



## CITY OF CLOQUET

**City Council Agenda  
Tuesday, June 2, 2026  
6:00 p.m.  
City Hall Council Chambers**

### **Regular Meeting**

1. **Roll Call**
2. **Pledge of Allegiance**
3. **Approval of Agenda**
  - a. Approval of June 2, 2026 Council Agenda
4. **Approval of Council Minutes**
  - a. Minutes from the May 19, 2026 Regular Council Meeting
5. **Public Comments**

*Please give your name, address, and your concern or comments. Visitors may share their concerns with the City Council on any issue of public business. Each person will have 3 minutes to speak. The Mayor reserves the right to limit an individual or successive individual's presentation if they become redundant, repetitive, irrelevant, or overly argumentative. All comments will be taken under advisement by the City Council. No action will be taken at this time.*
6. **Consent Agenda**

Items on the Consent Agenda are considered routine and will be approved with one motion without discussion/debate. The Mayor will ask if any Council members wish to remove an item. If no items are to be removed, the Mayor will then ask for a motion to approve the Consent Agenda.

  - a. Resolution No. 26-31, Authorizing the Payment of Bills and Payroll
  - b. Biennial Audit of Portable Recording System (PRS) Program
  - c. Approve 2026-2027 Liquor and Tobacco License Renewals
  - d. Approve Lower-Potency Hemp Edible Retail Registration – Crown Smoke Zone
  - e. Resolution No. 26-32, Approving Off-Site Gambling for Eagles Aerie #1163 to Sell Pull Tabs at the Cloquet Country Club



**CITY OF CLOQUET  
City Council Agenda  
Tuesday, June 2, 2026  
6:00 p.m.  
City Hall Council Chambers**

**7. Public Hearings**

None

**8. Presentations**

a. 2025 Audit Review

**9. Council Business**

a. City Sponsored Events, Third Thursdays Downtown

**10. Council Comments, Announcements, and Updates**

**11. Adjournment**

## **Regular Meeting**

Roll Call

Councilors Present: Swanson, Keller, Kolodge, Jaakola, Wilkinson, Acting Mayor Lamb

Councilors Absent: Mayor Maki

Pledge of Allegiance

## **AGENDA**

Councilor Jaakola moved and Councilor Wilkinson seconded the motion to approve the May 19, 2026 agenda as presented. The motion carried unanimously (6-0).

## **MINUTES**

**MOTION:** Councilor Keller moved and Councilor Swanson seconded the motion to approve the Regular Meeting Minutes of May 5, 2026 as presented. The motion carried unanimously (6-0).

## **PUBLIC COMMENTS**

Rick and Debra Reber addressed council regarding the amount of unnecessary vehicle noise in Cloquet that has become a quality-of-life issue. They have talked to police about the issue without any resolution. The Rebers questioned if the noise ordinance needs to be reviewed and “beefed up”.

Cody Coughlin, student at FDLTCC, asked why the ICE resolution has not been on a recent agenda. He would like to know what the issue is that is causing the hang up.

## **CONSENT AGENDA**

**MOTION:** Councilor Kolodge moved and Councilor Swanson seconded the motion to adopt the Consent Agenda of May 19, 2026, approving the necessary motions and resolutions as presented. The motion carried unanimously (6-0).

- a. Resolution No. 26-25, Authorizing the Payment of Bills
- b. Resolution No. 26-27, Dedicating Certain Lake Street and Selmser Avenue Right-of-Way;  
Resolution No. 26-28, Dedicating Certain Pinehurst Park Drive Right-of-Ways
- c. Approve Annual Carlton County Farmers’ Market Transient Merchant License
- d. Approve Raffle Permit for Cloquet Youth Baseball/Softball Association
- e. Approve Bingo Permit for VFW Post 3979

## **PUBLIC HEARINGS**

There were none.

**PRESENTATIONS**

There were none.

**AWARD 2026 LAWN MOWER PURCHASES**

**MOTION:** Councilor Keller moved and Councilor Wilkinson seconded the motion to approve **RESOLUTION NO. 26-26, AWARDING 2026 LAWN MOWER PURCHASES**. The motion carried unanimously (6-0).

**WHEREAS**, The City has completed specifications for 2026 Lawn Mower Purchases as included in the CIP and Budget; and

**WHEREAS**, Pricing for the budgeted lawn mower purchases was obtained under the Cooperative Purchase Agreement with the State of Minnesota as follows:

Dealer	John Deere 1585 Terrain Cut Mower Unit 606	John Deere 1585 Terrain Cut Mower Unit 607
Duluth Lawn and Sport Less Trade Total	\$53,399.40 <u>(\$11,000.00)</u> \$43,599.40	\$53,886.08 <u>(\$11,000.00)</u> \$44,086.08
Northland Lawn (Sourcewell Pricing) Less Trade Total	\$55,000.29 <u>(\$11,050.00)</u> \$43,950.29	\$55,455.36 <u>(\$10,750.00)</u> \$44,705.36

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA**, That the bids from Duluth Lawn and Sport for replacement of Units 606 and 607 are hereby accepted.

**BE IT FURTHER RESOLVED**, That city staff is hereby authorized to place said orders and dispose of the resulting surplus equipment in accordance with state law.

**APPROVE JULY 4<sup>TH</sup> CELEBRATION EVENTS**

**MOTION:** Councilor Jaakola moved and Councilor Swanson seconded the motion to approve the 4<sup>th</sup> of July Celebration items as presented. The motion carried unanimously (6-0).

**COUNCIL COMMENTS, ANNOUNCEMENTS, AND UPDATES**

Administrator Peterson reminded that city hall summer hours begin May 26<sup>th</sup>.

Peterson announced that candidate filing is open May 19<sup>th</sup> through June 2<sup>nd</sup>. Seats to be on the ballot will be for Wards 1, 2, 3 and Mayor.

Councilor Lamb reminded that parking on Selmser Avenue between 14<sup>th</sup> Street and 22<sup>nd</sup> Street will be on side streets during construction.

Councilor Jaakola responded to the comment made by Mr. Coughlin regarding the resolution in question, stating that a meeting has taken place with her, the city administrator, police chief and city attorney, and will be picked back up for more discussion.

**ADJOURNMENT**

On a motion duly carried by a unanimous yea vote of all members present on roll call, the Council adjourned.

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Tim Peterson, City Administrator

DRAFT



**ADMINISTRATIVE OFFICES**

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

**REQUEST FOR COUNCIL ACTION**

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To: Mayor and City Council  
From: Ann Michaud, Assistant Finance Director  
Reviewed by: Tim Peterson, City Administrator *TP*  
Date: June 2, 2026

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**ITEM DESCRIPTION:** Payment of Bills and Payroll

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**Proposed Action**

Staff recommends the Council move to adopt **RESOLUTION NO. 26-31, A RESOLUTION AUTHORIZING THE PAYMENT OF BILLS AND PAYROLL.**

**Background/Overview**

Statutory Cities are required to have most claims authorized by the city council.

**Policy Objectives**

MN State Statute sections 412.271, Claims and Disbursements for Statutory Cities.

**Financial/Budget/Grant Considerations**

See resolution for amounts charged to each individual fund.

**Advisory Committee/Commission Action**

Not applicable.

**Supporting Documents Attached**

- a. Resolution Authorizing the Payment of Bills and Payroll
- b. Vendor Summary Report
- c. Department Summary Report

**STATE OF MINNESOTA**

**RESOLUTION NO. 26-31**

**A RESOLUTION AUTHORIZING THE PAYMENT OF BILLS AND PAYROLL**

**WHEREAS**, The City has various bills and payroll each month that require payment.

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA**, That the bills and payroll be paid and charged to the following funds:

101	General Fund	\$	533,523.42
202	Federal CDBG Loan (EDA)		184.00
231	Public Works Reserve		25,870.00
406	City Sales Tax - Pine Valley		21,658.25
600	Water - Lake Superior Waterline		69,240.10
601	Water - In Town		53,300.71
602	Sewer Fund		36,905.32
605	Stormwater Fund		1,210.00
	<b>TOTAL:</b>	<b>\$</b>	<b>741,891.80</b>

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET  
THIS 2ND DAY OF JUNE, 2026.**

ATTEST:

\_\_\_\_\_  
Sheila Lamb, Acting Mayor

\_\_\_\_\_  
Tim Peterson, City Administrator

INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
118850	BCDI AV ACQUISITION, INC.	10,912.00	1,300.00
121210	ASCENDANCE TRUCKS, LLC	128,544.71	172.00
121350	ASPEN MILLS INC	66.67	943.12
122958	AUTOZONE, INC.	224.52	14.72
123030	AXTELL GROUP, LLC	0.00	2,900.00
134000	CARLTON COUNTY HIGHWAY DEPT	771,515.10	1,592.45
134300	CARLTON COUNTY RECORDER	138.00	184.00
134900	CARLTON COUNTY TREASURER	3,005.64	16.25
139025	CINTAS	1,758.54	139.10
139030	CINTAS CORPORATION	11,699.58	266.27
139800	CLOQUET AREA CHAMBER OF COMMER	23,549.37	3,053.73
142925	CLOQUET SERVICE CENTER	4,558.13	447.22
145000	COMMUNITY MEMORIAL HOSPITAL	369.01	150.00
145300	COMMUNITY PRINTING	3,668.35	300.00
147600	CONSTELLATION NEW ENERGY CORP	16,719.37	1,214.55
165375	FERGUSON WATERWORKS #2516	2,200.08	426.80
166500	FIREPRO SPRINKLER SPECIALISTS	0.00	338.28
166625	FIRST AID CORP	1,738.69	767.04
175700	W.W. GRAINGER, INC.	5,554.37	37.62
179340	HAGENS GLASS & PAINT	1,524.32	200.00
180500	HAWKINS INC	68,293.43	965.69
188000	INNOVATIVE OFFICE SOLUTIONS	22,365.33	186.28
195840	KIM M WICKMAN	0.00	150.00
198250	L & S ELECTRIC, INC.	0.00	2,000.00
202100	LAWSON PRODUCTS INC	2,085.36	332.99
205050	LOFFLER COMPANIES INC	632.30	23.99
211400	MENARD, INC.	3,462.48	505.93
212401	MICHAUDS DISTRIBUTING LLC	550.03	28.45
214000	MIELKE ELECTRIC WORKS	92,068.05	1,120.00
228200	MUTUAL OF OMAHA	26,596.60	1,487.51
241950	PACE ANALYTICAL SERVICES INC	7,237.00	1,463.00
248675	PROMOTING ME LLC	4,750.00	2,950.00
251475	RAILROAD MANAGEMENT	1,376.28	458.76
260500	SCHINDLER ELEVATOR CORPORATION	2,013.78	2,273.08
261800	SEH	96,070.00	20,692.00
262000	SELL HARDWARE, INC.	10.00	624.00
265650	RSPT c/o SOUTH ST. LOUIS SWCD	0.00	1,210.00
271975	TEAMSTERS JOINT COUNCIL 32	557,729.00	110,499.00
276020	TOTAL CONTROL SYSTEMS, INC.	5,598.04	1,211.30
278600	TAURA INC	27,227.40	4,328.77
278700	TWIN PORTS TESTING II INC	0.00	966.25
279100	U S BANK EQUIPMENT FINANCE	2,459.52	443.00
284580	VC3, INC	105,068.55	37,090.75
285500	VIKING INDUSTRIAL CENTER	0.00	16.56

DATE: 05/28/2026  
TIME: 12:06:38  
ID: AP442000.WOW

CITY OF CLOQUET  
VENDOR SUMMARY REPORT

INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
286900	WESTERN LAKE SUPERIOR	459,475.60	12,608.00
290300	WIDDES FEED & FARM SUPPLY	665.72	79.95
293700	ZIEGLER INC	0.00	643.60
TOTAL ALL VENDORS:			218,822.01

City of Cloquet  
Vendor Summary Report Reconciliation  
Invoices Due On/Before 6/2/26

Bills	218,822.01
Less: CAFD	0.00
Less: Library	0.00
Bills approved	218,822.01
Other:	
Payroll	620,904.30
Payroll - benefits	(97,834.51)
Total Bills and Payroll Approved	<u>741,891.80</u>

DATE: 05/28/26  
TIME: 12:07:39  
ID: AP443000.WOW

CITY OF CLOQUET  
DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
-----			
GENERAL FUND			
00			
228200	MUTUAL OF OMAHA	26,596.60	1,487.51
271975	TEAMSTERS JOINT COUNCIL 32	557,729.00	96,347.00
			97,834.51
41	GENERAL GOVERNMENT		
139025	CINTAS	1,758.54	13.54
139030	CINTAS CORPORATION	11,699.58	36.60
145300	COMMUNITY PRINTING	3,668.35	107.15
166500	FIREPRO SPRINKLER SPECIALISTS		169.14
188000	INNOVATIVE OFFICE SOLUTIONS	22,365.33	93.14
211400	MENARD, INC.	3,462.48	32.47
212401	MICHAUDS DISTRIBUTING LLC	550.03	11.38
260500	SCHINDLER ELEVATOR CORPORATION	2,013.78	1,136.54
279100	U S BANK EQUIPMENT FINANCE	2,459.52	302.75
284580	VC3, INC	105,068.55	5,605.60
286900	WESTERN LAKE SUPERIOR	459,475.60	12,608.00
290300	WIDDES FEED & FARM SUPPLY	665.72	39.98
	GENERAL GOVERNMENT		20,156.29
42	PUBLIC SAFETY		
121350	ASPEN MILLS INC	66.67	943.12
123030	AXTELL GROUP, LLC		2,900.00
134900	CARLTON COUNTY TREASURER	3,005.64	16.25
139025	CINTAS	1,758.54	31.22
139030	CINTAS CORPORATION	11,699.58	65.00
142925	CLOQUET SERVICE CENTER	4,558.13	447.22
145000	COMMUNITY MEMORIAL HOSPITAL	369.01	150.00
166500	FIREPRO SPRINKLER SPECIALISTS		169.14
188000	INNOVATIVE OFFICE SOLUTIONS	22,365.33	93.14
211400	MENARD, INC.	3,462.48	32.46
212401	MICHAUDS DISTRIBUTING LLC	550.03	17.07
260500	SCHINDLER ELEVATOR CORPORATION	2,013.78	1,136.54
271975	TEAMSTERS JOINT COUNCIL 32	557,729.00	14,152.00
284580	VC3, INC	105,068.55	4,442.95
290300	WIDDES FEED & FARM SUPPLY	665.72	39.97
	PUBLIC SAFETY		24,636.08

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CITY OF CLOQUET  
DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
-----			
GENERAL FUND			
43	PUBLIC WORKS		
121210	ASCENDANCE TRUCKS, LLC	128,544.71	172.00
122958	AUTOZONE, INC.	224.52	14.72
134000	CARLTON COUNTY HIGHWAY DEPT	771,515.10	1,592.45
139030	CINTAS CORPORATION	11,699.58	77.66
145300	COMMUNITY PRINTING	3,668.35	42.86
166625	FIRST AID CORP	1,738.69	323.20
179340	HAGENS GLASS & PAINT	1,524.32	200.00
202100	LAWSON PRODUCTS INC	2,085.36	332.99
284580	VC3, INC	105,068.55	1,172.20
285500	VIKING INDUSTRIAL CENTER		16.56
	PUBLIC WORKS		3,944.64
45	CULTURE AND RECREATION		
139030	CINTAS CORPORATION	11,699.58	35.26
147600	CONSTELLATION NEW ENERGY CORP	16,719.37	1,214.55
166625	FIRST AID CORP	1,738.69	72.48
180500	HAWKINS INC	68,293.43	925.69
211400	MENARD, INC.	3,462.48	392.44
	CULTURE AND RECREATION		2,640.42
46	COMMUNITY DEVELOPMENT		
139800	CLOQUET AREA CHAMBER OF COMMER	23,549.37	3,053.73
145300	COMMUNITY PRINTING	3,668.35	21.43
195840	KIM M WICKMAN		150.00
248675	PROMOTING ME LLC	4,750.00	2,950.00
278600	TAURA INC	27,227.40	135.00
279100	U S BANK EQUIPMENT FINANCE	2,459.52	81.25
	COMMUNITY DEVELOPMENT		6,391.41
FEDERAL CDBG LOAN (EDA)			
46	COMMUNITY DEVELOPMENT		
134300	CARLTON COUNTY RECORDER	138.00	184.00
	COMMUNITY DEVELOPMENT		184.00

DATE: 05/28/26  
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CITY OF CLOQUET  
 DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
-----			
PUBLIC WORKS RESERVE			
42	PUBLIC SAFETY		
284580	VC3, INC	105,068.55	25,870.00
	PUBLIC SAFETY		25,870.00
CITY SALES TAX PINE VALLEY			
81	SPECIAL PROJECTS		
261800	SEH	96,070.00	20,692.00
278700	TWIN PORTS TESTING II INC		966.25
	SPECIAL PROJECTS		21,658.25
WATER - LAKE SUPERIOR WATERLIN			
51	STATION 2		
139025	CINTAS	1,758.54	94.34
139030	CINTAS CORPORATION	11,699.58	15.74
211400	MENARD, INC.	3,462.48	48.56
214000	MIELKE ELECTRIC WORKS	92,068.05	1,120.00
	STATION 2		1,278.64
52	LAKE SUPERIOR WATERLINE		
139030	CINTAS CORPORATION	11,699.58	3.72
251475	RAILROAD MANAGEMENT	1,376.28	458.76
	LAKE SUPERIOR WATERLINE		462.48
WATER - IN TOWN SYSTEM			
49	CLOQUET		
118850	BCDI AV ACQUISITION, INC.	10,912.00	1,300.00
139030	CINTAS CORPORATION	11,699.58	14.35
165375	FERGUSON WATERWORKS #2516	2,200.08	426.80
166625	FIRST AID CORP	1,738.69	309.88
180500	HAWKINS INC	68,293.43	40.00
198250	L & S ELECTRIC, INC.		2,000.00
205050	LOFFLER COMPANIES INC	632.30	23.99
241950	PACE ANALYTICAL SERVICES INC	7,237.00	1,463.00

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CITY OF CLOQUET  
 DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 06/02/2026

VENDOR #	NAME	PAID THIS FISCAL YEAR	AMOUNT DUE
-----			
WATER - IN TOWN SYSTEM			
49	CLOQUET		
262000	SELL HARDWARE, INC.	10.00	624.00
276020	TOTAL CONTROL SYSTEMS, INC.	5,598.04	1,211.30
293700	ZIEGLER INC		643.60
	CLOQUET		8,056.92
54	BILLING & COLLECTION		
145300	COMMUNITY PRINTING	3,668.35	42.86
278600	TAURA INC	27,227.40	4,193.77
279100	U S BANK EQUIPMENT FINANCE	2,459.52	59.00
	BILLING & COLLECTION		4,295.63
57	ADMINISTRATION & GENERAL		
145300	COMMUNITY PRINTING	3,668.35	42.86
	ADMINISTRATION & GENERAL		42.86
ENTERPRISE FUND - SEWER			
55	SANITARY SEWER		
139030	CINTAS CORPORATION	11,699.58	17.94
166625	FIRST AID CORP	1,738.69	61.48
175700	W.W. GRAINGER, INC.	5,554.37	37.62
	SANITARY SEWER		117.04
57	ADMINISTRATION & GENERAL		
145300	COMMUNITY PRINTING	3,668.35	42.84
	ADMINISTRATION & GENERAL		42.84
STORM WATER UTILITY			
57	ADMINISTRATION & GENERAL		
265650	RSPT c/o SOUTH ST. LOUIS SWCD		1,210.00
	ADMINISTRATION & GENERAL		1,210.00
TOTAL ALL DEPARTMENTS			218,822.01



# CLOQUET POLICE DEPARTMENT

Derek W. Randall  
Chief of Police

101 14<sup>th</sup> STREET  
CLOQUET, MINNESOTA 55720-1799  
records@cloquetmn.gov

Phone 218-879-1247  
Fax 218-879-1190

## REQUEST FOR COUNCIL ACTION

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To: Mayor and City Council  
From: Derek Randall, Chief of Police *DR*  
Date: June 2, 2026

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**ITEM DESCRIPTION:** Biennial Portable Recording System (PRS) / Body-Work Camera Audit Report

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### Proposed Action

Staff recommends the City Council move to receive and file the Biennial PRS Audit Report from The Axtell Group dated May 20, 2026.

### Background

Minnesota Statutes sections 13.825 and 626.8473 require law enforcement agencies operating a portable recording system (PRS) or body-worn camera program to undergo an independent biennial audit. The Cloquet Police Department contracted with The Axtell Group to conduct the audit.

### Summary

The Axtell Group completed its independent biennial audit of the CPD's PRS program on May 12, 2026 and issued the formal report on May 20, 2026. The audit evaluated department policies and procedures, data classification and retention practices, access and destruction logs, Axon platform administrative controls, and compliance with the Minnesota Government Data Practices Act. The Cloquet Police Department was found **fully compliant** with all applicable requirements under Minnesota Statutes sections 13.825 and 626.8473. **No material exceptions were identified** across any of the audit's 30-plus statutory testing objectives

### Staff Recognition

Chief Randall wishes to acknowledge Interim Patrol Commander Timmons for his work in keeping the department organized and ready throughout the audit process. He did a great job ensuring everything was in order, and it shows in the results.

### Supporting Documentation Attached

- The Axtell Group Biennial PRS/BWC Audit Report

# THE AXTELL GROUP

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May 20, 2026

Derek Randall  
Chief of Police  
Cloquet Police Department  
101 14th Street  
Cloquet MN 55720

## **RE: Biennial Audit of the Portable Recording System (PRS) / BWC Program**

Chief Randall:

Pursuant to the professional services agreement between The Axtell Group and the Cloquet Police Department, The Axtell Group completed an independent biennial audit of the department's portable recording system (PRS) program, as required under Minnesota Statutes sections 13.825 and 626.8473.

The audit focused on whether the Cloquet Police Department implemented policies, procedures, and systems to appropriately classify data according to Minnesota Statutes section 13.825, how the data are used, whether the data are destroyed as required under section 13.825, and to verify compliance with subdivisions 7 (authorization to access data) and 8 (sharing among agencies).

The Axtell Group found the Cloquet Police Department's program compliant with the applicable requirements of Minnesota Statutes sections 13.825 and 626.8473. No material exceptions were identified during the audit period.

Audit activities were completed on May 12, 2026. The Axtell Group's audit included an independent verification of the following:

- Department policies and procedures governing portable recording systems
- Retention schedules and data classification requirements
- Data creation, access, and destruction logs, and audit trails
- Axon platform administrative controls
- Data retention, deletion, and classification settings
- Confirmation from personnel responsible for PRS administration and compliance
- Public access and policy publication requirements
- Compliance with Minnesota Government Data Practices Act requirements

The Cloquet Police Department implemented its portable recording system program in 2024 using Axon body-worn cameras. Authorized personnel may access PRS data through secure systems for legitimate law enforcement and administrative purposes. The Department maintains a publicly available PRS policy and follows the General Records Retention Schedule for Minnesota Cities in conjunction with statutory retention requirements under Minnesota Statutes section 13.825.

# THE AXTELL GROUP

We appreciate the cooperation and professionalism of Cloquet Police Department personnel throughout this audit process. The Department demonstrated a strong commitment to compliance, accountability, and transparency in its administration of portable recording system technology.

Should you have any questions regarding this audit report or wish to discuss the findings further, please do not hesitate to contact me.

Todd Axtell



President and CEO  
The Axtell Group

## Report Submitted to:

Derek Randall, Chief of Police, Cloquet Police Department  
Legislative Reference Library  
Legislative Commission on Data Practices and Personal Data Privacy  
House Committee on Judiciary Finance and Civil Law  
House Committee on Public Safety Finance and Policy  
Senate Judiciary and Public Safety Finance and Policy Committee  
Senate State and Local Government Committee

## Audit Summary

Statute Subd.	Reference Objective	Testing Finding(s)
Section 626.8473		
§ 626.8473, subd. 1	Definition of PRS established in policy	No exceptions found.
§ 626.8473, subd. 2 and 3.	Public comment	No exceptions found.
§ 626.8473, subd. 3	Written policy and public availability	No exceptions found.
§ 626.8473, subd. 3 (b)(1)	Application of policy – data classification and retention	No exceptions found.
§ 626.8473, subd. 3 (b)(1)	No altering, erasing, or destroying any recording, data, or metadata related to the recording prior to the expiration of the retention period	No exceptions found.
§ 626.8473, subd. 3 (b)(2)	PRS positioning requirement	No exceptions found.

# THE AXTELL GROUP

§ 626.8473, subd. 3 (b)(3)	Other law enforcement agency	No exceptions found.
§ 626.8473, subd. 3 (b)(4)	Use-of-force resulting in death - Inspection rights	No exceptions found.
§ 626.8473, subd. 3 (b)(5)	Use-of-force resulting in death - Release of PRS data	No exceptions found.
§ 626.8473, subd. 3 (b)(6)	Procedures for testing the PRS system for functionality	No exceptions found.
§ 626.8473, subd. 3 (b)(7)	Procedures to address malfunctions or failures	No exceptions found.
§ 626.8473, subd. 3 (b)(8)	When recording is mandatory, prohibited, or at the discretion of the officer	No exceptions found.
§ 626.8473, subd. 3 (b)(9)	When notice must be given to a data subject	No exceptions found.
§ 626.8473, subd. 3 (b)(10)	When recording may be ended while an encounter is ongoing	No exceptions found.
§ 626.8473, subd. 3 (b)(11)	Procedures for the secure storage of PRS data	No exceptions found.
§ 626.8473, subd. 3 (b)(12)	Compliance	No exceptions found.
Section 13.825		
§ 13.825, subd. 2 (a)	Data classification	No exceptions found.
§ 13.825, subd. 2 (b) and (c)	Data classification; Use-of- force resulting in death - Inspection rights	No exceptions found.
§ 13.825, subd. 2 (d)	Data classification; Use-of- force resulting in death - Release of PRS data	No exceptions found.
§ 13.825, subd. 2 (e)	Data classification; clearly offensive data	No exceptions found.
§ 13.825, subd. 2 (e)	Tennessee warning	No exceptions found.
§ 13.825, subd. 3 (a)	Data retention	No exceptions found.
§ 13.825, subd. 3 (b)	Data retention	No exceptions found.
§ 13.825, subd. 3 (c); § 626.8473, subd. 3 (b)(1)	Retention of video specific to deadly force	No exceptions found.
§ 13.825, subd. 3 (d)	Retention upon request	No exceptions found.
§ 13.825, subd. 4	Access by data subjects	No exceptions found.

# THE AXTELL GROUP

§ 13.825, subd. 5	Inventory of PRS technology	No exceptions found.
§ 13.825, subd. 5	Access logs/inventory of PRS technology	No exceptions found.
§ 13.825, subd. 6	Use of portable recording systems	No exceptions found.
§ 13.825, subd. 7; § 626.8473, subd. 3 (b)(12)	Authorization to access data	No exceptions found.
§ 13.825, subd. 8	Sharing among agencies	No exceptions found.
§ 13.825, subd. 9	Biennial audit	No exceptions found.
§ 13.825, subd. 10	Surveillance technology	No exceptions found.
§ 13.825, subd. 11	PRS vendor operates in accordance with CJIS security requirements	No exceptions found.
§ 13.825, subd. 12	Compliance, penalties for violation	No exceptions found.



**ADMINISTRATIVE OFFICES**

101 14<sup>th</sup> Street • Cloquet MN 55720  
Phone: 218-879-3347 • Fax: 218-879-6555  
email: [admin@cloquetmn.gov](mailto:admin@cloquetmn.gov)  
[www.cloquetmn.gov](http://www.cloquetmn.gov)

**REQUEST FOR COUNCIL ACTION**

---

To: Mayor and City Council  
From: Tim Peterson, City Administrator *TP*  
Date: June 2, 2026

---

**ITEM DESCRIPTION:** 2026-2027 Liquor and Tobacco License Renewals

---

**Proposed Action**

Staff recommends the City Council move to renew the various liquor, tobacco, dance and amusement device licenses identified on the attached 2026-2027 license renewal list, subject to submittal of all licensing requirements and renewal fees.

**Background/Overview**

The State of Minnesota requires that businesses licensed to sell liquor and tobacco renew their licenses annually. Cloquet's liquor and tobacco license cycle is July 1<sup>st</sup> - June 30<sup>th</sup> of each year. Renewals are required to be approved by the local licensing authority before submission to the State for their final approval.

**Policy Objectives**

Approval of license renewals are required in Chapter 6 of Municipal Code and State law.

**Financial Impacts**

The City's fee schedule requires each license holder to pay set fees for each renewal. The total fees received by the City for alcohol, tobacco and various licenses are required to be consistent with the level of service to administer and enforce local liquor laws.

**Advisory Committee/Commission Action**

None.

