

Annual Comprehensive Financial Report



**For the Fiscal Year Ended
December 31, 2025**

Western Lake Superior
Sanitary District
Duluth, Minnesota

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025**

Prepared by Finance Department

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025**

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Western Lake Superior Sanitary District
2626 Courtland Street, Duluth, MN 55806
resourcere-new.com

April 8, 2026

Board of Directors and Customers of the District
Western Lake Superior Sanitary District
2626 Courtland Street
Duluth, Minnesota 55806

The Annual Comprehensive Financial Report of the Western Lake Superior Sanitary District (District) for the fiscal year ended December 31, 2025, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operations of the enterprise fund. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the District have been included. Please refer to the Management Discussion and Analysis section of this document for a more detailed discussion of District financial and planning highlights.

Services of the District

The District is located in northeastern Minnesota, and encompasses 530 square miles and includes the cities of Cloquet, Carlton, Scanlon, and Wrenshall, and townships of Silver Brook, Thomson, and Twin Lakes in Carlton County and the cities of Duluth, Hermantown, Proctor, and Rice Lake, and the townships of Canosia, Duluth, Grand Lake, Lakewood, Midway, and Solway in St. Louis County.

The District was established in 1971 to improve and protect the waters of the lower St. Louis River basin. This was accomplished by providing wastewater treatment to the municipalities listed above, as well as to four large industrial customers. In 1974, the State Legislature also gave the District the additional responsibility for solid waste management. The combination of both wastewater treatment and proper solid waste management resulted in the cleanup of the waters of the St. Louis River which remains one of the most significant events in the environmental history of this region.

The District continues to make significant capital investments in our wastewater collection and treatment systems and our solid waste services. Long-term strategic, asset management and capital planning have ensured that the District continues to meet all financial, environmental and operational requirements.

Local Economy

The District serves a large geographic territory (530 square miles) with a relatively diverse service area and a population of approximately 141,338. The District serves a region with a diverse economy comprised of healthcare, forest products manufacturing, aviation and a large and robust higher education sector. The local economy was robust in 2025 with no customers taking any appreciable downtime. The paper/tissue mill in Duluth, acquired by Sofidel America Corp in the past 2 years began a significant project to expand the scope of their operations. In addition, the District completed the installation of three engine generators allowing the facility to produce about 50% of the facility electrical needs through the conversion of biogas to electricity along with recovering heat. Expanding operations to include the production of renewable energy increases fiscal and environmental sustainability well into the future.

Long-term Financial Planning

As part of the Master Planning Process, the District develops ten (10) year capital plans for both Wastewater and Solid Waste operations. This planning process integrates projected changes in demand with an engineering assessment of the major components of the facility. These capital projections are utilized in combination with loading projections and operating assumptions to develop a five-year projection for operating costs. These projections are used to make informed decisions on debt and loan financing to ensure adequate fund balances are maintained over both the short and long-terms.

Internal Controls

Management is responsible for designing, establishing and maintaining an internal control system that protects District assets from loss, theft or misuse and ensures that adequate accounting data is compiled to prepare the financial statements in accordance with generally accepted accounting principles. Internal control systems are designed to provide reasonable assurance that these objectives are met, while recognizing that the cost of a control should not exceed the benefits. The evaluation of costs and benefits requires management estimates and judgments. The internal control system is continually monitored and evaluated by management as good business practice.

Independent Audit

The District's enabling legislation requires an annual audit of all books and accounts to be made by independent certified public accountants or by the State Auditor's office. This requirement has been complied with, and the certified public accountants' opinion accompanies this report.

2025 Annual Comprehensive Financial Report

The auditors will issue a management and compliance letter covering the review made as part of their examination of the District's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect in any way this report on the financial statements.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. This was the forty-first consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report 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.

Acknowledgments

The accurate and timely preparation of this report could not have been accomplished without the efficiency and dedication of the District's Finance Department. We express our appreciation to all members of the department, and to the staff of the certified public accountants who reviewed and assisted in the preparation. We would also like to thank the Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,



Carrie Clement
Executive Director



Cathy Remington
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Western Lake Superior Sanitary District
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morill

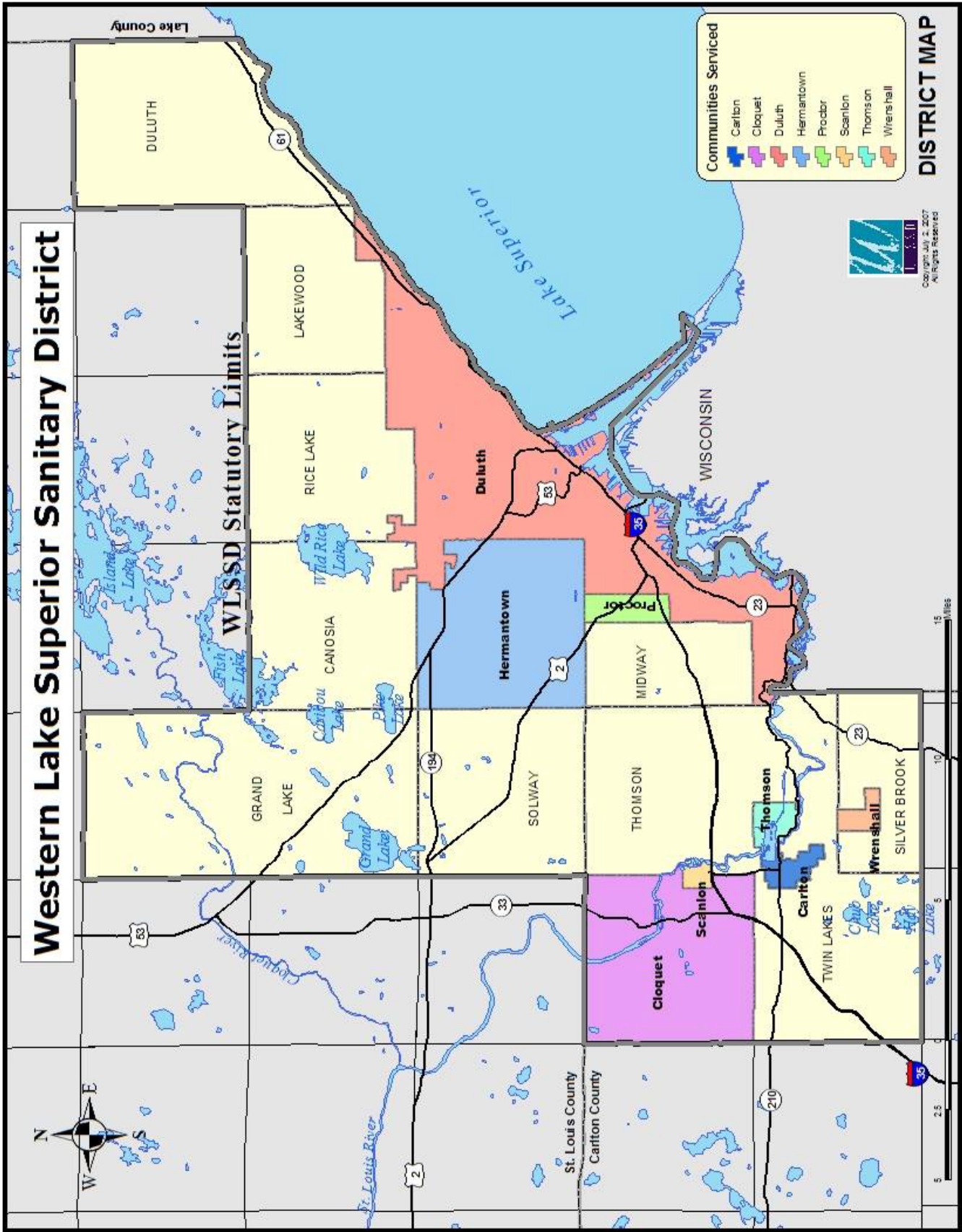
Executive Director/CEO

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
BOARD OF DIRECTORS**

<u>Members</u>	<u>Length of Service</u>	<u>Appointment Date</u>	<u>Term Expires</u>
Nate Johnson	1 Year	7/1/2025	7/1/2028
James Aird	16 Years	4/30/2009	7/1/2028
Ben Mathews	1 Year	7/1/2025	7/1/2028
Carrie Schneider	1 Year	7/1/2025	7/1/2028
Loren Lilly	8 Years	4/18/2017	7/1/2026
Laura Ness	8 Years	7/17/2017	7/1/2026
Marcia Podratz	13 Years	4/23/2012	7/1/2026
Jack Ezell	3 Years	12/28/2022	7/1/2027
Rob Schilling	4 Years	7/1/2021	7/1/2027

<u>Executive Team</u>	<u>Position</u>	<u>Length of Service</u>
Carrie Clement	Executive Director	25 Years
Chuck Kimball	Director of Operations & Maintenance	7 Years
Brandon Kohlts	Director of Planning & Technical Services	19 Years
Cathy Remington	Director of Finance	20 Years
Lacie Jurek	Director of Human Resources	4 Years
Jason Barsness	Director of Safety	6 Years
AJ Axtell	Director of Community Relations	19 Years

Western Lake Superior Sanitary District



DISTRICT MAP



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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Lake Superior Sanitary District
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Western Lake Superior Sanitary District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2025, and the respective changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 District'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 District'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, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions, and schedule of changes in the District's OPEB liability, related ratios, and notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 District’s basic financial statements. The detailed schedule of revenue compared to budget, detailed schedule of expenses compared to budget – department level, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the detailed schedule of revenue compared to budget, detailed schedule of expenses compared to budget – department level, and schedule of expenditures of federal awards 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 report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditors’ report thereon. Our opinion on the basic financial statements does 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 April 8, 2026, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 8, 2026

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

This section presents management's analysis of the Western Lake Superior Sanitary District's (District) financial condition and activities for the fiscal year ending December 31, 2025. Please read this information in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- Operating revenues increased by \$1,502,824 or 3.57% higher than 2024. Total budgeted wastewater charges for 2025 increased by 2.78% over 2024. Overall, actual wastewater charges in 2025 were \$628,292 higher than 2024 primarily due to increased total suspended solids loadings offset by decreased flows biochemical oxygen demand loadings. Solid waste user charges and service fees were \$608,532 higher than 2024 primarily due to increased service fee and user charges.
- Operating expenses before depreciation and amortization were \$519,569 higher than 2024. Operating expenses for payroll and benefits were higher in 2025 by \$739,909 due to staffing levels and medical insurance cost increases; utilities were lower in 2025 by \$1,095,691 primarily due to implementation of a combined heat and power system reducing overall purchased electricity, contract services costs were higher in 2025 by \$315,259 due to contract services required for the combined heat and power system, solid waste disposal costs were higher in 2025 by \$202,552 due to increased operational, transport and disposal costs, repairs and maintenance costs were higher in 2025 by \$136,304 due to increased need and cost of repair items, and supplies costs were higher in 2025 by \$185,165 due to increased supplies for maintenance, equipment and solid waste programs.
- The District continued to fund a significant portion of capital projects from current revenues. Wastewater capital projects funded from current revenue were \$4.0 million in 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the District's financial condition and performance. The MD&A is required to accompany the basic financial statements and notes to the financial statements and, therefore, is included as required supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District are presented as an enterprise fund using the accrual basis of accounting that is similar to the accounting used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligation to creditors (liabilities). It also provides the basis for evaluating the capital structure and assessing the liquidity of the District.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the performance of the operations over the past year and can be used to determine whether the District has recovered all of its costs through its user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investments, and financing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

NET POSITION

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table A-1.

**Table A-1
Condensed Statement of Net Position
(000's)**

	<u>2025</u>	<u>2024</u>	<u>2024 to 2025 Increase (Decrease)</u>
Current and Other Assets	\$ 53,259	\$ 65,217	\$ (11,958)
Capital Assets	147,480	133,479	14,001
Total Assets	<u>200,739</u>	<u>198,696</u>	<u>2,043</u>
Deferred Outflows of Resources	1,122	990	132
Current Liabilities	14,606	12,026	2,580
Long-Term Debt	58,745	64,283	(5,538)
Total Liabilities	<u>73,351</u>	<u>76,309</u>	<u>(2,958)</u>
Deferred Inflows of Resources	2,436	2,868	(432)
Net Investment in			
Capital Assets	83,124	65,232	17,892
- Restricted	38,240	34,709	3,531
- Unrestricted	4,710	20,568	(15,858)
Total Net Position	<u>\$ 126,074</u>	<u>\$ 120,509</u>	<u>\$ 5,565</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

NET POSITION (CONTINUED)

As noted in the table above, total Net Position increased by \$5.57 million in 2025. The increase resulted from total assets increasing by \$2.04 million, GASB 68 Deferred Outflows increasing by \$0.13 million, total liabilities increasing by \$2.96 million, and GASB 68 Deferred Inflows increasing by \$0.43 million. In 2025, current and other assets decreased by \$11.96 million primarily due to a decrease in cash of \$6.11 million and a decrease in investments of \$12.18 million (primarily due to capital project expenditure funding awaiting loan finalization) offset by an increase in accounts receivable of \$2.55 million, an increase in assets restricted for debt service of \$2.10 million, and an increase in assets restricted for wastewater infrastructure fund capital replacement of \$1.42 million. In 2025, net capital assets increased by \$14.0 million primarily due to capital projects related to wastewater plant project improvements, interceptor improvements, and pump station improvements offset by reduced depreciation expense.

Current liabilities increased in 2025 by \$2.58 million primarily due to an increase in Construction Contracts Payable of \$1.42 million, an increase in accounts payable of \$0.68 million, and an increase in due to other governments of \$0.55 million. The decrease in long-term liabilities of 2025 of \$5.54 million is primarily due to a decrease in long-term debt borrowings of \$4.80 million, a decrease in net pension liability of \$0.32 million and a decrease in long-term subscription-based information technology liabilities of \$0.40 million.

**Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Position
(000's)**

	2025	2024	2024 to 2025 Dollar Change Increase (Decrease)
Operating Revenues			
Wastewater User Charges	\$ 30,284	\$ 29,656	\$ 628
Solid Waste Fees	10,875	10,266	609
District-Wide Allocation	378	368	10
Capacity Availability Fee	451	556	(105)
Other Operating Revenues	1,652	1,291	361
Nonoperating Revenues:			
Earnings on Investments	2,077	2,755	(678)
Intergovernmental Grants	449	420	29
Other Nonoperating Revenue	17	84	(67)
Special Assessments	1,335	1,153	182
Total Revenues	<u>47,518</u>	<u>46,549</u>	<u>969</u>
Operating Expenses	32,803	32,283	520
Depreciation Expenses	8,600	9,171	(571)
Non-Operating Expenses	1,013	985	28
Total Expenses	<u>42,416</u>	<u>42,439</u>	<u>(23)</u>
Income (Loss) Before Capital Contributions	5,102	4,110	992
Capital Contributions	463	2,147	(1,684)
Changes in Net Position	5,565	6,257	(692)
Beginning Net Position	<u>120,509</u>	<u>114,252</u>	<u>6,257</u>
Ending Net Position	<u>\$ 126,074</u>	<u>\$ 120,509</u>	<u>\$ 5,565</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

NET POSITION (CONTINUED)

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, there was an increase in income or loss before capital contributions of \$0.99 million in 2025. Operating revenues increased by \$1.50 million in 2025 primarily due to an increase of \$0.63 million in wastewater user charges due to rates and volumes and an increase of \$0.61 million in solid waste fees primarily due to rates and volumes. Non-operating revenues for 2025 decreased by \$0.53 million primarily due to a decrease of \$0.68 million in earnings on investments offset by an increase of \$0.18 million in special assessments.

