

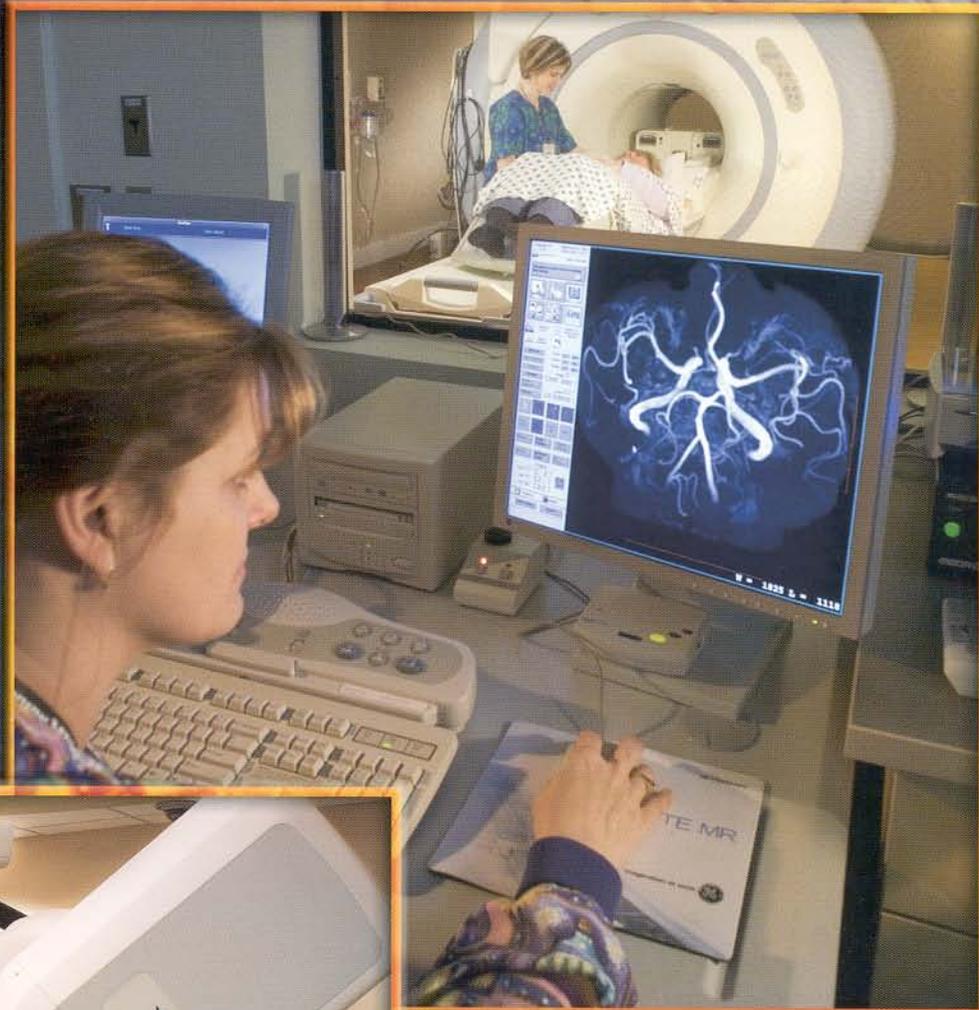
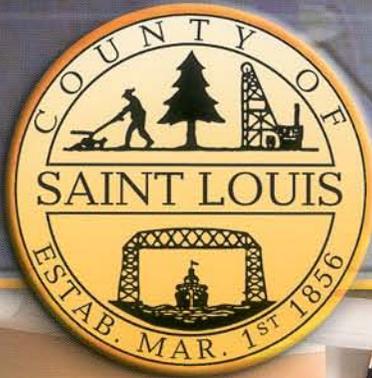
COMPREHENSIVE

Annual Financial Report

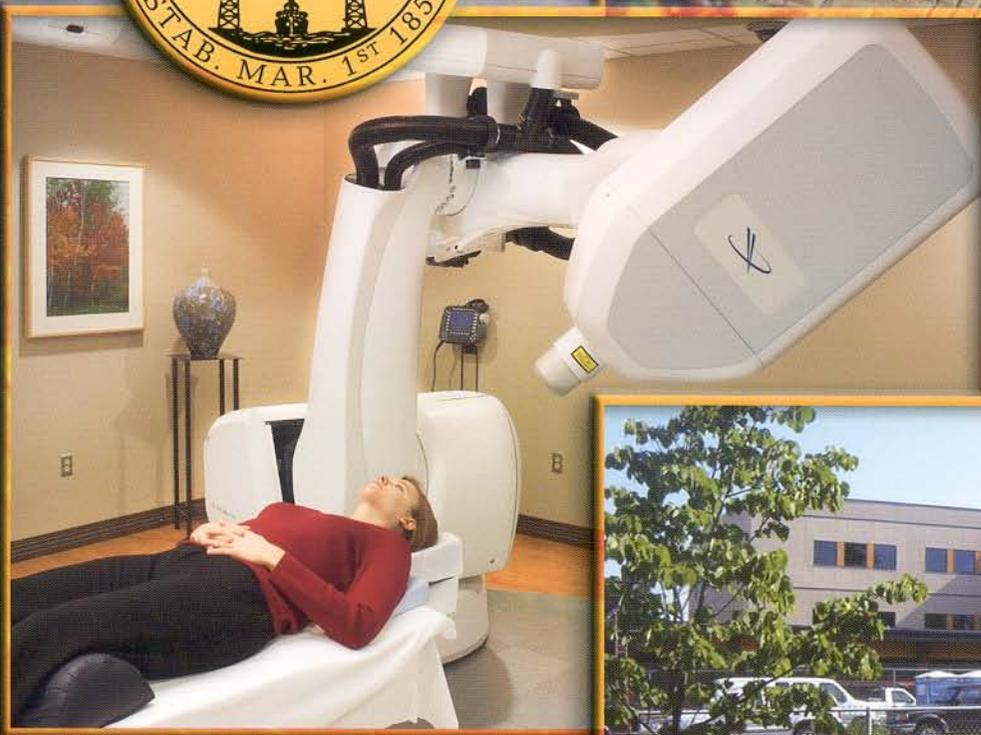
FOR THE
FISCAL YEAR ENDED
DECEMBER 31, 2005

St. Louis County
Minnesota

Donald Dicklich – County Auditor



MRI at Virginia Regional Medical Center, photo by Jeff Frey



Duluth Clinic-Virginia, photo by Peggy Carlson



Cyberknife at Miller-Dwan Medical Center, photo by Jeff Frey

St. Louis County Minnesota

Comprehensive Annual Financial Report
for the Fiscal Year Ending
December 31, 2005



**Donald Dicklich
County Auditor**

"The Mission of St. Louis County is to provide to its people those services mandated and/or expected by its citizens so as to provide a good quality of life."

ST. LOUIS COUNTY, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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ST. LOUIS COUNTY, MINNESOTA
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ST. LOUIS COUNTY, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Saint Louis County

County Auditor – 100 North 5th Avenue West, Room 214 - Duluth, MN 55802-1293
Phone: (218) 726-2380 Phone – Virginia: (218) 749-7104 Fax: (218) 725-5060

Donald Dicklich
St. Louis County Auditor

May 12, 2006

To: The Citizens of St. Louis County, Minnesota
The St. Louis County Board of Commissioners
All Other Interested Parties

The Comprehensive Annual Financial Report of St. Louis County is hereby submitted for the fiscal year ended December 31, 2005. This report was prepared by the County Auditor's Accounting Division. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County.

Financial management of St. Louis County is based on an accounting and financial reporting system that must provide accurate, timely, and relevant information. The assets of the County are protected from fraud, errors, and misuse through the institution of internal controls. Internal controls are designed to safeguard assets, as well as to insure that accounting data are accurate for the preparation of financial statements in conformity with generally accepted accounting principles, and to carry out the County's policies.

St. Louis County is audited annually by the State of Minnesota, as required by Minnesota Statutes § 6.48. This requirement has been complied with and the Office of the State Auditor has issued an unqualified ("clean") opinion on the St. Louis County financial statements for the year ended December 31, 2005. The independent auditor's report is located in the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides "financial highlights" and interprets the financial reports by analyzing trends and explaining changes in the financial condition of the County. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. St. Louis County's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

St. Louis County was established in 1856. Located in Northeastern Minnesota, St. Louis County is the largest county east of the Mississippi River, covering 7,092 square miles from the Canadian border to Duluth. The County's population declined by more than 3,000 in the last five years going from approximately 200,000 to 197,000. The County has a population density of a low 28 people per square mile. St. Louis County is empowered to levy a property tax on both real and personal property located within its boundaries.

The St. Louis County Board of Commissioners consists of seven commissioners elected from seven districts in the County. All commissioners serve overlapping four-year terms of office. Each member of the County Board serves on various committees. The major committees are Public Health and Human Services, Environment and Natural Resources, Public Works and Transportation, Finance and Budget, Central Management and Inter-Governmental, Public Safety and Corrections.

The Board appoints the County Administrator who is the chief administrative officer of the County and is responsible for the administration of Board policy and for the management of various County divisions and departments. The County Attorney, the County Auditor, and the Sheriff are elected officials.

The County provides a full range of services contemplated by statute. These services include public safety, public works, health, judicial, cultural, and human services; maintenance of property records, vital statistics, issuance of various permits and licenses; and the administration of property tax assessment, collection, and distribution for local governments within the County.

The St. Louis County Board of Commissioners is required by state law to annually adopt a budget for the next fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. The County incorporates budgetary controls which ensure that County departments comply with the annual budget. Encumbrance accounting is used to determine availability of funds prior to incurring a specific obligation and to insure that proper policies and regulations have been followed. Encumbrances outstanding at year-end are reported as reserves of fund balances. County departments are comprised of one or more sub-departments (agencies). County departments can spend their agency level budgets on any line item within that agency as long as the total agency budget is not overspent. However, no public aid assistance and/or personal services budget authority may be used for any other purpose without Board approval.

Local economy

The major industries in the County are mining, wood and paper products, shipping, health care, education and tourism.

The taconite industry remains the mainstay of the Iron Range which has seen employment rise slightly in 2005 to almost 3,600 jobs. It is estimated that Iron Range taconite plants pump more than \$1.5 billion into the state economy each year in the form of purchases, wages and benefits, taxes and royalties. The total 2004 Taconite Production Tax assessed the six taconite plants was \$87.4 million. The money was distributed to cities and townships, school districts, counties, property tax relief for taxpayers, and the Iron Range Resources and Rehabilitation Agency (IRRA) in 2005.

Taconite production in 2005 was 39.5 million tons which was .1 million tons higher than 2004. Plans are for the six Northeastern Minnesota taconite plants to produce taconite pellets at capacity or near capacity in 2006. In 2004 China became a net exporter of steel for the first time ever. The capacity of the Chinese steel industry is now 350 million tons compared to a U.S. capacity of about 100 million tons. American steel producers are hoping that strong domestic demand in China will continue to prevent it from becoming a major steel exporter and competitor.

Located at the western tip of Lake Superior, the Port of Duluth-Superior had total cargo in 2005 of 41.7 million metric tons, as compared to 41.2 million tons in 2004, a 1 percent increase. The 2004 tonnage was the highest level since 1979 at 43.8 million tons. The port is the number one iron ore loader nationally, and it is the number one grain loader on the Great Lakes.

St. Louis County has three large health care delivery systems: CareNorth Health System, Essentia Health, and Fairview Range Regional Health Services.

Cirrus Design Corp, a Duluth-based company, reported 600 new aircraft shipped in 2005, representing an increase of 9.2% over 2004. The company registered 701 new aircraft orders during fiscal year 2005. Cirrus reached a production milestone by manufacturing the 2000th airplane in 2005.

Due to Northwest Airlines defaulting on part of it's taxes (tax increment financing) the County was required to pay \$116,514 on January 31, 2006 as it's share of the interest due on 1995 bonds backed by the County. The County can be required to pay up to an additional \$1.8 million on the bonds which will be defeased in 2014.

During the past ten years the average yearly unemployment rate for the County was 5.0%. The average yearly unemployment rate for the State of Minnesota for the same ten years was 3.8%. In 2005, the County is below the ten year average .1%. Creating more jobs and keeping existing jobs within the County would help to narrow the unemployment gap between the State and County.

The net general bonded debt per capita for St. Louis County is the highest is has been in the last ten years at \$217 per person. The bonded debt outstanding has risen by \$27.2 million over the last ten years as the County invested in it's infrastructure, taking advantage of favorable interest rates. The County has debt equal to 19.3% of the total debt limit allowed. The population of the County has remained fairly constant.

The total estimated market value for property has increased each year for the last ten years at an average of 10.0% a year. This increase in valuation is attributed to both new construction and increasing property values.

Long-term financial planning

In 2005, St. Louis County received \$11.1 million in taconite production tax revenues for the County's General Fund and Road and Bridge Fund. The Iron Range taconite industry also distributed another \$4.2 million for the County's share of a tax credit for homeowners in a legislatively defined area in the County. The total distribution was \$.3 million more than 2004. It is possible, that due to the long-term uncertainty of the taconite industry, the County may have to look at methods of replacing some or all of the taconite monies with other revenues or through reductions in expenditures. However, the past two years have seen higher taconite production and the projections for 2006 look equally good.

Future budgets will rely on the stability of State funding and a growing economy. The County Board will need to consider turning back several programs that it currently provides for the state, if this partnership changes.

The Chris Jensen Health and Rehabilitation Center once again had an operating loss in 2005 and also needed a loan from the General Fund to cover its cash deficit at year end. The operating loss for 2005 was \$.7 million or .4 million less than 2004. The loan was for \$3.3 million or \$.6 million more than 2004. Solving this ongoing financial problem will be a difficult challenge.

The County, in 1995, recognizing that it would be prudent to set aside cash reserves to meet unexpected cash flow shortages, began to designate some of its fund balances for cash flow. A formal policy is in place to guide the designation of these funds. The County's goal for the General Fund, the Road and Bridge Special Revenue Fund, and the Social Services Special Revenue Fund, which are major operating funds that are supported in part by direct property tax

levy, is to designate a portion of the available fund balances equal to 5/12 of the certified levy for each fund, plus its share of the program aid paid to the County by the State of Minnesota. At December 31, 2005, the goal was 94.7% accomplished for the General Fund, 66.3% accomplished for the Road and Bridge Fund, and 57.1% accomplished for the Social Services Fund.

Recognizing the need to pre-fund retirees' health insurance premiums which are set aside for the retired employees from their sick leave balances at retirement, the County began in 1994 to designate 1/9 per year of the amount estimated to be paid from the General Fund and Special Revenue Funds for those employees who are eligible to retire immediately. As of December 31, 2005, 100% of the estimated retiree obligations (vested sick leave) amount needed was funded.

In 2000, the County began to designate for the General Fund and Special Revenue Funds 1/9 per year of the amount estimated to be paid for those employees who are not eligible to retire immediately, but probably will retire from the County. As of December 31, 2005, 6/9 of the estimated vesting sick leave amount needed was funded.

The County has also designated other monies for future uses. This is normally done by adding the excess of revenues over expenditures in the current year for each purpose onto the balances from previous years. An example would be the parking designation which through the past years has accumulated \$.9 million.

Major initiatives

The 2006 County budget was prepared with a property tax levy that was \$4.5 million more than the 2005 property tax levy of \$85.3 million.

Two appropriations of \$.1 million each were made for costs relating to methamphetamine abuse and low-income heating assistance by the County Board.

Capital Improvement Bonds and Refunding Bonds were issued November 8, 2005. The total debt issue was for \$9.0 million.

Capital Improvement Bonds 2005A (\$6.1 million) were issued for: Duluth Courthouse HVAC replacement (phase 3), Ely Joint Public Works Facility and Law Enforcement Center equipment.

Law Enforcement Facilities Revenue Refunding Bonds 2005B (\$2.9 million) were issued in order to achieve debt service savings of \$137,685. The bond proceeds were used for prepayment on January 1, 2006 of the principal amount outstanding on the Law Enforcement Facilities Revenue Bonds, Series 1997.

The Capital Improvement Bonds, Series 2004A had expenditures of \$5.5 million on the seven projects funded by the bonds. None of the projects were complete at the end of 2005. These bonds still have \$6.8 million of unspent proceeds.

In May 2005 County employee's started receiving their direct deposit payroll through the new Highline Human Resources/Payroll System. The new system interfaces with the Mitchell Humphrey Financial Management System.

Courts administration was taken over by the State of Minnesota on July 1, 2005. Court employees were allowed to remain on the County's payroll and receive the same benefit plans as the County. The State makes full reimbursement to the County for these costs.

The Road and Bridge department chose MRO Software to implement a Fleet Maintenance and Cost Accounting System. The system is expected to be operational by the end of 2006.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Louis County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. St. Louis County has received the Certificate for the last seventeen consecutive years. We believe our current report will conform to the Certificate of Achievement Program requirements, and are thus submitting it to the GFOA.

In addition, St. Louis County also received the GFOA's Distinguished Budget Presentation Award for its biennial budget document for the fiscal year beginning January 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report in accordance with the GASB 34 financial reporting model was made possible by the dedicated work of the employees of the Accounting and Financial Division. In addition, I would like to express my appreciation to the employees of the Public Health and Human Services Department and the Public Works Department for their dedication and cooperation during the preparation of this report. I am grateful to the County Board of Commissioners and to the Department of Administration for their leadership and support in formulating the financial activities of the County, without which the preparation of this report would not have been possible. Many other County departments extended assistance and cooperation to my office during this time and I thank them also.

Special thanks are due to the State Auditor's staff for their technical assistance during the audit and during the year. We acknowledge, too, the thorough and professional manner in which they conducted their audit.

Sincerely,



DONALD DICKLICH
County Auditor

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St. Louis County Legislative Districts

2003

2003 Minnesota Legislative Districts

Tom Rukavina (DFL) 05A
279 State Office Building
Saint Paul, Minnesota 55155
(651) 296-0170

Anthony Sertich (DFL) 05B
233 State Office Building
Saint Paul, Minnesota 55155
(651) 296-0172

David Dill (DFL) 06A
315 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2190

Mary Murphy (DFL) 06B
343 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2676

Thomas Huntley (DFL) 07A
335 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2228

Mike Jaros (DFL) 07B
291 State Office Building
Saint Paul, Minnesota 55155
(651) 296-4246

Bill Hilty (DFL) 08A
207 State Office Building
Saint Paul, Minnesota 55155
(651) 296-4308

City of Duluth Precincts

District 6B: Prec. 11, 24-26,33
District 7A: Prec. 1-10, 12-13, 15-17
District 7B: Prec. 14, 18-23, 27-32, 34-36

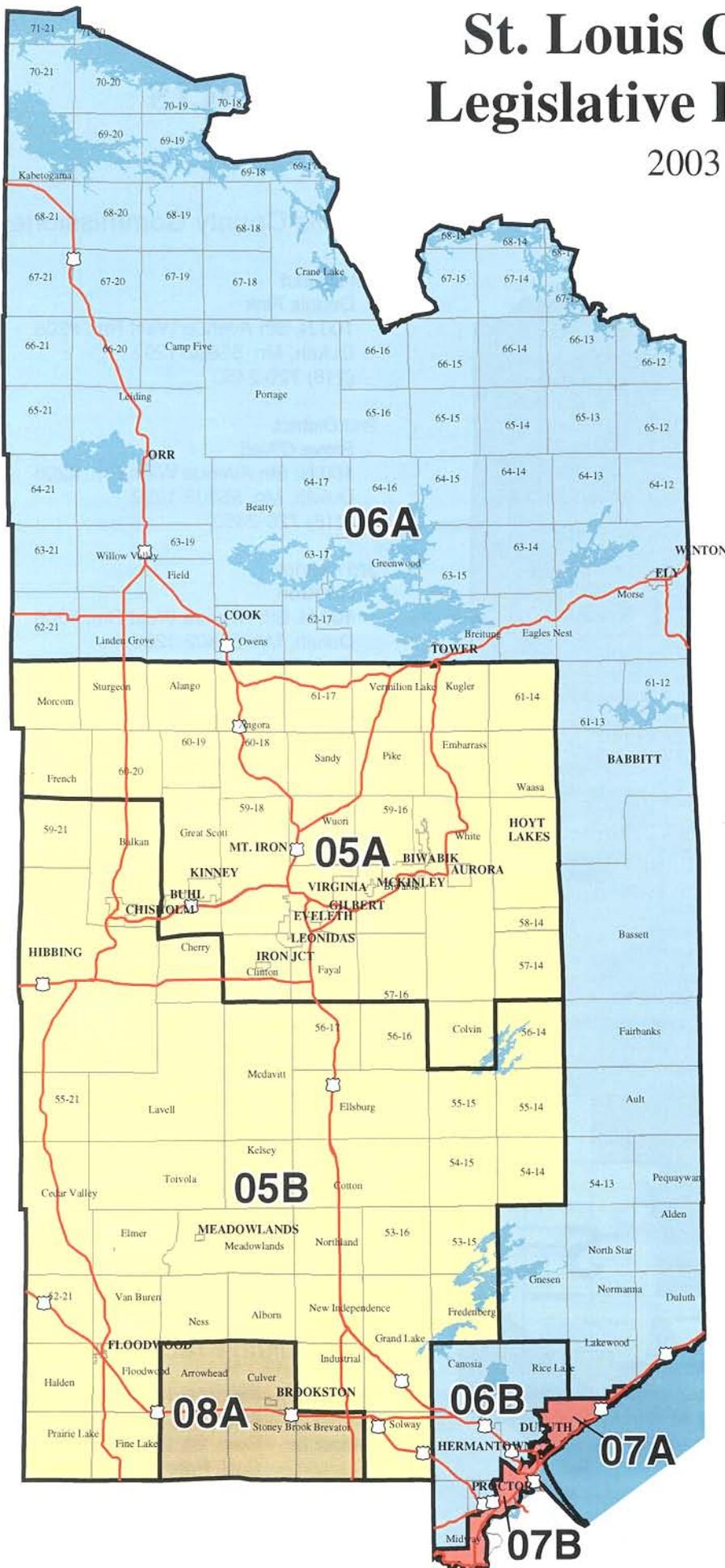
Legend

05 House District Boundaries

Senate District Areas

| | | | |
|--|----|-----------------------|-------------------------------------|
| | 05 | David J. Tomassoni | Room 321, Capitol (651)296-8017 |
| | 06 | Thomas M. Bakk | Room 301, Capitol (651)296-8881 |
| | 07 | Yvonne Prettner Solon | Room 303, Capitol (651)296-4188 |
| | 08 | Becky Lourey | Room G-24, Capitol (651)296-0293 |

Source: <http://www.leg.state.mn.us/leg/>



St. Louis County Commissioner Districts

2004

St. Louis County Commissioners

1st District

Dennis Fink
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

2nd District

Steve O'Neil
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

3rd District

Bill Kron
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

4th District

Mike Forsman
118 S. 4th Avenue East
Ely, Mn 55731
(218) 365-8200

5th District

Peg Sweeney
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

6th District

Keith Nelson
St. Louis County Courthouse
Virginia, Mn 55792
(218) 749-7108

7th District

Steve Raukar
St. Louis County Courthouse
Hibbing, Mn 55746
(218) 262-0201

City of Duluth Precincts

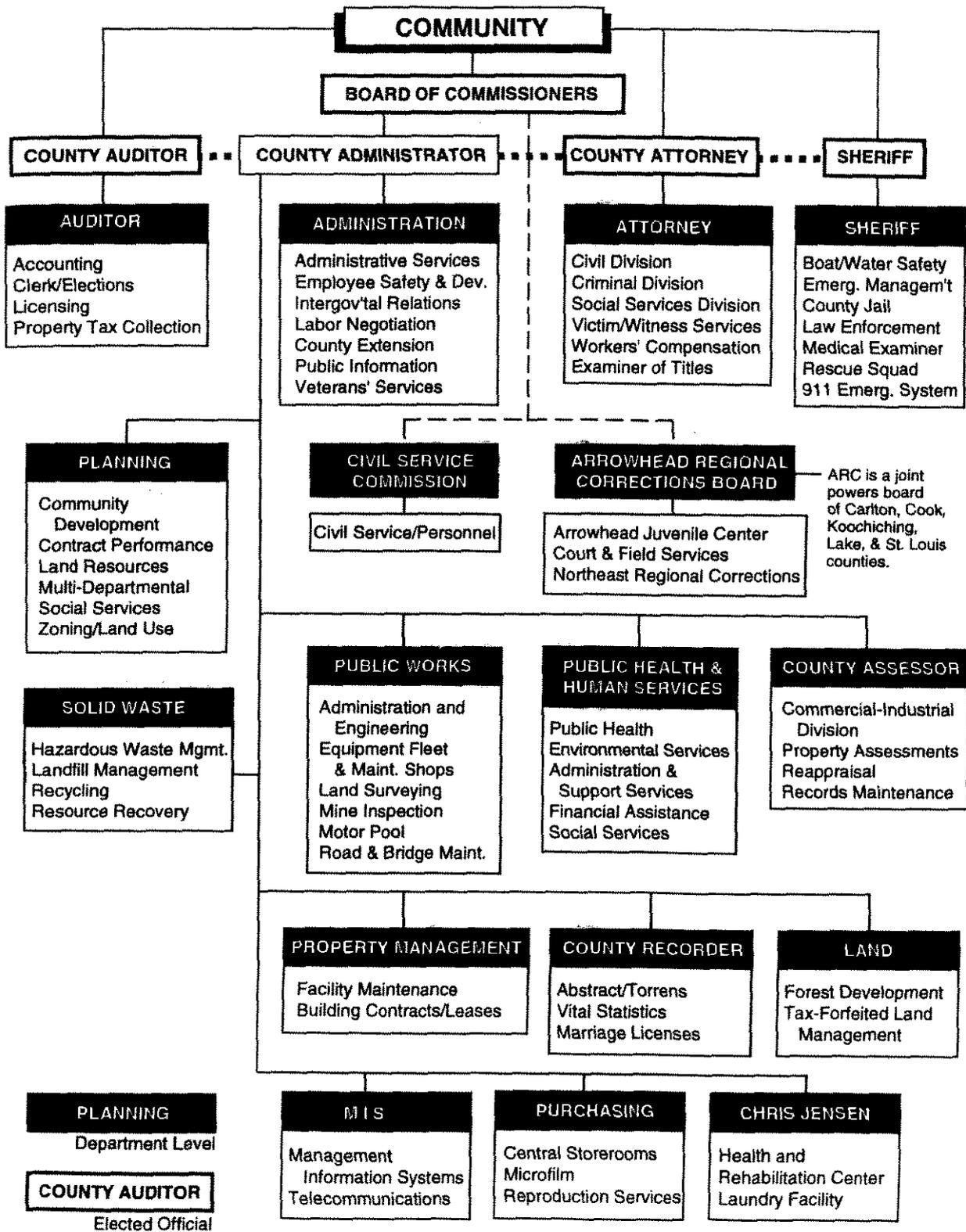
District 1: Prec. 10-12, 15-22, 24-25
District 2: Prec. 1-9, 13-14
District 3: Prec. 23, 26-35
(Incl. Prec 3, Hermantown)
District 5: Prec. 36



**St. Louis County
Elected and Appointed Officials
as of December 31, 2005**

| Office | Name | Term |
|---|--------------------------------|---------------------|
| Commissioners: | | |
| 1st District | Dennis Fink | Jan. 2003 Jan. 2007 |
| 2nd District | Steve O'Neil | Jan. 2005 Jan. 2009 |
| 3rd District | William Kron | Jan. 2005 Jan. 2009 |
| 4th District | Mike Forsman | Jan. 2003 Jan. 2007 |
| 5th District | Peg Sweeney | Jan. 2005 Jan. 2009 |
| 6th District | Keith Nelson | Jan. 2003 Jan. 2007 |
| 7th District | Steve Raukar | Jan. 2003 Jan. 2007 |
| Elected Officers: | | |
| Attorney | Alan L. Mitchell | Jan. 2003 Jan. 2007 |
| Auditor | Donald Dicklich (Appointed) | Jan. 2004 Jan. 2007 |
| Sheriff | Ross Litman | Jan. 2003 Jan. 2007 |
| Appointed Officers: | | |
| Administrator | Dana Frey | |
| Assessor | Mel Hintz | |
| Civil Service Director | Anthony Bruno, Jr. | |
| Emergency Communications Director | Kevin Kivisto | |
| Examiner of Titles | David W. Adams | |
| Land Commissioner | Robert Krepps | |
| Management Information Systems Director | Martin Buscombe | |
| Planning Director | Barbara Hayden | |
| Property Management Director | Tony Mancuso | |
| Public Health and Social Services Director | Ann Busche | |
| Public Works Director | Marcus Hall | |
| Purchasing Agent | Richard Florey | |
| Recorder | Mark Monacelli | |
| Solid Waste Director | Theodore Troolin | |

Organizational Summary



Revised 3/06

Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Louis County,
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Enos

Executive Director



PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
St. Louis County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

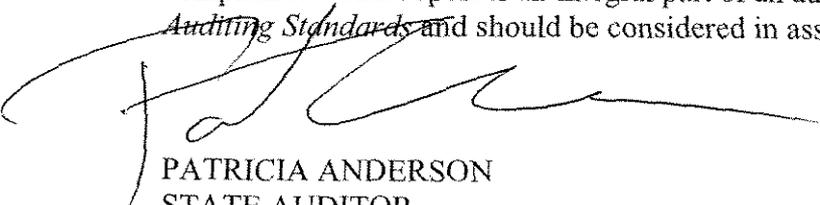
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise St. Louis County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of St. Louis County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2006, on our consideration of St. Louis County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



PATRICIA ANDERSON
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 12, 2006

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

St. Louis County, Minnesota
Management's Discussion and Analysis
December 31, 2005

Our discussion and analysis of St. Louis County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

The County's total net assets increased by \$22.3 million or 5.7%. Governmental activities increased by \$22.4 million, while the County's business-type activities decreased by \$.1 million.

The County's governmental funds reported combined ending fund balances of \$118.4 million, an increase of \$14.5 million (13.9%). Part of the combined fund balances, \$19.8 million, is reserved and not available for appropriation. Of the remaining \$98.6 million (unreserved fund balance), \$70.1 million has been designated for specific uses and \$28.5 million remains undesignated.

The General Fund reported revenues in excess of expenditures of \$6.2 million. Other financing sources totaled \$1.0 million, increasing the fund balance in the General Fund to \$39.1 million at year end.

St. Louis County's total bonded debt increased in 2005 by \$4.1 million (9.8%) to \$46.5 million. Capital Improvement Bonds and Law Enforcement Facilities Revenue Refunding Bonds totaling \$9.0 million were issued in November 2005.

Several account balances were reclassified as of and for the year ended December 31, 2004, as previously reported. These reclassifications must be considered when comparing these financial statements with those of prior reports.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. One of the most important questions asked about the County's finances is whether the County as a whole is better or worse as a result of this year's activities. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to them. Think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

The government-wide financial statements can be found on pages 25-27 of this report.

Fund financial statements. These statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Board establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The County funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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Governmental funds: Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationships (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the financial statements.

The County maintains five individual major governmental funds. Information is provided separately for each major fund on the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, Road and Bridge Fund, Social Service Fund, Forfeited Tax Sale Fund, and the Capital Projects Fund. Data for the nonmajor governmental funds is combined into "other governmental funds." Individual data for each of these seven nonmajor governmental funds is provided in the supplementary data.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison for the major governmental funds (except for the Capital Projects Fund) is provided to demonstrate compliance with the budget.

The basic financial statements for governmental funds can be found on pages 29-41 of this report.

Proprietary funds: When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of Net Assets and the Statement of Activities. The County uses enterprise funds (a component of proprietary funds) to report the activities of two major funds: the Solid Waste Management Fund and the Chris Jensen Health and Rehabilitation Fund, as well as three nonmajor enterprise funds. Data for the nonmajor funds is combined into "other enterprise funds." Individual data for each of the nonmajor enterprise funds is provided in the supplementary data. These funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information. The County uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities, such as the County's Telecommunication Fund. The basic financial statements can be found on pages 43-47 of this report

Fiduciary funds: The County is the trustee, or fiduciary, for certain amounts held for others. The County uses trust and agency funds to report its fiduciary activities. The County's fiduciary activities are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets and are excluded from the Government-wide Financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used in proprietary funds. The basic financial statements can be found on pages 49-50 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-88 of this report.

Supplementary data. The combining statements for nonmajor governmental funds and proprietary funds, internal service funds, and fiduciary funds are provided on page 90-128.

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Government-wide Financial Analysis

Net assets may over time be a useful indicator of a government's financial position. In the case of St. Louis County, assets exceeded liabilities by \$413.1 million.

By far the largest portion of the County's net assets is the investment in capital assets (72.3 percent), which reflects St. Louis County's investment in capital assets less any related debt used to acquire those assets that is still outstanding. Because the County uses these capital assets to provide services to citizens, they are not available for future spending. Although investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

This is the County's fourth year for reporting government-wide financial statements using the full accrual basis of accounting.

Table 1
St. Louis County's Net Assets
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------|--------------------------|----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | \$ 180.5 | \$ 161.2 | \$ 15.9 | \$ 15.6 | \$ 196.4 | \$ 176.8 |
| Capital assets | 314.6 | 308.0 | 14.2 | 14.4 | 328.8 | 322.4 |
| Total Assets | 495.1 | 469.2 | 30.1 | 30.0 | 525.2 | 499.2 |
| Long-term liabilities outstanding | 92.0 | 88.7 | 4.5 | 4.3 | 96.5 | 93.0 |
| Other liabilities | 14.4 | 14.2 | 1.2 | 1.2 | 15.6 | 15.4 |
| Total liabilities | 106.4 | 102.9 | 5.7 | 5.5 | 112.1 | 108.4 |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 284.6 | 282.0 | 14.2 | 14.4 | 298.8 | 296.4 |
| Restricted | 26.9 | 24.8 | 1.4 | 1.7 | 28.3 | 26.5 |
| Unrestricted | 77.2 | 59.5 | 8.8 | 8.4 | 86.0 | 67.9 |
| Total Net Assets | \$ 388.7 | \$ 366.3 | \$ 24.4 | \$ 24.5 | \$ 413.1 | \$ 390.8 |

The following analysis focuses on the County's net assets (Table 1).

Governmental Activities:

The County's net assets increased by \$22.4 million, or 6.1%, from \$366.3 million to \$388.7 million. St. Louis County is able to report positive balances in all three categories of net assets. The same held true for the prior two fiscal years.

The current and other assets increased by \$19.3 million because of bond proceeds, under spending of budgets and a \$3.6 million increase in accounts receivable by the Forfeited Tax Funds due to land and timber sales. Because debt was issued late in the year, construction on projects using 2005A bond proceeds did not get started. The 2005B Refunding Bond proceeds were not used until January 2, 2006 and construction projects funded by the 2004A Capital Improvement Bonds are still partially unspent.

Capital assets increased by \$6.6 million. A detailed analysis of this increase is presented in Table 4 on page 23, under the heading Capital Assets and Debt Administration.

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The County's long-term liabilities outstanding increased by \$3.3 million, to \$92.0 million. Once again the reason for the increase was the issuance of debt. Bonds and notes payable increased more than \$4.2 million in 2005. A detailed analysis of the increase in outstanding debt is presented in Table 5 on page 24, under the heading Capital Assets and Debt Administration.

Other liabilities increased \$.2 million in 2005. This was due to a reduction in unearned revenue of \$2.1 and an increase in accounts payable of \$2.3 million. Management's decision to pay bills at net 30 days rather than immediately contributed to this increase,

Invested in capital assets, net of related debt, increased by \$2.6 million in 2005. This was the result of capital assets, increasing by \$6.6 million, while the debt related to those assets decreased by \$4.0 million.