**Supporting Documentation Attached**

- 2026-2027 Renewal List





## ADMINISTRATIVE OFFICES

101 14<sup>th</sup> Street • Cloquet MN 55720  
Phone: 218-879-3347 • Fax: 218-879-6555  
email: [admin@cloquetmn.gov](mailto:admin@cloquetmn.gov)  
[www.cloquetmn.gov](http://www.cloquetmn.gov)

### REQUEST FOR COUNCIL ACTION

---

To: Mayor and Council  
From: Tim Peterson, City Administrator *TP?*  
Date: June 2, 2026

---

**ITEM DESCRIPTION:** Approval of Lower-Potency Hemp Edible Retailer Registration

---

#### **Proposed Action**

Staff recommends the City Council move to approve the attached Lower-Potency Hemp Edible (LPHE) registration for Crown Smoke Zone, 1005 Cloquet Avenue.

#### **Background/Overview**

The Minnesota Office of Cannabis Management (OCM) began accepting applications for Lower-Potency Hemp Edible (LPHE) Retail licenses in October 2025. Once an applicant is vetted by OCM and has been issued a state LPHE Retailer License, the applicant is required to register with the local government as the last step.

The local government can only issue a retail registration once the applicant has been issued a license from OCM and meets local zoning requirements. Local governments may not limit the number of retail registrations issued to LPHE retailers.

#### **Policy and Objectives**

Per Minnesota Statutes, section 342.22, subdivision 1, all licensed Lower-Potency Hemp Edible (LPHE) retailers must obtain a local retail registration prior to initiating any sales. This requirement applies after the LPHE license has been issued by the Minnesota Office of Cannabis Management (OCM).

#### **Financial Impacts**

The city's fee schedule requires each registration to pay a fee of \$125 that covers the initial registration and first renewal.

#### **Advisory Committee/Commission Action**

None

#### **Supporting Documentation Attached**

- Registration Application



## RETAIL REGISTRATION OF CANNABIS BUSINESS

Registration Fees	Initial Fee	2 <sup>nd</sup> Renewal & Subsequent Renewals
Cannabis Microbusiness (with retail endorsement)	\$ N/A	\$1,000
Cannabis Mezzobusiness (with retail endorsement)	\$ 500	\$1,000
Cannabis Retailer	\$ 500	\$1,000
Lower-Potency Hemp Edible	\$ 125	\$ 125

*\*Fee includes initial registration and first renewal.*

### Applicant Information:

Name:	Majid Nitaispoon	
Address:		
Phone:	E-Mail Address:	55014

### Business Information

Name:	Crown Smoke Zone	
Address:	1005 Cloquet ave	
Phone:	763-742-7998	Email: crown.smoke9@gmail.com
MN Tax ID Number:	1396290	OCM License Number (attach copy of license)
Is this business current on all property taxes and assessments: <input checked="" type="radio"/> Yes <input type="radio"/> No		

*I hereby state that all information here is true and correct and that I shall comply with all provisions of the ordinances of the City of Cloquet and laws of the state of Minnesota and their amendments.*

5/27/26  
 \_\_\_\_\_  
 Authorized Signature Date



## LOWER-POTENCY HEMP EDIBLE RETAILER LICENSE

**CROWN SMOKE ZONE INC**  
LPDIS-L25-001801

### Active Site Registrations

- LPDIS-L25-001801-01: 1005 Cloquet Avenue, Cloquet, MN 55720

### Approved Business Activities\*

- LPHE retailer operations endorsement

*\*The business activities listed on this license are approved for the overall business, but may not be approved for each individual site.*



**License Number:** LPDIS-L25-001801

**Effective Date:** March 19, 2026

**Expiration Date:** March 19, 2027

Scan for more information on this licensed business.

A handwritten signature in black ink, reading 'Eric Taubel'.

Eric Taubel  
Director

The establishment listed above has been issued a lower-potency hemp edible retailer license by the Minnesota Office of Cannabis Management. This license has been issued under the authority of Minnesota Statutes, chapter 342.



**ADMINISTRATIVE OFFICES**

101 14th Street Cloquet, MN 55720-1903  
Phone: 218.879.3347 Fax: 218.879.6555  
www.cloquetmn.gov

**REQUEST FOR COUNCIL ACTION**

---

To: Mayor and City Council  
From: Tim Peterson, City Administrator *TP*  
Date: June 2, 2026

---

**ITEM DESCRIPTION:** Approval of Off-Site Gambling for Eagles Aerie #1163

---

**Proposed Action**

Staff recommends the City Council move to adopt **RESOLUTION NO. 26-32, A RESOLUTION APPROVING OFF-SITE GAMBLING FOR EAGLES AERIE #1163 TO SELL PULL TABS AT THE CLOQUET COUNTRY CLUB.**

**Background/Overview**

The City has received an application from Eagles Aerie #1163 for an off-site gambling permit to allow for the sale of pull tabs on July 10-11, 2026 at the Cloquet Country Club. The proceeds will go to the Cloquet Country Club Golf Foundation.

**Policy Objectives**

Approval of application by local community is required under MN Statutes.

**Financial/Budget/Grant Considerations**

There is no cost to the City regarding the approval of the application nor does the City retain any fees for its consideration.

**Advisory Committee/Commission Action**

None

**Supporting Documentation Attached**

- Resolution 26-32
- LG230 Application

**CITY OF CLOQUET  
COUNTY OF CARLTON  
STATE OF MINNESOTA**

**RESOLUTION NO. 26-32**

**A RESOLUTION APPROVING OFF-SITE GAMBLING FOR  
EAGLES AERIE #1163 FOR PULL TABS AT THE CLOQUET COUNTRY CLUB**

**WHEREAS**, The City of Cloquet received an application from the Eagles Aerie #1163 to conduct off-site gambling for pull tab sales at an event on July 10-11, 2026, at the Cloquet Country Club.

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF CLOQUET, MINNESOTA**, That the City Council has reviewed the application of Eagles Aerie #1163 to conduct off-site gambling for pull tab sales for an event on July 10-11, 2026 at the Cloquet Country Club, 400 Country Club Drive, and has no objection to the Minnesota Gambling Control Board's issuance of such permit.

**BE IT FURTHER RESOLVED**, That the Cloquet City Council hereby waives the normally required thirty day waiting period for the issuance of said permit.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CLOQUET THIS 2<sup>nd</sup> DAY OF JUNE 2026.**

\_\_\_\_\_  
Roger Maki, Mayor

ATTEST:

\_\_\_\_\_  
Tim Peterson, City Administrator

I, Tim Peterson, City Administrator of the City of Cloquet, MN, hereby certify that the above is a true and exact copy of the resolution dated June 2, 2026, original of which is on file and of record in my office.

Witness my hand and the official seal of the said City this 2<sup>nd</sup> day of June 2026.

\_\_\_\_\_  
City Administrator, City of Cloquet, MN

# LG230 Application to Conduct Off-Site Gambling

No Fee

## ORGANIZATION INFORMATION

Organization Name: EAGLES AREA 1163 License Number: 00359  
 Address: PO Box 2202 City: CLOQUET, MN Zip: 55720  
 Chief Executive Officer (CEO) Name: JASON SMITH Daytime Phone: 218-348-3906  
 Gambling Manager Name: Wayne Polley Daytime Phone: 218-879-7673

## GAMBLING ACTIVITY

Twelve off-site events are allowed each calendar year not to exceed a total of 36 days.

From 07/10/2026 to 07/11/2026

Check the type of games that will be conducted:

Raffle   
  Pull-Tabs   
  Bingo   
  Tipboards   
  Paddlewheel

## GAMBLING PREMISES

Name of location where gambling activity will be conducted: CLOQUET Country Club  
 Street address and City (or township): 400 Country Club Drive Zip: 55720 County: CARLTON  
 • Do not use a post office box.  
 • If no street address, write in road designations (example: 3 miles east of Hwy. 63 on County Road 42).

Does your organization own the gambling premises?

**Yes** If yes, a lease is not required.  
 **No** If no, the lease agreement below must be completed, and signed by the lessor.

## LEASE AGREEMENT FOR OFF-SITE ACTIVITY (a lease agreement is not required for raffles)

Rent to be paid for the leased area: \$ 0 (if none, write "0")

All obligations and agreements between the organization and the lessor are listed below or attached.

- Any attachments must be dated and signed by both the lessor and lessee.
- This lease and any attachments is the total and only agreement between the lessor and the organization conducting lawful gambling activities.
- Other terms, if any:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Lessor's Signature: Matt Date: 5/28/24  
 Print Lessor's Name: Matt Carlson

**Acknowledgment by Local Unit of Government: Approval by Resolution**

CITY APPROVAL for a gambling premises located within city limits	COUNTY APPROVAL for a gambling premises located in a township
City Name: _____	County Name: _____
Date Approved by City Council: _____	Date Approved by County Board: _____
Resolution Number: _____ (If none, attach meeting minutes.)	Resolution Number: _____ (If none, attach meeting minutes.)
Signature of City Personnel: _____	Signature of County Personnel: _____
Title: _____ Date Signed: _____	Title: _____ Date Signed: _____
<p><b>Local unit of government must sign.</b></p>	<p>TOWNSHIP NAME: _____</p> <p><b>Complete below only if required by the county.</b>                      On behalf of the township, I acknowledge that the organization is applying to conduct gambling activity within the township limits. (A township has no statutory authority to approve or deny an application, per Minnesota Statutes 349.213, Subd. 2.)</p> <p>Print Township Name: _____</p> <p>Signature of Township Officer: _____</p> <p>Title: _____ Date Signed: _____</p>

**CHIEF EXECUTIVE OFFICER (CEO) ACKNOWLEDGMENT**

The person signing this application must be your organization's CEO and have their name on file with the Gambling Control Board. If the CEO has changed and the current CEO has not filed a LG200B Organization Officers Affidavit with the Gambling Control Board, he or she must do so at this time.

I have read this application, and all information is true, accurate, and complete and, if applicable, agree to the lease terms as stated in this application.




Signature of CEO (must be CEO's signature; designee may not sign)
Date

<p><b>Mail or fax to:</b></p> <p>Minnesota Gambling Control Board                  Suite 300 South                  1711 West County Road B                  Roseville, MN 55113  <b>Fax: 651-639-4032</b></p>	<p><b>No attachments required.</b></p> <p>Questions? Contact a Licensing Specialist at 651-539-1900.</p>
--	--

This publication will be made available in alternative format (i.e. large print, braille) upon request.

<p><b>Data privacy notice:</b> The information requested on this form (and any attachments) will be used by the Gambling Control Board (Board) to determine your organization's qualifications to be involved in lawful gambling activities in Minnesota. Your organization has the right to refuse to supply the information; however, if your organization refuses to supply this information, the Board may not be able to determine your organization's qualifications and, as a consequence, may refuse to issue a permit. If your organization supplies the information requested, the Board will be able to process your organization's application.</p> <p>Your organization's name and address will be public information when received by the Board. All other information provided will be private data about your organization until the Board issues the permit. When the Board issues the permit, all information provided will become public.</p>	<p>If the Board does not issue a permit, all information provided remains private, with the exception of your organization's name and address which will remain public.</p> <p>Private data about your organization are available to: Board members, Board staff whose work requires access to the information; Minnesota's Department of Public Safety; Attorney General; commissioners of Administration, Minnesota Management &amp; Budget, and Revenue; Legislative Auditor; national and international gambling regulatory agencies; anyone pursuant to court order; other individuals and agencies specifically authorized by state or federal law to have access to the information; individuals and agencies for which law or legal order authorizes a new use or sharing of information after this notice was given; and anyone with your written consent.</p>
--	---

May 28, 2026

To the Cloquet City Council,

The Cloquet Eagles respectfully asks your permission to sponsor Pulltabs at the Cloquet Country Club for a one-time event. The date would be July 10 and 11 2026. The recipient of the Profits will be the Cloquet Country Club Golf Foundation (EIN#88-1049017), a 501(c)3 Charity. The Minnesota Lawful Gambling Permit Application Form for this date is enclosed for your approval. Please let us know if you have any questions.

Thank you for your consideration.

Wayne Polley  
Fundraising Chair  
Cloquet Eagles Aerie 1163



**City of Cloquet  
Carlton County, Minnesota**

**Communications Letter**

**December 31, 2025**

**City of Cloquet  
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## Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

Honorable Mayor, Members of the  
City Council, and Management  
City of Cloquet  
Cloquet, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Cloquet, Minnesota, as of and for the year ended December 31, 2025, 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, 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

The material weakness identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 20, 2026, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Members of City Council and management, others within the City, and state oversight agencies the scope of our testing of internal controls and results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

St. Cloud, Minnesota  
May 20, 2026

## City of Cloquet Material Weakness

### **Lack of Segregation of Accounting Duties**

The City has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Adequate segregation of accounting duties is in place when the following four areas of a transaction have been separated: authorization, custody, recording, and reconciliation. Examples of functions within the City that demonstrate this lack of segregation of accounting duties include, but are not limited to, the following:

- The Finance Director has full access to the accounting system including the ability to make journal entries to the general ledger.
- The Payroll Coordinator has access to employee pay records, authorizes payroll transactions, prints payroll checks, and submits direct deposits.

Management and the City Council are aware of the lack of segregation of accounting duties and have taken certain steps to compensate for the condition, but due to the small staff needed to handle all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

In addition, in order to ensure the financial statements were free from material misstatement, audit adjustments were required in the following areas:

- The ending inventory balance in the General Fund was increased to reflect class 5 produced by the City.
- The accounts receivable balance in the Water Fund was increased to reflect additional billings after year-end.
- Due from other governments and deferred inflows of resources were increased to reflect the positive balance of the City's shared tax revenue (municipal state aid) at year-end.

We recommend segregation or independent review be implemented whenever practical and cost effective.

**City of Cloquet  
Required Communication**

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025. Professional standards require that we advise you of the following matters related to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our responsibility with respect to the other information in documents containing the audited basic financial statements and auditor's report does not extend beyond the basic financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited, and we do not express an opinion or provide any assurance on it.

## **City of Cloquet Required Communication**

### **Our Responsibility in Relation to *Government Auditing Standards***

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's 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 basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Significant Risks**

We addressed the following significant risks of material misstatement identified in our planning procedures:

- **Management Override of Controls** - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- **Improper Revenue Recognition** - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the government's operations.
- **Misappropriation of Assets** - Because of the limited number of office employees, misappropriation of assets through the payroll disbursement process was identified as a risk.
- **Lease Valuation** - Lease receivable and related deferred inflows of resources are material to the financial statements and involve significant estimates.
- **Pension Valuation** - Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.
- **Other Post Employment Benefits (OPEB) Valuation** - Total OPEB liability, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB are generally material to the financial statements and involve significant estimates.
- **Compensated Absences Valuation** - Compensated absences liability is generally material to the financial statements and involves significant estimates.

### **Qualitative Aspects of the City's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies during 2025. The City amended its capital asset policy during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**City of Cloquet  
Required Communication**

**Qualitative Aspects of the City's Significant Accounting Practices (Continued)**

*Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements is:

- Lease Receivable and Related Deferred Inflows of Resources - These balances are based on estimates and judgments determined by the City related to the discount rate, lease term, and lease payments.
- Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions - These balances are based on an allocation by the pension plans using estimates based on contributions.
- Total OPEB Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB - These balances are based on an actuarial study using the estimates of future obligations of the City for post employment benefits.
- Compensated Absences - These balances are based on current pay rate and anticipated future use or payout of balances.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

*Financial Statement Disclosures*

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

## **City of Cloquet Required Communication**

### **Uncorrected and Corrected Misstatements (Continued)**

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of and corrected by management.

- The ending inventory balance in the General Fund was increased to reflect class 5 produced by the City.
- The accounts receivable balance in the Water Fund was increased to reflect additional billings after year-end.
- Due from other governments and deferred inflows of resources were increased to reflect the positive balance of the City's shared tax revenue (municipal state aid) at year-end.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

### **Other Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or non-financial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**City of Cloquet  
Required Communication**

**Other Information Included in Annual Reports (Continued)**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the other information accompanying the basic financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

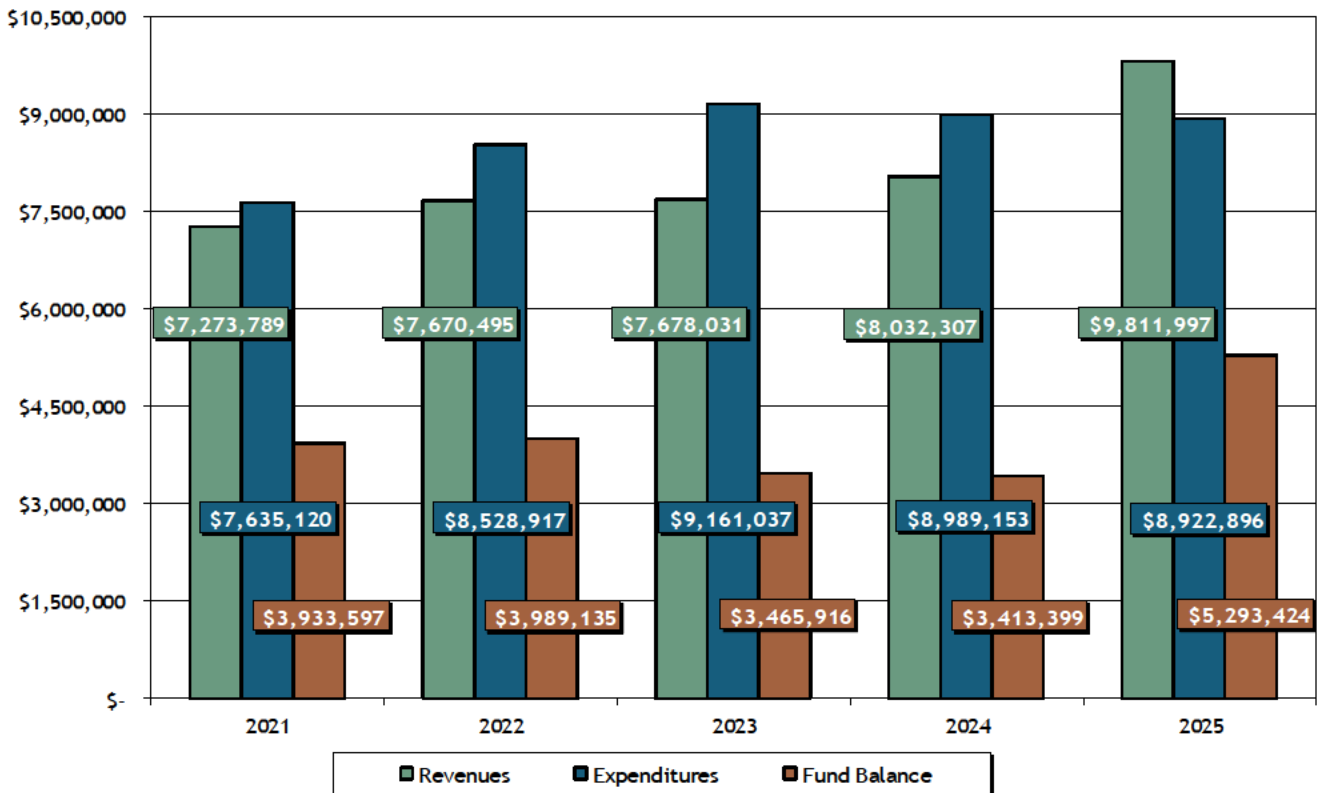
## City of Cloquet Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

### General Fund

In 2025, General Fund revenues exceeded expenditures, before transfers and other financing sources, by \$889,101. After factoring in transfers, fund balance in the General Fund increased \$1,880,025, or 55.1% from \$3,413,399 as of December 31, 2024, to \$5,293,424 as of December 31, 2025. This fund balance represents over 7.1 months of total General Fund operating expenditures, based on 2025 spending levels.

**General Fund Revenues, Expenditures, and Fund Balance**



**City of Cloquet  
Financial Analysis**

**General Fund (Continued)**

Revenues	2021	2022	2023	2024	2025
Taxes	\$ 2,257,150	\$ 2,452,672	\$ 2,651,848	\$ 2,473,861	\$ 2,888,597
Licenses and permits	165,774	140,298	132,222	136,221	200,544
Intergovernmental revenue	3,952,848	4,112,044	3,831,419	4,133,347	4,198,278
Charges for services and rent	371,600	720,513	614,242	837,027	898,937
Fines and forfeitures	62,135	65,304	78,426	60,479	65,450
Other	464,282	179,664	369,874	391,372	1,560,191
<b>Total Revenues</b>	<b>\$ 7,273,789</b>	<b>\$ 7,670,495</b>	<b>\$ 7,678,031</b>	<b>\$ 8,032,307</b>	<b>\$ 9,811,997</b>

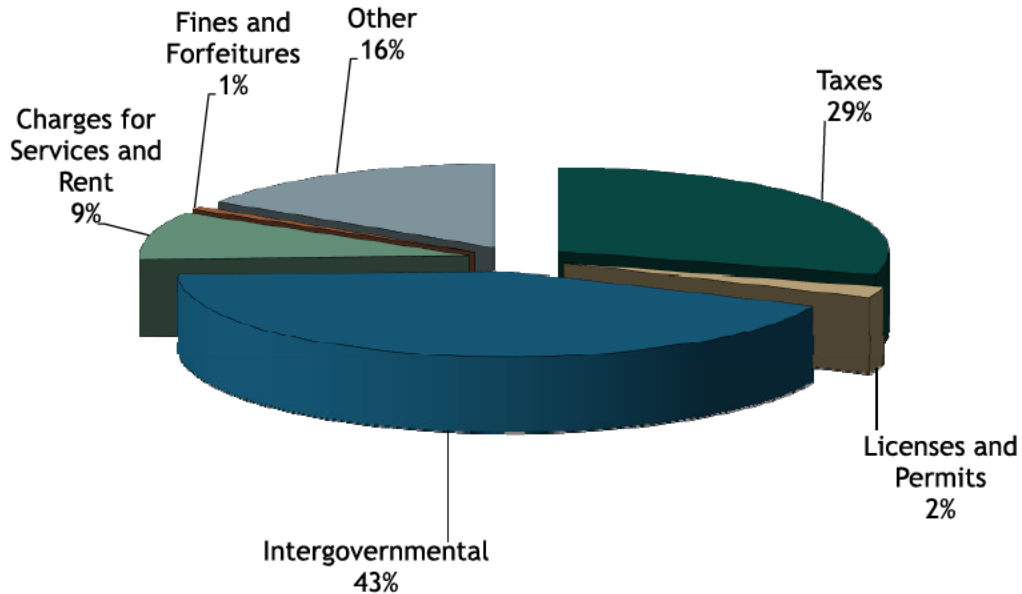
General Fund revenues increased \$1,779,690, or 22.2%, from 2024 to 2025. Other revenues reported the largest increase, increasing \$1,168,819 primarily due to a one-time donation received for a new ski chalet building. Tax revenues increased \$414,736 due to an increase in the property tax levy. Intergovernmental revenues increased \$64,931 primarily due to an increase in disability health grants. Licenses and permits revenues increased \$64,323 due to an increase in building permit fees. In the five years presented, total revenues have increased by \$2,538,208, or 34.9%.

# City of Cloquet Financial Analysis

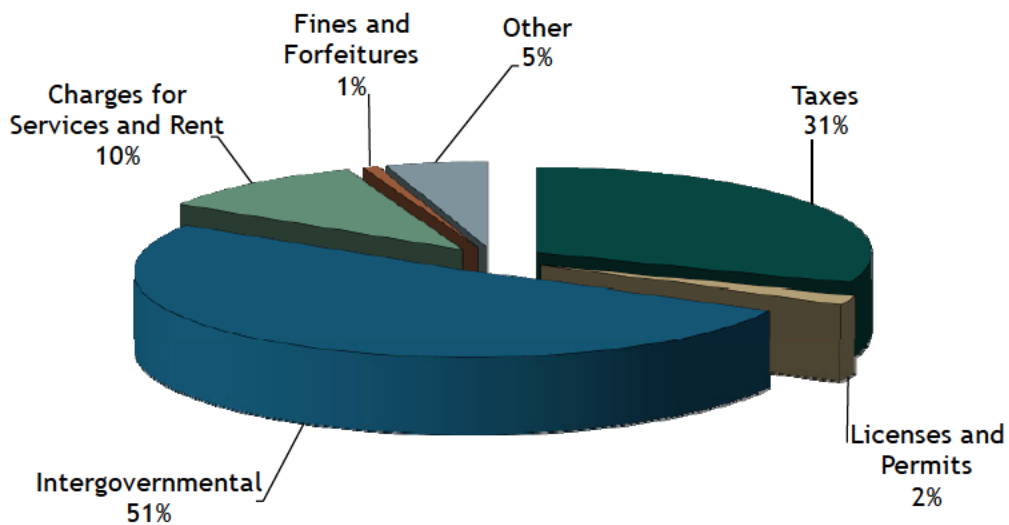
## General Fund (Continued)

As the graphs below indicate, the City relies upon intergovernmental revenue and taxes as the majority of its total General Fund revenues. These two revenue sources accounted for 72% and 82% of total revenue in 2025 and 2024, respectively. Revenue percentages shifted from the prior year due to the significant donation received in 2025 as noted on the previous page.

**General Fund 2025 Revenues by Source**



**General Fund 2024 Revenues by Source**



**City of Cloquet  
Financial Analysis**

**General Fund (Continued)**

Expenditures	2021	2022	2023	2024	2025
General government	\$ 1,454,161	\$ 1,510,677	\$ 1,619,366	\$ 1,561,402	\$ 1,678,083
Public safety	3,414,158	3,714,369	3,900,039	3,911,683	4,023,191
Public works	1,661,992	2,072,570	2,201,971	1,923,663	1,873,031
Culture and recreation	850,646	928,141	1,103,140	929,661	965,439
Economic development	235,705	264,489	318,245	610,847	289,951
Capital outlay	18,458	38,671	18,276	51,897	93,201
<b>Total Expenditures</b>	<b>\$ 7,635,120</b>	<b>\$ 8,528,917</b>	<b>\$ 9,161,037</b>	<b>\$ 8,989,153</b>	<b>\$ 8,922,896</b>

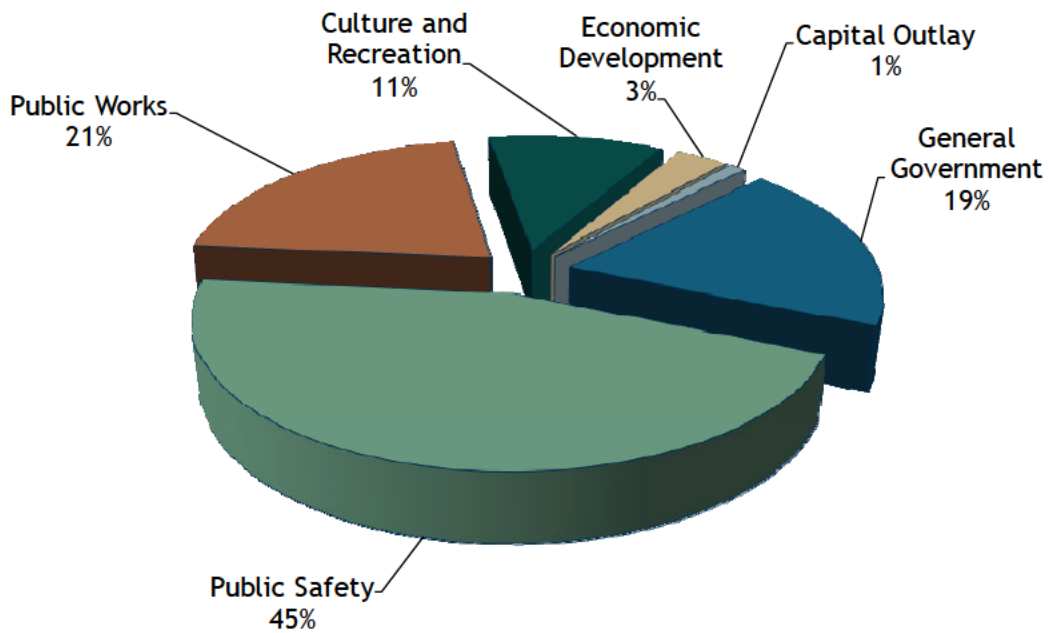
General Fund expenditures decreased \$66,257, or 0.7%, from 2024 to 2025. Economic development expenditures decreased \$320,896 due to one-time costs related to a fiber project in 2024. General government and public safety increased \$116,681 and \$111,508, respectively. These increases were due to rising wage and benefit costs. General government expenditures also increased due to increased legal costs.