Total operating expenses decreased by \$0.05 million in 2025 primarily due to an increase in payroll and benefit expense of \$0.69 million, an increase in solid waste disposal expenses of \$0.20 million, an increase in contracted services of \$0.32 million, an increase in supplies of \$0.19 million, an increase in repair and maintenance expense of \$0.14 million offset by a decrease in utility expenses of \$1.10 million and a decrease in depreciation and amortization expense of \$0.57 million.

CAPITAL ASSETS

At the end of 2025, the District had invested \$447.37 million in capital assets as shown in Table A-3. Net capital assets increased by \$22.54 million primarily due to improvements to the wastewater plant and other wastewater improvements.

	2025	2024	2024 to 2025 Dollar Change Increase (Decrease)
Land & Easements	\$ 812	\$ 812	\$ -
Construction in Progress	82,303	59,769	22,534
Right-to-Use Assets	191	172	19
Subscription-Based Information			
Technology Arrangements	2,590	2,602	(12)
Improvements	254,603	254,603	-
Buildings & Structures	74,673	74,673	-
Furniture & Equipment	28,603	28,603	-
Motor Vehicle	3,598	3,598	-
Total	447,373	424,832	22,541
Less: Accumulated			
Depreciation/Amortization	299,893	291,353	8,540
Net Capital Assets	\$ 147,480	\$ 133,479	\$ 14,001

More detailed information about the District's capital assets is presented in Note 3.A.3 to the financial statements.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)**

DEBT ADMINISTRATION

The District is required to maintain, in a sinking fund at year-end, cash and investments to meet the debt service payments for the following year. Wastewater debt service charges are recovered entirely through user charges. It is the goal of management to maintain a minimum of 120% of the following year’s debt service in the fund at year-end. Such a goal has been incorporated into all future long-term capital planning.

General obligation indebtedness at year-end 2025 was \$59.59 million. This amount is from general obligation notes from the State of Minnesota revolving loan fund. Additional general obligation revenue notes were issued in the amount of \$2.61 million to fund wastewater infrastructure. More detailed information about the District’s long-term debt activity is presented in Notes 3.B. 2-4.

ECONOMIC FACTORS

Table A-4 shows the wastewater rate history for each of the four billing parameters: flow, peak flow, BOD, and suspended solids for the period 2021 through 2025. For the five-year period presented the cost of flow increased by 19.27%, the cost of peak flow decreased by 3.47%, the cost of BOD increased by 32.11% and the cost of suspended solids decreased by 6.85%. The typical domestic strength (domestic equivalent) cost per 1000 gallons increased by 13.15% over this period. Domestic strength wastewater assumptions are 200 MG/L for BOD and 200 MG/L for suspended solids.

**Table A-4
Wastewater Rate History**

<u>Fiscal Year</u>	<u>Flow (per 1000 gal)</u>	<u>Peak Flow (per 1000 gal)</u>	<u>BOD (per lb)</u>	<u>Suspended Solids (per lb)</u>	<u>Domestic Equivalent Cost/1000 gallons</u>
2021	0.6968	0.0317	0.2155	0.2903	2.02
2022	0.7296	0.0226	0.1991	0.2673	1.99
2023	0.7038	0.0225	0.2206	0.2769	2.01
2024	0.7215	0.0190	0.2546	0.2762	2.09
2025	0.8311	0.0306	0.2847	0.2704	2.29

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability. If you have questions about this report or need additional financial information, contact the Western Lake Superior Sanitary District, 2626 Courtland Street, Duluth, Minnesota 55806-1894.

BASIC FINANCIAL STATEMENTS

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

<u>Assets and Deferred Outflows of Resources</u>	<u>2025</u>
Current Assets:	
Cash and Cash Equivalents	\$ 1,065,220
Investments	2,853,791
Accounts Receivable	4,785,689
Accrued Interest Receivable	509,361
Due from Other Governments	1,643,677
Supplies	3,282,653
Prepaid Expense	542,317
Assets Restricted for Memorial Fund	
Investments	1,841
Assets Restricted for Wastewater Infrastructure Fund	
Capital Replacement	
Investments	8,930,077
Assets Restricted for General Obligation Debt Service	
Investments	<u>7,430,350</u>
Total Current Assets	<u>31,044,976</u>
Noncurrent Assets:	
Assets Restricted for General Obligation Debt Service	
Investments	<u>22,213,582</u>
Total Noncurrent Assets, Other than Capital Assets	<u>22,213,582</u>
Capital Assets	447,373,684
Less: Allowance for Depreciation/Amortization	<u>(299,893,361)</u>
Total Capital Assets	
Net of Accumulated Depreciation/Amortization	<u>147,480,323</u>
Total Noncurrent Assets	<u>169,693,905</u>
Total Assets	<u>200,738,881</u>
Deferred Outflows of Resources:	
Pension Related	1,099,752
Other Postemployment Benefits Related	<u>22,458</u>
Total Deferred Outflows of Resources	<u>1,122,210</u>
Total Assets and Deferred Outflows of Resources	<u>201,861,091</u>

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2025**

	2025
<u>Liabilities and Deferred Inflows of Resources</u>	
Current Liabilities:	
Accounts Payable	\$ 2,122,447
Salaries and Wages Payable	542,537
Payroll Deductions Payable	17,803
Due to Other Governments	818,369
Employee Benefits Payable	11,534
Construction Contracts Payable	3,197,710
Other Postemployment Benefits Obligation - Current	21,930
Lease Liability	39,030
Subscription-Based Information Technology Liability	404,369
Current Liabilities Payable from Restricted Assets:	
Debt Service	
Accrued Interest Payable	335,878
Notes from Direct Borrowings	7,094,472
Total Current Liabilities	14,606,079
Noncurrent Liabilities:	
Notes from Direct Borrowings	52,492,757
Lease Liability	60,592
Subscription-Based Information Technology Liability	1,073,536
Compensated Absences	1,117,917
Net Pension Liability	3,766,046
Other Postemployment Benefits Obligation	234,384
Total Noncurrent Liabilities	58,745,232
Total Liabilities	73,351,311
Deferred Inflows of Resources:	
Pension Related	2,365,100
Other Postemployment Benefits Related	70,735
	2,435,835
Total Liabilities and Deferred Inflows of Resources	75,787,146
<u>Net Position</u>	
Net Investment in Capital Assets	83,123,728
Restricted:	
Memorial Fund	1,841
Wastewater Infrastructure Fund Capital Replacement	8,930,077
General Obligation Debt Service	29,308,054
Unrestricted	4,710,245
Total Net Position	\$ 126,073,945

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025**

	2025
Operating Revenue:	
User Charges - Municipalities	\$ 12,587,175
User Charges - Industries	17,697,151
User Charges - Solid Waste	7,627,607
Service Fee - Solid Waste	3,247,189
District-wide Allocation	378,001
Capacity Availability Charges	450,561
Other Income	1,651,546
Total Operating Revenue	43,639,230
Operating Expenses:	
Salaries, Wages, and Compensation	10,540,400
Employee Benefits	3,771,105
Other Postemployment Benefits	(34,023)
Professional Services	188,067
Safety and Training	178,781
Public Information and Other Special Services	158,253
Easements and Rents	39,760
Travel	31,774
Repairs and Maintenance	1,043,166
Solid Waste Disposal	7,064,837
Insurance	357,948
Outside Services	285,163
Contracted Services	2,132,760
Supplies	702,614
Utilities	3,442,201
Office Expenses	56,029
Chemicals	2,224,413
Dues, Publications, and Permits	99,986
Grants to Other Governmental Units	246,949
Miscellaneous	219,123
Depreciation/Amortization	8,599,663
Other Expense	41,163
Land Use	12,301
Total Operating Expenses	41,402,433
Operating Income (Loss)	2,236,797

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

		2025
Nonoperating Revenue (Expenses):		
Earnings on Investments	\$	2,077,057
Gain on Asset Disposition		17,372
Intergovernmental Grants		448,945
Special Assessments		1,334,544
Interest Expense		(1,013,364)
Total Nonoperating Revenue (Expenses)		2,864,554
Income (Loss) Before Contributions		5,101,351
Capital Contributions:		
State		463,407
Changes in Net Position		5,564,758
Net Position - Beginning of Year		120,509,187
Net Position - End of Year	\$	126,073,945

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025**

	2025
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 40,013,478
Cash Paid to Suppliers	(18,002,356)
Cash Paid to Employees	(15,138,917)
Other Operating Revenues	1,651,546
Net Cash Provided by Operating Activities	8,523,751
Cash Flows from Noncapital Financing Activities	
State and Federal Operating Grants	419,989
Special Assessments	1,332,044
Net Cash Provided by Noncapital Financing Activities	1,752,033
Cash Flows from Capital and Related Financing Activities	
Financing Activities	
Proceeds from Sale of Capital Assets	17,372
Proceeds from Note Issues	2,608,262
Proceeds from Lease Liability	58,825
Proceeds from Subscription-Based Information Technology Liability	7,989
Proceeds from Capital Contributions	463,407
Interest Paid on Notes, Lease Liability, and Subscription IT Liability	(3,189,062)
Principal Paid on Lease Liability	(37,833)
Principal Paid on Subscription-Based Information Technology Liability	(487,743)
Principal Paid on Public Facilities Authority General Obligation Note	(7,458,933)
Acquisition or Construction of Capital Assets	(21,176,447)
Net Cash Used by Capital and Related Financing Activities	(29,194,163)
Cash Flows from Investing Activities	
Sale of Investments	52,254,083
Interest on Investments	1,986,425
Purchase of Investments	(41,429,641)
Net Cash Provided by Investing Activities	12,810,867
Net Increase in Cash and Cash Equivalents	(6,107,512)
Cash and Cash Equivalents - Beginning of Year	7,172,732
Cash and Cash Equivalents - End of Year	\$ 1,065,220

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

		2025
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Net Operating Income (Loss)	\$	2,236,797
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation/Amortization		8,599,663
Pension Adjustment		(317,525)
Other Postemployment Benefits Adjustment		(34,023)
Deferred Outflows - Pension		(131,117)
Deferred Outflows - Other Postemployment Benefits		(1,286)
Deferred Inflows - Pension		(466,385)
Deferred Inflows - Other Postemployment Benefits		33,833
Change in Assets and Liabilities		
Decrease (Increase) in Receivables		(2,527,912)
Decrease (Increase) in Supplies		(137,161)
Decrease (Increase) in Prepays		(24,560)
Increase (Decrease) in Payables		1,293,427
		1,293,427
Net Cash Provided by Operating Activities	\$	8,523,751

Noncash Investing, Capital, and Financing Activities

In 2025, the District's acquired capital assets of \$3,197,710 which had not been paid for at year-end. The unpaid amount is shown as contracts payable.

In 2025, the District's acquired subscription-based information technology arrangement assets of \$7,989 financed by subscription-based information technology liabilities.

In 2025, the District's acquired right-to-use assets of \$58,825 financed by right-to-use liabilities.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies

The accounting policies of the Western Lake Superior Sanitary District (the District) conform to generally accepted accounting principles (GAAP) for the year ended December 31, 2025. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). This financial report has been prepared in conformity with Governmental Accounting Standards Board Statements.

A. Financial Reporting Entity

The District was formed pursuant to 1971 Minnesota Laws, chapter 478, as amended. The District was created for the purpose of protection of the public health, safety, and welfare of the area, for the preservation and best use of waters, land and other natural resources, for the prevention, control and abatement of water pollution and disposal of solid waste, and for the efficient and economic collection, treatment and disposal of sewage and solid waste. The District is governed by a nine-member board which consists of one member appointed by Carlton County, three members appointed by the City of Cloquet, four members appointed by the City of Duluth and one member appointed by St. Louis County. The Board is organized with a chair and vice-chair elected in July of each year.

As required by generally accepted accounting principles, these financial statements present the District (primary government) and its component units for which the District is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the District is not required to include any component units.

B. Basis of Presentation - Fund Accounting

The accounts of the District are presented as an enterprise fund. Enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Accounting records are maintained on the accrual basis, under which revenues are recorded when earned, and expenses, including vacation leave, are recorded when incurred.

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position

1. Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District has defined cash and cash equivalents as deposits in checking and savings accounts and petty cash. All other investments are not considered to be cash equivalents.

The District has elected to value all money market and participating interest-earning investment contracts that mature within one year of acquisition at amortized cost. All of the District's holdings in commercial paper, bankers' acceptances, negotiable certificates of deposit, and government agency securities qualify for amortized cost reporting. The District's investments in money market mutual funds are valued at the current share price. The carrying value of the investments which are valued at amortized cost does not differ materially from the fair value of those investments.

Supplies

The supplies consist of chemicals, fuels, and expendable supplies held for consumption. The chemicals and fuels were counted at year-end and were valued at cost using the first-in, first-out method. A perpetual system is maintained for the supplies, which is valued using the moving weighted-average cost method.

Restricted Assets

Certain funds of the District are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Restricted assets consist of monies specified for payment of memorial fund scholarships, wastewater infrastructure capital replacement, and bond and note principal and interest. These assets are offset by restricted net position.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position (Continued)

1. Assets (Continued)

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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 asset's lives are not capitalized.

Depreciation and amortization of capital assets is determined using the straight-line method. The estimated useful lives of the assets are:

<u>Classification</u>	<u>Range</u>
Buildings and Structures	30 Years
Improvements Other Than Buildings	10-20 Years
Furniture and Equipment:	
Furniture	10 Years
Equipment	5-15 Years
Motor Vehicles	5 Years
Right-to-Use Assets	5-15 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription-Based Information Technology Agreements (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position (Continued)

2. Liabilities

Compensated Absences

Employees are granted from ten to thirty days of vacation per year depending on their years of service and union bargaining unit. Varying amounts of vacation, depending on length of service, may be accumulated, and carried over to the succeeding year. Unused vacation for salary personnel who retire is placed into an HSA account upon their termination. Bargaining unit employees and salary personnel that quit receive their earned vacation paid out upon termination. Vacation leave is expensed when earned.

Other Post-Employment Benefits

The District's supervisory/confidential employees participate in a post-retirement health savings plan administered by the Minnesota State Retirement System. At retirement, the value of supervisory/confidential employee's vacation balance is transferred to the post-retirement health savings plan to be used to cover post-retirement medical expenses. The amounts are contributed tax-free and there are no taxes paid when the amounts are withdrawn from the employees account.

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. 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.

3. Net Position

The District's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

When an expense is incurred for purposes which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position (Continued)

3. Net Position (Continued)

It is the District's policy to maintain minimum unrestricted net position targets for solid waste and wastewater functions. In the solid waste function, the operations fund should maintain unrestricted net position of at least 25% of the next year's annual operating expenses, or \$1,672,134. In addition, the solid waste function should maintain a balance of \$550,000 in the capital fund and \$150,000 in the transfer station capital fund. In the wastewater function, the operations fund should maintain unrestricted net position of at least 25% of the next year's annual operating expenses, or \$5,662,604. The wastewater function should maintain a balance of \$1,000,000 in the capital fund plus the highest annual WIF set aside of \$1,420,827, for a total at December 31, 2025 of \$2,420,827.

E. Revenues

Operating revenues, such as user charges, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as operating grants and earnings on investments, result from non-exchange transactions or incidental activities.

The District's operating and maintenance costs are allocated to the municipalities and industries using the District's sewage treatment system through a user service charge. The allocation is based on the "Cost Apportionment Policy" adopted by the Board of Directors.