Restricted net assets increased \$2.1 million to \$26.9 million. The largest increase was the Debt Service Fund at \$3.1 million. The Debt Service Fund had monies available at year end from the proceeds of Law Enforcement Facilities Revenue Refunding Bonds, Series 2005B, issued to refund the 1997 Enforcement Facilities Revenue Bonds on January 2, 2006. Capital Projects Funds decreased by \$1.2 million in 2005.

Unrestricted net assets are the sum of the fund balances in the governmental funds that are available for spending at the County's discretion adjusted for capital asset and debt related items. The County's unrestricted net assets were \$77.2 million at the end of 2005. Most of the unrestricted net assets are reserved or designated in the fund statements. The largest reserves/designations are for cash flow at \$35.9 million, retiree obligations at \$16.7 million and vesting sick leave at \$8.2 million. There also is a designation for funding the Road and Bridge Fund 2006 budget of \$2.0 million.

Business-type Activities:

The County's net assets for business-type activities decreased \$.1 million to \$24.4 million. This was due to total assets increasing by only \$.1 million while total liabilities increased by \$.2 million. Once again this was due to management's decision to pay bills at net 30 days rather than immediately. As with the governmental activities, St. Louis County was able to report positive balances in all three categories of net assets, and the same held true for the prior two fiscal years.

Current and other assets increased \$.3 million to \$15.9 million. Cash and investments increased by \$.8 million, with most of the increase in the Solid Waste Fund. This increase was partially offset by a \$.5 million increase in internal balances that consisted of a \$3.3 million interfund loan to Chris Jensen Health and Rehabilitation Center by the General Fund to cover their end-of-year cash deficit and the adjustments made to reflect the consolidation of internal service fund activities related to enterprise funds.

Capital assets decreased \$.2 million to \$14.2 million. The Solid Waste Management Fund had a \$.5 million decrease while Chris Jensen Health and Rehabilitation Center had a \$.5 million increase. Capital asset additions of \$.5 million were offset by depreciation expense of \$.7 million. A detailed analysis of this increase is presented in Table 4 on page 23, under the heading Capital Assets and Debt Administration.

The Solid Waste Management Fund saw long-term liabilities increase by \$.2 million primarily due to compensated absences while the other enterprise funds had little change between 2004 and 2005.

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Table 2
St. Louis County's Changes in Net Assets
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for services | \$ 47.7 | \$ 41.6 | \$ 23.4 | \$ 22.4 | \$ 71.1 | \$ 64.0 |
| Operating Grants and Contributions | 40.1 | 36.5 | 0.5 | 0.5 | 40.6 | 37.0 |
| Capital Grants and Contributions | 9.9 | 26.9 | - | - | 9.9 | 26.9 |
| <i>General Revenues:</i> | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for gen. purposes | 80.8 | 81.6 | - | - | 80.8 | 81.6 |
| Property taxes, levied for debt service | 5.5 | 4.7 | 0.2 | 0.1 | 5.7 | 4.8 |
| State shared | 27.4 | 19.4 | - | - | 27.4 | 19.4 |
| Federal shared | 1.2 | 0.5 | - | - | 1.2 | 0.5 |
| Investment income | 4.1 | 1.8 | 0.4 | 0.1 | 4.5 | 1.9 |
| Contributions to Permanent Fund | 0.1 | 0.3 | - | - | 0.1 | 0.3 |
| Miscellaneous | 0.2 | 0.2 | - | - | 0.2 | 0.2 |
| Total revenues | 217.0 | 213.5 | 24.5 | 23.1 | 241.5 | 236.6 |
| Expenses | | | | | | |
| <i>Program expenses:</i> | | | | | | |
| General government | 29.1 | 30.5 | - | - | 29.1 | 30.5 |
| Public safety | 36.1 | 32.5 | - | - | 36.1 | 32.5 |
| Highways and streets | 46.7 | 44.5 | - | - | 46.7 | 44.5 |
| Health and sanitation | 6.2 | 6.5 | - | - | 6.2 | 6.5 |
| Human services | 61.3 | 62.0 | - | - | 61.3 | 62.0 |
| Culture and recreation | 1.3 | 1.7 | - | - | 1.3 | 1.7 |
| Conservation of natural resources | 6.9 | 6.7 | - | - | 6.9 | 6.7 |
| Economic development | 4.3 | 3.6 | - | - | 4.3 | 3.6 |
| Interest on long-term debt | 1.7 | 1.3 | - | - | 1.7 | 1.3 |
| Solid Waste Management | - | - | 6.2 | 5.9 | 6.2 | 5.9 |
| Chris Jensen Health & Rehabilitation | - | - | 15.3 | 15.7 | 15.3 | 15.7 |
| Other Enterprise funds | - | - | 3.1 | 3.2 | 3.1 | 3.2 |
| Total expenses | 193.6 | 189.3 | 24.6 | 24.8 | 218.2 | 214.1 |
| Increase in net assets before transfers and special items | 23.4 | 24.2 | (0.1) | (1.7) | 23.3 | 22.5 |
| Loss on sale of nursing home | (1.0) | - | - | - | (1.0) | - |
| Transfers | - | (0.4) | - | 0.4 | - | - |
| Increase (decrease) in net assets | 22.4 | 23.8 | (0.1) | (1.3) | 22.3 | 22.5 |
| Net assets January 1 - Restated | 366.3 | 342.5 | 24.5 | 25.8 | 390.8 | 368.3 |
| Net assets December 31 | \$ 388.7 | \$ 366.3 | \$ 24.4 | \$ 24.5 | \$ 413.1 | \$ 390.8 |

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The following analysis focuses on the County's changes in net assets (Table 2).

Governmental Activities:

Charges for service increased by \$6.1 million to \$47.7 million in 2005. The largest increases were land and timber sales that increased \$4.2 million and Human Services state reimbursements for services of \$3.2 million. Highways and Streets decreased by \$1.5 million.

The County received \$3.6 million more from operating grants during 2005 than 2004. Highways and Streets received federal grants of \$3.2 million for road construction in 2005 which was \$3.0 million more than in 2004. Human services received \$2.7 million less in state grants, but \$1.2 million more in federal grants and Economic Development received \$.8 million more in federal grants during 2005 than 2004. Capital grants to Highways and Streets for road construction decreased by \$17.0 million in 2005. There was not nearly as much road construction as 2004.

Property tax collection were \$86.3 million in 2005 as they were in 2004. The only difference was \$.8 million more property tax money was used for debt service. The increase in state shared revenues can be largely attributed to \$4.2 million more program aid being sent to the County to help fund programs.

The investment earnings in 2005 increased by \$2.3 million to \$4.1 million. Interest rates continued to grow throughout the year. A required year-end accounting adjustment for marking investments to their true market value as of December 31, 2005, caused the investment earnings to be reduced by \$.1 million. This is a loss that will never be realized, because it is the County's policy to hold investments to maturity, thereby avoiding any market value losses.

The loss on sale of capital assets reflects the sale of Nopeming Nursing Home in December 2005.

Expenses increased \$4.3 million in 2005, to \$193.6 million for all governmental activities. The largest increase was in Public Safety at \$3.6 million followed by Highway and Streets at \$2.2 million. Human Services expenses decreased by \$.7 million. Part of the increases in expenses occurred because health insurance premiums increased by 7.5% and County employees received a wage increase the larger of 60 cents or 3% of their hourly rate for the year 2005.

Business-type Activities:

Charges for services for all business-type activities increased \$1.0 million in 2005. The two major funds, Solid Waste Management and Chris Jensen Health and Rehabilitation Center comprised the total increase. Chris Jensen Health and Rehabilitation Center had a \$.8 million increase. The three nonmajor enterprise funds had charges for services decrease by less than 0.1 %.

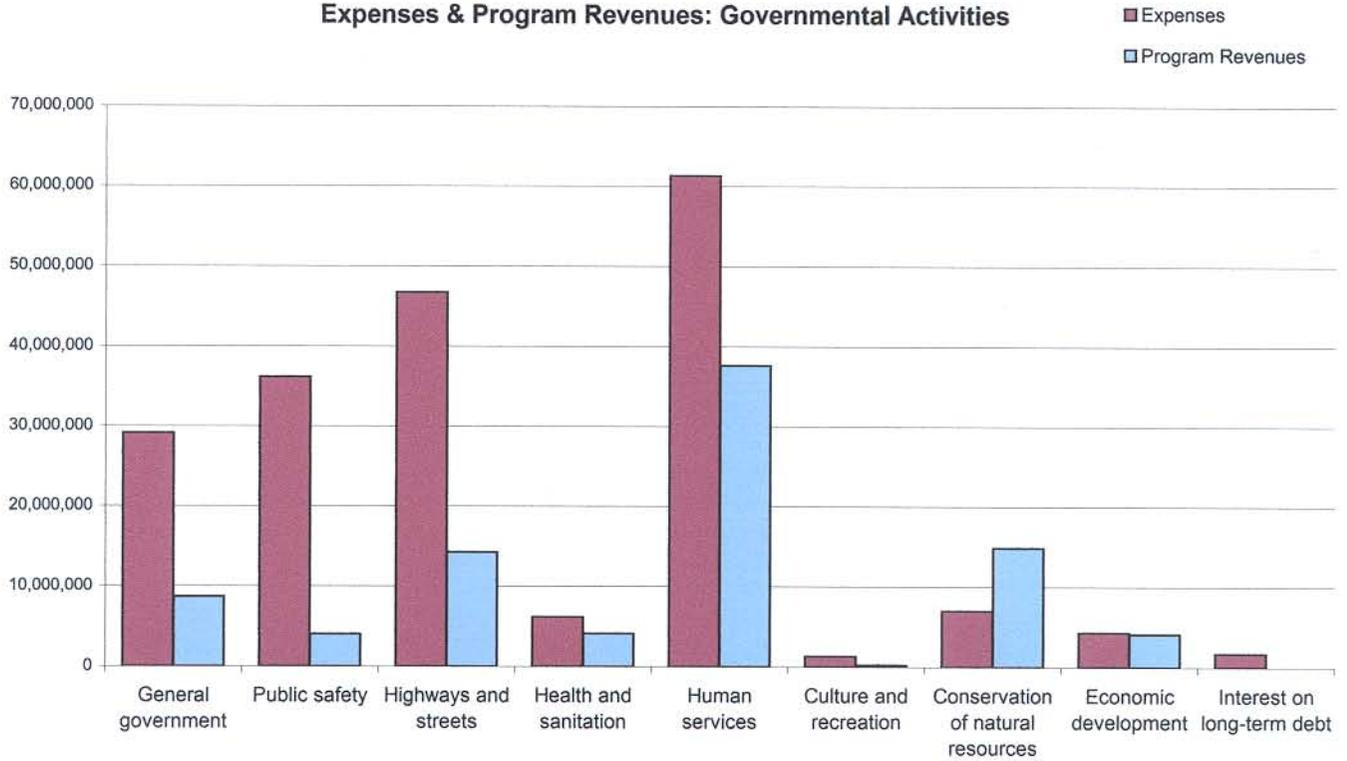
Property taxes that were levied for the first time in 2003 are for repayment of General Obligation Nursing Home Revenue Bonds, Series 2002A that were used to remodel a wing at Chris Jensen Health and Rehabilitation Center. The debt on these bonds will be fully paid off in 2008.

Investment income increased from \$.1 million in 2004 to \$.4 million in 2005. Once again this was due to rising interest rates. Solid Waste Management is the only business-type activity that has investments.

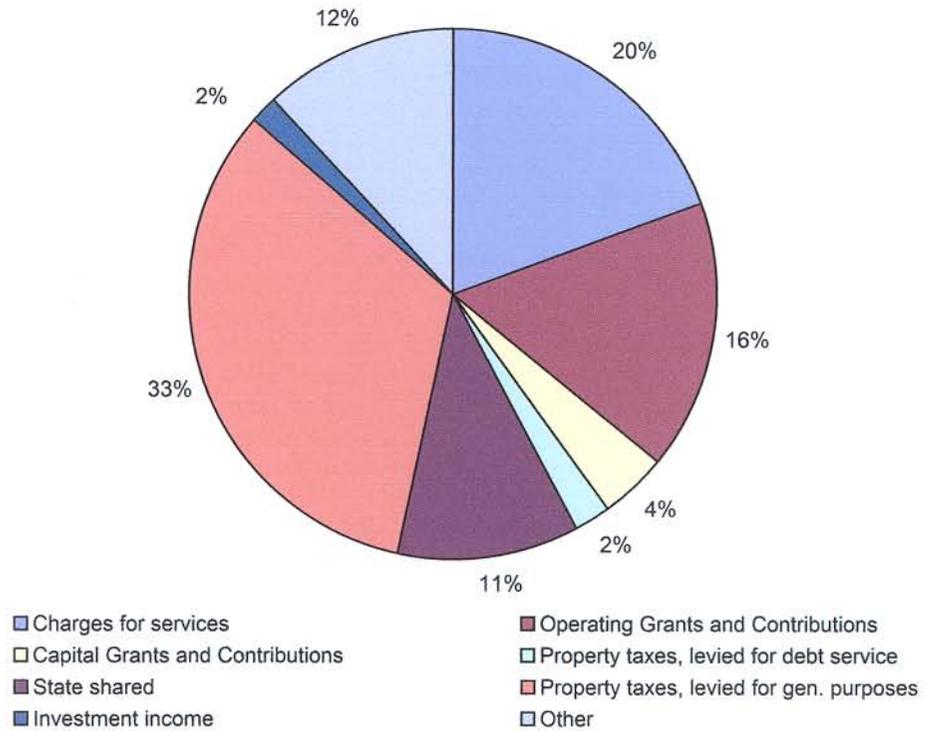
The two business-type activities that are classified as major funds had operating losses in 2003, 2004 and 2005. Of the two major funds, the Solid Waste Management Fund had an operating loss of \$.7 million and the Chris Jensen Health and Rehabilitation Center Fund had an operating loss of \$.6 million in 2005. The only enterprise funds that did not have an operating loss in 2005 were the Supervised Living Facilities Fund and the Community Food Fund.

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Expenses & Program Revenues: Governmental Activities

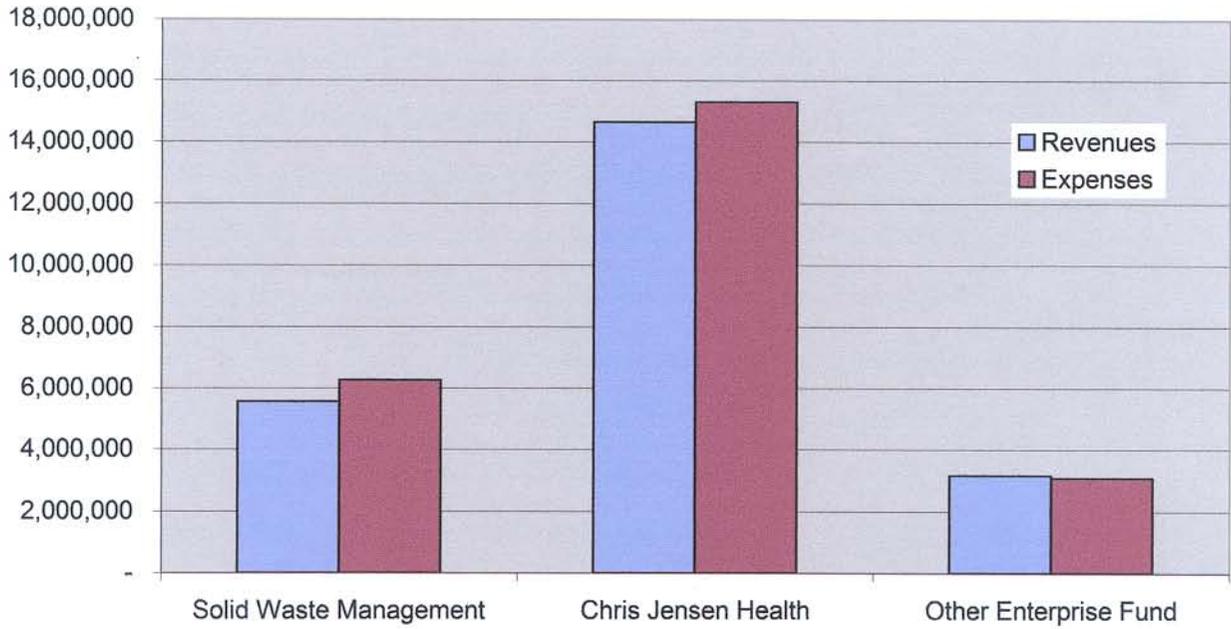


Revenues by Source: Governmental Activities

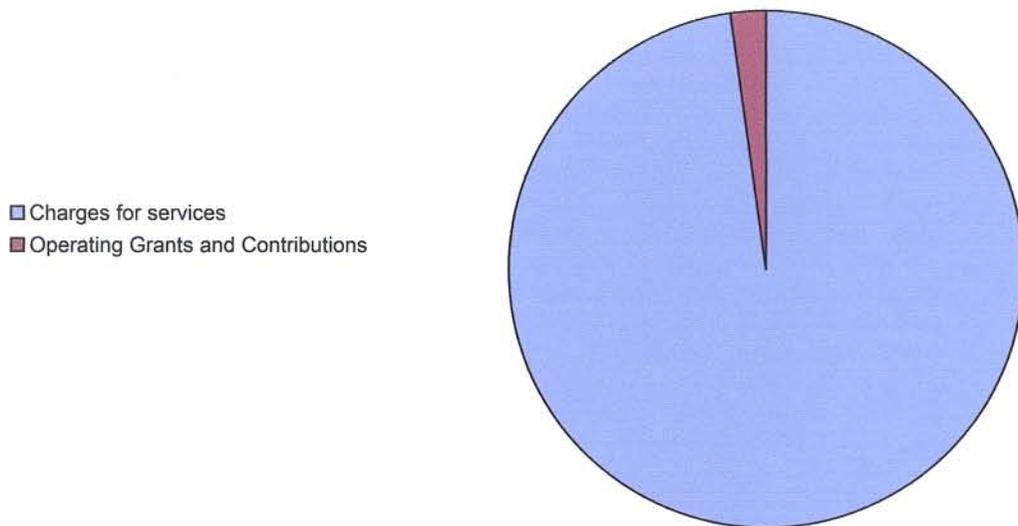


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Expenses and Program Revenues: Business-type Activities



Revenues by Source: Business-type Activities



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Financial Analysis of the Government's Funds

As noted earlier, St. Louis County uses fund accounting to insure and to demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of St. Louis County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing St. Louis County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, St. Louis County's governmental funds reported combined fund balances of \$118.4 million, compared with \$103.9 million in 2004. This was an increase of \$14.5 million, or 13.9%. The General Fund accounted for \$7.2 million of the increase. Most of the combined fund balance, or \$98.6 million, was unreserved fund balance, which is available for spending at the County's discretion. However, of the \$98.6 million, \$33.3 million is reported in funds established for specific purposes such as the Capital Projects Fund and will be spent accordingly. The remainder of the unreserved fund balance, \$65.3 million was designated. Designations reflect the County's self-imposed limitations on otherwise expendable financial resources. Cash flow designations of \$35.9 million are the largest designation by far. The remaining \$19.8 million of fund balance is reserved. Fund balance is reserved because it is either unavailable for spending or legally restricted. The largest reservations of fund balances at year-end are for environmental trust fund purposes, encumbrances, inventories, retiree obligations and economic development.

The General Fund is the chief operating fund of the County. At the end of 2005, the unreserved fund balance of the General Fund was \$33.8 million, an increase of \$7.2 million over 2004. Unreserved fund balance represents 43.4% of total fund revenues and 47.2% of total fund expenditures. The Office of the State Auditor recommends that counties maintain unreserved fund balance in their General Fund of approximately 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures (41.7%).

The fund balance of the County's General Fund increased \$7.2 million. Revenues exceeded expenditures by \$6.2 million and other financing sources (uses) added another \$1.0 million. The other financing sources (uses) were transfers from the Forfeited Tax Sale Fund of \$1.8 million and transfers to the Capital Projects Fund of \$.8 million.

The Road and Bridge Fund had a \$2.6 million excess of expenditures over revenues. The excess of expenditures over revenues was a planned use of 2004 undesignated fund balance that was approved by County Board Resolution. Road construction fell in 2005 to \$19.4 million from \$36.0 million in 2004.

The Social Services Fund had revenues in excess of expenditures of \$2.0 million.

Pursuant to Minnesota Statute, the Forfeited Tax Sale Fund distributed \$5.1 million in net proceeds to County Funds (General Fund, Forest Resources Fund and Economic Development Fund) and to cities, towns, and school districts in St. Louis County.

Proprietary Funds. St. Louis County proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Budgets can be amended during the year by the County Board. Supplemental appropriations or budget reductions are reviewed by the County Administrator's office and submitted to the County Board for their review and approval.

The final amended expenditure budget was increased \$4.3 million over the original budget. The majority of the increases were appropriation of carryover monies and amendments to the operating budget. Carryover monies are end of year balances that are not part of the adopted budget because the amounts are not known.

The difference between the final amended revenue budget of \$76.9 million and the original budget was an increase of \$5.5 million.

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Actual expenditures were \$6.6 million under the final budget. This was due to various departments under spending their operating budgets and actual grant expenditures falling far short of budget allotments. The Health Department and Sheriff Department were \$1.9 million and \$2.1 million under budget respectively. Each of those departments has numerous grants.

Actual revenues were \$.8 million over the final budget. Seven of the eight revenue categories had actual revenues exceed the final budget. Only intergovernmental revenue was under budget. Earnings on investments were \$1.1 million over budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the County showed total capital assets to be \$328.8 million. Of that total, governmental activities accounted for \$314.6 million, and the balance of \$14.2 million belonged to the business-type activities. These amounts represent a broad range of capital assets, including land, buildings, machinery, roads, road maintenance equipment, and law enforcement equipment. Detail is presented immediately below in Table 4.

Table 4
Capital Assets at Year-end
(Net of Depreciation, in Millions)

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------------|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 2.0 | \$ 1.7 | \$ 0.4 | \$ 0.4 | \$ 2.4 | \$ 2.1 |
| Buildings and improvements | 50.1 | 53.3 | 9.0 | 9.3 | 59.1 | 62.6 |
| Improvements other than buildings | - | - | 3.5 | 3.7 | 3.5 | 3.7 |
| Machinery and equipment | 1.8 | 2.1 | 0.8 | 0.4 | 2.6 | 2.5 |
| Linens | - | - | 0.2 | 0.2 | 0.2 | 0.2 |
| Vehicles | 14.3 | 14.4 | 0.3 | 0.4 | 14.6 | 14.8 |
| Infrastructure | 239.8 | 235.7 | - | - | 239.8 | 235.7 |
| Construction in progress | 6.6 | 0.8 | - | - | 6.6 | 0.8 |
| Totals | \$ 314.6 | \$ 308.0 | \$ 14.2 | \$ 14.4 | \$ 328.8 | \$ 322.4 |

Total governmental capital assets show a net increase (including additions and deductions) of \$6.6 million, or 2.1% , over 2004. As shown in Table 4, only asset categories Infrastructure and Construction in Progress had increases in 2005 over 2004. The categories that had decreases experienced depreciation expense and disposals that exceeded new purchases. Business-type activities capital assets decreased \$.2 million to \$14.2 million as the result of \$.7 million of depreciation expense and only \$.5 million of new capital assets.

Infrastructure, which is the County's road and bridge system, had a net increase of only \$4.1 million compared to \$22.7 million in 2004. Construction Projects totaling \$19.4 million were completed during the year, which was \$16.6 million less than in 2004. Depreciation expense for existing infrastructure totaled \$14.8 million for the year. Construction costs and accumulated depreciation for 1980 were retired because they reached the end of their estimated useful life of 25 years.

Total buildings and improvements decreased by \$3.2 million. The sale of Nopeming Nursing Home in December was a \$2.2 million reduction to building and improvements. In 2005 the addition of the St. Louis County Heritage and Arts Center land (valued at \$.4 million) was added to the County's capital assets.

Construction in progress at the end of the year consisted of seven projects throughout the county that were started in 2004 and still not completed at the end of 2005. These projects, which will cost approximately \$14.0 million, are funded by bond proceeds.

Additional information on St. Louis County's capital assets can be found in the notes on page 71 and 72.

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Debt Administration

At year-end, the County had \$46.5 million of bonded debt outstanding that comprises the debt backed by the full faith and credit of the County. Some of the debt is also secured by specific revenue sources.

Table 5
Outstanding Debt, at Year-end
(in Millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General obligation bonds | \$ 45.7 | \$ 41.4 | \$ 0.3 | \$ 0.4 | \$ 46.0 | \$ 41.8 |
| Revenue bonds | 0.5 | 0.6 | - | - | 0.5 | 0.6 |
| Total | \$ 46.2 | \$ 42.0 | \$ 0.3 | \$ 0.4 | \$ 46.5 | \$ 42.4 |

As shown, the County's total debt increased \$4.1 million in 2005 compared to \$12.4 million during 2004. This was the result of the County issuing new debt in 2005 of \$9.0 million while paying off \$4.9 million in debt service payments on other bonds. The debt issued was for Capital Improvement Bonds Series 2005A for \$6.1 million and Law Enforcement Facility Revenue Refunding Bonds, Series 2005B for \$2.9 million. The Refunding Bonds paid off the Law Enforcement Facilities Revenue Bonds, Series 1997 on January 2, 2006. The 1997 bonds were used to improve the law enforcement facilities at the County courthouses in Hibbing and Virginia.

Moody's Investors Service assigned an "Aa3" rating on the 2005 bonds. This rating is one level higher than the "A1" ratings given to the 2004 bonds.

Additional information on St. Louis County's long-term debt can be found in the notes on page 74.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The average unemployment rate in St. Louis County for 2005 was 4.9%. This was an decrease of .8% from 2004 and is comparable to the state's average unemployment rate of 4.0% and the national average of 5.1% for 2005.

The strong demand for iron and steel which was evident in 2004 continued through 2005. Total production of taconite pellets and concentrates for 2005 was 39,534,759 tons. This was an increase of over 100,000 tons from 2004. At this time production levels are expected to continue at the same rate.

The 2006 budget year is the first in the biennial budget planning process. The State of Minnesota legislature increased the County Program Aid for 2005 by \$4.2 million to \$12.7 million. The County Program Aid for 2006 will be \$11.5 million, a reduction of \$1.2 million. Health Insurance premiums for 2006 were increased 14.0% in an attempt to cover rising health care costs. Most of the bargaining units for County employee's have not settled a 2006 salary contract. Rising energy prices required resource realignment as well as steps to reduce energy consumption.

All of these factors were considered in preparing the County's budget for the 2006 fiscal year.

The County's 2006 budget was passed on December 13, 2005, at a meeting of the St. Louis County Board of Commissioners. The 2006 property tax levy of \$89.8 million is \$4.5 million more than the 2005 levy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of St. Louis County's finances and to show the County's accountability for the money it receives. If you have a question about this report or need information, contact the County Auditor's Office, 100 N. 5th Avenue W., Duluth, Minnesota 55802-1293.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

| | Primary Government | | |
|---|-----------------------|----------------------|-----------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 102,528,111 | \$ 1,985,174 | \$ 104,513,285 |
| Investments | 31,384,967 | 13,231,432 | 44,616,399 |
| Receivables (net) | 37,770,735 | 2,605,727 | 40,376,462 |
| Internal balances | 4,824,152 | (4,824,152) | - |
| Inventories | 4,021,741 | 138,391 | 4,160,132 |
| Prepaid items | - | 57,031 | 57,031 |
| Restricted assets | - | 2,715,129 | 2,715,129 |
| Capital assets not being depreciated | 8,633,791 | 363,922 | 8,997,713 |
| Capital assets being depreciated, net | 305,929,859 | 13,837,545 | 319,767,404 |
| Total assets | <u>495,093,356</u> | <u>30,110,199</u> | <u>525,203,555</u> |
| LIABILITIES | | | |
| Accounts payable | 12,139,290 | 1,068,232 | 13,207,522 |
| Unearned revenue | 2,255,640 | 34,317 | 2,289,957 |
| Liabilities payable from restricted assets | - | 3,702 | 3,702 |
| Noncurrent liabilities: | | | |
| Due within one year | 18,236,627 | 670,729 | 18,907,356 |
| Due in more than one year | 73,768,884 | 3,931,111 | 77,699,995 |
| Total liabilities | <u>106,400,441</u> | <u>5,708,091</u> | <u>112,108,532</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 284,598,787 | 14,201,467 | 298,800,254 |
| Restricted | | | |
| Shoreline sales: | | | |
| Expendable | 282,999 | - | 282,999 |
| Nonexpendable | 6,099,518 | - | 6,099,518 |
| Special revenue | 10,827,941 | - | 10,827,941 |
| Debt service | 4,820,996 | 34,580 | 4,855,576 |
| Capital projects | 1,008,162 | - | 1,008,162 |
| Recorders equipment | 683,289 | - | 683,289 |
| Communications | 639,501 | - | 639,501 |
| Unorganized town roads | 1,067,524 | - | 1,067,524 |
| Financial assurance | - | 1,319,801 | 1,319,801 |
| Other purposes | 1,475,964 | - | 1,475,964 |
| Unrestricted | 77,188,234 | 8,846,260 | 86,034,494 |
| Total net assets | <u>\$ 388,692,915</u> | <u>\$ 24,402,108</u> | <u>\$ 413,095,023</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2005

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 29,100,780 | \$ 8,132,846 | \$ 569,436 | \$ - |
| Public safety | 36,138,644 | 1,887,999 | 2,125,813 | - |
| Highways and streets | 46,721,613 | 1,613,892 | 12,606,026 | 9,860,471 |
| Health and sanitation | 6,148,241 | 1,911,070 | 2,186,267 | - |
| Human services | 61,265,538 | 19,394,617 | 18,227,472 | - |
| Culture and recreation | 1,314,472 | - | 242,658 | - |
| Conservation of natural resources | 6,941,801 | 14,713,043 | 118,471 | - |
| Economic development | 4,318,448 | 27,004 | 4,056,918 | - |
| Interest on long-term debt | 1,696,061 | - | - | - |
| Total governmental activities | <u>193,645,598</u> | <u>47,680,471</u> | <u>40,133,061</u> | <u>9,860,471</u> |
| Business-type activities: | | | | |
| Solid Waste Management | 6,247,826 | 5,557,064 | 474,575 | - |
| Chris Jensen Health and Rehabilitation Center | 15,283,241 | 14,644,607 | - | - |
| Other Enterprise activities | 3,081,251 | 3,167,878 | - | - |
| Total business-type activities | <u>24,612,318</u> | <u>23,369,549</u> | <u>474,575</u> | |
| Total primary government | <u>\$ 218,257,916</u> | <u>\$ 71,050,020</u> | <u>\$ 40,607,636</u> | <u>\$ 9,860,471</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2005

| Functions/Programs | Net (Expense) Revenue and Changes in Net Assets | | |
|---|--|-----------------------------|------------------------|
| | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total |
| Primary government | | | |
| Governmental Activities: | | | |
| General government | \$ (20,398,498) | \$ - | \$ (20,398,498) |
| Public safety | (32,124,832) | - | (32,124,832) |
| Highways and streets | (22,641,224) | - | (22,641,224) |
| Health and sanitation | (2,050,904) | - | (2,050,904) |
| Human services | (23,643,449) | - | (23,643,449) |
| Culture and recreation | (1,071,814) | - | (1,071,814) |
| Conservation of natural resources | 7,889,713 | - | 7,889,713 |
| Economic development | (234,526) | - | (234,526) |
| Interest on long-term debt | (1,696,061) | - | (1,696,061) |
| Total governmental activities | <u>(95,971,595)</u> | <u>-</u> | <u>(95,971,595)</u> |
| Business-type activities: | | | |
| Solid Waste Management | - | (216,187) | (216,187) |
| Chris Jensen Health and Rehabilitation Center | - | (638,634) | (638,634) |
| Other Enterprise Funds | - | 86,627 | 86,627 |
| Total business-type activities | <u>-</u> | <u>(768,194)</u> | <u>(768,194)</u> |
| Total primary government | <u>\$ (95,971,595)</u> | <u>\$ (768,194)</u> | <u>\$ (96,739,789)</u> |
| | | | |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes , levied for general purposes | 80,830,475 | - | 80,830,475 |
| Property taxes, levied for debt service | 5,518,701 | 194,310 | 5,713,011 |
| State shared not restricted to specific programs | 27,435,818 | - | 27,435,818 |
| Federal shared not restricted to specific programs | 1,186,130 | - | 1,186,130 |
| Investment earnings | 4,127,976 | 407,840 | 4,535,816 |
| Miscellaneous | 168,919 | - | 168,919 |
| Contributions to Permanent Fund | 107,310 | - | 107,310 |
| Loss on sale of nursing home | (1,003,816) | - | (1,003,816) |
| Total general revenues, contributions, and special item | <u>118,371,513</u> | <u>602,150</u> | <u>118,973,663</u> |
| Changes in net assets | 22,399,918 | (166,044) | 22,233,874 |
| Net assets - January 1 - Restated | <u>366,292,997</u> | <u>24,568,152</u> | <u>390,861,149</u> |
| Net assets - December 31 | <u>\$ 388,692,915</u> | <u>\$ 24,402,108</u> | <u>\$ 413,095,023</u> |

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GOVERNMENTAL FUNDS

General Fund

General Fund - This fund has been classified as a major fund and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures. The following funds have been classified as major funds:

Road and Bridge - This fund is used to account for public works activity.

Social Services - This fund is used to account for the operations and financial activities of the Social Services Department.

Forfeited Tax Sale - This fund is used to account for the proceeds from the sale or rental lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax forfeited lands is governed by Minn. Stat. 282.08. Title to the tax forfeited lands remains with the State until sold by the county.