City of Cloquet  
Financial Analysis

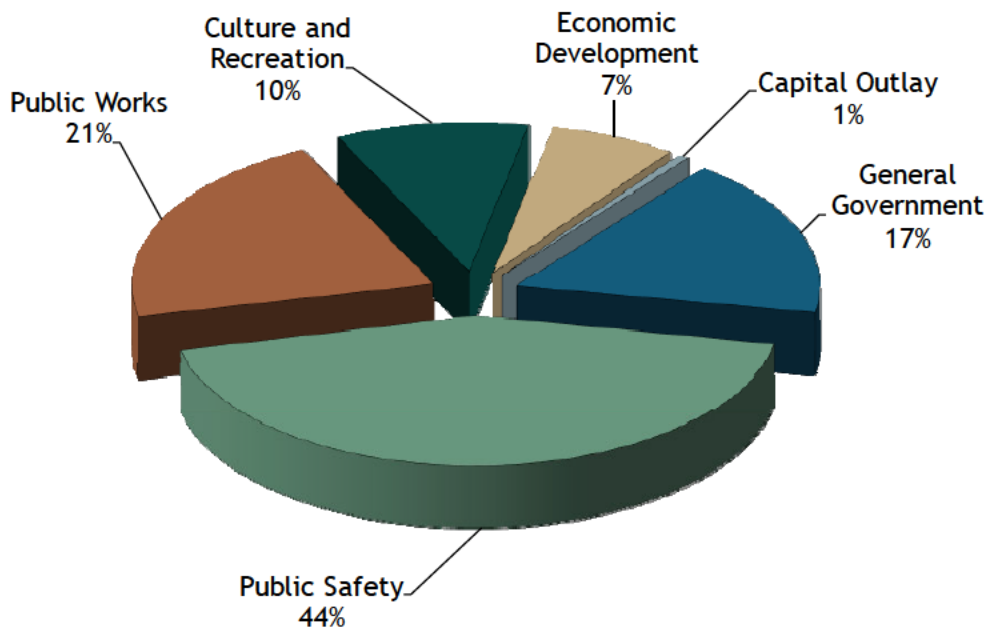
General Fund (Continued)

The graphs below illustrate the breakdown of expenditures by function for the last two years. Expenditure percentages were fairly consistent to the prior year.

**General Fund 2025 Expenditures by Function**



**General Fund 2024 Expenditures by Function**



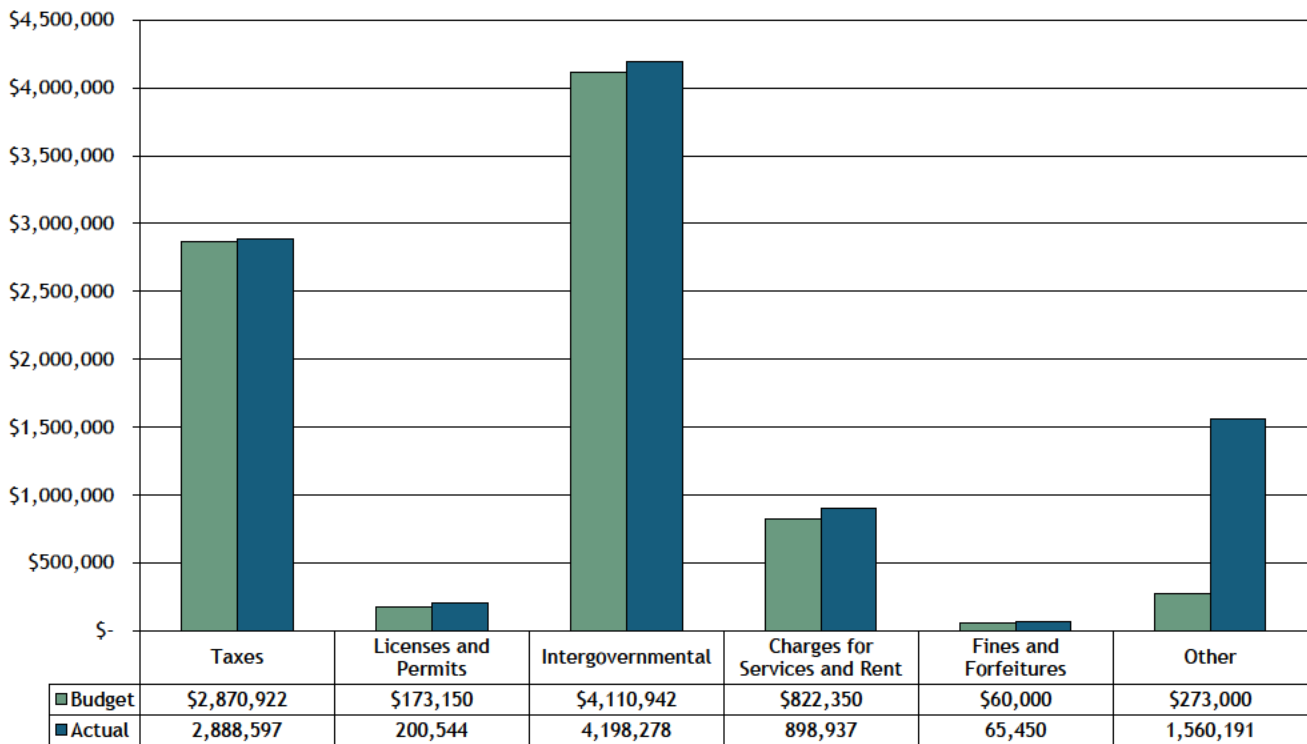
## City of Cloquet Financial Analysis

### General Fund (Continued)

The City council approved a budget that would decrease the fund balance in the General Fund by \$44,986. The actual results were an increase of \$1,880,025.

The graphs below and on the following page outline the budget and actual comparison for General Fund revenues and expenditures. Overall, revenue exceeded the budgeted amount by \$1,501,633. The primary reason for the difference is due to conservative budgeting for other revenues, which came in \$1,287,191 over budget due to a significant one-time donation. Intergovernmental revenues came in over budget \$87,336 primarily due to police aid exceeding the budgeted amount. Charges for services and rent revenues were \$76,587 over budget due to conservative budgeting.

**2025 General Fund Revenues  
Budget and Actual**

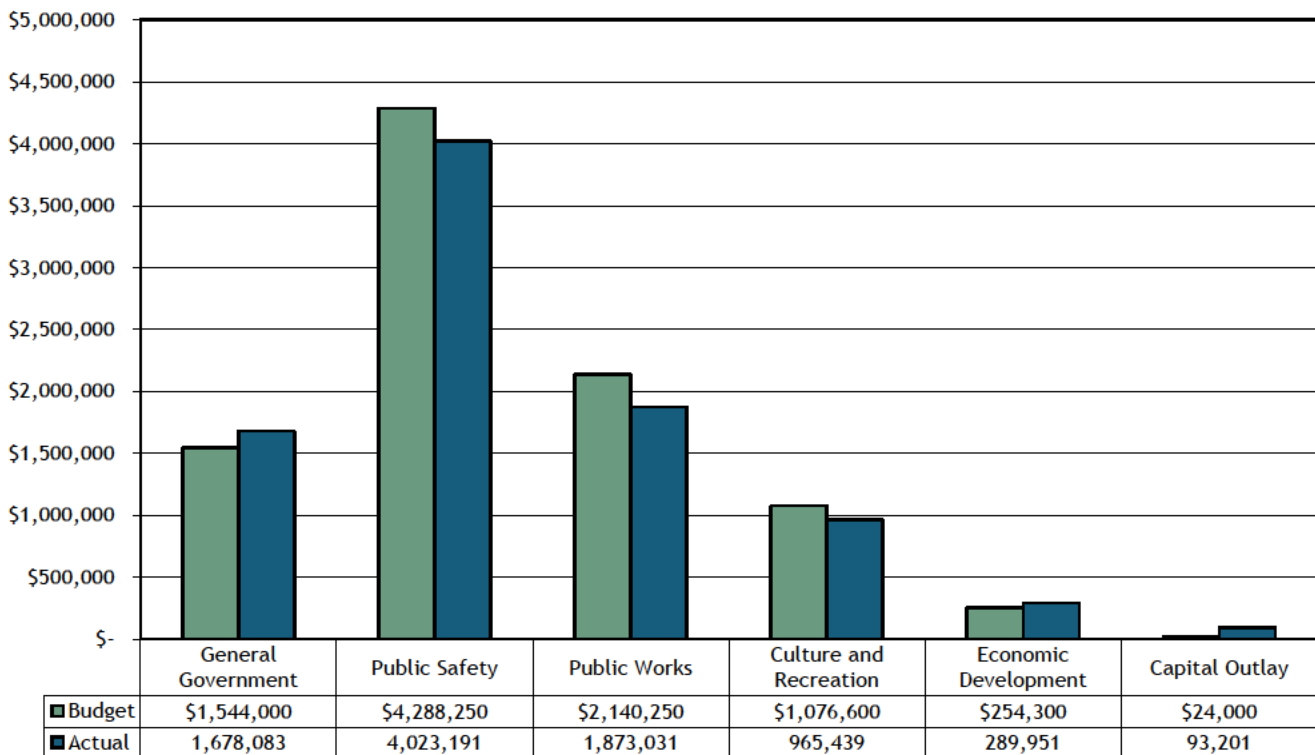


## City of Cloquet Financial Analysis

### General Fund (Continued)

Overall, expenditures were \$404,504 under budget in 2025. General government expenditures were over budget \$134,083 due to higher legal fees than anticipated. Public safety expenditures were under budget \$265,059 due to lower wage and benefit costs than budgeted. Public works expenditures were \$267,219 under budget due to budgeting conservatively for maintenance and supplies costs. Culture and recreation expenditures were \$111,161 under budget due to maintenance and other contracted services costs coming in lower than anticipated.

**2025 General Fund Expenditures  
Budget and Actual**

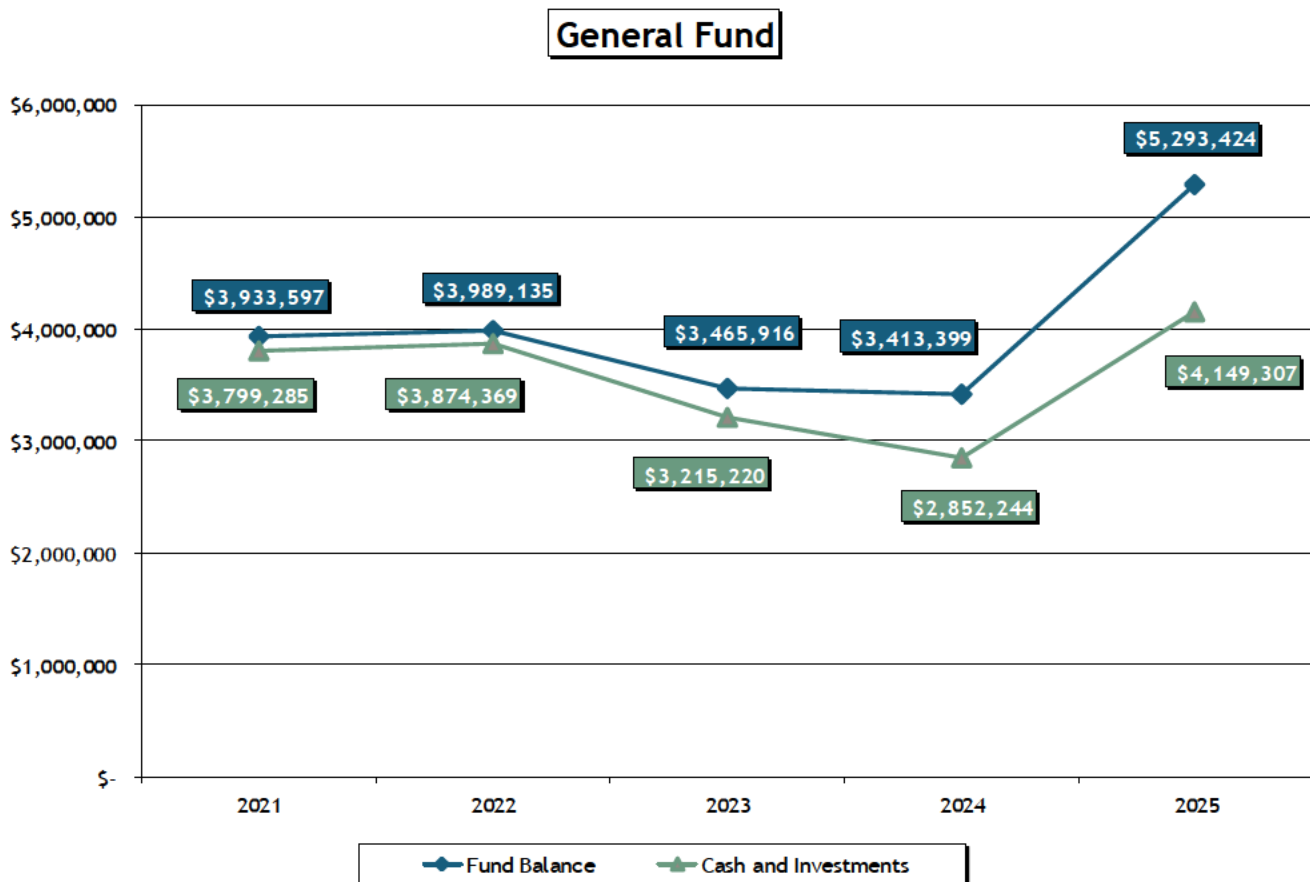


## City of Cloquet Financial Analysis

### General Fund (Continued)

As illustrated below, the fund balance and cash and investments balance in the General Fund increased in 2025. Cash and investments increased during 2025 by approximately 45.5%, while fund balance increased 55.1%.

The City's target General Fund balance is to maintain a minimum of 35%-50% of fund operating revenues, or no less than 5 months of operating expenditures. On December 31, 2025, total fund balance represents 59% of current year expenditures.



## City of Cloquet Financial Analysis

The operating trends of the Water, Sewer, and Stormwater Funds are illustrated below and on the following pages.

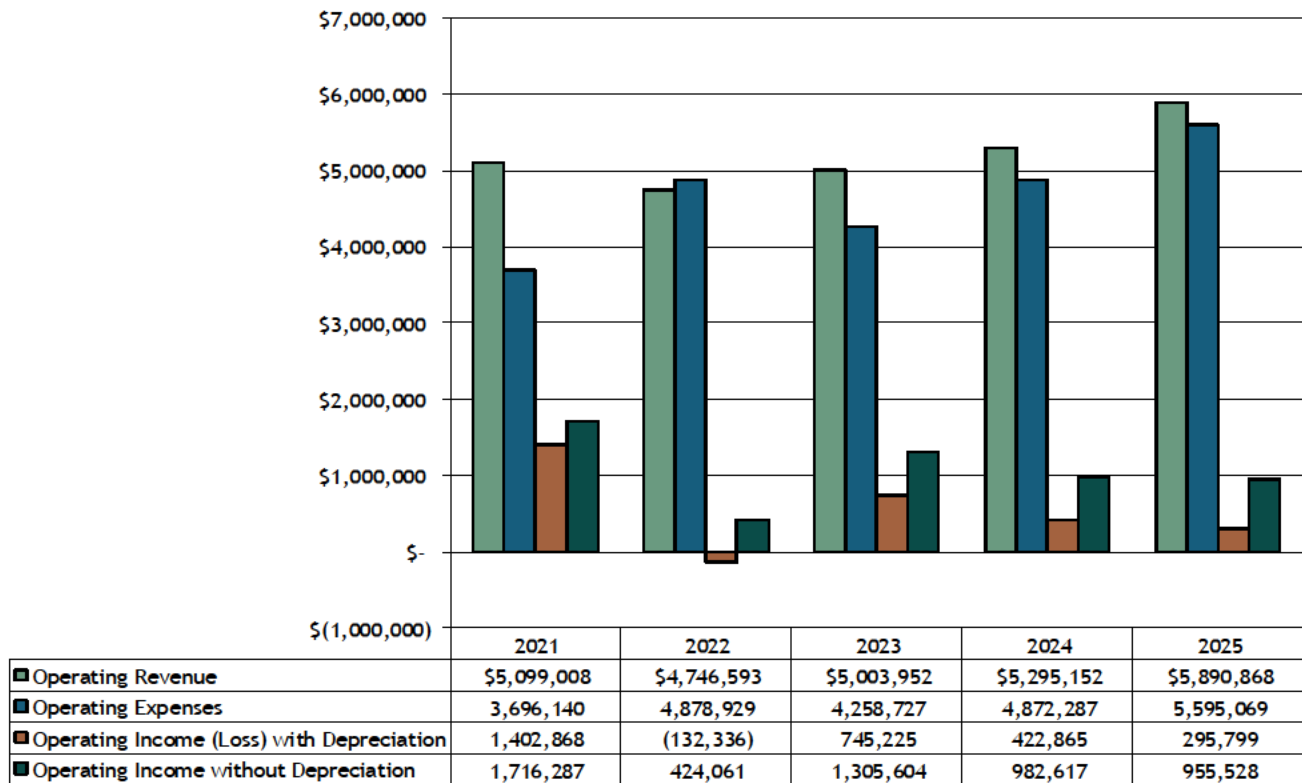
### Water Fund

Water Fund operating revenue increased \$595,716, or 11.3%, due to increased rates and usage as well as the receipt of a settlement in 2025.

Operating expenses increased \$722,782, or 14.8%, due to the completion of a well study and more significant water line leak repair costs in 2025.

In 2025, the Water Fund reported operating income with depreciation of \$295,799. The Water Fund has generated operating income with depreciation in four of the last five years.

### Water Fund



## City of Cloquet Financial Analysis

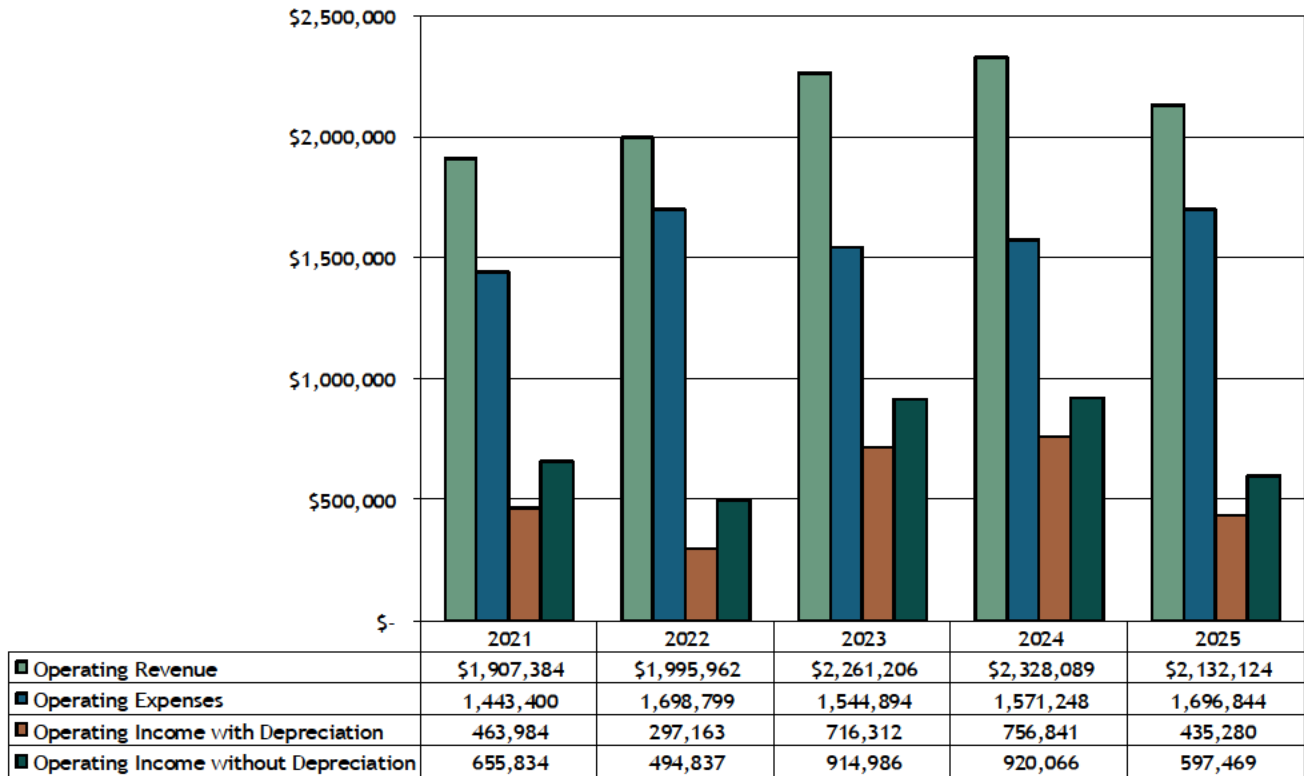
### Sewer Fund

Sewer Fund operating revenue decreased \$195,965, or 8.4%, due to decreased commercial usage.

Operating expenses increased \$125,596, or 8.0%. This was due to increased rates paid to Western Lake Sanitary Sewer District.

In 2025, the Sewer Fund reported operating income with depreciation of \$435,280. The Sewer Fund has generated operating income with depreciation in each of the last five years.

**Sewer Fund**



## City of Cloquet Financial Analysis

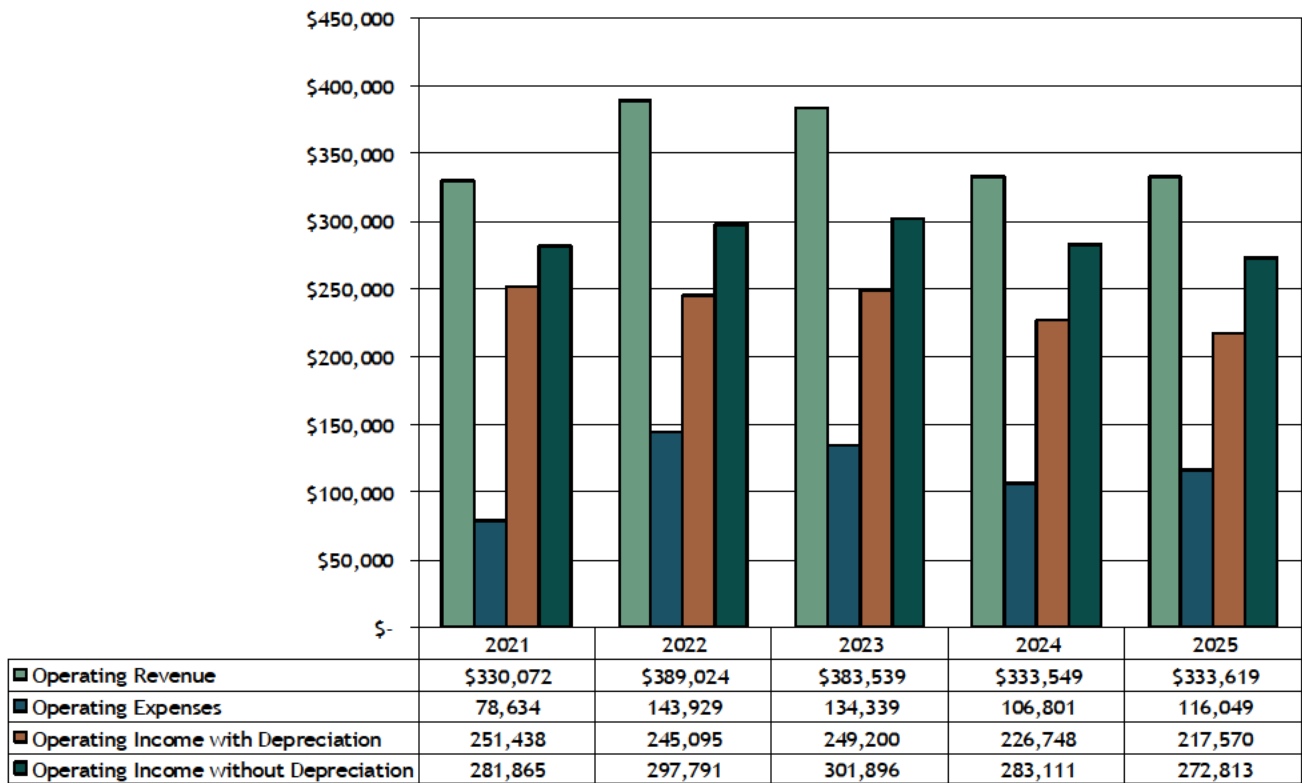
### Stormwater Fund

Stormwater Fund operating revenue remained consistent with the prior year.

Operating expenses increased \$9,248, or 8.7% compared to 2024 due to increased maintenance costs.

In 2025, the Stormwater Fund reported operating income with depreciation of \$217,570. The Stormwater Fund has generated operating income with depreciation in each of the last five years.

**Stormwater Fund**



## City of Cloquet Emerging Issues

### Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***

GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities.

- **Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***

GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

## City of Cloquet Emerging Issues

### **Accounting Standard Update - GASB Statement No. 103 - *Financial Reporting Model Improvements***

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

**City of Cloquet  
Emerging Issues**

**Accounting Standard Update - GASB Statement No. 104 - *Disclosure of Certain Capital Assets***

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets, and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Information provided above was obtained from [www.gasb.org](http://www.gasb.org).

# City of Cloquet, Minnesota



## Annual Comprehensive Financial Report Year Ending December 31, 2025



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## INTRODUCTORY SECTION

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## ADMINISTRATIVE OFFICES

101 14<sup>th</sup> Street • Cloquet MN 55720  
Phone: 218-879-3347 • Fax: 218-879-6555  
[www.cloquetmn.gov](http://www.cloquetmn.gov)

May 20, 2026

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, 2025.

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.

BerganKDV issued an unmodified opinion on the City of Cloquet's financial statements for the year ended December 31, 2025. 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 2023 population to be 12,667 and the estimated 2025 population to be 12,621.

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 2025 increase is mostly due to the revaluation of residential property and new commercial development. The City issued building permits with value of almost \$24.4 million in 2025. Notable building permits include new construction projects such as the

Tractor Supply, Woods and Water Family Dental, Collins Roofing and an expansion of the Essentia Clinic.

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 \$1.3 million in 2025. The total revenue since the tax started in April 2013 is \$14 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 \$900,000 based on the Minnesota Department of Revenue statistics, however the City's revenue was \$1.3 in 2025. The total revenue since the tax started in May 2023 is \$3.4 million. 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 11.23% or \$397,725 for 2025. Local government aid increased \$7,000 for 2025. Local government aid was cut significantly in 2003 through 2010 but has been stable for the last several 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 2024 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. In 2024, the net position fell short of being fully funded due to the implementation of GASB Statement 101. The net position in 2025 also fell short of being fully funded by \$401,000.

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 2025 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 2024, 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, 2024, the project is 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.

In the area of housing, the City had several projects in 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 14<sup>th</sup> 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 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. Engineering studies have started to take place to address the freon problems. Replacement of the ice plant are expected to take place in 2026 or 2027.