The general planning, regulation, and technical assistance provided by the District are funded by a district-wide allocation. These costs are allocated against all governmental units within the District based on their assessed valuation.

Solid waste users are charged tipping fees based on the volume of refuse disposed and a hauler collected solid waste management fee based on the customer container sizes. The fees are approved by the Board. A line item fee is levied on residential parcels to cover use of the solid waste facilities such as the household hazardous waste facility and material recovery center. The amount to be charged against real estate per parcel is set by the Board and certified to St. Louis County and Carlton County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The counties are required to distribute collections to the District three times each year.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues (Continued)

The property tax calendar is as follows:

Adopt final levy and certify to Counties	October 15
Lien date	January 1
Receive first installment from Counties prior year's balance of tax collections	January 26
First half property taxes due	May 15
Receive second installment from County first half tax collections	July 6
Second half property taxes due	October 15
Receive third installment from County second half tax collections	December 4

Capital contributions consist of federal and state capital grants for the construction of pump stations and other wastewater treatment system improvements.

F. Expenses

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on the capital assets. All expenses not meeting this definition are reported as other expenses.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

2. Stewardship, Compliance, and Accountability

A. General Obligation Bond Reserve Requirement

The bond resolutions require that the value of cash, cash equivalents, and investments on hand at October 1, 2025 plus the estimated revenues to be collected through September 30, 2026, be not less than the amount of principal and interest due on the bonds in the next succeeding year. The District has complied with this requirement.

B. Budgets and Budgetary Accounting

Minnesota Statutes §458D.08 requires the District's Board to adopt an annual budget. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) During August and September, the Executive Director submits to the Board of Directors an estimate of revenues and expenses for the fiscal year commencing January 1. Revenues and expenses are budgeted on an accrual basis.
- (2) The budget is adopted by the Board of Directors by the passage of a motion on or before November 1.
- (3) The Board of Directors may increase or decrease the budget at any time by the passage of a motion. Management may increase or decrease line items within the budget.
- (4) Budgetary control of expenses is maintained at the level of total expenses. For management control purposes, the expenses are controlled at the department level.
- (5) Unexpended items within the budget lapse at year-end.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

2. Stewardship, Compliance, and Accountability (Continued)

B. Budgets and Budgetary Accounting (Continued)

Below is a summary statement of actual and budget revenues and expenses for the fiscal year ended December 31, 2025:

	2025		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
User Charges - Municipalities	\$ 13,393,426	\$ 12,587,175	\$ (806,251)
User Charges - Industries	16,875,635	17,697,151	821,516
User Charges - Solid Waste	7,644,000	7,627,607	(16,393)
Service Fee - Solid Waste	3,174,000	3,247,189	73,189
District-wide Allocation	378,000	378,001	1
Capacity Availability Charges	500,000	450,561	(49,439)
Other Income	1,081,650	1,651,546	569,896
Total Operating Revenue	<u>43,046,711</u>	<u>43,639,230</u>	<u>592,519</u>
Operating Expenses:			
Operating Expenses Before Depreciation/Amortization	34,973,893	32,802,770	2,171,123
Depreciation/Amortization	8,119,236	8,599,663	(480,427)
Total Operating Expenses	<u>43,093,129</u>	<u>41,402,433</u>	<u>1,690,696</u>
Operating Income (Loss)	<u>(46,418)</u>	<u>2,236,797</u>	<u>2,283,215</u>
Nonoperating Revenue (Expenses):			
Earnings on Investments	1,536,500	2,077,057	540,557
Gain on Asset Disposition	-	17,372	17,372
Intergovernmental Grants	466,000	448,945	(17,055)
Special Assessments	1,327,664	1,334,544	6,880
Interest Expense	-	(1,013,364)	(1,013,364)
Total Nonoperating Revenue (Expenses)	<u>3,330,164</u>	<u>2,864,554</u>	<u>(465,610)</u>
Income (Loss) Before Contributions	3,283,746	5,101,351	1,817,605
Capital Contributions	-	463,407	463,407
Change in Net Position	<u>\$ 3,283,746</u>	<u>\$ 5,564,758</u>	<u>\$ 2,281,012</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of the District’s total cash and investments to the financial statements follows:

Current Assets:		2025
Cash and Cash Equivalents	\$	1,065,220
Investments		2,853,791
Restricted Assets:		
Memorial Fund Investments		1,841
Wastewater Infrastructure Fund Capital Replacement		
Investments		8,930,077
Debt Service Investments		29,643,932
Total Cash and Investments	\$	42,494,861

a. Deposits

Minnesota Statutes §§118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all the District’s deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% more than the amount on deposit at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District’s deposits may not be returned to it. The District’s policy is that all Certificates of Deposit shall be collateralized in compliance with Minnesota Statutes §118A.03. As of December 31, 2025, the District’s bank balance were not exposed to custodial credit risk.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

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

The Minnesota Municipal Money Market Fund is a money market account that is valued at amortized cost with maturities of investments of one year or less. The Minnesota Municipal Market Trust Fund does not have its own credit rating. PMA Financial Network, Inc., who administers the Minnesota Municipal Money Market Fund Trust, holds an organization credit rating of AA by Standard & Poor’s.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the District's policy that all investment securities be held in safekeeping in compliance with the requirements of Minnesota Statutes §118A.06. This statute allows investment securities to be held in safekeeping with (1) any federal reserve bank, (2) any bank authorized under the laws of the United States or any state to exercise corporate trust powers, including, but not limited to the bank from which the investment is purchased, (3) a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York, or (4) a securities broker-dealer which is registered as a broker-dealer under chapter 80A or is exempt from the registration requirements, is regulated by the Securities and Exchange Commission, and maintains insurance through the Securities Investor Protection Corporation or excess insurance coverage in an amount equal to or greater than the value of the securities held.

At December 31, 2025, the District had no investments which were subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District investment policy limits investment maturities to fewer than two years. The policy sets guidelines for the minimum percentages of the investment portfolio to be maintained at various maturities. In this way, the District minimizes their exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute. Minnesota Statutes §118A.04 requires commercial paper to be rated in the highest quality category by at least two nationally recognized rating agencies and mature in 270 days or less. State and local government securities must be rated "A" or better for general obligation securities and "AA" or better for revenue obligations. Public funds may also be invested in United States securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. It is the District's policy to diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

The District's investment policy allows the District to invest in U.S. treasury obligations, U.S. government agency securities, and certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation, without limit. However, certificates of deposit are limited to 50% with any one depository. Repurchase agreements and bankers' acceptances are limited by the investment policy to no more than 50% of the portfolio and no more than 50% with any one depository. Commercial paper is limited to no more than 50% of the portfolio and no more than 10% with any one issuer. Money market funds are limited to a maximum of 25% of the portfolio.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk, Credit, and Interest Rate Risks

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying Value as of 12/31/25
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable Certificates of Deposit					
Crown Bank MN CD	N/R,N/R	N/A	<5%	1/16/2026	\$ 239,800
Trustar Bank VA CD	N/R,N/R	N/A	<5%	1/16/2026	240,000
Foundation One Bank NE CD	N/R,N/R	N/A	<5%	1/16/2026	240,100
Omb Bank MO CD	N/R,N/R	N/A	<5%	1/16/2026	239,700
Prime Security Bank MN CD	N/R,N/R	N/A	<5%	1/16/2026	239,800
American Plus Bank NA CA CD	N/R,N/R	N/A	<5%	1/16/2026	240,100
NexBank TX CD	N/R,N/R	N/A	<5%	1/16/2026	239,700
CrossFirst Bank KS CD	N/R,N/R	N/A	<5%	1/16/2026	239,900
GreenState Credit Union IA CD	N/R,N/R	N/A	<5%	1/16/2026	240,000
Premier Bank IA CD	N/R,N/R	N/A	<5%	1/16/2026	240,000
Dundee Bank NE CD	N/R,N/R	N/A	<5%	1/20/2026	244,900
Quaint Oak Bank PA CD	N/R,N/R	N/A	<5%	1/20/2026	244,900
First Bank Southwest GA CD	N/R,N/R	N/A	<5%	1/20/2026	244,900
Veridian Credit Union IA CD	N/R,N/R	N/A	<5%	1/20/2026	244,900
Fifth Third Bank Cincinnati OH CD	N/R,N/R	N/A	<5%	1/21/2026	240,000
Security Bank Kansas City KS CD	N/R,N/R	N/A	<5%	1/21/2026	240,000
BMO Harris Bank Nat'l Assoc CD	N/R,N/R	N/A	<5%	1/23/2026	240,000
TBK Bank Dallas TX CD	N/R,N/R	N/A	<5%	1/26/2026	240,000
Beal Bank USA Las Vegas NV CD	N/R,N/R	N/A	<5%	1/28/2026	240,000
Mizuho Bank USA CD	N/R,N/R	N/A	<5%	1/29/2026	241,000
Resource Bank Mandeville LA CD	N/R,N/R	N/A	<5%	1/30/2026	240,000
US Metro Bancorp Garden Grove CD	N/R,N/R	N/A	<5%	1/30/2026	240,000
First State Bank of DeQueen AR CD	N/R,N/R	N/A	<5%	2/20/2026	239,600
KS State Bank KS CD	N/R,N/R	N/A	<5%	2/20/2026	239,700
Goldman Sachs Bank USA NY CD	N/R,N/R	N/A	<5%	2/25/2026	239,000
Signature Bank of Fayetteville AR CD	N/R,N/R	N/A	<5%	2/26/2026	239,000
Cogent Bank Orlando FL CD	N/R,N/R	N/A	<5%	2/27/2026	240,000
Fidelity Bank Wichita KS CD	N/R,N/R	N/A	<5%	3/2/2026	240,000
Royal Business Bank CA CD	N/R,N/R	N/A	<5%	3/20/2026	240,100
Pelican State Credit Union LA CD	N/R,N/R	N/A	<5%	3/20/2026	240,200
GBank NV CD	N/R,N/R	N/A	<5%	3/20/2026	239,900
First National Bank ME CD	N/R,N/R	N/A	<5%	3/20/2026	240,200
FirstBank Puerto Rico PR CD	N/R,N/R	N/A	<5%	3/20/2026	240,200
State Bank of Texas TX CD	N/R,N/R	N/A	<5%	3/20/2026	240,200
Bank of Crockett TN CD	N/R,N/R	N/A	<5%	3/23/2026	245,300
CIBC Bank USA MI CD	N/R,N/R	N/A	<5%	3/23/2026	245,200
Financial Federal Bank TN CD	N/R,N/R	N/A	<5%	3/23/2026	245,200
Arvest Bank AR CD	N/R,N/R	N/A	<5%	3/23/2026	241,000
Webster Bank NA CD	N/R,N/R	N/A	<5%	3/24/2026	240,000
Washington Federal	N/R,N/R	N/A	<5%	3/26/2026	242,142

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk, Credit, and Interest Rate Risks (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying Value as of 12/31/25
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Bank of America NA CD	N/R,N/R	N/A	<5%	3/27/2026	239,000
Cathay Bank Los Angeles CA CD	N/R,N/R	N/A	<5%	3/30/2026	240,000
First National Bank Middle Tenn McMinnville TN CD	N/R,N/R	N/A	<5%	3/30/2026	127,000
Visionbank Iowa Ames IA CD	N/R,N/R	N/A	<5%	3/30/2026	240,000
Bank of China New York City NY CD	N/R,N/R	N/A	<5%	3/30/2026	240,000
Ally Bank Midvale UT CD	N/R,N/R	N/A	<5%	3/30/2026	240,000
Cumberland Fed Bank WI CD	N/R,N/R	N/A	<5%	4/23/2026	239,000
Bank Ozark Little Rock AR CD	N/R,N/R	N/A	<5%	4/24/2026	240,000
State Bank India NY CD	N/R,N/R	N/A	<5%	4/28/2026	239,000
Webbank UT CD	N/R,N/R	N/A	<5%	4/29/2026	239,000
First Merchants Bank IN CD	N/R,N/R	N/A	<5%	4/29/2026	239,000
Northwest Bank PA CD	N/R,N/R	N/A	<5%	4/29/2026	240,000
Barclays Bank DE CD	N/R,N/R	N/A	<5%	4/30/2026	239,000
Northern Bank Trust MA CD	N/R,N/R	N/A	<5%	4/30/2026	239,000
Old National Bank IN CD	N/R,N/R	N/A	<5%	4/30/2026	239,000
Optum Bank UT CD	N/R,N/R	N/A	<5%	4/30/2026	239,000
Woori American Bank New York NY CD	N/R,N/R	N/A	<5%	4/30/2026	240,000
Sofi Bank National CD	N/R,N/R	N/A	<5%	5/1/2026	239,000
Bank 7 OK CD	N/R,N/R	N/A	<5%	5/19/2026	245,100
Security Bank TN CD	N/R,N/R	N/A	<5%	5/19/2026	245,300
USF Federal Credit Union FL CD	N/R,N/R	N/A	<5%	5/19/2026	245,100
First National Bank Greenville PA CD	N/R,N/R	N/A	<5%	5/26/2026	240,000
LendingClub Bank National CD	N/R,N/R	N/A	<5%	5/29/2026	240,000
Oakwood Bank WI CD	N/R,N/R	N/A	<5%	6/18/2026	239,800
First Internet Bank of Indiana IN CD	N/R,N/R	N/A	<5%	6/18/2026	239,800
Provident Savings Bank CD	N/R,N/R	N/A	<5%	6/24/2026	240,000
Bank of New York Mellon Brokered CD	N/R,N/R	N/A	<5%	6/25/2026	239,000
Bank of America California National CD	N/R,N/R	N/A	<5%	6/26/2026	239,000
Regions Bank AL CD	N/R,N/R	N/A	<5%	6/26/2026	239,000
Mercantile Bank CD	N/R,N/R	N/A	<5%	6/26/2026	239,300
First National Bank Omaha NE CD	N/R,N/R	N/A	<5%	6/29/2026	240,000
Northeast Bank Minneapolis MN CD	N/R,N/R	N/A	<5%	6/29/2026	241,000
Hyperion Bank Philadelphia PA CD	N/R,N/R	N/A	<5%	6/30/2026	237,000
Western Alliance Bank Phoenix AZ CD	N/R,N/R	N/A	<5%	6/30/2026	239,000
First Financial Bank CD	N/R,N/R	N/A	<5%	7/29/2026	239,000
Bank of Baroda NY CD	N/R,N/R	N/A	<5%	7/30/2026	239,000
Morgan Stanley Private Bank CD	N/R,N/R	N/A	<5%	7/30/2026	239,000
United Roosevelt Savings Bank CD	N/R,N/R	N/A	<5%	7/30/2026	240,000
Citibank NA CD	N/R,N/R	N/A	<5%	7/31/2026	239,000
First Bank of Richmond IN CD	N/R,N/R	N/A	<5%	8/24/2026	241,000
Zions Bancorporation National CD	N/R,N/R	N/A	<5%	8/26/2026	240,000
CFBank National Association OH CD	N/R,N/R	N/A	<5%	9/23/2026	240,700
Freedom Northwest Credit Union ID CD	N/R,N/R	N/A	<5%	9/23/2026	240,600
Solera National Bank CO CD	N/R,N/R	N/A	<5%	9/23/2026	240,700
Safra National Bank New York NY CD	N/R,N/R	N/A	<5%	9/23/2026	240,000
Bank Hopoalim B M NY CD	N/R,N/R	N/A	<5%	9/28/2026	240,000
Lincoln Savings Bank Cedar Falls CD	N/R,N/R	N/A	<5%	9/29/2026	240,000
Fieldpoint Private Bank & Trust CD	N/R,N/R	N/A	<5%	9/29/2026	240,000
Cornerstone Bank NE CD	N/R,N/R	N/A	<5%	10/21/2026	240,600