Capital Projects Fund

Capital Projects Fund - This fund has been classified as a major fund and is used to account for financial resources to be used for acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

ST. LOUIS COUNTY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | General | Road and Bridge | Social Services | Forfeited Tax Sale | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|--------------------|--------------------|-----------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 35,855,964 | \$ 18,130,527 | \$ 13,467,404 | \$ - | \$ 4,341,002 | \$ 22,474,694 | \$ 94,269,591 |
| Investments | - | - | - | - | 13,994,709 | - | 13,994,709 |
| Delinquent taxes receivable | 1,551,961 | 681,363 | 918,933 | - | 37,532 | 240,049 | 3,429,838 |
| Accounts receivable (net) | 256,040 | 17,029 | 151,064 | 17,932,323 | 36,185 | 3,947 | 18,396,588 |
| Accrued interest receivable | 843,196 | - | - | - | 54,198 | - | 897,394 |
| Loans receivable | 262,346 | - | - | - | - | 458,106 | 720,452 |
| Leases receivable | 98,000 | - | - | - | - | - | 98,000 |
| Interfund receivable | 3,323,279 | - | - | - | - | - | 3,323,279 |
| Due from other governments | 1,724,394 | 4,460,287 | 6,748,417 | - | 1,523 | 470,725 | 13,405,346 |
| Inventories | - | 3,825,956 | - | - | - | - | 3,825,956 |
| Total Assets | <u>43,915,180</u> | <u>27,115,162</u> | <u>21,285,818</u> | <u>17,932,323</u> | <u>18,465,149</u> | <u>23,647,521</u> | <u>152,361,153</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | 1,697,323 | 2,204,317 | 2,419,162 | 61,310 | 529,229 | 484,446 | 7,395,787 |
| Contracts payable | - | 918,399 | - | - | 256,119 | - | 1,174,518 |
| Salaries payable | 1,171,768 | 388,095 | 482,922 | 66,002 | - | 2,612 | 2,111,399 |
| Interfund payable | - | - | - | 72,893 | - | - | 72,893 |
| Due to other governments | 3,715 | - | 743,641 | - | - | 146,754 | 894,110 |
| Unearned revenue | 325,419 | 569,781 | 654,701 | - | - | - | 1,549,901 |
| Deferred revenue | 1,646,787 | 1,360,773 | 764,650 | 16,749,986 | 29,275 | 194,567 | 20,746,038 |
| Total Liabilities | <u>4,845,012</u> | <u>5,441,365</u> | <u>5,065,076</u> | <u>16,950,191</u> | <u>814,623</u> | <u>826,379</u> | <u>33,944,646</u> |
| Fund Balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Noncurrent loans | - | - | - | - | - | 458,106 | 458,106 |
| Economic development | 2,077,562 | - | - | - | - | - | 2,077,562 |
| Future loans | - | - | - | - | - | 221,208 | 221,208 |
| Inventories | - | 3,825,956 | - | - | - | - | 3,825,956 |
| Encumbrances | 424,517 | 1,848,379 | 14,743 | 153,622 | - | 70,306 | 2,511,567 |
| Law library | 191,651 | - | - | - | - | - | 191,651 |
| Recorder's equipment | 683,289 | - | - | - | - | - | 683,289 |
| Communications | 639,501 | - | - | - | - | - | 639,501 |
| Extension service | 333,080 | - | - | - | - | - | 333,080 |
| Missing heirs | 191,454 | - | - | - | - | - | 191,454 |
| Private redemption | 414 | - | - | - | - | - | 414 |
| Foster care insurance | - | - | 6,000 | - | - | - | 6,000 |
| Veterans' credit | - | - | - | 15,000 | - | - | 15,000 |
| Unorganized town roads | - | 1,067,524 | - | - | - | - | 1,067,524 |
| Capital acquisition | 130,847 | - | - | - | - | - | 130,847 |
| Environmental trust funds | - | - | - | - | - | 6,099,518 | 6,099,518 |
| Improvement of natural resources | - | - | - | - | - | 282,999 | 282,999 |
| Exchange of land | 22,798 | - | - | - | - | - | 22,798 |
| Tax certificate assurance | 194,514 | - | - | - | - | - | 194,514 |
| Attorney forfeitures | 395,168 | - | - | - | - | - | 395,168 |
| Sheriff forfeitures | 20,860 | - | - | - | - | - | 20,860 |
| Sheriff fines | 3,390 | - | - | - | - | - | 3,390 |
| Debt service | - | 461,700 | - | - | - | - | 461,700 |

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

ST. LOUIS COUNTY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | General | Road and Bridge | Social Services | Forfeited Tax Sale | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|--------------------------------|--------------------------------|
| Unreserved: | | | | | | | |
| Reported in: | | | | | | | |
| Special revenue funds | - | - | - | - | - | 10,827,941 | 10,827,941 |
| Debt service fund | - | - | - | - | - | 4,820,996 | 4,820,996 |
| Designated for: | | | | | | | |
| Retiree obligations | 6,993,941 | 3,434,589 | 5,888,434 | 355,619 | - | 38,068 | 16,710,651 |
| Parking | 897,379 | - | - | - | - | - | 897,379 |
| Hibbing Raceway | 48,623 | - | - | - | - | - | 48,623 |
| Cash flow | 22,821,211 | 5,698,543 | 7,362,692 | - | - | - | 35,882,446 |
| Emergency contingency | 5,942 | 550,616 | - | 23,969 | - | - | 580,527 |
| 2006 Budget | - | 1,972,005 | - | - | - | - | 1,972,005 |
| Vesting sick leave | 2,994,027 | 1,826,127 | 2,948,873 | 433,922 | - | - | 8,202,949 |
| Ely Joint Maintenance Facility | - | 988,358 | - | - | - | - | 988,358 |
| Undesignated | - | - | - | - | 17,650,526 | - | 17,650,526 |
| Total Fund Balance | <u>39,070,168</u> | <u>21,673,797</u> | <u>16,220,742</u> | <u>982,132</u> | <u>17,650,526</u> | <u>22,819,142</u> | <u>118,416,507</u> |
| Total Liabilities and Fund Balances | <u>\$ 43,915,180</u> | <u>\$ 27,115,162</u> | <u>\$ 21,285,818</u> | <u>\$ 17,932,323</u> | <u>\$ 18,465,149</u> | <u>\$ 23,647,521</u> | <u>\$ 152,361,153</u> |

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

| | |
|--|------------------------------|
| Total Fund balance - governmental funds (from above) | \$ 118,416,507 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 312,956,688 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 20,746,038 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (82,075,173) |
| Internal Service Funds are used by management to charge the costs of certain activities such as insurances to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. | <u>18,648,855</u> |
| Net assets of governmental activities | <u>\$ 388,692,915</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | General | Road and Bridge | Social Services | Forfeited Tax Sale | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|-----------------------|----------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | \$ 39,088,651 | \$ 20,945,197 | \$ 19,270,449 | \$ - | \$ 1,034,881 | \$ 6,128,886 | \$ 86,468,064 |
| Licenses and permits | 121,191 | 28,115 | - | - | - | - | 149,306 |
| Intergovernmental | 23,873,948 | 25,354,112 | 40,495,140 | 21,297 | 249,303 | 5,232,336 | 95,226,136 |
| Charges for services | 7,766,355 | 729,105 | 1,586,800 | - | - | - | 10,082,260 |
| Fines and forfeits | 967,127 | - | - | - | - | - | 967,127 |
| Earnings on investments | 3,102,963 | - | - | - | 334,257 | 196,576 | 3,633,796 |
| Gifts and contributions | 166,225 | - | 2,929 | - | - | - | 169,154 |
| Land and timber sales | - | - | - | 10,186,134 | - | 107,310 | 10,293,444 |
| Miscellaneous | 2,629,742 | 856,672 | 574,342 | 205,719 | 74,728 | 170,663 | 4,511,866 |
| Total Revenues | <u>77,716,202</u> | <u>47,913,201</u> | <u>61,929,660</u> | <u>10,413,150</u> | <u>1,693,169</u> | <u>11,835,771</u> | <u>211,501,153</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 27,142,182 | - | - | - | - | - | 27,142,182 |
| Public safety | 25,622,367 | - | - | - | - | - | 25,622,367 |
| Highways and streets | - | 33,458,062 | - | - | - | - | 33,458,062 |
| Health and sanitation | 6,328,366 | - | - | - | - | - | 6,328,366 |
| Human services | 334,885 | - | 59,967,632 | - | - | - | 60,302,517 |
| Culture and recreation | 1,253,974 | - | - | - | - | - | 1,253,974 |
| Conservation of natural resources | 791,525 | - | - | 4,685,456 | - | 1,231,834 | 6,708,815 |
| Economic development | 41,220 | - | - | - | - | 4,282,167 | 4,323,387 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | 4,878,581 | 4,878,581 |
| Interest and other charges | - | - | - | - | - | 1,704,141 | 1,704,141 |
| Capital outlay: | | | | | | | |
| General government | 132,756 | - | - | - | 6,063,439 | - | 6,196,195 |
| Public safety | 525,888 | - | - | - | 121,101 | - | 646,989 |
| Highways and streets | - | 17,093,013 | - | - | 663,019 | - | 17,756,032 |
| Conservation of natural resources | - | - | - | 63,936 | - | - | 63,936 |
| Health and sanitation | 7,191 | - | - | - | - | - | 7,191 |
| Intergovernmental: | | | | | | | |
| General government | - | - | - | 1,875,000 | - | - | 1,875,000 |
| Public safety | 9,341,102 | - | - | - | - | - | 9,341,102 |
| Total Expenditures | <u>71,521,456</u> | <u>50,551,075</u> | <u>59,967,632</u> | <u>6,624,392</u> | <u>6,847,559</u> | <u>12,096,723</u> | <u>207,608,837</u> |
| Excess (deficiency) of revenues over expenditures | <u>6,194,746</u> | <u>(2,637,874)</u> | <u>1,962,028</u> | <u>3,788,758</u> | <u>(5,154,390)</u> | <u>(260,952)</u> | <u>3,892,316</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 1,770,476 | 25,000 | - | - | 807,430 | 1,461,923 | 4,064,829 |
| Transfers (out) | (792,430) | (40,000) | - | (3,211,923) | (20,476) | - | (4,064,829) |
| Bonds issued | - | - | - | - | 6,096,038 | 18,962 | 6,115,000 |
| Refunding bonds issued | - | - | - | - | - | 2,840,000 | 2,840,000 |
| Premium proceeds | - | - | - | - | 23,732 | 144,629 | 168,361 |
| Total other financing sources and uses | <u>978,046</u> | <u>(15,000)</u> | <u>-</u> | <u>(3,211,923)</u> | <u>6,906,724</u> | <u>4,465,514</u> | <u>9,123,361</u> |
| SPECIAL ITEM | | | | | | | |
| Sale of capital assets | - | - | - | - | 899,565 | - | 899,565 |
| Net change in fund balances | 7,172,792 | (2,652,874) | 1,962,028 | 576,835 | 2,651,899 | 4,204,562 | 13,915,242 |
| Fund balances - January 1 - Restated | 31,897,376 | 23,752,973 | 14,258,714 | 405,297 | 14,998,627 | 18,614,580 | 103,927,567 |
| Increase in reserved for inventories | - | 573,698 | - | - | - | - | 573,698 |
| Fund balances - December 31 | <u>\$ 39,070,168</u> | <u>\$ 21,673,797</u> | <u>\$ 16,220,742</u> | <u>\$ 982,132</u> | <u>\$ 17,650,526</u> | <u>\$ 22,819,142</u> | <u>\$ 118,416,507</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | |
|---|----------------------|
| Net change in fund balances--total governmental funds (from previous page) | \$ 13,915,242 |
| Increase in reserved for inventories--total governmental funds (from previous page) | 573,698 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Revenues reported in the governmental funds are not considered revenues in the statement of activities. | 5,053,999 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 8,080 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 5,272,623 |
| Loss on sale of nursing home | (1,003,816) |
| Changes in capital asset not resulting from capital outlay, such as contributions and other expense are not reflected in the funds. | 2,435,952 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. | 516,579 |
| Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets. | (4,372,439) |
| Change in net assets of governmental activities | <u>\$ 22,399,918</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---------------------------------------|------------------|---------------|-----------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 38,511,565 | \$ 39,019,029 | \$ 39,088,651 | \$ 69,622 |
| Licenses and permits | 127,070 | 117,400 | 121,191 | 3,791 |
| Intergovernmental | 21,486,341 | 25,381,465 | 23,873,948 | (1,507,517) |
| Charges for services | 7,115,551 | 7,590,588 | 7,766,355 | 175,767 |
| Fines and forfeitures | 824,150 | 824,150 | 967,127 | 142,977 |
| Earnings on investments | 1,626,050 | 2,002,050 | 3,102,963 | 1,100,913 |
| Gifts and contributions | 22,865 | 19,602 | 166,225 | 146,623 |
| Miscellaneous | 1,725,305 | 1,975,285 | 2,629,742 | 654,457 |
| Total revenues | 71,438,897 | 76,929,569 | 77,716,202 | 786,633 |
| EXPENDITURES | | | | |
| General government | | | | |
| Commissioners | | | | |
| Personnel services | 751,363 | 736,630 | 736,630 | - |
| Other operating | 101,475 | 134,386 | 134,386 | - |
| Total commissioners | 852,838 | 871,016 | 871,016 | - |
| County administrator | | | | |
| Personnel services | 2,590,702 | 236,211 | 236,211 | - |
| Other operating | 217,187 | 196,717 | 123,257 | (73,460) |
| Total county administrator | 2,807,889 | 432,928 | 359,468 | (73,460) |
| Intergovernmental affairs | | | | |
| Personnel services | 107,961 | 110,719 | 110,719 | - |
| Other operating | 172,435 | 169,677 | 166,630 | (3,047) |
| Total intergovernmental affairs | 280,396 | 280,396 | 277,349 | (3,047) |
| Administration support division | | | | |
| Personnel services | 350,550 | 353,436 | 353,436 | - |
| Other operating | 83,417 | 80,531 | 31,906 | (48,625) |
| Capital outlay | 6,000 | 6,000 | - | (6,000) |
| Total administrative support division | 439,967 | 439,967 | 385,342 | (54,625) |
| Labor relations | | | | |
| Other operating | 45,760 | 50,917 | 50,917 | - |
| Planning and zoning | | | | |
| Personnel services | 765,125 | 879,483 | 879,483 | - |
| Other operating | 455,273 | 758,861 | 430,135 | (328,726) |
| Capital outlay | 8,000 | 8,000 | - | (8,000) |
| Total planning and zoning | 1,228,398 | 1,646,344 | 1,309,618 | (336,726) |
| Commitment representation | | | | |
| Other operating | 60,438 | 60,438 | 56,451 | (3,987) |
| Court administrator | | | | |
| Personnel services | 1,819,318 | 2,298,796 | 2,297,954 | (842) |
| Other operating | 1,028,951 | 837,059 | 481,782 | (355,277) |
| Capital outlay | 646,674 | 70,000 | 37,453 | (32,547) |
| Total court administrator | 3,494,943 | 3,205,855 | 2,817,189 | (388,666) |
| County attorney | | | | |
| Personnel services | 3,471,536 | 3,456,512 | 3,344,865 | (111,647) |
| Other operating | 452,625 | 443,738 | 265,473 | (178,265) |
| Capital outlay | 57,857 | 57,857 | - | (57,857) |
| Total county attorney | 3,982,018 | 3,958,107 | 3,610,338 | (347,769) |
| Subtotal | 13,192,647 | 10,945,968 | 9,737,688 | (1,208,280) |

continued

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| EXPENDITURES (CONTINUED) | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|--------------------------|------------------|------------|-----------------------------------|---|
| | Original | Final | | |
| Law library | | | | |
| Other operating | - | 117,936 | 117,936 | - |
| County auditor | | | | |
| Personnel services | 3,157,915 | 3,183,632 | 3,181,510 | (2,122) |
| Other operating | 822,032 | 988,764 | 988,764 | - |
| Total county auditor | 3,979,947 | 4,172,396 | 4,170,274 | (2,122) |
| Data processing | | | | |
| Other operating | 1,622,204 | 1,622,204 | 1,622,204 | - |
| County assessor | | | | |
| Personnel services | 1,854,881 | 1,845,912 | 1,690,213 | (155,699) |
| Other operating | 277,304 | 273,751 | 247,897 | (25,854) |
| Total county assessor | 2,132,185 | 2,119,663 | 1,938,110 | (181,553) |
| Purchasing | | | | |
| Personnel services | 340,108 | 334,084 | 331,555 | (2,529) |
| Other operating | 143,642 | 125,408 | 85,019 | (40,389) |
| Total purchasing | 483,750 | 459,492 | 416,574 | (42,918) |
| Microfilming | | | | |
| Personnel services | 181,385 | 187,408 | 187,408 | - |
| Other operating | 22,238 | 23,990 | 23,990 | - |
| Total microfilming | 203,623 | 211,398 | 211,398 | - |
| Recorder | | | | |
| Personnel services | 1,352,971 | 1,377,263 | 1,377,263 | - |
| Other operating | 368,759 | 316,061 | 248,311 | (67,750) |
| Capital outlay | 42,300 | 42,300 | 29,765 | (12,535) |
| Total recorder | 1,764,030 | 1,735,624 | 1,655,339 | (80,285) |
| Surveyor | | | | |
| Personnel services | 789,810 | 808,250 | 808,250 | - |
| Other operating | 85,421 | 58,380 | 48,039 | (10,341) |
| Capital outlay | 6,000 | 68,548 | 65,538 | (3,010) |
| Total surveyor | 881,231 | 935,178 | 921,827 | (13,351) |
| Civil service | | | | |
| Personnel services | 995,252 | 995,252 | 985,274 | (9,978) |
| Other operating | 314,814 | 317,026 | 266,222 | (50,804) |
| Capital outlay | 6,000 | 6,000 | - | (6,000) |
| Total civil service | 1,316,066 | 1,318,278 | 1,251,496 | (66,782) |
| Veteran's service | | | | |
| Personnel services | 497,995 | 528,591 | 528,591 | - |
| Other operating | 65,523 | 71,605 | 71,605 | - |
| Total veteran's service | 563,518 | 600,196 | 600,196 | - |
| Port authority | | | | |
| Other operating | 36,125 | 36,125 | 36,125 | - |
| Elections | | | | |
| Other operating | 12,500 | 12,500 | 7,487 | (5,013) |
| Subtotal | 12,995,179 | 13,340,990 | 12,948,966 | (392,024) |

continued

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| EXPENDITURES (CONTINUED) | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|-------------------------------|------------------|------------|-----------------------------------|---|
| | Original | Final | | |
| General government | | | | |
| Courthouses | | | | |
| Personnel services | 2,763,486 | 2,784,607 | 2,714,523 | (70,084) |
| Other operating | 1,728,382 | 1,746,967 | 1,746,967 | - |
| Total courthouses | 4,491,868 | 4,531,574 | 4,461,490 | (70,084) |
| Employee training | | | | |
| Personnel services | 62,960 | 69,365 | 69,365 | - |
| Other operating | 123,117 | 129,522 | 56,821 | (72,701) |
| Total employee training | 186,077 | 198,887 | 126,186 | (72,701) |
| Missing heirs | | | | |
| Other operating | - | 608 | 608 | - |
| Total General Government | 30,865,771 | 29,018,027 | 27,274,938 | (1,743,089) |
| Public safety | | | | |
| Jail building | | | | |
| Personnel services | 401,423 | 406,923 | 388,330 | (18,593) |
| Other operating | 342,700 | 350,250 | 349,802 | (448) |
| Total jail building | 744,123 | 757,173 | 738,132 | (19,041) |
| Sheriff | | | | |
| Personnel services | 7,673,400 | 8,317,946 | 8,317,946 | - |
| Other operating | 1,887,599 | 4,403,481 | 2,857,091 | (1,546,390) |
| Capital outlay | 599,000 | 895,005 | 390,246 | (504,759) |
| Total sheriff | 10,159,999 | 13,616,432 | 11,565,283 | (2,051,149) |
| Boat and water safety | | | | |
| Other operating | 111,449 | 106,205 | 77,996 | (28,209) |
| Capital outlay | 15,000 | 25,517 | - | (25,517) |
| Total boat and water safety | 126,449 | 131,722 | 77,996 | (53,726) |
| Medical examiner | | | | |
| Other operating | 351,100 | 410,685 | 410,640 | (45) |
| Rescue squad | | | | |
| Other operating | 102,923 | 139,923 | 139,451 | (472) |
| Capital outlay | 66,000 | 99,750 | 99,724 | (26) |
| Total rescue squad | 168,923 | 239,673 | 239,175 | (498) |
| Emergency management | | | | |
| Personnel services | 168,329 | 186,336 | 186,336 | - |
| Other operating | 26,542 | 55,496 | 26,969 | (28,527) |
| Total emergency management | 194,871 | 241,832 | 213,305 | (28,527) |
| Radio maintenance | | | | |
| Personnel services | 315,941 | 340,141 | 339,946 | (195) |
| Other operating | 145,660 | 176,585 | 157,961 | (18,624) |
| Capital outlay | - | 20,476 | 20,476 | - |
| Total radio maintenance | 461,601 | 537,202 | 518,383 | (18,819) |
| Emergency communication | | | | |
| Personnel services | 2,637,632 | 2,624,132 | 2,604,787 | (19,345) |
| Other operating | 153,267 | 267,624 | 265,264 | (2,360) |
| Total emergency communication | 2,790,899 | 2,891,756 | 2,870,051 | (21,705) |
| Subtotal | 14,997,965 | 18,826,475 | 16,632,965 | (2,193,510) |

continued

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| EXPENDITURES (CONTINUED) | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|--------------------------------|-------------------|-------------------|-----------------------------------|---|
| | Original | Final | | |
| Public safety | | | | |
| Jail prisoners | | | | |
| Personnel services | 4,850,973 | 4,908,246 | 4,908,208 | (38) |
| Other operating | 2,489,332 | 2,965,294 | 2,958,949 | (6,345) |
| Capital outlay | 43,000 | - | - | - |
| Total jail prisoners | <u>7,383,305</u> | <u>7,873,540</u> | <u>7,867,157</u> | <u>(6,383)</u> |
| Mine inspector | | | | |
| Personnel services | 218,678 | 218,678 | 204,487 | (14,191) |
| Other operating | 25,196 | 25,196 | 17,742 | (7,454) |
| Total mine inspector | <u>243,874</u> | <u>243,874</u> | <u>222,229</u> | <u>(21,645)</u> |
| Ambulance service | | | | |
| Other operating | 56,000 | 58,400 | 58,321 | (79) |
| Law enforcement service | | | | |
| Personnel services | 673,912 | 652,928 | 652,928 | - |
| Other operating | 127,929 | 106,329 | 106,059 | (270) |
| Total law enforcement service | <u>801,841</u> | <u>759,257</u> | <u>758,987</u> | <u>(270)</u> |
| Enhanced 9-1-1 | | | | |
| Other operating | - | 134,535 | 134,535 | - |
| City/County antenna site | | | | |
| Other operating | - | 4,658 | 4,658 | - |
| Volunteer fire department | | | | |
| Other operating | - | 325,111 | 310,621 | (14,490) |
| Attorneys forfeitures | | | | |
| Other operating | - | 18,123 | 18,123 | - |
| Sheriffs forfeitures | | | | |
| Other operating | - | 112,414 | 112,414 | - |
| Capital outlay | - | 15,442 | 15,442 | - |
| Total Sheriffs forfeitures | <u>-</u> | <u>127,856</u> | <u>127,856</u> | <u>-</u> |
| Sheriff fines | | | | |
| Other operating | - | 12,803 | 12,803 | - |
| Arrowhead Regional Corrections | | | | |
| Intergovernmental | 9,341,102 | 9,341,102 | 9,341,102 | - |
| Total Public Safety | <u>32,824,087</u> | <u>37,725,734</u> | <u>35,489,357</u> | <u>(2,236,377)</u> |
| Health | | | | |
| Administration | | | | |
| Personnel services | 658,308 | 677,473 | 677,473 | - |
| Other operating | 1,021,617 | 1,019,456 | 817,454 | (202,002) |
| Total administration | <u>1,679,925</u> | <u>1,696,929</u> | <u>1,494,927</u> | <u>(202,002)</u> |
| Nursing | | | | |
| Personnel services | 2,808,921 | 3,396,761 | 2,780,800 | (615,961) |
| Other operating | 948,602 | 847,035 | 250,255 | (596,780) |
| Total nursing | <u>3,757,523</u> | <u>4,243,796</u> | <u>3,031,055</u> | <u>(1,212,741)</u> |
| Environmental health | | | | |
| Personnel services | 1,309,623 | 1,415,448 | 1,134,164 | (281,284) |
| Other operating | 147,249 | 363,007 | 241,226 | (121,781) |
| Capital outlay | 16,000 | 7,500 | 7,191 | (309) |
| Total environmental health | <u>1,472,872</u> | <u>1,785,955</u> | <u>1,382,581</u> | <u>(403,374)</u> |
| Subtotal | <u>6,910,320</u> | <u>7,726,680</u> | <u>5,908,563</u> | <u>(1,818,117)</u> |

continued

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| EXPENDITURES (CONTINUED) | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|--|------------------|-----------|-----------------------------------|---|
| | Original | Final | | |
| Health | | | | |
| Occupational safety | | | | |
| Personnel services | 332,798 | 332,798 | 305,640 | (27,158) |
| Other operating | 156,364 | 154,547 | 121,354 | (33,193) |
| Total occupational safety | 489,162 | 487,345 | 426,994 | (60,351) |
| Total Health | 7,399,482 | 8,214,025 | 6,335,557 | (1,878,468) |
| Human services | | | | |
| Emergency shelter program | | | | |
| Other operating | 108,000 | 141,253 | 100,397 | (40,856) |
| Family homelessness prevention and assistance program | | | | |
| Personnel services | 353 | 6,007 | 6,007 | - |
| Other operating | 234,294 | 368,698 | 228,481 | (140,217) |
| Total family homelessness prevention and assistance program | 234,647 | 374,705 | 234,488 | (140,217) |
| Total Welfare | 342,647 | 515,958 | 334,885 | (181,073) |
| Culture and recreation | | | | |
| Memorial Day observance | | | | |
| Other operating | 900 | 900 | 800 | (100) |
| Historical Society | | | | |
| Other operating | 213,548 | 213,548 | 213,548 | - |
| Arrowhead Library System | | | | |
| Other operating | 534,457 | 534,457 | 534,457 | - |
| Community fairs | | | | |
| Other operating | 578 | 578 | 347 | (231) |
| Depot | | | | |
| Other operating | 187,500 | 272,500 | 156,075 | (116,425) |
| Tourism promotion | | | | |
| Other operating | 55,064 | 55,064 | 55,064 | - |
| Trail assistance | | | | |
| Other operating | - | 243,658 | 243,658 | - |
| Veteran's Memorial Hall | | | | |
| Other operating | 40,000 | 40,000 | 40,000 | - |
| Hibbing Raceway | | | | |
| Other operating | 12,000 | 12,000 | 10,025 | (1,975) |
| Total Culture and Recreation | 1,044,047 | 1,372,705 | 1,253,974 | (118,731) |

continued

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|----------------------|----------------------|-----------------------------------|---|
| | Original | Final | | |
| EXPENDITURES (CONTINUED) | | | | |
| Conservation of natural resources | | | | |
| County agent | | | | |
| Personnel services | 199,912 | 178,185 | 164,473 | (13,712) |
| Other operating | 337,788 | 340,687 | 322,598 | (18,089) |
| Total county agent | <u>537,700</u> | <u>518,872</u> | <u>487,071</u> | <u>(31,801)</u> |
| Youth task force | | | | |
| Personnel services | 5,000 | 21,727 | 21,727 | - |
| Other operating | 164,391 | 163,771 | 154,717 | (9,054) |
| Capital outlay | 5,500 | 5,500 | - | (5,500) |
| Total youth task force | <u>174,891</u> | <u>190,998</u> | <u>176,444</u> | <u>(14,554)</u> |
| County fair - north | | | | |
| Other operating | 13,005 | 13,005 | 13,005 | - |
| County fair - south | | | | |
| Other operating | 13,005 | 13,005 | 13,005 | - |
| Soil conservation - north | | | | |
| Other operating | 51,000 | 51,000 | 51,000 | - |
| Soil conservation - south | | | | |
| Other operating | 51,000 | 51,000 | 51,000 | - |
| Total Conservation of Natural Resources | <u>840,601</u> | <u>837,880</u> | <u>791,525</u> | <u>(46,355)</u> |
| Economic development | | | | |
| Northspan | | | | |
| Other operating | 14,450 | 14,450 | 14,450 | - |
| Revolving Loans | | | | |
| Other operating | 500,000 | 435,000 | 26,770 | (408,230) |
| Total Economic Development | <u>514,450</u> | <u>449,450</u> | <u>41,220</u> | <u>(408,230)</u> |
| Total Expenditures | <u>73,831,085</u> | <u>78,133,779</u> | <u>71,521,456</u> | <u>(6,612,323)</u> |
| Excess of revenues over (under) expenditures | <u>(2,392,188)</u> | <u>(1,204,210)</u> | <u>6,194,746</u> | <u>7,398,956</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,790,000 | 1,770,476 | 1,770,476 | - |
| Transfers (out) | - | (792,430) | (792,430) | - |
| Total other financing sources (uses) | <u>1,790,000</u> | <u>978,046</u> | <u>978,046</u> | <u>-</u> |
| Net change in fund balances | (602,188) | (226,164) | 7,172,792 | 7,398,956 |
| Fund Balance - January 1 | 31,897,376 | 31,897,376 | 31,897,376 | - |
| Fund Balance - December 31 | <u>\$ 31,295,188</u> | <u>\$ 31,671,212</u> | <u>\$ 39,070,168</u> | <u>\$ 7,398,956</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|----------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 20,495,983 | \$ 20,793,512 | \$ 20,945,197 | \$ 151,685 |
| Licenses and permits | 21,000 | 21,000 | 28,115 | 7,115 |
| Intergovernmental | 34,770,985 | 42,081,156 | 25,354,112 | (16,727,044) |
| Charges for services | 215,000 | 3,806,523 | 729,105 | (3,077,418) |
| Miscellaneous | 782,800 | 1,005,791 | 856,672 | (149,119) |
| Total Revenues | <u>56,285,768</u> | <u>67,707,982</u> | <u>47,913,201</u> | <u>(19,794,781)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | | | | |
| Personnel services | 4,293,039 | 4,297,039 | 4,191,203 | (105,836) |
| Other operating | 1,332,981 | 1,459,317 | 1,384,412 | (74,905) |
| Capital outlay | 125,000 | 147,092 | 117,252 | (29,840) |
| Total administration | <u>5,751,020</u> | <u>5,903,448</u> | <u>5,692,867</u> | <u>(210,581)</u> |
| Road maintenance | | | | |
| Personnel services | 11,678,697 | 11,770,735 | 11,770,735 | - |
| Other operating | 3,438,418 | 3,599,088 | 3,264,738 | (334,350) |
| Total road maintenance | <u>15,117,115</u> | <u>15,369,823</u> | <u>15,035,473</u> | <u>(334,350)</u> |
| Road construction | | | | |
| Other operating | 27,412,368 | 39,202,276 | 19,391,753 | (19,810,523) |
| Total road construction | <u>27,412,368</u> | <u>39,202,276</u> | <u>19,391,753</u> | <u>(19,810,523)</u> |
| Equipment maintenance and shops | | | | |
| Personnel services | 3,150,521 | 3,233,726 | 3,233,726 | - |
| Other operating | 4,674,072 | 5,517,292 | 5,377,572 | (139,720) |
| Capital outlay | 1,812,960 | 2,012,705 | 1,819,684 | (193,021) |
| Total equipment maintenance and shops | <u>9,637,553</u> | <u>10,763,723</u> | <u>10,430,982</u> | <u>(332,741)</u> |
| Total Expenditures | <u>57,918,056</u> | <u>71,239,270</u> | <u>50,551,075</u> | <u>(20,688,195)</u> |
| Excess of Revenues Over (Under) Expenditures | (1,632,288) | (3,531,288) | (2,637,874) | 893,414 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | | (40,000) | (40,000) | - |
| Transfers in | - | 25,000 | 25,000 | - |
| Total other financing sources (uses) | <u>-</u> | <u>(15,000)</u> | <u>(15,000)</u> | <u>-</u> |
| Net change in fund balances | (1,632,288) | (3,546,288) | (2,652,874) | 893,414 |
| Fund Balance - January 1 | 23,752,973 | 23,752,973 | 23,752,973 | - |
| Increase in reserved for inventories | - | - | 573,698 | 573,698 |
| Fund Balance - December 31 | <u>\$ 22,120,685</u> | <u>\$ 20,206,685</u> | <u>\$ 21,673,797</u> | <u>\$ 1,467,112</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|----------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 19,081,705 | \$ 19,081,705 | \$ 19,270,449 | \$ 188,744 |
| Intergovernmental | 39,601,692 | 39,637,067 | 40,495,140 | 858,073 |
| Charges for services | 2,388,311 | 1,369,542 | 1,586,800 | 217,258 |
| Gifts and contributions | 6,000 | 2,000 | 2,929 | 929 |
| Miscellaneous | 508,500 | 631,300 | 574,342 | (56,958) |
| Total Revenues | <u>61,586,208</u> | <u>60,721,614</u> | <u>61,929,660</u> | <u>1,208,046</u> |
| EXPENDITURES | | | | |
| Human services | | | | |
| Administration | | | | |
| Personnel services | 5,497,876 | 5,022,135 | 5,022,135 | - |
| Other operating | 3,434,154 | 3,412,667 | 3,298,055 | (114,612) |
| Capital outlay | 23,000 | - | - | - |
| Total administration | <u>8,955,030</u> | <u>8,434,802</u> | <u>8,320,190</u> | <u>(114,612)</u> |
| Income maintenance | | | | |
| Personnel services | 8,857,548 | 8,839,054 | 8,839,054 | - |
| Other operating | 2,522,254 | 3,347,684 | 3,283,493 | (64,191) |
| Capital outlay | 5,000 | - | - | - |
| Total income maintenance | <u>11,384,802</u> | <u>12,186,738</u> | <u>12,122,547</u> | <u>(64,191)</u> |
| Social services | | | | |
| Personnel services | 15,260,569 | 15,466,599 | 15,466,599 | - |
| Other operating | 25,985,807 | 24,633,475 | 24,058,296 | (575,179) |
| Total social services | <u>41,246,376</u> | <u>40,100,074</u> | <u>39,524,895</u> | <u>(575,179)</u> |
| Total Expenditures | <u>61,586,208</u> | <u>60,721,614</u> | <u>59,967,632</u> | <u>(753,982)</u> |
| Excess of Revenues Over (Under) Expenditures | - | - | 1,962,028 | 1,962,028 |
| Fund Balance - January 1 (restated) | <u>14,258,714</u> | <u>14,258,714</u> | <u>14,258,714</u> | - |
| Fund Balance - December 31 | <u>\$ 14,258,714</u> | <u>\$ 14,258,714</u> | <u>\$ 16,220,742</u> | <u>\$ 1,962,028</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|-----------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 15,000 | \$ 15,000 | \$ 21,297 | \$ 6,297 |
| Charges for services | 2,000 | 2,000 | - | (2,000) |
| Land and timber sales | 8,060,000 | 8,060,000 | 10,186,134 | 2,126,134 |
| Miscellaneous | 149,500 | 149,500 | 205,719 | 56,219 |
| Total Revenues | <u>8,226,500</u> | <u>8,226,500</u> | <u>10,413,150</u> | <u>2,186,650</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Conservation of natural resources | | | | |
| Personnel services | 3,573,444 | 3,579,444 | 3,542,500 | (36,944) |
| Other operating | 1,252,603 | 1,297,227 | 1,142,956 | (154,271) |
| Capital outlay | 365,000 | 278,875 | 63,936 | (214,939) |
| Total conservation of natural resources | <u>5,191,047</u> | <u>5,155,546</u> | <u>4,749,392</u> | <u>(406,154)</u> |
| Intergovernmental: | | | | |
| General government | - | 1,875,000 | 1,875,000 | - |
| Total Expenditures | <u>5,191,047</u> | <u>7,030,546</u> | <u>6,624,392</u> | <u>(406,154)</u> |
| Excess of Revenues Over (Under) Expenditures | 3,035,453 | 1,195,954 | 3,788,758 | 2,592,804 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (3,211,923) | (3,211,923) | - |
| Net change in fund balances | 3,035,453 | (2,015,969) | 576,835 | 2,592,804 |
| Fund Balance - January 1 | 405,297 | 405,297 | 405,297 | - |
| Fund Balance - December 31 | <u>\$ 3,440,750</u> | <u>\$ (1,610,672)</u> | <u>\$ 982,132</u> | <u>\$ 2,592,804</u> |

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business, with the intent that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following funds have been classified as major funds:

Solid Waste Management - This fund is used to account for the management and operations of solid waste activities in St. Louis County outside of the Western Lake Superior Sanitary District area.