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 2025 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, 2024. 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

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City of Cloquet  
Certificate of Achievement for Excellence in Financial Reporting



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, 2024

*Christopher P. Morrill*

Executive Director/CEO

**City of Cloquet  
Elected Officials and Administration  
December 31, 2025**

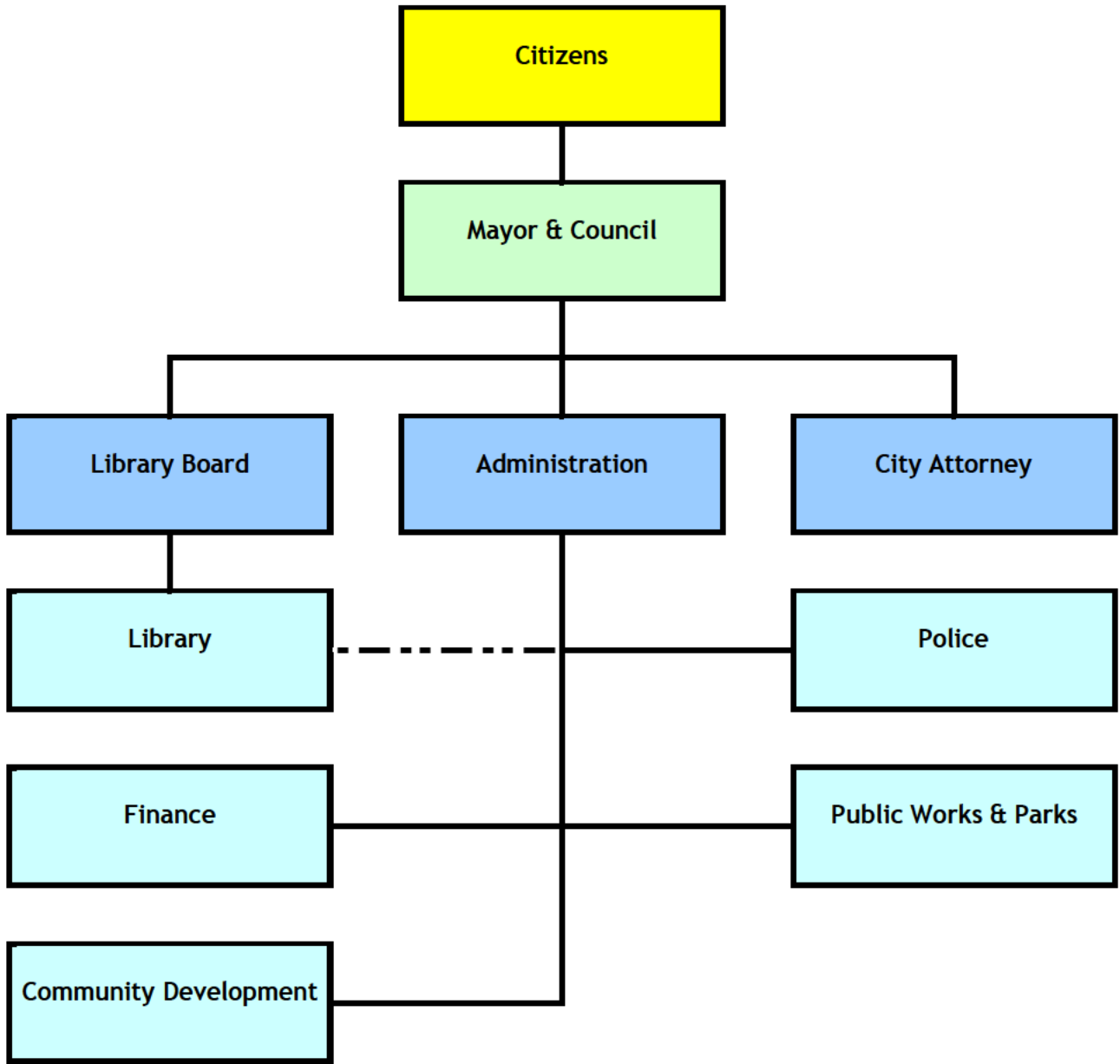
Elected Officials	Position	Term Expires
Roger Maki	Mayor	December 31, 2026
Chris Swanson	Council - Ward 1	December 31, 2026
Sheila Lamb	Council - Ward 2	December 31, 2026
Iris Keller	Council - Ward 3	December 31, 2026
Kerry Kolodge	Council - Ward 4	December 31, 2028
Lyz Jaakola	Council - Ward 5	December 31, 2028
Lara Wilkison	Council - Ward 6	December 31, 2028

**Appointed Officials**

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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

City of Cloquet  
Organizational Chart



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## FINANCIAL SECTION

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Cloquet  
Cloquet, Minnesota

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited 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, as of and for the year ended December 31, 2025, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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 of Cloquet, Minnesota, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cloquet 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**

The City of Cloquet's 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 of Cloquet'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 of Cloquet'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 of Cloquet's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cloquet's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial 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 May 20, 2026, 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 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.

St. Cloud, Minnesota

May 20, 2026

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## City of Cloquet Management's Discussion and Analysis

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, 2025. Please read this discussion in conjunction with the City's financial statements, which begin on page 28.

### FINANCIAL HIGHLIGHTS

- Government-wide assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$76,687,319. Of this amount \$45,792,201 is from governmental activities and \$30,895,118 is from business-type activities.
- The City's total net position increased by \$5,843,551. The net position of governmental activities increased by \$4,035,413 and the net position of business-type activities increased by \$1,808,138.
- The City's governmental funds reported combined ending fund balances of \$11,920,561 in the fund financial statements. This is an increase of \$962,741 from the 2024 balance of \$10,957,820. Of this amount, \$3,792,568, is available for spending at the City's discretion (committed, assigned, and unassigned fund balances).
- At the end of the current fiscal year, the unassigned fund balance for the general funds was \$1,105,931, or 12.4%, of the total general fund expenditures of \$8,922,896. The 2025 unassigned fund balance increased \$932,176 from the 2024 unassigned fund balance of \$173,755. This represents an increase in the unassigned fund balance of 958%.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves 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.

#### 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.

## City of Cloquet Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### **Government-Wide Financial Statements (Continued)**

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 the 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 funds 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, Expenses and Changes in Fund Balance 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 Revolving Capital 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.

#### **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.

**City of Cloquet  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Proprietary Funds (Continued)**

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.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support City programs. The City maintains one type of fiduciary fund - a custodial fund.

**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 over time net position may serve as a useful indicator of the City's financial position. A portion of the City's net position (82.27%) 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 (11.31%) represents resources that are subject to external restrictions on how they may be used, with the largest amount set aside for capital projects. The remaining balance of net position (6.41%) 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**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 18,221,457	\$ 16,328,196	\$ 9,574,740	\$ 9,795,476	\$ 27,796,197	\$ 26,123,672
Capital assets	47,962,816	46,045,716	31,702,867	30,480,154	79,665,683	76,525,870
<b>Total assets</b>	<b>\$ 66,184,273</b>	<b>\$ 62,373,912</b>	<b>\$ 41,277,607</b>	<b>\$ 40,275,630</b>	<b>\$ 107,461,880</b>	<b>\$ 102,649,542</b>
Deferred outflows of resources	\$ 2,995,382	\$ 3,823,607	\$ 130,024	\$ 105,775	\$ 3,125,406	\$ 3,929,382
Long-term liabilities	\$ 13,204,574	\$ 14,490,705	\$ 8,510,345	\$ 9,243,215	\$ 21,714,919	\$ 23,733,920
Other liabilities	4,134,483	2,850,033	1,648,700	1,635,665	5,783,183	4,485,698
<b>Total liabilities</b>	<b>\$ 17,339,057</b>	<b>\$ 17,340,738</b>	<b>\$ 10,159,045</b>	<b>\$ 10,878,880</b>	<b>\$ 27,498,102</b>	<b>\$ 28,219,618</b>
Deferred inflows of resources	\$ 6,048,397	\$ 7,099,993	\$ 353,468	\$ 415,545	\$ 6,401,865	\$ 7,515,538
<b>Net position</b>						
Net investment in capital assets	\$ 40,000,411	\$ 37,648,554	\$ 23,092,405	\$ 21,187,446	\$ 63,092,816	\$ 58,836,000
Restricted	8,675,934	8,353,696	-	-	8,675,934	8,353,696
Unrestricted	(2,884,144)	(4,245,462)	7,802,713	7,899,534	4,918,569	3,654,072
<b>Total net position</b>	<b>\$ 45,792,201</b>	<b>\$ 41,756,788</b>	<b>\$ 30,895,118</b>	<b>\$ 29,086,980</b>	<b>\$ 76,687,319</b>	<b>\$ 70,843,768</b>

**City of Cloquet  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,480,314	\$ 1,476,619	\$ 8,356,611	\$ 7,956,790	\$ 9,836,925	\$ 9,433,409
Operating grants and contributions	585,532	595,278	395,857	-	981,389	595,278
Capital grants and contributions	3,684,526	1,379,740	272,949	55,876	3,957,475	1,435,616
General revenues						
Property taxes	3,943,824	3,526,563	-	-	3,943,824	3,526,563
Sales tax	2,685,378	2,726,899	-	-	2,685,378	2,726,899
Other taxes	180,855	230,189	-	-	180,855	230,189
State aids	3,407,233	3,400,135	-	-	3,407,233	3,400,135
Investment income	301,211	282,647	239,708	269,300	540,919	551,947
Other	2,103	-	-	-	2,103	-
Total revenues	<u>16,270,976</u>	<u>13,618,070</u>	<u>9,265,125</u>	<u>8,281,966</u>	<u>25,536,101</u>	<u>21,900,036</u>
<b>Expenses</b>						
Governmental activities						
General government	1,605,702	1,641,605	-	-	1,605,702	1,641,605
Public safety	4,283,349	4,687,266	-	-	4,283,349	4,687,266
Public works	3,007,598	3,143,384	-	-	3,007,598	3,143,384
Culture and recreation	2,470,533	2,396,519	-	-	2,470,533	2,396,519
Community/economic development	589,712	828,441	-	-	589,712	828,441
Interest on long-term debt	185,908	209,476	-	-	185,908	209,476
Business-type activities						
Water	-	-	5,722,378	5,130,936	5,722,378	5,130,936
Sewer	-	-	1,705,091	1,604,306	1,705,091	1,604,306
Stormwater	-	-	122,279	122,435	122,279	122,435
Total expenses	<u>12,142,802</u>	<u>12,906,691</u>	<u>7,549,748</u>	<u>6,857,677</u>	<u>19,692,550</u>	<u>19,764,368</u>
Increase in net position before transfers	4,128,174	711,379	1,715,377	1,424,289	5,843,551	2,135,668
Transfers	(92,761)	1,570,786	92,761	(1,570,786)	-	-
Increase in net position	<u>4,035,413</u>	<u>2,282,165</u>	<u>1,808,138</u>	<u>(146,497)</u>	<u>5,843,551</u>	<u>2,135,668</u>
<b>Net Position</b>						
Beginning	41,756,788	38,490,794	29,086,980	29,233,477	70,843,768	67,724,271
Error correction	-	1,224,810	-	-	-	1,224,810
Accounting change	-	(240,981)	-	-	-	(240,981)
Beginning, as restated	<u>41,756,788</u>	<u>39,474,623</u>	<u>29,086,980</u>	<u>29,233,477</u>	<u>70,843,768</u>	<u>68,708,100</u>
Ending	<u>\$ 45,792,201</u>	<u>\$ 41,756,788</u>	<u>\$ 30,895,118</u>	<u>\$ 29,086,980</u>	<u>\$ 76,687,319</u>	<u>\$ 70,843,768</u>

**City of Cloquet  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

The governmental activities increased the City's net position by \$4,035,413. Major changes in revenues and expenses compared to 2024 are as follows:

- Capital grants increased largely due to a \$1,150,000 donation for a new building at the Pine Valley Recreation Area.
- Public safety expenditures decreased by approximately \$400,000 due to spending of one-time public safety funds in 2024 that were received in 2023.

**Business-Type Activities**

Business-type activities increased the City's net position by \$1,808,138. Major changes in revenue and expenses compared to 2024 are as follows:

- Charges for services increased by approximately \$400,000 due to rate increases for the water and sewer funds.
- Water expenses increased by approximately \$590,000 largely due to water main repairs.

**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 not amend the 2025 budget. Actual revenues were approximately \$1,500,000 more than budgeted. Actual current expenditures varied from budget by approximately \$404,000 less than anticipated.

**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, 2025, the City's governmental funds reports a combined fund balance of \$11,920,561, an increase of \$962,741 from the 2024 balance of \$10,957,820. Of the total fund balance amount, \$304,916 is reported as unassigned fund balance and 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, 2025, fund balance of the General Fund was \$5,293,424 with 20.9% 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 12.4% of the total General Fund expenditures. During 2025, the fund balance of the General Fund increased by \$1,880,025.

The Revolving Capital Projects Fund is the other major governmental fund of the City in 2025. Fund balance decreased \$588,969 due to project expenditures exceeding intergovernmental grant revenues and transfers in. Project expenditures exceeded budgeted amounts based on project timelines.

**City of Cloquet  
Management's Discussion and Analysis**

**FUND FINANCIAL ANALYSIS (CONTINUED)**

**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 Enterprise Funds' net position increased \$1,808,138 in 2025, compared to a decrease in net position of \$146,497 in 2024. Operating income for 2025 was \$948,649, compared to operating income of \$1,406,454 in 2024.

**CAPITAL ASSETS**

The City of Cloquet's investment in capital assets as of December 31, 2025, was \$79,665,683, 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 7 of the notes to the financial statements.

**DEBT**

The City had \$10,590,000 in bond obligations and Minnesota Public Authority loans outstanding in the amount of \$5,059,000 at the end of 2025.

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 8 and 11 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 2025 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 increases 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 14<sup>th</sup> Street, Cloquet, Minnesota 55720.

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## BASIC FINANCIAL STATEMENTS

City of Cloquet  
Statement of Net Position  
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (including cash equivalents)	\$ 11,450,017	\$ 6,730,090	\$ 18,180,107
Property tax receivable - delinquent	113,488	-	113,488
Accounts receivable	187,772	1,812,975	2,000,747
Interest receivable	21,655	17,400	39,055
Due from other governments	1,961,357	2,015	1,963,372
Loan receivable	1,394,971	-	1,394,971
Lease receivable	2,416,311	-	2,416,311
Special assessments receivable	139,320	637,470	776,790
Inventory	387,085	359,646	746,731
Prepaid items	149,481	15,144	164,625
Capital assets not being depreciated			
Land	914,841	95,222	1,010,063
Land improvements - permanent	2,215,925	-	2,215,925
Construction in progress	3,839,188	202,680	4,041,868
Capital assets net of accumulated depreciation and amortization			
Land improvements	3,542,212	-	3,542,212
Buildings	9,410,272	376,265	9,786,537
Equipment and vehicles	2,657,502	507,943	3,165,445
Infrastructure	25,353,663	30,520,757	55,874,420
Subscription asset	29,213	-	29,213
Total assets	<u>66,184,273</u>	<u>41,277,607</u>	<u>107,461,880</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to OPEB	342,069	4,349	346,418
Deferred outflows of resources related to pensions	2,653,313	125,675	2,778,988
Total deferred outflows of resources	<u>2,995,382</u>	<u>130,024</u>	<u>3,125,406</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 69,179,655</u>	<u>\$ 41,407,631</u>	<u>\$ 110,587,286</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 1,138,492	\$ 335,350	\$ 1,473,842
Due to other governments	843,148	130,191	973,339
Salaries and benefits payable	197,374	44,976	242,350
Interest payable	78,028	65,791	143,819
Unearned revenue	6,528	-	6,528
Bond principal payable, net of premiums			
Payable within one year	560,000	310,000	870,000
Payable after one year	6,755,211	3,241,462	9,996,673
Notes from direct borrowing			
Payable within one year	-	363,000	363,000
Payable after one year	-	4,696,000	4,696,000
Compensated absences payable			
Payable within one year	968,844	395,043	1,363,887
Total OPEB Liability			
Payable within one year	342,069	4,349	346,418
Payable after one year	3,955,089	50,287	4,005,376
Net pension liability	2,494,274	522,596	3,016,870
Total liabilities	<u>17,339,057</u>	<u>10,159,045</u>	<u>27,498,102</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	3,880,769	353,468	4,234,237
Deferred inflow related to lease receivable	2,167,628	-	2,167,628
Total deferred inflows of resources	<u>6,048,397</u>	<u>353,468</u>	<u>6,401,865</u>
<b>Net Position</b>			
Net investment in capital assets	40,000,411	23,092,405	63,092,816
Restricted			
Capital projects	4,979,143	-	4,979,143
Economic development	2,277,353	-	2,277,353
Landfill	474,667	-	474,667
Debt service	137,420	-	137,420
Public safety	201,269	-	201,269
Tax Increment	80,453	-	80,453
Ski chalet	525,629	-	525,629
Unrestricted	(2,884,144)	7,802,713	4,918,569
Total net position	<u>45,792,201</u>	<u>30,895,118</u>	<u>76,687,319</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 69,179,655</u>	<u>\$ 41,407,631</u>	<u>\$ 110,587,286</u>

**City of Cloquet**  
**Statement of Activities**  
**Year Ended December 31, 2025**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
General government	\$ 1,605,702	\$ 464,616	\$ 248,312	\$ -	\$ (892,774)	\$ -	\$ (892,774)
Public safety	4,283,349	311,705	293,339	-	(3,678,305)	-	(3,678,305)
Public works	3,007,598	167,684	-	2,455,813	(384,101)	-	(384,101)
Culture and recreation	2,470,533	488,875	43,881	1,228,713	(709,064)	-	(709,064)
Community and economic development	589,712	47,434	-	-	(542,278)	-	(542,278)
Interest on long-term debt	185,908	-	-	-	(185,908)	-	(185,908)
Total governmental activities	<u>12,142,802</u>	<u>1,480,314</u>	<u>585,532</u>	<u>3,684,526</u>	<u>(6,392,430)</u>	<u>-</u>	<u>(6,392,430)</u>
<b>Business-type activities</b>							
Water	5,722,378	5,890,868	395,857	123,708	-	688,055	688,055
Sewer	1,705,091	2,132,124	-	149,241	-	576,274	576,274
Stormwater	122,279	333,619	-	-	-	211,340	211,340
Total business-type activities	<u>7,549,748</u>	<u>8,356,611</u>	<u>395,857</u>	<u>272,949</u>	<u>-</u>	<u>1,475,669</u>	<u>1,475,669</u>
<b>Total governmental and business-type activities</b>	<u>\$ 19,692,550</u>	<u>\$ 9,836,925</u>	<u>\$ 981,389</u>	<u>\$ 3,957,475</u>	<u>(6,392,430)</u>	<u>1,475,669</u>	<u>(4,916,761)</u>
<b>General revenues</b>							
Property and taconite taxes					3,943,824	-	3,943,824
Tax increments					180,855	-	180,855
Sales taxes					2,685,378	-	2,685,378
State aids					3,407,233	-	3,407,233
Unrestricted investment earnings					301,211	239,708	540,919
Other general revenue					2,103	-	2,103
Transfers					(92,761)	92,761	-
Total general revenues					<u>10,427,843</u>	<u>332,469</u>	<u>10,760,312</u>
Change in net position					4,035,413	1,808,138	5,843,551
Net position - beginning					<u>41,756,788</u>	<u>29,086,980</u>	<u>70,843,768</u>
Net position - ending					<u>\$ 45,792,201</u>	<u>\$ 30,895,118</u>	<u>\$ 76,687,319</u>

See notes to basic financial statements.

**City of Cloquet**  
**Balance Sheet - Governmental Funds**  
**December 31, 2025**

	General Fund (101)	<u>Capital Projects</u> Revolving Capital Projects Fund (403)	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 4,149,307	\$ -	\$ 6,734,551	\$ 10,883,858
Taxes receivable - delinquent	81,126	-	32,362	113,488
Special assessment receivable	-	-	139,320	139,320
Accounts receivable	166,967	-	20,805	187,772
Interest receivable	18,055	-	2,200	20,255
Due from other funds	947,957	-	200,000	1,147,957
Due from other governments	107,519	1,344,905	508,933	1,961,357
Loan receivable	-	-	1,394,971	1,394,971
Lease receivable	2,416,311	-	-	2,416,311
Inventory	387,085	-	-	387,085
Prepaid items	148,435	-	1,046	149,481
<b>Total assets</b>	<b><u>\$ 8,422,762</u></b>	<b><u>\$ 1,344,905</u></b>	<b><u>\$ 9,034,188</u></b>	<b><u>\$ 18,801,855</u></b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 371,351	\$ 162,033	\$ 605,108	\$ 1,138,492
Due to other funds	200,000	852,428	95,529	1,147,957
Due to other governments	81,316	1,409	760,423	843,148
Salaries and benefits payable	180,785	-	16,589	197,374
Unearned revenue	2,793	-	3,735	6,528
<b>Total liabilities</b>	<b><u>836,245</u></b>	<b><u>1,015,870</u></b>	<b><u>1,481,384</u></b>	<b><u>3,333,499</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	58,670	-	23,640	82,310
Unavailable revenue - special assessments	-	-	139,320	139,320
Unavailable revenue - State shared taxes	66,795	1,091,742	-	1,158,537
Deferred inflow related to lease receivable	2,167,628	-	-	2,167,628
<b>Total deferred inflows of resources</b>	<b><u>2,293,093</u></b>	<b><u>1,091,742</u></b>	<b><u>162,960</u></b>	<b><u>3,547,795</u></b>
<b>Fund Balances</b>				
Nonspendable	535,520	-	1,046	536,566
Restricted	540,691	-	7,050,736	7,591,427
Committed	3,111,282	-	139,773	3,251,055
Assigned	-	-	236,597	236,597
Unassigned	1,105,931	(762,707)	(38,308)	304,916
<b>Total fund balances</b>	<b><u>5,293,424</u></b>	<b><u>(762,707)</u></b>	<b><u>7,389,844</u></b>	<b><u>11,920,561</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 8,422,762</u></b>	<b><u>\$ 1,344,905</u></b>	<b><u>\$ 9,034,188</u></b>	<b><u>\$ 18,801,855</u></b>

City of Cloquet  
 Reconciliation of the Balance Sheet to  
 the Statement of Net Position - Governmental Funds  
 December 31, 2025

Total fund balances - governmental funds	\$ 11,920,561
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	74,951,497
Less accumulated depreciation	(26,988,681)
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.	
	(401,285)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable, net of premiums	(7,315,211)
Total OPEB liability	(4,297,158)
Net pension liability	(2,494,274)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore are deferred in the funds:	
Property taxes	82,310
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	139,320
State shared taxes	1,158,537
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred outflows of resources related to OPEB	342,069
Deferred outflows of resources related to pensions	2,653,313
Deferred inflows of resources related to pensions	(3,880,769)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	<u>(78,028)</u>
Total net position - governmental activities	<u>\$ 45,792,201</u>

**City of Cloquet**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2025**

	General Fund (101)	Capital Projects		Total Governmental Funds
		Revolving Capital Projects Fund (403)	Nonmajor Governmental Funds	
<b>Revenues</b>				
General property taxes	\$ 2,812,133	\$ -	\$ 1,119,812	\$ 3,931,945
Tax increments	-	-	180,855	180,855
Sales taxes	76,464	-	2,608,914	2,685,378
Special assessments	-	-	75,134	75,134
Licenses and permits	200,544	-	-	200,544
Intergovernmental	4,198,278	1,833,438	155,335	6,187,051
Charges for services	501,169	-	87,403	588,572
Fines and forfeitures	65,450	-	-	65,450
Miscellaneous				
Investment income	251,859	-	30,051	281,910
Rental	397,768	-	-	397,768
Contributions and donations	1,228,713	-	5,964	1,234,677
Other	79,619	-	188,481	268,100
Total revenues	<u>9,811,997</u>	<u>1,833,438</u>	<u>4,451,949</u>	<u>16,097,384</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,678,083	-	-	1,678,083
Public safety	4,023,191	-	-	4,023,191
Public works	1,873,031	-	8,300	1,881,331
Culture and recreation	965,439	-	926,165	1,891,604
Community and economic development	289,951	-	312,999	602,950
<b>Debt service</b>				
Principal	-	-	540,000	540,000
Interest and other charges	-	-	200,018	200,018
<b>Capital outlay</b>				
General government	5,400	-	-	5,400
Public safety	87,801	-	55,639	143,440
Public works	-	2,940,131	1,322,994	4,263,125
Culture and recreation	-	-	1,540,425	1,540,425
Total expenditures	<u>8,922,896</u>	<u>2,940,131</u>	<u>4,906,540</u>	<u>16,769,567</u>
Excess of revenues over (under) expenditures	889,101	(1,106,693)	(454,591)	(672,183)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,190,924	517,724	854,830	2,563,478
Transfers out	(200,000)	-	(728,554)	(928,554)
Total other financing sources (uses)	<u>990,924</u>	<u>517,724</u>	<u>126,276</u>	<u>1,634,924</u>
Net change in fund balances	1,880,025	(588,969)	(328,315)	962,741
<b>Fund Balances</b>				
Beginning of year	<u>3,413,399</u>	<u>(173,738)</u>	<u>7,718,159</u>	<u>10,957,820</u>
End of year	<u>\$ 5,293,424</u>	<u>\$ (762,707)</u>	<u>\$ 7,389,844</u>	<u>\$ 11,920,561</u>

See notes to basic financial statements.

**City of Cloquet**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2025**

Net change in fund balances - governmental funds	\$ 962,741
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 cost of those assets are allocated over the estimated useful lives and reported as depreciation expense:	
Capital outlays	5,677,147
Depreciation and amortization expense	(1,923,892)
Net book value of disposed capital assets	(108,470)
Assets contributed to Enterprise Funds	(1,727,685)
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.	
	(140,255)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	
	540,000
OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the State ment of Activities.	
	265,114
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 and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	6,104
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Amortization of bond premiums	8,006
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Special assessments	182
State shared taxes	105,724
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective:	
Pension expense	358,818
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	11,879
Change in net position - governmental activities	\$ 4,035,413

**City of Cloquet**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ 2,815,922	\$ 2,812,133	\$ (3,789)
Lodging taxes	55,000	76,464	21,464
Licenses and permits	173,150	200,544	27,394
Intergovernmental revenue	4,110,942	4,198,278	87,336
Charges for services	469,350	501,169	31,819
Fines and forfeitures	60,000	65,450	5,450
Miscellaneous			
Investment income	200,000	251,859	51,859
Rent and lease revenues	353,000	397,768	44,768
Contributions and donations	20,000	1,228,713	1,208,713
Other	53,000	79,619	26,619
Total revenues	8,310,364	9,811,997	1,501,633
<b>Expenditures</b>			
<b>Current</b>			
General government	1,544,000	1,678,083	134,083
Public safety	4,288,250	4,023,191	(265,059)
Public works	2,140,250	1,873,031	(267,219)
Culture and recreation	1,076,600	965,439	(111,161)
Economic development	254,300	289,951	35,651
<b>Capital outlay</b>			
General government	5,000	5,400	400
Public safety	-	87,801	87,801
Culture and recreation	19,000	-	(19,000)
Total expenditures	9,327,400	8,922,896	(404,504)
Excess of revenues over (under) expenditures	(1,017,036)	889,101	1,906,137
<b>Other Financing Sources (Uses)</b>			
Insurance recoveries	2,000	-	(2,000)
Transfers in	1,170,050	1,190,924	20,874
Transfers out	(200,000)	(200,000)	-
Total other financing sources (uses)	972,050	990,924	18,874
Net change in fund balances	\$ (44,986)	1,880,025	\$ 1,925,011
<b>Fund Balances</b>			
Beginning of year		3,413,399	
End of year		\$ 5,293,424	

**City of Cloquet**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2025**

	Water Fund (601)	Sewer Fund (602)	Stormwater Fund (605)	Total	Employee Benefit Internal Service Fund
<b>Assets</b>					
<b>Current assets</b>					
Cash and investments (including cash equivalents)	\$ 3,829,734	\$ 2,859,520	\$ 40,836	\$ 6,730,090	\$ 566,159
Special assessment receivable					
Current	55,776	43,137	-	98,913	-
Deferred	303,201	235,356	-	538,557	-
Accounts receivable	1,488,877	286,810	37,288	1,812,975	-
Interest receivable	10,600	6,700	100	17,400	1,400
Due from other governments	1,191	824	-	2,015	-
Inventory	324,820	34,826	-	359,646	-
Prepaid items	12,746	2,398	-	15,144	-
Total current assets	<u>6,026,945</u>	<u>3,469,571</u>	<u>78,224</u>	<u>9,574,740</u>	<u>567,559</u>
<b>Noncurrent assets</b>					
<b>Capital assets</b>					
Land	63,687	31,050	485	95,222	-
Construction in progress	202,680	-	-	202,680	-
Buildings	244,206	-	234,057	478,263	-
Equipment and vehicles	533,803	584,197	258,280	1,376,280	-
Infrastructure	34,190,010	9,908,545	1,397,022	45,495,577	-
Total capital assets	<u>35,234,386</u>	<u>10,523,792</u>	<u>1,889,844</u>	<u>47,648,022</u>	<u>-</u>
Less accumulated depreciation	<u>(12,036,687)</u>	<u>(3,658,028)</u>	<u>(250,440)</u>	<u>(15,945,155)</u>	<u>-</u>
Net capital assets	<u>23,197,699</u>	<u>6,865,764</u>	<u>1,639,404</u>	<u>31,702,867</u>	<u>-</u>
Total assets	<u>29,224,644</u>	<u>10,335,335</u>	<u>1,717,628</u>	<u>41,277,607</u>	<u>567,559</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources related to OPEB	3,212	1,137	-	4,349	-
Deferred outflows of resources related to pensions	98,744	26,931	-	125,675	-
Total deferred outflows of resources	<u>101,956</u>	<u>28,068</u>	<u>-</u>	<u>130,024</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 29,326,600</u>	<u>\$ 10,363,403</u>	<u>\$ 1,717,628</u>	<u>\$ 41,407,631</u>	<u>\$ 567,559</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 327,882	\$ 7,305	\$ 163	\$ 335,350	\$ -
Due to other governments	46,236	83,955	-	130,191	-
Salaries and benefits payable	35,337	9,639	-	44,976	-
Interest payable	59,270	3,719	2,802	65,791	-
Compensated absences	345,220	49,823	-	395,043	968,844
Notes from direct borrowing	363,000	-	-	363,000	-
Bonds payable	265,000	25,000	20,000	310,000	-
Total current liabilities	<u>1,441,945</u>	<u>179,441</u>	<u>22,965</u>	<u>1,644,351</u>	<u>968,844</u>
<b>Noncurrent liabilities</b>					
Notes from direct borrowing	4,696,000	-	-	4,696,000	-
Bonds payable, net of premiums	2,397,617	480,870	362,975	3,241,462	-
Net pension liability	410,610	111,986	-	522,596	-
Total OPEB liability	<u>40,351</u>	<u>14,285</u>	<u>-</u>	<u>54,636</u>	<u>-</u>
Total noncurrent liabilities	<u>7,544,578</u>	<u>607,141</u>	<u>362,975</u>	<u>8,514,694</u>	<u>-</u>
Total liabilities	<u>8,986,523</u>	<u>786,582</u>	<u>385,940</u>	<u>10,159,045</u>	<u>968,844</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to pensions	277,724	75,744	-	353,468	-
<b>Net Position</b>					
Net investment in capital assets	15,476,082	6,359,894	1,256,429	23,092,405	-
Unrestricted	4,586,271	3,141,183	75,259	7,802,713	(401,285)
Total net position	<u>20,062,353</u>	<u>9,501,077</u>	<u>1,331,688</u>	<u>30,895,118</u>	<u>(401,285)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 29,326,600</u>	<u>\$ 10,363,403</u>	<u>\$ 1,717,628</u>	<u>\$ 41,407,631</u>	<u>\$ 567,559</u>

