\$ 6,536,408</u>	<u>\$ -</u>

Investments reported at NAV

Money market mutual funds	4,969,447
Total investments	<u>\$ 11,505,855</u>

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2023, none of the City's investments were subject to custodial credit risk.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 3 Deposits and Investments (Continued)

Credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. The City's exposure to credit risk as of December 31, 2023 is as follows:

	Fair Value
Standard & Poors	
AA	\$ 480,300
Moody's	
AAA	5,469,160
Aa1	544,553
Not rated	5,011,842
<hr/>	
Total	\$ 11,505,855

The City's total deposits and investments are as follows:

Deposits	
Cash on hand	\$ 5,250
Deposit with financial institutions	4,955,520
<hr/>	
Total deposits	4,960,770
<hr/>	
Investments	11,505,855
<hr/>	
Total deposits and investments	\$ 16,466,625

Presented in the financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 16,466,624

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 4 Receivables

Significant receivable balances not expected to be collected within one year of December 31, 2023 are as follows:

		Governmental Activities		Business-type Activities
Special assessments	\$	170,407	\$	580,999
Taxes		88,486		
Loans receivable		164,425		
Total	\$	423,318	\$	580,999

Note 5 Leases Receivable

The City, as a lessor, has multiple lease agreements for land and building space. The leases have been recorded as lease receivables and deferred inflows totaling \$2,674,871 at January 1, 2022 at the present value of the future payments to be received discounted at a weighted average of 1.9%. The leases receivable totaled \$2,194,383 and deferred inflows totaled \$2,170,334 at December 31, 2023. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows recognized during the year was \$252,269. Total principal and interest payments due on the leases are as follows at December 31, 2023:

	Lease Agreements		
	Principal	Interest	Total
2024	\$ 62,308	\$ 42,812	\$ 105,120
2025	65,788	41,737	107,525
2026	65,046	40,609	105,655
2027	64,858	39,499	104,357
2028	68,401	38,336	106,737
Thereafter	1,867,982	669,577	2,537,559
Total	\$ 2,194,383	\$ 872,570	\$ 3,066,953

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 6 Capital Assets

Capital assets activity for the year ended December 31, 2023 was as follows:

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 914,841	\$	\$	\$ 914,841
Land improvements - permanent	2,324,395			2,324,395
Construction in progress	4,513,837	384,833		4,898,670
Total capital assets not being depreciated	7,753,073	384,833	-	8,137,906
Capital assets being depreciated				
Land improvements	5,378,987			5,378,987
Buildings	13,001,054	13,276		13,014,330
Equipment and vehicles	4,686,653	383,868	(155,191)	4,915,330
Lease assets - Equipment	58,001			58,001
Infrastructure	37,723,978			37,723,978
Total capital assets being depreciated	60,848,673	397,144	(155,191)	61,090,626
Less accumulated depreciation/amortization				
Land improvements	1,154,845	230,254		1,385,099
Buildings	3,935,431	263,851		4,199,282
Equipment and vehicles	2,798,525	349,842	(128,308)	3,020,059
Lease assets - Equipment	20,592	20,592		41,184
Infrastructure	14,814,715	847,798		15,662,513
Total accumulated depreciation	22,724,108	1,712,337	(128,308)	24,308,137
Total capital assets being depreciated, net	38,124,565	(1,315,193)	(26,883)	36,782,489
Governmental activities capital assets, net	\$ 45,877,638	\$ (930,360)	\$ (26,883)	\$ 44,920,395

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 6

Capital Assets (Continued)

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Business-type activities				
Capital assets not being depreciated				
Land	\$ 95,221			\$ 95,221
Construction in progress	279,231	1,900,387		2,179,618
Total capital assets not being depreciated	374,452	1,900,387		2,274,839
Capital assets being depreciated				
Buildings	478,258			478,258
Equipment and vehicles	1,303,214	215,357	(178,680)	1,339,891
Transmission system and infrastructure	41,810,157	175,286		41,985,443
Total capital assets being depreciated	43,591,629	390,643	(178,680)	43,803,592
Less accumulated depreciation				
Buildings	53,060	16,313		69,373
Equipment and vehicles	925,354	109,455	(178,680)	856,129
Transmission system and infrastructure	13,118,613	685,981		13,804,594
Total accumulated depreciation	14,097,027	811,749	(178,680)	14,730,096
Total capital assets being depreciated, net	29,494,602	(421,106)		29,073,496
Business-type activities capital assets, net	\$ 29,869,054	\$ 1,479,281	\$	\$ 31,348,335

Depreciation and amortization expense was charged to functions/programs of the City follows:

Governmental activities	
General government	\$ 46,358
Public safety	151,346
Streets and highways, including depreciation of infrastructure	990,690
Culture and recreation	523,943
Total governmental activities depreciation/amortization expense	\$ 1,712,337
Business-type activities	
Water	\$ 560,379
Sewer	198,674
Stormwater	52,696
Total business-type activities depreciation expense	\$ 811,749

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 7 Long Term Obligations

The City had the following long-term obligations at December 31, 2023:

Bonds Payable:

General Obligation Tax Abatement Refunding Bonds, Series 2016A were issued at a par value of \$1,095,000, carry a net interest rate of 1.835 percent, and mature in 2030.	\$ 675,000
General Obligation City Sales Tax Projects Revenue Bonds, Series 2017A were issued at a par value of \$8,400,000, carry a net interest rate of 2.5708 percent, and mature in 2037.	6,305,000
General Obligation Capital Improvement Plan Bonds, Series 2019A were issued at a par value of \$1,500,000, carry a net interest rate of 2.446 percent, and mature in 2040.	1,320,000
Minnesota Public Facilities Authority Loan of 2018, purchased on October 20, 2018 by the Minnesota Public Facilities Authority in the amount of \$2,620,802 at an interest rate of 1.128%, and matures in 2026.	5,773,000
General Obligation Revenue Utility Improvement Bonds, Series 2020A were issued at a par value of \$1,825,000, carry a net interest rate of 1.70 percent, and mature in 2041.	1,670,000
General Obligation Sales Tax and Water Revenue Bonds, Series 2022A were issued at a par value of \$2,530,000, carry a net interest rate of 4.60 percent, and mature in 2032.	2,270,000
Total Bonds Payable	\$ 18,013,000

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 7 Long Term Obligations (Continued)

The following is a summary of changes in long-term obligations:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amount Due Within One Year
Governmental activities					
Bonds payable					
General obligation tax abatement refunding bonds	\$ 760,000	\$	\$ 85,000	\$ 675,000	\$ 90,000
General obligation city sales tax projects revenue bonds	6,670,000		365,000	6,305,000	375,000
General obligation library improvement bonds	1,385,000		65,000	1,320,000	65,000
Less unamortized premium (discount)	98,958		6,825	92,133	6,825
Total bonds and notes payable	8,913,958		521,825	8,392,133	536,825
Lease liabilities	37,555		20,609	16,946	16,946
Post employment benefits	4,720,369		943,227	3,777,142	
Net pension liability	9,198,553		4,986,971	4,211,582	
Compensated absences	583,284	221,599	203,571	601,312	221,599
Governmental activities long-term liabilities	\$ 23,453,719	\$ 221,599	\$ 6,676,203	\$ 16,999,115	\$ 775,370
Business-type activities					
MN Public Facilities Authority Loan - 2018	\$ 6,124,000	\$	\$ 351,000	\$ 5,773,000	\$ 355,000
General obligation revenue utility improvement bonds - 2020A	1,750,000		80,000	1,670,000	80,000
General obligation sales tax and water revenue bonds - 2022A	2,530,000		260,000	2,270,000	205,000
Less: unamortized premium (discount)	234,809		33,149	201,660	33,150
Net pension liability	1,177,024		403,658	773,366	
Post employment benefits	93,454		14,289	79,165	
Compensated absences	226,033	73,933	68,558	231,408	73,933
Business-type activities long-term liabilities	\$ 12,135,320	\$ 73,933	\$ 1,210,654	\$ 10,998,599	\$ 747,083

Interest expense in the governmental activities was \$224,218 and interest expense in the business-type activities was \$167,891 during the year ended December 31, 2023.

In the governmental activities, bonds and lease liabilities are paid from debt service funds. compensated absences are paid from the Internal Service Fund – Employee Benefit. The post-employment benefits, net pension liability, and compensated absences are paid by the general and library funds.

In the business-type activities, the bonds are paid from the Water Fund, Sewer Fund and Stormwater Fund. The net pension liability, post-employment benefits and compensated absences are paid from the Water Fund and Sewer Fund.

The City is obligated under the following leases:

Two leases for squad vehicles commencing October 2021 and ending October 2024, with monthly payments of \$904 and \$838 including interest at 1.9%.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 7 Long Term Obligations (Continued)

Annual payments under the lease agreements are as follows:

	Leases Payable		
	Principal	Interest	Total
2024	\$ 16,946	\$ 79	\$ 17,025
Total	\$ 16,946	\$ 79	\$ 17,025

The annual requirements to amortize all outstanding debt obligations at December 31, 2023, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2024	\$ 530,000	\$ 209,418	739,418
2025	540,000	194,593	734,593
2026	560,000	180,285	740,285
2027	575,000	166,117	741,117
2028	590,000	151,562	741,562
2029-2033	2,850,000	533,299	3,383,299
2034-2038	2,470,000	163,305	2,633,305
2039-2041	185,000	4,875	189,875
Total	\$ 8,300,000	\$ 1,603,454	\$ 9,903,454

	Business Type Activities		
	Principal	Interest	Total
2024	\$ 640,000	\$ 191,114	\$ 831,114
2025	654,000	175,690	829,690
2026	673,000	158,916	831,916
2027	693,000	141,421	834,421
2028	712,000	123,195	835,195
2029-2033	3,507,000	365,843	3,872,843
2034-2038	2,519,000	125,251	2,644,251
2039-2041	315,000	9,450	324,450
Total	\$ 9,713,000	\$ 1,290,880	\$ 11,003,880

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 7 Long Term Obligations (Continued)

	Total		
	Principal	Interest	Total
2024	\$ 1,170,000	\$ 400,532	\$ 1,570,532
2025	1,194,000	370,283	1,564,283
2026	1,233,000	339,201	1,572,201
2027	1,268,000	307,538	1,575,538
2028	1,302,000	274,757	1,576,757
2029-2033	6,357,000	899,142	7,256,142
2034-2038	4,989,000	288,556	5,277,556
2039-2041	500,000	14,325	514,325
Total	\$ 18,013,000	\$ 2,894,334	\$ 20,907,334

There are a number of limitations and restrictions contained in various bond and debt agreements. The City is in compliance with all significant limitations and restrictions.

Note 8 Conduit Debt Obligations

The City has issued revenue bonds for the purpose of providing capital financing to various private enterprises. Even though the debt bears the City's name, the City is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by the private enterprise under the terms of the agreement between the City and the enterprise. The general description of the transactions and the outstanding balance at December 31, 2023 are as follows:

<u>Enterprise</u>	<u>Year of Issue</u>	<u>Outstanding Balance 12/31/2023</u>
Community Memorial Hospital	2011	\$ 6,961,049
Housing Alternatives Development Company	2013	9,230,000
Pinewood Cloquet	2013	164,353
		<u>\$ 16,355,402</u>

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 9 Interfund Transactions

The composition of interfund balances as of December 31, 2023, is as follows:

Receivable Fund	Payable Fund	Total
General Fund	Nonmajor Funds:	
	Revolving Capital Projects Fund	\$ 20,617
	Library	90,764
	Total General Fund	111,381
Nonmajor Funds:		
Library Fund	General Fund	200,000
Total		\$ 311,381

Due to/from balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

The following schedule briefly summarizes the City's transfer activity:

Transfers In	Transfers Out						Total
	General Fund	City Sales Tax Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Stormwater Fund	
General Fund	\$	\$	\$ 79,787	\$ 585,000	\$ 245,000	\$ 250,000	\$ 1,159,787
Water Fund		131,858			90,915		222,773
Nonmajor Governmental Funds	200,000	547,300		50,000			797,300
Total	\$ 200,000	\$ 679,158	\$ 79,787	\$ 635,000	\$ 335,915	\$ 250,000	\$ 2,179,860

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues.

Note 10 Net Position/Fund Balances

Fund balance was non-spendable for the following purposes at December 31, 2023:

Nonspendable	
General Fund - prepaid expenses	\$ 75,934
General Fund - inventories	247,086
Total nonspendable	\$ 323,020

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 10 Net Position/Fund Balances (Continued)

Fund balances were committed for the following purposes at December 31, 2023:

Committed

General Fund		
Operating reserve	\$	2,731,695
Nonmajor governmental funds		
Cable television		44,177
Library		96,754
Public works reserve		586,289
Total committed	\$	3,458,915

Governmental net position and fund balances were restricted for the following purposes at December 31, 2023:

Restricted

	Net Position	Fund Balance
General Fund		
Police forfeiture account	\$ 14,906	\$ 14,906
Park dedication and skate park	12,740	12,740
City Sales Tax Projects	1,427,100	1,427,100
Nonmajor governmental funds		
EDA loans	1,742,582	1,742,582
Community development loans	371,315	371,315
Capital projects funds	836,298	836,298
Tax increment financing	102,522	102,522
Landfill host fee	279,295	279,295
Debt service	156,954	247,336
Total restricted	\$ 4,943,712	\$ 5,034,094

Fund balances were assigned for the following purposes at December 31, 2023:

Assigned

Permanent Improvement capital projects fund	\$	105,889
Total assigned	\$	105,889

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans

Public Employee Retirement Association (PERA)

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan) All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.
2. Public Employees Police and Fire Plan (Police and Fire Plan) The Police and Fire Fund, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local fire relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For 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.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months 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 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2023 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023 were \$258,928. The City's contribution was equal to the contractually required contribution as set by state statute.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were \$357,625. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$2,387,736 for its proportionate share of General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$65,856.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0427% at the end of the measurement period and 0.0451% for the beginning of the period.