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk, Credit, and Interest Rate Risks (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying Value as of 12/31/25
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Sun East Federal Credit Union PA CD	N/R,N/R	N/A	<5%	10/21/2026	240,800
First Capital Bank SC CD	N/R,N/R	N/A	<5%	10/21/2026	241,000
JP Morgan Chase Bank NA CD	N/R,N/R	N/A	<5%	10/27/2026	240,000
American Pride Bank GA CD	N/R,N/R	N/A	<5%	11/20/2026	240,900
Gateway First Bank CD	N/R,N/R	N/A	<5%	11/25/2026	240,000
Pathfinder Bank Oswego NY CD	N/R,N/R	N/A	<5%	11/25/2026	240,000
Horatio State Bank AR CD	N/R,N/R	N/A	<5%	11/25/2026	240,000
First Western Bank & Trust Minot ND CD	N/R,N/R	N/A	<5%	11/27/2026	240,000
Merrick Bank Sourht Jordan UT CD	N/R,N/R	N/A	<5%	11/27/2026	240,000
B1 Bank Baton Rouge LA CD	N/R,N/R	N/A	<5%	11/30/2026	241,000
BOM Bank LA CD	N/R,N/R	N/A	<5%	12/18/2026	240,700
First Guaranty Bank LA CD	N/R,N/R	N/A	<5%	12/18/2026	240,900
Customers Bank NY CD	N/R,N/R	N/A	<5%	12/18/2026	241,100
First Priority Bank OK CD	N/R,N/R	N/A	<5%	12/18/2026	240,900
Gainey Business Bank AZ CD	N/R,N/R	N/A	<5%	12/18/2026	240,700
T Bank National Association TX CD	N/R,N/R	N/A	<5%	12/18/2026	240,600
Port Washington Federal Credit Union NY CD	N/R,N/R	N/A	<5%	12/18/2026	240,900
ServisFirst Bank FL CD	N/R,N/R	N/A	<5%	12/18/2026	241,100
Pacific Alliance Bank Rosemead CD	N/R,N/R	N/A	<5%	12/18/2026	241,000
BankNorth Arthur ND CD	N/R,N/R	N/A	<5%	12/24/2026	241,000
MI Bank Macks Creek MO CD	N/R,N/R	N/A	<5%	12/29/2026	240,000
Northeast Bank Portland ME	N/R,N/R	N/A	<5%	12/30/2026	241,000
Total Negotiable Certificates of Deposit					26,815,542
U.S. Treasury Notes					
US Treasury Note	N/R,N/R	N/A	<5%	1/31/2026	998,113
US Treasury Note	N/R,N/R	N/A	<5%	4/30/2026	1,266,183
US Treasury Note	N/R,N/R	N/A	<5%	12/15/2026	504,601
Total U.S. Treasury Notes					2,768,897
U.S. Treasury Bill					
US Treasury Bill	N/R,N/R	N/A	<5%	2/19/2026	1,185,264
US Treasury Bill	N/R,N/R	N/A	<5%	4/16/2026	1,178,704
US Treasury Bill	N/R,N/R	N/A	<5%	5/21/2026	981,603
US Treasury Bill	N/R,N/R	N/A	<5%	6/4/2026	688,842
US Treasury Bill	N/R,N/R	N/A	<5%	10/29/2026	728,105
US Treasury Bill	N/R,N/R	N/A	<5%	1/16/2026	1,001,568
Total U.S. Treasury Bill					5,764,086
Total Investments			100%		35,348,525

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk, Credit, and Interest Rate Risks (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying Value as of 12/31/25
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Repurchase Agreements					
U.S. Bank - Sweep	N/A	N/A		N/A	1,361,060
Deposits and Certificates of Deposits	N/A	N/A		N/A	935,963
4M Fund	N/A	N/A		N/A	1,366,526
Govt Money Market Fund	AAA	S&P/Moody's		N/A	1,089,340
First American-Prime Obligation Fund	AAA	S&P/Moody's		N/A	1,076,387
Moreton Money Market	Aaa-AAA	S&P/Moody's		N/A	1,314,385
Petty Cash	N/A	N/A		N/A	2,675
 Total Cash and Investments					 <u>\$ 42,494,861</u>

N/A - Not Applicable

<5% - Concentration is Less Than 5% of Investment

Fair Value Measurement

The District has elected to value all money market and participating interest-earning investment contracts that mature within one year of acquisition at amortized cost. The carrying value of the investments which are valued at amortized cost does not differ materially from the fair value of those investments.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Fair Value Measurement (Continued)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I - Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level II - Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III - Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Fair Value Measurement (Continued)

Investments are measured as follows for December 31, 2025:

Investments Measured at Amortized Cost	
4M Fund	\$ 1,366,526
Money Market Funds	2,403,725
Prime Obligation Fund	1,076,387
Repurchase Agreements	1,361,060
U.S. Treasury Notes	2,768,897
U.S. Treasury Bill	5,764,086
Negotiable Certificates of Deposit	26,815,542
Total Investments Measured at Amortized Cost	41,556,223
Cash and Cash Equivalents	938,638
Total Cash and Investments	<u>\$ 42,494,861</u>

The Minnesota Municipal Money Market Fund Trust (4M Fund) is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board. These shares are available to be redeemed upon proper notice without restrictions and can be made as long as the District has a sufficient number of shares to meet the redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustee determines that there is an emergency that makes up the sale of the securities or determination of its net asset value not reasonably practical. The District reports its investment in the Pool at the NAV per share, the fair value established by the Pool.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

A. Assets (Continued)

2. Due from Other Governments

Due from other governments consists of the following:

	2025
Current Assets	
Municipality Service Charges	\$ 1,183,307
Other	460,370
Total	\$ 1,643,677

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 605,265	\$ -	\$ -	\$ 605,265
Easements	207,149	-	-	207,149
Construction in Progress	59,769,402	22,534,061	-	82,303,463
Total Capital Assets, Not Depreciated	60,581,816	22,534,061	-	83,115,877
Capital Assets, Depreciated				
Improvements	254,603,056	-	-	254,603,056
Buildings and Structures	74,672,544	-	-	74,672,544
Furniture and Equipment	28,602,756	-	-	28,602,756
Motor Vehicles	3,597,752	-	-	3,597,752
Total Capital Assets, Depreciated	361,476,108	-	-	361,476,108
Less: Accumulated Depreciation for:				
Improvements	184,631,144	7,778,503	-	192,409,647
Buildings and Structures	74,169,114	89,936	-	74,259,050
Furniture and Equipment	28,078,171	190,637	-	28,268,808
Motor Vehicles	3,529,474	22,759	-	3,552,233
Total Accumulated Depreciation	290,407,903	8,081,835	-	298,489,738
Total Capital Assets, Depreciated, Net	71,068,205	(8,081,835)	-	62,986,370
Right-to-Use Assets				
Equipment	172,268	58,825	40,071	191,022
Less: Accumulated Amortization	97,376	38,046	40,071	95,351
Total Net Right-to-Use Assets	74,892	20,779	-	95,671
Subscription-Based Information				
Technology Arrangements	2,602,230	7,989	19,542	2,590,677
Less: Accumulated Amortization	848,032	479,782	19,542	1,308,272
Total Net Subscription-Based Information	1,754,198	(471,793)	-	1,282,405
Total Capital Assets, Net	\$ 133,479,111	\$ 14,001,212	\$ -	\$ 147,480,323

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities

1. Due to Other Governments

Due to other governments consists of the following:

Current liabilities - (Payable from current assets):

	2025
User Adjustments	\$ 818,369

2. Long-Term Debt

Long-term debt is comprised of the following:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2025
Lease Liability					
Copier and Printer	2030	\$1,090	4.40	\$ 58,825	\$ 53,506
Postage Machine	2027	\$191	0.70	11,645	2,485
Loader	2027	\$2,269	0.00	140,650	43,631
Total Lease Liability					\$ 99,622
Subscription IT Liability					
LIMS	2026	\$1,556	1.76	\$ 89,434	\$ 12,384
Hexagon	2026	\$4,212	1.76	147,793	12,616
		\$15,169 -			
Infor CloudSuite	2030	\$28,100	1.76	1,930,005	1,355,759
KnowBe4	2028	\$236	4.30	7,989	5,872
Microsoft Office Products	2026	\$6,379	1.76	223,855	6,379
Veeam	2026	\$1,294	1.76	45,411	14,131
Hexagon	2027	\$17,748	1.86	52,291	17,698
Hexagon	2026	\$8,874	1.86	26,182	8,788
		\$11,700 -			
Octoplant	2028	\$16,380	1.86	67,716	44,278
Total Subscription IT Liability					\$ 1,477,905

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

2. Long-Term Debt (Continued)

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2025
Notes from Direct Borrowings					
2011 G.O. Taxable Revenue Note	2026	\$46,959- \$117,000	1.52	\$ 1,610,959	\$ 117,000
2011 G.O. Taxable Revenue Note	2026	\$10,131- \$23,000	1.52	316,131	23,000
2011 G.O. Taxable Revenue Note	2026	\$110,330- \$265,000	1.52	3,581,330	265,000
2012 G.O. Taxable Revenue Note	2027	\$180,173- \$399,000	1.69	5,452,173	791,000
2013 G.O. Taxable Revenue Note	2028	\$100,518- \$191,000	1.00	2,947,518	567,000
2013 G.O. Taxable Revenue Note	2028	\$90,969- \$150,000	1.00	2,125,969	445,000
2014 G.O. Taxable Revenue Note	2029	\$360,990- \$501,000	1.00	6,941,990	1,974,000
2015 G.O. Taxable Revenue Note	2030	\$180,490- \$523,000	1.00	7,029,490	2,557,000
2015 G.O. Taxable Revenue Note	2030	\$50,276- \$132,000	1.00	2,132,276	645,000
2016 G.O. Taxable Revenue Note	2031	\$63,599- \$131,000	1.00	1,747,561	749,000

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

2. Long-Term Debt (Continued)

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2025
2016 G.O. Taxable Revenue Note	2031	\$105,016- \$239,960	1.00	\$ 3,216,871	\$ 1,340,000
2018 G.O. Taxable Revenue Note	2033	\$29,416- \$54,055	1.25	708,870	387,000
2018 G.O. Taxable Revenue Note	2033	\$97,922- \$185,760	1.25	2,448,277	1,342,000
2018 G.O. Taxable Revenue Note	2033	\$86,317- \$178,191	1.25	2,343,195	1,207,000
2018 G.O. Taxable Revenue Note	2033	\$65,173- \$144,763	1.23	1,907,254	1,093,000
2018 G.O. Taxable Revenue Note	2033	\$555,847- \$1,158,549	1.23	15,309,936	8,741,000
2019 G.O. Taxable Revenue Note	2034	\$157,520- \$158,370	1.00	2,054,155	1,120,000
2019 G.O. Taxable Revenue Note	2034	\$360,570- \$361,660	1.00	4,697,891	2,959,000
2019 G.O. Taxable Revenue Note	2034	\$28,690- \$29,580	1.00	379,365	238,000
2020 G.O. Taxable Revenue Note	2035	\$47,268- \$48,208	1.00	621,465	451,800
2020 G.O. Taxable Revenue Note	2035	\$35,684- \$36,424	1.00	469,586	341,400
2021 G.O. Taxable Revenue Note	2036	\$111,800- \$119,595	1.00	1,594,745	1,203,000
2021 G.O. Taxable Revenue Note	2036	\$132,961- \$274,365	1.00	3,707,325	2,859,000
2022 G.O. Taxable Revenue Note	2037	\$552,674- \$553,662	2.54	6,638,455	5,662,000
2022 G.O. Taxable Revenue Note	2037	\$953,437- \$954,280	2.38	11,579,701	9,060,027
2023 G.O. Taxable Revenue Note	2037	\$79,568 - \$212,000	1.92	2,711,568	2,068,448
2023 G.O. Taxable Revenue Note	2037	\$51,288 - \$122,000	1.76	1,581,288	1,116,815
2023 G.O. Taxable Revenue Note	2037	\$401,063 - \$999,000	1.594	13,047,063	10,264,739
Total Notes from Direct Borrowings				<u>\$ 108,902,407</u>	<u>\$ 59,587,229</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2025 were as follows:

Year Ending December 31	Notes from Direct Borrowings		Lease Liability		Subscription-Based Information Technology Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 7,094,472	\$ 934,151	\$ 39,030	\$ 3,568	\$ 404,369	\$ 22,025
2027	6,784,152	832,632	29,566	1,854	339,503	15,743
2028	6,475,489	735,748	12,003	1,077	344,353	9,702
2029	6,222,496	644,162	12,542	538	333,521	3,682
2030	5,808,187	554,548	6,481	59	56,159	41
2031-2035	21,626,478	1,562,355	-	-	-	-
2036-2037	5,575,955	165,884	-	-	-	-
Total	\$ 59,587,229	\$ 5,429,480	\$ 99,622	\$ 7,096	\$ 1,477,905	\$ 51,193

4. 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
Notes from Direct Borrowings	\$ 64,437,900	\$ 2,608,262	\$ 7,458,933	\$ 59,587,229	\$ 7,094,472
Lease Liability	78,630	58,825	37,833	99,622	39,030
Subscription-Based Information Technology Liability	1,957,659	7,989	487,743	1,477,905	404,369
Compensated Absences *	1,117,875	42	-	1,117,917	-
OPEB Liability	290,337	40,842	74,865	256,314	21,930
Long-Term Liabilities	\$ 67,882,401	\$ 2,715,960	\$ 8,059,374	\$ 62,538,987	\$ 7,559,801

*The change in the compensated absences liability is presented as a net change.

The general obligation bonds and notes are retired with income from operations. The District has a contingent liability against its full faith and credit to the extent that income from operations is insufficient to retire the general obligation bonds. The general obligation bonds of the District were exempt from the limitations on net debt imposed by Minnesota law.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

4. Changes in Long-Term Liabilities (Continued)

The District's outstanding notes from direct borrowings of \$59,587,229 contain (1) a provision that if the District is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the District for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy availability under law and (2) a provision that if the District fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

5. Defined Benefit Pension Plans

a. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to 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.

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.

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.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

b. Benefits Provided (Continued)

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 requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the 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 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 prorated increase.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

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 Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2025 were \$791,057. The District's contributions were equal to the required contributions as set by state statute.

d. Pension Costs

At December 31, 2025, the District reported a liability of \$3,766,046, for its proportionate share of the General Employees Fund's net pension liability. The District'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 District totaled \$90,849.

The District's Proportionate Share of the Net Pension Liability	\$ 3,766,046
State of Minnesota's Proportionate Share of the Net Pension Liability	90,849
Total District's Proportionate Share of Net Pension Liability	\$ 3,856,895

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 District's proportionate share of the net pension liability was based on the District'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 District's proportionate share was 0.1136% at the end of the measurement period and 0.1105% for the beginning of the period.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

For the year ended December 31, 2025, the District's recognized pension expense of \$123,043 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional (\$13,395) pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million per year to the General Employees Fund.