**City of Cloquet**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position - Proprietary Funds**  
**Year Ended December 31, 2025**

	Water Fund (601)	Sewer Fund (602)	Stormwater Fund (605)	Total	Employee Benefit Internal Service Fund
<b>Operating Revenues</b>					
Charges for services	\$ 5,624,806	\$ 2,129,612	\$ 333,619	\$ 8,088,037	\$ -
Other services	266,062	2,512	-	268,574	2,044
Total operating revenues	<u>5,890,868</u>	<u>2,132,124</u>	<u>333,619</u>	<u>8,356,611</u>	<u>2,044</u>
<b>Operating Expenses</b>					
Salaries and benefits	1,095,198	298,193	-	1,393,391	-
Employee benefits	309,049	70,617	-	379,666	161,600
Materials and supplies	182,671	26,739	11,619	221,029	-
Repairs and maintenance	1,957,600	9,334	-	1,966,934	-
Professional services	1,390,822	78,940	49,187	1,518,949	-
Contracted services	-	-	-	-	-
Insurance	-	1,050,832	-	1,050,832	-
Depreciation	659,729	162,189	55,243	877,161	-
Total operating expenses	<u>5,595,069</u>	<u>1,696,844</u>	<u>116,049</u>	<u>7,407,962</u>	<u>161,600</u>
Operating income (loss)	295,799	435,280	217,570	948,649	(159,556)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	143,607	94,300	1,801	239,708	19,301
Intergovernmental	395,857	-	-	395,857	-
Interest expense	(127,309)	(8,247)	(6,230)	(141,786)	-
Net nonoperating revenues (expenses)	<u>412,155</u>	<u>86,053</u>	<u>(4,429)</u>	<u>493,779</u>	<u>19,301</u>
Income (loss) before capital grants	707,954	521,333	213,141	1,442,428	(140,255)
Capital contributions	1,083,105	575,709	341,820	2,000,634	-
Transfers in	208,030	-	-	208,030	-
Transfers out	(1,119,228)	(473,726)	(250,000)	(1,842,954)	-
Change in net position	879,861	623,316	304,961	1,808,138	(140,255)
<b>Net Position</b>					
Beginning of year	<u>19,182,492</u>	<u>8,877,761</u>	<u>1,026,727</u>	<u>29,086,980</u>	<u>(261,030)</u>
End of year	<u>\$ 20,062,353</u>	<u>\$ 9,501,077</u>	<u>\$ 1,331,688</u>	<u>\$ 30,895,118</u>	<u>\$ (401,285)</u>

Amounts reported for business-type activities in the Statement of Activities differ because:

Capital contributions were recorded for capital assets contributed from governmental activities	\$ (1,727,685)
Capital assets transferred from governmental activities	<u>1,727,685</u>

Change in net position - business-type activities \$ 1,808,138

**City of Cloquet**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2025**

	Water Fund (601)	Sewer Fund (602)	Stormwater Fund (605)	Total	Employee Benefit Internal Service Fund
<b>Cash Flows - Operating Activities</b>					
Receipts from customers and users	\$ 5,345,550	\$ 2,292,433	\$ 332,775	\$ 7,970,758	\$ 2,044
Payments to suppliers	(3,575,714)	(1,163,140)	(60,767)	(4,799,621)	-
Payments to employees	(1,465,941)	(393,730)	-	(1,859,671)	(52,027)
Net cash flows - operating activities	<u>303,895</u>	<u>735,563</u>	<u>272,008</u>	<u>1,311,466</u>	<u>(49,983)</u>
<b>Cash Flows - Noncapital</b>					
<b>Financing Activities</b>					
Intergovernmental revenue	395,857	-	-	395,857	-
Transfer from other funds	208,030	-	-	208,030	-
Transfer to other funds	(1,119,228)	(473,726)	(250,000)	(1,842,954)	-
Net cash flows - noncapital financing activities	<u>(515,341)</u>	<u>(473,726)</u>	<u>(250,000)</u>	<u>(1,239,067)</u>	<u>-</u>
<b>Cash Flows - Capital and Related</b>					
<b>Financing Activities</b>					
Capital grants	123,708	149,241	-	272,949	-
Principal paid on debt	(609,000)	(25,000)	(20,000)	(654,000)	-
Interest paid on debt	(160,541)	(9,175)	(6,926)	(176,642)	-
Acquisition of capital assets	(333,988)	(38,201)	-	(372,189)	-
Net cash flows - capital and related financing activities	<u>(979,821)</u>	<u>76,865</u>	<u>(26,926)</u>	<u>(929,882)</u>	<u>-</u>
<b>Cash Flows - Investing Activities</b>					
Interest and dividends received	150,507	95,400	1,801	247,708	19,901
Net change in cash and cash equivalents	(1,040,760)	434,102	(3,117)	(609,775)	(30,082)
<b>Cash and Cash Equivalents</b>					
Beginning of year	4,870,494	2,425,418	43,953	7,339,865	596,241
End of year	<u>\$ 3,829,734</u>	<u>\$ 2,859,520</u>	<u>\$ 40,836</u>	<u>\$ 6,730,090</u>	<u>\$ 566,159</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities</b>					
Operating income (loss)	\$ 295,799	\$ 435,280	\$ 217,570	\$ 948,649	\$ (159,556)
Adjustments to reconcile operating income to net cash flows - operating activities					
Depreciation expense	659,729	162,189	55,243	877,161	-
Accounts receivable	(557,930)	37,446	(844)	(521,328)	-
Special assessments receivable	8,874	(44,653)	-	(35,779)	-
Due from other governments	3,738	167,516	-	171,254	-
Prepaid items	(9,448)	(2,398)	-	(11,846)	-
Inventory	9,963	(9,303)	-	660	-
Accounts payable	(54,368)	4,910	39	(49,419)	-
Due to other governmental units	9,232	9,496	-	18,728	-
Salaries payable	3,181	1,610	-	4,791	-
Compensated absences payable	10,350	11,846	-	22,196	109,573
OPEB adjustments	(10,086)	(3,571)	-	(13,657)	-
Pension adjustments	(65,139)	(34,805)	-	(99,944)	-
Total adjustments	<u>8,096</u>	<u>300,283</u>	<u>54,438</u>	<u>362,817</u>	<u>109,573</u>
Net cash flows - operating activities	<u>\$ 303,895</u>	<u>\$ 735,563</u>	<u>\$ 272,008</u>	<u>\$ 1,311,466</u>	<u>\$ (49,983)</u>
<b>Noncash Capital Activities</b>					
Transfer of capital asset	<u>\$ 959,397</u>	<u>\$ 426,468</u>	<u>\$ 341,820</u>	<u>\$ 1,727,685</u>	<u>\$ -</u>

See notes to basic financial statements.

City of Cloquet  
Statement of Fiduciary Net Position  
December 31, 2025

	<u>Custodial Fund</u>
<b>Assets</b>	
Cash and investments	<u>\$ 19,273,403</u>
<b>Net Position</b>	
Restricted for fire district	<u>\$ 19,273,403</u>

City of Cloquet  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2025

	Custodial Fund
<b>Additions</b>	
Property tax levy collections for other governments	\$ 4,316,835
Intergovernmental and other grant and donation collections for other governments	377,467
Fees and other charges collected for other governments	2,464,426
Bond issuance	18,545,000
Bond premium on issuance	541,252
Investment earnings	288,754
Total additions	26,533,734
<b>Deductions</b>	
Administrative expense	50,000
Public safety payments made on behalf of other governments	9,664,809
Total deductions	9,714,809
Change in net position	16,818,925
<b>Net Position</b>	
Beginning of year	2,454,478
End of year	\$ 19,273,403

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**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Cloquet is a statutory city governed by an elected mayor and six council members. The accompanying financial statements present the government entities for which the government is financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Units - Reported as if they were part of the City.

Related Parties - The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

**1. Blended Component Unit**

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. Separate financial statements are not prepared for the Cloquet EDA.

**2. Related Parties**

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 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 Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Custodial Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 financial 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 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. Revenues are considered to be available when they are collectible within 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 of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Description of Funds:**

**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.

Revolving Capital Projects Fund - Accounts for funds designated to capital projects.

**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.

Stormwater Fund - Accounts for the activity of maintaining and capital projects related to the City's stormwater system.

**Internal Service Fund:**

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

**Fiduciary Fund:**

The Cloquet Area Fire District - This fund accounts for the amounts related to the Fire District held by the City in a strictly custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, and Stormwater and Sewer Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise 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.

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

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Minnesota Statutes* authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

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

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund.

**2. Receivables and Payables**

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Carlton County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**2. Receivables and Payables (Continued)**

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

Loans receivable 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.

**3. Inventory and Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

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

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), 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: land and land improvements with an initial cost of \$10,000 or more, vehicles with an initial cost of \$10,000 or more plus all licensed and insured vehicles, buildings with an initial cost of \$5,000 or more and all buildings at/over \$1,000 that are insured, furniture, equipment, and machinery with an initial cost of \$10,000 or more, and infrastructure with an initial cost of \$25,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5 - 30
Infrastructure	5 - 99
Buildings	5 - 75
Furniture, equipment, and machinery	3 - 20
Vehicles	3 - 15

**5. Lease Receivable**

The City is a lessor for several noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Lease Receivable (Continued)**

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

**6. Subscription-Based Information Technology Arrangements**

Right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the subscription agreement plus any payments made prior to the subscription term. The right-to-use assets are amortized on a straight-line basis over the life of the related subscription.

**7. 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 represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 presents deferred inflows of resources on the Governmental Funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from property taxes, special assessments, and State shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**8. Compensated Absences**

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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. The Governmental Funds compensated absence liability is reported in the Employee Benefit Accruals Internal Service Fund.

**9. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Pensions**

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

**11. Fund Balance**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**11. Fund Balance (Continued)**

- **Restricted Fund Balances** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation.
- **Committed Fund Balances** - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by the City Council (the highest level of decision-making authority) through resolution and that remain binding unless removed by the City Council by a majority vote.
- **Assigned Fund Balances** - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Council, City Administrator or Finance Director.
- **Unassigned Fund Balances** - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.
- **Minimum 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 predominantly by property taxes. Debt Service Funds fund balances should be sufficient to meet debt service obligations. Capital Project Funds should have sufficient fund balances to support the five-year capital improvement plan. Internal Service Fund net position should be sufficient to fund accrued compensated absences, severance, and retiree health liabilities. Enterprise Funds unrestricted net position should be sufficient to operate and maintain activities.

**12. 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 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 build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2025, \$3,820,606 of the total net position restricted for capital projects related to half cent sales tax collections is restricted due to enabling legislation.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**F. Budgetary Information**

1. City staff submit to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General Fund, Special Revenue Funds, except for the Economic Development Authority SCDP Loan Fund, Debt Service Funds, and Capital Project Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the fund level. The City Council may authorize transfer of budgeted amounts between any fund.
6. Budgetary control is maintained at the fund level and adjustments can be made within the department budget by the City Council. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

The following funds had a deficit fund balance as of December 31, 2025:

Major Funds	
Revolving Capital Projects Fund	\$ (762,707)
Non-major Governmental Funds	
Cable Television Fund	(34,422)
Economic Development Authority SCDP Loan Fund	(3,886)
Internal Service Fund	
Employee Benefit Internal Service Fund	(401,285)

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC coverage. As of December 31, 2025, the City's bank balance of \$7,172,468 was exposed to custodial credit risk because it was not insured and under collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

The book balance of the City's deposits as of December 31, 2025, was as follows:

Checking and savings - pooled	\$ 7,047,352
Certificate of deposits - pooled	245,000
	\$ 7,292,352
	\$ 7,292,352

**B. Investments**

Investment Type	Rating	Fair Value	Investment Maturities		
			Less than One Year	1-3 Years	Greater than 3 Years
<b>Pooled Investments</b>					
Money market	NR	\$ 6,404,703	\$ 6,404,703	\$ -	\$ -
Certificates of deposit	NR	2,861,888	489,513	448,989	1,923,386
Municipal bonds	A+	1,550,992	231,225	917,855	401,912
Other government-backed securities	AA+	2,704,947	-	754,705	1,950,242
4M Fund	NR	1,197	1,197	-	-
<b>Non-pooled Investments</b>					
- City Bond Account					
Money Market	NR	349,977	349,977	-	-
<b>Non-pooled Investments</b>					
- Fire District Bond Account					
Money market	NR	21,672	21,672	-	-
Certificates of deposit	NR	1,994,372	1,994,372	-	-
Commercial paper	A+	1,983,695	1,983,695	-	-
Municipal bonds	AA-	6,003,373	6,003,373	-	-
U.S. Treasury securities	AA+	4,544,264	4,544,264	-	-
Other government-backed securities	AA+	1,734,828	1,734,828	-	-
<b>Total</b>		<b>\$ 30,155,908</b>	<b>\$ 23,758,819</b>	<b>\$ 2,121,549</b>	<b>\$ 4,275,540</b>
		<b>\$ 30,155,908</b>	<b>\$ 23,758,819</b>	<b>\$ 2,121,549</b>	<b>\$ 4,275,540</b>

Credit Risk: This 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. The City's investment policy limits investments to those specified in *Minnesota Statutes* § 118A. As of December 31, 2025, the City's investments were rated as disclosed in the previous table.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Concentration of Credit Risk: This is the risk of loss that may be caused by the City's investment in a single issuer. The City's policy states the City will select investments to avoid over concentration in securities from a specific issuer or business sector. As of December 31, 2025, the following investments exceeded 5% of the City's total investment portfolio:

Concentrations	Pooled
Federal Home Loan Mortgage Corporation Securities	14.41%
Federal National Mortgage Association Securities	5.59%
	Non-Pooled
Federal Home Loan Bank Securities	8.04%
University of Northern Colorado-Greeley Bonds	5.98%
New York City Transitional Finance Authority Bonds	7.56%
New York City G.O. Bonds	7.29%
MUFG Bank Commercial Paper	11.93%

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's investment policy is to invest in both shorter and longer-term securities to limit exposure to interest rate risk.

Custodial Credit Risk - Investments: This is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states all investments must be fully insured and registered in the name of the City. Some City Securities held by the City's broker-dealer are not registered to the City but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

The City has the following recurring fair value measurements as of December 31, 2025:

Investment Type	Total	Level 1	Level 2	Level 3
<b>Pooled Investments</b>				
Money market	\$ 6,404,703	\$ 6,404,703	\$ -	\$ -
Certificates of deposit	2,861,888	-	2,861,888	-
Municipal bonds	1,550,992	-	1,550,992	-
Other government-backed securities	2,704,947	-	2,704,947	-
<b>Non-pooled Investments</b>				
- City Bond Account				
Money Market	349,977	349,977	-	-
<b>Non-pooled Investments</b>				
- Fire District Bond Account				
Money market	21,672	21,672	-	-
Certificates of deposit	1,994,372	-	1,994,372	-
Commercial paper	1,983,695	-	1,983,695	-
Municipal bonds	6,003,373	-	6,003,373	-
U.S. Treasury securities	4,544,264	-	4,544,264	-
Other government-backed securities	1,734,828	-	1,734,828	-
<b>Total pooled and non-pooled investments</b>				
	30,154,711	<u>\$ 6,776,352</u>	<u>\$ 23,378,359</u>	<u>\$ -</u>
<b>Reported at amortized cost</b>				
	<u>1,197</u>			
<b>Total investments</b>				
	<u>\$ 30,155,908</u>			

A summary of cash deposits and investments as of December 31, 2025, were as follows:

Deposits	\$ 7,292,352
Petty cash	5,250
Investments	<u>30,155,908</u>
<b>Total cash and investments</b>	<u>\$ 37,453,510</u>

Deposits and investments are presented in the December 31, 2025, basic financial statements as follows:

<b>Statement of Net Position</b>	
Cash and investments	\$ 18,180,107
<b>Statement of Fiduciary Net Position</b>	
Cash and investments	<u>19,273,403</u>
<b>Total cash and investments</b>	<u>\$ 37,453,510</u>

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 4 - LEASE RECEIVABLE**

The City has multiple lease agreements for land and building space. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows recognized during the year was \$323,024. Total principal and interest payments due on the leases are as follows as of December 31, 2025:

<u>Year Ended</u> <u>December 31,</u>	<u>Lease Agreements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 250,607	\$ 71,548	\$ 322,155
2027	229,321	54,036	283,357
2028	68,401	38,336	106,737
2029	47,084	37,105	84,189
2030	47,378	36,192	83,570
Thereafter	1,773,520	596,280	2,369,800
Total	<u>\$ 2,416,311</u>	<u>\$ 833,497</u>	<u>\$ 3,249,808</u>

**NOTE 5 - INTERFUND ASSETS/LIABILITIES**

As of December 31, 2025, due from/to other funds for the City were as follows:

<u>Fund Type and Fund</u>	<u>Due from Other</u> <u>Funds</u>	<u>Due to Other</u> <u>Funds</u>
General Fund	\$ 947,957	\$ 200,000
Revolving Capital Projects Fund	-	852,428
Special Revenue Funds		
Library	200,000	45,054
Cable Television	-	50,475
Total	<u>\$ 1,147,957</u>	<u>\$ 1,147,957</u>

The amount due to the General Fund represents amounts due from negative cash balances in other funds. The amount due to the Library Fund represents an interfund loan with the General Fund.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 6 - INTERFUND TRANSFERS**

Transfers during the year ended December 31, 2025, were as follows:

	Transfers In				Total
	General Fund	Revolving Capital Projects Fund	Water	Nonmajor Governmental Funds	
Transfers Out					
General Fund	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000
Nonmajor Governmental Funds	70,924	-	112,300	545,330	728,554
Water Fund	615,000	429,228	-	75,000	1,119,228
Sewer Fund	255,000	88,496	95,730	34,500	473,726
Stormwater Fund	250,000	-	-	-	250,000
 Total	 <u>\$ 1,190,924</u>	 <u>\$ 517,724</u>	 <u>\$ 208,030</u>	 <u>\$ 854,830</u>	 <u>\$ 2,771,508</u>

Transfers were made to provide funding for capital projects and equipment, administrative services and operations, debt service payments, and to close funds.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 914,841	\$ -	\$ -	\$ 914,841
Land improvements - permanent	2,324,395	-	108,470	2,215,925
Construction in progress	<u>3,891,084</u>	<u>3,545,698</u>	<u>3,597,594</u>	<u>3,839,188</u>
Total capital assets not being depreciated	<u>7,130,320</u>	<u>3,545,698</u>	<u>3,706,064</u>	<u>6,969,954</u>
Other capital assets				
Land improvements	5,388,187	-	-	5,388,187
Buildings	14,203,207	-	-	14,203,207
Equipment and vehicles	5,299,188	611,419	262,683	5,647,924
Infrastructure	39,315,433	3,389,939	-	42,705,372
Subscription asset	<u>36,853</u>	<u>-</u>	<u>-</u>	<u>36,853</u>
Total other capital assets at historical cost	<u>64,242,868</u>	<u>4,001,358</u>	<u>262,683</u>	<u>67,981,543</u>
Less accumulated depreciation for				
Land improvements	1,615,353	230,622	-	1,845,975
Buildings	4,464,461	328,474	-	4,792,935
Equipment and vehicles	2,752,822	500,283	262,683	2,990,422
Infrastructure	16,493,777	857,932	-	17,351,709
Less accumulated amortization for				
Subscription asset	<u>1,059</u>	<u>6,581</u>	<u>-</u>	<u>7,640</u>
Total accumulated depreciation and amortization	<u>25,327,472</u>	<u>1,923,892</u>	<u>262,683</u>	<u>26,988,681</u>
Total other capital assets, net	<u>38,915,396</u>	<u>2,077,466</u>	<u>-</u>	<u>40,992,862</u>
Governmental activities capital assets, net	<u>\$ 46,045,716</u>	<u>\$ 5,623,164</u>	<u>\$ 3,706,064</u>	<u>\$ 47,962,816</u>

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 95,222	\$ -	\$ -	\$ 95,222
Construction in progress	-	202,680	-	202,680
Total capital assets not being depreciated	<u>95,222</u>	<u>202,680</u>	<u>-</u>	<u>297,902</u>
Other capital assets				
Buildings	478,263	-	-	478,263
Equipment and vehicles	1,334,406	200,653	158,779	1,376,280
Transmission system and infrastructure	43,767,892	1,727,685	-	45,495,577
Total other capital assets at historical cost	<u>45,580,561</u>	<u>1,928,338</u>	<u>158,779</u>	<u>47,350,120</u>
Less accumulated depreciation for				
Buildings	85,686	16,312	-	101,998
Equipment and vehicles	924,815	71,157	127,635	868,337
Transmission system and infrastructure	14,185,128	789,692	-	14,974,820
Total accumulated depreciation	<u>15,195,629</u>	<u>877,161</u>	<u>127,635</u>	<u>15,945,155</u>
Total other capital assets, net	<u>30,384,932</u>	<u>1,051,177</u>	<u>31,144</u>	<u>31,404,965</u>
Business-type activities capital assets, net	<u>\$ 30,480,154</u>	<u>\$ 1,253,857</u>	<u>\$ 31,144</u>	<u>\$ 31,702,867</u>

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

Governmental activities	
General government	\$ 41,625
Public safety	230,496
Public works	1,048,139
Culture and recreation	603,632
Total depreciation and amortization expense - governmental activities	<u>\$ 1,923,892</u>
Business-type activities	
Water	\$ 659,728
Sewer	162,189
Stormwater	55,244
Total depreciation expense - business-type activities	<u>\$ 877,161</u>

**NOTE 8 - LONG-TERM LIABILITIES**

**A. General Obligation Bonds**

The City issues general obligation (G.O.) bonds to provide financing for the acquisition and construction of various capital improvements and facilities. The City's long-term debt is segregated between the amounts to be repaid from governmental activities and business-type activities.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

**B. Components of Long-Term Liabilities**

As of December 31, 2025, the long-term liabilities of the City consisted of the following:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
G.O. Bonds, including						
refunding bonds						
G.O. Tax Abatement						
Refunding Bonds, 2016A	3/29/2016	1.0-2.25%	\$ 1,095,000	2/1/2030	\$ 495,000	\$ 95,000
G.O. City Sales Tax Projects						
Revenue Bonds, 2017A	5/4/2017	2.0-3.0%	8,400,000	2/1/2037	5,545,000	395,000
G.O. Capital Improvement						
Plan Bonds, 2019A	11/21/2019	2.0-3.0%	1,500,000	2/1/2040	1,190,000	70,000
Unamortized premiums						
					85,211	-
Compensated absences						
					968,844	968,844
Total governmental activities					<u>8,284,055</u>	<u>1,528,844</u>
Business-type activities						
G.O. Bonds, including						
refunding bonds						
G.O. Revenue Utility Improvement						
Bonds, 2020A	11/5/2020	0.3-2.0%	1,825,000	2/1/2041	1,510,000	80,000
G.O. Sales Tax and Water Revenue						
Bonds, 2022A	9/1/2022	4.0-5.0%	2,530,000	2/1/2032	1,850,000	230,000
Unamortized premiums						
					191,462	-
Note from direct borrowing -						
Minnesota Public Facilities Authority	10/20/2018	1.13%	2,620,802	8/20/2038	5,059,000	363,000
Compensated absences						
					395,043	395,043
Total business-type activities					<u>9,005,505</u>	<u>1,068,043</u>
Total long-term liabilities					<u>\$ 17,289,560</u>	<u>\$ 2,596,887</u>

Debt Service Fund will be used to pay governmental activities principal and interest amounts. The Enterprise Funds will pay business-type activities principal and interest amounts.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

**C. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Bonds	\$ 7,770,000	\$ -	\$ 540,000	\$ 7,230,000	\$ 560,000
Unamortized premium	93,217	-	8,006	85,211	-
Compensated absences	859,271	109,573 *	-	968,844	968,844
Total governmental activities	<u>8,722,488</u>	<u>109,573</u>	<u>548,006</u>	<u>8,284,055</u>	<u>1,528,844</u>
Business-type activities					
Bonds payable					
G.O. Bonds	3,655,000	-	295,000	3,360,000	310,000
Unamortized premium	219,708	-	28,246	191,462	-
Note from direct borrowing	5,418,000	-	359,000	5,059,000	363,000
Compensated absences	372,847	22,196 *	-	395,043	395,043
Total business-type activities	<u>9,665,555</u>	<u>22,196</u>	<u>682,246</u>	<u>9,005,505</u>	<u>1,068,043</u>
Total long-term liabilities	<u>\$ 18,388,043</u>	<u>\$ 131,769</u>	<u>\$ 1,230,252</u>	<u>\$ 17,289,560</u>	<u>\$ 2,596,887</u>

\* Net Change

**D. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ended December 31,	Governmental Activities	
	G.O. Bonds	
	Principal	Interest
2026	\$ 560,000	\$ 180,285
2027	575,000	166,118
2028	590,000	151,562
2029	600,000	136,528
2030	620,000	120,954
2031-2035	2,785,000	386,075
2036-2040	1,500,000	57,922
Total	<u>\$ 7,230,000</u>	<u>\$ 1,199,444</u>

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

**D. Minimum Debt Payments (Continued)**

Year Ended December 31,	Business-Type Activities			
	G.O. Bonds		Note from Direct Borrowing	
	Principal	Interest	Principal	Interest
2026	\$ 310,000	\$ 101,850	\$ 363,000	\$ 57,065
2027	325,000	88,450	368,000	52,971
2028	340,000	74,375	372,000	48,820
2029	350,000	61,000	376,000	44,624
2030	370,000	48,688	380,000	40,382
2031-2035	1,055,000	103,875	1,966,000	136,635
2036-2040	505,000	36,350	1,234,000	27,941
2041	105,000	1,050	-	-
Total	<u>\$ 3,360,000</u>	<u>\$ 515,638</u>	<u>\$ 5,059,000</u>	<u>\$ 408,438</u>

**E. Conduit Debt Obligations**

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various obligations to provide funding to private-sector entities for projected deemed to be in the public interest. Although the debt bears the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the debt is not reported as liabilities in the financial statements of the City. The outstanding balance of conduit debt as of December 31, 2025, was \$24,414,522.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 9 - FUND BALANCE**

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General	Revolving Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable</b>				
Inventory	\$ 387,085	\$ -	\$ -	\$ 387,085
Prepaid items	148,435	-	1,046	149,481
Total	<u>535,520</u>	<u>-</u>	<u>1,046</u>	<u>536,566</u>
<b>Restricted</b>				
Ski chalet	525,629	-	-	525,629
Economic development	-	-	2,277,353	2,277,353
Tax increment	-	-	80,453	80,453
Landfill	-	-	474,667	474,667
Debt service	-	-	211,450	211,450
Public safety	15,062	-	186,207	201,269
Sales tax	-	-	3,820,606	3,820,606
Total	<u>540,691</u>	<u>-</u>	<u>7,050,736</u>	<u>7,591,427</u>
<b>Committed</b>				
Operating reserve	3,111,282	-	-	3,111,282
Library	-	-	136,718	136,718
Capital projects	-	-	3,055	3,055
Total	<u>3,111,282</u>	<u>-</u>	<u>139,773</u>	<u>3,251,055</u>
<b>Assigned</b>				
Permanent improvements	-	-	236,597	236,597
Total	<u>-</u>	<u>-</u>	<u>236,597</u>	<u>236,597</u>
<b>Unassigned</b>				
General purposes	1,105,931	-	-	1,105,931
Deficit fund balance	-	(762,707)	(38,308)	(801,015)
Total	<u>1,105,931</u>	<u>(762,707)</u>	<u>(38,308)</u>	<u>304,916</u>
Total fund balances	<u>\$ 5,293,424</u>	<u>\$ (762,707)</u>	<u>\$ 7,389,844</u>	<u>\$ 11,920,561</u>

**NOTE 10 - RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2025 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2025, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 11 - PENSION PLANS**

The City participates in various pension plans. Total pension expense for the year ended December 31, 2025, was \$263,893. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, and Sewer Funds typically liquidate the liability related to the pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan**

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**Public Employees Police and Fire Plan**

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in *Minnesota Statutes* § 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the City's governing body. The resolution must state that the position meets plan requirements.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**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. When a member is vested, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**General Employees Plan Benefits**

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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.