Chris Jensen Health & Rehabilitation - This fund is used to account for providing nursing home, health, and rehabilitation facilities for the public.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

| | Business-type Activities | | | | Governmental Activities- Internal Service Funds |
|-----------------------------------|---------------------------|--|------------------------------|---------------------|--|
| | Enterprise Funds | | | | |
| | Solid Waste Management | Chris Jensen Health and Rehabilitation Center | Other Enterprise Funds | Total | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 597,981 | \$ 30 | \$ 1,387,163 | \$ 1,985,174 | \$ 8,258,520 |
| Investments | 13,231,432 | - | - | 13,231,432 | 17,390,258 |
| Delinquent taxes receivable | 3,430 | - | - | 3,430 | - |
| Accounts receivables (net) | 31,544 | 2,020,467 | 130,852 | 2,182,863 | 585,010 |
| Accrued interest receivable | 168,332 | - | - | 168,332 | 182,782 |
| Due from other governments | 162,746 | - | 88,356 | 251,102 | 55,325 |
| Inventories | - | 76,426 | 61,965 | 138,391 | 195,785 |
| Prepaid items | - | - | 57,031 | 57,031 | - |
| Restricted assets | | | | | |
| Debt service | | | | | |
| Cash and cash equivalents | - | 27,388 | - | 27,388 | - |
| Delinquent taxes receivable | - | 3,685 | - | 3,685 | - |
| Deferred charges - issuance costs | - | 7,209 | - | 7,209 | - |
| Total current assets | <u>14,195,465</u> | <u>2,135,205</u> | <u>1,725,367</u> | <u>18,056,037</u> | <u>26,667,680</u> |
| Noncurrent assets: | | | | | |
| Restricted assets | | | | | |
| Financial assurance | | | | | |
| Cash and cash equivalents | 521,592 | - | - | 521,592 | - |
| Investments | 2,110,490 | - | - | 2,110,490 | - |
| Accrued interest receivable | 44,765 | - | - | 44,765 | - |
| Capital assets | | | | | |
| Land | 233,266 | 130,656 | - | 363,922 | 25,500 |
| Buildings and structures | 6,410,128 | 5,915,358 | 1,022,205 | 13,347,691 | 834,236 |
| Improvements other than buildings | 8,109,431 | 26,385 | - | 8,135,816 | - |
| Machinery and equipment | 945,075 | 1,138,786 | 331,808 | 2,415,669 | 5,658,643 |
| Linens | - | 32,921 | 200,370 | 233,291 | - |
| Vehicles | 789,701 | 34,705 | 45,709 | 870,115 | 1,629,020 |
| Less accumulated depreciation | <u>(7,887,834)</u> | <u>(2,436,826)</u> | <u>(840,377)</u> | <u>(11,165,037)</u> | <u>(6,540,437)</u> |
| Total capital assets, net | <u>8,599,767</u> | <u>4,841,985</u> | <u>759,715</u> | <u>14,201,467</u> | <u>1,606,962</u> |
| Total noncurrent assets | <u>11,276,614</u> | <u>4,841,985</u> | <u>759,715</u> | <u>16,878,314</u> | <u>1,606,962</u> |
| Total assets | <u>25,472,079</u> | <u>6,977,190</u> | <u>2,485,082</u> | <u>34,934,351</u> | <u>28,274,642</u> |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

Business-type Activities
Enterprise Funds

| | Enterprise Funds | | | Total | Governmental Activities - Internal Service Funds |
|---|-----------------------------------|--|---------------------------------------|----------------------|---|
| | Solid Waste Management | Chris Jensen Health and Rehabilitation Center | Other Enterprise Funds | | |
| LIABILITIES | | | | | |
| Current liabilities (payable from current assets) | | | | | |
| Accounts payable | 463,558 | 233,490 | 82,853 | 779,901 | 272,636 |
| Salaries payable | 28,571 | 222,977 | 36,169 | 287,717 | 62,756 |
| Due to other funds | - | 574 | - | 574 | - |
| Compensated absences payable | 117,672 | 372,772 | 75,285 | 565,729 | 917,052 |
| Interfund payable | - | 3,250,386 | - | 3,250,386 | - |
| Claims payable | - | - | - | - | 2,816,165 |
| Due to other governments | 40 | - | - | 40 | 91,699 |
| Unearned revenue | 3,412 | 30,905 | - | 34,317 | 705,739 |
| Total current liabilities (payable from current assets) | <u>613,253</u> | <u>4,111,104</u> | <u>194,307</u> | <u>4,918,664</u> | <u>4,866,047</u> |
| Current liabilities (payable from restricted assets) | | | | | |
| Accrued interest payable | - | 823 | - | 823 | - |
| Unearned revenue | - | 2,879 | - | 2,879 | - |
| Revenue bonds payable | - | 105,000 | - | 105,000 | - |
| Total current liabilities (payable from restricted assets) | <u>-</u> | <u>108,702</u> | <u>-</u> | <u>108,702</u> | <u>-</u> |
| Total current liabilities | <u>613,253</u> | <u>4,219,806</u> | <u>194,307</u> | <u>5,027,366</u> | <u>4,866,047</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 373,269 | 1,531,149 | 454,547 | 2,358,965 | 2,089,407 |
| Claims payable | - | - | - | - | 4,244,099 |
| Customer deposits | 100 | - | - | 100 | - |
| Closure and post-closure liabilities | 1,357,046 | - | - | 1,357,046 | - |
| Revenue bonds payable | - | 215,000 | - | 215,000 | - |
| Total noncurrent liabilities | <u>1,730,415</u> | <u>1,746,149</u> | <u>454,547</u> | <u>3,931,111</u> | <u>6,333,506</u> |
| Total Liabilities | <u>2,343,668</u> | <u>5,965,955</u> | <u>648,854</u> | <u>8,958,477</u> | <u>11,199,553</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 8,599,767 | 4,841,985 | 759,715 | 14,201,467 | 1,606,962 |
| Restricted for debt service | - | 34,580 | - | 34,580 | - |
| Restricted for financial assurance | 1,319,801 | - | - | 1,319,801 | - |
| Unrestricted | 13,208,843 | (3,865,330) | 1,076,513 | 10,420,026 | 15,468,127 |
| Total net assets | <u>\$ 23,128,411</u> | <u>\$ 1,011,235</u> | <u>\$ 1,836,228</u> | <u>\$ 25,975,874</u> | <u>\$ 17,075,089</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>(1,573,766)</u> | |
| Net assets of business type activities | | | | <u>\$ 24,402,108</u> | |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Business-type Activities Enterprise Funds | | | Total | Governmental Activities- Internal Service Funds |
|---|--|--|------------------------------|----------------------|--|
| | Solid Waste Management | Chris Jensen Health and Rehabilitation Center | Other Enterprise Funds | | |
| Operating Revenues | | | | | |
| Charges for services | \$ 5,140,737 | \$ 14,607,717 | \$ 3,164,681 | \$ 22,913,135 | \$ 36,039,226 |
| Licenses and permits | 6,175 | - | - | 6,175 | - |
| Other | 410,152 | 36,890 | 3,197 | 450,239 | 1,432,853 |
| Total Operating Revenues | <u>5,557,064</u> | <u>14,644,607</u> | <u>3,167,878</u> | <u>23,369,549</u> | <u>37,472,079</u> |
| Operating Expenses | | | | | |
| Personal services | 1,922,818 | 10,845,566 | 1,861,147 | 14,629,531 | 3,801,865 |
| Contractual services | 3,528,970 | 3,091,291 | 722,372 | 7,342,633 | 31,383,594 |
| Materials | 212,000 | 1,223,369 | 486,817 | 1,922,186 | 1,756,032 |
| Depreciation | 600,027 | 139,733 | 13,404 | 753,164 | 448,552 |
| Total Operating Expenses | <u>6,263,815</u> | <u>15,299,959</u> | <u>3,083,740</u> | <u>24,647,514</u> | <u>37,390,043</u> |
| Operating Income (Loss) | <u>(706,751)</u> | <u>(655,352)</u> | <u>84,138</u> | <u>(1,277,965)</u> | <u>82,036</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Taxes | 2,182 | 192,128 | - | 194,310 | - |
| Grants | 474,575 | - | - | 474,575 | - |
| Earnings on investments | 407,840 | - | - | 407,840 | 494,180 |
| Interest expense | - | (12,625) | - | (12,625) | - |
| Amortization of bond issuance costs | - | (2,703) | - | (2,703) | - |
| Loss or gain on asset disposal | - | - | - | - | (9,113) |
| Total Nonoperating Revenues (Expenses) | <u>884,597</u> | <u>176,800</u> | <u>-</u> | <u>1,061,397</u> | <u>485,067</u> |
| Change in net assets | 177,846 | (478,552) | 84,138 | (216,568) | 567,103 |
| Total net assets - January 1 - Restated | <u>22,950,565</u> | <u>1,489,787</u> | <u>1,752,090</u> | <u>26,192,442</u> | <u>16,507,986</u> |
| Total net assets - December 31 | <u>\$ 23,128,411</u> | <u>\$ 1,011,235</u> | <u>\$ 1,836,228</u> | <u>\$ 25,975,874</u> | <u>\$ 17,075,089</u> |
| Change in net assets | | | | \$ (216,568) | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | <u>50,524</u> | |
| Change in net assets of business type activities | | | | <u>\$ (166,044)</u> | |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Business-type Activities | | | | Governmental Activities - Internal Service Funds |
|---|---------------------------|--|------------------------------|---------------------|---|
| | Enterprise Funds | | | | |
| | Solid Waste Management | Chris Jensen Health and Rehabilitation Center | Other Enterprise Funds | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ 5,102,535 | \$ 14,497,970 | \$ 2,438,961 | \$ 22,039,466 | \$ 106,655 |
| Receipts from interfund services provided | - | - | 732,758 | 732,758 | 36,288,796 |
| Payments to suppliers | (3,667,895) | (4,280,976) | (1,195,462) | (9,144,333) | (4,792,975) |
| Payments to employees | (1,829,294) | (10,790,681) | (1,858,014) | (14,477,989) | (5,850,664) |
| Claims paid | - | - | - | - | (27,328,355) |
| Other receipts (payments) | 492,705 | 37,094 | (6,025) | 523,774 | 1,370,809 |
| Net cash provided (used) by operating activities | <u>98,051</u> | <u>(536,593)</u> | <u>112,218</u> | <u>(326,324)</u> | <u>(205,734)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Proceeds from taxes | 2,164 | 192,056 | - | 194,220 | - |
| Proceeds from grants | 468,538 | - | - | 468,538 | - |
| Proceeds from interfund loan | - | 559,691 | - | 559,691 | - |
| Net capital provided by noncapital financing activities | <u>470,702</u> | <u>751,747</u> | <u>-</u> | <u>1,222,449</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (82,055) | (449,475) | - | (531,530) | (325,571) |
| Disposal of capital assets | - | - | 8,680 | 8,680 | - |
| Principal paid on capital debt | - | (100,000) | - | (100,000) | - |
| Interest paid on capital debt | - | (12,875) | - | (12,875) | - |
| Payments on capital leases | - | - | - | - | (4,362) |
| Net capital provided (used) by capital and related financing activities | <u>(82,055)</u> | <u>(562,350)</u> | <u>8,680</u> | <u>(635,725)</u> | <u>(329,933)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of investments | (11,001,243) | - | - | (11,001,243) | (24,497,669) |
| Sale of investments | 10,530,016 | - | - | 10,530,016 | 25,384,045 |
| Interest and dividends | 305,301 | - | - | 305,301 | 430,993 |
| Net cash provided by investing activities | <u>(165,926)</u> | <u>-</u> | <u>-</u> | <u>(165,926)</u> | <u>1,317,369</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 320,772 | (347,196) | 120,898 | 94,474 | 781,702 |
| Balances - January 1 | <u>798,801</u> | <u>374,614</u> | <u>1,266,265</u> | <u>2,439,680</u> | <u>7,476,818</u> |
| Balances - December 31 | <u>\$ 1,119,573</u> | <u>\$ 27,418</u> | <u>\$ 1,387,163</u> | <u>\$ 2,534,154</u> | <u>\$ 8,258,520</u> |
| Detail on Statement of Net Assets | | | | | |
| Cash and cash equivalents | | | | | |
| Current | \$ 597,981 | \$ 30 | \$ 1,387,163 | \$ 1,985,174 | \$ 8,258,520 |
| Restricted | | | | | |
| Debt service | - | 27,388 | - | 27,388 | - |
| Noncurrent | | | | | |
| Restricted | | | | | |
| Financial assurance | 521,592 | - | - | 521,592 | - |
| Total | <u>\$ 1,119,573</u> | <u>\$ 27,418</u> | <u>\$ 1,387,163</u> | <u>\$ 2,534,154</u> | <u>\$ 8,258,520</u> |

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Business-type Activities Enterprise Funds | | | | Governmental Activities - Internal Service Funds |
|--|---|--|------------------------------|---------------------|---|
| | Solid Waste Management | Chris Jensen Health and Rehabilitation Center | Other Enterprise Funds | Total | |
| | Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (706,751) | \$ (655,352) | \$ 84,138 | \$ (1,277,965) | \$ 82,036 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 600,027 | 139,733 | 13,404 | 753,164 | 448,552 |
| (Increase) Decrease Receivables, net | 5,148 | (109,747) | 8,175 | (96,424) | (162,059) |
| (Increase) Decrease Due from other governments | (49,525) | - | (1,137) | (50,662) | (45,852) |
| (Increase) Decrease Inventories | - | (19,481) | 3,121 | (16,360) | (12,876) |
| Increase (Decrease) Accounts payable | 73,075 | 53,165 | 10,606 | 136,846 | 11,981 |
| Increase (Decrease) Salaries payable | 534 | 39,611 | 3,039 | 43,184 | 2,112 |
| Increase (Decrease) Due to other funds | - | 204 | - | 204 | - |
| Increase (Decrease) Compensated absences payable | 92,990 | 15,274 | 94 | 108,358 | (506,827) |
| Increase (Decrease) Claims payable | - | - | - | - | (509,393) |
| Increase (Decrease) Due to other governments | (4,254) | - | (3,335) | (7,589) | (53,313) |
| Increase (Decrease) Unearned revenue | - | - | (5,887) | (5,887) | 539,905 |
| Increase (Decrease) Closure and post closure | 87,507 | - | - | 87,507 | - |
| Increase (Decrease) Customer deposits | (700) | - | - | (700) | - |
| Total Adjustments | 804,802 | 118,759 | 28,080 | 951,641 | (287,770) |
| Net cash provided by operating activities | <u>\$ 98,051</u> | <u>\$ (536,593)</u> | <u>\$ 112,218</u> | <u>\$ (326,324)</u> | <u>\$ (205,734)</u> |
| NON-CASH ACTIVITIES | | | | | |
| Change in fair market value of investments | \$ (135,491) | \$ - | \$ - | \$ - | \$ (25,451) |

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

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Private-purpose trust funds - The **Patients' Escrow** fund is used to account for the deposit and subsequent return of nursing home residents' trust funds deposited with the County Auditor. The County acts only as the custodian of these funds and ownership rests with the nursing home patients.

Investment trust funds - are used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

Agency funds - are used to report resources held by the reporting government in a purely custodial capacity.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

| | Private-Purpose Trust Fund | Investment Trusts | Agency Funds |
|---|---------------------------------------|------------------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 19,749 | \$ 224,245 | \$ 12,090,763 |
| Investments | 40,000 | 28,294,668 | - |
| Delinquent taxes receivable | - | - | 29,509 |
| Accounts receivable | - | - | 25,257 |
| Accrued interest receivable | 818 | 347,445 | - |
| Due from other funds | 574 | - | - |
| Due from other governments | - | - | 2,231,947 |
| Total Assets | 61,141 | 28,866,358 | 14,377,476 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | - | - | 2,619,147 |
| Salaries payable | - | - | 302,532 |
| Interfund payable | - | - | - |
| Due to other governments | - | 1,549,009 | 11,455,797 |
| Total Liabilities | - | 1,549,009 | 14,377,476 |
| NET ASSETS | | | |
| Held in trust for pool participants and other purposes | \$ 61,141 | \$ 27,317,349 | \$ - |

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

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Private-Purpose Trust Fund | Investment Trusts |
|-------------------------------|-------------------------------|----------------------|
| ADDITIONS | | |
| Taconite taxes | \$ - | \$ 45,742,059 |
| Earnings on investments | 1,178 | 807,144 |
| Miscellaneous | 97,290 | - |
| Total Additions | 98,468 | 46,549,203 |
| DEDUCTIONS | | |
| Refunds of contributions | 93,032 | - |
| Distributions to participants | - | 43,499,941 |
| Total Deductions | 93,032 | 43,499,941 |
| Changes in net assets | 5,436 | 3,049,262 |
| Net assets - January 1 | 55,705 | 24,268,087 |
| Net assets - December 31 | \$ 61,141 | \$ 27,317,349 |

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

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ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

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ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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ST. LOUIS COUNTY, MINNESOTA
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Note 1. Summary of Significant Accounting Policies

The financial reporting policies of St. Louis County conform to generally accepted accounting principles. The following is a summary of significant policies.

A. Financial Reporting Entity

St. Louis County was established March 1, 1856, as an organized county having powers, duties and privileges granted counties by Minn. Stat. Ch. 373. The County is governed by a seven-member Board of Commissioners elected from districts within the County. A County Administrator is appointed by the County Board. The board is organized with a chair and vice-chair elected at the annual meeting in January of each year. The County Auditor, elected on a county-wide basis, serves as the Clerk of the Board of commissioners but has no voting privileges.

As a result of applying the Governmental Accounting Standards Board (GASB) Statement 14 criteria for determining the reporting entity, the following organization has been included in the County's financial statements:

St. Louis County Housing and Redevelopment Authority (Blended Component Unit)

The St. Louis County Housing and Redevelopment Authority is headed by a Board comprised of all members of the St. Louis County Board of Commissioners. It was established for the purpose of conducting housing and economic development services for St. Louis County. The County Administrator is the Executive Director of the Authority. The Authority follows the same accounting policies as the County. A tax is levied by the Authority, subject to a maximum amount established by the County Board, on certain areas within the County to help support the activities of the Authority.

Separate financial information can be obtained from the St. Louis County Auditor's Office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for Agency Funds, which are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Subject to the availability criterion, state-aid highway allotments for maintenance and construction are recognized as revenue in the year of allotment. Availability for state-aid allotments is within 90 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and other long-term obligations, are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

ST. LOUIS COUNTY, MINNESOTA
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The General Fund is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund accounts for the proceeds of revenue sources restricted to expenditures related to public works activities.

The Social Services Special Revenue Fund accounts for the operations and financial activities of Social Services Department.

The Forfeited Tax Sale Special Revenue Fund accounts for the proceeds from the sale or lease of lands forfeited to the State of Minnesota.

The Capital Projects Fund accounts for building and remodeling projects for governmental activities.

The County reports the following major proprietary funds:

The Solid Waste Management Fund accounts for the activities of solid waste operations within the County, but outside the Western Lake Superior Sanitary District service area.

The Chris Jensen Health and Rehabilitation Center Fund accounts for the activities of the Center, a nursing home, and a health and rehabilitation facility for the public.

Additionally, the County reports the following fund types:

Nonmajor Special Revenue Funds account for the Housing and Redevelopment Authority activities, the Community Development Block Grant activities, the Northeast Minnesota Housing Consortium, the Septic Loan program, and the Forest Resources activities.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long term debt.

The Shoreline Sales Permanent Fund is used to report resources that are legally restricted to the extent that only interest may be used to support the County's program.

Enterprise Funds account for Community Food Service activities, Laundry services, and Supervised Living Facilities services to other government agencies and various County departments.

Internal Service Funds account for Printing services, County Garage (fleet management) services, Property, Casualty, Liability Insurance coverage, Workers' Compensation Insurance coverage, Medical/Dental Insurance coverage, Management Information Systems services, Telecommunications services, and Retired Employees' Health Insurance coverage provided to other departments or agencies of the County or to other governments, on a cost reimbursement basis.

The Patients' Escrow Private Purpose Trust Fund is used to account for resources legally held for nursing home residents.

The Investment Trust Funds account for individual investment accounts provided to another legally separate entity, the State of Minnesota, for Taconite Relief under Minn. Stat. §298.015 and Taconite Production Tax under Minn. Stat. §298.24.

Agency Funds account for resources held by the County in a purely custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

D. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

The "total fund balances" of the County's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

| | Total Governmental Funds | Long-term Assets Liabilities (1) | Internal Service Funds (2) | Reclassification and Elimination (3) | Statement of Net Assets Total |
|--|--------------------------------|--|----------------------------------|--|-------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 94,269,591 | \$ - | \$ 8,258,520 | \$ - | \$ 102,528,111 |
| Investments | 13,994,709 | - | 17,390,258 | - | 31,384,967 |
| Delinquent taxes receivable | 3,429,838 | - | - | (3,429,838) | - |
| Accounts receivable (net) | 18,396,588 | - | 585,010 | (18,981,598) | - |
| Accrued interest receivable | 897,394 | - | 182,782 | (1,080,176) | - |
| Loans receivable | 720,452 | - | - | (720,452) | - |
| Leases receivable | 98,000 | - | - | (98,000) | - |
| Interfund receivable | 3,323,279 | - | - | (3,323,279) | - |
| Due from other governments | 13,405,346 | - | 55,325 | (13,460,671) | - |
| Receivables (net) | - | - | - | 37,770,735 | 37,770,735 |
| Internal balances | - | - | 1,573,766 | 3,250,386 | 4,824,152 |
| Inventories | 3,825,956 | - | 195,785 | - | 4,021,741 |
| Prepaid items | - | - | - | - | - |
| Capital assets not being depreciated | - | 8,608,291 | 25,500 | - | 8,633,791 |
| Capital assets being depreciated, net | - | 304,348,397 | 1,581,462 | - | 305,929,859 |
| Total Assets | <u>152,361,153</u> | <u>312,956,688</u> | <u>29,848,408</u> | <u>(72,893)</u> | <u>495,093,356</u> |
| LIABILITIES | | | | | |
| Accounts payable | 7,395,787 | - | 272,636 | 4,470,867 | 12,139,290 |
| Contracts payable | 1,174,518 | - | - | (1,174,518) | - |
| Salaries payable | 2,111,399 | - | 62,756 | (2,174,155) | - |
| Bond interest payable | - | 136,385 | - | (136,385) | - |
| Interfund payable | 72,893 | - | - | (72,893) | - |
| Due to other governments | 894,110 | - | 91,699 | (985,809) | - |
| Unearned revenue | 1,549,901 | - | 705,739 | - | 2,255,640 |
| Deferred revenue | 20,746,038 | (20,746,038) | - | - | - |
| Noncurrent liabilities | | | | | |
| Due within one year | - | 14,503,410 | 3,733,217 | - | 18,236,627 |
| Due in more than one year | - | 67,435,378 | 6,333,506 | - | 73,768,884 |
| Total Liabilities | <u>33,944,646</u> | <u>61,329,135</u> | <u>11,199,553</u> | <u>(72,893)</u> | <u>106,400,441</u> |
| FUND BALANCE/NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | - | 282,991,825 | 1,606,962 | - | 284,598,787 |
| Restricted | | | | | |
| Reserved | 19,834,106 | - | - | (9,585,311) | 10,248,795 |
| Special revenue funds | 10,827,941 | - | - | - | 10,827,941 |
| Debt service fund | 4,820,996 | - | - | - | 4,820,996 |
| Capital projects fund | - | - | - | 1,008,162 | 1,008,162 |
| Unrestricted | | | | | |
| Designated | 65,282,938 | - | - | 11,905,296 | 77,188,234 |
| Undesignated | 17,650,526 | (31,364,272) | 17,041,893 | (3,328,147) | - |
| Total unrestricted | <u>82,933,464</u> | <u>(31,364,272)</u> | <u>17,041,893</u> | <u>8,577,149</u> | <u>77,188,234</u> |
| Total Fund Balance/Net Assets | <u>118,416,507</u> | <u>251,627,553</u> | <u>18,648,855</u> | <u>-</u> | <u>388,692,915</u> |
| Total Liabilities and Fund Balance/Net Assets | <u>\$ 152,361,153</u> | <u>\$ 312,956,688</u> | <u>\$ 29,848,408</u> | <u>\$ (72,893)</u> | <u>\$ 495,093,356</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

(1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

| | |
|--------------------------|-----------------------|
| Cost of capital assets | \$ 521,818,247 |
| Accumulated depreciation | (208,861,559) |
| | <u>\$ 312,956,688</u> |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.

| | |
|--------------------------------|----------------------|
| Adjustment of deferred revenue | <u>\$ 20,746,038</u> |
|--------------------------------|----------------------|

Long-term liabilities applicable to the County's government activities are not due and payable in the current period and accordingly are not reported in fund liabilities. All liabilities-- both those due within one year and those due in more than one year -- are reported in the statement of net assets. Balances at December 31, 2005 were:

| | | |
|-------------------------|------------------------|------------------------------|
| Bond interest payable | <u>\$ 136,385</u> | |
| | Due Within One Year | Due In More Than One Year |
| Bonds and notes payable | \$ 8,376,280 | \$ 37,864,482 |
| Gravel pit purchase | 65,000 | 130,000 |
| Compensated absences | 6,004,930 | 29,015,196 |
| Capital leases payable | 57,200 | 425,700 |
| | <u>\$ 14,503,410</u> | <u>\$ 67,435,378</u> |

(2) Internal service funds are used by management to charge the cost of certain activities, such as insurance and printing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The amount chargeable to the business type activities is shown as an internal balance. The internal balance is due from business type activities.

| | |
|--|---------------------|
| Internal balance due from business-type activities | <u>\$ 1,573,766</u> |
|--|---------------------|

(3) Reclassifications are used primarily to condense various receivables and payables into single totals, Receivables, net and Accounts payable and to reclassify fund balance accounts that are not available for appropriation to proper net assets account. Eliminations are to offset interfund receivables and payables.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities

The "net change in fund balances" for governmental funds differs from the "change in net assets" for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

| | Total Governmental Funds | Long-term Revenue, Expenses (1) | Capital Related Items (2) | Internal Service Funds (3) | Long-term Debt Transactions (4) | Statement of Activities Totals |
|--|--------------------------------|---------------------------------------|---------------------------------|----------------------------------|--|--------------------------------------|
| Revenues and Other Sources | | | | | | |
| Taxes | \$ 86,468,064 | \$ (118,888) | \$ - | \$ - | \$ - | \$ 86,349,176 |
| Licenses and permits | 149,306 | - | - | - | - | 149,306 |
| Intergovernmental | 95,226,136 | 791,943 | - | - | - | 96,018,079 |
| Charges for services | 10,082,260 | - | - | - | - | 10,082,260 |
| Fines and forfeits | 967,127 | - | - | - | - | 967,127 |
| Earnings on investments | 3,633,796 | - | - | 494,180 | - | 4,127,976 |
| Gifts and contributions | 169,154 | - | - | - | - | 169,154 |
| Land and timber sales | 10,293,444 | 4,309,348 | - | - | - | 14,602,792 |
| Miscellaneous | 4,511,866 | 71,596 | - | - | - | 4,583,462 |
| Other sources: | | | | | | |
| Sale of capital assets | 899,565 | - | (899,565) | - | - | - |
| Bonds issued | 6,115,000 | - | - | - | (6,115,000) | - |
| Refunding bonds issued | 2,840,000 | - | - | - | (2,840,000) | - |
| Premium proceeds | 168,361 | - | - | - | (168,361) | - |
| Total | 221,524,079 | 5,053,999 | (899,565) | 494,180 | (9,123,361) | 217,049,332 |
| Expenditures/Expenses | | | | | | |
| Current: | | | | | | |
| General government | 27,142,182 | 1,875,000 | 959,296 | 159,340 | (1,035,038) | 29,100,780 |
| Public safety | 25,622,367 | 9,341,102 | 845,795 | (35,124) | 364,504 | 36,138,644 |
| Highways and streets | 33,458,062 | (573,698) | 13,830,757 | (354,198) | 360,690 | 46,721,613 |
| Health and sanitation | 6,328,366 | - | 33,366 | 41,871 | (255,362) | 6,148,241 |
| Human services | 60,302,517 | - | 133,546 | 201,129 | 628,346 | 61,265,538 |
| Culture and recreation | 1,253,974 | - | 60,498 | - | - | 1,314,472 |
| Conservation of natural resources | 6,708,815 | - | 205,803 | (34,802) | 61,985 | 6,941,801 |
| Economic development | 4,323,387 | - | (6,858) | (615) | 2,534 | 4,318,448 |
| Debt service: | | | | | | |
| Principal | 4,878,581 | - | - | - | (4,878,581) | - |
| Interest and other charges | 1,704,141 | (8,080) | - | - | - | 1,696,061 |
| Capital outlay | 24,670,343 | - | (24,670,343) | - | - | - |
| Intergovernmental: | | | | | | |
| General government | 1,875,000 | (1,875,000) | - | - | - | - |
| Public safety | 9,341,102 | (9,341,102) | - | - | - | - |
| Total | 207,608,837 | (581,778) | (8,608,140) | (22,399) | (4,750,922) | 193,645,598 |
| Other financing uses/changes in net assets: | | | | | | |
| Loss on sale of capital assets | - | - | 1,003,816 | - | - | 1,003,816 |
| Transfers in | (4,064,829) | - | - | - | - | (4,064,829) |
| Transfers out | 4,064,829 | - | - | - | - | 4,064,829 |
| Increase in inventories | (573,698) | 573,698 | - | - | - | - |
| Total | (573,698) | 573,698 | 1,003,816 | - | - | 1,003,816 |
| Net change for the year | \$ 14,488,940 | \$ 5,062,079 | \$ 6,704,759 | \$ 516,579 | \$ (4,372,439) | \$ 22,399,918 |

ST. LOUIS COUNTY, MINNESOTA
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(1) Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available revenues" in the governmental funds. Similarly, certain aids and grant revenues not currently available at year-end are not reported as revenue in the governmental funds.

| | |
|------------------------|--------------|
| Property taxes | \$ (118,888) |
| Long-term receivables: | |
| Intergovernmental | 791,943 |
| Land & timber sales | 4,309,348 |
| General fund | 71,596 |
| | \$ 5,053,999 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|-----------------------|------------|
| Bond interest payable | \$ (8,080) |
|-----------------------|------------|

(2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. Changes to capital assets not resulting from capital outlay, such as contributions from the State and other governments for road construction projects, work in progress and retirements, are reported as contributions or additional expense.

| | |
|----------------------|-----------------|
| Capital outlay | \$ (24,670,343) |
| Depreciation expense | 19,397,720 |
| Difference | \$ (5,272,623) |

| | |
|--------------------|--------------|
| Contributions | \$ 5,992,636 |
| Additional expense | (2,657,119) |
| | \$ 3,335,517 |

| | |
|------------------------------|--------------|
| Loss on sale of nursing home | \$ 1,003,816 |
|------------------------------|--------------|

(3) Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing, to individual funds. The adjustments for internal service funds "close" those funds by debiting or crediting additional amounts to participating governmental and business type activities to completely cover the internal service funds' income or loss for the year.

(4) Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's bonded debt was reduced when principal payments were made to bond holders. Changes in long-term liabilities (compensated absences and capital leases) also result in an expense in the statement of activities.

| | |
|-------------------------|----------------|
| Principal payments made | \$ (4,878,581) |
| Compensated absences | 237,117 |
| Gravel pit purchase | (65,000) |
| Other | (44,458) |
| | \$ (4,750,922) |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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E. Budgetary Data

General Budget Policies

The County is required by Minn. Stat. Ch. 383C to adopt an annual budget for the General, Special Revenue, and Debt Service Funds. These budgets are prepared on the modified accrual basis of accounting.

The County is also required to adopt a budget for the Capital Projects Fund. An appropriation for expenditures from the capital project fund continues in force until the purpose for which it was made has been accomplished or abandoned. The purpose of a capital expenditure appropriation is abandoned if three years pass without a disbursement from or encumbrance of the appropriation or at the discretion of the County Administrator. These budget periods are not consistent with the method of financial reporting; therefore, comparisons between the results of operations and budgets in this fund is not relevant and is not presented.

The County Board has established the legal level of control for County departments to be at the agency level. County departments are comprised of one or more sub-departments (agencies). Each department (Sheriff) can spend its agency level budgets (Jail, Sheriff Patrol, Boat and Water Safety and others) on any line item within that agency so long as the total agency budget is not overspent. However, no public aid assistance and/or personal services budget authority may be used for any other purpose without Board approval. The budgetary comparisons included in the Governmental Funds subsection of this report demonstrate compliance with the legal level of budgetary control.

The County Board also authorizes Department Heads to add and delete positions within their personnel complement so long as the total full-time equivalent personnel complement does not exceed the total number of authorized positions approved by the County Board.

All transfers of appropriations between departments require the approval of the County Board. Each appropriation, except an appropriation within the Capital Project Fund, lapses at the close of the fiscal year to the extent that it has not been expended or encumbered. Amounts in funds unexpended at the end of the fiscal year may be carried over from one fiscal year to the next in accordance with generally accepted accounting principles.

Budgets can be amended during the year by the County Board. Supplemental appropriations or budget reductions are reviewed by the County Administrator's office and submitted to the County Board for their review and approval. If approved, they are implemented by the Auditor's Office as budget revisions. Supplemental appropriations could be required because of several factors, including the awarding of state and federal grants during the year and providing funding for unanticipated program requirements. Budget revisions were necessary during the year. The effect of these amendments was an increase in budgeted County funds of: \$23,623,342

Procedure for Preparing the Annual Budget

1. Early each year, the County Administrator meets with budget staff to discuss preparations for next year's budget. A basic budget strategy is developed at that time, based on guidelines and policies established by the County Board.
2. Budget request forms are sent out to each department. Included is a memo from the County Administrator highlighting basic guidelines for preparing the budget request.
3. All departments submit preliminary estimates of their requested appropriations and anticipated revenues by the end of May. These figures are used to determine the amount of tax levy that would be required to meet departmental requests, and the amount of budget adjustments that the County Administrator will need to make during the preliminary budget hearings in order to meet goals established by the County Board.
4. Preliminary budget hearings are held by the County Administrator with each department. These hearings begin about mid-June and last until about mid-July.
5. The County Administrator's recommended budget is given to the County Board prior to September 15. The County Board will certify by resolution to the County Auditor a maximum proposed property tax levy by September 15th, which will be used to comply with the Truth in Taxation provisions of state law.
6. The County Board holds formal public hearings on the proposed budget and adopts by resolution the final budget and tax levy on or before December 28.

ST. LOUIS COUNTY, MINNESOTA
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F. Fund Restatements and Reclassifications

As of January 1, 2005, the County determined that the fund balance in the Social Services Special Revenue Fund was overstated due to overaccrual of revenue in the prior year.

As of January 1, 2005, the County changed the method of determining the liability for vested and vesting sick leave from the termination method to the vesting method. This resulted in a restatement of net assets in the proprietary funds.

| | Fund Balance Net Assets January 1, 2005 As Previously Reported | Revenue Overaccrual | Restatement | Fund Balance Net Assets January 1, 2005 As Restated |
|--|--|------------------------|-----------------------|--|
| Major Funds | | | | |
| Social Services Special Revenue Fund | \$ 14,499,937 | \$ (241,223) | \$ - | \$ 14,258,714 |
| Solid Waste Management Enterprise Fund | \$ 23,064,303 | \$ - | \$ (113,738) | \$ 22,950,565 |
| Chris Jensen Health and Rehabilitation Center Enterprise Fund | \$ 2,139,207 | \$ - | \$ (649,420) | \$ 1,489,787 |
| Nonmajor Enterprise Funds | | | | |
| Community Foods | \$ 124,000 | \$ - | \$ (111,191) | \$ 12,809 |
| Laundry | 873,310 | - | (5,988) | 867,322 |
| Supervised Living Facilities | 957,391 | - | (85,432) | 871,959 |
| Total | \$ 1,954,701 | \$ - | \$ (202,611) | \$ 1,752,090 |
| Internal Service Funds | | | | |
| Printing | \$ 288,778 | \$ - | \$ (33,111) | \$ 255,667 |
| County Garage | 1,456,187 | - | (72,930) | 1,383,257 |
| Property, Casualty, Liability Insurance | 6,450,052 | - | - | 6,450,052 |
| Workers' Compensation Insurance | (1,368,681) | - | - | (1,368,681) |
| Medical/Dental Insurance | 6,924,946 | - | - | 6,924,946 |
| Management Information Systems | 1,672,685 | - | 47,005 | 1,719,690 |
| Telecommunications | 1,150,051 | - | (6,996) | 1,143,055 |
| Retired Employees' Health Insurance | - | - | - | - |
| Total | \$ 16,574,018 | \$ - | \$ (66,032) | \$ 16,507,986 |
| Governmental Activities | \$ 367,887,940 | \$ (241,223) | \$ (1,353,720) | \$ 366,292,997 |
| Business-type Activities | 25,533,921 | - | (965,769) | 24,568,152 |
| Total | \$ 393,421,861 | \$ (241,223) | \$ (2,319,489) | \$ 390,861,149 |

Several account balances were reclassified as of and for the year ended December 31, 2004, as previously reported. These reclassifications, which did not require a restatement of net assets or fund balance, were required for comparability to the financial statements as of and for the year ended December 31, 2005. Although comparative statements for 2004 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

G. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Available cash balances from all funds are pooled and invested in accordance with Minnesota State Statutes. Cash balances and pooled investments are at fair value based on quoted market prices. The pool is not subject to regulatory oversight. Fair value amounts are determined at year end. The County has not provided or obtained any legally binding guarantees to support the value of the pool. Pursuant to Minn. Stat. §385.07, investment earnings on cash balances and pooled investments are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings credited to the General Fund for 2005 were \$3,102,964. Each fund's share of the pool is shown on the financial statements as "Cash and Cash Equivalents." For proprietary fund-type statement of cash flows, all change funds and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

St. Louis County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

Property Taxes

In September of each year the County Board certifies a proposed property tax levy to the County Auditor. Notices of proposed taxes are mailed to taxpayers informing them of the proposed tax on their property and of the time and location of a meeting at which the final property tax levy will be established by the Board of County Commissioners. Subsequent to that meeting but within five business days of December 20, the Board certifies to the County Auditor the final property tax levy, which generally cannot exceed the proposed levy.