Proportionate share of the net pension liability	\$ 2,387,736
State of Minnesota's proportionate share of the net pension liability associated with the City	65,856
Total	<u><u>\$ 2,453,592</u></u>

There were no plan provision changes during the measurement period.

For the year ended December 31, 2023, the City recognized pension expense of \$15,368 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$296 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

At December 31, 2023, the City reported is proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,582	\$ 31,790
Changes in actuarial assumptions	392,898	654,458
Changes in proportion	28,313	142,561
Net difference between projected and actual earnings on plan investments		252,862
Contributions paid to PERA subsequent to the measurement date	127,541	
Total	\$ 608,334	\$ 1,081,671

\$127,541 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2024	\$ (37,931)
2025	(471,961)
2026	(39,188)
2027	(51,798)
Total	<u>\$ (600,878)</u>

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$2,597,212 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.1504% at the end of the measurement period and 0.1619% for the beginning of the period.

The State of Minnesota also contributed \$18.0 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9.0 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$104,579.

Proportionate share of the net pension liability	\$ 2,597,212
State of Minnesota's proportionate share of the net pension liability associated with the City	104,579
Total	<u><u>\$ 2,701,791</u></u>

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of (\$151,489) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized -\$6,299 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$13,536 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

There were no provision changes during the measurement period.

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 756,581	\$
Changes in actuarial assumptions	3,437,534	3,652,372
Changes in proportion	105,277	506,209
Net difference between projected and actual earnings on plan investments	511,385	
Contributions paid to PERA subsequent to the measurement date	184,423	
Total	\$ 4,995,200	\$ 4,158,581

\$184,423 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense Amount
2024	\$ 387,865
2025	271,933
2026	795,723
2027	(75,536)
2028	(727,789)
Total	\$ 652,196

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 11 Defined Benefit Pension Plans (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. 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.

H. Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate (General Employees Fund)	6.00%	7.00%	8.00%
Discount Rate (Police and Fire Fund)	6.00%	7.00%	8.00%
City's proportionate share of the General Employees Fund net pension liability	\$ 4,224,097	\$ 2,387,736	\$ 877,260
City's proportionate share of the Police and Fire Fund net pension liability	\$ 5,153,179	\$ 2,597,212	\$ 495,866

I. 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.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 12 Other Post Employment Benefits

Plan Description

The City provides post-employment health care benefits for retired employees through a single employer defined benefit plan. The term Plan refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established by Minnesota Statute Sections 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report. There are 51 active plan members, 6 inactive plan members currently receiving benefits, and 12 inactive plan members entitled to but not yet receiving benefits.

Benefit Provisions

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the rule of 90 or attain age 55 and have completed 10 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Medicare becomes the primary insurer and the City's plan becomes secondary upon a retiree reaching age 65 years of age.

Funding Policy

The City does not contribute to the retiree's health insurance premium.

Actuarial Assumptions

The total OPEB liability of \$3,856,307 was measured as of December 31, 2022 and was determined by an actuarial valuation dated December 31, 2021. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50% per year
Discount rate	4.05% per year
Health care cost trend rate	6.8% with ultimate rate of 3.9%
Mortality rate	MP-2021

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 12 Other Post Employment Benefits (continued)

The 4.05% discount rate used to measure the total OPEB liability was determined by the actuary using the Fidelity 20-Year Municipal GO AA index rate for 20-year, tax exempt municipal bonds.

Annual OPEB Costs and OPEB Liability

The OPEB liability as of December 31, 2023 was calculated as follows:

Balance at January 1, 2023	\$4,813,823
Changes for the year:	
Service cost	10,596
Interest	86,240
Benefit payments	(274,896)
Differences between expected and actual	211
Change of assumptions	<u>(779,667)</u>
Net changes	<u>(957,516)</u>
Balance at December 31, 2023	<u><u>\$3,856,307</u></u>

Liability Sensitivity

The following presents the City's total OPEB liability, as well as that the City's total OPEB liability would be if it were calculated using a discount rate 1% point lower or 1% point higher than the current discount rate:

	1% Decrease to Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase to Discount Rate (5.05%)
City's total OPEB liability	\$4,178,788	\$3,856,307	\$3,574,826

The following presents the City's total OPEB liability calculated using the healthcare cost trend rate of 6.8%, as well as what the City's total OPEB liability would be if it were calculated using a health care trend rate 1% point lower or 1% point higher than the current rate:

	1% Decrease (5.8% decreasing to 2.9%)	Healthcare Cost Trend Rates (6.8% decreasing to 3.9%)	1% Increase (7.8% decreasing to 4.9%)
City's total OPEB liability	\$3,555,308	\$3,856,307	\$4,196,136

For the year ended December 31, 2023 the City recognized OPEB expense of (\$682,620).

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 13 Risk Management

The City participates in a risk pool for worker's compensation and group health insurance. The pool in turn contracts with insurance carriers, thereby transferring the risk from the pool members to the insurance carrier. The workers compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during the coverage period of the group of entities that participate in the pool.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, job-related illnesses or injuries, and natural disasters for which the government carries commercial insurance that transfers the risk of loss to the insurance carrier.

There were no significant reductions in insurance coverage from coverage in the prior year, and there were no insurance claims or settlements exceeding insurance coverage in the past three years.

Note 14 Commitments

Landfill Contingency

The City retained a consultant to develop a closure work plan for the Cloquet Municipal Landfill which has been closed for over 20 years. Upon the consultant's recommendation and Minnesota Pollution Control Agency (MPCA) approval, the City removed material and evaluated soil conditions on the site. The consultant developed a closure plan based on the results of that evaluation, which was submitted to the MPCA. The City's final closure was approved in 2017. The City is required to monitor the landfill until March 30, 2031. The City expended \$0 during 2023 in maintenance and fees for monitoring.

Community Education Agreement

The City is currently obligated under a cooperative lease agreement with the Cloquet School District. The agreement was made to help defray part of the operational expenses of community education. The Park Special Revenue Fund accounts for the community education expenses. The cooperative agreement was approved in the amount of \$83,334 for 2024 and \$85,001 for 2025. The agreement is expected to be renewed in future years.

Capital Projects

The City entered into design and construction contracts for utility and street projects that were not finalized by December 31, 2023. The City also has an unpaid contract commitment for the Water Metering project of \$51,100.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 15 **Long-term Contracts and Major Revenue**

The City has entered into a long-term contract with Sappi Fine Paper for the delivery of water from Lake Superior. Under the contract the commodity rate is \$0.7725 per 1,000 gallons and a monthly fixed charge of \$8,975 for 2023. The variable rate will increase to \$0.796 per 1,000 gallons for October 2024 through September 2025. The commodity rate and monthly fixed charge will be subject to periodic cost of inflation adjustments. Revenue received from this contract in 2023 represent approximately 55% of total user fees generated by the water utility.

Note 16 **Tax Increment Financing**

Oak Street Apartments Tax Increment Financing District 2-1

The City established the tax increment financing district 2-1 in 2006. This housing district was certified to Carlton County in 2007. The district has a pay-as-you go taxable limited revenue tax increment note for \$415,000 at an interest rate of 7% and payments due starting August 1, 2010. Subsequent payments are due February 1st and August 1st of each year until August 1, 2028 or until the note is paid in full. Payments are made solely out of available tax increments collected on Oak Street Apartments. As of December 31, 2023, the City collected \$751,737 in tax increments and has paid \$650,193 to the developer. The City retains 10% of the tax increment for administrative and accounting fees. The balance due on the note is \$72,940.

14th Street Apartments Tax Increment Financing District 2-2

The City established the tax increment financing district 2-2 in 2012. This housing district was certified to Carlton County in 2015. The district has a pay-as-you go tax increment note for \$196,657 with interest of 5.65% and payments starting August 1, 2015. Subsequent payments are due February 1st and August 1st of each year. Payments are made solely out of available tax increments collected on 14th Street Apartments, LLC. As of December 31, 2023, the City collected \$319,654 in tax increments and has paid \$178,653 to the developer. The City retains 10% of the tax increment for administrative and accounting fees. The balance due on the note is \$90,691.

Country Club Patio Homes Tax Increment Financing District 4-1

The City established the tax increment financing district 4-1 in 2017. This housing district was certified to Carlton County in 2017. The district has a pay-as-you go tax increment note for \$437,775 with interest of 4.5% and payments are estimated to start in 2020. Subsequent payments will be due February 1st and August 1st of each year. Payments are made solely out of available tax increments collected on Country Club Patio Homes, LLC. As of December 31, 2023, the City has collected tax increments of \$195,032 and has paid \$151,676 to the developer. The City retains 10% of the tax increment for administrative and accounting fees. The balance due on the note is \$358,459.

City of Cloquet

Notes to Financial Statements (Continued)

Year Ended December 31, 2023

Note 16 Tax Increment Financing (continued)

Trails Edge Tax Increment Financing District 5-1

The City established the tax increment financing district 5-1 in 2020. This housing district was certified to Carlton County in 2020. The district has a pay-as-you go tax increment note for \$312,218 with interest of 4.5% and payments are estimated to start in 2022. Subsequent payments will be due February 1st and August 1st of each year. Payments are made solely out of available tax increments collected on Trails Edge, LLC. As of December 31, 2023, the City has collected \$28,043 in tax increments and made \$22,128 in payments to the developer. The City will retain 10% of the tax increment for administrative and accounting fees. The balance due on the note is \$318,828.

14th Street Apartments III Tax Increment Financing District 2-2

The City established the tax increment financing district 2-2 in 2020. This housing district was certified to Carlton County in 2021. The district has a pay-as-you go tax increment note for \$394,219 with interest of 4.75% and payments starting February 1, 2022. Subsequent payments are due February 1st and August 1st of each year. Payments are made solely out of available tax increments collected on 14th Street Apartments, LLC. As of December 31, 2023, the City has collected no tax increments and made \$79,102 payments to the developer. The City retains 10% of the tax increment for administrative and accounting fees. The balance due on the note is \$382,228.

Required Supplementary Information

General Employees Fund

Schedule of Employer's Proportionate Share of the Net Pension Liability

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability (b)	Employer's and State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.0427%	\$ 2,387,736	\$ 65,856	\$ 2,453,592	\$ 3,412,804	71.9%	83.1%
June 30, 2022	0.0451%	\$ 3,571,935	\$ 104,894	\$ 3,676,829	\$ 3,403,070	108.0%	76.7%
June 30, 2021	0.0438%	\$ 1,870,456	\$ 57,199	\$ 1,927,655	\$ 3,165,318	60.9%	87.0%
June 30, 2020	0.0433%	\$ 2,596,033	\$ 79,989	\$ 2,676,022	\$ 3,085,400	84.1%	79.1%
June 30, 2019	0.0430%	\$ 2,377,374	\$ 73,830	\$ 2,451,204	\$ 3,040,023	78.2%	80.2%
June 30, 2018	0.0431%	\$ 2,391,011	\$ 78,405	\$ 2,469,416	\$ 2,898,573	82.5%	79.5%
June 30, 2017	0.0429%	\$ 2,738,708	\$ 34,448	\$ 2,773,156	\$ 2,764,640	100.3%	75.9%
June 30, 2016	0.0425%	\$ 3,450,789	\$ 13,421	\$ 3,464,210	\$ 2,597,606	133.4%	68.9%
June 30, 2015	0.0408%	\$ 2,114,468	\$ -	\$ 2,114,468	\$ 2,402,440	88.0%	78.2%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Actual Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2023	\$ 258,928	\$ 258,928	\$ 0	\$ 3,457,136	7.50%
December 31, 2022	\$ 250,719	\$ 250,719	\$ 0	\$ 3,349,252	7.50%
December 31, 2021	\$ 236,328	\$ 236,328	\$ 0	\$ 3,151,050	7.50%
December 31, 2020	\$ 243,276	\$ 243,276	\$ 0	\$ 3,243,680	7.50%
December 31, 2019	\$ 233,051	\$ 233,051	\$ 0	\$ 3,107,352	7.50%
December 31, 2018	\$ 223,907	\$ 223,907	\$ 0	\$ 2,985,424	7.50%
December 31, 2017	\$ 209,152	\$ 209,152	\$ 0	\$ 2,788,697	7.50%
December 31, 2016	\$ 202,981	\$ 202,981	\$ 0	\$ 2,706,409	7.50%
December 31, 2015	\$ 185,406	\$ 185,406	\$ 0	\$ 2,472,082	7.50%

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023, and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031. State's special funding contribution increased from \$6 million to \$16 million.

2018 Changes

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4 percent to 3 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.
- Annual increases were changed from 1 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost-of Living Adjustment, not less than 1 percent and not more than 1.5 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 Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Plan Provisions:

- The State's Contribution for the Minneapolis Retirement Fund equals \$16 million in 2017 and 2018 and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.00 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.