At December 31, 2025, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 358,822	\$ -
Changes in Actuarial Assumptions	90,740	866,554
Net Difference Between Projected and Actual Earnings on Pension Plan		
Investments	-	1,498,546
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	260,533	-
The District's Contributions Subsequent to the Measurement Date	389,657	-
Total	<u>\$ 1,099,752</u>	<u>\$ 2,365,100</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

The \$389,657 reported as deferred outflows of resources related to pensions resulting from the District's 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:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2026	\$ (304,227)
2027	(613,108)
2028	(469,975)
2029	(267,695)

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 I 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
Total	100.0 %	

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 in the determination of the total liability is 7.00%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

f. Actuarial Methods and Assumptions (Continued)

The 7.00% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50% after one year of service to 3.00% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. 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 following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- (1) 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.
- (2) The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (Continued)

f. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- (1) 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%.
- (2) 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.

g. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was 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 District'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 District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Higher	Current Discount Rate	1% Lower
June 30, 2025			
General Employees Fund Discount Rate	8.00%	7.00%	6.00%
Sensitivity of Net Pension Liability at Current Single Discount Rate	\$ (599,228)	\$ 3,766,046	\$ 9,147,135

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

5. Defined Benefit Pension Plans (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.

6. Postemployment Benefits

Plan Description and Funding Policy

The District participates in a single-employer fully-insured plan. Active employees who retire from the District when eligible to receive a retirement benefit from PERA, that do not qualify for the aforementioned benefits, and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependents under the District's health benefits program. These retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The plan does not issue a publicly available financial report. There are 120 active employees, 2 retirees receiving benefits, 0 spouses receiving benefits, and 0 inactive employees entitled to but not yet receiving benefits.

Funding Policy

The District has no assets accumulated in a trust that meets the criteria in GASB 75. The authority to provide these benefits is established in Minnesota Statutes §471.61, subdivision 2a. The cost of other postemployment benefits is funded on a "pay-as-you-go" method. For the year ended December 31, 2025, the District contributed \$21,930 to the plan.

Actuarial Methods and Assumptions

The District's OPEB liability was measured as of January 1, 2025, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2025.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

6. Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of January 1, 2025, using the following actuarial assumptions, applied to all periods including in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Service Graded Table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2025 valuation were based on PERA actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2023 and a review of the inflation assumption.

The discount rate used to measure the total OPEB liability was 4.20% for 2025. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

- (1) The health care trend rates were updated.
- (2) The retirement, withdrawal, and salary increase rates were updated to reflect the latest experience study.
- (3) The discount rate was changed from 4.00% to 4.20%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

6. Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Changes in the OPEB Liability

	Total OPEB Liability 2025
Balance January 1,	\$ 290,337
Changes for the Year:	
Service Costs	28,487
Interest Cost	12,355
Assumption Changes	(43,444)
Differences Between Expected and Actual Experience	(11,306)
Benefit Payments	(20,115)
Net Change in Total OPEB Liability	(34,023)
Balance as of December 31,	\$ 256,314

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using a discount rate one percentage lower or one percentage higher than the current discount rate:

	1% Decrease (3.20%)	Discount Rate (4.20%)	1% Increase (5.20%)
2025			
OPEB Liability	\$ 272,517	\$ 256,314	\$ 241,103

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 5 years) or 1% higher (7.50% decreasing to 6.00% over 5 years) than the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 4.00%)	Current Trend Rates (6.50% (Decreasing to 5.00%)	1% Increase (7.50% Decreasing to 6.00%)
2025			
OPEB Liability	\$ 233,059	\$ 256,314	\$ 283,724

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

3. Detailed Notes (Continued)

B. Liabilities (Continued)

6. Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

For the year ended December 31, 2025, the District recognized OPEB expense of \$20,454. At December 31, 2025, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Authority's Benefit Payments Subsequent to the Measurement Date	\$ 21,930	\$ -
Assumption Changes	528	49,078
Liability Gains	-	21,657
Total	\$ 22,458	\$ 70,735

\$21,930 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2026.

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

Year Ending December 31,	Future Recognition
2026	\$ (20,384)
2027	(19,441)
2028	(19,436)
2029	(10,946)

4. Other Note Disclosures

A. Major Customers

Major customers of services provided by the District were as follows:

	User Service Charges 2025	Percentage of Total User Service Charges 2025
Sappi Cloquet LLC	\$ 15,135,182	34.7%
City of Duluth	9,845,394	22.6%

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

4. Other Note Disclosures (Continued)

B. Construction Commitments

As of December 31, 2025, the District had the following commitments with respect to unfinished capital projects.

Project	Remaining Construction Commitment	Expected Date of Completion
Secondary Clarifier Tank Rehabilitation	\$ 30,262,309	7/31/29

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expect such amounts, if any, to be immaterial.

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; health and dental claims, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties except for dental claims which are self-insured, workers compensation and health insurance for which the District belongs to public entity risk pools. The District has a \$50,000 deductible for property and a \$1,000 deductible for liability insurance coverage per covered incident. There have been no significant reductions in insurance coverage during the current year. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

The District retains the risk of loss from claims related to employee dental. The District has contracted with Delta Dental to administer the District's dental claims. The District charges a premium to each employee and contributes an employer's share based on negotiated union contracts to cover the estimated dental claims. Claims are recognized as they are paid.

	2025
Unpaid Claims, Beginning of Year	\$ -
Inurred Claims	118,241
Claim Payments	(118,241)
Unpaid Claims, End of Year	<u>\$ -</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

4. Other Note Disclosures (Continued)

D. Risk Management (Continued)

Workers compensation coverage is obtained through the League of Minnesota Cities Insurance Trust – Group Self-Insured Workers’ Compensation Plan, a public entity risk pool operated by the League of Minnesota Cities to lower and stabilize its members’ workers’ compensation costs and to assure that its members have a source of coverage available. The League of Minnesota Cities purchases reinsurance to protect the program from catastrophic and abnormal claims.

The District pays an annual premium to the pool and has elected to have a deductible of \$5,000 per occurrence (for medical costs only). The deductible option under this plan allows the District to obtain a premium discount of 11%. As medical costs are incurred, the claims are paid by the pool and then are billed back to the District up to the amount of the deductible per occurrence.

For group health insurance, the District belongs to the North East Service Cooperative (NESC), a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of the District and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

E. Voluntary Employee Benefit Plan – Northland VEBA Plan

In 2007, the District Board approved a Voluntary Employees’ Beneficiary Association (VEBA) plan for funding employee health benefits for supervisors effective January 1, 2008 as authorized under Sections 501(c)(9) and 213(d) of the IRS Code. Effective January 1, 2009, all employees were eligible for participation in this plan. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health plan. Funding is provided through pre-tax contributions from the District based on employee health care elections. The VEBA plan is administered by Compensation Consultants, Ltd.

The current maximum District contribution for active participating employees is \$3,000 for those with family medical coverage with a \$3,700 deductible and \$1,350 for active participating employees for those with single medical coverage with a \$1,850 deductible. Any balance remaining in an employee’s account at year-end rolls over into the subsequent year. All bargaining unit and supervisory employees participating in the District’s high-deductible medical insurance plan are covered by the VEBA plan.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2025**

	Measurement Date June 30, 2025	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016
The District's Proportion of the Net Pension Liability	0.1136%	0.1105%	0.1073%	0.1058%	0.1130%	0.1103%	0.1071%	0.1095%	0.1111%	0.1140%
The District's Proportionate Share of the Net Pension Liability	\$ 3,766,046	\$ 4,083,571	\$ 6,000,096	\$ 8,379,395	\$ 4,825,606	\$ 6,612,989	\$ 5,921,319	\$ 6,074,611	\$ 7,092,551	\$ 9,256,235
State's Proportionate Share of the Net Pension Liability Associated with the District	90,849	105,593	165,465	245,655	147,300	203,919	183,992	199,096	89,175	120,902
Total District's Proportionate Share of Net Pension Liability	\$ 3,856,895	\$ 4,189,164	\$ 6,165,561	\$ 8,625,050	\$ 4,972,906	\$ 6,816,908	\$ 6,105,311	\$ 6,273,707	\$ 7,181,726	\$ 9,377,137
The District's Covered Payroll	\$ 10,294,543	\$ 9,346,672	\$ 8,532,840	\$ 7,924,676	\$ 7,906,190	\$ 7,875,101	\$ 7,584,501	\$ 7,354,870	\$ 7,150,592	\$ 7,061,992
The District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	36.58%	43.69%	70.32%	105.74%	61.04%	83.97%	78.07%	82.59%	99.19%	131.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.78%	89.08%	83.10%	76.70%	87.00%	79.10%	80.20%	79.50%	75.90%	68.81%

The notes to the required supplementary information are an integral part of this statement.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
DECEMBER 31, 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PERA										
Contractually Required Contribution	\$ 791,057	\$ 742,561	\$ 659,513	\$ 611,491	\$ 592,964	\$ 589,708	\$ 581,093	\$ 557,535	\$ 544,106	\$ 533,833
Contributions in Relation to the Contractually Required Contribution	<u>(791,057)</u>	<u>(742,561)</u>	<u>(659,513)</u>	<u>(611,491)</u>	<u>(592,964)</u>	<u>(589,708)</u>	<u>(581,093)</u>	<u>(557,535)</u>	<u>(544,106)</u>	<u>(533,833)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 The District's Covered Payroll	 \$ 10,547,427	 \$ 9,900,813	 \$ 8,793,507	 \$ 8,153,213	 \$ 7,906,187	 \$ 7,862,773	 \$ 7,747,907	 \$ 7,433,800	 \$ 7,254,747	 \$ 7,117,773
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

The notes to the required supplementary information are an integral part of this statement.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB
LIABILITY, RELATED RATIOS, AND NOTES
DECEMBER 31, 2025**

	Measurement Date January 1, 2025	Measurement Date January 1, 2024	Measurement Date January 1, 2023	Measurement Date January 1, 2022	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability								
Service Cost	\$ 28,487	\$ 21,407	\$ 20,783	\$ 30,758	\$ 29,862	\$ 21,387	\$ 20,764	\$ 25,132
Interest Cost	12,355	11,570	6,689	6,558	11,657	10,532	10,774	10,852
Assumption Changes	(43,444)	-	(28,648)	-	3,173	-	(3,436)	45,777
Differences Between Expected and Actual Experience	(11,306)	-	(22,287)	-	(8,851)	-	(54,529)	-
Benefit Payments	(20,115)	(20,742)	(24,036)	(17,629)	(13,529)	(8,124)	(38,671)	(29,346)
Net Change in Total OPEB Liability	(34,023)	12,235	(47,499)	19,687	22,312	23,795	(65,098)	52,415
Total OPEB Liability - Beginning	290,337	278,102	325,601	305,914	283,602	259,807	324,905	272,490
Total OPEB Liability - Ending	\$ 256,314	\$ 290,337	\$ 278,102	\$ 325,601	\$ 305,914	\$ 283,602	\$ 259,807	\$ 324,905
Covered-Employee Payroll	\$ 10,094,013	\$ 8,289,695	\$ 8,048,248	\$ 7,671,328	\$ 7,447,891	\$ 7,072,878	\$ 6,866,872	\$ 6,924,798
District's OPEB Liability as a Percentage of Covered-Employee Payroll	3%	4%	3%	4%	4%	4%	4%	5%

Note 1: The District implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2025

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 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.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changes from 6.50% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for 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 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2019 (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 contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumption postretirement 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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% 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; 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 in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumption postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

1. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2017 (Continued)

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 in Actuarial Assumptions

- The assumed postretirement 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.
- 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, and inflation were decreased by .25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2. Other Postemployment Benefits

As disclosed on the Schedule of Changes in the Total OPEB Liability, Related Ratios, and Notes, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

The following changes were reflected in the valuation performed on behalf of the District's Other Postemployment Benefits plan for the year ended December 31:

2025

- The health care trend rates were updated.
- The retirement, withdrawal, and salary increase rates were updated to reflect the latest experience study.
- The discount rate was changed from 4.00% to 4.20%.

2024

- There have been no changes since the prior valuation.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2025**

2. Other Postemployment Benefits (Continued)

2023

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.00% to 4.00%.

2022

- There have been no changes since the prior valuation.

2021

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The Inflation Rate was changed from 2.50% to 2.00%.
- The Retirement and withdrawal tables were updated.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.00%.

2020

- There have been no changes since the prior valuation.

2019

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.30% to 3.80%.

2018

- The discount rate was changed from 3.50% to 3.30%.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

SUPPLEMENTARY SCHEDULES

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DETAILED SCHEDULE OF REVENUE COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2025**

	2025		
		Actual	Variance
	Budget	Revenue	Favorable (Unfavorable)
Wastewater Treatment			
User Charges -			
Municipalities			
Duluth	\$ 10,497,845	\$ 9,845,394	\$ (652,451)
Cloquet	1,039,683	1,050,832	11,149
Proctor	355,130	330,409	(24,721)
Hermantown	647,817	625,445	(22,372)
Scanlon	154,253	82,038	(72,215)
Thomson Township (Esko)	183,824	175,295	(8,529)
Carlton	136,927	132,075	(4,852)
Twin Lakes Township	71,895	66,104	(5,791)
Wrenshall	28,854	28,815	(39)
Thomson	9,957	8,661	(1,296)
Jay Cooke	2,634	2,957	323
North Shore	56,933	54,603	(2,330)
Knife River	22,892	20,833	(2,059)
Oliver	18,908	17,823	(1,085)
Rice Lake Township	59,832	52,589	(7,243)
MPCA Landfill	9,255	8,344	(911)
Midway	5,985	6,631	646
Pike Lake	90,802	78,327	(12,475)
Total Municipalities	13,393,426	12,587,175	(806,251)
Industries			
Sappi	14,201,276	15,135,182	933,906
USG	935,335	774,210	(161,125)
Specialty Minerals	178,651	192,985	14,334
Sofidel America	1,560,373	1,594,774	34,401
Total Industries	16,875,635	17,697,151	821,516
Total Wastewater Treatment	30,269,061	30,284,326	15,265
User Charges - Solid Waste	7,644,000	7,627,607	(16,393)
Service Fee - Solid Waste	3,174,000	3,247,189	73,189
Other Revenue			
District-Wide Allocation	378,000	378,001	1
Capacity Availability Fee	500,000	450,561	(49,439)
Earnings on Investments	1,536,500	2,077,057	540,557
Operating Grants	466,000	448,945	(17,055)
Special Assessments	1,327,664	1,334,544	6,880
Gain on Asset Disposition	-	17,372	17,372
Capital Contributions	-	463,407	463,407
Miscellaneous	1,081,650	1,651,546	569,896
Total Other Revenue	5,289,814	6,821,433	1,531,619
Total Revenue	\$ 46,376,875	\$ 47,980,555	\$ 1,603,680

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DETAILED SCHEDULE OF EXPENSES COMPARED TO
BUDGET – DEPARTMENTAL LEVEL
YEAR ENDED DECEMBER 31, 2025**