**Police and Fire Plan Benefits**

Benefits for the Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after 10 years. After five years, vesting increase by 10% each full year of service until members are 100% vested after 10 years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1%. 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* Chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$282,093. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$400,980. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$1,392,389 for its proportionate share of the 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 \$33,589.

City's proportionate share of the net pension liability	\$ 1,392,389
State of Minnesota's proportionate share of the net pension liability associated with the City.	<u>33,589</u>
Total	<u><u>\$ 1,425,978</u></u>

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0420% at the end of the measurement period and 0.0410% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of (\$113,660) for its proportionate share of the General Employees Plan's pension expense. Included in the amount, the City recognized (\$5,152) 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.

At December 31, 2025, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 131,368	\$ -
Changes in actuarial assumptions	33,548	321,254
Net difference between projected and actual investment earnings	-	524,763
Changes in proportion	28,881	95,754
Contributions paid to PERA subsequent to the measurement date	141,047	-
Total	\$ 334,844	\$ 941,771

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

The \$141,047 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2026	\$ (196,758)
2027	(273,974)
2028	(178,269)
2029	(98,973)
Total	\$ (747,974)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$1,624,481 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1386% at the end of the measurement period and 0.1496% for the beginning of the period.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**Police and Fire Fund Pension Costs (Continued)**

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million, which was paid on October 1, 2025. Thereafter, by October 1 of each year, the State will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$56,313.

City's proportionate share of the net pension liability	\$ 1,624,481
State of Minnesota's proportionate share of the net pension liability associated with the City.	56,313
Total	\$ 1,680,794

For the year ended December 31, 2025, the City recognized pension expense of \$376,893 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$27,247 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

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 because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$12,478 for the year ended December 31, 2025, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

At December 31, 2025, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 800,096	\$ -
Changes in actuarial assumptions	1,410,336	2,205,794
Net difference between projected and actual investment earnings	-	707,189
Changes in proportion	33,222	379,483
Contributions paid to PERA subsequent to the measurement date	200,490	-
Total	\$ 2,444,144	\$ 3,292,466

The \$200,490 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2026	\$ 400,576
2027	(435,936)
2028	(964,396)
2029	(67,486)
2030	18,430
Total	\$ (1,048,812)

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	<u>100.0 %</u>	

**F. Actuarial Methods and Assumptions**

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% 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 investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3.0% after 23 years of service.

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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025, actuarial valuation.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2025:

**General Employees Fund**

**Changes in Actuarial Assumptions**

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

**Changes in Plan Provisions**

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**Police and Fire Fund**

**Changes in Actuarial Assumptions**

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

**Changes in Plan Provisions**

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund (Continued)

Changes in Plan Provisions (Continued)

- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.0%. 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 positions 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 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 3,381,898	\$ 1,392,389	\$ (221,548)
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 4,256,483	\$ 1,624,481	\$ (536,809)

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**I. Pension Plan Fiduciary Net Position**

Detailed information about each 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](http://www.mnpera.org).

**Public Employees Defined Contribution Plan (Defined Contribution Plan)**

Three council members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes* Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percent of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 660	\$ 660	5%	5%	5%

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The City's defined benefit other post-employment benefits (OPEB) plan provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are acclimated in a trust.

**City of Cloquet  
Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**B. Benefits Provided**

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.

**C. Contributions**

Retirees contribute to the health care plan at the same rate as City employees. Retirees are required to pay 100% of their premium cost. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with the health insurance provider. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the City contributed \$346,418 to the plan.

**D. Members**

As of the December 31, 2023, valuation date, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	59
Total	71

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	4.08%
Salary increases	3.25%
Inflation	2.50%
Healthcare cost trend increases	6.9% for 2024, decreasing over several decades to an ultimate rate of 3.9% in 2075
Mortality assumption	Pub-2010 general and public safety mortality tables with projected mortality improvements based on scale MP-2021 and other adjustments

The discount rate used to measure the total OPEB liability was 4.08% based on fidelity 20-Year Municipal GO AA Index rate for 20-year, tax-exempt municipal bonds.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

- The discount rate was increased from 3.77% to 4.08%.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability**

The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2023.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2025	\$ 4,613,837
Changes for the year	
Service cost	6,466
Interest	168,141
Differences between expected and actual economic experience	(4,747)
Change of assumptions	(111,221)
Benefit payments	(320,682)
Net changes	(262,043)
Balances at December 31, 2025	\$ 4,351,794

The General Fund and Water and Sewer funds typically liquidate the liability related to OPEB.

**G. OPEB Liability Sensitivity**

The following presents the City's total OPEB liability calculated using the discount rate of 4.08% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase Discount Rate (5.08%)
\$ 4,729,244	\$ 4,351,794	\$ 4,024,331

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 12 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity (Continued)**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.9%) Decreasing to 2.9%)	Current Trend Rate (6.9%) Decreasing to 3.9%)	1% Increase in Trend Rate (7.9%) Decreasing to 4.9%)
\$ 4,002,432	\$ 4,351,794	\$ 4,748,504

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2025, the City recognized OPEB expense of \$58,639. At December 31, 2025, the City reported deferred outflows of resources of \$346,418 for contributions made subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2026.

**NOTE 13 - MAJOR CUSTOMER**

During the year ended December 31, 2025, net sales to one commercial customer totaled \$3,124,002, representing 56.15% of total water sales for the year. This customer's balance as of December 31, 2025, amounted to 54.2% of the total receivable balance in the Water Fund.

**NOTE 14 - TAX INCREMENT FINANCING**

The City has entered into four Tax Increment Financing agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from Minnesota *Statutes* § 469. The City entered into these agreements to provide housing and economic development opportunities.

During the year ended December 31, 2025, the City generated \$180,855 in tax increment revenue and made \$184,674 in payments to developers.

**City of Cloquet**  
**Notes to Basic Financial Statements**

**NOTE 15 - COMMITMENTS**

As of the year ended December 31, 2025, the city had the following commitments.

Project	Contract Amount	Expended to Date	Remaining Contract
Medich Family Pavillion and Trailhead	\$ 1,735,549	\$ 970,263	\$ 765,286
Northwoods Credit Union Arena	3,502,609	184,700	3,317,909
Stanley Avenue Mill and Overlay	214,640	210,478	4,162
Lift Station 1 Electrical Improvements	225,000	101,250	123,750
Lift Station 2 Electrical Improvements	225,000	101,250	123,750

**NOTE 16 - NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities. This Statement will be effective for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending December 31, 2026.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Cloquet**  
**Schedule of City's Proportionate Share of Net Pension Liability**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0425%	\$ 3,450,789	\$ 13,421	\$ 3,464,210	\$ 2,597,606	132.84%	68.91%
2017	0.0429%	2,738,708	34,448	2,773,156	2,764,640	99.06%	75.90%
2018	0.0431%	2,391,011	78,405	2,469,416	2,898,573	82.49%	79.53%
2019	0.0430%	2,377,374	73,830	2,451,204	3,040,023	78.20%	80.23%
2020	0.0433%	2,596,033	79,989	2,676,022	3,085,400	84.14%	79.06%
2021	0.0438%	1,870,456	57,199	1,927,655	3,165,318	59.09%	87.00%
2022	0.0451%	3,571,935	104,894	3,676,829	3,403,070	104.96%	76.67%
2023	0.0427%	2,387,736	65,856	2,453,592	3,412,804	69.96%	83.10%
2024	0.0410%	1,514,811	39,170	1,553,981	3,467,920	43.68%	89.08%
2025	0.0420%	1,392,389	33,589	1,425,978	3,805,373	36.59%	90.78%

**Schedule of City's Proportionate Share of Net Pension Liability**  
**Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1520%	\$ 2,100,024	\$ -	\$ 2,100,024	\$ 1,460,358	143.80%	63.88%
2017	0.1490%	2,011,677	-	2,011,677	1,533,403	131.19%	85.43%
2018	0.1557%	1,659,602	-	1,659,602	1,641,402	101.11%	88.84%
2019	0.1740%	1,852,406	-	1,852,406	1,834,697	100.97%	89.26%
2020	0.1489%	1,962,661	46,234	2,008,895	1,679,427	116.86%	87.19%
2021	0.1495%	1,153,982	13,455	1,167,437	1,663,557	69.37%	93.66%
2022	0.1619%	7,045,249	307,825	7,353,074	1,966,710	358.23%	70.53%
2023	0.1504%	2,597,212	104,579	2,701,791	1,975,146	131.49%	86.47%
2024	0.1496%	1,968,688	75,046	2,043,734	2,072,136	95.01%	90.17%
2025	0.1386%	1,624,481	56,313	1,680,794	2,104,215	77.20%	91.78%

See notes to required supplementary information.

**City of Cloquet**  
**Schedule of City Contributions -**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 202,981	\$ 202,981	\$ -	\$ 2,706,413	7.50%
2017	209,152	209,152	-	2,788,693	7.50%
2018	223,907	223,907	-	2,985,427	7.50%
2019	233,051	233,051	-	3,107,347	7.50%
2020	243,276	243,276	-	3,243,680	7.50%
2021	236,328	236,328	-	3,151,040	7.50%
2022	250,719	250,719	-	3,342,920	7.50%
2023	258,928	258,928	-	3,452,373	7.50%
2024	263,698	263,698	-	3,515,973	7.50%
2025	282,093	282,093	-	3,761,240	7.50%

**Schedule of City Contributions -**  
**Public Employees Police and Fire Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 240,261	\$ 240,261	\$ -	\$ 1,483,093	16.20%
2017	256,087	256,087	-	1,580,784	16.20%
2018	281,111	281,111	-	1,735,253	16.20%
2019	301,001	301,001	-	1,775,817	16.95%
2020	316,616	316,616	-	1,788,791	17.70%
2021	324,395	324,395	-	1,832,740	17.70%
2022	345,195	345,195	-	1,950,254	17.70%
2023	357,625	357,625	-	2,020,480	17.70%
2024	378,668	378,668	-	2,139,367	17.70%
2025	400,980	400,980	-	2,265,424	17.70%

**City of Cloquet**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

City's year-end	2019	2020	2021	2022
Plan year-end	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
<b>Total OPEB Liability</b>				
Service cost	\$ 8,874	\$ 8,755	\$ 7,266	\$ 8,413
Interest	4,435	4,299	90,389	66,783
Differenced between expected and actual experience	-	3,204,568	(12,671)	1,341,560
Changes of assumptions	(3,421)	72,448	173,955	177,040
Benefit payments	(14,869)	(40,912)	(194,244)	(221,404)
Net change in total OPEB liability	(4,981)	3,249,158	64,695	1,372,392
Beginning of year	132,559	127,578	3,376,736	3,441,431
End of Year	\$ 127,578	\$ 3,376,736	\$ 3,441,431	\$ 4,813,823
Covered-employee payroll	\$ 4,925,347	\$ 5,105,988	\$ 5,658,768	\$ 4,958,438
Total OPEB liability as a percentage of covered-employee payroll	2.59%	66.13%	60.82%	97.08%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2024</u>
\$ 10,596	\$ 7,637	\$ 6,466
86,240	149,980	168,141
211	725,008	(4,747)
(779,667)	196,381	(111,221)
<u>(274,896)</u>	<u>(321,476)</u>	<u>(320,682)</u>
<u>(957,516)</u>	<u>757,530</u>	<u>(262,043)</u>
<u>4,813,823</u>	<u>3,856,307</u>	<u>4,613,837</u>
<u>\$ 3,856,307</u>	<u>\$ 4,613,837</u>	<u>\$ 4,351,794</u>
\$ 5,301,908	\$ 5,425,753	\$ 5,771,234
72.73%	85.04%	75.40%

**City of Cloquet**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2025 Changes**

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**2024 Changes**

Changes in Actuarial Assumptions

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was 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% 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.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2022 Changes (Continued)**

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. 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.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

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.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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. This 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 Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 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.

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2016 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Police and Fire Fund**

**2025 Changes**

Changes in Actuarial Assumptions

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**2024 Changes**

Changes in Plan Provisions

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2023 Changes**

Changes in Actuarial Assumptions

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

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% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0% 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 was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- 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 MP-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 resulted 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 resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2021 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.
- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Annual increases were changed to 1.00% 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% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- 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% 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% to 60%.
- 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 annual benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% 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 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Post Employment Health Care Plan**

There are no assets accumulated in a trust to pay related benefits.

**2025 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.77% to 4.08% to be reflective of the 20-year AA municipal bond rates.

**2024 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed from 4.05% to 3.77% to be reflective of the 20-year AA municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- The percent of future General retirees assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience and new medical plan options.
- The percent of future Police and Fire retirees assumed to elect coverage at retirement changed from 0% to 10% to reflect recent plan experience.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- Monthly City contributions were updated to the current level.

**2023 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 4.05% to be reflective of the 20-year AA municipal bond rates.

**2022 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 1.84% to be reflective of the 20-year AA municipal bond rates.

Changes in Plan Provisions

- 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.

**2021 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 2.00% to be reflective of the 20-year AA municipal bond rates.

**2020 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 2.75% to be reflective of the 20-year AA municipal bond rates.

**2019 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 3.71% to be reflective of the 20-year AA municipal bond rates.

**City of Cloquet**  
**Notes to Required Supplementary Information**

**Post Employment Health Care Plan (Continued)**

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was changed to 3.31% to be reflective of the 20-year AA municipal bond rates.

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**SUPPLEMENTARY INFORMATION**

**City of Cloquet  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2024**

	Special Revenue			
	Cable Television Fund (614)	Economic Development Authority (201/202)	Economic Development Loans Fund (203/207)	Economic Development Authority SCDP Loan Fund (206)
<b>Assets</b>				
Cash and investments	\$ -	\$ 567,120	\$ 314,819	\$ 23,485
Taxes receivable - delinquent	-	-	-	-
Special assessment receivable				
Deferred	-	-	-	-
Accounts receivable	16,053	-	-	-
Interest receivable	-	800	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Loan receivable	-	1,235,283	159,688	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 16,053</u>	<u>\$ 1,803,203</u>	<u>\$ 474,507</u>	<u>\$ 23,485</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ 311	\$ -	\$ 25,192
Due to other funds	50,475	-	-	-
Due to other governments	-	46	-	-
Salaries and benefits payable	-	-	-	-
Unearned revenue	-	-	-	2,179
Total liabilities	<u>50,475</u>	<u>357</u>	<u>-</u>	<u>27,371</u>
<b>Deferred Inflow of Resources</b>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	-	1,802,846	474,507	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(34,422)	-	-	(3,886)
Total fund balances	<u>(34,422)</u>	<u>1,802,846</u>	<u>474,507</u>	<u>(3,886)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,053</u>	<u>\$ 1,803,203</u>	<u>\$ 474,507</u>	<u>\$ 23,485</u>

Special Revenue					Debt Service
Library Fund (211)	Tax Increment Financing Trails Edge Fund (215)	Tax Increment Financing 14th Street Apartments Fund (221)	Tax Increment Financing Patio Homes Fund (223)	Landfill Host Fee Fund (260)	Swimming Pond Bonds Fund (370)
\$ 600	\$ 25,502	\$ 38,572	\$ 16,405	\$ 469,635	\$ 103,379
17,577	-	-	-	-	2,582
-	-	-	-	-	-
-	-	-	-	4,032	-
-	-	-	-	1,000	-
200,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,046	-	-	-	-	-
<u>\$ 219,223</u>	<u>\$ 25,502</u>	<u>\$ 38,572</u>	<u>\$ 16,405</u>	<u>\$ 474,667</u>	<u>\$ 105,961</u>
\$ 6,580	\$ -	\$ -	\$ 26	\$ -	\$ -
45,054	-	-	-	-	-
424	-	-	-	-	-
16,589	-	-	-	-	-
-	-	-	-	-	-
<u>68,647</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>
12,812	-	-	-	-	1,892
-	-	-	-	-	-
<u>12,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892</u>
1,046	-	-	-	-	-
-	25,502	38,572	16,379	474,667	104,069
136,718	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>137,764</u>	<u>25,502</u>	<u>38,572</u>	<u>16,379</u>	<u>474,667</u>	<u>104,069</u>
<u>\$ 219,223</u>	<u>\$ 25,502</u>	<u>\$ 38,572</u>	<u>\$ 16,405</u>	<u>\$ 474,667</u>	<u>\$ 105,961</u>

**City of Cloquet  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2024**

	Debt Service	Capital Projects		
	Facilities Bonds Fund (374)	Permanent Improvement Capital Projects Fund (225)	Capital Reserve (231)	City Sales Tax Projects Fund (405)
<b>Assets</b>				
Cash and investments	\$ 106,606	\$ 244,377	\$ 146,485	\$ 2,453,459
Taxes receivable - delinquent	2,881	-	9,322	-
Special assessment receivable				
Deferred	-	139,320	-	-
Accounts receivable	-	-	-	720
Interest receivable	-	-	400	-
Due from other funds	-	-	-	-
Due from other governments	-	346	96,213	206,187
Loan receivable	-	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 109,487</u>	<u>\$ 384,043</u>	<u>\$ 252,420</u>	<u>\$ 2,660,366</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ 6,570	\$ 56,328	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	759,953
Salaries and benefits payable	-	-	-	-
Unearned revenue	-	1,556	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>8,126</u>	<u>56,328</u>	<u>759,953</u>
<b>Deferred Inflow of Resources</b>				
Unavailable revenue - property taxes	2,106	-	6,830	-
Unavailable revenue - special assessments	-	139,320	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>2,106</u>	<u>139,320</u>	<u>6,830</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted	107,381	-	186,207	1,900,413
Committed	-	-	3,055	-
Assigned	-	236,597	-	-
Unassigned	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>107,381</u>	<u>236,597</u>	<u>189,262</u>	<u>1,900,413</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 109,487</u>	<u>\$ 384,043</u>	<u>\$ 252,420</u>	<u>\$ 2,660,366</u>

Capital  
Projects

<u>City Sales Tax Pine Valley (406)</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,224,107	\$ 6,734,551
-	32,362
-	139,320
-	20,805
-	2,200
-	200,000
206,187	508,933
-	1,394,971
-	1,046
<u>\$ 2,430,294</u>	<u>\$ 9,034,188</u>
\$ 510,101	\$ 605,108
-	95,529
-	760,423
-	16,589
-	3,735
<u>510,101</u>	<u>1,481,384</u>
-	23,640
-	139,320
-	162,960
-	1,046
1,920,193	7,050,736
-	139,773
-	236,597
-	(38,308)
<u>1,920,193</u>	<u>7,389,844</u>
<u>\$ 2,430,294</u>	<u>\$ 9,034,188</u>

**City of Cloquet**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2025**

	Special Revenue			
	Cable Television Fund (614)	Economic Development Authority (201/202)	Economic Development Loans Fund (203/207)	Economic Development Authority SCDP Loan Fund (206)
<b>Revenues</b>				
General property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	28,473	-
Charges for services	68,006	-	-	-
Miscellaneous				
Investment income	-	10,900	-	-
Contributions and donations	-	-	-	-
Other	-	39,090	975	8,572
Total revenues	<u>68,006</u>	<u>49,990</u>	<u>29,448</u>	<u>8,572</u>
<b>Expenditures</b>				
Current				
Public Works	-	-	-	-
Culture and recreation	97,369	-	-	-
Community and economic development	-	26,945	56,040	19,073
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>97,369</u>	<u>26,945</u>	<u>56,040</u>	<u>19,073</u>
Excess of revenues over (under) expenditures	(29,363)	23,045	(26,592)	(10,501)
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
Transfers out	(15,000)	-	-	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(44,363)	23,045	(26,592)	(10,501)
<b>Fund Balances</b>				
Beginning of year	<u>9,941</u>	<u>1,779,801</u>	<u>501,099</u>	<u>6,615</u>
End of year	<u>\$ (34,422)</u>	<u>\$ 1,802,846</u>	<u>\$ 474,507</u>	<u>\$ (3,886)</u>

Special Revenue

Library Fund (211)	Tax Increment Financing Trails Edge Fund (215)	Tax Increment Financing 14th Street Apartments Fund (221)	Tax Increment Financing Oak Street Apartments Fund (222)	Tax Increment Financing Patio Homes Fund (223)	Landfill Host Fee Fund (260)
\$ 631,685	\$ -	\$ -	\$ -	\$ -	\$ -
-	51,005	77,144	-	52,706	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,397	-	-	-	-	-
-	-	-	-	-	14,701
5,964	-	-	-	-	-
-	-	-	-	-	130,395
<u>657,046</u>	<u>51,005</u>	<u>77,144</u>	<u>-</u>	<u>52,706</u>	<u>145,096</u>
-	-	-	-	-	8,300
828,796	-	-	-	-	-
-	65,529	68,443	26,267	50,702	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>828,796</u>	<u>65,529</u>	<u>68,443</u>	<u>26,267</u>	<u>50,702</u>	<u>8,300</u>
(171,750)	(14,524)	8,701	(26,267)	2,004	136,796
200,000	-	-	-	-	-
-	(7,281)	(7,605)	(2,805)	(5,634)	(32,599)
<u>200,000</u>	<u>(7,281)</u>	<u>(7,605)</u>	<u>(2,805)</u>	<u>(5,634)</u>	<u>(32,599)</u>
28,250	(21,805)	1,096	(29,072)	(3,630)	104,197
<u>109,514</u>	<u>47,307</u>	<u>37,476</u>	<u>29,072</u>	<u>20,009</u>	<u>370,470</u>
<u>\$ 137,764</u>	<u>\$ 25,502</u>	<u>\$ 38,572</u>	<u>\$ -</u>	<u>\$ 16,379</u>	<u>\$ 474,667</u>

**City of Cloquet**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2025**

	Debt Service			Capital Projects
	Swimming Pond Bonds Fund (370)	City Sales Tax Bonds Funds (372)	Facilities Bonds Fund (374)	Permanent Improvement Capital Projects Fund (225)
<b>Revenues</b>				
General property taxes	\$ 83,562	\$ -	\$ 93,943	\$ 109
Tax increments	-	-	-	-
Sales taxes	-	-	-	-
Special assessments	-	-	-	75,134
Intergovernmental	-	-	-	22,005
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	-	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>83,562</u>	<u>-</u>	<u>93,943</u>	<u>97,248</u>
<b>Expenditures</b>				
<b>Current</b>				
Public Works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
<b>Debt service</b>				
Principal	90,000	385,000	65,000	-
Interest and other charges	11,888	159,765	28,365	-
<b>Capital outlay</b>				
Public safety	-	-	-	-
Public works	-	-	-	8,845
Culture and recreation	-	-	-	-
Total expenditures	<u>101,888</u>	<u>544,765</u>	<u>93,365</u>	<u>8,845</u>
Excess of revenues (under) expenditures	(18,326)	(544,765)	578	88,403
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	545,330	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>545,330</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,326)	565	578	88,403
<b>Fund Balances</b>				
Beginning of year	<u>122,395</u>	<u>(565)</u>	<u>106,803</u>	<u>148,194</u>
End of year	<u>\$ 104,069</u>	<u>\$ -</u>	<u>\$ 107,381</u>	<u>\$ 236,597</u>

Capital Projects

Capital Reserve (231)	City Sales Tax Projects Fund (405)	City Sales Tax Pine Valley (406)	Total Nonmajor Governmental Funds
\$ 310,513	\$ -	\$ -	\$ 1,119,812
-	-	-	180,855
-	1,308,877	1,300,037	2,608,914
-	-	-	75,134
104,857	-	-	155,335
-	-	-	87,403
4,450	-	-	30,051
-	-	-	5,964
9,449	-	-	188,481
<u>429,269</u>	<u>1,308,877</u>	<u>1,300,037</u>	<u>4,451,949</u>
-	-	-	8,300
-	-	-	926,165
-	-	-	312,999
-	-	-	540,000
-	-	-	200,018
55,639	-	-	55,639
490,519	823,630	-	1,322,994
132,459	-	1,407,966	1,540,425
<u>678,617</u>	<u>823,630</u>	<u>1,407,966</u>	<u>4,906,540</u>
(249,348)	485,247	(107,929)	(454,591)
109,500	-	-	854,830
-	(657,630)	-	(728,554)
<u>109,500</u>	<u>(657,630)</u>	<u>-</u>	<u>126,276</u>
(139,848)	(172,383)	(107,929)	(328,315)
<u>329,110</u>	<u>2,072,796</u>	<u>2,028,122</u>	<u>7,718,159</u>
<u>\$ 189,262</u>	<u>\$ 1,900,413</u>	<u>\$ 1,920,193</u>	<u>\$ 7,389,844</u>

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ 2,815,922	\$ 2,812,133	\$ (3,789)
Lodging taxes	55,000	76,464	21,464
Licenses and permits	173,150	200,544	27,394
Intergovernmental revenue			
Federal grants and aids	2,500	-	(2,500)
State grants and aids	4,106,642	4,196,478	89,836
Other local and county grants	1,800	1,800	-
Total intergovernmental revenue	<u>4,110,942</u>	<u>4,198,278</u>	<u>87,336</u>
Charges for services			
General government	82,000	106,577	24,577
Public safety	250,350	246,255	(4,095)
Public works	30,000	27,840	(2,160)
Park and recreation	107,000	120,497	13,497
Total charges for services	<u>469,350</u>	<u>501,169</u>	<u>31,819</u>
Fines and forfeitures	60,000	65,450	5,450
Miscellaneous revenues			
Investment income	200,000	251,859	51,859
Rent and lease revenues	353,000	397,768	44,768
Contributions and donations	20,000	1,228,713	1,208,713
Other	53,000	79,619	26,619
Total miscellaneous revenues	<u>626,000</u>	<u>1,957,959</u>	<u>1,331,959</u>
Total revenues	<u>8,310,364</u>	<u>9,811,997</u>	<u>1,501,633</u>
<b>Expenditures</b>			
General government			
Mayor and council			
Current	104,800	101,666	(3,134)
Administrative and finance			
Current	781,875	762,853	(19,022)
Capital outlay	5,000	5,400	400
Total administrative and finance	<u>786,875</u>	<u>768,253</u>	<u>(18,622)</u>
Other general government			
Current	657,325	813,564	156,239
Total general government	<u>1,549,000</u>	<u>1,683,483</u>	<u>134,483</u>
Public safety			
Police			
Current	4,288,250	4,023,191	(265,059)
Capital outlay	-	87,801	87,801
Total police	<u>4,288,250</u>	<u>4,110,992</u>	<u>(177,258)</u>