2016 Changes

Changes in Actuarial Assumptions:

- 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 per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Police and Fire Fund

Schedule of Employer's Proportionate Share of the Net Pension Liability

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2023	0.1504%	\$ 2,597,212	\$ 1,975,146	131.5%	86.5%
June 30, 2022	0.1619%	\$ 7,045,249	\$ 1,966,710	358.2%	70.5%
June 30, 2021	0.1495%	\$ 1,153,982	\$ 1,663,557	69.4%	93.7%
June 30, 2020	0.1489%	\$ 1,962,661	\$ 1,679,427	116.9%	87.2%
June 30, 2019	0.1740%	\$ 1,852,406	\$ 1,834,697	101.0%	89.3%
June 30, 2018	0.1557%	\$ 1,659,602	\$ 1,641,402	101.1%	88.8%
June 30, 2017	0.1490%	\$ 2,011,677	\$ 1,533,403	131.2%	85.4%
June 30, 2016	0.1520%	\$ 2,100,024	\$ 1,460,358	143.8%	63.9%
June 30, 2015	0.1390%	\$ 1,579,365	\$ 1,274,440	123.9%	86.6%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contributions (b)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2023	\$ 357,625	\$ 357,625	\$ 0	\$ 2,020,480	17.70%
December 31, 2022	\$ 345,195	\$ 345,195	\$ 0	\$ 1,950,252	17.70%
December 31, 2021	\$ 324,395	\$ 324,395	\$ 0	\$ 1,832,729	17.70%
December 31, 2020	\$ 316,606	\$ 316,606	\$ 0	\$ 1,788,734	17.70%
December 31, 2019	\$ 301,001	\$ 301,001	\$ 0	\$ 1,775,815	16.95%
December 31, 2018	\$ 281,111	\$ 281,111	\$ 0	\$ 1,735,234	16.20%
December 31, 2017	\$ 256,087	\$ 256,087	\$ 0	\$ 1,580,782	16.20%
December 31, 2016	\$ 240,261	\$ 240,261	\$ 0	\$ 1,483,093	16.20%
December 31, 2015	\$ 226,121	\$ 226,121	\$ 0	\$ 1,395,809	16.20%

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The Single Discount Rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Schedule of Changes in the Employer's Total OPEB Liability

	2023	2022	2021	2020	2019
Measurement date	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total OPEB Liability					
Service cost	\$ 10,596	\$ 8,413	\$ 7,266	\$ 8,755	\$ 8,874
Interest	86,240	66,783	90,389	4,299	4,435
Benefit payments	(274,896)	(221,404)	(194,244)	(40,912)	(14,869)
Difference between expected and actual experience	211	1,341,560	(12,671)	3,204,568	-
Change of assumptions	(779,667)	177,040	173,955	72,448	(3,421)
Net changes	(957,516)	1,372,392	64,695	3,249,158	(4,981)
Total OPEB liability - Beginning	4,813,823	3,441,431	3,376,736	127,578	132,559
Total OPEB liability - Ending	\$ 3,856,307	\$ 4,813,823	\$ 3,441,431	\$ 3,376,736	\$ 127,578
Covered employee payroll	\$5,301,908	\$4,958,438	\$5,658,768	\$5,105,988	\$4,925,347
Total OPEB liability as a percentage of covered employee payroll	72.73%	97.08%	60.82%	66.13%	2.59%

Notes to Schedule

Funding:

There are no assets accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4 to pay related benefits.

Changes in benefit terms:

There were no changes in benefit terms in 2019, 2020, 2021, 2022, and 2023.

Changes of assumptions:

In 2018 the discount rate was changed to 3.31% to be reflective of the 20-year AA municipal bond rates. In 2019 the discount rate was changed to 3.71% to be reflective of the 20-year AA municipal bond rates. In 2020 the discount rate was changed to 2.75% to be reflective of the 20-year AA municipal bond rates. In 2021 the discount rate was changed to 2.00% to be reflective of the 20-year AA municipal bond rates. In 2022 the discount rate was changed to 1.84% to be reflective of the 20-year AA municipal bond rates. In 2023 the discount rate was changed to 4.05% to be reflective of the 20-year AA municipal bond rates.

In 2022, the liability increased significantly due to disabled police officers staying on City insurance. The City is required to pay the employer share until the officers turn 65 years old.

This schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available.

Supplementary Information

City of Cloquet, Minnesota Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue resources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service and capital projects.

Cable Television - Accounts for the proceeds of franchise fees that are restricted for operating the City's public access channel on cable television and other media services.

EDA Loans (LDO, CDBG, and SCDP) - Accounts for the proceeds of Federal and State revenues that are restricted for promoting community development mostly through loans and grants.

Economic Development Loans - Accounts for the proceeds of Federal and State revenues that are restricted for promoting community development mostly through loans and grants.

Library - Accounts for the proceeds of property tax levy restricted or committed for operating the public library.

Tax Increment Financing - Oak Street Apartments - Accounts for the proceeds of tax increment collections restricted to the financing of the Oak Street Apartments.

Tax Increment Financing - Dakota Systems - Accounts for the proceeds of tax increment collections restricted to development of the Business Park.

Tax Increment Financing -14th Street Apartments -Accounts for the proceeds of tax increment collections restricted to the financing of the 14th Street Apartments.

Tax Increment Financing - Patio Homes - Accounts for the proceeds of tax increment collections restricted to the financing of the Patio Homes.

Landfill Host Fee - Accounts for the proceeds from Shamrock Landfill for landfill tipping fees. Seventy-five percent is restricted for future potential environmental issues that could be caused by the landfill development.

City of Cloquet, Minnesota Nonmajor Governmental Funds

Debt Service Funds

Debt Service Funds account for all financial resources that are restricted, committed, or assigned to expenditures for the payment of principal, interest, and related costs.

Swimming Pond Bonds - Accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the Swimming Pond Bond.

City Sales Tax Bonds -Accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the City Sales Tax Bond.

Facilities Bonds - Accounts for all financial resources that are restricted, committed, or assigned to pay the principal and interest on the Library Bonds, which were issued in 2019.

Capital Projects Fund

Capital Projects Funds account for all financial resources that are restricted, committed, or assigned to be used for the acquisition, construction, or improvement of capital assets other than those financed by enterprise funds.

Public Works Reserve -Accounts for all financial resources that are restricted, committed, or assigned for the acquisition of vehicles, equipment, machinery, etc.

City Sales Tax – Pine Valley - Accounts for the resources that are restricted, committed, or assigned for capital projects at Pine Valley Park to be funded through the City Sales Tax.

Revolving Capital Projects Fund – Accounts for and reports financial resources that are restricted, committed or assigned for capital improvement projects.

Permanent Improvement Fund – Accounts for and reports financial resources that are restricted, committed, or assigned for capital improvement projects.

City of Cloquet

Combining Balance Sheet – Nonmajor Governmental Funds

December 31, 2023

	Special Revenue Funds											Total Special Revenue Funds
	Cable Television Fund	Economic Development Authority LDO Project Fund	Economic Development Authority CDBG Loan Fund	Economic Development Loans Fund	Economic Development Authority SCDP Loan Fund	Library Fund	Tax Increment Financing Oak Street Apartments Fund	Tax Increment Financing 14th Street Apartments Fund	Tax Increment Financing Trails Edge Fund	Tax Increment Financing Patio Homes Fund	Landfill Host Fee Fund	
Assets												
Cash and cash equivalents	\$ 24,103	\$ 1,026,566	\$ 558,450	\$ 347,201	\$ 40,845	\$ 600	\$ 28,688	\$ 33,308	\$ 10,360	\$ 26,504	\$ 246,102	\$ 2,342,727
Accounts receivable	20,074										32,493	52,567
Taxes receivable						11,896						11,896
Interest receivable			2,100								700	2,800
Due from other governments								3,662				3,662
Loans receivable		138,132		24,114	2,179							164,425
Due from other funds						200,000						200,000
Total assets	\$ 44,177	\$ 1,164,698	\$ 560,550	\$ 371,315	\$ 43,024	\$ 212,496	\$ 28,688	\$ 33,308	\$ 14,022	\$ 26,504	\$ 279,295	\$ 2,778,077
Liabilities												
Accounts payable	\$	\$ 2,500	\$ 6,315	\$	\$ 14,604	\$ 6,230	\$	\$	\$	\$	\$	\$ 29,649
Accrued payables						10,287						10,287
Due to other governments			92			361						453
Due to other funds						90,764						90,764
Total liabilities		2,500	6,407		14,604	107,642						131,153
Deferred inflows of resources												
Unavailable revenue					2,179							2,179
Delinquent property taxes						8,100						8,100
Total deferred inflows of resources					2,179	8,100						10,279
Fund balances												
Restricted		1,162,198	554,143	371,315	26,241		28,688	33,308	14,022	26,504	279,295	2,495,714
Committed	44,177					96,754						140,931
Total fund balance	44,177	1,162,198	554,143	371,315	26,241	96,754	28,688	33,308	14,022	26,504	279,295	2,636,645
Total liabilities, deferred inflows of resources, and fund balances	\$ 44,177	\$ 1,164,698	\$ 560,550	\$ 371,315	\$ 43,024	\$ 212,496	\$ 28,688	\$ 33,308	\$ 14,022	\$ 26,504	\$ 279,295	\$ 2,778,077

City of Cloquet

Combining Balance Sheet – Nonmajor Governmental Funds (Continued)

December 31, 2022

	Debt Service Funds				Capital Projects Funds					
	Swimming Pond Bonds Fund	City Sales Tax Bonds Funds	Facilities Bonds Fund	Total Debt Service Funds	Public Works Reserve	City Sales Tax Pine Valley	Revolving Capital Projects Fund	Permanent Improvement Capital Projects Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	\$ 142,156	\$ 100	\$ 103,432	\$ 245,688	\$ 642,099	\$ 749,378		\$ 109,648	\$ 1,501,125	\$ 4,089,540
Accounts receivable										52,567
Taxes receivable	2,510		2,615	5,125	5,907			281	6,188	23,209
Special assessments receivable								170,407	170,407	170,407
Interest receivable					1,600				1,600	4,400
Due from other governments					38,209	111,483		963	150,655	154,317
Loans receivable										164,425
Due from other funds										200,000
Total assets	\$ 144,666	\$ 100	\$ 106,047	\$ 250,813	\$ 687,815	\$ 860,861	\$	\$ 281,299	\$ 1,829,975	\$ 4,858,865
Liabilities										
Accounts payable	\$	\$	\$	\$	\$ 93,104	\$	\$ 3,946	\$ 4,777	\$ 101,827	\$ 131,476
Accrued payables										10,287
Due to other governments					4,286				4,286	4,739
Due to other funds										111,381
Total liabilities					97,390		24,563	4,777	126,730	257,883
Deferred inflows of resources										
Unavailable revenue										2,179
Delinquent special assessments								170,633	170,633	170,633
Delinquent property taxes	1,730		1,747	3,477	4,136				4,136	15,713
Total deferred inflows of resources	1,730		1,747	3,477	4,136			170,633	174,769	188,525
Fund balances										
Restricted	142,936		104,300	247,336		860,861	(24,563)		836,298	3,579,348
Committed		100			586,289				586,289	727,220
Assigned								105,889	105,889	105,889
Total fund balance	142,936	100	104,300	247,336	586,289	860,861	(24,563)	105,889	1,528,476	4,412,457
Total liabilities, deferred inflows of resources, and fund balances	\$ 144,666	\$ 100	\$ 106,047	\$ 250,813	\$ 687,815	\$ 860,861	\$	\$ 281,299	\$ 1,829,975	\$ 4,858,865

City of Cloquet

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

For the Year Ended December 31, 2023

	Special Revenue Funds											
	Cable Television Fund	Economic Development Authority LDO Project Fund	Economic Development Authority CDBG Loan Fund	Economic Development Loans Fund	Economic Development Authority SCDP Loan Fund	Library Fund	Tax Increment Financing Oak Street Apartments Fund	Tax Increment Financing 14th Street Apartments Fund	Tax Increment Financing Trails Edge Fund	Tax Increment Financing Patio Homes Fund	Landfill Host Fee Fund	Total Special Revenue Funds
Revenues												
Taxes	\$			\$		\$ 479,959	\$ 57,873	\$ 66,616	\$ 28,043	\$ 49,248		\$ 681,739
Charges for services	84,174					16,759						100,933
Interest income			20,100								8,400	28,500
Miscellaneous		2,978		696	6,907	1,714					178,980	191,275
Total revenues	84,174	2,978	20,100	696	6,907	498,432	57,873	66,616	28,043	49,248	187,380	1,002,447
Expenditures												
Current												
Community and economic development		2,500	22,521		29,277		49,998	56,404	17,374	34,105		212,179
Culture and recreation	94,716					715,794						810,510
Total expenditures	94,716	2,500	22,521		29,277	715,794	49,998	56,404	17,374	34,105		1,022,689
Excess (deficiency) of revenues over expenditures	(10,542)	478	(2,421)	696	(22,370)	(217,362)	7,875	10,212	10,669	15,143	187,380	(20,242)
Other financing sources (uses)												
Transfers in						200,000						200,000
Transfers out	(17,500)						(5,555)	(6,267)	(1,930)	(3,790)	(44,745)	(79,787)
Total other financing sources (uses)	(17,500)					200,000	(5,555)	(6,267)	(1,930)	(3,790)	(44,745)	120,213
Net change in fund balances	(28,042)	478	(2,421)	696	(22,370)	(17,362)	2,320	3,945	8,739	11,353	142,635	99,971
Fund balances, beginning	72,219	1,161,720	556,564	370,619	48,611	114,116	26,368	29,363	5,283	15,151	136,660	2,536,674
Fund balances, ending	\$ 44,177	\$ 1,162,198	\$ 554,143	\$ 371,315	\$ 26,241	\$ 96,754	\$ 28,688	\$ 33,308	\$ 14,022	\$ 26,504	\$ 279,295	\$ 2,636,645