	2025		Variance Favorable (Unfavorable)
	Budget	Actual Expenses	
Clean Water Production			
Salaries & Benefits	\$ 2,521,187	\$ 2,263,749	\$ 257,438
Chemicals	2,591,601	2,218,177	373,424
Other Operating Expenses	440,067	299,804	140,263
Total Clean Water Production	<u>5,552,855</u>	<u>4,781,730</u>	<u>771,125</u>
Conveyance System			
Salaries & Benefits	742,448	685,855	56,593
Electricity	1,406,320	1,213,659	192,661
Other Operating Expenses	497,632	475,388	22,244
Total Conveyance System	<u>2,646,400</u>	<u>2,374,902</u>	<u>271,498</u>
Biosolids			
Salaries & Benefits	802,572	740,747	61,825
Other Operating Expenses	191,345	133,804	57,541
Total Biosolids	<u>993,917</u>	<u>874,551</u>	<u>119,366</u>
Sustainability Wastewater			
Salaries & Benefits	262,287	237,150	25,137
Operating Expenses	140,891	110,359	30,532
Total Environmental Programs Wastewater	<u>403,178</u>	<u>347,509</u>	<u>55,669</u>
PFA's Source Identification Grant			
Operating Expenses	<u>-</u>	<u>27,427</u>	<u>(27,427)</u>
Transfer Station			
Salaries & Benefits	90,817	75,243	15,574
Solid Waste Disposal	6,645,824	6,559,836	85,988
Operating Expenses	49,870	40,259	9,611
Total Transfer Station	<u>6,786,511</u>	<u>6,675,338</u>	<u>111,173</u>
Material Recovery Center			
Salaries & Benefits	663,137	630,750	32,387
Solid Waste Disposal	479,887	505,001	(25,114)
Contract Services	303,000	281,531	21,469
Operating Expenses	75,800	57,087	18,713
Total Material Recovery Center	<u>1,521,824</u>	<u>1,474,369</u>	<u>47,455</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DETAILED SCHEDULE OF EXPENSES COMPARED TO
BUDGET – DEPARTMENTAL LEVEL (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	2025		Variance Favorable (Unfavorable)
	Budget	Actual Expenses	
Organics			
Salaries & Benefits	\$ 280,925	\$ 256,137	\$ 24,788
Operating Expenses	167,750	117,131	50,619
Total Organics	<u>448,675</u>	<u>373,268</u>	<u>75,407</u>
Household Hazardous Waste			
Salaries & Benefits	570,577	464,802	105,775
Operating Expenses	517,850	477,615	40,235
Total Household Hazardous Waste	<u>1,088,427</u>	<u>942,417</u>	<u>146,010</u>
Sustainability Solid Waste			
Salaries & Benefits	517,702	488,572	29,130
Operating Expenses	542,017	409,372	132,645
Total Environmental Programs Solid Waste	<u>1,059,719</u>	<u>897,944</u>	<u>161,775</u>
Business Services			
Salaries & Benefits	2,244,236	2,346,814	(102,578)
Other Postemployment Benefits	-	(34,023)	34,023
Insurance	264,900	357,948	(93,048)
Professional Services	200,000	188,067	11,933
Operating Expenses	1,043,593	881,128	162,465
Total Business Services	<u>3,752,729</u>	<u>3,739,934</u>	<u>12,795</u>
Mechanical Maintenance			
Salaries & Benefits	1,570,203	1,518,902	51,301
Repairs	475,000	510,890	(35,890)
Contracted Services	395,000	351,064	43,936
Other Operating Expenses	104,700	112,280	(7,580)
Total Mechanical Maintenance	<u>2,544,903</u>	<u>2,493,136</u>	<u>51,767</u>
Facilities & Utilities Maintenance			
Salaries & Benefits	489,077	410,841	78,236
Electricity	1,026,870	1,005,940	20,930
Fuels	317,115	418,846	(101,731)
Contracted Services	325,000	294,722	30,278
Other Operating Expenses	289,477	250,863	38,614
Total Facilities & Utilities Maintenance	<u>2,447,539</u>	<u>2,381,212</u>	<u>66,327</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DETAILED SCHEDULE OF EXPENSES COMPARED TO
BUDGET – DEPARTMENTAL LEVEL (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

	2025		Variance Favorable (Unfavorable)
	Budget	Actual Expenses	
Electrical Maintenance			
Salaries & Benefits	\$ 1,404,019	\$ 1,183,335	\$ 220,684
Repairs	201,000	262,597	(61,597)
Contracted Services	36,000	89,367	(53,367)
Other Operating Expenses	70,704	68,422	2,282
Total Electrical Maintenance	<u>1,711,723</u>	<u>1,603,721</u>	<u>108,002</u>
Planning & Engineering			
Salaries & Benefits	1,430,035	1,357,922	72,113
Contracted Services	37,000	27,559	9,441
Operating Expenses	45,950	40,292	5,658
Total Planning & Engineering	<u>1,512,985</u>	<u>1,425,773</u>	<u>87,212</u>
Management Information System			
Salaries & Benefits	786,521	741,185	45,336
Contracted Services	390,569	351,068	39,501
Operating Expenses	147,714	137,680	10,034
Total Management Information System	<u>1,324,804</u>	<u>1,229,933</u>	<u>94,871</u>
Lab Services			
Salaries & Benefits	928,234	909,501	18,733
Contracted Services	118,700	106,791	11,909
Operating Expenses	130,770	102,151	28,619
Total Lab Services	<u>1,177,704</u>	<u>1,118,443</u>	<u>59,261</u>
Non-Departmental			
Depreciation	8,119,236	8,599,663	(480,427)
Interest and Bond Amortization Expense	-	1,013,364	(1,013,364)
Other Non-Departmental	-	41,163	(41,163)
Total Non-Departmental	<u>8,119,236</u>	<u>9,654,190</u>	<u>(1,534,954)</u>
Total Expenses	<u>\$ 43,093,129</u>	<u>\$ 42,415,797</u>	<u>\$ 704,759</u>

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025**

Federal Grantor Pass-Through Agency Grant Program Title or Cluster Name	Pass-Through Identifying Numbers	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Environmental Protection Agency				
Passed Through Minnesota Department of Employment and Economic Development				
Clean Water State Revolving Fund				
CHP and Pre-CHP Engine Generators	MPFA-CWRF-L-018-FY23	66.458	\$ 505,367	\$ -
Carlton Pump Station & Change Order	MPFA-CWRF-L-025-FY23	66.458	127,482	-
Thickener Improvements	MPFA-CWRF-L-041-FY23	66.458	407,575	-
Misc Gravity (Lakeside) Interceptor	MPFA-CWRF-L-056-FY26	66.458	5,392,452	-
Misc Forcemain - Knowlton Creek	MPFA-CWRF-L-055-FY26	66.458	3,023,481	-
Secondary Clarifiers	MPFA-CWRF-L-057-FY26	66.458	5,580,606	-
Total U.S. Environmental Protection Agency			<u>15,036,962</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,036,962</u>	<u>\$ -</u>

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Western Lake Superior Sanitary District. The District's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Western Lake Superior Sanitary District under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Western Lake Superior Sanitary District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Western Lake Superior Sanitary District.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Position and the Schedule of Expenditures of Federal Awards.

Expenditures under Assistance Listing No. 66.458 are capitalized in capital assets on the financial statements. The funding received under this program is federal grant funding shown as additions to the long-term debt payable. Other federal grants are reported as intergovernmental grants or federal contributions.

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025**

4. Reconciliation to Comparative Statement of Revenues, Expenses, and Changes in Net Position and the Schedule of Expenditures of Federal Awards (Continued)

Nonoperating Revenues: Intergovernmental Grants	\$ 448,945
Less: State Portion of Intergovernmental Grants	(448,945)
	-
Federal Portion of Intergovernmental Grants	-
Public Facility Authority Loans	15,036,962
	15,036,962
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 15,036,962
	15,036,962
Reconciliation of Proceeds from Notes:	
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 15,036,962
Current Year Expenses Not Received	(15,282,708)
Proceeds from Notes from Prior Year Expenses	2,854,008
	2,854,008
Total Current Year Proceeds from Notes	\$ 2,608,262
	2,608,262

STATISTICAL SECTION
(Last Ten Fiscal Years)
(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
STATISTICAL SECTION**

This part of Western Lake Superior Sanitary District’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 District’s overall financial health.

Contents

Financial Trends – Pages 75-79

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

Revenue Capacity – Pages 80-85

These schedules contain information to help the reader assess the District’s revenue sources for both wastewater and solid waste generators.

Debt Capacity – Pages 86-89

These schedules contain information to help the reader assess the affordability of the District’s current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information – Pages 90-91

These schedules contain demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.

Operating Information – Pages 92-94

These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.

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

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FINANCIAL TRENDS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Primary Government										
Net Investment in Capital Assets	\$ 83,123,728	\$ 65,231,640	\$ 57,961,513	\$ 52,507,734	\$ 49,956,743	\$ 49,950,104	\$ 49,064,740	\$ 47,992,524	\$ 48,967,570	\$ 44,836,109
Restricted	38,239,972	34,708,583	31,312,344	28,129,718	27,319,007	24,850,375	22,685,349	20,429,722	19,491,242	18,940,444
Unrestricted	4,710,245	20,568,964	24,978,859	24,241,987	24,753,728	23,130,905	22,290,407	20,497,392	17,039,391	18,719,326
Total Primary Government Net Position	<u>\$ 126,073,945</u>	<u>\$120,509,187</u>	<u>\$114,252,716</u>	<u>\$ 104,879,439</u>	<u>\$ 102,029,478</u>	<u>\$ 97,931,384</u>	<u>\$ 94,040,496</u>	<u>\$ 88,919,638</u>	<u>\$ 85,498,203</u>	<u>\$ 82,495,879</u>

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FINANCIAL TRENDS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating Revenues	\$ 43,639,230	\$ 42,136,406	\$ 42,192,619	\$ 39,963,705	\$ 38,453,940	\$ 37,966,784	\$ 38,253,936	\$ 36,824,029	\$ 36,006,457	\$ 36,190,268
Operating Expenses	41,402,433	41,453,879	40,935,745	39,400,780	35,419,528	36,924,712	36,279,101	35,227,114	34,367,185	34,360,782
Operating Income	2,236,797	682,527	1,256,874	562,925	3,034,412	1,042,072	1,974,835	1,596,915	1,639,272	1,829,486
Total Nonoperating Revenues/(Expenses)	2,864,554	3,427,083	3,593,436	1,468,926	919,783	1,413,085	1,922,775	1,475,280	1,026,976	839,987
Income/(Loss) before Capital Contributions	5,101,351	4,109,610	4,850,310	2,031,851	3,954,195	2,455,157	3,897,610	3,072,195	2,666,248	2,669,473
Capital Contributions	463,407	2,146,861	4,522,967	818,110	143,899	1,435,731	1,223,248	349,240	336,076	1,657,067
Change in Net Position	\$ 5,564,758	\$ 6,256,471	\$ 9,373,277	\$ 2,849,961	\$ 4,098,094	\$ 3,890,888	\$ 5,120,858	\$ 3,421,435	\$ 3,002,324	\$ 4,326,540

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FINANCIAL TRENDS
OPERATING REVENUES BY SOURCE/USER
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
User Charges - Municipals	\$ 12,587,175	\$ 12,769,425	\$ 12,706,109	\$ 12,301,359	\$ 11,777,530	\$ 11,740,835	\$ 11,772,789	\$ 11,220,492	\$ 11,189,619	\$ 11,044,313
User Charges - Industries	17,697,151	16,886,609	16,927,831	16,327,783	15,703,424	15,735,905	16,001,484	15,565,523	15,229,129	15,659,865
User Charges - Solid Waste	7,627,607	7,386,670	7,369,216	6,141,508	5,976,171	5,673,387	5,702,297	5,585,909	5,473,131	5,307,961
Service Fee - Solid Waste	3,247,189	2,879,594	2,905,805	2,865,384	2,752,929	2,587,586	2,648,079	2,638,047	2,568,132	2,513,802
District-Wide Allocation	378,001	368,000	355,001	355,001	355,002	355,001	355,001	354,999	354,998	354,998
Capacity availability charges	450,561	555,510	616,377	632,302	542,352	528,092	714,438	471,143	362,374	424,504
Other Revenue	1,651,546	1,290,598	1,312,280	1,340,368	1,346,532	1,345,978	1,059,848	987,916	829,074	884,825
TOTAL REVENUES	\$ 43,639,230	\$ 42,136,406	\$ 42,192,619	\$ 39,963,705	\$ 38,453,940	\$ 37,966,784	\$ 38,253,936	\$ 36,824,029	\$ 36,006,457	\$ 36,190,268
WASTEWATER TREATMENT REVENUES										
City of Duluth	\$ 9,845,394	\$ 10,181,471	\$ 10,090,618	\$ 9,860,240	\$ 9,498,785	\$ 9,457,125	\$ 9,275,062	\$ 8,881,800	\$ 8,854,932	\$ 8,838,483
City of Cloquet	1,050,832	865,140	944,289	881,815	816,609	866,857	984,427	873,786	895,054	852,182
City of Proctor	330,409	331,930	343,510	314,835	304,908	309,293	322,799	359,284	336,941	288,120
City of Hermantown	625,445	581,707	557,643	534,782	504,199	458,868	493,274	461,668	430,969	433,729
City of Scanlon	82,038	160,128	131,882	120,311	101,917	105,459	123,707	107,780	119,565	103,064
Thomson Township (Esco)	175,295	169,339	163,189	154,856	142,403	144,175	138,209	130,222	132,220	124,094
City of Carlton	132,075	138,310	129,465	118,670	111,976	121,297	116,786	106,784	111,426	95,485
Twin Lakes Township	66,104	61,480	58,038	57,737	51,637	42,950	70,663	74,570	68,963	76,381
City of Wrenshall	28,815	30,851	28,040	25,279	21,881	22,012	23,372	16,856	23,671	19,155
City of Thomson	8,661	10,158	8,778	8,454	7,893	7,989	9,004	7,363	8,516	7,960
Jay Cooke State Park	2,957	3,158	3,290	3,198	3,093	4,626	3,549	4,098	4,177	4,411
North Shore	54,603	59,276	57,279	47,650	47,208	43,245	44,549	41,959	43,768	39,971
Knife River	20,833	19,642	22,140	19,189	17,645	16,021	15,862	15,026	15,713	15,161
Oliver	17,823	16,305	16,192	15,297	14,804	16,677	16,798	16,577	16,422	16,512
Pike Lake	78,327	75,261	79,833	76,009	69,099	61,114	67,458	60,379	60,621	56,509
Rice Lake Township	52,589	51,394	57,505	47,729	47,630	47,609	52,323	47,365	48,247	46,355
MPCA Landfill	8,344	8,158	8,384	9,568	10,016	10,673	10,349	10,381	13,964	20,050
Midway	6,631	5,717	6,034	5,740	5,827	4,845	4,598	4,594	4,450	6,691
Sappi	15,135,182	14,416,761	13,329,476	13,969,161	13,850,195	12,305,970	11,873,947	11,254,946	10,211,714	10,797,398
Georgia Pacific	-	-	-	-	-	-	-	-	-	450,031
Specialty Minerals	192,985	168,340	160,487	185,412	163,996	189,411	225,320	246,412	432,453	314,281
USG	774,210	726,242	1,003,369	957,431	631,343	574,893	539,897	505,893	482,540	447,148
Verso Duluth Mill	-	-	-	-	383,627	2,665,631	3,362,320	3,558,272	4,102,422	3,651,007
ST Paper I	-	145,497	2,434,499	1,215,779	674,263	-	-	-	-	-
Sofidel America	1,594,774	1,429,769	-	-	-	-	-	-	-	-
TOTAL	\$ 30,284,326	\$ 29,656,034	\$ 29,633,940	\$ 28,629,142	\$ 27,480,954	\$ 27,476,740	\$ 27,774,273	\$ 26,786,015	\$ 26,418,748	\$ 26,704,178

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FINANCIAL TRENDS
OPERATING EXPENSES BY FUNCTION/OBJECT
LAST TEN FISCAL YEARS**