The tax levy is spread on all taxable property based on the value of the property on the assessment date. At the time the taxes are spread they become a lien on the property as of the assessment date, although they do not become due and payable until the subsequent January 1. For the most part, taxpayers are allowed to pay the taxes in two equal installments on or before May 15 and October 15 without penalty. Revenues are accrued and recognized in the year collectible, net of delinquencies. Taxes which remain unpaid at December 31 are delinquent. Collections within 60 days after year-end are recognized as revenue and the balance offset by deferred revenue.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Inventories

Road and Bridge Special Revenue Fund inventories consist of expendable supplies held for consumption and are valued at cost using the moving average method. Inventoried items are recorded as expenditures at the time that they are purchased. The reported inventories are offset by a reserve of fund balance to indicate that they do not constitute available spendable resources.

The enterprise funds' inventories consist of expendable supplies held for consumption and are recorded as an expense when used. Internal service funds' inventories consist of items for resale and consumption and are recorded as an expense when sold or used. Inventories are priced at the lower of cost or market on a first-in, first-out basis, or the moving average method.

Restricted Assets

Certain proceeds of the Chris Jensen Health and Rehabilitation Center Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Also, certain resources are restricted for financial assurance within the County Solid Waste Management Fund. When an expense is incurred for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Donated capital assets are recorded at estimated fair market 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 the life of the asset are not capitalized.

Depreciation has been provided over the estimated useful life using the straight-line method. The estimated useful lives are:

| | |
|------------------------------------|-------------|
| Buildings and Improvements: | 30-70 years |
| Improvements other than buildings: | 10-20 years |
| Machinery and equipment: | 5-10 years |
| Vehicles: | 5-7 years |
| Infrastructure: | 25 years |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Compensated Absences

Under the County's personnel policies and union contracts, County employees are granted vacation and sick leave in varying amounts based on length of service and bargaining agreement. Vacation leave accrual varies from 2.00 to 9.50 hours per biweekly pay period. Sick leave accrual varies from 2.00 to 5.75 hours per biweekly pay period.

Unused accumulated vacation is paid to employees at termination. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

Vested sick leave is paid to employees at retirement or is used for the payment of employee's health insurance coverage during their retirement. The vested sick leave and unvested sick leave likely to become vested (vesting sick leave) are estimated using the vesting method prescribed by GASB Statement No. 16. Both vested and vesting amounts are recognized in the government-wide and proprietary fund financial statements as liabilities, but not in the governmental funds.

Unvested sick leave for all County funds in the amount of \$6,438,583 (total accumulated sick leave less estimated amounts of vested and vesting sick leave) at December 31, 2005 is available to employees in the event of illness-related absences and is not reported in the financial statements.

Closure and Postclosure Care Costs

In accordance with Governmental Accounting Standards Board's Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs the County has accrued liabilities for closure and postclosure costs associated with future closing of its Regional Landfill.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the financial statement date. The \$1,357,046 for the open area reported on the Solid Waste Management Enterprise Fund statement of net assets as landfill closure and postclosure liability at December 31, 2005, represents the following:

| | |
|---|-----------|
| Postclosure liability | |
| This is the liability for post closure costs for the Regional Landfill. | \$733,305 |
| It is based on the use of 67.98% of the existing open area. | |
| Closure liability | |
| This is the liability for closure cost for the Regional Landfill. | |
| It is based on the use of 67.98% of the existing open area. | \$623,741 |

The County will recognize the remaining \$639,265 in costs of closure and postclosure care of the open area as the remaining estimated capacity of the open area of the Regional Landfill is filled. The amounts are based on what it would cost to perform all closure and postclosure care in 2006. The County expects the open area to be closed in 2008 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a restricted account to finance closure and postclosure care of the last cell that will be accepting waste. The County is in compliance with these requirements, and at December 31, 2005, restricted assets of \$2,676,847 are included in the amounts shown on the Solid Waste Management Enterprise Fund balance sheet as Financial Assurance Restricted Assets - Cash and cash equivalents, Investments, and Accrued interest receivable.

Financial assurance fund contributions necessary to accumulate these funds will be generated from service fees and tipping fees on solid waste, as well as from funds generated from the Greater Minnesota Landfill Cleanup fee. This fee is \$2.00 per cubic yard on solid waste deposited at the landfill.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Federal Audit Requirements

The Single Audit Act Amendments of 1996 requires the County to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2005; the auditor's reports on compliance and internal accounting control will be issued separately.

I. Use of Estimates

The preparation of the 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 amounts could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

A. Deficit Net Asset Balance

The Workers' Compensation Insurance Internal Service Fund had a deficit net asset balance of \$760,106 as of December 31, 2005. Rates charged to other funds and departments were increased in 2005 to reduce the deficit.

B. Excess of Expenditures Over Budget

For the year ended December 31, 2005, expenditures exceeded budget in the Debt Service Fund by \$30,233. These excess costs were funded by the General Obligation Capital Improvement Bond proceeds.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Note 3. Detailed Notes on all Funds and Account Groups

A. Assets

Deposits and Investments

Reconciliation of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

| | |
|---|-----------------------|
| Governmental Activities: | |
| Current assets: | |
| Cash and cash equivalents | \$ 102,528,111 |
| Investments | 31,384,967 |
| Business-type Activities: | |
| Current assets: | |
| Cash and cash equivalents | 1,985,174 |
| Investments | 13,231,432 |
| Restricted assets: | |
| Debt Service | |
| Cash and cash equivalents | 27,388 |
| Financial Assurance | |
| Cash and cash equivalents | 521,592 |
| Investments | 2,110,490 |
| Fiduciary Activities | |
| Current assets: | |
| Cash and cash equivalents | 12,334,757 |
| Investments | 28,334,668 |
| Total | <u>192,458,579</u> |
| Deposits | 56,625,715 |
| Cash on hand | 457,931 |
| Investments | 135,374,933 |
| Total deposits, cash on hand, and investments | <u>\$ 192,458,579</u> |

| | (Amounts in Dollars) | | |
|---------------------------|---|---|-------------|
| | Held for External Investment Pool Participants Investment Trust Funds | Held for Internal Investment Pool Participants All Other County Funds | Total |
| Cash and cash equivalents | 224,245 | 117,172,777 | 117,397,022 |
| Investments | 28,294,668 | 46,766,889 | 75,061,557 |
| Total | 28,518,913 | 163,939,666 | 192,458,579 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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 standard 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--Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows Minnesota Statutes regarding pledged collateral. The market value of collateral must equal 110% of the deposits not covered by insurance or surety bonds. As of December 31, 2005, the County's deposits were fully covered by insurance, surety bonds, and collateral, and were not exposed to custodial credit risk.

Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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 Minn. Stat § 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

As of December 31, 2005, the County had the following investments and maturities:

| | Fair Value | Investment Maturities in Years | | | |
|--------------------|-----------------------|--------------------------------|----------------------|----------------------|----------------------|
| | | Less than 1 | 1-2 | 2-3 | More than 3 |
| Bankers acceptance | \$ 1,096,590 | \$ 1,096,590 | \$ - | \$ - | \$ - |
| Brokered CD's | 16,155,000 | 10,752,000 | 5,308,000 | - | 95,000 |
| Commercial paper | 34,862,004 | 34,862,004 | - | - | - |
| FFCB | 650,406 | - | 650,406 | - | - |
| FHLB | 44,561,218 | 5,507,852 | 27,034,173 | 4,967,828 | 7,051,365 |
| FHLMC | 24,678,555 | 8,708,536 | 8,356,962 | 4,178,667 | 3,434,390 |
| FNMA | 13,371,160 | 2,506,170 | 2,691,670 | 4,245,190 | 3,928,130 |
| Total | \$ 135,374,933 | \$ 63,433,152 | \$ 44,041,211 | \$ 13,391,685 | \$ 14,508,885 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires at least 40% of total investments to have terms of one year or less. Investment maturities for long term pooled investments are limited as follows:

| Maturity | Maximum Investment |
|----------------------|-----------------------|
| One to two years | 90% |
| Two to three years | 95% |
| Less than four years | 100% |

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 County's policy to invest only in securities that meet the ratings requirements set by state statute.

The County's exposure to credit risk as of December 31, 2005, is as follows:

| Rating | Fair Value |
|----------|---------------|
| S&P A-1+ | \$ 14,459,374 |
| S&P A-1 | 15,503,625 |
| MDY P-1 | 5,995,596 |
| Total | \$ 35,958,595 |

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2005, the County held no repurchase agreements subject to custodial credit risk.

Concentration of Credit Risk. The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. County policy requires that investments with one issuer be less than 5% of total investments. U.S. Government securities, mutual funds, and external investment pools are exempt from this restriction.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Cash and Cash Equivalents

The following is a reconciliation of the carrying amount of the cash and cash equivalents account and the equity in the pool by fund:

| | <u>(Amounts in Dollars)</u> | |
|--|-----------------------------|--------------------|
| | <u>Equity in Pool</u> | <u>Advances</u> |
| Governmental Activities: | | |
| General Fund | 39,179,243 | |
| Special Revenue Funds: | | |
| Road and Bridge | 18,130,527 | |
| Social Services | 13,467,404 | |
| Forfeited Tax Sale | - | (72,893) |
| Housing and Redevelopment Authority | 500,176 | |
| Community Development Block Grant | 56,163 | |
| Northeast Minnesota Housing Consortium | 4,702 | |
| Septic Loan | 239,819 | |
| Forest Resources | 10,497,469 | |
| Debt Service Fund | 4,793,848 | |
| Capital Projects Fund | 4,341,002 | |
| Permanent Fund | 6,382,517 | |
| Internal Service Funds | 8,258,520 | |
| Total Equity | <u>105,851,390</u> | |
| Less: Advances | | <u>(72,893)</u> |
| Total Governmental Activities | <u>105,778,497</u> | |
| Business Activities: | | |
| Enterprise Funds: | | |
| Solid Waste Management | 1,119,573 | |
| Chris Jensen Health & Rehabilitation | 27,418 | (3,250,386) |
| Community Food | 27,789 | |
| Laundry | 180,673 | |
| Supervised Living Facilities | <u>1,178,701</u> | |
| Total Equity | <u>2,534,154</u> | |
| Less: Advances | | <u>(3,250,386)</u> |
| Total Business Activities | <u>(716,232)</u> | |
| Fiduciary Activities: | | |
| Private-Purpose Trusts | 19,749 | |
| Investment Trusts | 224,245 | |
| Agency Funds | <u>12,090,763</u> | |
| Total Fiduciary Activities | <u>12,334,757</u> | |
| Total | <u>117,397,022</u> | <u>(3,323,279)</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Loans Receivable

The long-term loan receivable from the Town of Camp 5 is \$547 and is equally offset by deferred revenue. The interest rate is 6.5 percent over five years. The purpose of the loan was to give this new township start-up money until it is able to establish its first tax levy. The repayment schedule calls for nine semi-annual payments of \$565 beginning July 1, 2001. It is accounted for in the General Fund.

The long-term loan receivable from Meadowlands Affordable Housing Limited Partnership is \$125,000 and is equally offset by a reserve for noncurrent loans. The purpose of the loan was the construction of a 12-unit affordable housing project. Each year until 2009, interest of 2.33% accrues and is added to the principal. In December 2009 and annually thereafter, interest on the balance of the loan (principal and accrued interest to date) will be due. The balance of the loan is due December 3, 2023. The receivable is valued at its discounted amount and is accounted for in the Housing and Redevelopment Authority Special Revenue Fund.

Included in the Septic Loan Special Revenue Fund are loans under the Minnesota Pollution Control Loan Program.

Loans outstanding at December 31, 2005, including interest \$ 333,106

The long-term loan receivable from the South St. Louis County Fair Association is \$261,799 and is equally offset by deferred revenue. The receivable arises from the County financing the construction of new grandstands and racetrack lighting and all costs related to these activities. The interest free loan was approved by the County Board on December 17, 2002. The repayment schedule calls for annual payments in the amount of \$20,000 beginning in 2004 and every year thereafter until it is paid to the County in full. The Lakehead Racing Association made payments in the amount of \$7,500 on May 15 and October 15 in 2004, the County will withhold \$5,000 from the South St. Louis County Fair Association annual allocation, and the Fair Association pays \$1 per seat charge to retire the debt.

Lease Receivable

St. Louis County leases to the State of Minnesota approximately 33,162 useable square feet of space in the Pike Lake Joint Maintenance Facility. The total cost of the shared facility was \$5,948,604; depreciation to date is \$660,956, leaving a carrying value of \$5,287,648. The State pays rent of \$14,077 per month through August 2012. The monthly rent is accounted for in the Debt Service Fund and is used to retire the outstanding bonds. The State also pays 29.5% of the operating costs of the facility.

The minimum future rentals are:

| Year Ending December 31 | | |
|----------------------------|----|------------------|
| 2006 | \$ | 168,919 |
| 2007 | | 168,919 |
| 2008 | | 168,919 |
| 2009 | | 168,919 |
| 2010 | | 168,919 |
| 2011-2012 | | 281,534 |
| Total | \$ | <u>1,126,129</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Due From Other Governments

The following amounts were due from other governments at December 31, 2005:

| | (Amounts in Dollars) | | | |
|--|----------------------|---------------|-------------|---------------|
| | Federal | State | Local/Other | Total |
| Governmental Activities: | | | | |
| General Fund | \$ 893,999 | \$ 752,581 | \$ 77,814 | \$ 1,724,394 |
| Special Revenue Funds | | | | |
| Road and Bridge | 185,570 | 4,083,773 | 190,944 | 4,460,287 |
| Social Services | 1,845,038 | 4,903,379 | - | 6,748,417 |
| Community Development Block | 262,679 | - | - | 262,679 |
| Northeast Minnesota Housing Consortium | 207,914 | - | - | 207,914 |
| Total Special Revenue Funds | 2,501,201 | 8,987,152 | 190,944 | 11,679,297 |
| Debt Service Fund | - | 132 | - | 132 |
| Capital Projects Fund | - | 25 | 1,498 | 1,523 |
| Internal Service Funds | - | 48,503 | 6,822 | 55,325 |
| Total Governmental Activities | 3,395,200 | 9,788,393 | 277,078 | 13,460,671 |
| Business-type Activities: | | | | |
| Enterprise Funds | 36,274 | 52,082 | 162,746 | 251,102 |
| Fiduciary Activities: | | | | |
| Agency Funds | 216,255 | 1,701,037 | 314,655 | 2,231,947 |
| Total | \$ 3,647,729 | \$ 11,541,512 | \$ 754,479 | \$ 15,943,720 |

Restricted Assets

Business-type activities

Debt service

| | |
|-----------------------------------|-----------|
| Cash and cash equivalents | \$ 27,388 |
| Delinquent taxes receivable | 3,685 |
| Deferred charges - issuance costs | 7,209 |

Financial assurance

| | |
|-----------------------------|-----------|
| Cash and cash equivalents | 521,592 |
| Investments | 2,110,490 |
| Accrued interest receivable | 44,765 |

| | |
|-------|--------------|
| Total | \$ 2,715,129 |
|-------|--------------|

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|----------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,657,358 | \$ 463,699 | \$ (132,086) | \$ 1,988,971 |
| Construction in progress | 833,080 | 5,811,740 | - | 6,644,820 |
| Total capital assets, not being depreciated | 2,490,438 | 6,275,439 | (132,086) | 8,633,791 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 82,811,010 | 394,690 | (2,186,531) | 81,019,169 |
| Machinery and equipment | 15,773,920 | 441,231 | (1,221,286) | 14,993,865 |
| Vehicles | 42,256,808 | 2,596,766 | (2,028,236) | 42,825,338 |
| Infrastructure | 370,706,147 | 19,377,043 | (7,589,707) | 382,493,483 |
| Total capital assets being depreciated | 511,547,885 | 22,809,730 | (13,025,760) | 521,331,855 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (29,537,583) | (1,744,924) | 327,236 | (30,955,271) |
| Machinery and equipment | (13,631,481) | (810,892) | 1,219,682 | (13,222,691) |
| Vehicles | (27,829,780) | (2,480,857) | 1,821,171 | (28,489,466) |
| Infrastructure | (135,048,494) | (14,809,599) | 7,123,525 | (142,734,568) |
| Total accumulated depreciation | (206,047,338) | (19,846,272) | 10,491,614 | (215,401,996) |
| Total capital assets, being depreciated, net | 305,500,547 | 2,963,458 | (2,534,146) | 305,929,859 |
| Governmental activities, capital assets, net | \$ 307,990,985 | \$ 9,238,897 | \$ (2,666,232) | \$ 314,563,650 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 363,922 | \$ - | \$ - | \$ 363,922 |
| Construction in progress | 40,933 | - | (40,933) | - |
| Total capital assets, not being depreciated | 404,855 | - | (40,933) | 363,922 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 13,303,041 | 44,650 | - | 13,347,691 |
| Improvements other than buildings | 8,135,816 | - | - | 8,135,816 |
| Machinery and equipment | 1,914,600 | 501,069 | - | 2,415,669 |
| Linens | 247,265 | - | (13,974) | 233,291 |
| Vehicles | 853,998 | 32,038 | (15,921) | 870,115 |
| Total capital assets being depreciated | 24,454,720 | 577,757 | (29,895) | 25,002,582 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,050,827) | (348,035) | - | (4,398,862) |
| Improvements other than buildings | (4,473,480) | (179,083) | - | (4,652,563) |
| Machinery and equipment | (1,435,210) | (96,410) | - | (1,531,620) |
| Vehicles | (468,277) | (129,636) | 15,921 | (581,992) |
| Total accumulated depreciation | (10,427,794) | (753,164) | 15,921 | (11,165,037) |
| Total capital assets, being depreciated, net | 14,026,926 | (175,407) | (13,974) | 13,837,545 |
| Business-type activities, capital assets, net | \$ 14,431,781 | \$ (175,407) | \$ (54,907) | \$ 14,201,467 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Depreciation expense was charged to functions/programs as follows:

| | |
|---|------------------------|
| Governmental activities | |
| General government | \$ (728,902) |
| Public safety | (800,911) |
| Highways | (17,436,088) |
| Health and sanitation | (32,441) |
| Human services | (133,546) |
| Culture and recreation | (60,498) |
| Conservation of natural resources | (203,794) |
| Economic development | (1,540) |
| Internal Service Funds | (448,552) |
| Total depreciation expenses - governmental activities | <u>\$ (19,846,272)</u> |

| | |
|--|---------------------|
| Business-type activities | |
| Solid Waste Management | \$ (600,027) |
| Chris Jensen Health and Rehabilitation Center | (139,733) |
| Other Enterprise Funds | (13,404) |
| Total depreciation expenses - business-type activities | <u>\$ (753,164)</u> |

B. Liabilities

Deferred Revenue

Deferred revenue consists of taxes that are not collected soon enough after year-end to pay liabilities of the current year, state and federal grants and aids received but not yet earned, credit accounts receivable balances, and long-term receivables.

| | Fund Financial Statements | | | | |
|--|---------------------------|---------------------|---------------------|--------------------------|----------------------|
| | Accounts Receivable | Aid and Grants | Taxes | Long-Term Receivables | Total |
| Governmental Activities: | | | | | |
| General Fund | \$ 2,176 | \$ 323,243 | \$ 1,286,440 | \$ 360,347 | \$ 1,972,206 |
| Special Revenue Funds: | | | | | |
| Road and Bridge | - | 1,361,724 | 568,830 | - | 1,930,554 |
| Social Services | - | 654,701 | 764,650 | - | 1,419,351 |
| Forfeited Tax Sale | - | - | - | 16,749,986 | 16,749,986 |
| Housing and Redevelopment Authority | - | - | 7,696 | - | 7,696 |
| Debt Service Fund | - | - | 186,871 | - | 186,871 |
| Capital Projects Fund | - | - | 29,275 | - | 29,275 |
| Internal Service Funds | 705,739 | - | - | - | 705,739 |
| Total Governmental Activities | <u>707,915</u> | <u>2,339,668</u> | <u>2,843,762</u> | <u>17,110,333</u> | <u>23,001,678</u> |
| Business-type Activities: | | | | | |
| Enterprise Funds | 30,905 | - | 6,291 | - | 37,196 |
| Total | <u>\$ 738,820</u> | <u>\$ 2,339,668</u> | <u>\$ 2,850,053</u> | <u>\$ 17,110,333</u> | <u>\$ 23,038,874</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

| Statement of Net Assets | | | |
|-------------------------------|------------------------|-------------------|--------------|
| | Accounts Receivable | Aid and Grants | Total |
| Governmental Activities: | | | |
| General Fund | \$ 2,176 | \$ 323,243 | \$ 325,419 |
| Special Revenue Funds | | | |
| Road & Bridge | - | 569,781 | 569,781 |
| Social Services | - | 654,701 | 654,701 |
| Internal Service Funds | 705,739 | - | 705,739 |
| Total Governmental Activities | 707,915 | 1,547,725 | 2,255,640 |
| Business-type Activities: | | | |
| Enterprise Funds | 30,905 | - | 30,905 |
| Total | \$ 738,820 | \$ 1,547,725 | \$ 2,286,545 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Long-Term Debt

Disclosure of information about long-term liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

| | Beginning Balance Restated | Additions | Reductions | Ending Balance | Amounts Due Within One-Year |
|---|----------------------------------|----------------------|------------------------|----------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| <i>Bonds, notes, and tax lease obligations payable</i> | | | | | |
| General obligation debt | | | | | |
| Capital Improvement Bonds 2001 | \$ 12,075,000 | \$ - | \$ (790,000) | \$ 11,285,000 | \$ 820,000 |
| Jail Refunding Bond 2002B | 5,244,877 | - | (1,244,224) | 4,000,653 | 1,284,224 |
| Capital Equipment Notes 2002C | 3,086,589 | - | (998,974) | 2,087,615 | 1,028,974 |
| Capital Improvement Bonds 2004A | 13,868,945 | - | (645,628) | 13,223,317 | 750,628 |
| Capital Equipment Notes 2004B | 2,924,341 | - | (701,215) | 2,223,126 | 721,215 |
| Refunding Bonds 2004C | 954,271 | - | (142,412) | 811,859 | 147,412 |
| Capital Improvement Bonds 2005A | - | 6,138,732 | (283) | 6,138,449 | 308,390 |
| LEC Refunding bond 2005B | - | 2,984,629 | (1,722) | 2,982,907 | 370,661 |
| General obligation revenue notes | 552,517 | - | (4,681) | 547,836 | 4,776 |
| Tax lease obligations (HRA) | | | | | |
| Law Enforcement Center 1997 | 3,280,000 | - | (340,000) | 2,940,000 | 2,940,000 |
| Total bonds, notes and tax lease obligations payable | 41,986,540 | 9,123,361 | (4,869,139) | 46,240,762 | 8,376,280 |
| Other Liabilities | | | | | |
| Gravel pit purchase | 260,000 | - | (65,000) | 195,000 | 65,000 |
| Compensated absences | 38,296,295 | 9,754,614 | (10,024,324) | 38,026,585 | 6,921,982 |
| Claims payable | 7,569,657 | 25,271,895 | (25,781,288) | 7,060,264 | 2,816,165 |
| Capital leases payable | 541,162 | - | (58,262) | 482,900 | 57,200 |
| Total other liabilities | 46,667,114 | 35,026,509 | (35,928,874) | 45,764,749 | 9,860,347 |
| Governmental activities long-term liabilities | \$ 88,653,654 | \$ 44,149,870 | \$ (40,798,013) | \$ 92,005,511 | \$ 18,236,627 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| <i>Bonds Payable</i> | | | | | |
| General obligation debt | | | | | |
| 2002 Jensen - payable from restricted assets | \$ 420,000 | \$ - | \$ (100,000) | \$ 320,000 | \$ 105,000 |
| Other Liabilities | | | | | |
| Compensated absences | 2,816,336 | 496,486 | (388,128) | 2,924,694 | 565,729 |
| Customer deposits | 800 | - | (700) | 100 | - |
| Closure and post-closure liabilities | 1,269,539 | 87,507 | - | 1,357,046 | - |
| Total other liabilities | 4,086,675 | 583,993 | (388,828) | 4,281,840 | 565,729 |
| Business-type activities long-term liabilities | \$ 4,506,675 | \$ 583,993 | \$ (488,828) | \$ 4,601,840 | \$ 670,729 |

Beginning compensated absences balances were restated for a change from the termination method to the vesting method for calculating the liability. The restatement amounts for governmental activities and business-type activities were \$1,353,720 and \$965,769, respectively.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$10,066,723 of internal service funds compensated absences, claims payable, and capital leases payable are included in the above amounts. Also, for the governmental activities, claims, capital leases, and compensated absences are generally liquidated by the major funds.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

(Amounts in Dollars)

General obligation bonds and notes payable at December 31, 2005, consist of the following issues:

| | |
|---|------------|
| \$14,270,000 General Obligation Capital Improvement Bonds due in annual installments of \$705,000 to \$1,280,000 on December 1, 2002, through 2016; interest at 3.5 to 5.0 percent. This bond was issued to finance capital improvements. | 11,285,000 |
| \$7,415,000 General Obligation Jail Refunding Bonds due in annual installments of \$1,085,000 to \$1,360,000 on December 1, 2003, through 2008; interest at 3.00 to 3.25 percent, including unamortized premium of \$70,653. This bond was issued to refund the Jail Revenue Bonds Series 1993A. | 4,000,653 |
| \$5,000,000 General Obligation Capital Equipment Note due in annual installments of \$950,000 to \$1,055,000 on December 1, 2003, through 2007; interest at 2.00 to 2.65 percent, including unamortized premium of \$7,615. This bond was issued to finance capital equipment purchases. | 2,087,615 |
| \$13,785,000 General Obligation Capital Improvement Bonds due in annual installments of \$640,000 to \$1,215,000 on December 1, 2005, through 2019; interest at 3.00 to 4.00 percent, including unamortized premium of \$78,317. This bond was issued to finance capital improvements. | 13,223,317 |
| \$2,900,000 General Obligation Capital Equipment Note due in annual installments of \$695,000 to \$755,000 on December 1, 2005, through 2008; interest at 2.00 to 3.00 percent, including unamortized premium of \$18,126. This bond was issued to finance capital equipment purchases. | 2,223,126 |
| \$960,000 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$170,000 on December 1, 2004, through 2010; interest at 2.00 to 3.50 percent, including unamortized premium of \$11,859. This bond was issued to refund the AJC GO Bonds Series 1995. | 811,859 |
| \$6,115,000 General Obligation Capital Improvement Bonds due in annual installments of \$430,000 to \$535,000 on December 1, 2006, through 2020; interest at 3.7 to 3.9 percent, including unamortized premium of \$23,449. This bond was issued to finance capital improvements. | 6,138,449 |
| \$2,840,000 General Obligation Refunding bonds due in annual installments of \$350,000 to \$470,000 on December 1, 2006, through 2012; interest at 4.00 to 5.00 percent, including unamortized premium of \$142,907. This bond was issued to refund the Law Enforcement Facilities Revenue Bonds. The transaction results in a difference in the cash flow requirements of \$137,085. The net present value benefit of the refunding issue is \$120,560 and results in a reduction of \$137,085 in future debt service payments. | 2,982,907 |
| <i>General obligation revenue notes payable at December 31, 2005, consist of the following issues:</i> | |
| \$50,000 1998 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide the initial funds for the septic system improvement loan program under the Agricultural Best Management Loan Program. The terms require repayment to the Department after ten years an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually. | 27,833 |
| \$200,000 1998 General Obligation Revenue Note payable to the Minnesota Department of Agriculture (Department) to provide the initial funds for the septic system improvement loan program under the Agricultural Best Management Loan Program. The terms require repayment to the Department, an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually. | 200,000 |
| \$340,000 2000 General Obligation Revenue Note Payable to the Minnesota Pollution Control Agency to provide low interest loans to citizens and entities of the County for Best Management Practices, including improvements to individual sewage systems. The terms require semi-annual repayments beginning June 15, 2002. | 41,003 |
| \$200,000 2001 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program. The terms require repayment to the Department, after ten years an amount equal to the principal repaid to date by the individual borrowers. After year ten, principal amounts must be repaid semi-annually. | 200,000 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

\$79,000 2004 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program. The terms require repayment to the Department, after ten years an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually.

79,000

Tax lease obligations payable at December 31, 2005, consist of the following issue:

\$5,275,000 Law Enforcement Facilities Revenue Bonds (St. Louis County Unlimited Tax Lease Obligation) of the Housing and Redevelopment Authority of St. Louis County, Minnesota due in annual installments of \$250,000 to \$490,000 December 1, 1998, through 2012; interest at 4.875 to 5.100 percent. The bonds are special obligations of the HRA. Under a lease agreement with the HRA, the County is obligated to make payments of basic rent sufficient to pay the principal and interest on the bonds when due.

2,940,000

Fund Long-Term Debt

Governmental Activities General Obligation Long-Term Debt to Maturity is as follows:

| Year Ending 12/31/05 | General Obligation | |
|-------------------------|----------------------|----------------------|
| | Principal | Interest |
| 2006 | \$ 8,376,280 | \$ 1,640,654 |
| 2007 | 5,631,043 | 1,456,332 |
| 2008 | 4,729,961 | 1,280,999 |
| 2009 | 2,710,793 | 1,116,511 |
| 2010 | 2,814,552 | 1,011,092 |
| 2011-2015 | 13,435,736 | 3,352,384 |
| 2016-2020 | 8,490,797 | 815,412 |
| 2021-2024 | 51,600 | - |
| Total: | \$ 46,240,762 | \$ 10,673,384 |

Business Type Activities Debt Service to maturity are as follows:

| Year Ending 12/31/05 | Nursing Home 2005 | |
|-------------------------|-------------------|------------------|
| | Principal | Interest |
| 2006 | \$ 105,000 | \$ 9,875 |
| 2007 | 105,000 | 6,725 |
| 2008 | 110,000 | 3,575 |
| Total: | \$ 320,000 | \$ 20,175 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Business-type activities bonds payable at December 31, 2005 consist of the following issue:

\$600,000 2002 General Obligation Nursing Home revenue bonds due in annual installments of \$85,000 to \$110,000 on December 1, 2003, through 2008; interest at 3 to 3.25 percent. This bond was issued to finance remodeling at the Chris Jensen Health and Rehabilitation Center. 320,000

Gravel pit purchase payable at December 31, 2005, consists of the following:

\$325,000 payable to an individual for the purchase of a gravel pit payable in annual installments of \$65,000 in 2005 through 2008; interest at 7 percent. 195,000

The annual requirements to service the gravel pit purchase payable as of December 31, 2005, are as follows:

| Year Ending 12/31/05 | Principal | Interest |
|-------------------------|-------------------|------------------|
| 2006 | \$ 65,000 | \$ 4,550 |
| 2007 | 65,000 | 4,550 |
| 2008 | 65,000 | 4,550 |
| Total: | \$ 195,000 | \$ 13,650 |

The County's proportionate shares of general obligation debt and general obligation revenue debt at December 31, 2005, of all governmental units which provide services within the County's borders, and which must be borne by properties in the County, is summarized below:

| | (Amounts in Dollars) | | |
|--|----------------------|---|-------------------------|
| | Outstanding | Percentage Applicable to the County | County Share of Debt |
| Direct Debt | | | |
| St. Louis County | 46,560,762 | 100.00 | 46,560,762 |
| Overlapping Debt | | | |
| School Districts | 72,925,000 | 26.93 | 19,638,116 |
| Western Lake Superior Sanitary District | 58,634,072 | 82.83 | 48,566,602 |
| Underlying Debt | | | |
| Cities | 141,897,937 | 100.00 | 141,897,937 |
| School Districts | 130,324,565 | 100.00 | 130,324,565 |
| Towns | 1,536,550 | 100.00 | 1,536,550 |
| Duluth Entertainment and Convention Center | 4,195,000 | 100.00 | 4,195,000 |
| Duluth Economic Development Authority | 7,282,800 | 100.00 | 7,282,800 |
| Virginia Housing and Redevelopment Authority | 6,225,000 | 100.00 | 6,225,000 |
| Total | 469,581,686 | | 406,227,332 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Lease Obligations

Operating Leases

The County is committed under various operating leases for office space, parking facilities, data processing software, office equipment, and vehicles. Most of these leases are expected to continue indefinitely or be replaced by similar leases.

The following is a summary of the operating lease expense for 2005:

| Type of Property | Amount |
|---|---------------------|
| Rental of office space and parking facilities | \$ 666,799 |
| Data processing software | 374,759 |
| Communications equipment | 25,773 |
| Total rental expense | \$ 1,067,331 |

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2005:

| Year Ended | Amount |
|--|---------------------|
| 2006 | \$ 1,044,403 |
| 2007 | 1,030,900 |
| 2008 | 1,030,900 |
| 2009 | 1,030,900 |
| 2010 | 1,030,900 |
| Total future minimum lease payments | \$ 5,168,003 |

Capital Lease

The capital lease of the County at December 31, 2005 is shown below:

| Type of Property | Governmental Activities |
|--------------------------------|----------------------------|
| Maintenance facility | \$ 908,924 |
| Less: accumulated depreciation | 217,132 |
| Carrying value | \$ 691,792 |

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2005:

| Year Ending | Governmental Activities |
|---------------------------------------|----------------------------|
| 2006 | \$ 85,813 |
| 2007 | 85,523 |
| 2008 | 86,099 |
| 2009 | 85,237 |
| 2010 | 85,131 |
| 2011-2012 | 169,884 |
| Total future minimum lease payments | 597,687 |
| Less: Amount representing interest | (114,787) |
| Present value of future minimum lease | \$ 482,900 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Construction Commitments

At December 31, 2005, the County had construction commitments as follows:

(Amounts in Dollars)

| | Authorized Projects | Expended to Date | Commitments |
|---|------------------------|---------------------|------------------|
| Ely Joint Public Works Facility | 5,646,886 | 482,383 | 82,247 |
| Duluth Courthouse HVAC Replacement Phase II | 3,105,275 | 2,756,755 | 6,180 |
| Duluth Motor Pool Building Repair | 760,250 | 40,187 | 19,927 |
| Chris Jensen Facility Repair | 600,000 | 283,241 | 39,142 |
| New Sheriff/911 Dispatch Operations Center | 6,056,240 | 147,962 | 234,992 |
| Hibbing Annex Remodeling | 3,056,000 | 2,724,429 | 324,200 |
| GSC HVAC Duct Replacement and Roof Repair | 724,122 | 209,863 | 514,199 |
| Total | 19,948,773 | 6,644,820 | 1,220,887 |

Contingent Liabilities

The State of Minnesota issued revenue bonds, which were secured by the State's full faith and credit. The revenue bonds paid for the costs to acquire, construct, and equip an aircraft maintenance facility at the Duluth International Airport. The facility was leased to Northwest Airlines (NWA). The revenue bonds are to be paid with tax increments, NWA rental payments and City of Duluth franchise fee revenues. The City of Duluth and St. Louis County made various pledges to the State should revenues be insufficient to pay the bonds.