City of Cloquet

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2023

	Debt Service Funds				Capital Projects Funds					
	Swimming Pond Bonds Fund	City Sales Tax Bonds Funds	Facilities Bonds Fund	Total Debt Service Funds	Public Works Reserve Fund	City Sales Tax Pine Valley	Revolving Capital Projects Fund	Permanent Improvement Capital Projects Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues										
Taxes	\$ 83,723	\$	\$ 99,993	\$ 183,716	\$ 210,728	\$ 860,861	\$	\$ 229	\$ 1,071,818	\$ 1,937,273
Special assessments								51,302	51,302	51,302
Intergovernmental					594,621		37,160		631,781	631,781
Charges for services										100,933
Interest income					13,250				13,250	41,750
Miscellaneous					28,421				28,421	219,696
Total revenues	83,723		99,993	183,716	847,020	860,861	37,160	51,531	1,796,572	2,982,735
Expenditures										
Current										
Community and economic development										212,179
Culture and recreation										810,510
Capital outlay					723,208		32,425	6,385	762,018	762,018
Debt service										
Principal	85,000	365,000	65,000	515,000	11,062				11,062	526,062
Interest and fiscal charges	15,438	182,265	31,840	229,543						229,543
Total expenditures	100,438	547,265	96,840	744,543	734,270		32,425	6,385	773,080	2,540,312
Excess (deficiency) of revenues over expenditures	(16,715)	(547,265)	3,153	(560,827)	112,750	860,861	4,735	45,146	1,023,492	442,423
Other financing sources (uses)										
Transfers in		547,300		547,300	50,000				50,000	797,300
Transfers out										(79,787)
Total other financing sources (uses)		547,300		547,300	50,000				50,000	717,513
Net change in fund balances	(16,715)	35	3,153	(13,527)	162,750	860,861	4,735	45,146	1,073,492	1,159,936
Fund balances (deficit), beginning	159,651	65	101,147	260,863	423,539		(29,298)	60,743	454,984	3,252,521
Fund balances, ending	\$ 142,936	\$ 100	\$ 104,300	\$ 247,336	\$ 586,289	\$ 860,861	\$ (24,563)	\$ 105,889	\$ 1,528,476	\$ 4,412,457

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Cable Television Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Charges for services	\$ 103,000	\$ 84,174	\$ (18,826)
Total revenues	103,000	84,174	(18,826)
Expenditures			
Current			
Culture and recreation	92,500	94,716	2,216
Total expenditures	92,500	94,716	2,216
Excess (deficiency) of revenues over expenditures	10,500	(10,542)	(21,042)
Other financing sources (uses)			
Transfers out	(17,500)	(17,500)	
Net other financing sources (uses)	(17,500)	(17,500)	
Net change in fund balance	(7,000)	(28,042)	(21,042)
Fund balance, beginning	72,219	72,219	
Fund balance, ending	\$ 65,219	\$ 44,177	\$ (21,042)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic Development Authority - LDO Project Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Miscellaneous	\$ 19,650	\$ 2,978	\$ (16,672)
Total revenues	19,650	2,978	(16,672)
Expenditures			
Current			
Community and economic development	2,200	2,500	300
Total expenditures	2,200	2,500	300
Excess (deficiency) of revenues over expenditures	17,450	478	(16,972)
Net change in fund balance	17,450	478	(16,972)
Fund balance, beginning	1,161,720	1,161,720	
Fund balance, ending	\$ 1,179,170	\$ 1,162,198	\$ (16,972)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic Development Authority - CDBG Loan Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Interest income	\$ 10,000	\$ 20,100	\$ 10,100
Total revenues	10,000	20,100	10,100
Expenditures			
Current			
Community and economic development	10,000	22,521	12,521
Total expenditures	10,000	22,521	12,521
Excess (deficiency) of revenues over expenditures		(2,421)	(2,421)
Net change in fund balance	-	(2,421)	(2,421)
Fund balance, beginning	556,564	556,564	
Fund balance, ending	\$ 556,564	\$ 554,143	\$ (2,421)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Community Development Loans Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Miscellaneous	\$ 11,550	\$ 696	\$ (10,854)
Total revenues	11,550	696	(10,854)
Expenditures			
Current			
Community and economic development	2,000		(2,000)
Total expenditures	2,000		(2,000)
Excess (deficiency) of revenues over expenditures	9,550	696	(8,854)
Net change in fund balance	9,550	696	(8,854)
Fund balance, beginning	370,619	370,619	
Fund balance, ending	\$ 380,169	\$ 371,315	\$ (8,854)

See accompanying notes to financial statements.

**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - Economic Development Authority -
SCDP Loan Fund**

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Miscellaneous	\$ 6,750	6,907	\$ 157
Total revenues	6,750	6,907	157
Expenditures			
Current			
Community and economic development	10,000	29,277	19,277
Total expenditures	10,000	29,277	19,277
Excess (deficiency) of revenues over expenditures	(3,250)	(22,370)	(19,120)
Net change in fund balance	(3,250)	(22,370)	(19,120)
Fund balance, beginning	48,611	48,611	
Fund balance, ending	\$ 45,361	\$ 26,241	\$ (19,120)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Library Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 480,000	\$ 479,959	\$ (41)
Charges for services	27,500	16,759	(10,741)
Miscellaneous	1,500	1,714	214
Total revenues	509,000	498,432	(10,568)
Expenditures			
Current			
Culture and recreation	745,945	715,794	(30,151)
Total expenditures	745,945	715,794	(30,151)
Excess (deficiency) of revenues over expenditures	(236,945)	(217,362)	19,583
Other financing sources (uses)			
Transfers in	200,000	200,000	
Net other financing sources (uses)	200,000	200,000	
Net change in fund balance	(36,945)	(17,362)	19,583
Fund balance, beginning	114,116	114,116	
Fund balance, ending	\$ 77,171	\$ 96,754	\$ 19,583

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tax Increment Financing Oak Street Apartments Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 55,000	\$ 57,873	\$ 2,873
Total revenues	55,000	57,873	2,873
Expenditures			
Current			
Community and economic development	50,000	49,998	(2)
Total expenditures	50,000	49,998	(2)
Excess of revenues over expenditures	5,000	7,875	2,875
Other financing sources (uses)			
Transfers out	(5,000)	(5,555)	(555)
Net other financing sources (uses)	(5,000)	(5,555)	(555)
Net change in fund balance		2,320	2,320
Fund balance, beginning	26,368	26,368	
Fund balance, ending	\$ 26,368	\$ 28,688	\$ 2,320

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tax Increment Financing

14th Street Apartments Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 58,300	\$ 66,616	\$ 8,316
Total revenues	58,300	66,616	8,316
Expenditures			
Current			
Community and economic development	52,100	56,404	4,304
Total expenditures	52,100	56,404	4,304
Excess of revenues over expenditures	6,200	10,212	4,012
Other financing sources (uses)			
Transfers out	(6,200)	(6,267)	(67)
Net other financing sources (uses)	(6,200)	(6,267)	(67)
Net change in fund balance		3,945	3,945
Fund balance, beginning	29,363	29,363	
Fund balance, ending	\$ 29,363	\$ 33,308	\$ 3,945

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tax Increment Financing

Patio Homes Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 55,000	\$ 49,248	\$ (5,752)
Total revenues	55,000	49,248	(5,752)
Expenditures			
Current			
Community and economic development	49,500	34,105	(15,395)
Total expenditures	49,500	34,105	(15,395)
Excess of revenues over expenditures	5,500	15,143	9,643
Other financing sources (uses)			
Transfers out	(5,500)	(3,790)	1,710
Net other financing sources (uses)	(5,500)	(3,790)	1,710
Net change in fund balance		11,353	11,353
Fund balance, beginning	15,151	15,151	
Fund balance, ending	\$ 15,151	\$ 26,504	\$ 11,353

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Tax Increment Financing Trails Edge Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 33,500	\$ 28,043	\$ (5,457)
Total revenues	33,500	28,043	(5,457)
Expenditures			
Current			
Community and economic development	30,150	17,374	(12,776)
Total expenditures	30,150	17,374	(12,776)
Excess of revenues over expenditures	3,350	10,669	7,319
Other financing sources (uses)			
Transfers out	(3,350)	(1,930)	1,420
Net other financing sources (uses)	(3,350)	(1,930)	1,420
Net change in fund balance		8,739	8,739
Fund balance, beginning	5,283	5,283	
Fund balance, ending	\$ 5,283	\$ 14,022	\$ 8,739

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Landfill Host Fee Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Interest income	\$ 5,000	\$ 8,400	\$ 3,400
Miscellaneous	100,000	178,980	78,980
Total revenues	105,000	187,380	82,380
Expenditures			
Current			
Community and economic development			
Total expenditures			
Excess of revenues over expenditures	105,000	187,380	82,380
Other financing sources (uses)			
Transfers out	(25,000)	(44,745)	(19,745)
Net other financing sources (uses)	(25,000)	(44,745)	(19,745)
Net change in fund balance	80,000	142,635	62,635
Fund balance, beginning	136,660	136,660	
Fund balance, ending	\$ 216,660	\$ 279,295	\$ 62,635

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Swimming Pond Bonds Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 83,500	\$ 83,723	\$ 223
Total revenues	83,500	83,723	223
Expenditures			
Debt service			
Principal	85,000	85,000	
Interest	15,400	15,438	38
Total expenditures	100,400	100,438	38
Excess (deficiency) of revenues over expenditures	(16,900)	(16,715)	185
Net change in fund balance	(16,900)	(16,715)	185
Fund balance, beginning	159,651	159,651	
Fund balance, ending	\$ 142,751	\$ 142,936	\$ 185

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - City Sales Tax Bonds Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$		\$
Total revenues			
Expenditures			
Debt service			
Principal	365,000	365,000	-
Interest	181,500	182,265	765
Total expenditures	546,500	547,265	765
Excess (deficiency) of revenues over expenditures	(546,500)	(547,265)	(765)
Other financing sources (uses)			
Transfers in	546,500	547,300	800
Net other financing sources (uses)	546,500	547,300	800
Net change in fund balance		35	35
Fund balance, beginning	65	65	
Fund balance, ending	\$ 65	\$ 100	\$ 35

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Facilities Bonds Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 100,200	\$ 99,993	\$ (207)
Total revenues	100,200	99,993	(207)
Expenditures			
Debt service			
Principal	65,000	65,000	
Interest	31,900	31,840	(60)
Total expenditures	96,900	96,840	(60)
Excess (deficiency) of revenues over expenditures	3,300	3,153	(147)
Net change in fund balance	3,300	3,153	(147)
Fund balance, beginning	101,147	101,147	
Fund balance, ending	\$ 104,447	\$ 104,300	\$ (147)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - City Sales Tax - Pine Valley

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$	\$ 860,861	\$ 860,861
Total revenues		860,861	860,861
Expenditures			
Debt service			
Principal			
Interest			
Total expenditures			
Excess of revenues over expenditures		860,861	860,861
Net change in fund balance		860,861	860,861
Fund balance, beginning			
Fund balance, ending	\$	\$ 860,861	\$ 860,861

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - City Sales Tax Projects Capital Projects Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 1,015,000	\$ 1,278,769	\$ 263,769
Intergovernmental		7,424	7,424
Total revenues	1,015,000	1,286,193	271,193
Expenditures			
Capital outlay		49,048	49,048
Total expenditures		49,048	49,048
Excess (deficiency) of revenues over expenditures	1,015,000	1,237,145	222,145
Other financing sources (uses)			
Transfers out	(681,860)	(679,158)	2,702
Net other financing sources (uses)	(681,860)	(679,158)	2,702
Net change in fund balance	333,140	557,987	224,847
Fund balance, beginning	869,113	869,113	
Fund balance, ending	\$ 1,202,253	\$ 1,427,100	\$ 224,847

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Permanent Improvement Capital Projects Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$	\$ 229	\$ 229
Special assessments		51,302	51,302
Licenses and permits	100,000		(100,000)
Total revenues	100,000	51,531	(48,469)
Expenditures			
Capital outlay	6,500	6,385	(115)
Total expenditures	6,500	6,385	(115)
Excess (deficiency) of revenues over expenditures	93,500	45,146	(48,354)
Net change in fund balance	93,500	45,146	(48,354)
Fund balance, beginning	60,743	60,743	
Fund balance, ending	\$ 154,243	\$ 105,889	\$ (48,354)

See accompanying notes to financial statements.