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Expenditures (Continued)</b>			
Public works			
Current			
Street maintenance and storm sewers	\$ 1,937,750	\$ 1,709,153	\$ (228,597)
Snow and ice removal	60,000	23,540	(36,460)
Street lighting	142,500	140,338	(2,162)
Total public works	2,140,250	1,873,031	(267,219)
Culture and recreation			
Current	1,076,600	965,439	(111,161)
Capital outlay	19,000	-	(19,000)
Total culture and recreation	1,095,600	965,439	(130,161)
Economic development			
Current	254,300	289,951	35,651
Total expenditures	9,327,400	8,922,896	(404,504)
Excess of revenues over (under) expenditures	(1,017,036)	889,101	1,906,137
<b>Other Financing Sources (Uses)</b>			
Insurance recoveries	2,000	-	(2,000)
Transfers in	1,170,050	1,190,924	20,874
Transfers out	(200,000)	(200,000)	-
Total other financing sources (uses)	972,050	990,924	18,874
Net change in fund balances	\$ (44,986)	1,880,025	\$ 1,925,011
<b>Fund Balances</b>			
Beginning of year		3,413,399	
End of year		\$ 5,293,424	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Revolving**  
**Capital Project Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Intergovernmental	\$ 2,376,565	\$ 1,833,438	\$ (543,127)
Total revenues	2,376,565	1,833,438	(543,127)
<b>Expenditures</b>			
Capital outlay			
Public works	2,981,526	2,940,131	(41,395)
Total expenditures	2,981,526	2,940,131	(41,395)
Excess of revenues over (under) expenditures	(604,961)	(1,106,693)	(501,732)
<b>Other Financing Sources</b>			
Transfers in	604,961	517,724	(87,237)
Net change in fund balances	\$ -	(588,969)	\$ (588,969)
<b>Fund Balances</b>			
Beginning of year		(173,738)	
End of year		\$ (762,707)	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Cable Television**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Franchise Fees	\$ 103,000	\$ 68,006	\$ (34,994)
Total revenues	<u>103,000</u>	<u>68,006</u>	<u>(34,994)</u>
<b>Expenditures</b>			
Current			
Culture and recreation	92,500	97,369	4,869
Total expenditures	<u>92,500</u>	<u>97,369</u>	<u>4,869</u>
Excess of revenues over (under) expenditures	10,500	(29,363)	(39,863)
<b>Other Financing Uses</b>			
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (4,500)</u>	<u>(44,363)</u>	<u>\$ (39,863)</u>
<b>Fund Balances</b>			
Beginning of year		<u>9,941</u>	
End of year		<u>\$ (34,422)</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Economic Development Authority**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
<b>Revenues</b>			
Miscellaneous			
Investment income	\$ 10,000	\$ 10,900	\$ 900
Other	<u>12,100</u>	<u>39,090</u>	<u>26,990</u>
Total revenues	<u>22,100</u>	<u>49,990</u>	<u>27,890</u>
<b>Expenditures</b>			
Current			
Economic development	<u>12,200</u>	<u>26,945</u>	<u>14,745</u>
Total expenditures	<u>12,200</u>	<u>26,945</u>	<u>14,745</u>
Net change in fund balances	<u>\$ 9,900</u>	23,045	<u>\$ 13,145</u>
<b>Fund Balances</b>			
Beginning of year		<u>1,779,801</u>	
End of year		<u>\$ 1,802,846</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Economic Development Loans**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
<b>Revenues</b>			
Intergovernmental	\$ 28,473	\$ 28,473	\$ -
Miscellaneous			
Other	11,550	975	(10,575)
Total revenues	<u>40,023</u>	<u>29,448</u>	<u>(10,575)</u>
<b>Expenditures</b>			
Current			
Economic development	2,000	56,040	54,040
Total expenditures	<u>2,000</u>	<u>56,040</u>	<u>54,040</u>
Net change in fund balances	<u>\$ 38,023</u>	(26,592)	<u>\$ (64,615)</u>
<b>Fund Balances</b>			
Beginning of year		<u>501,099</u>	
End of year		<u>\$ 474,507</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Library**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ 634,000	\$ 631,685	\$ (2,315)
Charges for services	15,000	19,397	4,397
Miscellaneous			
Contributions and donations	5,500	5,964	464
Other	1,500	-	(1,500)
Total revenues	656,000	657,046	1,046
<b>Expenditures</b>			
Current			
Culture and recreation	855,250	828,796	(26,454)
Total expenditures	855,250	828,796	(26,454)
Excess of revenues over (under) expenditures	(199,250)	(171,750)	27,500
<b>Other Financing Sources</b>			
Transfers in	200,000	200,000	-
Net change in fund balances	\$ 750	28,250	\$ 27,500
<b>Fund Balances</b>			
Beginning of year		109,514	
End of year		\$ 137,764	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Tax Increment Financing Trails Edge**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Tax increments	\$ 33,500	\$ 51,005	\$ 17,505
Total revenues	33,500	51,005	17,505
<b>Expenditures</b>			
Current			
Economic development	30,150	65,529	35,379
Total expenditures	30,150	65,529	35,379
Excess of revenues over (under) expenditures	3,350	(14,524)	(17,874)
<b>Other Financing Uses</b>			
Transfers out	(3,350)	(7,281)	(3,931)
Net change in fund balances	\$ -	(21,805)	\$ (21,805)
<b>Fund Balances</b>			
Beginning of year		47,307	
End of year		\$ 25,502	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Tax Increment Financing 14th Street Apartments**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Tax increments	\$ 58,300	\$ 77,144	\$ 18,844
Total revenues	58,300	77,144	18,844
<b>Expenditures</b>			
Current			
Economic development	52,100	68,443	16,343
Total expenditures	52,100	68,443	16,343
Excess of revenues over (under) expenditures	6,200	8,701	2,501
<b>Other Financing Uses</b>			
Transfers out	(6,200)	(7,605)	(1,405)
Net change in fund balances	\$ -	1,096	\$ 1,096
<b>Fund Balances</b>			
Beginning of year		37,476	
End of year		\$ 38,572	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Tax Increment Financing Oak Street Apartments**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Tax increments	\$ 55,000	\$ -	\$ (55,000)
Total revenues	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
<b>Expenditures</b>			
Current			
Economic development	50,000	26,267	(23,733)
Total expenditures	<u>50,000</u>	<u>26,267</u>	<u>(23,733)</u>
Excess of revenues over (under) expenditures	5,000	(26,267)	(31,267)
<b>Other Financing Uses</b>			
Transfers out	<u>(5,000)</u>	<u>(2,805)</u>	<u>2,195</u>
Net change in fund balances	<u>\$ -</u>	<u>(29,072)</u>	<u>\$ (29,072)</u>
<b>Fund Balances</b>			
Beginning of year		<u>29,072</u>	
End of year		<u>\$ -</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Tax Increment Financing Patio Homes**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Tax increments	\$ 55,000	\$ 52,706	\$ (2,294)
Total revenues	55,000	52,706	(2,294)
<b>Expenditures</b>			
Current			
Economic development	49,500	50,702	1,202
Total expenditures	49,500	50,702	1,202
Excess of revenues over (under) expenditures	5,500	2,004	(3,496)
<b>Other Financing Uses</b>			
Transfers out	(5,500)	(5,634)	(134)
Net change in fund balances	\$ -	(3,630)	\$ (3,630)
<b>Fund Balances</b>			
Beginning of year		20,009	
End of year		\$ 16,379	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Landfill Host Fee**  
**Special Revenue Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Miscellaneous			
Investment income	\$ 5,000	\$ 14,701	\$ 9,701
Other	100,000	130,395	30,395
Total revenues	105,000	145,096	40,096
<b>Expenditures</b>			
Current			
Public works	-	8,300	8,300
Total expenditures	-	8,300	8,300
Excess of revenues over (under) expenditures	105,000	136,796	31,796
<b>Other Financing Uses</b>			
Transfers out	(25,000)	(32,599)	(7,599)
Net change in fund balances	\$ 80,000	104,197	\$ 24,197
<b>Fund Balances</b>			
Beginning of year		370,470	
End of year		\$ 474,667	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Swimming Pond Bonds**  
**Debt Service Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ 83,500	\$ 83,562	\$ 62
Total revenues	<u>83,500</u>	<u>83,562</u>	<u>62</u>
<b>Expenditures</b>			
Debt service			
Principal	90,000	90,000	-
Interest and other charges	11,950	11,888	(62)
Total expenditures	<u>101,950</u>	<u>101,888</u>	<u>(62)</u>
Net change in fund balances	<u>\$ (18,450)</u>	(18,326)	<u>\$ 124</u>
<b>Fund Balances</b>			
Beginning of year		<u>122,395</u>	
End of year		<u>\$ 104,069</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - City Sales Tax Bonds**  
**Debt Service Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Expenditures</b>			
Debt service			
Principal	\$ 385,000	\$ 385,000	\$ -
Interest and other charges	159,000	159,765	765
Total expenditures	<u>544,000</u>	<u>544,765</u>	<u>765</u>
Excess of revenues over (under) expenditures	(544,000)	(544,765)	(765)
<b>Other Financing Sources</b>			
Transfers in	<u>544,000</u>	<u>545,330</u>	<u>1,330</u>
Net change in fund balances	<u>\$ -</u>	565	<u>\$ 565</u>
<b>Fund Balances</b>			
Beginning of year		<u>(565)</u>	
End of year		<u>\$ -</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Facilities Bonds**  
**Debt Service Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
	<u>Final</u>	<u>Amounts</u>	<u>(Under)</u>
<b>Revenues</b>			
General property taxes	\$ 94,000	\$ 93,943	\$ (57)
Total revenues	<u>94,000</u>	<u>93,943</u>	<u>(57)</u>
<b>Expenditures</b>			
Debt service			
Principal	65,000	65,000	-
Interest and other charges	28,300	28,365	65
Total expenditures	<u>93,300</u>	<u>93,365</u>	<u>65</u>
Net change in fund balances	<u>\$ 700</u>	578	<u>\$ (122)</u>
<b>Fund Balances</b>			
Beginning of year		<u>106,803</u>	
End of year		<u>\$ 107,381</u>	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Permanent Improvement**  
**Capital Project Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ -	\$ 109	\$ 109
Special assessments	100,000	75,134	(24,866)
Intergovernmental	46,745	22,005	(24,740)
Total revenues	146,745	97,248	(49,497)
<b>Expenditures</b>			
Capital outlay			
Public works	6,500	8,845	2,345
Total expenditures	6,500	8,845	2,345
Net change in fund balances	\$ 140,245	88,403	\$ (51,842)
<b>Fund Balances</b>			
Beginning of year		148,194	
End of year		\$ 236,597	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - Capital Reserve**  
**Capital Project Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
General property taxes	\$ 310,500	\$ 310,513	\$ 13
Intergovernmental	100,000	104,857	4,857
Miscellaneous			
Investment income	10,000	4,450	(5,550)
Other	25,000	9,449	(15,551)
Total revenues	445,500	429,269	(16,231)
<b>Expenditures</b>			
Capital outlay			
Public safety	55,000	55,639	639
Public works	440,000	490,519	50,519
Culture and recreation	115,000	132,459	17,459
Total expenditures	610,000	678,617	68,617
Excess of revenues over (under) expenditures	(164,500)	(249,348)	(84,848)
<b>Other Financing Sources</b>			
Transfers in	109,500	109,500	-
Net change in fund balances	\$ (55,000)	(139,848)	\$ (84,848)
<b>Fund Balances</b>			
Beginning of year		329,110	
End of year		\$ 189,262	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - City Sales Tax Projects**  
**Capital Project Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Sales taxes	\$ 1,015,000	\$ 1,308,877	\$ 293,877
Total revenues	1,015,000	1,308,877	293,877
<b>Expenditures</b>			
Capital outlay			
Public works	-	823,630	823,630
Total expenditures	-	823,630	823,630
Excess of revenues over (under) expenditures	1,015,000	485,247	(529,753)
<b>Other Financing Uses</b>			
Transfers out	(659,800)	(657,630)	2,170
Net change in fund balances	\$ 355,200	(172,383)	\$ (527,583)
<b>Fund Balances</b>			
Beginning of year		2,072,796	
End of year		\$ 1,900,413	

**City of Cloquet**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - City Sales Tax Pine Valley**  
**Capital Project Fund**  
**Year Ended December 31, 2025**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Budget - Over (Under)
<b>Revenues</b>			
Sales taxes	\$ 1,000,000	\$ 1,300,037	\$ 300,037
Total revenues	<u>1,000,000</u>	<u>1,300,037</u>	<u>300,037</u>
<b>Expenditures</b>			
Capital outlay			
Culture and recreation	-	1,407,966	1,407,966
Total expenditures	<u>-</u>	<u>1,407,966</u>	<u>1,407,966</u>
Net change in fund balances	<u>\$ 1,000,000</u>	(107,929)	<u>\$ (1,107,929)</u>
<b>Fund Balances</b>			
Beginning of year		<u>2,028,122</u>	
End of year		<u>\$ 1,920,193</u>	

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## STATISTICAL SECTION

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**City of Cloquet  
Statistical Section  
December 31, 2025**

This part of the City of Cloquet's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property tax and utility revenues.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information**

These schedules contain information about the City's operations and resources to help The reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**City of Cloquet**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year			
	2016	2017	2018	2019
<b>Governmental activities</b>				
Net Investment in capital assets	\$ 27,824,009	\$ 27,023,844	\$ 31,464,161	\$ 32,355,367
Restricted	3,124,542	2,789,684	4,176,426	4,770,270
Unrestricted	5,349,558	5,672,355	1,525,368	(509,094)
<b>Total governmental activities</b>	<b>\$ 36,298,109</b>	<b>\$ 35,485,883</b>	<b>\$ 37,165,955</b>	<b>\$ 36,616,543</b>
<b>Business-type activities</b>				
Net Investment in capital assets	\$ 21,345,474	\$ 21,078,008	\$ 21,516,545	\$ 23,707,776
Restricted	429,990	429,990	429,990	-
Unrestricted	4,691,425	5,052,289	4,972,227	3,923,623
<b>Total business-type activities</b>	<b>\$ 26,466,889</b>	<b>\$ 26,560,287</b>	<b>\$ 26,918,762</b>	<b>\$ 27,631,399</b>
<b>Governmental and business-type activities</b>				
Net Investment in capital assets	\$ 49,169,483	\$ 48,101,852	\$ 52,980,706	\$ 56,063,143
Restricted	3,554,532	3,219,674	4,606,416	4,770,270
Unrestricted	10,040,983	10,724,644	6,497,595	3,414,529
<b>Total governmental and business-type activities</b>	<b>\$ 62,764,998</b>	<b>\$ 62,046,170</b>	<b>\$ 64,084,717</b>	<b>\$ 64,247,942</b>

Table 1

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 34,075,035	\$ 34,676,643	\$ 37,025,229	\$ 36,511,316	\$ 37,648,554	\$ 40,000,411
3,975,202	1,718,256	1,248,917	4,943,712	8,353,696	8,675,934
(2,759,644)	60,085	(221,609)	(2,964,234)	(4,245,462)	(2,884,144)
<u>\$ 35,290,593</u>	<u>\$ 36,454,984</u>	<u>\$ 38,052,537</u>	<u>\$ 38,490,794</u>	<u>\$ 41,756,788</u>	<u>\$ 45,792,201</u>
\$ 21,931,309	\$ 22,483,009	\$ 20,005,358	\$ 21,433,675	\$ 21,187,446	\$ 23,092,405
-	-	-	-	-	-
6,519,128	7,155,717	7,889,135	7,799,802	7,899,534	7,802,713
<u>\$ 28,450,437</u>	<u>\$ 29,638,726</u>	<u>\$ 27,894,493</u>	<u>\$ 29,233,477</u>	<u>\$ 29,086,980</u>	<u>\$ 30,895,118</u>
\$ 56,006,344	\$ 57,159,652	\$ 57,030,587	\$ 57,944,991	\$ 58,836,000	\$ 63,092,816
3,975,202	1,718,256	1,248,917	4,943,712	8,353,696	8,675,934
3,759,484	7,215,802	7,667,526	4,835,568	3,654,072	4,918,569
<u>\$ 63,741,030</u>	<u>\$ 66,093,710</u>	<u>\$ 65,947,030</u>	<u>\$ 67,724,271</u>	<u>\$ 70,843,768</u>	<u>\$ 76,687,319</u>

**City of Cloquet**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2016	2017	2018	2019
<b>Expenses</b>				
Governmental activities				
General government	\$ 1,111,196	\$ 1,203,171	\$ 1,172,117	\$ 1,831,590
Police	3,483,894	3,243,468	3,169,456	3,263,611
Streets and highways	2,263,675	2,754,017	2,571,785	3,271,638
Library	607,576	628,436	649,832	657,314
Parks and recreation	995,915	960,761	1,097,586	1,062,260
Community development	394,584	894,136	340,807	288,624
Interest and fiscal charges	137,953	350,088	280,358	292,637
Total governmental activities expenses	<u>8,994,793</u>	<u>10,034,077</u>	<u>9,281,941</u>	<u>10,667,674</u>
Business-type activities				
Water	3,730,660	3,759,225	3,794,048	3,578,691
Sewer	1,531,383	1,567,583	1,547,914	1,611,548
Stormwater	190,953	208,779	220,599	(8,892)
Total business-type activities	<u>5,452,996</u>	<u>5,535,587</u>	<u>5,562,561</u>	<u>5,181,347</u>
Total expenses	<u>14,447,789</u>	<u>15,569,664</u>	<u>14,844,502</u>	<u>15,849,021</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
License and permits	127,211	140,621	172,538	185,869
Fines	57,323	70,795	57,014	54,257
Other activities	560,804	676,593	744,383	940,229
Operating grants and contributions	449,296	881,587	402,322	466,770
Capital grants and contributions	3,345,280	182,792	2,189,374	826,623
Total governmental activities program revenues	<u>4,539,914</u>	<u>1,952,388</u>	<u>3,565,631</u>	<u>2,473,748</u>
Business-type activities				
Charges for services				
Water	3,716,382	3,970,634	4,226,148	3,892,987
Sewer	1,518,232	1,534,562	1,578,499	1,753,996
Stormwater	330,660	331,882	332,893	333,489
Operating grants and contributions	-	-	-	-
Capital grants and contributions	183,070	160,559	17,896	186,368
Total business-type activities program revenues	<u>5,748,344</u>	<u>5,997,637</u>	<u>6,155,436</u>	<u>6,166,840</u>
Total program revenues	<u>10,288,258</u>	<u>7,950,025</u>	<u>9,721,067</u>	<u>8,640,588</u>

Table 2

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 1,602,102	\$ 937,319	\$ 2,081,367	\$ 2,131,046	\$ 1,641,605	\$ 1,605,702
6,306,766	3,511,687	3,286,655	4,060,221	4,687,266	4,283,349
2,714,912	2,899,485	3,382,831	3,084,062	3,143,384	3,007,598
806,482	684,484	690,919	715,794	766,504	828,783
1,130,393	1,353,387	1,841,416	1,698,288	1,630,015	1,641,750
439,592	457,542	495,240	530,424	828,441	589,712
256,400	244,254	231,004	207,087	209,476	185,908
<u>13,256,647</u>	<u>10,088,158</u>	<u>12,009,432</u>	<u>12,426,922</u>	<u>12,906,691</u>	<u>12,142,802</u>
3,279,390	3,784,999	5,079,021	4,409,922	5,130,936	5,722,378
1,517,102	1,452,967	1,708,380	1,554,400	1,604,306	1,705,091
86,412	85,876	151,179	141,529	122,435	122,279
<u>4,882,904</u>	<u>5,323,842</u>	<u>6,938,580</u>	<u>6,105,851</u>	<u>6,857,677</u>	<u>7,549,748</u>
<u>18,139,551</u>	<u>15,412,000</u>	<u>18,948,012</u>	<u>18,532,773</u>	<u>19,764,368</u>	<u>19,692,550</u>
147,587	165,773	140,298	131,222	136,221	200,544
38,664	62,136	65,304	78,426	60,479	65,450
756,016	1,177,602	1,150,693	1,177,212	1,279,919	1,214,320
1,498,505	999,115	1,442,654	490,440	595,278	585,532
1,111,110	118,734	62,741	51,302	1,379,740	3,684,526
<u>3,551,882</u>	<u>2,523,360</u>	<u>2,861,690</u>	<u>1,928,602</u>	<u>3,451,637</u>	<u>5,750,372</u>
4,443,352	5,089,839	4,727,719	4,994,061	5,295,152	5,890,868
1,772,549	1,904,739	1,970,603	2,260,510	2,328,089	2,132,124
327,826	330,072	331,113	333,010	333,549	333,619
-	-	-	-	-	395,857
136,815	310,367	23,064	507,030	55,876	272,949
<u>6,680,542</u>	<u>7,635,017</u>	<u>7,052,499</u>	<u>8,094,611</u>	<u>8,012,666</u>	<u>9,025,417</u>
<u>10,232,424</u>	<u>10,158,377</u>	<u>9,914,189</u>	<u>10,023,213</u>	<u>11,464,303</u>	<u>14,775,789</u>

**City of Cloquet**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2016	2017	2018	2019
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (4,454,879)	\$ (8,081,689)	\$ (5,716,310)	\$ (8,193,926)
Business-type activities	295,348	462,050	592,875	985,493
<b>Total net (expense)/revenue</b>	<b>(4,159,531)</b>	<b>(7,619,639)</b>	<b>(5,123,435)</b>	<b>(7,208,433)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Property taxes	2,693,374	2,969,533	2,991,994	3,003,189
City sales taxes	921,240	973,817	939,760	1,032,686
Tax increments	93,896	54,509	54,784	61,593
Other taxes	165,725	101,652	103,800	101,778
State and local aids	2,535,182	2,553,360	2,686,197	2,706,229
Investment income	63,372	136,912	185,814	309,320
Other	37,555	45,028	28,559	23,063
Transfers	277,500	434,652	326,500	406,656
<b>Total governmental activities</b>	<b>6,787,844</b>	<b>7,269,463</b>	<b>7,317,408</b>	<b>7,644,514</b>
Business-type activities				
Property taxes	28,441	-	-	-
Investment income	17,100	66,000	92,100	133,800
Other	-	-	-	-
Transfers	(277,500)	(434,652)	(326,500)	(406,656)
<b>Total business-type activities</b>	<b>(231,959)</b>	<b>(368,652)</b>	<b>(234,400)</b>	<b>(272,856)</b>
<b>Total general revenues and other changes in Net Position</b>	<b>6,555,885</b>	<b>6,900,811</b>	<b>7,083,008</b>	<b>7,371,658</b>
<b>Change in Net Position</b>				
Governmental activities	2,332,965	(812,226)	1,601,098	(549,412)
Business-type activities	63,389	93,398	358,475	712,637
<b>Total change in net position</b>	<b>\$ 2,396,354</b>	<b>\$ (718,828)</b>	<b>\$ 1,959,573</b>	<b>\$ 163,225</b>

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. disabilitants.

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

Table 2 (Continued)

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ (9,704,765)	\$ (7,564,798)	\$ (9,147,742)	\$ (10,498,320)	\$ (9,455,054)	\$ (6,392,430)
1,797,638	2,311,175	113,919	1,988,760	1,154,989	1,475,669
(7,907,127)	(5,253,623)	(9,033,823)	(8,509,560)	(8,300,065)	(4,916,761)
2,893,209	3,236,288	3,114,041	3,571,038	3,526,563	3,943,824
1,097,795	1,149,620	1,287,679	2,139,630	2,726,899	2,685,378
168,855	147,318	165,046	161,470	230,189	180,855
148,433	161,203	168,269	-	-	-
2,893,667	2,827,674	3,834,628	3,720,698	3,400,135	3,407,233
98,124	3,084	36,399	203,114	282,647	301,211
33,732	62,002	141,287	142,485	-	2,103
1,045,000	1,142,000	1,997,946	998,142	1,570,786	(92,761)
8,378,815	8,729,189	10,745,295	10,936,577	11,737,219	10,427,843
-	-	-	-	-	-
66,400	7,300	37,650	287,250	269,300	239,708
-	11,814	102,144	61,116	-	-
(1,045,000)	(1,142,000)	(1,997,946)	(998,142)	(1,570,786)	92,761
(978,600)	(1,122,886)	(1,858,152)	(649,776)	(1,301,486)	332,469
7,400,215	7,606,303	8,887,143	10,286,801	10,435,733	10,760,312
(1,325,950)	1,164,391	1,597,553	438,257	2,282,165	4,035,413
819,038	1,188,289	(1,744,233)	1,338,984	(146,497)	1,808,138
\$ (506,912)	\$ 2,352,680	\$ (146,680)	\$ 1,777,241	\$ 2,135,668	\$ 5,843,551

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

	Fiscal Year			
	2016	2017	2018	2019
<b>General Fund</b>				
Nonspendable	\$ 214,298	\$ 263,436	\$ 383,936	\$ 373,229
Restricted	10,550	14,428	852	34,448
Committed	1,981,800	1,997,500	2,092,250	2,404,475
Unassigned	1,757,575 <sup>1</sup>	1,712,002	1,477,220	146,499
Subtotal General Fund	<u>3,964,223</u>	<u>3,987,366</u>	<u>3,954,258</u>	<u>2,958,651</u>
General Fund Percentage Change	-8.9%	0.6%	-0.8%	-25.2%
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	4,265,890	10,489,441	6,773,823	6,928,465
Committed	4,419,774	3,732,792	1,647,712	334,753
Assigned	261,324	269,162	173,811	101,570
Unassigned	-	-	(712,698)	(677,169)
Subtotal All Other Governmental Funds	<u>8,946,988</u>	<u>14,491,395</u>	<u>7,882,648</u>	<u>6,687,619</u>
All Other Governmental Funds Percentage Change	5.4%	62.0%	-45.6%	-15.2%
<b>Total Governmental Funds</b>				
Nonspendable	\$ 214,298	\$ 263,436	\$ 383,936	\$ 373,229
Restricted	4,276,440 <sup>2</sup>	10,503,869	6,774,675	6,962,913
Committed	6,401,574 <sup>3</sup>	5,730,292	3,739,962	2,739,228
Assigned	261,324	269,162	173,811	101,570
Unassigned	1,757,575	1,712,002	764,522	(530,670)
Total Governmental Funds	<u>\$ 12,911,211</u>	<u>\$ 18,478,761</u>	<u>\$ 11,836,906</u>	<u>\$ 9,646,270</u>
Percentage Change	0.5%	43.1%	-35.9%	-18.5%

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.

Table 3

Fiscal Year						
2020	2021	2022	2023	2024	2025	
\$ 239,311	\$ 387,414	\$ 361,723	\$ 323,020	\$ 320,206	\$ 535,520	
20,776	23,367	22,153	27,646	15,251	540,691	
2,479,325	2,479,325	2,592,500	2,731,695	2,904,187	3,111,282	
1,100,481	1,043,491	1,012,759	383,555	173,755	1,105,931	
<u>3,839,893</u>	<u>3,933,597</u>	<u>3,989,135</u>	<u>3,465,916</u>	<u>3,413,399</u>	<u>5,293,424</u>	
29.8%	2.4%	1.4%	-13.1%	-1.5%	55.1%	
\$ 4,862	\$ 1,445	\$ -	\$ -	\$ -	\$ 1,046	
4,032,265	3,768,776	3,480,315	5,006,449	7,365,800	7,050,736	
427,720	546,485	609,874	727,220	204,730	139,773	
38,118	-	-	-	148,194	236,597	
(509,487)	(27,609)	31,445	105,889	(174,303)	(801,015)	
<u>3,993,478</u>	<u>4,289,097</u>	<u>4,121,634</u>	<u>5,839,558</u>	<u>7,544,421</u>	<u>6,627,137</u>	
-40.3%	7.4%	-3.9%	41.7%	29.2%	-12.2%	
\$ 244,173	\$ 388,859	\$ 361,723	\$ 323,020	\$ 320,206	\$ 536,566	
4,053,041	3,792,143	3,502,468	5,034,095	7,381,051	7,591,427	
2,907,045	3,025,810	3,202,374	3,458,915	3,108,917	3,251,055	
38,118	-	-	-	148,194	236,597	
590,994	1,015,882	1,044,204	489,444	(548)	304,916	
<u>\$ 7,833,371</u>	<u>\$ 8,222,694</u>	<u>\$ 8,110,769</u>	<u>\$ 9,305,474</u>	<u>\$ 10,957,820</u>	<u>\$ 11,920,561</u>	
-18.8%	5.0%	-1.4%	14.7%	17.8%	8.8%	

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

	Fiscal Year			
	2016	2017	2018	2019
<b>Revenues</b>				
Taxes	\$ 3,965,373	\$ 4,204,034	\$ 4,169,460	\$ 4,316,255
Special Assessments	127,055	97,181	79,204	69,693
License and Permits	127,211	140,621	172,538	185,869
Intergovernmental	1 3,917,088	3,279,621	5,155,200	3,523,044
Charges for Services	364,045	389,807	462,419	453,308
Fines and Forfeits	57,323	70,795	57,014	54,257
Investment Income	60,072	130,012	179,514	298,720
Miscellaneous	2 2,381,413	400,223	350,833	776,997
<b>Total revenues</b>	<b>10,999,580</b>	<b>8,712,294</b>	<b>10,626,182</b>	<b>9,678,143</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	976,453	985,404	1,076,952	1,453,621
Public safety	2,538,840	2,804,183	3,066,519	3,083,383
Streets and highways	1,189,909	1,251,990	1,183,330	1,746,823
Culture and recreation	1,197,435	1,265,336	1,431,037	1,555,427
Community development	389,474	893,422	336,077	296,928
<b>Total Current</b>	<b>6,292,111</b>	<b>7,200,335</b>	<b>7,093,915</b>	<b>8,136,182</b>
Capital Outlay	5,615,725	4,426,674	8,427,054	4,642,065
<b>Debt Service</b>				
Principal	270,000	270,000	655,000	1,305,000
Interest	84,821	105,317	354,293	256,227
Fees	40,549	113,564	4,275	54,338
<b>Total Debt Service</b>	<b>395,370</b>	<b>488,881</b>	<b>1,013,568</b>	<b>1,615,565</b>
<b>Total expenditures</b>	<b>12,303,206</b>	<b>12,115,890</b>	<b>16,534,537</b>	<b>14,393,812</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,303,626)</b>	<b>(3,403,596)</b>	<b>(5,908,355)</b>	<b>(4,715,669)</b>

**Notes:**

- 1 - 2018 received more state grants for street construction.
- 2 - 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.