The County executed a General Obligation Reserve Fund Demand Note payable to the state. The payment is to be made by the County only in case of a default on a lease agreement between the Duluth Economic Development Agency (DEDA) and Northwest Airlines, Inc., a Minnesota Corporation. The County collateralized the Note with a pledge of its future state aids. In the event that the anticipated annual state aid payments to the County should decrease to a level below \$1,899,920, the County is obligated to pledge substitute collateral in a form that is acceptable to the State of Minnesota. The Note will expire when the bonds are defeased, which according to the debt service schedule, will occur in the year 2014. However, a large balloon payment is due in that year and if the issue is refunded, the note will be continued until the refunding issue is defeased.

NWA filed for bankruptcy on September 14, 2005. They did not pay their property tax on October 15, 2005 and made a partial rental payment due on January 30, 2006. This resulted in the State demanding \$116,514 from St. Louis County to pay the bond interest, which was due on January 31, 2006. Future required payments by the County, if any, are unknown.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains three internal service funds to account for and finance its purchased insurance and uninsured risks of loss. In none of the past three years did the County have a loss exceeding coverage for purchased insurance. Insurance coverage has not significantly changed from the prior year.

The Property, Casualty, Liability Insurance Fund covers claims and judgments against the County, including administrative expenses and expenses for third-party coverage. All risk, except fire and property damage to major structures is assumed. Maximum third-party coverage for property damage is limited to the estimated value of the property. No claims have exceeded coverage. Premiums are charged to other County funds on the historical basis and are reported as quasi-external transactions. The estimated liability at year end is based on a case-by-case evaluation by the County Attorney's Office and is consistent with the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County Attorney's Office estimated settlements to be \$677,200 at December 31, 2005, for various cases considered "reasonably possible" losses to the County. This amount is not reflected in the financial statements.

The Workers' Compensation Insurance Fund covers workers' compensation claims up to \$1,520,000 per single loss occurrence. At that point, the County is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the County for claims arising under Minn. State. Chapter 176 (2002) in excess of the \$1,520,000 retention limit. The estimated liability for workers' compensation reported in the Fund is based on a case-by-case examination of claims filed through December 31, 2005, and is consistent with the requirements of Governmental Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate liability for claims payable at the end of the year is present valued at 3.76%.

This percentage is the average investment yield for the first two months of the subsequent year. The activities of the Fund are supported by premiums from County funds which have personnel; the premiums are based on historical costs and are reported as quasi-external transactions. A portion of the premiums is for the administrative costs and reinsurance costs which are paid from the Fund; a portion of the premiums is for the provision for expected future catastrophic losses.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

The Medical/Dental Insurance Fund covers medical and dental expenses incurred by the County employees, dependents, and retirees, including the costs of claims management by a third party administrator and the cost of an insurance consultant. Premiums include a provision for stop-loss insurance and administrative expenses and are based on anticipated claims and available net assets. The County carries individual-specific stop loss insurance for claims that exceed \$750,000 per year per employee contract. All County funds with personnel are charged for the County's share of premiums for employees and these charges are reported as quasi-external transactions.

Employees contribute a share of the premiums from payroll deductions; premiums for retirees are paid for in part by other County funds and in part by the retirees themselves. The liability at year end is an actuarial calculation by the third party administrator; it includes a reasonable provision for incurred but not reported claims and is consistent with the provision of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the funds' claims liability amounts during 2004 were:

| | (Amounts in Dollars) | | |
|---|---|---|---|
| | Property, Casualty, & Liability Insurance Fd | Workers' Compensation Insurance Fund | Medical/ Dental Insurance Fund |
| Beginning of fiscal year liability for claims | 612,373 | 6,009,106 | 2,624,859 |
| Current year claims and changes in estimates | (354,101) | 978,059 | 24,797,601 |
| Claim payments | (57,422) | (2,025,682) | (25,015,136) |
| Balance of claims payable at fiscal year end | <u>200,850</u> | <u>4,961,483</u> | <u>2,407,324</u> |

Changes in the funds' claims liability amounts during 2005 were:

| | (Amounts in Dollars) | | |
|---|---|---|---|
| | Property, Casualty, & Liability Insurance Fd | Workers' Compensation Insurance Fund | Medical/ Dental Insurance Fund |
| Beginning of fiscal year liability for claims | 200,850 | 4,961,483 | 2,407,324 |
| Current year claims and changes in estimates | 76,804 | 2,127,412 | 23,067,679 |
| Claim payments | (170,999) | (2,230,795) | (23,379,494) |
| Balance of claims payable at fiscal year end | <u>106,655</u> | <u>4,858,100</u> | <u>2,095,509</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Retirement Plan

Plan Description

All full-time and certain part-time employees of St. Louis County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. State. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates, are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund Members, the annuity accrual rate is 3 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all PERA members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the Internet at www.mnpera.com, by writing to PERA, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

| | <u>2005</u> | <u>2006</u> |
|---------------------------------------|-------------|-------------|
| Public Employees Retirement Fund | | |
| Basic Plan Members | 11.78% | 11.78% |
| Coordinated Plan Members | 5.53% | 6.00% |
| Public Employees Police and Fire Fund | 9.30% | 10.50% |
| Public Employees Correctional Fund | 8.75% | 8.75% |

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

| | Public Employees Retirement Fund | Public Employees Police & Fire Fund | Public Employees Correctional Fund |
|------|---|--|---|
| 2005 | \$4,726,529 | \$641,903 | \$412,535 |
| 2004 | 4,725,603 | 652,246 | 414,397 |
| 2003 | 4,696,967 | 645,071 | 393,753 |

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$7,460, \$7,503, and \$6,956, respectively, and were equal to the contractually required contributions for each year as set by statute.

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

Due From/To Other Funds (for resident personal needs):

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---|---------------|
| Patients' Escrow Private Purpose Trust Fund | Chris Jensen Health and Rehabilitation Enterprise Fund | \$ 574 |

Interfund Receivables/Payables (for deficit cash balances):

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--|---------------------|
| General | Forfeited Tax Sales Fund | \$ 72,893 |
| | Chris Jensen Health and Rehabilitation | |
| | Center Enterprise Fund | 3,250,386 |
| | Total | <u>\$ 3,323,279</u> |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005

Interfund Transfers:

| Major fund | Major | | | | Total Transfers In |
|----------------------------|-------------------|--------------------|-----------------------|---------------------|-----------------------|
| | General | Road and Bridge | Forfeited Tax Sale | Capital Projects | |
| General | \$ - | \$ - | \$ 1,750,000 | \$ 20,476 | \$ 1,770,476 |
| Road and Bridge | 25,000 | - | - | - | 25,000 |
| Capital Projects | 767,430 | 40,000 | - | - | 807,430 |
| Nonmajor governmental fund | | | | | |
| Forest Resources | - | - | 1,461,923 | - | 1,461,923 |
| Total Transfers Out | \$ 792,430 | \$ 40,000 | \$ 3,211,923 | \$ 20,476 | \$ 4,064,829 |

The transfers from the General Fund were for ditching expenses and Northland Office Building excess rent revenues.

The transfer from the Road and Bridge Fund was for emergency repairs.

The transfers from the Forfeited Tax Sale Fund were to apportion that fund's net proceeds for the year as prescribed by law.

The transfer from the Capital Projects Fund was for radio maintenance expenses.

Note 4. Joint Ventures

Arrowhead Regional Corrections

Arrowhead Regional Corrections is governed by an eight-member board composed of a member appointed from each of the participating counties' boards of commissioners, except for St. Louis County, which has three members from its board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties. The County records all the financial transactions for Arrowhead Regional Corrections through its Arrowhead Regional Corrections Agency Fund. Its deposits and investments are included in the County's foregoing note on deposits and investments.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2004, (the most recent available), county contributions were in the following proportion:

| | |
|--------------------|----------------|
| Carlton County | 8.91% |
| Cook County | 1.38% |
| Koochiching County | 1.76% |
| Lake County | 2.05% |
| St. Louis County | 85.90% |
| Total | <u>100.00%</u> |

St. Louis County provided \$9,341,102 in funding during 2005. Separate financial information can be obtained from:

Arrowhead Regional Corrections
 Room 319 St. Louis County Courthouse
 Duluth, Minnesota 55802

A summary of the financial information from Arrowhead Regional Corrections' Government-Wide Financial Statements for December 31, 2004 was:

| | |
|----------------------|---------------|
| Total Assets | \$ 10,654,026 |
| Total Liabilities | 3,962,002 |
| Total Net Assets | 6,692,024 |
| Total Revenues | 17,221,508 |
| Total Expenses | 16,931,713 |
| Change in Net Assets | 289,795 |

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Community Health Services Board

Carlton, Cook, Lake, and St. Louis Counties entered into a joint powers agreement, operating the Carlton, Cook, Lake, and St. Louis County Community Health Services Board. This agreement is entered into under the authority of the Community Health Services Act and is pursuant to the provisions of Minn. Stat. §471.59. The Community Health Services Board is composed of nine members. Carlton, Cook, and Lake County Boards of Commissioners, each appoints two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. St. Louis County provided no funding to this organization during 2005.

In 2004, the Community Health Services Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. A summary of the financial information of the Community Health Services Board Government-Wide Financial Statements for December 31, 2004, (the most recent available) was:

| | | |
|----------------------|----|-----------|
| Total Assets | \$ | 587,760 |
| Total Liabilities | | 498,765 |
| Total Net Assets | | 88,995 |
| Total Revenues | | 3,997,895 |
| Total Expenses | | 3,983,962 |
| Change in Net Assets | | 13,933 |

Separate financial information can be obtained from:

Carlton, Cook, Lake, and St. Louis Counties
Community Health Board
404 West Superior Street, Suite 220
Duluth, Minnesota 55802

Regional Railroad Authority

The St. Louis and Lake Counties Regional Railroad Authority was established under the Regional Railroad Authorities Act, Minn. Stat. §398A.03. It is governed by a Board composed of three members from the St. Louis County Board of Commissioners and two members from Lake County Board of Commissioners. St. Louis County is the fiscal agent for the Railroad Authority and all of its financial transactions are recorded in the County Regional Railroad Authority Agency Fund. Financing is obtained through a tax levy, and federal, state and local grants or participation. St. Louis County provided no funding to this organization during 2005.

In 2004, the Regional Railroad Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. A summary of the financial information of the Regional Railroad Authority for the Government-Wide Financial Statement for December 31, 2004, (the most recent available) was:

| | | |
|----------------------|----|-----------|
| Total Assets | \$ | 8,329,881 |
| Total Liabilities | | 246,069 |
| Total Net Assets | | 8,083,812 |
| Total Revenues | | 1,269,417 |
| Total Expenses | | 1,469,929 |
| Change in Net Assets | | (200,512) |

Separate financial information can be obtained from:

St. Louis & Lake Counties Regional Railroad Authority
801 SW Hwy 169
Suite #4
Chisholm, Minnesota 55719

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Northeast Minnesota Office of Job Training

The Counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis entered into joint powers agreement pursuant to Minn. Stat. §471.59 for the purpose of developing and implementing a private and public job training program. The United States Congress through the Job Training Partnership Act of 1982 authorized states to establish "service delivery area" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such "service delivery areas" and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for such service delivery area. The County is not a funding mechanism for this organization.

The governing body is composed of seven members, one from the board of commissioners of each of the participating counties.

A summary of the financial information of Northeast Minnesota Office of Job Training's Government-Wide Statements for June 30, 2005, was:

| | | |
|----------------------|----|-----------|
| Total Assets | \$ | 2,716,308 |
| Total Liabilities | | 1,173,716 |
| Total Net Assets | | 1,542,592 |
| Total Revenues | | 5,152,590 |
| Total Expenses | | 4,992,548 |
| Change in Net Assets | | 160,042 |

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North Ninth Street, Suite 210
Virginia, Minnesota 55792

Northern Counties Land Use Board

Northern Counties Land Use Board was established through a joint powers agreement pursuant to Minn. Stat. §471.59 for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources.

The joint powers are the Counties of Aitkin, Cook, Itasca, Koochiching, Lake, Lake of the Woods, and St. Louis. Three elected county commissioners from St. Louis County and two from each of the other counties comprise the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund. St. Louis County provided \$3,750 in funding during 2005.

In 2004, the Northern Counties Land Use Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. A summary of the financial information of Northern Counties Land Use Board for the Government-Wide Financial Statements for December 31, 2004, (the most recent available) was:

| | | |
|----------------------|----|--------|
| Total Assets | \$ | 27,283 |
| Total Liabilities | | 5,243 |
| Total Net Assets | | 22,040 |
| Total Revenues | | 51,250 |
| Total Expenses | | 42,956 |
| Change in Net Assets | | 8,294 |

Separate financial information can be obtained from:

Northern Counties Land Use Board
Room 607 Government Services Center
320 West Second Street
Duluth, Minnesota 55802

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Minnesota Counties Information Systems (MCIS)

The Counties of Aitkin, Carlton, Cass, Chippewa, Cook, Itasca, Koochiching, LacQui Parle, Lake, Sherburne, and St. Louis entered into a joint powers agreement pursuant to Minnesota Stat. §471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by an eleven member board, composed of a member appointed by each of the participating counties' boards of commissioners. Financing is obtained through user charges to the members. Cass County is the fiscal agent for MCIS.

In 2004, the MCIS adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. A summary of the financial information of Minnesota Counties Information System's funds for the Government-Wide Financial Statements for December 31, 2004, (the most recent available) was:

| | | |
|----------------------|----|-----------|
| Total Assets | \$ | 630,562 |
| Total Liabilities | | 240,172 |
| Total Net Assets | | 390,390 |
| Total Revenues | | 2,193,747 |
| Total Expenses | | 2,114,231 |
| Change in Net Assets | | 79,516 |

Separate financial information can be obtained from:

Minnesota Counties Information Systems
413 Southeast 7th Avenue
Grand Rapids, MN 55744

Duluth Area Family Service Collaborative

The Duluth Area Family Service Collaborative was established pursuant to Minn. Stat. §124D.23. The Collaborative includes St. Louis County, Independent School District No. 709, Arrowhead Regional Corrections, and the City of Duluth. The purpose of the Collaborative is to improve the lives of families and children through efforts focused on prevention and early intervention. The Collaborative seeks to empower parents and families to solve their own problems through support, information, skill building, and advocacy.

Control of the Collaborative is vested in a Board of Directors. The County has one member on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County provided no funding to the Collaborative during 2005. St. Louis County is the fiscal agent for the Collaborative which is accounted for in the Duluth Area Family Service Collaborative Agency Fund. A summary of financial information of the Collaborative for the year ended December 31, 2005, is:

| | | |
|--|----|--------|
| Total Assets | \$ | 58,834 |
| Total Liabilities | | - |
| Total Fund Equity | | 58,834 |
| Total Revenues | | - |
| Total Expenditures | | - |
| Increase (decrease) in Fund Balance | | - |

Separate financial information can be obtained from the St. Louis County Auditor's Office.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Minnesota Community Capital Fund

The County is a Class A member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout Greater Minnesota by pooling local revolving loan fund resources and providing professional management services to support local efforts. The MCCF is designed to provide its members with greater flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited local resources.

Note 5. Summary of Significant Contingencies and Other Items

Claims and Litigation

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

Participation in the Medicaid reimbursement program requires field audits of the Chris Jensen Health and Rehabilitation Center Enterprise Fund nursing home records, and review of its compliance with applicable rules and regulations by the Minnesota Department of Human Services at least once every four years. Based on the results of these audits, current year revenues paid by the State may be adjusted accordingly.

Termination Offers and Benefits

In December, 1995, the County Board approved an early retirement incentive plan for the Sheriff's Department employees who meet the following criteria:

The employee has completed 25 years of service with the County

The employee is at least age 50.

The employee qualifies for retirement under the Police and Fire Fund of the Minnesota Public Employees Retirement Association.

The employee retires effective December 18, 1995, through April 1, 1996.

The plan offers the eligible retiree continuing County paid single low option health insurance coverage until the employee reaches age 65.

In October, 2003, the County Board approved an early retirement incentive plan for current employees and elected officials who meet the following criteria:

The employee is at least age 55, has a minimum of five years of service with the County, and a combined age and years of covered PERA service equal to 85 or more.

The employee retires effective November 1, 2003, through March 31, 2004.

The plan offers the eligible retiree continuing County paid single low option health insurance coverage for four years or until the employee reaches age 65 or Medicare eligibility, whichever comes first.

As of year end, there were 9 employees taking advantage of the first offer, and 52 employees taking advantage of the second offer. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2005 the County paid \$293,517 for those benefits.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

Management Agreement

The County has a management contract with Historic Union Depot, Inc. (H.U.D.) which requires H.U.D. to manage the Depot for the ultimate benefit of the public; to carry out a program of cultural, recreational, social or similar community services and artistic activities.

The annual payment from H.U.D. to the County is based on the annual operating expenses for the Depot building. For the year ended December 31, 2004, the agreement required H.U.D. to pay the County \$10,000 per month and an additional \$60,000 by August 31, for a total annual payment of \$180,000. For the year ended December 31, 2005, the annual payment was delinquent by \$2,670. This has been referred to the County Administrator and the County Attorney.

The County is required to provide H.U.D. with a statement of actual operating costs within 60 days of year end. If actual operating costs exceed the annual payments from H.U.D., the County Board's annual contribution, and any rental income received by the County towards annual operating expenses, the H.U.D. is responsible to pay this additional amount to the County within 30 days of notice by the County. If actual operating costs are less than the annual payments from H.U.D., the County Board's annual contribution, and any rental income received by the County towards annual operating expenses, the County will adjust the H.U.D. annual payment for the following year.

Conduit Debt

On May 1, 1992, the St. Louis County Housing and Redevelopment Authority (HRA), a blended component unit of St. Louis County, issued \$540,000 in Fire Hall Lease Certificates of Participation to finance the construction of a fire hall in the Town of Rice Lake, Minnesota. The St. Louis County HRA holds title to the land; the Township makes rental payments equal to debt service on the Certificates to Western National Bank of Duluth, as escrow agent, pursuant to a lease purchase agreement for the project, between the St. Louis County HRA as Lessor and the Township as Lessee. The Certificates mature on May 1, 1993, through May 1, 2007, and bear interest of 4.50% to 7.00%. The County has no obligation for debt service on the Certificates, which do not constitute a pledge of the full faith and credit or taxing power of the County. At December 31, 2005, the principal balance outstanding for the debt is \$105,000.

Tax Forfeited Land Management

The County manages approximately 900,000 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

Subsequent Event

On February 28, 2006 the County issued \$7,925,000 of General Obligation Capital Improvement Crossover Refunding Bonds, Series 2006A. Proceeds will be used to provide moneys to crossover refund \$7,795,000 of the \$11,285,000 outstanding of the \$14,270,000 General Obligation Capital Improvement Bonds, Series 2001, dated May 1, 2001. Maturities 2010 through 2016, inclusive, will be called for redemption on December 1, 2009 at a price of par plus accrued interest. The net debt service reduction resulting from the issuance will be \$359,585.

On January 3, 2006, the County retired the \$2,940,000 balance remaining on the 1997 Law Enforcement Facilities Revenue Bonds with proceeds from the 2005 General Obligation Refunding Bonds held in the Debt Service Fund at December 31, 2005.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Housing and Redevelopment Authority - This fund is used to provide funds for housing and economic development.

Community Development Block Grant - This fund is used to account for the Federal Grant of the same name.

Northeast Minnesota Housing Consortium - This fund includes Cook, Itasca, Koochiching, Lake, and St. Louis Counties and the City of Duluth. It is not an entity separate from St. Louis County. It is used to account for the federal HOME grant with the purpose of developing affordable housing initiatives.

Septic Loan - This fund is used to account for the Minnesota Pollution Control Loan Program.

Forest Resources - This fund is used to account for the collection and disbursement of proceeds from the sale of tax-forfeited properties.

Debt Service Fund

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of long term-debt principal, interest, and related costs.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the counties programs.

Shoreline Sales - This fund is used to account for proceeds from the sale of land, including interest, under Minn. Laws 1999 Ch. 180. The principal from the sale of land may not be expended while any interest earnings may be spent by the County Board only for the purpose related to the improvement of natural resources.

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

Special Revenue Funds

| | Housing and Redevelopment Authority | Community Development Block Grant | Northeast Minnesota Housing Consortium |
|---|--|--|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 500,176 | \$ 56,163 | \$ 4,702 |
| Delinquent taxes receivable | 9,011 | - | - |
| Accounts receivable (net) | - | - | - |
| Loans receivable | 125,000 | - | - |
| Due from other governments | - | 262,679 | 207,914 |
| Total Assets | 634,187 | 318,842 | 212,616 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | - | 172,088 | 212,616 |
| Salaries payable | 2,612 | - | - |
| Due to other governments | - | 146,754 | - |
| Deferred revenue | 7,696 | - | - |
| Total Liabilities | 10,308 | 318,842 | 212,616 |
| Fund Balances: | | | |
| Reserved for: | | | |
| Noncurrent loans | 125,000 | - | - |
| Future loans | - | - | - |
| Encumbrances | - | - | - |
| Environmental trust funds | - | - | - |
| Improvement of natural resources | - | - | - |
| Designated for: | | | |
| Retiree Obligations | 38,068 | - | - |
| Undesignated | 460,811 | - | - |
| Total Fund Balance | 623,879 | - | - |
| Total Liabilities and Fund Balance | \$ 634,187 | \$ 318,842 | \$ 212,616 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

Special Revenue Funds (continued)

| | <u>Septic Loan</u> | <u>Forest Resources</u> | <u>Total</u> |
|-------------------------------------|------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 239,819 | \$ 10,497,469 | \$ 11,298,329 |
| Delinquent taxes receivable | - | - | 9,011 |
| Accounts receivable (net) | 3,947 | - | 3,947 |
| Loans receivable | 333,106 | - | 458,106 |
| Due from other governments | - | - | 470,593 |
| Total Assets | <u>576,872</u> | <u>10,497,469</u> | <u>12,239,986</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | - | 82,591 | 467,295 |
| Salaries payable | - | - | 2,612 |
| Due to other governments | - | - | 146,754 |
| Deferred revenue | - | - | 7,696 |
| Total Liabilities | <u>-</u> | <u>82,591</u> | <u>624,357</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Noncurrent loans | 333,106 | - | 458,106 |
| Future loans | 221,208 | - | 221,208 |
| Encumbrances | - | 70,306 | 70,306 |
| Environmental trust funds | - | - | - |
| Improvement of natural resources | - | - | - |
| Designated for: | | | |
| Retiree Obligations | - | - | 38,068 |
| Undesignated | <u>22,558</u> | <u>10,344,572</u> | <u>10,827,941</u> |
| Total Fund Balance | <u>576,872</u> | <u>10,414,878</u> | <u>11,615,629</u> |
| Total Liabilities and Fund Balance | <u>\$ 576,872</u> | <u>\$ 10,497,469</u> | <u>\$ 12,239,986</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | Debt Service Fund | Permanent Fund | | Total Nonmajor Governmental Funds |
|-------------------------------------|-------------------------|---------------------|--|--|
| | | Shoreline Sales | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,793,848 | \$ 6,382,517 | | \$ 22,474,694 |
| Delinquent taxes receivable | 231,038 | - | | 240,049 |
| Accounts receivable (net) | - | - | | 3,947 |
| Loans receivable | - | - | | 458,106 |
| Due from other governments | 132 | - | | 470,725 |
| Total Assets | <u>5,025,018</u> | <u>6,382,517</u> | | <u>23,647,521</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | 17,151 | - | | 484,446 |
| Salaries payable | - | - | | 2,612 |
| Due to other governments | - | - | | 146,754 |
| Deferred revenue | 186,871 | - | | 194,567 |
| Total Liabilities | <u>204,022</u> | <u>-</u> | | <u>828,379</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Noncurrent loans | - | - | | 458,106 |
| Future loans | - | - | | 221,208 |
| Encumbrances | - | - | | 70,306 |
| Environmental trust funds | - | 6,099,518 | | 6,099,518 |
| Improvement of natural resources | - | 282,999 | | 282,999 |
| Designated for: | | | | |
| Retiree Obligations | - | - | | 38,068 |
| Undesignated | 4,820,996 | - | | 15,648,937 |
| Total Fund Balance | <u>4,820,996</u> | <u>6,382,517</u> | | <u>22,819,142</u> |
| Total Liabilities and Fund Balance | <u>\$ 5,025,018</u> | <u>\$ 6,382,517</u> | | <u>\$ 23,647,521</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Special Revenue Funds | | |
|--|---|---|---|
| | Housing and Redevelopment Authority | Community Development Block Grant | Northeast Minnesota Housing Consortium |
| REVENUES | | | |
| Taxes | \$ 162,505 | \$ - | \$ - |
| Intergovernmental | 16,032 | 3,141,507 | 915,411 |
| Earnings on investments | - | - | - |
| Land and timber sales | - | - | - |
| Miscellaneous | - | 224 | 375 |
| Total Revenues | 178,537 | 3,141,731 | 915,786 |
| EXPENDITURES | | | |
| Current: | | | |
| Conservation of natural resources | - | - | - |
| Economic development | 224,650 | 3,141,731 | 915,786 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and other charges | - | - | - |
| Total expenditures | 224,650 | 3,141,731 | 915,786 |
| Excess (deficiency) of revenues over expenditures | (46,113) | - | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Bonds issued | - | - | - |
| Refunding bonds issued | - | - | - |
| Premium proceeds | - | - | - |
| Total other financing sources and uses | - | - | - |
| Net change in fund balances | (46,113) | - | - |
| Fund Balance - January 1 | 669,992 | - | - |
| Fund Balance - December 31 | \$ 623,879 | \$ - | \$ - |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

Special Revenue Funds (continued)

| | <u>Septic Loan</u> | <u>Forest Resources</u> | <u>Total</u> |
|--|------------------------|-----------------------------|----------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ 447,680 | \$ 610,185 |
| Intergovernmental | - | 109,109 | 4,182,059 |
| Earnings on investments | 7,829 | - | 7,829 |
| Land and timber sales | - | - | - |
| Miscellaneous | - | 1,145 | 1,744 |
| Total Revenues | <u>7,829</u> | <u>557,934</u> | <u>4,801,817</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Conservation of natural resources | - | 1,136,399 | 1,136,399 |
| Economic development | - | - | 4,282,167 |
| Debt service: | | | |
| Principal | 4,681 | - | 4,681 |
| Interest and other charges | 891 | - | 891 |
| Total expenditures | <u>5,572</u> | <u>1,136,399</u> | <u>5,424,138</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,257</u> | <u>(578,465)</u> | <u>(622,321)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 1,461,923 | 1,461,923 |
| Bonds issued | - | - | - |
| Refunding bonds issued | - | - | - |
| Premium proceeds | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>1,461,923</u> | <u>1,461,923</u> |
| Net change in fund balances | 2,257 | 883,458 | 839,602 |
| Fund Balance - January 1 | <u>574,615</u> | <u>9,531,420</u> | <u>10,776,027</u> |
| Fund Balance - December 31 | <u>\$ 576,872</u> | <u>\$ 10,414,878</u> | <u>\$ 11,615,629</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Debt Service Fund | Permanent Fund Shoreline Sales | Total Nonmajor Governmental Funds |
|--|-------------------------|---|--|
| REVENUES | | | |
| Taxes | \$ 5,518,701 | \$ - | \$ 6,128,886 |
| Intergovernmental | 1,050,277 | - | 5,232,336 |
| Earnings on investments | 13,159 | 175,588 | 196,576 |
| Land and timber sales | - | 107,310 | 107,310 |
| Miscellaneous | 168,919 | - | 170,663 |
| Total Revenues | <u>6,751,056</u> | <u>282,898</u> | <u>11,835,771</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Conservation of natural resources | - | 95,435 | 1,231,834 |
| Economic development | - | - | 4,282,167 |
| Debt service: | | | |
| Principal | 4,873,900 | - | 4,878,581 |
| Interest and other charges | 1,703,250 | - | 1,704,141 |
| Total expenditures | <u>6,577,150</u> | <u>95,435</u> | <u>12,096,723</u> |
| Excess (deficiency) of revenues over expenditures | <u>173,906</u> | <u>187,463</u> | <u>(260,952)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | 1,461,923 |
| Bonds issued | 18,962 | - | 18,962 |
| Refunding bonds issued | 2,840,000 | - | 2,840,000 |
| Premium proceeds | 144,629 | - | 144,629 |
| Total other financing sources and uses | <u>3,003,591</u> | <u>-</u> | <u>4,465,514</u> |
| Net change in fund balances | 3,177,497 | 187,463 | 4,204,562 |
| Fund Balance - January 1 | <u>1,643,499</u> | <u>6,195,054</u> | <u>18,614,580</u> |
| Fund Balance - December 31 | <u>\$ 4,820,996</u> | <u>\$ 6,382,517</u> | <u>\$ 22,819,142</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Original and Final Budgeted Amounts | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|---|-----------------------------------|---|
| REVENUES | | | |
| Taxes | \$ 161,968 | \$ 162,505 | \$ 537 |
| Intergovernmental | 16,032 | 16,032 | - |
| Total Revenues | <u>178,000</u> | <u>178,537</u> | <u>537</u> |
| EXPENDITURES | | | |
| Economic development | | | |
| Personnel services | 100,078 | 100,078 | - |
| Other operating | <u>216,292</u> | <u>124,572</u> | <u>(91,720)</u> |
| Total Expenditures | <u>316,370</u> | <u>224,650</u> | <u>(91,720)</u> |
| Excess of Revenues Over (Under) Expenditures | (138,370) | (46,113) | 92,257 |
| Fund Balance - January 1 | <u>669,992</u> | <u>669,992</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 531,622</u> | <u>\$ 623,879</u> | <u>\$ 92,257</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 2,800,000 | \$ 6,208,901 | \$ 3,141,507 | \$ (3,067,394) |
| Earnings on investments | - | - | 224 | 224 |
| Total Revenues | <u>2,800,000</u> | <u>6,208,901</u> | <u>3,141,731</u> | <u>(3,067,170)</u> |
| EXPENDITURES | | | | |
| Economic development | | | | |
| Other operating | <u>2,800,000</u> | <u>6,208,901</u> | <u>3,141,731</u> | <u>(3,067,170)</u> |
| Excess of Revenues Over (Under) Expenditures | - | - | - | - |
| Fund Balance - January 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NORTHEAST MINNESOTA HOUSING CONSORTIUM SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 750,000 | \$ 2,451,776 | \$ 915,411 | \$ (1,536,365) |
| Miscellaneous | - | - | 375 | 375 |
| Total Revenues | <u>750,000</u> | <u>2,451,776</u> | <u>915,786</u> | <u>(1,535,990)</u> |
| EXPENDITURES | | | | |
| Economic development | | | | |
| Other operating | <u>750,000</u> | <u>2,451,776</u> | <u>915,786</u> | <u>(1,535,990)</u> |
| Excess of Revenues Over (Under) Expenditures | - | - | - | - |
| Fund Balance - January 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEPTIC LOAN SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|-------------------------|-------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Earnings on investments | \$ - | \$ 7,829 | \$ 7,829 | \$ - |
| EXPENDITURES | | | | |
| Health and sanitation | | | | |
| Debt Service | | | | |
| Principal | - | 4,681 | 4,681 | - |
| Interest and other charges | - | 891 | 891 | - |
| Total Expenditures | - | 5,572 | 5,572 | - |
| Excess of Revenues Over (Under) Expenditures | - | 2,257 | 2,257 | - |
| Fund Balance - January 1 | 574,615 | 574,615 | 574,615 | - |
| Fund Balance - December 31 | <u>\$ 574,615</u> | <u>\$ 574,615</u> | <u>\$ 574,615</u> | <u>\$ -</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOREST RESOURCES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|-------------------------|----------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | \$ 400,000 | \$ 400,000 | \$ 447,680 | \$ 47,680 |
| Intergovernmental | 100,000 | 100,000 | 109,109 | 9,109 |
| Miscellaneous | - | - | 1,145 | 1,145 |
| Total Revenues | <u>500,000</u> | <u>500,000</u> | <u>557,934</u> | <u>57,934</u> |
| EXPENDITURES | | | | |
| Conservation of natural resources | | | | |
| Other operating | <u>1,231,100</u> | <u>1,231,100</u> | <u>1,136,399</u> | <u>(94,701)</u> |
| Excess of Revenues Over (Under) Expenditures | (731,100) | (731,100) | (578,465) | 152,635 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>-</u> | <u>1,461,923</u> | <u>1,461,923</u> | <u>-</u> |
| Net change in fund balances | (731,100) | 730,823 | 883,458 | 152,635 |
| Fund Balance - January 1 | <u>9,531,420</u> | <u>9,531,420</u> | <u>9,531,420</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 8,800,320</u> | <u>\$ 10,262,243</u> | <u>\$ 10,414,878</u> | <u>\$ 152,635</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|------------------|--------------|-----------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 5,484,825 | \$ 5,484,825 | \$ 5,518,701 | \$ 33,876 |
| Intergovernmental | 1,050,277 | 1,050,277 | 1,050,277 | - |
| Earnings on investments | - | - | 13,159 | 13,159 |
| Miscellaneous | 168,920 | 168,920 | 168,919 | (1) |
| Total Revenues | 6,704,022 | 6,704,022 | 6,751,056 | 47,034 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 4,873,900 | 4,873,900 | 4,873,900 | - |
| Interest and fiscal charges | 1,673,017 | 1,673,017 | 1,703,250 | 30,233 |
| Total Expenditures | 6,546,917 | 6,546,917 | 6,577,150 | 30,233 |
| Excess of Revenues Over (Under) Expenditures | 157,105 | 157,105 | 173,906 | 16,801 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds issued | - | 2,858,962 | 2,858,962 | - |
| Premium proceeds | - | 144,629 | 144,629 | - |
| Total other financing sources (uses) | - | 3,003,591 | 3,003,591 | - |
| Net change in fund balances | 157,105 | 3,160,696 | 3,177,497 | 16,801 |
| Fund Balance - January 1 | 1,643,499 | 1,643,499 | 1,643,499 | - |
| Fund Balance - December 31 | \$ 1,800,604 | \$ 4,804,195 | \$ 4,820,996 | \$ 16,801 |

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NONMAJOR ENTERPRISE FUNDS

Community Foods - This fund is used to account for providing meals and for participants in various programs administered by the Social Services Department and other agencies.

Laundry - This fund is used to account for the costs of operating a laundry facility used by County departments and other agencies.