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Public Works Reserve Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 210,000	\$ 210,728	\$ 728
Intergovernmental		594,621	594,621
Interest income	10,000	13,250	3,250
Miscellaneous	25,000	28,421	3,421
Total revenues	245,000	847,020	602,020
Expenditures			
Debt service principal		11,062	11,062
Capital outlay	286,600	723,208	436,608
Total expenditures	286,600	734,270	447,670
Excess (deficiency) of revenues over expenditures	(41,600)	112,750	154,350
Other financing sources (uses)			
Transfers in	50,000	50,000	
Net other financing sources (uses)	50,000	50,000	
Net change in fund balance	8,400	162,750	154,350
Fund balance, beginning	423,539	423,539	
Fund balance, ending	\$ 431,939	\$ 586,289	\$ 154,350

City of Cloquet

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Revolving Capital Projects Fund

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Intergovernmental	\$ 350,000	\$ 37,160	\$ (312,840)
Total revenues	350,000	37,160	(312,840)
Expenditures			
Capital outlay	350,000	32,425	(317,575)
Total expenditures	350,000	32,425	(317,575)
Excess (deficiency) of revenues over expenditures		4,735	4,735
Net change in fund balance		4,735	4,735
Fund balance, beginning	(29,298)	(29,298)	
Fund balance, ending	\$ (29,298)	\$ (24,563)	\$ 4,735

See accompanying notes to financial statements.

Other Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*

To the Honorable City Council
City of Cloquet
Cloquet, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cloquet, Minnesota (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 17, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of 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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

July 17, 2024

Eau Claire, Wisconsin



Independent Auditor's Report on Legal
Compliance for the State of Minnesota

To the Honorable City Council
City of Cloquet
Cloquet, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cloquet, Minnesota (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 17, 2024.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP
July 17, 2024
Eau Claire, Wisconsin

City of Cloquet

Schedule of Findings and Responses

Year Ended December 31, 2023

Financial Statement Findings

The City is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. The existence of significant deficiencies or material weaknesses may be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. The auditors are responsible for communicating significant deficiencies and material weaknesses, regardless of management's decisions.

Item 2023-001 - Financial Statement Presentation and Disclosure (Significant Deficiency)

Condition - The City's internal control over financial reporting does not end at the general ledger but extends to the financial statements and the related notes. As a part of our professional services for the year ended December 31, 2023, Wipfli assisted in drafting the financial statements and related notes. The City does not have sufficient expertise to completely prepare its own financial statements and related notes and relies on Wipfli to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the City as its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the City.

City's response - The City will continue to rely on outside auditors to assist in drafting the financial statements and related notes.

City of Cloquet

Schedule of Prior Year Findings and Responses

For the Year Ended December 31, 2023

Financial Statement Findings

2022-001: See finding 2023-001.

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

This part of the City of Cloquet's comprehensive annual financial report presents detailed information as a context for understanding the financial statements, note disclosures, and required supplementary information says about the city's overall financial health. This information has not been audited.

Contents

Financial Trends

These schedules contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Revenue Capacity

These schedules contain information that may assist the reader in assessing the viability of the City's two most significant local revenue sources, property tax and utility revenues.

Debt Capacity

These schedules present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Economic & Demographic Information

This schedule offers economic and demographic indicators that are commonly used for financial analysis and that can inform one's understanding the City's present and ongoing financial status.

Operating Information

These schedules contain service and infrastructure indicators that can inform one's understanding how the information in the City's financial statements relate to the services the City provides and the activities it performs.

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

	Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
Net Investment in capital assets	\$ 22,170,695	\$ 23,247,665	\$ 27,824,009	\$ 27,023,844	\$ 31,464,161	\$ 32,355,367	\$ 34,075,035	\$ 34,676,643	\$ 37,025,229	\$ 36,511,316
Restricted	4,450,756	3,984,361	3,124,542	2,789,684	4,176,426	4,770,270	3,975,202	1,718,256	1,248,917	4,943,712
Unrestricted	<u>7,299,602</u>	<u>6,733,118</u>	<u>5,349,558</u>	<u>5,672,355</u>	<u>1,525,368</u>	<u>(509,094)</u>	<u>(2,759,644)</u>	<u>60,085</u>	<u>(221,609)</u>	<u>(2,964,234)</u>
Total governmental activities	<u>\$ 33,921,053</u>	<u>\$ 33,965,144</u>	<u>\$ 36,298,109</u>	<u>\$ 35,485,883</u>	<u>\$ 37,165,955</u>	<u>\$ 36,616,543</u>	<u>\$ 35,290,593</u>	<u>\$ 36,454,984</u>	<u>\$ 38,052,537</u>	<u>\$ 38,490,794</u>
Business-type activities										
Net Investment in capital assets	\$ 20,151,030	\$ 21,380,668	\$ 21,345,474	\$ 21,078,008	\$ 21,516,545	\$ 23,707,776	\$ 21,931,309	\$ 22,483,009	\$ 20,005,358	\$ 21,433,675
Restricted	258,998	253,512	429,990	429,990	429,990	-	-	-	-	-
Unrestricted	<u>5,068,210</u>	<u>4,769,320</u>	<u>4,691,425</u>	<u>5,052,289</u>	<u>4,972,227</u>	<u>3,923,623</u>	<u>6,519,128</u>	<u>7,155,717</u>	<u>7,889,135</u>	<u>7,799,802</u>
Total business-type activities	<u>\$ 25,478,238</u>	<u>\$ 26,403,500</u>	<u>\$ 26,466,889</u>	<u>\$ 26,560,287</u>	<u>\$ 26,918,762</u>	<u>\$ 27,631,399</u>	<u>\$ 28,450,437</u>	<u>\$ 29,638,726</u>	<u>\$ 27,894,493</u>	<u>\$ 29,233,477</u>
Governmental and business-type activities										
Net Investment in capital assets	\$ 42,321,725	\$ 44,628,333	\$ 49,169,483	\$ 48,101,852	\$ 52,980,706	\$ 56,063,143	\$ 56,006,344	\$ 57,159,652	\$ 57,030,587	\$ 57,944,991
Restricted	4,709,754	4,237,873	3,554,532	3,219,674	4,606,416	4,770,270	3,975,202	1,718,256	1,248,917	4,943,712
Unrestricted	<u>12,367,812</u>	<u>11,502,438</u>	<u>10,040,983</u>	<u>10,724,644</u>	<u>6,497,595</u>	<u>3,414,529</u>	<u>3,759,484</u>	<u>7,215,802</u>	<u>7,667,526</u>	<u>4,835,568</u>
Total governmental and business type activities	<u>\$ 59,399,291</u>	<u>\$ 60,368,644</u>	<u>\$ 62,764,998</u>	<u>\$ 62,046,170</u>	<u>\$ 64,084,717</u>	<u>\$ 64,247,942</u>	<u>\$ 63,741,030</u>	<u>\$ 66,093,710</u>	<u>\$ 65,947,030</u>	<u>\$ 67,724,271</u>

2014 - Restated for GASB #68.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Changes in Net Position Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expenses										
Governmental activities										
General government	\$ 1,026,445	\$ 1,014,780	\$ 1,111,196	\$ 1,203,171	\$ 1,172,117	\$ 1,831,590	\$ 1,602,102	\$ 937,319	\$ 2,081,367	\$ 2,131,046
Police	2,335,281	2,630,075	3,483,894	3,243,468	3,169,456	3,263,611	6,306,766	3,511,687	3,286,655	4,060,221
Streets and highways	1,904,215	1,886,332	2,263,675	2,754,017	2,571,785	3,271,638	2,714,912	2,899,485	3,382,831	3,084,062
Library	515,721	568,925	607,576	628,436	649,832	657,314	806,482	684,484	690,919	715,794
Parks and recreation	722,820	889,185	995,915	960,761	1,097,586	1,062,260	1,130,393	1,353,387	1,841,416	1,698,288
Community and economic development	319,668	771,157	394,584	894,136	340,807	288,624	439,592	457,542	495,240	530,424
Interest and fiscal charges	92,965	88,712	137,953	350,088	280,358	292,637	256,400	244,254	231,004	207,087
Total governmental activities expenses	<u>6,917,115</u>	<u>7,849,166</u>	<u>8,994,793</u>	<u>10,034,077</u>	<u>9,281,941</u>	<u>10,667,674</u>	<u>13,256,647</u>	<u>10,088,158</u>	<u>12,009,432</u>	<u>12,426,922</u>
Business-type activities										
Water	3,272,446	3,342,454	3,730,660	3,759,225	3,794,048	3,578,691	3,279,390	3,784,999	5,079,021	4,409,922
Sewer	1,502,778	1,435,372	1,531,383	1,567,583	1,547,914	1,611,548	1,517,102	1,452,967	1,708,380	1,554,400
Stormwater	141,616	173,536	190,953	208,779	220,599	(8,892)	86,412	85,876	151,179	141,529
Total business-type activities	<u>4,916,840</u>	<u>4,951,362</u>	<u>5,452,996</u>	<u>5,535,587</u>	<u>5,562,561</u>	<u>5,181,347</u>	<u>4,882,904</u>	<u>5,323,842</u>	<u>6,938,580</u>	<u>6,105,851</u>
Total expenses	<u>\$ 11,833,955</u>	<u>\$ 12,800,528</u>	<u>\$ 14,447,789</u>	<u>\$ 15,569,664</u>	<u>\$ 14,844,502</u>	<u>\$ 15,849,021</u>	<u>\$ 18,139,551</u>	<u>\$ 15,412,000</u>	<u>\$ 18,948,012</u>	<u>\$ 18,532,773</u>
Program Revenues										
Governmental activities										
Charges for services										
License and permits	\$ 152,646	\$ 110,771	\$ 127,211	\$ 140,621	\$ 172,538	\$ 185,869	\$ 147,587	\$ 165,773	\$ 140,298	\$ 131,222
Fines	63,256	65,927	57,323	70,795	57,014	54,257	38,664	62,136	65,304	78,426
Other activities	675,841	540,633	560,804	676,593	744,383	940,229	756,016	1,177,602	1,150,693	1,177,212
Operating grants and contributions	363,577	427,868	449,296	881,587	402,322	466,770	1,498,505	999,115	1,442,654	490,440
Capital grants and contributions	689,743	136,539	3,345,280	182,792	2,189,374	826,623	1,111,110	118,734	62,741	51,302
Total governmental activities program revenues	<u>1,945,063</u>	<u>1,281,738</u>	<u>4,539,914</u>	<u>1,952,388</u>	<u>3,565,631</u>	<u>2,473,748</u>	<u>3,551,882</u>	<u>2,523,360</u>	<u>2,861,690</u>	<u>1,928,602</u>
Business-type activities										
Charges for services										
Water	3,604,786	3,758,743	3,716,382	3,970,634	4,226,148	3,892,987	4,443,352	5,089,839	4,727,719	4,994,061
Sewer	1,436,125	1,478,922	1,518,232	1,534,562	1,578,499	1,753,996	1,772,549	1,904,739	1,970,603	2,260,510
Stormwater	330,086	331,144	330,660	331,882	332,893	333,489	327,826	330,072	331,113	333,010
Capital grants and contributions	277,160	439,609	183,070	160,559	17,896	186,368	136,815	310,367	23,064	507,030
Total business-type activities program revenues	<u>5,648,157</u>	<u>6,008,418</u>	<u>5,748,344</u>	<u>5,997,637</u>	<u>6,155,436</u>	<u>6,166,840</u>	<u>6,680,542</u>	<u>7,635,017</u>	<u>7,052,499</u>	<u>8,094,611</u>
Total program revenues	<u>\$ 7,593,220</u>	<u>\$ 7,290,156</u>	<u>\$ 10,288,258</u>	<u>\$ 7,950,025</u>	<u>\$ 9,721,067</u>	<u>\$ 8,640,588</u>	<u>\$ 10,232,424</u>	<u>\$ 10,158,377</u>	<u>\$ 9,914,189</u>	<u>\$ 10,023,213</u>

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Changes in Net Position Last Ten Fiscal Years (Continued)