	OPERATING EXPENSES BY FUNCTION									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Clean Water Production	\$ 4,781,730	\$ 4,675,043	\$ 4,883,303	\$ 6,827,939	\$ 5,775,307	\$ 5,585,144	\$ 5,624,787	\$ 5,390,151	\$ 6,034,230	\$ 6,024,619
Biosolids	874,551	819,648	883,677	941,477	871,920	867,837	879,653	846,200	851,294	813,721
Conveyance System	2,374,902	2,487,606	2,426,977	2,283,049	1,952,558	1,838,597	1,634,106	1,926,426	2,013,248	1,880,632
Maintenance	6,478,069	6,919,493	6,289,655	3,535,695	3,216,305	3,581,010	3,449,313	3,704,341	3,587,510	3,188,980
Sustainability Wastewater	347,509	293,083	304,629	272,087	191,793	200,737	260,645	270,960	260,184	266,978
PFA's Source Identification Grant	27,427	-	-	-	-	-	-	-	-	-
Transfer Station	6,675,338	6,508,377	6,406,828	5,791,642	5,083,857	4,864,424	4,881,769	4,805,257	4,708,137	4,642,832
Material Recovery Center	1,474,369	1,361,410	1,330,746	1,242,624	1,192,279	1,079,144	1,105,830	1,066,107	993,432	989,395
Organics	373,268	370,250	393,139	349,464	302,775	311,161	316,111	321,619	322,505	317,062
Household Hazardous Waste	942,417	947,227	951,770	933,446	896,541	915,570	799,000	862,273	845,569	806,455
Sustainability Solid Waste	897,944	840,276	862,986	759,497	724,677	746,396	788,127	705,837	709,284	800,364
Environmental Programs Grants	-	-	-	-	-	-	-	44,475	-	-
Business Services	3,739,934	3,364,357	3,299,303	3,051,879	2,720,053	2,694,738	2,613,191	2,557,670	2,430,872	2,539,976
Planning & Engineering	1,425,773	1,264,380	1,209,918	1,193,989	1,028,334	999,737	992,478	1,040,360	983,224	956,507
Management Information	1,229,933	1,173,263	1,050,144	919,895	860,148	895,145	748,936	729,184	715,643	635,171
Lab Services	1,118,443	1,177,976	1,112,299	1,030,333	852,259	1,091,346	939,240	884,172	885,881	1,004,712
Non-Departmental	8,640,826	9,251,490	9,530,371	10,267,764	9,750,722	11,253,726	11,245,915	10,072,082	9,578,370	9,483,767
TOTAL OPERATING EXPENSES	\$ 41,402,433	\$ 41,453,879	\$ 40,935,745	\$ 39,400,780	\$ 35,419,528	\$ 36,924,712	\$ 36,279,101	\$ 35,227,114	\$ 34,919,383	\$ 34,351,171

	OPERATING EXPENSES BY OBJECT									
Salaries & Wages	\$ 10,540,400	\$ 9,827,468	\$ 8,788,123	\$ 8,110,090	\$ 7,803,810	\$ 8,087,366	\$ 7,672,148	\$ 7,350,891	\$ 7,194,814	\$ 7,071,240
Fringe Benefits	3,771,105	3,744,128	4,260,649	4,058,208	2,954,147	3,188,270	3,387,251	2,957,164	3,488,123	3,657,383
Other Postemployment Benefits	(34,023)	12,235	(47,499)	19,687	22,312	23,795	(65,098)	52,415	8,074	19,534
Utilities	3,442,201	4,537,892	4,195,153	4,541,586	3,489,792	3,010,477	3,085,486	3,459,444	3,464,940	3,541,246
Chemicals	2,224,413	2,237,508	2,231,246	1,780,403	1,534,058	1,591,535	1,547,507	1,226,341	1,056,996	1,344,749
Repairs	1,043,166	906,862	960,032	728,359	773,203	904,116	752,795	1,064,553	921,948	890,618
Supplies	702,614	517,449	558,153	444,382	413,610	452,790	415,100	454,565	411,641	439,478
Contract Services	2,132,760	1,817,501	2,028,967	1,950,584	1,939,845	2,012,430	1,809,851	2,168,394	2,033,056	1,784,494
Solid Waste Disposal	7,064,837	6,862,285	6,771,480	6,013,199	5,376,892	5,114,330	5,076,941	5,007,245	4,912,086	4,830,222
Other	1,915,297	1,819,873	1,703,852	1,586,496	1,364,363	1,286,881	1,726,617	1,461,721	1,297,137	1,298,051
Subtotal Expenses Before Depreciation	32,802,770	32,283,201	31,450,156	29,232,994	25,672,032	25,671,990	25,408,598	25,202,733	24,788,815	24,877,015
Depreciation/Amortization	8,599,663	9,170,678	9,485,589	10,167,786	9,747,496	11,252,722	10,870,503	10,024,381	9,578,370	9,483,767
TOTAL OPERATING EXPENSES	\$ 41,402,433	\$ 41,453,879	\$ 40,935,745	\$ 39,400,780	\$ 35,419,528	\$ 36,924,712	\$ 36,279,101	\$ 35,227,114	\$ 34,367,185	\$ 34,360,782

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
FINANCIAL TRENDS
NONOPERATING REVENUES AND EXPENSES
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Earnings on Investments	\$ 2,077,057	\$ 2,755,285	\$ 2,303,896	\$ 440,546	\$ 22,779	\$ 542,300	\$ 923,647	\$ 600,878	\$ 294,140	\$ 156,954
Gain/(Loss) on Sale of Capital Assets	17,372	84,147	(11,283)	28,434	1,125	-	14,352	14,130	5,181	2,550
Operating Grants	448,945	419,739	363,330	435,125	379,230	375,602	374,984	390,401	395,190	420,717
Special Assessments	1,334,544	1,152,427	1,145,720	1,152,978	1,138,349	1,212,482	1,134,952	1,130,463	1,105,907	1,100,263
Interest Expense (1)	(1,013,364)	(984,515)	(808,227)	(588,157)	(621,700)	(717,299)	(525,160)	(660,592)	(772,579)	(840,497)
Other Revenues	-	-	600,000	-	-	-	-	-	-	-
Total Nonoperating Revenues/(Expenses)	\$ 2,864,554	\$ 3,427,083	\$ 3,593,436	\$ 1,468,926	\$ 919,783	\$ 1,413,085	\$ 1,922,775	\$ 1,475,280	\$ 1,027,839	\$ 839,987

(Unaudited)

(1) - Net of capitalized amounts

Source: Finance Department Western Lake Superior Sanitary District

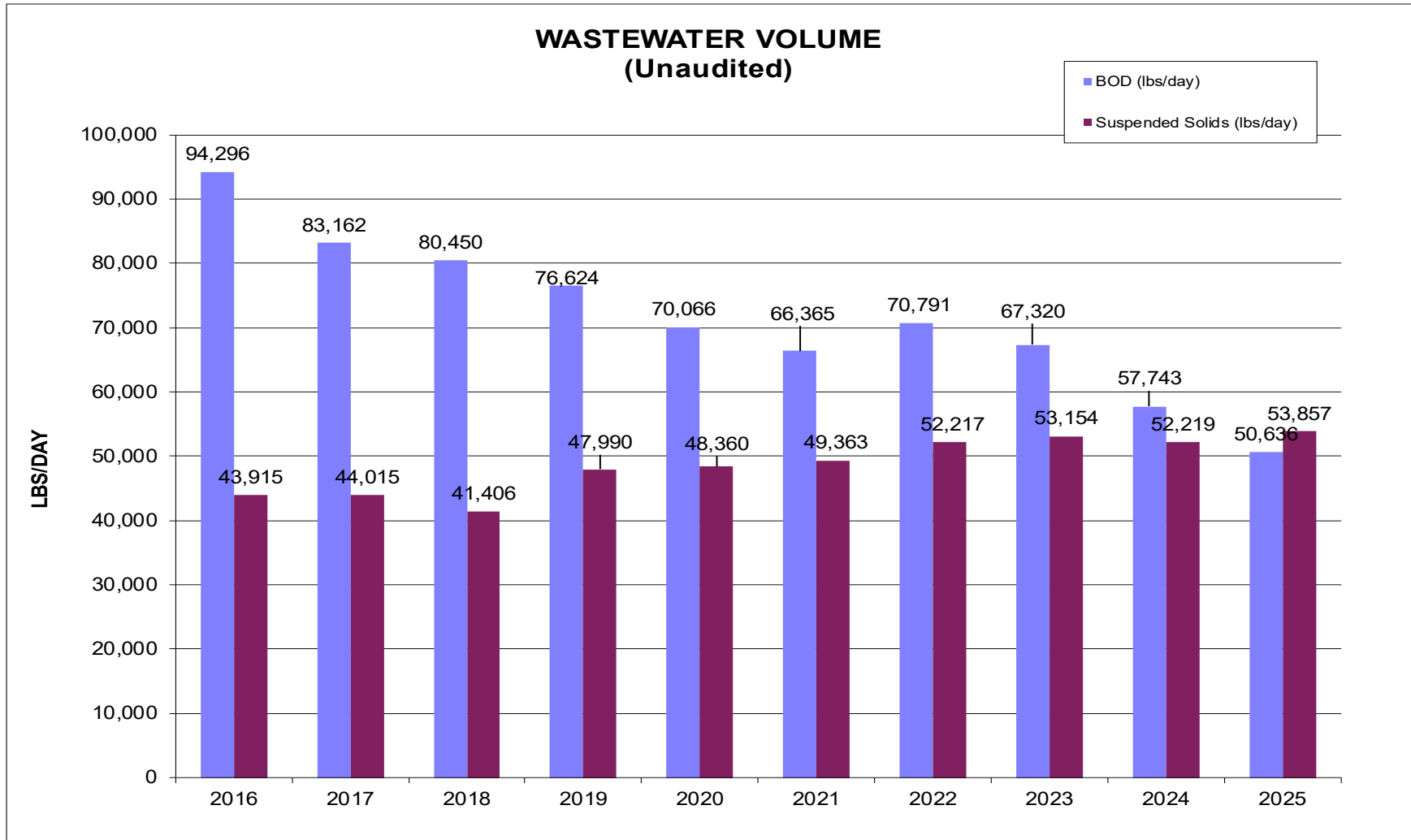
**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
REVENUE CAPACITY WASTEWATER OPERATIONS
TOTAL WASTEWATER TREATED BY BILLING PARAMETERS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
MUNICIPALITIES										
Flow (million gal/day)	12.13	14.77	16.43	15.13	12.69	13.83	16.78	14.21	16.83	15.88
BOD (lbs/day)	15,994	16,517	16,508	18,000	18,065	18,264	17,251	18,116	17,646	17,573
Suspended Solids (lbs/day)	22,642	23,389	22,996	23,039	23,765	23,869	22,598	21,289	21,182	22,002
INDUSTRIES										
Flow (million gal/day)	18.66	19.73	19.97	18.59	19.24	19.27	20.91	21.61	21.60	21.08
BOD (lbs/day)	34,642	41,226	50,812	52,791	48,300	51,802	59,373	62,334	65,516	76,723
Suspended Solids (lbs/day)	31,215	28,830	30,158	29,178	25,598	24,491	25,392	20,117	22,833	21,913
TOTAL WASTEWATER										
Flow (million gal/day)	30.79	34.51	36.41	33.73	31.93	33.09	37.69	35.82	38.43	36.96
BOD (lbs/day)	50,636	57,743	67,320	70,791	66,365	70,066	76,624	80,450	83,162	94,296
Suspended Solids (lbs/day)	53,857	52,219	53,154	52,217	49,363	48,360	47,990	41,406	44,015	43,915

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
WASTEWATER VOLUME
LAST TEN FISCAL YEARS**



Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
REVENUE CAPACITY WASTEWATER OPERATIONS
OPERATIONS AND MAINTENANCE UNIT COSTS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Flow (cost/1000gal)	\$ 0.8311	\$ 0.7215	\$ 0.7038	\$ 0.7296	\$ 0.6968	\$ 0.6232	\$ 0.5558	\$ 0.5759	\$ 0.5338	\$ 0.5472
Excess Flow (cost/1000 gal)	\$ 0.0306	\$ 0.0190	\$ 0.0225	\$ 0.0226	\$ 0.0317	\$ 0.0251	\$ 0.0265	\$ 0.0199	\$ 0.0193	\$ 0.0193
BOD (cost/lb)	\$ 0.2847	\$ 0.2546	\$ 0.2206	\$ 0.1991	\$ 0.2155	\$ 0.1987	\$ 0.1847	\$ 0.1625	\$ 0.1557	\$ 0.1432
Suspended Solids (cost/lb)	\$ 0.2704	\$ 0.2762	\$ 0.2769	\$ 0.2673	\$ 0.2903	\$ 0.2884	\$ 0.2951	\$ 0.3120	\$ 0.2930	\$ 0.3026
Domestic Equivalent (Cost/1000gal)	\$ 2.29	\$ 2.09	\$ 2.01	\$ 1.99	\$ 2.02	\$ 1.95	\$ 1.87	\$ 1.88	\$ 1.78	\$ 1.78

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

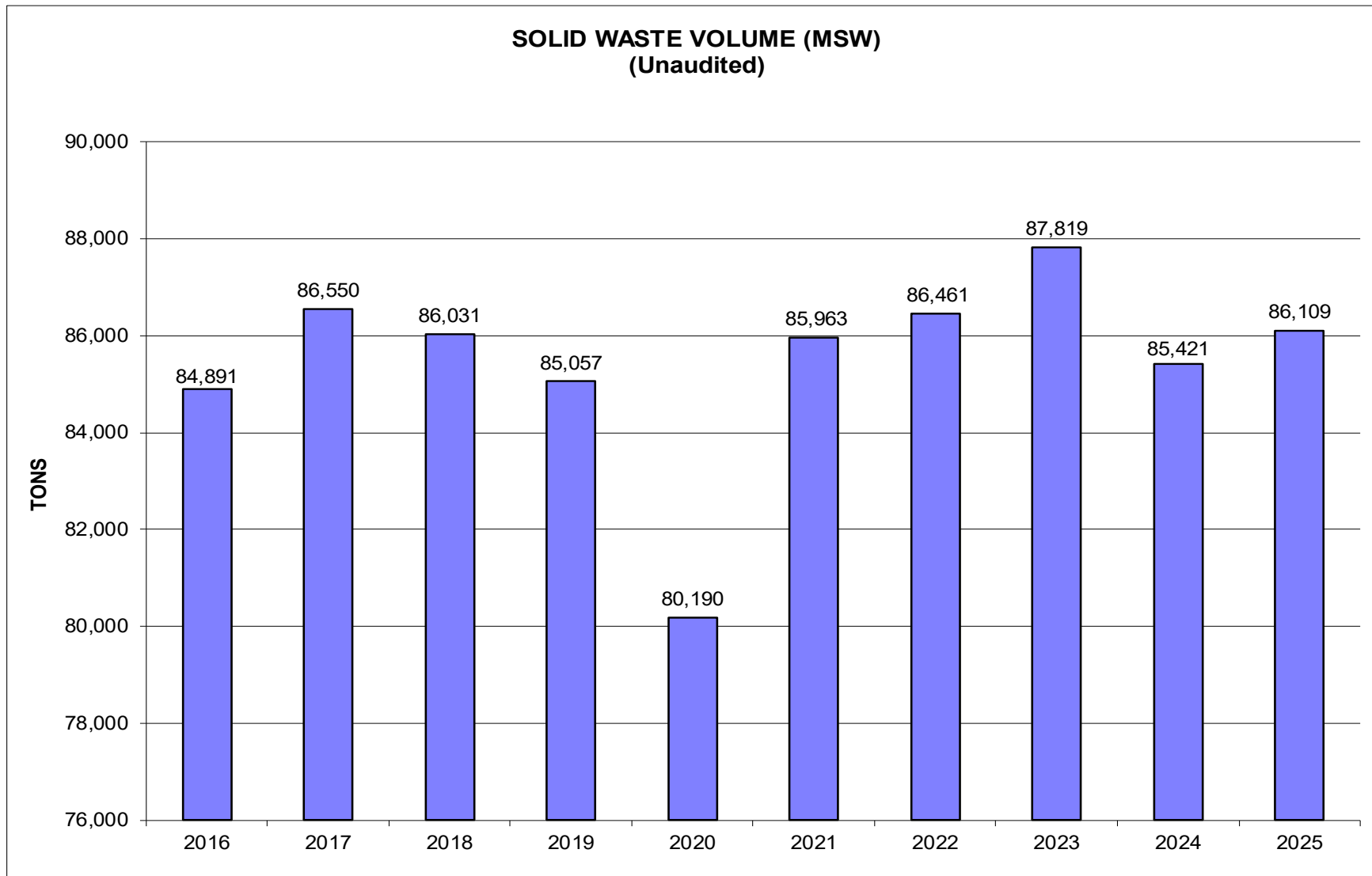
**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
REVENUE CAPACITY SOLID WASTE OPERATION
SOLID WASTE VOLUME (MSW) AND TIPPING FEE
LAST TEN FISCAL YEARS**