Supervised Living Facilities - This fund is used to account for services that enable elderly and/or handicapped individuals to maintain a degree of independence.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2005

| | Community Food | Laundry | Supervised Living Facilities | Total |
|--|-------------------|------------|------------------------------------|--------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 27,789 | \$ 180,673 | \$ 1,178,701 | \$ 1,387,163 |
| Accounts receivable (net) | 88,509 | 41,912 | 431 | 130,852 |
| Due from other governments | 88,356 | - | - | 88,356 |
| Inventories | 17,018 | 44,947 | - | 61,965 |
| Prepaid items | 57,031 | - | - | 57,031 |
| Total current assets | 278,703 | 267,532 | 1,179,132 | 1,725,367 |
| Capital assets: | | | | |
| Buildings and structures | - | 1,022,205 | - | 1,022,205 |
| Machinery and equipment | - | 322,808 | 9,000 | 331,808 |
| Linens | - | 200,370 | - | 200,370 |
| Vehicles | - | 45,709 | - | 45,709 |
| Less accumulated depreciation | - | (834,077) | (6,300) | (840,377) |
| Total capital asset (net) | - | 757,015 | 2,700 | 759,715 |
| Total assets | 278,703 | 1,024,547 | 1,181,832 | 2,485,082 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 31,741 | 51,071 | 41 | 82,853 |
| Salaries payable | 15,209 | 6,687 | 14,273 | 36,169 |
| Compensated absences payable | 29,548 | 24,109 | 21,628 | 75,285 |
| Total current liabilities | 76,498 | 81,867 | 35,942 | 194,307 |
| Noncurrent liabilities: | | | | |
| Compensated absences payable | 171,590 | 143,066 | 139,891 | 454,547 |
| Total liabilities | 248,088 | 224,933 | 175,833 | 648,854 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | - | 757,015 | 2,700 | 759,715 |
| Unrestricted | 30,615 | 42,599 | 1,003,299 | 1,076,513 |
| Total net assets | \$ 30,615 | \$ 799,614 | \$ 1,005,999 | \$ 1,836,228 |

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Community Food</u> | <u>Laundry</u> | <u>Supervised Living Facilities</u> | <u>Total</u> |
|-----------------------------------|---------------------------|-------------------|---|---------------------|
| Operating Revenues | | | | |
| Charges for services | \$ 1,253,128 | \$ 907,207 | \$ 1,004,346 | \$ 3,164,681 |
| Other | - | 3,197 | - | 3,197 |
| Total Operating Revenues | <u>1,253,128</u> | <u>910,404</u> | <u>1,004,346</u> | <u>3,167,878</u> |
| Operating Expenses | | | | |
| Personal services | 669,928 | 576,009 | 615,210 | 1,861,147 |
| Contractual services | 177,806 | 299,569 | 244,997 | 722,372 |
| Materials | 387,588 | 90,030 | 9,199 | 486,817 |
| Depreciation | - | 12,504 | 900 | 13,404 |
| Total Operating Expenses | <u>1,235,322</u> | <u>978,112</u> | <u>870,306</u> | <u>3,083,740</u> |
| Operating Income (Loss) | <u>17,806</u> | <u>(67,708)</u> | <u>134,040</u> | <u>84,138</u> |
| Changes in net assets | 17,806 | (67,708) | 134,040 | 84,138 |
| Net assets - January 1 - Restated | <u>12,809</u> | <u>867,322</u> | <u>871,959</u> | <u>1,752,090</u> |
| Net assets - December 31 | <u>\$ 30,615</u> | <u>\$ 799,614</u> | <u>\$ 1,005,999</u> | <u>\$ 1,836,228</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Community Food | Laundry | Supervised Living Facilities | Total |
|---|-------------------|--------------------|------------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 1,050,034 | \$ 382,224 | \$ 1,006,703 | \$ 2,438,961 |
| Receipts from interfund services provided | 206,820 | 525,938 | - | 732,758 |
| Payments to suppliers | (578,345) | (362,487) | (254,630) | (1,195,462) |
| Payments to employees | (684,183) | (597,514) | (576,317) | (1,858,014) |
| Other receipts (payments) | (2,702) | 389 | (3,712) | (6,025) |
| Net cash provided (used) by operating activities | <u>(8,376)</u> | <u>(51,450)</u> | <u>172,044</u> | <u>112,218</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Disposal of capital assets | - | 8,680 | - | 8,680 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (8,376) | (42,770) | 172,044 | 120,898 |
| Balances - January 1 | <u>36,165</u> | <u>223,443</u> | <u>1,006,657</u> | <u>1,266,265</u> |
| Balances - December 31 | <u>\$ 27,789</u> | <u>\$ 180,673</u> | <u>\$ 1,178,701</u> | <u>\$ 1,387,163</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 17,806 | \$ (67,708) | \$ 134,040 | \$ 84,138 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | - | 12,504 | 900 | 13,404 |
| (Increase) Decrease Receivables, net | 4,863 | 955 | 2,357 | 8,175 |
| (Increase) Decrease Due from other governments | (1,137) | - | - | (1,137) |
| (Increase) Decrease Inventories | (837) | 3,958 | - | 3,121 |
| Increase (Decrease) Accounts payable | (12,114) | 23,154 | (434) | 10,606 |
| Increase (Decrease) Salaries payable | 1,692 | (364) | 1,711 | 3,039 |
| Increase (Decrease) Compensated absences payable | (15,947) | (21,141) | 37,182 | 94 |
| Increase (Decrease) Due to other governments | (1,042) | - | (2,293) | (3,335) |
| Increase (Decrease) Deferred revenue | (1,660) | (2,808) | (1,419) | (5,887) |
| Total Adjustments | <u>(26,182)</u> | <u>16,258</u> | <u>38,004</u> | <u>28,080</u> |
| Net cash provided by operating activities | <u>\$ (8,376)</u> | <u>\$ (51,450)</u> | <u>\$ 172,044</u> | <u>\$ 112,218</u> |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for operations that are financed and operated in a manner similar to private business, with the intent that cost (expenses, including depreciation) of providing goods or services by specific departments within St. Louis County to other departments or agencies of St. Louis County or to other governments on a continuing basis be financed or recovered primarily through user charges.

Printing - This fund is used to account for providing office supplies, materials, printing, and postage to County departments.

County Garage - This fund is used to account for the costs of operating a maintenance facility for automotive equipment and a fleet of vehicles for use by County departments.

Property, Casualty, Liability Insurance - This fund is used to account for coverage of claims and judgments against the County.

Workers' Compensation Insurance - This fund is used to account for coverage of workers' compensation claims incurred by County employees.

Medical/Dental Insurance - This fund is used to account for coverage of medical and dental expenses incurred by County employees, dependents, and retirees.

Management Information Systems - This fund is used to account for computer services and programming services to County departments.

Telecommunications - This fund is used to account for the County communications system.

Retired Employees' Health Insurance - This fund is used to account for retirees insurance expenses paid by the retirees applicable sick leave balance at retirement.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2005

| | <u>Printing</u> | <u>County Garage</u> | <u>Property, Casualty, Liability Insurance</u> | <u>Workers' Compensation Insurance</u> |
|-------------------------------|-------------------|--------------------------|--|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 213,685 | \$ 474,408 | \$ 624,217 | \$ 839,391 |
| Investments | - | - | 6,479,270 | 3,396,955 |
| Accounts receivable | 4,034 | 1,708 | 1,356 | 36 |
| Accrued interest receivable | - | - | 80,278 | 48,568 |
| Due from other governments | 5,596 | 1,226 | - | - |
| Inventories | <u>99,547</u> | <u>59,347</u> | <u>-</u> | <u>-</u> |
| Total current assets | <u>322,862</u> | <u>536,689</u> | <u>7,185,121</u> | <u>4,284,950</u> |
| Capital assets: | | | | |
| Land | - | 25,500 | - | - |
| Buildings and structures | - | 778,730 | - | - |
| Machinery and equipment | 371,525 | 79,214 | - | - |
| Vehicles | - | 1,629,020 | - | - |
| Less accumulated depreciation | <u>(292,118)</u> | <u>(1,402,867)</u> | <u>-</u> | <u>-</u> |
| Total capital asset (net) | <u>79,407</u> | <u>1,109,597</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>402,269</u> | <u>1,646,286</u> | <u>7,185,121</u> | <u>4,284,950</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 7,569 | 46,728 | - | 95,257 |
| Salaries payable | 1,958 | 6,815 | - | - |
| Compensated absences payable | 6,105 | 22,678 | - | - |
| Claims payable | - | - | - | 720,656 |
| Due to other governments | - | - | - | 91,699 |
| Unearned revenue | - | - | - | - |
| Total current liabilities | <u>15,632</u> | <u>76,221</u> | <u>-</u> | <u>907,612</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences payable | 64,818 | 125,604 | - | - |
| Claims payable | - | - | 106,655 | 4,137,444 |
| Total non-current liabilities | <u>64,818</u> | <u>125,604</u> | <u>106,655</u> | <u>4,137,444</u> |
| Total liabilities | <u>80,450</u> | <u>201,825</u> | <u>106,655</u> | <u>5,045,056</u> |
| NET ASSETS | | | | |
| Invested in capital assets | 79,407 | 1,109,597 | - | - |
| Unrestricted | <u>242,412</u> | <u>334,864</u> | <u>7,078,466</u> | <u>(760,106)</u> |
| Total net assets | <u>\$ 321,819</u> | <u>\$ 1,444,461</u> | <u>\$ 7,078,466</u> | <u>\$ (760,106)</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2005

| | Medical/ Dental Insurance | Management Information Systems | Telecommu- nications | Retired Employees' Health Insurance | Total |
|-------------------------------|---------------------------------|--------------------------------------|-------------------------|--|----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 831,278 | \$ 2,450,784 | \$ 1,190,483 | \$ 1,634,274 | \$ 8,258,520 |
| Investments | 7,514,033 | - | - | - | 17,390,258 |
| Accounts receivable | 576,246 | 1,621 | 9 | - | 585,010 |
| Accrued interest receivable | 53,936 | - | - | - | 182,782 |
| Due from other governments | - | 48,503 | - | - | 55,325 |
| Inventories | - | 9,891 | 27,000 | - | 195,785 |
| Total current assets | <u>8,975,493</u> | <u>2,510,799</u> | <u>1,217,492</u> | <u>1,634,274</u> | <u>26,667,680</u> |
| Capital assets: | | | | | |
| Land | - | - | - | - | 25,500 |
| Buildings and structures | - | 55,506 | - | - | 834,236 |
| Machinery and equipment | - | 2,598,661 | 2,609,243 | - | 5,658,643 |
| Vehicles | - | - | - | - | 1,629,020 |
| Less accumulated depreciation | - | (2,410,554) | (2,434,898) | - | (6,540,437) |
| Total capital asset (net) | <u>-</u> | <u>243,613</u> | <u>174,345</u> | <u>-</u> | <u>1,606,962</u> |
| Total assets | <u>8,975,493</u> | <u>2,754,412</u> | <u>1,391,837</u> | <u>1,634,274</u> | <u>28,274,642</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 6,001 | 22,056 | 95,025 | - | 272,636 |
| Salaries payable | - | 48,665 | 5,318 | - | 62,756 |
| Compensated absences payable | - | 150,839 | 16,165 | 721,265 | 917,052 |
| Claims payable | 2,095,509 | - | - | - | 2,816,165 |
| Due to other governments | - | - | - | - | 91,699 |
| Unearned revenue | 705,739 | - | - | - | 705,739 |
| Total current liabilities | <u>2,807,249</u> | <u>221,560</u> | <u>116,508</u> | <u>721,265</u> | <u>4,866,047</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | - | 909,102 | 76,874 | 913,009 | 2,089,407 |
| Claims payable | - | - | - | - | 4,244,099 |
| Total non-current liabilities | <u>-</u> | <u>909,102</u> | <u>76,874</u> | <u>913,009</u> | <u>6,333,506</u> |
| Total liabilities | <u>2,807,249</u> | <u>1,130,662</u> | <u>193,382</u> | <u>1,634,274</u> | <u>11,199,553</u> |
| NET ASSETS | | | | | |
| Invested in capital assets | - | 243,613 | 174,345 | - | 1,606,962 |
| Unrestricted | 6,168,244 | 1,380,137 | 1,024,110 | - | 15,468,127 |
| Total net assets | <u>\$ 6,168,244</u> | <u>\$ 1,623,750</u> | <u>\$ 1,198,455</u> | <u>\$ -</u> | <u>\$ 17,075,089</u> |

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Printing</u> | <u>County Garage</u> | <u>Property, Casualty, Liability Insurance</u> | <u>Workers' Compensation Insurance</u> |
|---|-------------------|--------------------------|--|--|
| Operating Revenues: | | | | |
| Charges for services | \$ 1,359,663 | \$ 1,727,224 | \$ 527,240 | \$ 2,813,966 |
| Other | <u>839</u> | <u>40,400</u> | <u>6,540</u> | <u>494,511</u> |
| Total Operating Revenues | <u>1,360,502</u> | <u>1,767,624</u> | <u>533,780</u> | <u>3,308,477</u> |
| | | | | |
| Operating Expenses: | | | | |
| Personal services | 127,211 | 505,601 | - | - |
| Contractual services | 700,756 | 317,648 | 77,754 | 2,788,269 |
| Materials | 450,313 | 679,928 | - | - |
| Depreciation | <u>16,070</u> | <u>194,130</u> | <u>-</u> | <u>-</u> |
| Total Operating Expenses | <u>1,294,350</u> | <u>1,697,307</u> | <u>77,754</u> | <u>2,788,269</u> |
| | | | | |
| Operating Income (Loss) | <u>66,152</u> | <u>70,317</u> | <u>456,026</u> | <u>520,208</u> |
| | | | | |
| Nonoperating revenues (expenses): | | | | |
| Earnings on investments | - | - | 172,388 | 88,367 |
| Loss or gain on asset disposal | <u>-</u> | <u>(9,113)</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>(9,113)</u> | <u>172,388</u> | <u>88,367</u> |
| | | | | |
| Changes in net assets | 66,152 | 61,204 | 628,414 | 608,575 |
| | | | | |
| Net assets - January 1 - Restated | <u>255,667</u> | <u>1,383,257</u> | <u>6,450,052</u> | <u>(1,368,681)</u> |
| | | | | |
| Net assets - December 31 | <u>\$ 321,819</u> | <u>\$ 1,444,461</u> | <u>\$ 7,078,466</u> | <u>\$ (760,106)</u> |

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Medical/ Dental Insurance | Management Information Systems | Telecommu- nications | Retired Employees' Health Insurance | Total |
|---|---------------------------------|--------------------------------------|-------------------------|--|----------------------|
| Operating Revenues: | | | | | |
| Charges for services | \$ 22,962,812 | \$ 3,829,168 | \$ 1,275,069 | \$ 1,544,084 | \$ 36,039,226 |
| Other | - | 888,094 | 2,469 | - | 1,432,853 |
| Total Operating Revenues | <u>22,962,812</u> | <u>4,717,262</u> | <u>1,277,538</u> | <u>1,544,084</u> | <u>37,472,079</u> |
| Operating Expenses: | | | | | |
| Personal services | - | 2,831,570 | 337,483 | - | 3,801,865 |
| Contractual services | 23,952,939 | 1,378,576 | 623,568 | 1,544,084 | 31,383,594 |
| Materials | - | 452,950 | 172,841 | - | 1,756,032 |
| Depreciation | - | 150,106 | 88,246 | - | 448,552 |
| Total Operating Expenses | <u>23,952,939</u> | <u>4,813,202</u> | <u>1,222,138</u> | <u>1,544,084</u> | <u>37,390,043</u> |
| Operating Income (Loss) | <u>(990,127)</u> | <u>(95,940)</u> | <u>55,400</u> | <u>-</u> | <u>82,036</u> |
| Nonoperating revenues (expenses): | | | | | |
| Earnings on investments | 233,425 | - | - | - | 494,180 |
| Loss or gain on asset disposal | - | - | - | - | (9,113) |
| Total Nonoperating Revenues (Expenses) | <u>233,425</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>485,067</u> |
| Changes in net assets | (756,702) | (95,940) | 55,400 | - | 567,103 |
| Net assets - January 1 - Restated | <u>6,924,946</u> | <u>1,719,690</u> | <u>1,143,055</u> | <u>-</u> | <u>16,507,986</u> |
| Net assets - December 31 | <u>\$ 6,168,244</u> | <u>\$ 1,623,750</u> | <u>\$ 1,198,455</u> | <u>\$ -</u> | <u>\$ 17,075,089</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Printing | County Garage | Property, Casualty, Liability Insurance | Workers' Compensation Insurance |
|---|-------------------|-------------------|--|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 43,962 | \$ - | \$ - | \$ - |
| Receipts from interfund services provided | 1,348,711 | 1,726,451 | 525,884 | 2,813,957 |
| Payments to suppliers | (1,168,259) | (996,343) | (825) | (33,365) |
| Payments to employees | (123,801) | (535,893) | - | - |
| Claims paid | - | - | (171,949) | (2,891,652) |
| Other receipts (payments) | 571 | 38,160 | 6,540 | 477,944 |
| Net cash provided (used) by operating activities | <u>101,184</u> | <u>232,375</u> | <u>359,650</u> | <u>366,884</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | - | (273,258) | - | - |
| Payments on capital leases | - | - | - | - |
| Net capital provided (used) by capital and related financing activities | <u>-</u> | <u>(273,258)</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investments | - | - | (7,350,373) | (3,508,055) |
| Sale of investments | - | - | 6,879,438 | 3,450,000 |
| Interest and dividends | - | - | 148,384 | 65,697 |
| Net Cash Provided by Investing Activities | <u>-</u> | <u>-</u> | <u>(322,551)</u> | <u>7,642</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 101,184 | (40,883) | 37,099 | 374,526 |
| Balances - January 1 | <u>112,501</u> | <u>515,291</u> | <u>587,118</u> | <u>464,865</u> |
| Balances - December 31 | <u>\$ 213,685</u> | <u>\$ 474,408</u> | <u>\$ 624,217</u> | <u>\$ 839,391</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 66,152 | \$ 70,317 | \$ 456,026 | \$ 520,208 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 16,070 | 194,130 | - | - |
| (Increase) Decrease Receivables, net | 13,633 | 453 | (1,356) | (9) |
| (Increase) Decrease Due from other governments | 19,377 | (1,226) | - | - |
| (Increase) Decrease Inventories | 11,354 | (20,955) | - | - |
| Increase (Decrease) Accounts payable | (28,544) | 22,188 | (825) | (33,365) |
| Increase (Decrease) Salaries payable | 545 | (144) | - | - |
| Increase (Decrease) Compensated absences payable | 2,865 | (30,148) | - | - |
| Increase (Decrease) Claims payable | - | - | (94,195) | (103,383) |
| Increase (Decrease) Due to other governments | - | (1,169) | - | (16,567) |
| Increase (Decrease) Deferred Revenue | (268) | (1,071) | - | - |
| Total Adjustments | <u>35,032</u> | <u>162,058</u> | <u>(96,376)</u> | <u>(153,324)</u> |
| Net cash provided by operating activities | <u>\$ 101,184</u> | <u>\$ 232,375</u> | <u>\$ 359,650</u> | <u>\$ 366,884</u> |
| NON-CASH ACTIVITIES | | | | |
| Change in fair market value of investments | \$ - | \$ - | \$ 21,103 | \$ 19,056 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Medical/ Dental Insurance | Management Information Systems | Telecommu- nications | Retired Employees' Health Insurance | Total |
|---|---------------------------------|--------------------------------------|-------------------------|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ - | \$ 61,601 | \$ 1,092 | \$ - | \$ 106,655 |
| Receipts from interfund services provided | 23,338,111 | 3,717,630 | 1,273,968 | 1,544,084 | 36,288,796 |
| Payments to suppliers | 6,001 | (1,862,481) | (737,703) | - | (4,792,975) |
| Payments to employees | - | (2,669,204) | (329,739) | (2,192,027) | (5,850,664) |
| Claims paid | (24,264,754) | - | - | - | (27,328,355) |
| Other receipts (payments) | - | 881,479 | (33,885) | - | 1,370,809 |
| Net cash provided (used) by operating activities | <u>(920,642)</u> | <u>129,025</u> | <u>173,733</u> | <u>(647,943)</u> | <u>(205,734)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | - | (29,229) | (23,084) | - | (325,571) |
| Payments on capital leases | - | (4,362) | - | - | (4,362) |
| Net capital provided (used) by capital and related financing activities | <u>-</u> | <u>(33,591)</u> | <u>(23,084)</u> | <u>-</u> | <u>(329,933)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of investments | (13,639,241) | - | - | - | (24,497,669) |
| Sale of investments | 15,054,607 | - | - | - | 25,384,045 |
| Interest and dividends | 216,912 | - | - | - | 430,993 |
| Net Cash Provided by Investing Activities | <u>1,632,278</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,317,369</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 711,636 | 95,434 | 150,649 | (647,943) | 781,702 |
| Balances - January 1 | <u>119,642</u> | <u>2,355,350</u> | <u>1,039,834</u> | <u>2,282,217</u> | <u>7,476,818</u> |
| Balances - December 31 | <u>\$ 831,278</u> | <u>\$ 2,450,784</u> | <u>\$ 1,190,483</u> | <u>\$ 1,634,274</u> | <u>\$ 8,258,520</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ (990,127) | \$ (95,940) | \$ 55,400 | \$ - | \$ 82,036 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | - | 150,106 | 88,246 | - | 448,552 |
| (Increase) Decrease Receivables, net | (173,337) | (1,434) | (9) | - | (162,059) |
| (Increase) Decrease Due from other governments | - | (48,503) | (15,500) | - | (45,852) |
| (Increase) Decrease Inventories | - | (3,275) | - | - | (12,876) |
| Increase (Decrease) Accounts payable | 6,001 | (27,680) | 74,206 | - | 11,981 |
| Increase (Decrease) Salaries payable | - | 2,545 | (834) | - | 2,112 |
| Increase (Decrease) Compensated absences payable | - | 159,821 | 8,578 | (647,943) | (506,827) |
| Increase (Decrease) Claims payable | (311,815) | - | - | - | (509,393) |
| Increase (Decrease) Due to other governments | - | - | (35,577) | - | (53,313) |
| Increase (Decrease) Deferred Revenue | 548,636 | (6,615) | (777) | - | 539,905 |
| Total Adjustments | <u>69,485</u> | <u>224,965</u> | <u>118,333</u> | <u>(647,943)</u> | <u>(287,770)</u> |
| Net cash provided by operating activities | <u>\$ (920,642)</u> | <u>\$ 129,025</u> | <u>\$ 173,733</u> | <u>\$ (647,943)</u> | <u>\$ (205,734)</u> |
| NON-CASH ACTIVITIES | | | | | |
| Change in fair market value of investments | \$ (65,610) | \$ - | \$ - | \$ - | \$ (25,451) |

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FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Investment Trust Funds

Taconite Relief - This fund is used to account for the tax imposed by Minn. Stat. 298.015.

Taconite Production Tax - This fund is used to account for the tax imposed by Minn Stat. 298.24

AGENCY FUNDS

State of Minnesota - This fund is used to account for the receipt and disbursement of monies for which St. Louis County is the collection agent for the State.

Beer-Auctioneer Licenses - This fund is used to account for the funds collected from the sale of intoxicating beer and auctioneer licenses by the County and payments to the County and State of Minnesota for these licenses.

Cities and Towns Fines - This fund is used to account for the collection and payment of funds due to organized and unorganized townships and cities.

Taxes and Penalties - This fund is used to account for the collection and payment of taxes, penalties, and special assessment collections to the various County funds and taxing districts.

Payroll Deductions - This fund is used to account for the accumulation of funds from payroll deductions charged to all operating funds. Payment by a single check is made to the state and federal governments for tax deductions, and to any other organization for deductions not covered in another agency fund.

Series EE Savings Bond - This fund is used to account for the purchase of U.S. Savings Bonds, Series EE, by County employees through payroll deductions. Individual employees' payroll deductions accumulate in this fund until sufficient funds are available to purchase the requested U.S. Savings Bond, Series EE.

Canceled Check - This fund is used to account for checks issued by St. Louis County but not cashed by the payee. The checks are canceled and the money is held as unclaimed funds.

High Voltage Credit - This fund is used to account for the collection of power line property tax credit which is then distributed to property owners, with any excess going to the School Fund pursuant to Minn. Stat. 273.42.

Assault Fees - This fund is used to account for fines charged to persons convicted of assault.

AGENCY FUNDS Continued

Arrowhead Regional Corrections - This fund is used to account for transactions related to the Arrowhead Regional Corrections operation which contracts with St. Louis County for accounting services.

Permit to Carry Firearms - This fund is used to account for fees collected for the sale of permits to carry firearms.

Community Health Services - This fund is used to account for the transactions related to the Community Health Services Board.

Duluth Area Family Services Collaborative - This fund is used to account for the financial transactions of the Duluth Area Family Services Collaborative for whom the County is the fiscal agent.

Local Collaborative Time Study - This fund is used to account for the time study funds received from the State to be remitted to the local collaboratives as requested.

Regional Railroad Authority - This fund is used to account for the financial transactions of the Regional Railroad Authority for whom the County is the fiscal agent.

Northern Counties Land Use Board - This fund is used to account for the financial transactions of the Northern Counties Land Use Board for whom the County is the fiscal agent.

Agency Miscellaneous - This fund is used to account for the activities not accounted for in another agency fund.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2005

Investment Trust Funds

| | Taconite Relief | Taconite Production Tax | Total |
|---|----------------------------|------------------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 222,179 | \$ 2,066 | \$ 224,245 |
| Investments | 26,761,252 | 1,533,416 | 28,294,668 |
| Accrued interest receivable | 333,918 | 13,527 | 347,445 |
| Total Assets | 27,317,349 | 1,549,009 | 28,866,358 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Due to other governments | - | 1,549,009 | 1,549,009 |
| Total Liabilities | - | 1,549,009 | 1,549,009 |
| NET ASSETS | | | |
| Held in trust for pool participants and other purposes | \$ 27,317,349 | \$ - | \$ 27,317,349 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Investment Trust Funds | | |
|------------------------------|-------------------------------|------------------------------------|---------------|
| | Taconite Relief | Taconite Production Tax | Total |
| ADDITIONS | | | |
| Taconite taxes | \$ 13,567,663 | \$ 32,174,396 | \$ 45,742,059 |
| Earnings on investments | 736,093 | 71,051 | 807,144 |
| Total Additions | 14,303,756 | 32,245,447 | 46,549,203 |
| DEDUCTIONS | | | |
| Distribution to participants | 11,254,494 | 32,245,447 | 43,499,941 |
| Changes in net assets | 3,049,262 | - | 3,049,262 |
| Net assets - January 1 | 24,268,087 | - | 24,268,087 |
| Net assets - December 31 | \$ 27,317,349 | \$ - | \$ 27,317,349 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|----------------------|-----------------------|-----------------------|------------------------|
| STATE OF MINNESOTA FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 429,746 | \$ 20,036,625 | \$ 20,454,108 | \$ 12,263 |
| Due from other governments | 505,657 | 1,914,447 | 1,695,813 | 724,291 |
| Total Assets | <u>\$ 935,403</u> | <u>\$ 21,951,072</u> | <u>\$ 22,149,921</u> | <u>\$ 736,554</u> |
| LIABILITIES | | | | |
| Salaries payable | \$ 1,236 | \$ 3,565,315 | \$ 3,487,624 | \$ 78,927 |
| Due to other governments | 934,167 | 18,385,757 | 18,662,297 | 657,627 |
| Total Liabilities | <u>\$ 935,403</u> | <u>\$ 21,951,072</u> | <u>\$ 22,149,921</u> | <u>\$ 736,554</u> |
| BEER-AUCTIONEER LICENSES FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 246 | \$ 2,775 | \$ 246 | \$ 2,775 |
| LIABILITIES | | | | |
| Due to other governments | \$ 246 | \$ 2,775 | \$ 246 | \$ 2,775 |
| CITIES AND TOWNS FINES FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 107,643 | \$ 809,701 | \$ 917,344 | \$ - |
| LIABILITIES | | | | |
| Due to other governments | \$ 107,643 | \$ 809,701 | \$ 917,344 | \$ - |
| TAXES AND PENALTIES FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,471,476 | \$ 236,097,277 | \$ 236,738,685 | \$ 2,830,068 |
| Due from other governments | - | 186,880 | - | 186,880 |
| Total Assets | <u>\$ 3,471,476</u> | <u>\$ 236,284,157</u> | <u>\$ 236,738,685</u> | <u>\$ 3,016,948</u> |
| LIABILITIES | | | | |
| Due to other governments | \$ 3,471,476 | \$ 236,284,157 | \$ 236,738,685 | \$ 3,016,948 |
| PAYROLL DEDUCTIONS FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 635,699 | \$ 54,143,135 | \$ 52,945,072 | \$ 1,833,762 |
| LIABILITIES | | | | |
| Accounts payable | \$ 635,699 | \$ 54,143,135 | \$ 52,945,072 | \$ 1,833,762 |
| SERIES EE SAVINGS BOND FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 692 | \$ 75,527 | \$ 75,918 | \$ 301 |
| LIABILITIES | | | | |
| Due to other governments | \$ 692 | \$ 75,527 | \$ 75,918 | \$ 301 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|----------------------|----------------------|----------------------|------------------------|
| CANCELED CHECK FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 39,237 | \$ 109,898 | \$ 56,559 | \$ 92,576 |
| LIABILITIES | | | | |
| Accounts payable | \$ 39,237 | \$ 109,898 | \$ 56,559 | \$ 92,576 |
| HIGH VOLTAGE CREDIT FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 149,892 | \$ 103,245 | \$ 46,647 |
| LIABILITIES | | | | |
| Due to other governments | \$ - | \$ 149,892 | \$ 103,245 | \$ 46,647 |
| ASSAULT FEES FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 400 | \$ 11,820 | \$ 12,220 | \$ - |
| LIABILITIES | | | | |
| Accounts payable | \$ 400 | \$ 11,820 | \$ 12,220 | \$ - |
| ARROWHEAD REGIONAL CORRECTIONS FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,096,290 | \$ 19,066,859 | \$ 17,966,610 | \$ 4,196,539 |
| Accounts receivable | 77,985 | 25,257 | 77,985 | 25,257 |
| Due from other governments | 732,334 | 791,122 | 732,334 | 791,122 |
| Total Assets | <u>\$ 3,906,609</u> | <u>\$ 19,883,238</u> | <u>\$ 18,776,929</u> | <u>\$ 5,012,918</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 212,015 | \$ 3,421,857 | \$ 3,294,486 | \$ 339,386 |
| Salaries payable | 204,023 | 218,611 | 204,023 | 218,611 |
| Due to other governments | 3,490,571 | 16,242,770 | 15,278,420 | 4,454,921 |
| Total Liabilities | <u>\$ 3,906,609</u> | <u>\$ 19,883,238</u> | <u>\$ 18,776,929</u> | <u>\$ 5,012,918</u> |
| PERMIT TO CARRY FIREARMS FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 65,511 | \$ 64,945 | \$ 46,382 | \$ 84,074 |
| LIABILITIES | | | | |
| Due to other governments | \$ 65,511 | \$ 64,945 | \$ 46,382 | \$ 84,074 |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|----------------------|---------------------|---------------------|------------------------|
| COMMUNITY HEALTH SERVICES FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 89,576 | \$ 3,542,885 | \$ 3,278,732 | \$ 353,729 |
| Due from other governments | 335,608 | 221,074 | 335,608 | 221,074 |
| Total Assets | <u>\$ 425,184</u> | <u>\$ 3,763,959</u> | <u>\$ 3,614,340</u> | <u>\$ 574,803</u> |
| LIABILITIES | | | | |
| Salaries payable | \$ 2,182 | \$ 2,308 | \$ 2,182 | \$ 2,308 |
| Due to other governments | 423,002 | 3,761,651 | 3,612,158 | 572,495 |
| Total Liabilities | <u>\$ 425,184</u> | <u>\$ 3,763,959</u> | <u>\$ 3,614,340</u> | <u>\$ 574,803</u> |
| DULUTH AREA FAMILY SERVICE COLLABORATIVE FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 58,834 | \$ - | \$ - | \$ 58,834 |
| LIABILITIES | | | | |
| Due to other governments | \$ 58,834 | \$ - | \$ - | \$ 58,834 |
| LOCAL COLLABORATIVE TIME STUDY FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 955,254 | \$ 1,479,538 | \$ 959,082 | \$ 1,475,710 |
| LIABILITIES | | | | |
| Accounts payable | \$ 7,015 | \$ 26,852 | \$ 7,015 | \$ 26,852 |
| Due to other governments | 948,239 | 1,452,686 | 952,067 | 1,448,858 |
| Total Liabilities | <u>\$ 955,254</u> | <u>\$ 1,479,538</u> | <u>\$ 959,082</u> | <u>\$ 1,475,710</u> |
| REGIONAL RAILROAD AUTHORITY FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,004,970 | \$ 2,265,704 | \$ 2,226,883 | \$ 1,043,791 |
| Prepaid items | - | 13,063 | 13,063 | - |
| Delinquent taxes receivable | 29,660 | 29,509 | 29,660 | 29,509 |
| Accounts receivable | 52,865 | - | 52,865 | - |
| Due from other governments | 409,838 | 308,580 | 409,838 | 308,580 |
| Total Assets | <u>\$ 1,497,333</u> | <u>\$ 2,616,856</u> | <u>\$ 2,732,309</u> | <u>\$ 1,381,880</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 40,682 | \$ 1,352,219 | \$ 1,066,330 | \$ 326,571 |
| Salaries payable | 2,545 | 2,686 | 2,545 | 2,686 |
| Due to other governments | 1,454,106 | 1,261,951 | 1,663,434 | 1,052,623 |
| Total Liabilities | <u>\$ 1,497,333</u> | <u>\$ 2,616,856</u> | <u>\$ 2,732,309</u> | <u>\$ 1,381,880</u> |

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|--|------------------------------|-----------------------|-----------------------|--------------------------------|
| NORTHERN COUNTIES | | | | |
| LAND USE BOARD FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 27,283 | \$ 73,750 | \$ 43,782 | \$ 57,251 |
| LIABILITIES | | | | |
| Due to other governments | \$ 27,283 | \$ 73,750 | \$ 43,782 | \$ 57,251 |
| AGENCY MISCELLANEOUS FUND | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 4,026,010 | \$ 4,023,567 | \$ 2,443 |
| Accounts receivable | 44,580 | - | 44,580 | - |
| Due from other governments | 159,556 | - | 159,556 | - |
| Total Assets | <u>\$ 204,136</u> | <u>\$ 4,026,010</u> | <u>\$ 4,227,703</u> | <u>\$ 2,443</u> |
| LIABILITIES | | | | |
| Due to other governments | <u>\$ 204,136</u> | <u>\$ 4,026,010</u> | <u>\$ 4,227,703</u> | <u>\$ 2,443</u> |
| TOTALS FOR ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 9,982,857 | \$ 341,956,341 | \$ 339,848,435 | \$ 12,090,763 |
| Delinquent taxes receivable | 29,660 | 29,509 | 29,660 | 29,509 |
| Accounts receivable | 175,430 | 25,257 | 175,430 | 25,257 |
| Due from other governments | 2,142,993 | 3,422,103 | 3,333,149 | 2,231,947 |
| Prepaid items | - | 13,063 | 13,063 | - |
| Total Assets | <u>\$ 12,330,940</u> | <u>\$ 345,446,273</u> | <u>\$ 343,399,737</u> | <u>\$ 14,377,476</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 935,048 | \$ 59,065,781 | \$ 57,381,682 | \$ 2,619,147 |
| Salaries payable | 209,986 | 3,788,920 | 3,696,374 | 302,532 |
| Due to other governments | 11,185,906 | 282,591,572 | 282,321,681 | 11,455,797 |
| Total Liabilities | <u>\$ 12,330,940</u> | <u>\$ 345,446,273</u> | <u>\$ 343,399,737</u> | <u>\$ 14,377,476</u> |