Governmental activities	\$ (4,972,052)	\$ (6,567,428)	\$ (4,454,879)	\$ (8,081,689)	\$ (5,716,310)	\$ (8,193,926)	\$ (9,704,765)	\$ (7,564,798)	\$ (9,147,742)	\$ (10,498,320)
Business-type activities	<u>731,317</u>	<u>1,057,056</u>	<u>295,348</u>	<u>462,050</u>	<u>592,875</u>	<u>985,493</u>	<u>1,797,638</u>	<u>2,311,175</u>	<u>113,919</u>	<u>1,988,760</u>
Total net (expense)/revenue	<u>\$ (4,240,735)</u>	<u>\$ (5,510,372)</u>	<u>\$ (4,159,531)</u>	<u>\$ (7,619,639)</u>	<u>\$ (5,123,435)</u>	<u>\$ (7,208,433)</u>	<u>\$ (7,907,127)</u>	<u>\$ (5,253,623)</u>	<u>\$ (9,033,823)</u>	<u>\$ (8,509,560)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Property taxes	\$ 2,619,859	\$ 2,594,912	\$ 2,693,374	\$ 2,969,533	\$ 2,991,994	\$ 3,003,189	\$ 2,893,209	\$ 3,236,288	\$ 3,114,041	\$ 3,571,038
City sales taxes	1,024,519	787,371	921,240	973,817	939,760	1,032,686	1,097,795	1,149,620	1,287,679	2,139,630
Tax increments	82,749	107,586	93,896	54,509	54,784	61,593	168,855	147,318	165,046	161,470
Other taxes	86,788	170,691	165,725	101,652	103,800	101,778	148,433	161,203	168,269	-
State and local aids	2,451,378	2,490,027	2,535,182	2,553,360	2,686,197	2,706,229	2,893,667	2,827,674	3,834,628	3,720,698
Investment income	179,052	106,874	63,372	136,912	185,814	309,320	98,124	3,084	36,399	203,114
Other	57,462	116,748	37,555	45,028	28,559	23,063	33,732	62,002	141,287	142,485
Transfers	<u>205,695</u>	<u>237,310</u>	<u>277,500</u>	<u>434,652</u>	<u>326,500</u>	<u>406,656</u>	<u>1,045,000</u>	<u>1,142,000</u>	<u>1,997,946</u>	<u>998,142</u>
Total governmental activities	<u>6,707,502</u>	<u>6,611,519</u>	<u>6,787,844</u>	<u>7,269,463</u>	<u>7,317,408</u>	<u>7,644,514</u>	<u>8,378,815</u>	<u>8,729,189</u>	<u>10,745,295</u>	<u>10,936,577</u>
Business-type activities										
Property taxes	35,079	30,016	28,441	-	-	-	-	-	-	-
Investment income	101,100	75,500	17,100	66,000	92,100	133,800	66,400	7,300	37,650	287,250
Other	-	-	-	-	-	-	-	11,814.00	102,144.00	61,116
Transfers	<u>(205,695)</u>	<u>(237,310)</u>	<u>(277,500)</u>	<u>(434,652)</u>	<u>(326,500)</u>	<u>(406,656)</u>	<u>(1,045,000)</u>	<u>(1,142,000)</u>	<u>(1,997,946)</u>	<u>(998,142)</u>
Total business-type activities	<u>(69,516)</u>	<u>(131,794)</u>	<u>(231,959)</u>	<u>(368,652)</u>	<u>(234,400)</u>	<u>(272,856)</u>	<u>(978,600)</u>	<u>(1,122,886)</u>	<u>(1,858,152)</u>	<u>(649,776)</u>
Total general revenues and other changes in Net Position	<u>\$ 6,637,986</u>	<u>\$ 6,479,725</u>	<u>\$ 6,555,885</u>	<u>\$ 6,900,811</u>	<u>\$ 7,083,008</u>	<u>\$ 7,371,658</u>	<u>\$ 7,400,215</u>	<u>\$ 7,606,303</u>	<u>\$ 8,887,143</u>	<u>\$ 10,286,801</u>
Change in Net Position										
Governmental activities	\$ 1,735,450	\$ 44,091	\$ 2,332,965	\$ (812,226)	\$ 1,601,098	\$ (549,412)	\$ (1,325,950)	\$ 1,164,391	\$ 1,597,553	\$ 438,257
Business-type activities	<u>661,801</u>	<u>925,262</u>	<u>63,389</u>	<u>93,398</u>	<u>358,475</u>	<u>712,637</u>	<u>819,038</u>	<u>1,188,289</u>	<u>(1,744,233)</u>	<u>1,338,984</u>
Total change in net position	<u>\$ 2,397,251</u>	<u>\$ 969,353</u>	<u>\$ 2,396,354</u>	<u>\$ (718,828)</u>	<u>\$ 1,959,573</u>	<u>\$ 163,225</u>	<u>\$ (506,912)</u>	<u>\$ 2,352,680</u>	<u>\$ (146,680)</u>	<u>\$ 1,777,241</u>

2016 - Capital grants - FDL reconstructed Cartwright Road using Bureau of Indian Affairs aid. Cartwright Road is a City owned road.

2018 - Capital grants - State grants for Cloquet Avenue and West Arch Street.

2020 - Police expense increased due to the actuarial study for other post employment benefits related to police disabilitants.

2020 - Operating grants and contributions increased due to the CARES Aid of \$930,226.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Governmental Funds - Fund Balances Last Ten Fiscal Years (modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 215,277	\$ 291,116	\$ 214,298	\$ 263,436	\$ 383,936	\$ 373,229	\$ 239,311	\$ 387,414	\$ 361,723	\$ 323,020
Restricted	16,943	12,480	10,550	14,428	852	34,448	20,776	23,367	22,153	27,646
Committed	1,881,500	1,890,750	1,981,800	1,997,500	2,092,250	2,404,475	2,479,325	2,479,325	2,592,500	2,731,695
Unassigned	2,189,604	2,159,016	1,757,575	1,712,002	1,477,220	146,499	1,100,481	1,043,491	1,012,759	383,555
Subtotal General Fund	\$ 4,303,324	\$ 4,353,362	\$ 3,964,223	\$ 3,987,366	\$ 3,954,258	\$ 2,958,651	\$ 3,839,893	\$ 3,933,597	\$ 3,989,135	\$ 3,465,916
General Fund Percentage Change	0.1%	1.2%	-8.9%	0.6%	-0.8%	-25.2%	29.8%	2.4%	1.4%	-13.1%
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,862	\$ 1,445	\$ -	\$ -
Restricted	4,448,610	3,986,973	4,265,890	10,489,441	6,773,823	6,928,465	4,032,265	3,768,776	3,480,315	5,006,449
Committed	4,498,661	4,137,187	4,419,774	3,732,792	1,647,712	334,753	427,720	546,485	609,874	727,220
Assigned	419,602	364,815	261,324	269,162	173,811	101,570	38,118	-	-	-
Unassigned	(1,185)	-	-	-	(712,698)	(677,169)	(509,487)	(27,609)	31,445	105,889
Subtotal All Other Governmental Funds	\$ 9,365,688	\$ 8,488,975	\$ 8,946,988	\$ 14,491,395	\$ 7,882,648	\$ 6,687,619	\$ 3,993,478	\$ 4,289,097	\$ 4,121,634	\$ 5,839,558
All Other Governmental Funds Percentage Change	13.5%	-9.4%	5.4%	62.0%	-45.6%	-15.2%	-40.3%	7.4%	-3.9%	41.7%
Total Governmental Funds										
Nonspendable	\$ 215,277	\$ 291,116	\$ 214,298	\$ 263,436	\$ 383,936	\$ 373,229	\$ 244,173	\$ 388,859	\$ 361,723	\$ 323,020
Restricted	4,465,553	3,999,453	4,276,440	10,503,869	6,774,675	6,962,913	4,053,041	3,792,143	3,502,468	5,034,095
Committed	6,380,161	6,027,937	6,401,574	5,730,292	3,739,962	2,739,228	2,907,045	3,025,810	3,202,374	3,458,915
Assigned	419,602	364,815	261,324	269,162	173,811	101,570	38,118	-	-	-
Unassigned	2,188,419	2,159,016	1,757,575	1,712,002	764,522	(530,670)	590,994	1,015,882	1,044,204	489,444
Total Governmental Funds	\$ 13,669,012	\$ 12,842,337	\$ 12,911,211	\$ 18,478,761	\$ 11,836,906	\$ 9,646,270	\$ 7,833,371	\$ 8,222,694	\$ 8,110,769	\$ 9,305,474
Total Governmental Funds Percentage Change	8.9%	-6.0%	0.5%	43.1%	-35.9%	-18.5%	-18.8%	5.0%	-1.4%	14.7%

Notes:

1 - In 2019 the unassigned fund balance was used to remodel the City Hall and Police building purchased from Member Cooperative Credit Union in 2018.

2 - In 2017 the City issued a \$8.4 million City Sale Tax Revenue Bond.

3 - In 2018 the City purchased the MCCU building with committed capital improvement plan reserves.

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Governmental Funds - Changes to Fund Balances Last Ten Fiscal Years (modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	1 \$ 3,894,722	\$ 3,788,522	\$ 3,965,373	\$ 4,204,034	\$ 4,169,460	\$ 4,316,255	\$ 4,499,349	\$ 4,605,092	\$ 4,880,858	\$ 5,867,890
Special Assessments	74,272	120,042	127,055	97,181	79,204	69,693	140,298	118,734	62,741	51,302
License & Permits	152,646	110,771	127,211	140,621	172,538	185,869	147,587	165,773	140,298	132,222
Intergovernmental	2 3,174,486	2,769,510	3,917,088	3,279,621	5,155,200	3,523,044	5,073,247	3,952,848	5,482,123	4,470,624
Charges for Services	379,371	335,409	364,045	389,807	462,419	453,308	334,782	715,126	735,976	715,175
Fines & Forfeits	63,256	65,927	57,323	70,795	57,014	54,257	38,664	62,136	65,304	78,426
Investment Income	166,852	99,974	60,072	130,012	179,514	298,720	89,124	3,084	36,399	203,114
Miscellaneous	3 534,005	207,122	2,381,413	400,223	350,833	776,997	706,617	344,903	351,159	428,206
Total revenues	\$ 8,439,610	\$ 7,497,277	\$ 10,999,580	\$ 8,712,294	\$ 10,626,182	\$ 9,678,143	\$ 11,029,668	\$ 9,967,696	\$ 11,754,858	\$ 11,946,959
Expenditures										
Current										
General government	\$ 959,860	\$ 934,784	\$ 976,453	\$ 985,404	\$ 1,076,952	\$ 1,453,621	\$ 1,454,233	\$ 1,454,161	\$ 1,510,677	\$ 1,619,366
Public safety	2,193,737	2,415,495	2,538,840	2,804,183	3,066,519	3,083,383	3,108,687	3,414,158	3,714,369	3,900,039
Streets and highways	1,223,372	1,184,540	1,189,909	1,251,990	1,183,330	1,746,823	1,730,868	1,661,992	2,072,570	2,201,971
Culture and recreation	996,858	1,152,413	1,197,435	1,265,336	1,431,037	1,555,427	1,343,429	1,629,970	1,709,379	1,913,650
Community development	1 320,592	314,034	389,474	893,422	336,077	296,928	434,740	455,132	495,240	530,424
Total Current	5,694,419	6,001,266	6,292,111	7,200,335	7,093,915	8,136,182	8,071,957	8,615,413	9,502,235	10,165,450
Capital Outlay	3 1,467,495	2,204,487	5,615,725	4,426,674	8,427,054	4,642,065	5,138,743	1,368,485	3,598,571	829,342
Debt Service										
Principal	275,000	265,000	270,000	270,000	655,000	1,305,000	420,000	480,000	520,903	526,062
Interest	93,555	89,609	84,821	105,317	354,293	256,227	252,542	256,475	243,020	229,543
Fees	900	900	40,549	113,564	4,275	54,338	4,325	-	-	-
Total Debt Service	369,455	355,509	395,370	488,881	1,013,568	1,615,565	676,867	736,475	763,923	755,605
Total expenditures	\$ 7,531,369	\$ 8,561,262	\$ 12,303,206	\$ 12,115,890	\$ 16,534,537	\$ 14,393,812	\$ 13,887,567	\$ 10,720,373	\$ 13,864,729	\$ 11,750,397
Excess of revenues over (under) expenditures	908,241	(1,063,985)	(1,303,626)	(3,403,596)	(5,908,355)	(4,715,669)	(2,857,899)	(752,677)	(2,109,871)	196,562
Unaudited										

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Governmental Funds - Changes to Fund Balances Last Ten Fiscal Years (Continued) (modified accrual basis of accounting)

Other Financing Sources (Uses)

Disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 834,571	\$ -	\$ -	\$ -	\$ -
Issuance of debt	-	-	1,095,000	8,400,000	-	1,500,000	-	-	-	-
Premium on bond issuance	-	-	-	136,494	-	-	-	-	-	-
Refunding bond repayment	-	-	-	-	(1,035,000)	-	-	-	-	-
Transfers in	1,730,411	1,275,182	1,254,343	703,455	1,936,347	3,751,859	1,888,597	2,429,885	3,400,506	1,957,087
Transfers out	(1,524,716)	(1,037,872)	(976,843)	(268,803)	(1,634,847)	(3,561,397)	(843,597)	(1,287,885)	(1,402,560)	(958,945)
Total other financing sources (uses)	<u>\$ 205,695</u>	<u>\$ 237,310</u>	<u>\$ 1,372,500</u>	<u>\$ 8,971,146</u>	<u>\$ (733,500)</u>	<u>\$ 2,525,033</u>	<u>\$ 1,045,000</u>	<u>\$ 1,142,000</u>	<u>\$ 1,997,946</u>	<u>\$ 998,142</u>
Net change in fund balances	<u>\$ 1,113,936</u>	<u>\$ (826,675)</u>	<u>\$ 68,874</u>	<u>\$ 5,567,550</u>	<u>\$ (6,641,855)</u>	<u>\$ (2,190,636)</u>	<u>\$ (1,812,899)</u>	<u>\$ 389,323</u>	<u>\$ (111,925)</u>	<u>\$ 1,194,704</u>
Debt Service as a Percentage of Total Noncapital Expenditures	<u>6.1%</u>	<u>5.6%</u>	<u>5.3%</u>	<u>4.9%</u>	<u>12.4%</u>	<u>15.2%</u>	<u>7.5%</u>	<u>7.7%</u>	<u>7.3%</u>	<u>6.9%</u>

Notes:

1 - Starting 2013 the City collects a sales tax.

2 - 2018 received more state grants for street construction.