Table 4

		Fiscal Year									
		2020	2021	2022	2023	2024	2025				
\$	4,499,349	\$	4,605,092	\$	4,880,858	\$	5,867,890	\$	6,477,400	\$	6,798,178
	140,298		118,734		62,741		51,302		41,316		75,134
	147,587		165,773		140,298		132,222		136,221		200,544
	5,073,247		3,952,848		5,482,123		4,470,624		5,422,313		6,187,051
	334,782		715,126		735,976		715,175		547,074		588,572
	38,664		62,136		65,304		78,426		60,479		65,450
	89,124		3,084		36,399		203,114		259,347		281,910
	706,617		344,903		351,159		428,207		754,551		1,900,545
	<u>11,029,668</u>		<u>9,967,696</u>		<u>11,754,858</u>		<u>11,946,960</u>		<u>13,698,701</u>		<u>16,097,384</u>
	1,454,233		1,454,161		1,510,677		1,619,366		1,561,402		1,678,083
	3,108,687		3,414,158		3,714,369		3,900,039		3,911,683		4,023,191
	1,730,868		1,661,992		2,072,570		2,201,971		1,923,663		1,881,331
	1,343,429		1,629,970		1,709,379		1,913,650		1,791,885		1,891,604
	434,740		455,132		495,240		530,424		816,664		602,950
	<u>8,071,957</u>		<u>8,615,413</u>		<u>9,502,235</u>		<u>10,165,450</u>		<u>10,005,297</u>		<u>10,077,159</u>
	<u>5,138,743</u>		<u>1,368,485</u>		<u>3,598,571</u>		<u>829,342</u>		<u>2,858,168</u>		<u>5,952,390</u>
	420,000		480,000		520,903		526,062		546,946		540,000
	252,542		256,475		243,020		229,543		214,642		200,018
	4,325		-		-		-		-		-
	<u>676,867</u>		<u>736,475</u>		<u>763,923</u>		<u>755,605</u>		<u>761,588</u>		<u>740,018</u>
	<u>13,887,567</u>		<u>10,720,373</u>		<u>13,864,729</u>		<u>11,750,397</u>		<u>13,625,053</u>		<u>16,769,567</u>
	<u>(2,857,899)</u>		<u>(752,677)</u>		<u>(2,109,871)</u>		<u>196,563</u>		<u>73,648</u>		<u>(672,183)</u>

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

	Fiscal Year			
	2016	2017	2018	2019
<b>Other Financing Sources (Uses)</b>				
Disposal of capital assets	\$ -	\$ -	\$ -	\$ 834,571
Insurance recoveries	-	-	-	-
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	1,254,343	703,455	1,936,347	3,751,859
Transfers out	(976,843)	(268,803)	(1,634,847)	(3,561,397)
Total other financing sources (uses)	<u>1,372,500</u>	<u>8,971,146</u>	<u>(733,500)</u>	<u>2,525,033</u>
Net change in fund balances	<u>\$ 68,874</u>	<u>\$ 5,567,550</u>	<u>\$ (6,641,855)</u>	<u>\$ (2,190,636)</u>
 <b>Debt Service as a Percentage of Total Noncapital Expenditures</b>				
	5.3%	4.9%	12.4%	15.2%

Table 4 (Continued)

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	7,913	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,888,597	2,429,885	3,400,506	1,957,087	2,556,997	2,563,478
(843,597)	(1,287,885)	(1,402,560)	(958,945)	(986,211)	(928,554)
<u>1,045,000</u>	<u>1,142,000</u>	<u>1,997,946</u>	<u>998,142</u>	<u>1,578,699</u>	<u>1,634,924</u>
<u>\$ (1,812,899)</u>	<u>\$ 389,323</u>	<u>\$ (111,925)</u>	<u>\$ 1,194,705</u>	<u>\$ 1,652,347</u>	<u>\$ 962,741</u>
7.5%	7.7%	7.3%	6.8%	7.1%	6.7%

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

**Table 5**

Fiscal Year	Property Tax	City Sales Tax	Tax Increments	Franchise Fee/Tax	Lodging	Total
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
2024	3,368,283	2,726,899	230,189	76,486	75,543	6,477,400
2025	3,931,945	2,685,378	180,855	68,006	76,464	6,942,648
Percentage Change						
in Dollars Over						
10 Years	41.21%	191.50%	92.61%	-37.14%	32.90%	75.08%

Source: The City's general ledger.

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

Year	Agricultural	Residential Homestead	Commercial and Industrial	Public Utility	Railroad	Personal Property
2016	\$ 88,206	\$ 3,657,457	\$ 2,713,725	\$ 86,961	\$ 85,192	\$ 326,501
2017	89,202	3,819,058	2,692,541	88,241	109,904	318,046
2018	90,183	3,940,241	2,845,495	70,804	136,526	330,480
2019	95,901	4,340,000	2,746,342	82,529	105,702	312,083
2020	96,712	4,536,094	2,755,222	94,508	114,626	331,917
2021	101,951	4,776,021	2,744,729	96,705	122,560	184,981
2022	107,565	5,085,907	2,742,539	92,152	132,648	170,657
2023	137,050	6,898,106	2,854,648	91,644	147,660	209,785
2024	148,295	7,102,166	2,933,936	82,954	135,722	200,364
2025	152,497	7,130,020	2,961,382	147,050	136,470	212,043

**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.*

Table 6

Residential Non- Homestead	Commercial and Residential Seasonal	Other	Total Net Tax Capacity	Total Direct Tax Rate	Taxable Market Value	Change
\$ 1,080,667	\$ 17,295	\$ 2,933	\$ 8,058,937	40.313%	\$ 647,080,200	-0.5%
1,103,131	17,300	2,934	8,240,357	41.678%	665,458,437	2.8%
1,147,506	17,392	-	8,578,627	41.386%	687,459,951	3.3%
1,136,664	25,105	-	8,844,326	39.606%	724,051,599	5.3%
1,121,990	25,261	-	9,076,330	39.093%	744,938,352	2.9%
1,250,202	18,552	-	9,295,701	39.484%	772,912,804	3.8%
1,297,152	21,611	-	9,650,231	39.542%	808,489,267	4.6%
1,539,770	24,901	-	11,903,564	34.625%	1,025,191,762	26.8%
1,705,354	25,775	-	12,334,566	34.462%	1,063,010,589	3.7%
1,654,510	28,428	-	12,422,400	34.462%	1,075,380,960	1.2%

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**City of Cloquet**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

**Table 7**

Fiscal Year	City Direct Rate	Overlapping Rates - 1						Total Overlapping	Total Overlapping and Direct
		Carlton County	Cloquet School District	Cloquet School Referendum	Cloquet Area Fire District Fire	Cloquet Area Fire District Ambulance	ARDC		
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%
2024	34.462%	63.112%	33.933%	0.153%	16.283%	3.892%	0.142%	117.515%	151.977%
2025	38.098%	64.227%	36.020%	0.129%	16.940%	5.214%	0.132%	122.662%	160.760%

**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.

*Source: Carlton County Auditor's Office.*

**City of Cloquet  
Principal Property Taxpayers  
December 31, 2025 and December 31, 2016**

**Table 8**

Principal Taxpayer - 2025	Type of Property	Net Tax Capacity	Percentage of Total City Estimated Net Tax Capacity
SAPPI	Industrial	\$ 858,857	6.91%
Walmart	Commercial	180,122	1.45%
Fond Du Lac Band	Commercial	151,241	1.22%
Integrays Energy Group	Utility	145,342	1.17%
USG Interior	Industrial	127,462	1.03%
Miners, Inc.	Retail	118,806	0.96%
Minnesota Power	Utility	106,018	0.85%
Burlington Northern	Railroad	88,923	0.72%
Kuklis, James	Residential	87,913	0.71%
HADC Cloquet LLC	Apartment	85,539	0.69%
Total Principal Taxpayers		<u>1,950,223</u>	<u>15.70%</u>
All Other Taxpayers		<u>10,472,177</u>	<u>84.30%</u>
Total		<u><u>\$ 12,422,400</u></u>	<u><u>100.00%</u></u>

Principal Taxpayer - 2016	Type of Property	Estimated Market Value	Percentage of Total City Taxable Assessed Value
SAPPI	Manufacturing	\$ 48,338,700	7.47%
Minnesota Power	Utility	13,288,600	2.05%
Walmart	Retail	10,678,300	1.65%
USG Interiors	Manufacturing	6,061,500	0.94%
Integrays Energy Group	Utility	5,532,100	0.85%
Miners, Inc.	Retail	5,087,800	0.79%
HADC Cloquet, LLC	Apartment	4,925,300	0.76%
Om Aim, LLC	Commercial	2,810,700	0.43%
Burlington Northern	Railroad	2,692,000	0.42%
Menlow Realty Income Properties	Apartment	2,453,300	0.38%
Total Principal Taxpayers		<u>101,868,300</u>	<u>15.74%</u>
All Other Taxpayers		<u>545,211,900</u>	<u>84.26%</u>
Total		<u><u>\$ 647,080,200</u></u>	<u><u>100.00%</u></u>

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

Source: Carlton County Auditor's Office.

**City of Cloquet  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

**Table 9**

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
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%	31,810	2,950,584	99.36%
2018	3,037,000	3,036,648	2,972,884	97.90%	53,124	3,026,008	99.65%
2019	2,991,520	2,991,138	2,955,178	98.80%	38,508	2,993,686	100.09%
2020	3,043,000	3,042,529	3,014,181	99.07%	32,022	3,046,203	100.12%
2021	3,130,800	3,130,324	3,103,526	99.14%	26,481	3,130,007	99.99%
2022	3,240,200	3,239,843	3,216,195	99.27%	27,014	3,243,209	100.10%
2023	3,442,090	3,441,573	3,411,450	99.12%	16,168	3,427,618	99.59%
2024	3,540,200	3,539,687	3,490,165	98.60%	31,683	3,521,848	99.50%
2025	3,937,922	3,937,528	3,921,910	99.60%	-	3,921,910	99.60%

Note: Some years total collections exceed 100% of computed net levy due to penalties and interest on delinquents.'

Source: Carlton County "Tax Levy Status" report.

**City of Cloquet**  
**Water Revenues, Usage, and Rates**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2016	2017	2018	2019
<b>Water User Fees</b>				
Lake Superior Waterline	\$ 2,641,230	\$ 2,895,675	\$ 2,962,200	\$ 2,373,975
Residential	451,251	446,919	515,368	622,191
Commercial and Industrial	571,130	578,902	687,392	837,708
Other (connection/penalties/etc)	29,984	31,479	32,743	37,327
Total	<u>\$ 3,693,595</u>	<u>\$ 3,952,975</u>	<u>\$ 4,197,703</u>	<u>\$ 3,871,201</u>
<b>Water Usage (1,000 of gallons)</b>				
Lake Superior Waterline	3,739,800	3,721,535	3,806,000	3,021,700
Residential	145,181	142,376	144,241	138,641
Commercial/Industrial	230,222	233,299	259,438	262,855
Total	<u>4,115,203</u>	<u>4,097,210</u>	<u>4,209,679</u>	<u>3,423,196</u>
<b>Water Rates</b>				
Lake Superior Waterline				
Fixed monthly charge	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00
Usage charge (per 1,000 gallons)				
January through September	0.65	0.75	0.75	0.75
October through December	0.75	0.75	0.75	0.75
Residential				
Fixed monthly charge	3.00	3.00	6.00	6.25
Usage charge (per 1,000 gallons)	2.00	2.00	2.35	2.70

**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.

Table 10

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 2,763,825	\$ 3,271,650	\$ 2,788,500	\$ 2,732,045	\$ 2,925,102	\$ 3,124,002
749,204	791,328	784,615	888,263	953,374	1,005,127
865,821	973,274	1,099,681	1,326,608	1,370,598	1,435,025
29,618	53,587	52,923	47,146	29,383	60,652
<u>\$ 4,408,468</u>	<u>\$ 5,089,839</u>	<u>\$ 4,725,719</u>	<u>\$ 4,994,061</u>	<u>\$ 5,278,457</u>	<u>\$ 5,624,806</u>
3,541,500	4,218,600	3,574,400	3,579,967	4,200,000	3,566,600
151,033	147,052	136,739	168,213	160,323	157,266
238,420	243,243	253,979	246,359	229,736	220,687
<u>3,930,953</u>	<u>4,608,895</u>	<u>3,965,118</u>	<u>3,994,539</u>	<u>4,590,059</u>	<u>3,944,553</u>
\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00	\$ 8,975.00
0.75	0.75	0.75	0.75	0.77	0.80
0.75	0.75	0.75	0.77	0.80	0.80
6.80	7.75	8.00	8.25	8.50	7.75
3.05	3.40	3.75	4.25	4.75	5.25

**City of Cloquet**  
**Sewer Revenues, Usage, and Rates**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2016	2017	2018	2019
<b>Sewer User Fees</b>				
Residential	\$ 786,012	\$ 772,108	\$ 823,070	\$ 903,597
Commercial/Industrial dumping)	588,156	586,715	573,103	654,240
	137,064	172,596	164,355	192,114
<b>Total</b>	<b>\$ 1,511,232</b>	<b>\$ 1,531,419</b>	<b>\$ 1,560,528</b>	<b>\$ 1,749,951</b>
<b>Sewer Usage (1,000 of gallons)</b>				
Residential	141,780	139,148	140,756	135,468
Commercial/Industrial	118,245	120,630	110,103	112,570
<b>Total</b>	<b>\$ 260,025</b>	<b>\$ 259,778</b>	<b>\$ 250,859</b>	<b>\$ 248,038</b>
<b>Sewer Rates</b>				
Residential				
Fixed monthly charge	\$ 3.00	\$ 3.00	\$ 4.00	\$ 4.00
(per 1,000 gallons)	4.75	4.75	5.15	5.55

**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.*

Table 11

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 1,074,073	\$ 1,122,377	\$ 1,117,718	\$ 1,191,691	\$ 1,251,595	\$ 1,253,165
663,985	740,488	835,866	1,047,580	1,053,384	853,446
31,089	41,874	17,019	21,239	15,815	25,513
<u>\$ 1,769,147</u>	<u>\$ 1,904,739</u>	<u>\$ 1,970,603</u>	<u>\$ 2,260,510</u>	<u>\$ 2,320,793</u>	<u>\$ 2,132,124</u>
146,744	143,273	133,398	136,188	133,143	131,104
103,312	113,017	114,724	136,363	135,637	107,193
<u>\$ 250,056</u>	<u>\$ 256,290</u>	<u>\$ 248,122</u>	<u>\$ 272,551</u>	<u>\$ 268,780</u>	<u>\$ 238,297</u>
\$ 5.00	\$ 5.50	\$ 6.00	\$ 6.50	\$ 6.75	\$ 7.00
6.05	6.35	6.65	6.95	7.25	7.40

**City of Cloquet**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Table 12

Year	General Bonded Debt			Other Governmental Activities Debt	
	General Obligation Bonds	Percentage of Taxable Property Value	Per Capita	Revenue Bonds	Lease Liabilities
2016	\$ 3,580,000	0.55%	\$ 291	\$ -	\$ -
2017	3,310,000	0.50%	270	8,533,082	-
2018	1,995,000	0.29%	162	8,151,257	-
2019	2,515,000	0.35%	203	7,819,432	-
2020	2,430,000	0.33%	196	7,477,607	-
2021	2,290,000	0.31%	185	7,025,000	-
2022	2,145,000	0.29%	170	6,768,958	37,555
2023	1,996,661	0.19%	158	6,395,472	16,946
2024	1,849,670	0.17%	147	6,013,547	-
2025	1,693,590	0.16%	135	5,621,621	-

Year	Business-Type Activities			City Total	Percentage of Personal Income	Per Capita
	Water, Sewer Stormwater Bonds	Water Tower Loan	Water Treatment Loan			
2016	\$ -	\$ 716,768	\$ -	\$ 4,296,768	0.92%	\$ 350
2017	-	606,768	-	12,449,850	2.64%	1,012
2018	-	492,768	2,620,802	13,259,827	2.66%	1,083
2019	-	375,768	6,920,191	17,630,391	3.31%	1,428
2020	1,825,000	254,768	6,722,573	18,709,948	3.41%	1,512
2021	1,825,000	129,768	5,932,021	17,201,789	3.13%	1,390
2022	4,514,809	-	6,124,000	19,590,322	3.57%	1,583
2023	4,141,660	-	5,773,000	18,323,739	3.28%	1,454
2024	3,874,708	-	5,418,000	17,155,925	3.07%	1,365
2025	3,551,462	-	5,059,000	15,925,673	2.85%	1,267

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

**City of Cloquet  
Direct and Overlapping Debt  
December 31, 2025**

**Table 13**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Carlton County	\$ 5,740,000	27%	\$ 1,551,610
Cloquet Area Fire District	18,658,000	50%	9,345,639
Independent School District #94	<u>46,295,000</u>	<u>80%</u>	<u>37,100,382</u>
Total Overlapping Debt			<u>\$ 47,997,631</u>
City of Cloquet direct debt	<u>\$ 7,315,211</u>	100%	<u>\$ 7,315,211</u>
Total Overlapping and Direct Debt			<u>\$ 55,312,842</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.*

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

	Fiscal Year			
	2016	2017	2018	2019
Taxable market value	\$ 647,080	\$ 665,458	\$ 687,460	\$ 724,052
Legal Debt Margin				
Debt limit (3% of taxable market value)	\$ 19,412 3%	\$ 19,964 3%	\$ 20,624 3%	\$ 21,722 3%
Debt applicable to limit				
General obligation bonds	4,297	12,317	13,134	17,511
Less Other bonds	(717)	(9,007)	(11,139)	(14,996)
Total debt applicable to limit	3,580	3,310	1,995	2,515
Legal debt margin	\$ 15,832	\$ 16,654	\$ 18,629	\$ 19,207
As a percentage of debt margin to debt limit	81.56%	83.42%	90.33%	88.42%

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.

Table 14

Fiscal Year					
2020	2021	2022	2023	2024	2025
<u>\$ 744,938</u>	<u>\$ 772,912</u>	<u>\$ 808,489</u>	<u>\$ 1,025,191</u>	<u>\$ 1,063,010</u>	<u>\$ 1,075,380</u>
\$ 22,348 3%	\$ 23,187 3%	\$ 24,255 3%	\$ 30,756 3%	\$ 31,890 3%	\$ 32,261 3%
18,598	17,202	19,219	18,013	16,843	15,649
<u>(16,168)</u>	<u>(14,912)</u>	<u>(17,074)</u>	<u>(16,018)</u>	<u>(15,003)</u>	<u>(13,964)</u>
<u>2,430</u>	<u>2,290</u>	<u>2,145</u>	<u>1,995</u>	<u>1,840</u>	<u>1,685</u>
<u>\$ 19,918</u>	<u>\$ 20,897</u>	<u>\$ 22,110</u>	<u>\$ 28,761</u>	<u>\$ 30,050</u>	<u>\$ 30,576</u>
89.13%	90.12%	91.16%	93.51%	94.23%	94.78%

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**City of Cloquet  
Pledged Revenue Bond Coverage  
Business-type Activities  
Last Ten Fiscal Years**

**Table 15**

Year	Operating Revenue	Bond Charges *	Less Operating Expenses	Net Available Revenue	Debt Service			Times Coverage
					Principal	Interest	Total	
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
2024	7,956,790	-	6,550,336	1,406,454	640,000	192,063	832,063	1.69
2025	8,356,611	-	7,407,962	948,649	654,000	175,825	829,825	1.14

**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.

**City of Cloquet  
Pledged Revenue Bond Coverage  
Governmental Activities  
Last Ten Fiscal Years**

**Table 16**

Year	City Sales Tax	Principal	Interest	Total	Times Coverage
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
2024	1,331,088	375,000	171,165	546,165	2.44
2025	1,308,877	385,000	155,490	540,490	2.42

**Note:**

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

**City of Cloquet  
Demographic and Economic Statistics  
Last Ten Years**

**Table 17**

Year	City			County Statistics			
	Population	Percentage of County Population	Unemployment Rate	Persons Per Household	Population	Personal Income	Per Capita Income
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	1,827,948,000	50,206
2023	12,755	34.7%	3.1%	2.47	36,708	1,827,948,000	49,797
2024	12,570	34.1%	3.1%	2.48	36,825	1,835,425,000	49,842
2025	12,572	34.3%	3.2%	2.46	36,697	1,836,500,000	50,045

**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*

**City of Cloquet  
Principal Employers  
for the Fiscal Year Ended December 31, 2025 and December 31, 2016**

**Table 18**

Employer - 2025	Number of Employees	Percentage of Total Employment
SAPPI	770	10.49%
Fond du Lac Indian Reservation	680	9.26%
USG Interiors	455	6.20%
Cloquet Public Schools - ISD #94	375	5.11%
Upper Lakes Foods, Inc.	370	5.04%
Community Memorial Hospital	340	4.63%
Super One Foods	310	4.22%
Boldt Construction	195	2.66%
Walmart	190	2.59%
Fond du Lac Tribal and Community College	112	1.53%
<b>Total Principal Employers</b>	<b>3,797</b>	<b>51.73%</b>
<b>All Other Employers</b>	<b>3,543</b>	<b>48.27%</b>
<b>Total</b>	<b>7,340</b>	<b>100.00%</b>
Employer - 2016	Number of Employees	Percentage of Total City Employment
Fond du lac Reservation	879	12.10%
Sappi	720	9.91%
Fond du lac Tribal and 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%
<b>Total Principal Employers</b>	<b>4,052</b>	<b>55.80%</b>
<b>All Other Employers</b>	<b>3,210</b>	<b>44.20%</b>
<b>Total</b>	<b>7,262</b>	<b>100.00%</b>

Source: MNPRO.com

**City of Cloquet**  
**City Employees by Function/Program**  
**Last Ten Fiscal Years**

**Table 19**

Function/program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	3	3	3	3	3	3	3	3	3	3
Finance	3	3	3	3	3	3	3	3	3	3
Building and 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	25	25	26	26	26	26	26	26	26	26
Engineering office	5	5	5	5	5	5	5	5	5	5
Streets and Parks	11	11	12	13	13	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	-	-	-	-	-	-	-
<b>Total</b>	<b>69</b>	<b>69</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>

**Notes:**

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

*Source: City Finance Office.*

**City of Cloquet**  
**Operating Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year					
	2016	2017	2018	2019	2020	2021
<b>Police</b>						
Arrests	603	374	241	327	291	366
Calls for service	12,285	11,027	10,708	10,423	10,581	10,755
Traffic citations	2,191	1,148	663	961	827	883
<b>Planning</b>						
Building permits issued	482	584	447	500	541	708
Inspections	622	999	850	709	572	792
<b>Library</b>						
Items checked out	110,952	115,457	134,077	120,326	76,097	*
Audiobooks downloaded	3,683	10,975	6,059	7,484	6,547	*
Computer usage	26,426	25,713	17,067	12,273	3,897	*
<b>Water (1,000 of gallons)</b>						
Average daily consumption						
Lake Superior Waterline	10,246	10,196	10,427	8,256	9,703	11,558
Residential	398	390	395	373	414	403
Commercial/Industrial	631	639	710	708	653	666
<b>Sewer (1,000 of gallons)</b>						
Average daily flow						
Residential	388	381	386	370	402	393
Commercial/Industrial	324	330	302	308	283	310

**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.

Table 20

Fiscal Year			
2022	2023	2024	2025
343	370	380	385
10,638	10,795	10,980	10,977
844	835	850	852
633	620	615	620
687	655	640	645
115,357	117,352	118,401	118,533
7,438	8,523	9,732	9,855
10,583	11,687	11,585	11,322
110	10,125	10,257	10,222
375	366	395	387
696	797	895	888
365	378	402	385
314	325	352	342

**City of Cloquet**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

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

Source: Various City departments.

Table 21

Fiscal Year		
2023	2024	2025
1	1	1
10	10	10
100	100	100
2	2	2
14	14	14
207.65	207.65	207.65
2	2	2
1	1	1
1	1	1
1	1	1
1	1	1
60	60	60
1 million	1 million	1 million
384	384	384
1	1	1
26	26	26
2	2	2
2 million	2 million	2 million
5 million	5 million	5 million
60	60	60
2	2	2



**City of Cloquet  
Carlton County, Minnesota**

**Reports on Compliance with  
*Government Auditing Standards*  
and Legal Compliance**

**December 31, 2025**

**City of Cloquet  
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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Cloquet  
Cloquet, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2026.

**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 City'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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance, that was considered to be a material weakness (2025-001).

**Report on Compliance and Other Matters**

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

**City's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit are described in the accompanying *Schedule of Findings and Responses on Internal Control*. 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 result 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, this communication is not suitable for any other purpose.

St. Cloud, Minnesota  
May 20, 2026



## Minnesota Legal Compliance

### Independent Auditor's Report

Honorable Mayor and Members  
of the 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, as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 20, 2026.

In connection with our audit, we noted that the City failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Responses on Internal Control and Legal Compliance as items 2025-002. 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, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the legal compliance finding identified in our audit (2025-002) and described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. 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.

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.

St. Cloud, Minnesota  
May 20, 2026

**City of Cloquet  
Schedule of Findings and Responses  
on Internal Control and Legal Compliance**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:**

**Material Weakness:**

**Audit Finding 2025-001 - Lack of Segregation of Accounting Duties**

During the year ended December 31, 2025, the City had a lack of segregation of accounting duties due to a limited number of office employees.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

In addition, in order to ensure the financial statements were free from material misstatement, audit adjustments were required in the following areas:

- The ending inventory balance in the General Fund was increased to reflect class 5 produced by the City.
- The accounts receivable balance in the Water Fund was increased to reflect additional billings after year-end.
- Due from other governments and deferred inflows of resources were increased to reflect the positive balance of the City's shared tax revenue (municipal state aid) at year-end.

***City's Response:***

Due to the size of our local government, full segregation of duties is not feasible due to the large cost of employing additional staff. Rather, the city has chosen to make the best of the staff that we do have and has appropriate checks and balances within our existing accounting staff.

**City of Cloquet  
Schedule of Findings and Responses  
on Internal Control and Legal Compliance**

**CURRENT YEAR LEGAL COMPLIANCE FINDING:**

**Audit Finding 2025-002 - Timely Payment of Invoices**

*Minnesota Statutes* § 471.425, subd. 2 requires that Cities pay bills within 35 days from receipt for city councils that meet at least once a month.

During our audit, we selected a sample of disbursements for testing. In this sample, we noted that three invoices were not paid timely. Two of the invoices were related to Library purchases and were not paid until after the Library board meeting approving the payment.

We recommend the City implement procedures to ensure bills are paid timely, in accordance with *Minnesota Statutes*. If the Council or board will not meet in time to approve the bill prior to payment, we recommend the Council or board delegate its authority to pay certain claims by adopting a resolution authorizing a specified official to pay the claims that meet the established standards and procedures in accordance with *Minnesota Statutes* §§ 412.271, subd. 8.

***City's Response:***

The City will implement procedures to ensure timely payment of bills.



Community Development Department  
101 14<sup>th</sup> ST • Cloquet MN 55720  
Phone: 218-879-2507 • Fax: 218-879-6555

## REQUEST FOR COUNCIL ACTION

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To: Mayor and City Council  
From: Holly Hansen, Community Development Director  
Reviewed By: Tim Peterson, City Administrator *TP*  
Date: June 1, 2026

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**ITEM DESCRIPTION:** City Sponsored Events - Third Thursdays Downtown -Celebrating Summer in Cloquet

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### Proposed Action

Staff recommends the City Council authorize city sponsored summer events of Third Thursdays Downtown – Celebrating Summer in Cloquet.

### Background / Overview

This year will mark the third year working with businesses to leverage the short summer season and do some basic event programming downtown. Feedback received from businesses is that a week, or extended weekend, has been too long in the past and to simplify. As such, and in consultation with businesses and Minnesota Main Street partners, we propose **Third Thursdays Downtown** as designated city sponsored events, noting the planned use of public spaces. Businesses along Cloquet Avenue, Carlton Avenue, and in the West End will use their business sidewalks to sell products and will prop their doors open to welcome customers in. If a city parking lot were proposed for use, that business would contact city staff with a map of the proposed space and use during the event to make sure code requirements are met. Dates for the Third Thursdays Downtown are:

- **June 18<sup>th</sup>**
- **July 16<sup>th</sup>**
- **August 20<sup>th</sup>**

The concept around this is to have businesses, bars, restaurants, coffee shops, and retailers offer their own promotions that day, during their operating hours, to attract folks downtown. Retailers can display merchandise on the sidewalks during their operating hours (and take down merchandise at night for security). Sidewalks cannot be blocked and must maintain a 3-foot walkway for pedestrian traffic and accessibility. Businesses often prop open your doors to attract customers as practicable or simply offer great promos to pull folks inside to shop or stop! The city will create an event on the Community Development Facebook Page (<https://www.facebook.com/cloquetcommunitydevelopment>) and market through our media channels creating an awareness of Third Thursdays Downtown. Promotions and hours of those participating would be documented within the Facebook event.

### Financial/Budget/Grant Considerations

Community Development Operating will utilize some marketing dollars towards the event.

### Advisory Committee Action

N/A