<u>VOLUME (Tons)</u>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District (St. Louis County)	58,234	56,814	57,898	56,291	51,139	47,847	48,387	47,761	48,184	53,609
Carlton County	12,346	12,499	14,280	15,569	14,754	13,130	15,024	15,332	15,187	14,617
Itasca County	-	-	-	-	-	-	-	-	-	499
Lake County	5,164	5,604	5,493	5,533	6,638	6,906	7,014	6,935	7,017	6,961
Cook County	3,481	3,370	4,664	3,180	3,196	3,086	3,606	3,466	3,479	3,249
City of Superior	6,884	7,134	5,484	5,888	10,236	9,221	11,026	12,537	12,683	5,956
TOTAL VOLUME	86,109	85,421	87,819	86,461	85,963	80,190	85,057	86,031	86,550	84,891
Tipping Fee (Per Ton)										
Transfer Station	\$ 69.46	\$ 68.14	\$ 66.72	\$ 63.08	\$ 50.59	\$ 50.17	\$ 49.43	\$ 49.30	\$ 48.55	\$ 48.02

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
SOLID WASTE VOLUME (MSW)
LAST TEN FISCAL YEARS**



Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
PRINCIPAL REVENUE PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Customer	Fiscal Year 2025		Fiscal Year 2016	
	Amount	%	Amount	%
City of Duluth	\$ 9,845,394	22.56%	\$ 8,838,483	24.42%
Sappi Cloquet LLC	15,135,182	34.68%	10,797,398	29.84%
Verso Duluth Mill			3,651,007	10.09%
Sofidel America	1,594,774	3.65%		
Hartel's	3,872,694	8.87%		
Waste Management	3,714,366	8.51%	1,952,692	5.40%
Subtotal	34,162,410	78.28%	25,239,580	69.74%
Balance from Other Customers	9,476,820	21.72%	10,950,688	30.26%
Grand Total User Charges	<u>\$ 43,639,230</u>	100.00%	<u>\$ 36,190,268</u>	100.00%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEBT ACTIVITY
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR	GENERAL OBLIGATION BONDS	NOTES FROM DIRECT BORROWINGS	LEASE LIABILITY	SUBSCRIPTION BASED INFORMATION TECHNOLOGY LIABILITY	UNAMORTIZED PREMIUM	UNAMORTIZED DISCOUNT	TOTAL DEBT	PER CAPITA	AS A SHARE OF PERSONAL INCOME
2016	\$ 16,570,000	\$ 33,415,388	\$ -	\$ -	\$ 27,771	\$ (14,145)	\$ 49,999,014	\$ 361	0.87%
2017	12,240,000	32,762,796	-	-	27,771	(14,145)	45,016,422	325	0.77%
2018	8,270,000	38,421,524	-	-	17,672	(7,979)	46,701,217	337	0.77%
2019	4,475,000	48,716,689	-	-	7,574	(3,791)	53,195,472	382	0.83%
2020	1,495,000	50,948,479	-	-	-	(1,463)	52,442,016	376	0.79%
2021	390,000	49,417,016	-	-	-	(327)	49,806,689	358	0.72%
2022	-	51,385,077	203,397	-	-	-	51,588,474	371	0.69%
2023	-	61,940,975	122,425	2,171,648	-	-	64,235,048	455	0.83%
2024	-	64,437,900	78,630	1,957,659	-	-	66,474,189	472	0.87%
2025	-	59,587,229	99,622	1,477,905	-	-	61,164,756	433	0.70%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEBT ACTIVITY
NET TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL	
	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE	NET TAX CAPACITY	ESTIMATED MARKET VALUE
2016	\$ 112,289,003	\$ 10,253,508,300	\$ 6,297,512	\$ 331,781,300	\$ 118,586,515	\$ 10,585,289,600
2017	119,520,494	10,872,660,000	6,704,285	351,925,250	126,224,779	11,224,585,250
2018	126,958,052	11,448,399,200	6,711,687	352,804,450	133,669,739	11,801,203,650
2019	136,084,406	12,034,542,490	6,262,163	332,379,500	142,346,569	12,366,921,990
2020	140,510,678	12,595,214,100	6,472,263	343,293,200	146,982,941	12,938,507,300
2021	147,797,856	13,212,693,800	5,439,456	299,388,500	153,237,312	13,512,082,300
2022	171,978,891	15,325,240,172	7,132,543	385,083,200	179,111,434	15,710,323,372
2023	186,938,059	16,631,358,311	7,239,367	391,116,500	194,177,426	17,022,474,811
2024	201,106,110	18,080,054,500	7,829,713	427,756,900	208,935,823	18,507,811,400
2025	212,268,441	18,987,507,100	8,790,356	477,538,800	221,058,797	19,465,045,900

Source: St. Louis County and Carlton County Auditors' Office

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEBT ACTIVITY
NET GENERAL BONDED DEBT RATIOS
LAST TEN FISCAL YEARS**

	POPULATION	NET TAX CAPACITY	GROSS BONDED DEBT	DEBT SERVICE FUNDS AVAILABLE	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO NET TAX CAPACITY	NET BONDED DEBT PER CAPITA	RATIO OF NET BONDED DEBT TO ESTIMATED MARKET VALUE
2016	138,492	\$ 118,586,515	\$ 49,985,388	\$ 15,706,049	\$ 34,279,339	28.91%	\$ 247.52	0.32%
2017	138,536	126,224,779	45,016,422	16,389,100	28,627,322	22.68%	206.64	0.26%
2018	138,735	133,669,739	46,701,217	17,667,918	29,033,299	21.72%	209.27	0.25%
2019	139,302	142,346,569	53,195,472	18,502,801	34,692,671	24.37%	249.05	0.28%
2020	139,302	146,982,941	52,442,016	19,247,097	33,194,919	22.58%	238.29	0.26%
2021	139,302	153,237,312	49,806,689	20,720,001	29,086,688	18.98%	208.80	0.22%
2022	138,954	179,111,434	51,588,474	23,109,984	28,478,490	15.90%	204.95	0.18%
2023	141,164	194,177,426	64,235,048	25,221,882	39,013,166	20.09%	276.37	0.23%
2024	140,777	208,935,823	66,474,189	27,197,393	39,276,796	18.80%	279.00	0.21%
2025	141,338	221,058,797	61,164,756	29,308,054	31,856,702	14.41%	225.39	0.16%

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEBT ACTIVITY
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
2016	\$ 37,870,752	\$ 24,877,015	\$ 12,993,737	\$ 8,917,766	\$ 937,413	\$ 9,855,179	132%
2017	37,806,875	24,788,815	13,018,060	7,376,317	815,661	8,191,978	159%
2018	38,959,901	25,155,032	13,804,869	7,219,000	719,677	7,938,677	174%
2019	40,701,871	25,033,186	15,668,685	7,840,494	674,998	8,515,492	184%
2020	40,097,168	25,670,986	14,426,182	7,741,774	701,857	8,443,631	171%
2021	39,995,423	25,672,032	14,323,391	6,413,786	643,269	7,057,055	203%
2022	42,020,788	29,232,994	12,787,794	5,664,507	588,102	6,252,609	205%
2023	45,994,282	31,450,156	14,544,126	6,543,699	808,227	7,351,926	198%
2024	46,548,004	32,283,201	14,264,803	7,518,000	888,344	8,406,344	170%
2025	47,517,148	32,802,770	14,714,378	7,458,932	992,772	8,451,704	174%

(Unaudited)

(1) Depreciation and amortization expenses have been excluded.
Source: Finance Department Western Lake Superior Sanitary District

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEMOGRAPHIC AND ECONOMIC INFORMATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	POPULATION (1)	PERSONAL INCOME	PER CAPITA PERSONAL INCOME (2)		UNEMPLOYMENT RATE (3)	
					LOCAL	STATE
2016	138,492	\$ 5,750,603,316	\$	41,523	5.60%	4.10%
2017	138,536	5,798,701,252		41,857	4.30%	3.30%
2018	138,735	6,033,862,620		43,492	3.90%	2.80%
2019	139,302	6,442,717,500		46,250	4.50%	3.30%
2020	139,302	6,638,297,508		47,654	5.70%	6.50%
2021	139,902	6,965,021,070		49,785	3.30%	2.70%
2022	138,954	7,466,554,236		53,734	3.60%	3.20%
2023	141,164	7,702,613,660		54,565	3.20%	2.60%
2024	140,777	8,068,774,532		57,316	3.20%	2.60%
2025	141,338	8,744,158,046		61,867	4.90%	4.30%

(Unaudited)

Sources: (1) Minnesota State Demographers Office
(2) Bureau of Economic Analysis - Regional - Metropolitan Statistical Area
(3) Minnesota Department of Employment and Economic Development

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2025			Fiscal Year 2016		
	Employees (1)	Rank	Percentage of Total Employment	Employees (2)	Rank	Percentage of Total Employment
Essentia Health (SMDC Health System)	6,895	1	12.40%	5,341	1	3.89%
Aspirus St. Luke's	2,200	2	3.96%	1,934	3	1.41%
St. Louis County	1,881	3	3.38%	1,956	2	1.42%
University of Minnesota Duluth	1,403	4	2.52%	1,700	4	1.24%
Duluth Public Schools	1,400	5	2.52%	1,426	5	1.04%
Allete (MN Power)	1,346	6	2.42%	1,322	7	0.96%
Cirrus Aircraft	1,000	7	1.80%			
City of Duluth	850	8	1.53%	850	9	0.62%
ZMC Hotels	540	9	0.97%			
Miner's Inc.	508	10	0.91%			
Duluth Air National Guard Base				1,068	8	0.78%
United Health Care				1,368	6	1.00%
US Government				850	10	0.62%
Totals	<u>18,023</u>		<u>32.41%</u>	<u>17,815</u>		<u>12.98%</u>

(Unaudited)

Source: Finance Department Western Lake Superior Sanitary District

(1) Northspan

(2) Northland Connection

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
OPERATING INFORMATION
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
WASTEWATER										
Clean Water	17.24	17.33	16.21	18.11	17.45	18.10	18.31	18.14	18.57	19.74
Conveyance	4.80	4.78	4.99	5.50	4.40	4.30	4.30	4.30	4.30	4.30
Biosolids	6.52	6.46	6.75	6.45	7.47	7.09	7.05	7.08	7.08	7.08
Maintenance	-	-	-	-	-	-	-	20.99	21.10	20.33
Mechanical Maintenance	13.12	13.67	13.49	12.50	12.26	12.09	13.30	-	-	-
Facilities & Utilities Maintenance	2.30	2.27	2.23	-	-	-	-	-	-	-
Electrical Maintenance	9.96	9.88	10.00	9.69	9.17	10.09	9.30	-	-	-
Sustainability	1.95	1.95	1.72	1.74	1.18	1.70	1.95	1.95	1.95	2.45
Subtotal	55.89	56.34	55.39	53.99	51.93	53.37	54.21	52.46	53.00	53.90
SOLID WASTE										
Transfer Station	0.55	0.55	0.50	0.50	0.50	0.50	0.44	0.50	0.50	0.50
MRC	8.58	7.51	7.28	7.72	7.86	7.43	7.76	7.07	7.17	7.50
Household Hazardous Waste	4.32	4.71	4.66	4.47	4.47	4.43	3.42	4.46	4.47	4.47
Organics	2.40	2.09	1.77	2.00	2.04	2.00	1.99	2.02	1.50	1.50
Sustainability	4.05	4.05	4.05	3.46	3.54	4.03	4.05	3.32	4.01	3.49
Subtotal	19.90	18.91	18.26	18.15	18.41	18.39	17.66	17.37	17.65	17.46
ADMINISTRATION										
Business Services	14.34	14.43	12.44	12.60	11.10	11.48	12.35	11.71	11.43	11.67
Planning & Engineering	10.65	9.98	9.53	9.54	8.98	8.00	8.00	8.75	9.00	7.34
Management Information Systems	6.08	6.08	4.77	4.29	5.00	5.00	5.00	5.00	5.00	3.68
Lab	7.28	7.93	7.77	6.40	6.00	5.99	6.00	6.00	6.00	7.35
Subtotal	38.34	38.42	34.51	32.83	31.08	30.47	31.35	31.46	31.43	30.04
Total Employees	114.13	113.67	108.16	104.97	101.42	102.23	103.22	101.29	102.08	101.40

Source: Financial Records of Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
OPERATING INFORMATION
OPERATING INDICATORS – WASTEWATER OPERATIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR	FLOW MG/D	VOLUME		RATES			
		BOD LBS/DAY	TSS LBS/DAY	FLOW Cost/1000 Gal	PEAK FLOW * Cost/1000 Gal	BOD Cost/Lb	TSS Cost/Lb
2025	30.79	50,636	53,857	\$ 0.8311	\$ 0.0306	\$ 0.2847	\$ 0.2704
2024	34.51	57,743	52,219	0.7215	0.0190	0.2546	0.2762
2023	36.41	67,320	53,154	0.7038	0.0225	0.2206	0.2769
2022	33.73	70,791	52,217	0.7296	0.0226	0.1991	0.2673
2021	31.93	66,365	49,363	0.6968	0.0317	0.2155	0.2903
2020	33.09	70,066	48,360	0.6232	0.0251	0.1978	0.2884
2019	37.69	76,624	47,990	0.5558	0.0265	0.1847	0.2951
2018	35.82	80,450	41,406	0.5759	0.0199	0.1625	0.3120
2017	38.43	83,162	44,015	0.5338	0.0193	0.1557	0.2930
2016	36.96	94,296	43,915	0.5472	0.0193	0.1432	0.3026

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)

**WESTERN LAKE SUPERIOR SANITARY DISTRICT
DULUTH, MINNESOTA
OPERATING INFORMATION
CAPITAL ASSET STATISTICS – WATERWATER OPERATIONS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Wastewater										
Sanitary Sewers (miles)	74.560	74.560	74.560	74.560	74.560	74.560	74.560	74.560	74.390	74.620
Treatment Capacity (MGD)	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40	48.40
BOD Treatment Capacity (Lbs/Day)	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000	121,000

Source: Finance Department Western Lake Superior Sanitary District

(Unaudited)