3 - 2016 Fond du lac Reservation used Bureau of Interior grant to reconstruct Cartwright Road, which is owned by the City. 2018 Purchased MCCU building, and redesigned and repaved Cloquet Ave.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Governmental Funds - Tax Revenues by Source Last Ten Fiscal Years (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>City Sales Tax</u>	<u>Tax Increments</u>	<u>Franchise Fee/Tax</u>	<u>Lodging</u>	<u>Total</u>
2014	\$ 2,617,917	\$ 1,024,519	\$ 82,749	\$ 114,005	\$ 55,532	\$ 3,894,722
2015	2,722,874	787,371	107,586	111,054	59,637	3,788,522
2016	2,784,512	921,240	93,896	108,191	57,534	3,965,373
2017	2,980,184	973,817	93,872	101,652	54,509	4,204,034
2018	2,995,325	939,760	75,791	103,800	54,784	4,169,460
2019	3,014,605	1,032,686	105,593	101,778	61,593	4,316,255
2020	3,084,266	1,097,795	168,855	97,322	51,111	4,499,349
2021	3,146,951	1,149,620	147,318	99,504	61,699	4,605,092
2022	3,259,865	1,287,679	165,045	93,122	75,147	4,880,858
2023	3,449,184	2,139,630	201,780	84,174	77,296	5,952,064
Percentage Change In Dollars Over 10 Years	31.75%	108.84%	143.85%	-26.17%	39.19%	52.82%

Source: The City's general ledger.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Net Tax Capacity and Taxable Market Value of Property Last Ten Fiscal Years

Year	Agricultural	Residential Homestead	Commercial & Industrial	Public Utility	Railroad	Personal Property	Residential Non-Homestead	Commercial & Residential Seasonal	Other	Total Net Tax Capacity	Total Direct Tax Rate	Taxable Market Value	Change
2014	\$ 95,663	\$ 3,639,622	\$ 2,746,420	\$ 79,670	\$ 67,668	\$ 297,229	\$ 1,039,381	\$ 17,263	\$ 2,933	\$ 7,985,849	38.056%	\$ 641,689,900	0.8%
2015	89,037	3,663,329	2,813,682	83,365	86,226	310,191	1,064,821	17,295	2,933	8,130,879	38.743%	650,646,100	1.4%
2016	88,206	3,657,457	2,713,725	86,961	85,192	326,501	1,080,667	17,295	2,933	8,058,937	40.313%	647,080,200	-0.5%
2017	89,202	3,819,058	2,692,541	88,241	109,904	318,046	1,103,131	17,300	2,934	8,240,357	41.678%	665,458,437	2.8%
2018	90,183	3,940,241	2,845,495	70,804	136,526	330,480	1,147,506	17,392	-	8,578,627	41.386%	687,459,951	3.3%
2019	95,901	4,340,000	2,746,342	82,529	105,702	312,083	1,136,664	25,105	-	8,844,326	39.606%	724,051,599	5.3%
2020	96,712	4,536,094	2,755,222	94,508	114,626	331,917	1,121,990	25,261	-	9,076,330	39.093%	744,938,352	2.9%
2021	101,951	4,776,021	2,744,729	96,705	122,560	184,981	1,250,202	18,552	-	9,295,701	39.484%	772,912,804	3.8%
2022	107,565	5,085,907	2,742,539	92,152	132,648	170,657	1,297,152	21,611	-	9,650,231	39.542%	808,489,267	4.6%
2023	137,050	6,898,106	2,854,648	91,644	147,660	209,785	1,539,770	24,901	-	11,903,564	34.625%	1,025,191,762	26.8%

Notes:

The tax rate is applied to net tax capacity to calculated property taxes payable. Amounts include captured tax increment tax capacity.

Source: Carlton County Assessor's Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

Overlapping Rates - 1

Fiscal Year	City Direct Rate	Carlton County	Cloquet School District	Cloquet School Referendum	Cloquet Area Fire District Fire	Cloquet Area Fire District Ambulance	ARDC	Total Overlapping	Total Overlapping and Direct
2014	38.056%	77.702%	31.393%	0.110%	17.036%	1.016%	0.175%	127.432%	165.488%
2015	38.743%	79.142%	32.281%	0.160%	16.292%	1.901%	0.174%	129.950%	168.693%
2016	40.313%	78.416%	48.792%	0.160%	18.254%	1.859%	0.174%	147.655%	187.968%
2017	41.678%	79.431%	44.659%	0.160%	18.320%	1.811%	0.176%	144.557%	186.235%
2018	41.386%	80.610%	45.438%	0.157%	18.683%	1.827%	0.176%	146.891%	188.277%
2019	39.606%	79.432%	46.752%	0.157%	20.040%	1.916%	0.175%	148.472%	188.078%
2020	39.093%	81.040%	45.921%	0.159%	21.238%	2.448%	0.181%	150.987%	190.080%
2021	39.484%	78.676%	45.562%	0.159%	21.707%	2.488%	0.176%	148.768%	188.252%
2022	39.542%	78.824%	42.941%	0.151%	20.680%	2.512%	0.173%	145.281%	184.823%
2023	34.625%	64.127%	34.898%	0.136%	16.437%	3.941%	0.138%	119.677%	154.302%

Notes:

Percentages are applied to a property's tax capacity value.

1 - Overlapping rates are those of Carlton County governments that apply to property owners within the City of Cloquet. There is a small portion of the City of Cloquet in the Carlton School District and is not shown on this schedule.

2 - The school passed a referendum for a new school valued around \$50 million.

The State imposed levy limits in 2010-2011, and 2014.

Source: Carlton County Auditor's Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Principal Property Taxpayers December 31, 2023 & December 31, 2014

<u>Principal Taxpayer - 2023</u>	<u>Type of Property</u>	<u>Net Tax Capacity</u>	<u>Percentage of Total City Estimated Net Tax Capacity</u>
SAPPI	Industrial	\$ 872,371	7.41%
Walmart	Commercial	177,564	1.51%
Fond Du Lac Band	Commercial	151,264	1.29%
Integrays Energy Group	Utility	150,368	1.28%
USG Interior	Industrial	125,536	1.07%
Miners, Inc.	Retail	116,332	0.99%
Minnesota Power	Utility	110,250	0.94%
Burlington Northern	Railroad	94,453	0.80%
HADC Cloquet, LLC	Apartment	74,807	0.64%
On Aim LLC	Commercial	61,856	0.53%
Total Principal Taxpayers		\$ 1,934,801	16.44%
All Other Taxpayers		\$ 9,832,676	83.56%
Total		\$ 11,767,477	100.00%

<u>Principal Taxpayer - 2014</u>	<u>Type of Property</u>	<u>Estimated Market Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
SAPPI	Manufacturing	\$ 51,438,500	8.02%
Minnesota Power	Utility	12,252,300	1.91%
Walmart	Retail	10,341,900	1.61%
USG Interiors	Manufacturing	5,920,600	0.92%
Miners, Inc.	Retail	5,087,800	0.79%
Integrays Energy Group	Utility	4,896,600	0.76%
HADC Cloquet, LLC	Apartment	4,925,300	0.77%
Om Aim, LLC	Commercial	2,810,700	0.44%
Burlington Northern	Railroad	2,174,800	0.34%
Menlow Realty Income Properties	Apartment	2,060,300	0.32%
Total Principal Taxpayers		\$ 101,908,800	15.88%
All Other Taxpayers		\$ 539,781,100	84.12%
Total		\$ 641,689,900	100.00%

Changed reporting to tax capacity in 2020, which relates to taxes paid more accurately than market value.

Source: Carlton County Auditor's Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Property Tax Levies and Collections Last Ten Fiscal Years

Year	Taxes Levied for the Fiscal Year	Computed Net Levy for the Fiscal Year	Collected within First Year		Collected in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 2,650,000	\$ 2,649,699	\$ 2,598,297	98.06%	\$ 49,683	\$ 2,647,980	99.94%
2015	2,729,000	2,728,739	2,680,372	98.23%	47,679	2,728,051	99.97%
2016	2,810,000	2,809,692	2,759,672	98.22%	48,170	2,807,842	99.93%
2017	2,970,000	2,969,626	2,918,774	98.29%	29,929	2,948,703	99.30%
2018	3,037,000	3,036,648	2,972,884	97.90%	51,286	3,024,170	99.59%
2019	2,991,520	2,991,138	2,955,178	98.80%	38,213	2,993,391	100.08%
2020	3,043,000	3,042,529	3,014,181	99.07%	31,672	3,045,853	100.11%
2021	3,130,800	3,130,324	3,103,526	99.14%	23,294	3,126,820	99.89%
2022	3,240,200	3,239,843	3,216,195	99.27%	18,948	3,235,143	99.85%
2023	3,442,090	3,441,573	3,411,450	99.12%	-	3,411,450	99.12%

Note:

Gross levy vs computed levy is reduced by Market Value Homestead Credit in year 2011.

Source: Carlton County "Tax Levy Status" report.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Water Revenues, Usage, and Rates Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Water User Fees</u>										
Lake Superior Waterline	\$ 2,594,535	\$ 2,686,705	\$ 2,641,230	\$ 2,895,675	\$ 2,962,200	\$ 2,373,975	\$ 2,763,825	\$ 3,271,650	\$ 2,788,500	\$ 2,732,045
Residential	560,154	548,621	451,251	446,919	515,368	622,191	749,204	791,328	784,615	888,263
Commercial & Industrial	463,802	466,159	571,130	578,902	687,392	837,708	865,821	973,274	1,099,681	1,326,608
Other (connection/penalties/etc)	30,279	42,633	29,984	31,479	32,743	37,327	29,618	53,587	52,923	47,146
Total	\$ 3,648,770	\$ 3,744,118	\$ 3,693,595	\$ 3,952,975	\$ 4,197,703	\$ 3,871,201	\$ 4,408,468	\$ 5,089,839	\$ 4,725,719	\$ 4,994,061
<u>Water Usage (1,000 of gallons)</u>										
Lake Superior Waterline	3,827,446	3,967,700	3,739,800	3,721,535	3,806,000	3,021,700	3,541,500	4,218,600	3,574,400	3,579,967
Residential	148,610	145,752	145,181	142,376	144,241	138,641	151,033	147,052	136,739	168,213
Commercial/Industrial	219,854	217,510	230,222	233,299	259,438	262,855	238,420	243,243	253,979	246,359
Total	4,195,910	4,330,962	4,115,203	4,097,210	4,209,679	3,423,196	3,930,953	4,608,895	3,965,118	3,994,539
<u>Water Rates</u>										
Lake Superior Waterline										
Fixed monthly charge	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00
Usage charge (per 1,000 gallons)										
January through September	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
October through December	\$ 0.65	\$ 0.65	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.77
Residential										
Fixed monthly charge	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 6.00	\$ 6.25	\$ 6.80	\$ 7.75	\$ 8.00	\$ 8.25
Usage charge (per 1,000 gallons)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.35	\$ 2.70	\$ 3.05	\$ 3.40	\$ 3.75	\$ 4.25

Notes:

The Lake Superior Waterline is predominately used by SAPPI.
Residential rates are based on 5/8" standard household meter size.

Source: City Finance office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Sewer Revenues, Usage, and Rates Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
<u>Sewer User Fees</u>										
Residential	\$ 799,822	\$ 788,526	\$ 786,012	\$ 772,108	\$ 823,070	\$ 903,597	\$ 1,074,073	\$ 1,122,377	\$ 1,117,718	\$ 1,191,691
Commercial/Industrial	498,696	510,653	588,156	586,715	573,103	654,240	663,985	740,488	835,866	1,047,580
Other (connection/penalties/dumping)	130,510	176,685	137,064	172,596	164,355	192,114	31,089	41,874	17,019	21,239
Total	\$ 1,429,028	\$ 1,475,864	\$ 1,511,232	\$ 1,531,419	\$ 1,560,528	\$ 1,749,951	\$ 1,769,147	\$ 1,904,739	\$ 1,970,603	\$ 2,260,510
<u>Sewer Usage (1,000 of gallons)</u>										
Residential	145,206	142,452	141,780	139,148	140,756	135,468	146,744	143,273	133,398	136,188
Commercial/Industrial	101,379	103,013	118,245	120,630	110,103	112,570	103,312	113,017	114,724	136,363
Total	246,585	245,465	260,025	259,778	250,859	248,038	250,056	256,290	248,122	272,551
<u>Sewer Rates</u>										
Residential										
Fixed monthly charge	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 4.00	\$ 4.00	\$ 5.00	\$ 5.50	\$ 6.00	\$ 6.50
Usage charge (per 1,000 gallons)	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 5.15	\$ 5.55	\$ 6.05	\$ 6.35	\$ 6.65	\$ 6.95

Notes:

Large industrial users are billed directly by the Western Lake Superior District.
In 2020 WLSSD took over the septic dumping.

Source: City Finance office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding Last Ten Fiscal Years

	General Bonded Debt			Other Governmental Activities Debt		
	General Obligation Bonds	Percentage of Taxable Property Value	Per Capita	Revenue Bonds	Lease Liabilities	Finance Purchases
2014	\$ 3,020,000	0.47%	\$ 246.37	\$ -	\$ -	\$ -
2015	2,755,000	0.42%	224.51	-	-	-
2016	3,580,000	0.55%	291.03	-	-	-
2017	3,310,000	0.50%	270.23	8,533,082	-	-
2018	1,995,000	0.29%	161.58	8,151,257	-	-
2019	2,515,000	0.35%	203.25	7,819,432	-	-
2020	2,430,000	0.33%	196.38	7,477,607	-	-
2021	2,290,000	0.31%	185.07	7,025,000	-	-
2022	2,145,000	0.29%	170.20	6,768,958	37,555	-
2023	1,995,000	0.19%	158.30	6,397,133	16,946	-

	Business-type Activities			City Total	Percentage of Personal Income	Per Capita
	Water, Sewer Stormwater Bonds	Water Tower Loan	Water Treatment Loan			
2014	\$ 530,000	\$ 925,768	\$ -	\$ 4,475,768	1.09%	\$ 367.47
2015	265,000	822,768	-	3,842,768	0.09%	313.49
2016	-	716,768	-	4,296,768	0.92%	350.16
2017	-	606,768	-	12,449,850	2.64%	1,012.10
2018	-	492,768	2,620,802	13,259,827	2.66%	1,082.52
2019	-	375,768	6,920,191	17,630,391	3.31%	1,427.91
2020	1,825,000	254,768	6,722,573	18,709,948	3.41%	1,512.04
2021	1,825,000	129,768	5,932,021	17,201,789	3.13%	1,390.16
2022	4,514,809	-	6,124,000	19,590,322	3.57%	1,583.18
2023	4,141,660	-	5,773,000	18,323,739	3.28%	1,453.92

The City's personal income estimated based on County per capita income multiplied by City population.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Direct and Overlapping Debt December 31, 2023

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid With Property Taxes			
Carlton County	\$ 6,090,000	27%	\$ 1,646,220
Cloquet Area Fire District	582,000	50%	291,519
Independent School District #94	54,768,695	80%	<u>43,891,122</u>
Total overlapping debt			<u>\$ 45,537,343</u>
City of Cloquet direct debt	\$ 2,011,946	100%	<u>\$ 2,011,946</u>
Total Overlapping and Direct Debt			<u><u>\$ 47,549,289</u></u>

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of another government units taxable net tax capacity value that is within the City's boundaries and dividing it by each unit's total taxable net tax capacity value.

Source: Carlton County Auditor's Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Legal Debt Margin Last Ten Fiscal Years (Amounts presented in \$1,000)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Taxable market value	<u>\$ 641,699</u>	<u>\$ 650,646</u>	<u>\$ 647,080</u>	<u>\$ 665,458</u>	<u>\$ 687,460</u>	<u>\$ 724,052</u>	<u>\$ 744,938</u>	<u>\$ 772,912</u>	<u>\$ 808,489</u>	<u>\$ 1,025,191</u>
Legal Debt Margin										
Debt limit (3% of taxable market value)	<u>\$ 19,251</u> 3%	<u>\$ 19,519</u> 3%	<u>\$ 19,412</u> 3%	<u>\$ 19,964</u> 3%	<u>\$ 20,624</u> 3%	<u>\$ 21,722</u> 3%	<u>\$ 22,348</u> 3%	<u>\$ 23,187</u> 3%	<u>\$ 24,255</u> 3%	<u>\$ 30,756</u> 3%
Debt applicable to limit:										
General obligation bonds	4,476	3,843	4,297	12,317	13,134	17,511	18,598	17,202	19,219	18,013
Less: Other bonds	<u>(1,456)</u>	<u>(1,088)</u>	<u>(717)</u>	<u>(9,007)</u>	<u>(11,139)</u>	<u>(14,996)</u>	<u>(16,168)</u>	<u>(14,912)</u>	<u>(17,074)</u>	<u>(16,018)</u>
Total debt applicable to limit	<u>3,020</u>	<u>2,755</u>	<u>3,580</u>	<u>3,310</u>	<u>1,995</u>	<u>2,515</u>	<u>2,430</u>	<u>2,290</u>	<u>2,145</u>	<u>1,995</u>
Legal debt margin	<u>\$ 16,231</u>	<u>\$ 16,764</u>	<u>\$ 15,832</u>	<u>\$ 16,654</u>	<u>\$ 18,629</u>	<u>\$ 19,207</u>	<u>\$ 19,918</u>	<u>\$ 20,897</u>	<u>\$ 22,110</u>	<u>\$ 28,761</u>
As a percentage of debt margin to debt limit	<u>84.31%</u>	<u>85.89%</u>	<u>81.56%</u>	<u>83.42%</u>	<u>90.33%</u>	<u>88.42%</u>	<u>89.13%</u>	<u>90.12%</u>	<u>91.16%</u>	<u>93.51%</u>

Notes:

Minnesota State statute limits the amount of general obligation debt the City can incur to no more than 3% of the market value of taxable property in the City.

Source: Taxable market value - Carlton County Auditor's Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Pledged Revenue Bond Coverage Business-type Activities Last Ten Fiscal Years

Year	Operating Revenue	Bond Charges *	Less: Operating Expenses	Net Available Revenue	Debt Service			Times Coverage
					Principal	Interest	Total	
2014	\$ 3,604,786	\$ 265,200	\$ 3,272,446	\$ 597,540	\$ 359,000	\$ 44,086	\$ 403,086	1.48
2015	3,758,743	265,200	3,342,454	681,489	368,000	38,909	406,909	1.67
2016	3,716,382	22,100	3,730,660	7,822	371,000	26,956	397,956	0.02
2017	3,970,634	-	3,759,225	211,409	110,000	22,883	132,883	1.59
2018	4,226,148	-	3,433,758	792,390	114,000	19,116	133,116	5.95
2019	3,892,987	-	3,224,584	668,403	294,911	49,427	344,338	1.94
2020	6,543,727	-	4,763,395	1,780,332	564,000	119,509	683,509	2.60
2021	7,336,464	-	5,218,174	2,118,290	481,000	79,540	560,540	3.78
2022	7,131,579	-	6,721,657	409,922	478,093	141,159	619,252	0.66
2023	7,648,697	-	5,937,960	1,710,737	691,000	167,891	858,891	1.99

Notes:

* - There was a separate charge to SAPPI for the Water Revenue Bond. This separate charge ended February 2016.

Operating expenses do not include depreciation.

Water revenues are pledged towards the debt service repayment in 2011 through 2019.

Water, Sewer, and Stormwater revenues are pledged towards the debt service repayment in 2020.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Pledged Revenue Bond Coverage Governmental Activities Last Ten Fiscal Years

<u>Year</u>	<u>City Sales Tax</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Times Coverage</u>
2014	\$ 1,024,519	\$ -	\$ -	\$ -	N/A
2015	787,371	-	-	-	N/A
2016	921,240	-	-	-	N/A
2017	973,817	-	-	-	N/A
2018	939,760	375,000	283,839	658,839	1.43
2019	1,032,686	325,000	222,615	547,615	1.89
2020	1,097,795	335,000	212,715	547,715	2.00
2021	1,149,620	340,000	199,215	539,215	2.13
2022	1,287,679	355,000	188,790	543,790	2.37
2023	1,278,769	365,000	177,990	542,990	2.36

Note:

The City sales tax started in April of 2013.

The City sales tax bond was issued in 2017 with debt service starting in 2018.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Demographic and Economic Statistics Last Ten Years

Year	City			County Statistics			
	Population	Percentage of County Population	Unemployment Rate	Persons Per Household	Population	Personal Income	Per Capita Income
2014	12,258	34.5%	5.0%	2.54	35,571	\$ 1,307,524,000	36,758
2015	12,271	34.5%	5.2%	2.54	35,569	1,347,085,000	37,872
2016	12,301	34.4%	5.7%	2.54	35,738	1,372,446,000	38,403
2017	12,249	34.5%	5.0%	2.49	35,498	1,445,579,000	40,723
2018	12,347	34.5%	4.5%	2.49	35,837	1,544,514,000	43,098
2019	12,374	34.5%	3.1%	2.48	35,871	1,592,350,000	44,391
2020	12,374	34.5%	5.8%	2.48	35,871	1,592,350,000	44,391
2021	12,686	35.5%	3.8%	2.48	35,769	1,689,279,000	47,227
2022	12,809	35.2%	2.4%	2.46	36,409	1,689,279,000	47,227
2023	12,755	34.7%	3.1%	2.47	36,708	1,701,235,000	48,339

Notes:

Personal income and per capita income not available for the City exclusively.
Repeated information if current numbers were not available.

Sources:

League of MN Cities
Homefacts.com
Census.gov - Quickfacts
Bureau of Economic Analysis - BEARFACTS

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Principal Employers For the Fiscal Year Ended December 31, 2023 & December 31, 2014

<u>Employer - 2023</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
SAPPI	755	10.40%
Fond du Lac Indian Reservation	675	9.29%
USG Interiors	450	6.20%
Cloquet Public Schools - ISD #94	390	5.37%
Upper Lakes Foods, Inc.	370	5.10%
Community Memorial Hospital	350	4.82%
Super One Foods	305	4.20%
Boldt Construction	205	2.82%
Walmart	189	2.60%
Fond du Lac Tribal & Community College	115	1.58%
Total Principal Employers	3,804	52.38%
All Other Employers	3,458	47.62%
Total	7,262	100.00%

<u>Employer - 2014</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
Fond du lac Reservation	879	12.10%
Sappi	720	9.91%
Fond du lac Tribal & Community College	459	6.32%
Cloquet Public Schools - ISD #94	400	5.51%
Community Memorial Hospital	355	4.89%
USG Interiors	350	4.82%
Upper Lakes Foods, Inc.	315	4.34%
Boldt Construction	265	3.65%
Walmart	184	2.53%
Jarden Inc.	125	1.72%
Total Principal Employers	4,052	55.80%
All Other Employers	3,210	44.20%
Total	7,262	100.00%

Source: MNPRO.com

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

City Employees by Function/Program Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Function/program										
Administration	2	2	3	3	3	3	3	3	3	3
Finance	3	3	3	3	3	3	3	3	3	3
Building & planning services	2	2	2	2	2	2	2	2	2	2
Community development	1	1	1	1	1	1	1	1	1	1
Building maintenance	1	1	1	1	1	1	1	1	1	1
Police	21	23	25	25	26	26	26	26	26	26
Engineering office	5	5	5	5	5	5	5	5	5	5
Streets and Parks	10	11	11	11	12	13	13	13	13	13
Library	6	6	6	6	6	6	6	6	6	6
Water	9	9	9	9	9	9	9	9	9	9
Sewer	2	2	2	2	2	2	2	2	2	2
Cable TV	1	1	1	1	1	-	-	-	-	-
Total	<u>63</u>	<u>66</u>	<u>69</u>	<u>69</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>71</u>

Notes:

These are full-time permanent employees. The City also hires several part-time and seasonal employees.

Source: City Finance Office.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Operating Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Arrests	302	582	603	374	241	327	291	366	343	370
Calls for service	9,190	11,051	12,285	11,027	10,708	10,423	10,581	10,755	10,638	10,795
Traffic citations	604	757	2,191	1,148	663	961	827	883	844	835
Planning										
Building permits issued	423	450	482	584	447	500	541	708	633	620
Inspections	722	739	622	999	850	709	572	792	687	655
Library										
Items checked out	121,244	119,849	110,952	115,457	134,077	120,326	76,097	*	115,357	117,352
Audiobooks downloaded	2,098	3,040	3,683	10,975	6,059	7,484	6,547	*	7,438	8,523
Computer usage	18,924	23,332	26,426	25,713	17,067	12,273	3,897	*	10,583	11,687
Water (1,000 of gallons)										
Average daily consumption										
Lake Superior Waterline	10,486	10,870	10,246	10,196	10,427	8,256	9,703	11,558	110	10,125
Residential	407	399	398	390	395	373	414	403	375	366
Commercial/Industrial	602	596	631	639	710	708	653	666	696	797
Sewer (1,000 of gallons)										
Average daily flow										
Residential	398	390	388	381	386	370	402	393	365	378
Commercial/Industrial	278	282	324	330	302	308	283	310	314	325

Notes:

* - Information not available.

The Library has less items checked out recently but is actually busier due to items requested through technology.

Lake Superior Waterline usage decreased significantly in 2019 due to SAPPI using river water.

The Lake Superior Waterline and USG are billed sewer directly by WLSSD.

Library activity decrease significantly due to COVID in 2020 and the Library being closed several months of the year.

Source: Various city departments.

Unaudited

City of Cloquet

Statistical Section

For the Year Ended December 31, 2023

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Mark patrol vehicles	8	8	8	10	10	10	10	10	10	10
Street and highways										
Street miles	100	100	100	100	100	100	100	100	100	100
Traffic signals	2	2	2	2	2	2	2	2	2	2
Parks and recreation										
Number of parks	14	14	14	14	14	14	14	14	14	14
Acres	207.65	207.65	207.65	207.65	207.65	207.65	207.65	207.65	207.65	207.65
Hockey Arenas	2	2	2	2	2	2	2	2	2	2
Swimming pond	1	1	1	1	1	1	1	1	1	1
Campground	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Water (in-town system)										
Water mains (miles)	60	60	60	60	60	60	60	60	60	60
Water tank capacity gallons	1 million	1 million	1 million	1 million	1 million	1 million	1 million	1 million	1 million	1 million
Fire hydrants	384	384	384	384	384	384	384	384	384	384
Treatment plant	-	-	-	-	-	1	1	1	1	1
Lake Superior Waterline										
Waterline miles	26	26	26	26	26	26	26	26	26	26
Pump stations	2	2	2	2	2	2	2	2	2	2
Wagtskjold reservoir gallons	2 million	2 million	2 million	2 million	2 million	2 million	2 million	2 million	2 million	2 million
Harris reservoir gallons	5 million	5 million	5 million	5 million	5 million	5 million	5 million	5 million	5 million	5 million
Sewer										
Sewer mains (miles)	60	60	60	60	60	60	60	60	60	60
Economic Development										
Business Parks	2	2	2	2	2	2	2	2	2	2

Source: Various City departments.

Unaudited