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ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INVESTMENTS AND INTEREST EARNING DEPOSITS
 DECEMBER 31, 2005

| | <u>Interest Rates</u> | <u>Par Value</u> | <u>Market</u> |
|--|-----------------------|-----------------------|-----------------------|
| Pooled Investments | | | |
| Money market savings account | 1.74% | \$ 313,805 | \$ 313,805 |
| Bankers Acceptances | 4.29% | 1,106,000 | 1,096,590 |
| Certificates of Deposit | 2.90-5.25% | 32,057,899 | 32,057,899 |
| Commercial Paper | 4.02-4.48% | 28,000,000 | 27,911,476 |
| MAGIC | varies | 6,154,254 | 6,154,254 |
| FHLB | 2.16-5.00% | 22,500,000 | 22,383,191 |
| FHLMC | 2.00-4.52% | 15,040,000 | 14,862,759 |
| FNMA | 2.10-4.25% | 9,300,000 | 9,163,630 |
| Total Pooled Investments | | \$ 114,471,958 | \$ 113,943,604 |
| Capital Projects | | | |
| Certificates of Deposit | 4.21-4.60% | \$ 1,978,965 | \$ 1,978,965 |
| Commercial Paper | 4.52-4.57% | 1,380,000 | 1,364,566 |
| MAGIC | varies | 3,931,982 | 3,931,982 |
| FFCB | 5.63% | 650,000 | 650,406 |
| FHLB | 1.50-5.38% | 1,735,000 | 1,728,494 |
| FHLMC | 2.65-2.70% | 1,045,000 | 1,039,876 |
| FNMA | 3.63-4.65% | 3,360,000 | 3,300,420 |
| Total Capital Projects | | \$ 14,080,947 | \$ 13,994,709 |
| Solid Waste Management Enterprise Fund | | | |
| Certificates of Deposit | 3.50-4.62% | \$ 10,027,493 | \$ 10,027,493 |
| Commercial Paper | 4.67% | 1,000,000 | 975,584 |
| FHLB | 1.63-3.02% | 3,000,000 | 2,968,595 |
| FHLMC | 2.85% | 1,400,000 | 1,370,250 |
| Total Solid Waste Management Enterprise Fund | | \$ 15,427,493 | \$ 15,341,922 |
| Property, Casualty, Liability Insurance | | | |
| Internal Service Fund | | | |
| Certificates of Deposit | 3.04-4.48% | \$ 3,700,000 | \$ 3,700,000 |
| Commercial Paper | 4.57% | 673,000 | 656,034 |
| FHLB | 2.20-3.84% | 2,150,000 | 2,123,236 |
| Total Property, Casualty, Liability Insurance | | \$ 6,523,000 | \$ 6,479,270 |
| Worker's Compensation Insurance | | | |
| Internal Service Fund | | | |
| Certificates of Deposit | 3.52-4.20% | \$ 2,000,000 | \$ 2,000,000 |
| FHLB | 2.03% | 500,000 | 489,845 |
| FNMA | 4.75% | 900,000 | 907,110 |
| Total Workers' Compensation Insurance | | \$ 3,400,000 | \$ 3,396,955 |
| Medical/Dental Insurance | | | |
| Internal Service Fund | | | |
| Certificates of Deposit | 3.60-4.25% | \$ 1,700,000 | \$ 1,700,000 |
| Commercial Paper | 4.09-4.63% | 2,400,000 | 2,379,843 |
| FHLMC | 2.13-2.20% | 3,500,000 | 3,434,390 |
| Total Medical/Dental Insurance | | \$ 7,600,000 | \$ 7,514,033 |
| Patients' Escrow Trust Fund | | | |
| Certificates of Deposit | 3.50-4.03% | \$ 40,000 | \$ 40,000 |
| Taconite Relief Trust Fund | | | |
| Certificate of Deposit | 2.10-3.92% | \$ 6,347,415 | \$ 6,347,415 |
| Commercial Paper | 4.35% | 1,600,000 | 1,574,701 |
| FHLB | 2.95-5.00% | 15,015,000 | 14,867,856 |
| FHLMC | 2.55% | 4,000,000 | 3,971,280 |
| Total Taconite Relief Trust Fund | | \$ 26,962,415 | \$ 26,761,252 |
| Taconite Production Trust Fund | | | |
| Certificate of Deposit | 4.02% | \$ 1,533,416 | \$ 1,533,416 |
| Total Taconite Production Trust Fund | | \$ 1,533,416 | \$ 1,533,416 |
| Total Investments | | \$ 190,039,229 | \$ 189,005,161 |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Special Revenue Funds | | | |
|---|-----------------------|----------------------|----------------------|-------------------|
| | General Fund | Road and Bridge | Social Services | Other |
| Shared revenue | | | | |
| State | | | | |
| Department of Intertechnologies | | | | |
| 911 communications | \$ 261,224 | \$ - | \$ - | \$ - |
| Department of Natural Resources | | | | |
| Mineral rents and royalties | 379,843 | - | - | - |
| Department of Revenue | | | | |
| Disparity aid | 2,478,002 | 1,073,292 | 1,473,216 | - |
| County program aid | 10,478,091 | 863,121 | 1,278,951 | - |
| PERA aid | 248,492 | 139,857 | 207,776 | 21,297 |
| State fire aid | 20,828 | - | - | - |
| Police aid | 592,720 | - | - | - |
| Market value credit | 3,695,255 | 1,602,344 | 2,176,290 | 16,026 |
| Department of Transportation | | | | |
| 30 percent rental income | 2,150 | 944 | 1,286 | 5 |
| Regular maintenance | - | 7,493,156 | - | - |
| Regular construction | - | 6,616,972 | - | - |
| Municipal maintenance | - | 185,434 | - | - |
| Municipal construction | - | 343,610 | - | - |
| Engineering | - | 2,107,946 | - | - |
| State park | - | 1,443,387 | - | - |
| Unorganized town road and bridge aid | - | 14,503 | - | - |
| Total Shared Revenue | \$ 18,156,605 | \$ 21,884,566 | \$ 5,137,519 | \$ 37,328 |
| Reimbursement for Services | | | | |
| State | | | | |
| Department of Human Services | | | | |
| Child support | \$ 95,332 | \$ - | \$ 3,300,248 | \$ - |
| Child welfare targeted case management | - | - | 3,109,150 | - |
| Community alternatives for disabled individuals | | | | |
| waivered services | - | - | 347,727 | - |
| Crisis stabilization | - | - | 38,933 | - |
| Elderly waived services | - | - | 440,694 | - |
| Food stamps | 53,609 | - | 1,362,304 | - |
| Foster care | 6,890 | - | 130,029 | - |
| LTCC waived services | - | - | 34,781 | - |
| Medical assistance | 162,790 | - | 6,565,449 | - |
| Mentally ill case management waived services | - | - | 677,080 | - |
| Mentally retarded waived services | - | - | 615,460 | - |
| Refugee | 59 | - | 125 | - |
| Relocation waived services | - | - | 13,525 | - |
| Traumatic brain injury | - | - | 45,621 | - |
| Temporary aid for needy families | 19,598 | - | 472,085 | - |
| VADD targeted case management | - | - | 80,264 | - |
| Total Reimbursement for Services Revenue | \$ 338,278 | \$ - | \$ 17,233,475 | \$ - |
| Grants | | | | |
| State grants | | | | |
| Board of Water and Soil Resources | | | | |
| Natural resources block grant | \$ 118,893 | \$ - | \$ - | \$ - |
| Lake Vermillion challenge | 13,409 | - | - | - |
| Department of Environmental Assistance | | | | |
| Hazardous household waste grant | | | | |
| SCORE recycling grant | - | - | - | - |
| Department of Finance | | | | |
| Forest road access | - | - | - | 109,110 |
| MN FD 29 bridge bond | - | 316,605 | - | - |
| Department of Health | | | | |
| Local public health grant | 808,367 | - | - | - |
| Subtotal | \$ 940,669 | \$ 316,605 | \$ - | \$ 109,110 |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Debt Service Funds</u> | <u>Buildings Capital Projects Fund</u> | <u>Solid Waste Management Enterprise Fund</u> | <u>Total</u> |
|---|-----------------------------------|--|---|----------------------|
| Shared revenue | | | | |
| State | | | | |
| Department of Intertechnologies | | | | |
| 911 communications | \$ - | \$ - | \$ - | \$ 261,224 |
| Department of Natural Resources | | | | |
| Mineral rents and royalties | - | - | - | 379,843 |
| Department of Revenue | | | | |
| Disparity aid | 423,825 | 79,610 | - | 5,527,945 |
| County program aid | - | 52,024 | - | 12,672,187 |
| PERA aid | - | - | 17,939 | 635,361 |
| State fire aid | - | - | - | 20,828 |
| Police aid | - | - | - | 592,720 |
| Market value credit | 626,091 | 117,603 | - | 8,233,609 |
| Department of Transportation | | | | |
| 30 percent rental income | 361 | 66 | - | 4,812 |
| Regular maintenance | - | - | - | 7,493,156 |
| Regular construction | - | - | - | 6,616,972 |
| Municipal maintenance | - | - | - | 185,434 |
| Municipal construction | - | - | - | 343,610 |
| Engineering | - | - | - | 2,107,946 |
| State park | - | - | - | 1,443,387 |
| Unorganized town road and bridge aid | - | - | - | 14,503 |
| Total Shared Revenue | <u>\$ 1,050,277</u> | <u>\$ 249,303</u> | <u>\$ 17,939</u> | <u>\$ 46,533,537</u> |
| Reimbursement for Services | | | | |
| State | | | | |
| Department of Human Services | | | | |
| Child support | \$ - | \$ - | \$ - | \$ 3,395,580 |
| Child welfare targeted case management | - | - | - | 3,109,150 |
| Community alternatives for disabled individuals | | | | |
| waivered services | - | - | - | 347,727 |
| Crisis stabilization | - | - | - | 38,933 |
| Elderly waivered services | - | - | - | 440,694 |
| Food stamps | - | - | - | 1,415,913 |
| Foster care | - | - | - | 136,919 |
| LTCC waivered services | - | - | - | 34,781 |
| Medical assistance | - | - | - | 6,728,239 |
| Mentally ill case management waivered services | - | - | - | 677,080 |
| Mentally retarded waivered services | - | - | - | 615,460 |
| Refugee | - | - | - | 184 |
| Relocation waivered services | - | - | - | 13,525 |
| Traumatic brain injury | - | - | - | 45,621 |
| Temporary aid for needy families | - | - | - | 491,683 |
| VADD targeted case management | - | - | - | 80,264 |
| Total Reimbursement for Services Revenue | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,571,753</u> |
| Grants | | | | |
| State grants | | | | |
| Board of Water and Soil Resources | | | | |
| Natural resources block grant | \$ - | \$ - | \$ - | \$ 118,893 |
| Lake Vermillion challenge | - | - | - | 13,409 |
| Department of Environmental Assistance | | | | |
| Hazardous household waste grant | - | - | 8,882 | 8,882 |
| SCORE recycling grant | - | - | 447,754 | 447,754 |
| Department of Finance | | | | |
| Forest road access | - | - | - | 109,110 |
| MN FD 29 bridge bond | - | - | - | 316,605 |
| Department of Health | | | | |
| Local public health grant | - | - | - | 808,367 |
| Subtotal | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 456,636</u> | <u>\$ 1,823,020</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>Special Revenue Funds</u> | | | |
|--|------------------------------|------------------------|------------------------|-------------------|
| | <u>General Fund</u> | <u>Road and Bridge</u> | <u>Social Services</u> | <u>Other</u> |
| Grants (continued) | | | | |
| State grants (continued) | | | | |
| Department of Human Services | | | | |
| Adult integrated fund | \$ - | \$ - | \$ - | \$ - |
| Chemical dependency | 79,996 | - | - | - |
| Child care resource and referral | - | - | 56,176 | - |
| Child support incentives | - | - | 216,743 | - |
| Children's mental health | - | - | 182,763 | - |
| Community alternatives for disabled individuals waivered services | - | - | 347,698 | - |
| Community Social Services Act block grant | - | - | 3,826,898 | - |
| Consolidated chemical dependency fund admin | - | - | 89,192 | - |
| Elderly waived services | - | - | 440,650 | - |
| Family preservation | 234,489 | - | - | - |
| Food stamps | - | - | 3,304 | - |
| Fraud prevention incentives | - | - | 95,344 | - |
| Home Delivered Meals | - | - | 12,835 | - |
| Medical assistance | - | - | 643,557 | - |
| Mentally ill case management waived services | - | - | 3,195 | - |
| Mentally retarded family subsidy | - | - | 142,560 | - |
| Mentally retarded waived services | - | - | 615,445 | - |
| MN family investment project employment services | - | - | 337,382 | - |
| MN family investment project child care | - | - | 59,010 | - |
| Relative custody | - | - | 407,935 | - |
| Semi-independent living skills | - | - | 453,713 | - |
| Special medical assistance | 24,375 | - | - | - |
| Traumatic brain injury | - | - | 45,615 | - |
| Alternative Response | - | - | 498,513 | - |
| Worker's compensation subsistence recovery | - | - | 8,197 | - |
| Department of Natural Resources | | | | |
| ATV | 6,696 | - | - | - |
| Boat and water safety | 44,681 | - | - | - |
| Snowmobile safety | 1,965 | - | - | - |
| Lake Superior coastal program | - | 2,730 | - | - |
| State trail assistance | 242,658 | - | - | - |
| Department of Post Board Training | | | | |
| Training reimbursement | 32,429 | - | - | - |
| Department of Public Safety | | | | |
| Bullet proof vests | 2,526 | - | - | - |
| Law enforcement record management | 25,830 | - | - | - |
| Victim emergency fund | 2,000 | - | - | - |
| Total State Grants | \$ 1,638,314 | \$ 319,335 | \$ 8,486,725 | \$ 109,110 |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Debt Service Funds | Buildings Capital Projects Fund | Solid Waste Management Enterprise Fund | Total |
|--|--------------------------|--|---|----------------------|
| Grants (continued) | | | | |
| State grants (continued) | | | | |
| Department of Human Services | | | | |
| Adult integrated fund | \$ - | \$ - | \$ - | \$ - |
| Chemical dependency | - | - | - | 79,996 |
| Child care resource and referral | - | - | - | 56,176 |
| Child support incentives | - | - | - | 216,743 |
| Children's mental health | - | - | - | 182,763 |
| Community alternatives for disabled individuals waivered services | - | - | - | 347,698 |
| Community Social Services Act block grant | - | - | - | 3,826,898 |
| Consolidated chemical dependency fund admin | - | - | - | 89,192 |
| Elderly waived services | - | - | - | 440,650 |
| Family preservation | - | - | - | 234,489 |
| Food stamps | - | - | - | 3,304 |
| Fraud prevention incentives | - | - | - | 95,344 |
| Home Delivered Meals | - | - | - | 12,835 |
| Medical assistance | - | - | - | 643,557 |
| Mentally ill case management waived services | - | - | - | 3,195 |
| Mentally retarded family subsidy | - | - | - | 142,560 |
| Mentally retarded waived services | - | - | - | 615,445 |
| MN family investment project employment services | - | - | - | 337,382 |
| MN family investment project child care | - | - | - | 59,010 |
| Relative custody | - | - | - | 407,935 |
| Semi-independent living skills | - | - | - | 453,713 |
| Special medical assistance | - | - | - | 24,375 |
| Traumatic brain injury | - | - | - | 45,615 |
| Alternative Response | - | - | - | 498,513 |
| Worker's compensation subsistence recovery | - | - | - | 8,197 |
| Department of Natural Resources | | | | |
| ATV | - | - | - | 6,696 |
| Boat and water safety | - | - | - | 44,681 |
| Snowmobile safety | - | - | - | 1,965 |
| Lake Superior coastal program | - | - | - | 2,730 |
| State trail assistance | - | - | - | 242,658 |
| Department of Post Board Training | | | | |
| Training reimbursement | - | - | - | 32,429 |
| Department of Public Safety | | | | |
| Bullet proof vests | - | - | - | 2,526 |
| Law enforcement record management | - | - | - | 25,830 |
| Victim emergency fund | - | - | - | 2,000 |
| Total State Grants | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 456,636</u> | <u>\$ 11,010,120</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Special Revenue Funds | | | |
|--|-----------------------|----------------------|----------------------|---------------------|
| | General Fund | Road and Bridge | Social Services | Other |
| Grants (continued) | | | | |
| Federal grants | | | | |
| Department of Agriculture | | | | |
| Food stamps | \$ - | \$ - | \$ 95,857 | \$ - |
| National forest land | 510,649 | - | - | - |
| National forest land - roads and schools | - | 185,570 | - | - |
| Women, infants and children (through Community Health Board) | 434,801 | - | - | - |
| Department of Health & Human Services | | | | |
| Adult integrated fund | - | - | 61,881 | - |
| Bioterrorism | 314,880 | - | - | - |
| Cancer control | 4,000 | - | - | - |
| Chemically dependency | 105,592 | - | - | - |
| Child care | - | - | 116,838 | - |
| Child care resource and referral | - | - | 96,023 | - |
| Children's mental health | - | - | 31,630 | - |
| Childrens Justice Act | - | - | 2,040 | - |
| Foster care | - | - | 308,255 | - |
| Health Disparity | 1,175 | - | - | - |
| Home delivered meals | - | - | 108,749 | - |
| Maternal and child health (through Community Health Board) | 260,892 | - | - | - |
| MN family investment project child care | - | - | 78,988 | - |
| MN family investment project employment services | - | - | 3,667,336 | - |
| Support for emancipation and living functionally | - | - | 33,162 | - |
| Temporary aid for needy families | 176,564 | - | - | - |
| Title XX block grant | - | - | 1,818,533 | - |
| Title IV-B Alternative response | - | - | 289,036 | - |
| Department of Housing and Urban Development | | | | |
| Community development block grants | - | - | - | 3,141,507 |
| Emergency shelter grant | 100,397 | - | - | - |
| Home investment in affordable housing | - | - | - | 915,411 |
| Department of Interior | | | | |
| Payment in lieu of taxes | 675,481 | - | - | - |
| Department of Justice | | | | |
| Bullet proof vests | 136 | - | - | - |
| Criminal apprehension | 25,366 | - | - | - |
| Homeland security grant | 8,217 | - | - | - |
| Law enforcement block grant | 7,560 | - | - | - |
| Law enforcement record management | 651,852 | - | - | - |
| Operation nightcap | 2,465 | - | - | - |
| State and local narcotics control | 104,090 | - | - | - |
| Department of Natural Resources | | | | |
| Lake Superior shoreline project | 29,670 | - | - | - |
| Department of Transportation | | | | |
| Safe and sober | 33,125 | - | - | - |
| Federal highway construction | - | 2,964,641 | - | - |
| Environmental Protection Agency | | | | |
| Radon detection | 6,964 | - | - | - |
| Department of Homeland Security | | | | |
| Boat and water safety grant | 10,000 | - | - | - |
| Emergency management | 46,962 | - | - | - |
| Homeland security grant | 8,995 | - | - | - |
| LETPP terrorism training | 29,770 | - | - | - |
| Liberty shield overtime | 26,656 | - | - | - |
| Total Federal grants | <u>\$ 3,576,259</u> | <u>\$ 3,150,211</u> | <u>\$ 6,708,328</u> | <u>\$ 4,056,918</u> |
| Other grants | | | | |
| Local | | | | |
| Law enforcement record management | \$ 164,492 | \$ - | \$ - | \$ - |
| Total Other grants | <u>\$ 164,492</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Grants | <u>\$ 5,379,065</u> | <u>\$ 3,469,546</u> | <u>\$ 15,195,053</u> | <u>\$ 4,166,028</u> |
| Total Intergovernmental Revenue | <u>\$ 23,873,948</u> | <u>\$ 25,354,112</u> | <u>\$ 37,566,047</u> | <u>\$ 4,203,356</u> |

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Debt Service Funds | Buildings Capital Projects Fund | Solid Waste Management Enterprise Fund | Total |
|--|--------------------------|--|---|----------------------|
| Grants (continued) | | | | |
| Federal grants | | | | |
| Department of Agriculture | | | | |
| Food stamps | \$ - | \$ - | \$ - | \$ 95,857 |
| National forest land | - | - | - | 510,649 |
| National forest land - roads and schools | - | - | - | 185,570 |
| Women, infants and children (through Community Health Board) | - | - | - | 434,801 |
| Department of Health & Human Services | | | | |
| Adult integrated fund | - | - | - | 61,881 |
| Bioterrorism | - | - | - | 314,880 |
| Cancer control | - | - | - | 4,000 |
| Chemically dependency | - | - | - | 105,592 |
| Child care | - | - | - | 116,838 |
| Child care resource and referral | - | - | - | 96,023 |
| Children's mental health | - | - | - | 31,630 |
| Childrens Justice Act | - | - | - | 2,040 |
| Foster care | - | - | - | 308,255 |
| Health Disparity | - | - | - | 1,175 |
| Home delivered meals | - | - | - | 108,749 |
| Maternal and child health (through Community Health Board) | - | - | - | 260,892 |
| MN family investment project child care | - | - | - | 78,988 |
| MN family investment project employment services | - | - | - | 3,667,336 |
| Support for emancipation and living functionally | - | - | - | 33,162 |
| Temporary aid for needy families | - | - | - | 176,564 |
| Title XX block grant | - | - | - | 1,818,533 |
| Title IV-B Alternative response | - | - | - | 289,036 |
| Department of Housing and Urban Development | | | | |
| Community development block grants | - | - | - | 3,141,507 |
| Emergency shelter grant | - | - | - | 100,397 |
| Home investment in affordable housing | - | - | - | 915,411 |
| Department of Interior | | | | |
| Payment in lieu of taxes | - | - | - | 675,481 |
| Department of Justice | | | | |
| Bullet proof vests | - | - | - | 136 |
| Criminal apprehension | - | - | - | 25,366 |
| Homeland security grant | - | - | - | 8,217 |
| Law enforcement block grant | - | - | - | 7,560 |
| Law enforcement record management | - | - | - | 651,852 |
| Operation nightcap | - | - | - | 2,465 |
| State and local narcotics control | - | - | - | 104,090 |
| Department of Natural Resources | | | | |
| Lake Superior shoreline project | - | - | - | 29,670 |
| Department of Transportation | | | | |
| Safe and sober | - | - | - | 33,125 |
| Federal highway construction | - | - | - | 2,964,641 |
| Environmental Protection Agency | | | | |
| Radon detection | - | - | - | 6,964 |
| Department of Homeland Security | | | | |
| Boat and water safety grant | - | - | - | 10,000 |
| Emergency management | - | - | - | 46,962 |
| Homeland security grant | - | - | - | 8,995 |
| LETPP terrorism training | - | - | - | 29,770 |
| Liberty shield overtime | - | - | - | 26,656 |
| Total Federal grants | \$ - | \$ - | \$ - | \$ 17,491,716 |
| Other grants | | | | |
| Local | | | | |
| Law enforcement record management | \$ - | \$ - | \$ - | \$ 164,492 |
| Total Other grants | \$ - | \$ - | \$ - | \$ 164,492 |
| Total Grants | \$ - | \$ - | \$ 456,636 | \$ 28,666,328 |
| Total Intergovernmental Revenue | \$ 1,050,277 | \$ 249,303 | \$ 474,575 | \$ 92,771,618 |

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Schedule 1

ST. LOUIS COUNTY, MINNESOTA
Net Assets by Component
Last Four Fiscal Years
 (accrual basis of accounting)

| | Fiscal Year | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 243,544,232 | \$ 254,742,638 | \$ 281,959,954 | \$ 284,598,787 |
| Restricted | 21,418,157 | 35,063,432 | 24,856,136 | 39,322,091 |
| Unrestricted | 57,962,130 | 52,677,107 | 59,476,907 | 64,772,037 |
| Total governmental activities net assets | \$ 322,924,519 | \$ 342,483,177 | \$ 366,292,997 | \$ 388,692,915 |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 14,469,618 | \$ 13,926,745 | \$ 14,390,848 | \$ 14,201,467 |
| Restricted | 1,546,884 | 1,380,436 | 1,695,220 | 1,354,381 |
| Unrestricted | 11,240,066 | 10,518,855 | 8,482,084 | 8,846,260 |
| Total business-type activities net assets | \$ 27,256,568 | \$ 25,826,036 | \$ 24,568,152 | \$ 24,402,108 |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 258,013,850 | \$ 268,669,383 | \$ 296,350,802 | \$ 298,800,254 |
| Restricted | 22,965,041 | 36,443,868 | 26,551,356 | 40,676,472 |
| Unrestricted | 69,202,196 | 63,195,962 | 67,958,991 | 73,618,297 |
| Total primary government net assets | \$ 350,181,087 | \$ 368,309,213 | \$ 390,861,149 | \$ 413,095,023 |

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Schedule 2

ST. LOUIS COUNTY, MINNESOTA
Changes in Net Assets
Last Four Fiscal Years
 (accrual basis of accounting)

| | Fiscal Year | | | |
|---|-------------------------|-------------------------|------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Expenses | | | | |
| Governmental activities | | | | |
| General government | \$ 30,120,215 | \$ 33,163,387 | \$ 30,524,381 | \$ 29,100,780 |
| Public safety | 32,573,217 | 32,616,921 | 32,556,130 | 36,138,644 |
| Highways and streets | 40,810,535 | 46,286,039 | 44,489,431 | 46,721,613 |
| Health and sanitation | 6,489,683 | 6,561,149 | 6,493,633 | 6,148,241 |
| Human services | 71,896,032 | 69,908,477 | 62,014,749 | 61,265,538 |
| Culture and recreation | 1,204,686 | 1,116,401 | 1,727,935 | 1,314,472 |
| Conservation of natural resources | 6,727,307 | 5,752,492 | 6,736,966 | 6,941,801 |
| Economic development | 3,612,842 | 3,998,107 | 3,579,409 | 4,318,448 |
| Interest on long-term debt | 1,598,511 | 1,320,624 | 1,265,887 | 1,696,061 |
| Total governmental activities expenses | <u>195,033,028</u> | <u>200,723,597</u> | <u>189,388,521</u> | <u>193,645,598</u> |
| Business-type activities | | | | |
| Solid Waste Management | 5,806,246 | 5,909,965 | 5,883,928 | 6,247,826 |
| Chris Jensen Health and Rehabilitation Center | 13,376,137 | 15,214,467 | 15,695,780 | 15,283,241 |
| Other Enterprise Funds | 10,085,695 | 3,387,444 | 3,240,342 | 3,081,251 |
| Total business-type activities expenses | <u>29,268,078</u> | <u>24,511,876</u> | <u>24,820,050</u> | <u>24,612,318</u> |
| Total primary government expenses | <u>\$ 224,301,106</u> | <u>\$ 225,235,473</u> | <u>\$ 214,208,571</u> | <u>\$ 218,257,916</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 6,599,322 | \$ 7,902,502 | \$ 7,824,624 | \$ 8,132,846 |
| Public safety | 1,793,500 | 1,671,199 | 2,202,944 | 1,887,999 |
| Highways and streets | 2,072,733 | 2,111,520 | 3,121,653 | 1,613,892 |
| Health and sanitation | 1,672,737 | 1,392,001 | 1,692,543 | 1,911,070 |
| Human services | 17,473,829 | 16,873,401 | 16,283,231 | 19,394,617 |
| Culture and recreation | 12,000 | 12,000 | 12,000 | - |
| Conservation of natural resources | 8,816,464 | 9,630,145 | 10,399,237 | 14,713,043 |
| Economic development | 81,082 | - | 41,795 | 27,004 |
| Operating grants and contributions | 42,190,233 | 43,115,156 | 36,553,108 | 40,133,061 |
| Capital grants and contributions | - | 4,387,127 | 26,934,552 | 9,860,471 |
| Total governmental activities program revenues | <u>80,711,900</u> | <u>87,095,051</u> | <u>105,065,687</u> | <u>97,674,003</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Solid Waste Management | 5,176,566 | 5,099,943 | 5,441,373 | 5,557,064 |
| Chris Jensen Health and Rehabilitation Center | 11,019,604 | 13,666,733 | 13,814,668 | 14,644,607 |
| Other Enterprise Funds | 8,545,922 | 3,541,385 | 3,190,043 | 3,167,878 |
| Operating grants and contributions | 506,416 | 417,607 | 455,258 | 474,575 |
| Total business-type activities program revenues | <u>25,248,508</u> | <u>22,725,668</u> | <u>22,901,342</u> | <u>23,844,124</u> |
| Total primary government program revenues | <u>\$ 105,960,408</u> | <u>\$ 109,820,719</u> | <u>\$ 127,967,029</u> | <u>\$ 121,518,127</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (114,321,128) | \$ (113,628,546) | \$ (84,322,834) | \$ (95,971,595) |
| Business-type activities | (4,019,570) | (1,786,208) | (1,918,708) | (768,184) |
| Total primary government net expense | <u>\$ (118,340,698)</u> | <u>\$ (115,414,754)</u> | <u>\$ (86,241,542)</u> | <u>\$ (96,739,789)</u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | \$ 76,723,143 | \$ 76,975,884 | \$ 81,653,199 | \$ 80,830,475 |
| Property taxes, levied for debt service | 3,904,705 | 4,741,101 | 4,675,978 | 5,518,701 |
| State shared | 41,721,817 | 43,418,625 | 19,359,587 | 27,435,818 |
| Federal shared | 475,482 | 626,757 | 510,000 | 1,186,130 |
| Investment earnings | 3,574,769 | 1,806,307 | 1,805,371 | 4,127,976 |
| Contributions to Permanent Fund | 3,281,915 | 365,163 | 302,857 | 107,310 |
| Miscellaneous | 275,798 | 158,186 | 219,662 | 168,919 |
| Special items - capital asset adjustments | 6,180,236 | - | - | (1,003,816) |
| Transfers | (2,414,056) | - | (394,000) | - |
| Total governmental activities | <u>133,723,809</u> | <u>128,092,023</u> | <u>108,132,654</u> | <u>118,371,513</u> |
| Business-type activities | | | | |
| Taxes | | | | |
| Property taxes, levied for debt service | 10,951 | 118,458 | 119,525 | 194,310 |
| Investment earnings | 485,097 | 237,218 | 147,299 | 407,840 |
| Special items - capital asset adjustments | (2,324,520) | - | - | - |
| Transfers | 2,414,056 | - | 394,000 | - |
| Total business-type activities | <u>585,584</u> | <u>355,676</u> | <u>660,824</u> | <u>602,150</u> |
| Total primary government | <u>\$ 134,309,393</u> | <u>\$ 128,447,699</u> | <u>\$ 108,793,478</u> | <u>\$ 118,973,663</u> |
| Changes in Net Assets | | | | |
| Governmental activities | \$ 19,402,681 | \$ 14,463,477 | \$ 23,809,820 | \$ 22,399,918 |
| Business-type activities | (3,433,986) | (1,430,532) | (1,257,884) | (166,044) |
| Total primary government | <u>\$ 15,968,695</u> | <u>\$ 13,032,945</u> | <u>\$ 22,551,936</u> | <u>\$ 22,233,874</u> |

Schedule 3

ST. LOUIS COUNTY, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Reserved | \$ 2,595,930 | \$ 3,045,922 | \$ 2,917,597 | \$ 3,878,474 |
| Unreserved | 14,062,067 | 15,819,983 | 18,917,839 | 21,206,438 |
| Total general fund | <u>\$ 16,657,997</u> | <u>\$ 18,865,905</u> | <u>\$ 21,835,436</u> | <u>\$ 25,084,912</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 3,578,670 | \$ 4,422,852 | \$ 4,892,360 | \$ 6,227,799 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 9,788,147 | 13,587,639 | 15,881,312 | 20,224,550 |
| Capital projects funds | 809,632 | 3,350,558 | 1,519,642 | 1,308,718 |
| Debt service funds | 453,667 | 182,928 | 571,671 | 674,677 |
| Total all other government funds | <u>\$ 14,630,116</u> | <u>\$ 21,543,977</u> | <u>\$ 22,864,985</u> | <u>\$ 28,435,744</u> |

Note: Beginning in 2002, the Permanent Fund is included as part of All Other Governmental Funds

Schedule 3

ST. LOUIS COUNTY, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| \$ 4,382,632 | \$ 3,109,111 | \$ 3,427,822 | \$ 4,359,705 | \$ 5,149,919 | \$ 5,309,045 |
| 24,528,641 | 26,566,261 | 26,005,574 | 25,148,993 | 26,747,457 | 33,761,123 |
| <u>\$ 28,911,273</u> | <u>\$ 29,675,372</u> | <u>\$ 29,433,396</u> | <u>\$ 29,508,698</u> | <u>\$ 31,897,376</u> | <u>\$ 39,070,168</u> |
| | | | | | |
| \$ 4,396,818 | \$ 3,923,463 | \$ 13,675,950 | \$ 13,163,407 | \$ 14,005,286 | \$ 14,525,061 |
| 22,336,173 | 29,782,861 | 29,916,085 | 35,179,919 | 41,382,779 | 42,349,756 |
| 1,191,207 | 8,723,849 | 3,398,760 | 1,721,331 | 14,998,627 | 17,650,526 |
| 526,484 | 576,166 | 886,715 | 1,339,311 | 1,643,499 | 4,820,996 |
| <u>\$ 28,450,682</u> | <u>\$ 43,006,339</u> | <u>\$ 47,877,510</u> | <u>\$ 51,403,968</u> | <u>\$ 72,030,191</u> | <u>\$ 79,346,339</u> |

Schedule 4

ST. LOUIS COUNTY, MINNESOTA
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|--|---------------------|----------------------|---------------------|---------------------|
| Revenues | | | | |
| Taxes | \$ 66,549,439 | \$ 67,980,097 | \$ 70,018,231 | \$ 74,838,716 |
| Licenses | 132,057 | 138,169 | 155,517 | 160,899 |
| Intergovernmental | 87,077,291 | 85,051,412 | 81,410,649 | 87,620,831 |
| Charges for services | 7,138,403 | 7,742,466 | 8,064,994 | 8,191,021 |
| Fines and forfeits | 888,913 | 941,739 | 1,304,540 | 1,518,384 |
| Earnings on investments | 2,627,480 | 3,039,124 | 3,641,214 | 4,288,873 |
| Gifts and contributions | 18,924 | 35,767 | 27,318 | 16,019 |
| Land and timber sales | - | - | - | - |
| Miscellaneous | 1,999,953 | 3,037,407 | 2,955,113 | 2,374,200 |
| Total revenues | <u>166,432,460</u> | <u>167,966,181</u> | <u>167,577,576</u> | <u>179,008,943</u> |
| Expenditures | | | | |
| General government | 19,877,651 | 20,703,016 | 22,286,171 | 24,135,233 |
| Public safety | 14,474,734 | 14,873,823 | 16,685,479 | 17,857,693 |
| Highways and streets | 41,537,019 | 37,870,953 | 35,568,624 | 39,047,314 |
| Health and sanitation | 5,483,507 | 5,343,266 | 5,586,413 | 5,778,632 |
| Human services | 64,437,800 | 61,004,376 | 62,057,460 | 65,468,999 |
| Culture and recreation | 898,492 | 975,862 | 865,786 | 1,494,552 |
| Conservation of natural resources | 812,063 | 701,061 | 776,181 | 782,214 |
| Economic development | 3,396,006 | 4,045,476 | 3,662,411 | 4,169,249 |
| Capital outlay | 5,534,279 | 8,679,244 | 6,208,048 | 4,380,477 |
| Debt service: | | | | |
| Principal | 1,186,033 | 1,255,103 | 1,621,314 | 1,683,327 |
| Interest and other charges | 909,940 | 1,032,778 | 1,093,168 | 1,048,423 |
| Intergovernmental | 6,127,021 | 7,033,887 | 7,411,071 | 8,336,192 |
| Total Expenditures | <u>164,674,545</u> | <u>163,518,845</u> | <u>163,822,126</u> | <u>174,182,305</u> |
| Excess of revenues over (under) expenditures | <u>1,757,915</u> | <u>4,447,336</u> | <u>3,755,450</u> | <u>4,826,638</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,277,370 | 618,332 | 1,408,390 | 342,771 |
| Transfers out | (1,277,370) | (703,264) | (1,408,390) | (622,721) |
| Sale of capital assets | - | - | - | - |
| Bonds issued | - | 5,216,621 | - | 4,000,000 |
| Refunding bonds issued | - | - | - | - |
| Bond premium proceeds | - | - | - | - |
| Capital leases | - | 847,000 | 96,156 | 14,046 |
| Loan proceeds | 224,995 | - | 328,685 | 7,000 |
| Total other financing sources (uses) | <u>224,995</u> | <u>5,978,689</u> | <u>424,841</u> | <u>3,741,096</u> |
| Net change in fund balances | <u>\$ 1,982,910</u> | <u>\$ 10,426,025</u> | <u>\$ 4,180,291</u> | <u>\$ 8,567,734</u> |
| Debt service as a percentage of noncapital expenditures | 1.3% | 1.5% | 1.7% | 1.6% |

Schedule 4

ST. LOUIS COUNTY, MINNESOTA
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

| Fiscal Year | | | | | |
|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| \$ 76,677,130 | \$ 83,738,659 | \$ 80,580,107 | \$ 81,545,253 | \$ 86,425,663 | \$ 86,468,064 |
| 149,168 | 158,961 | 156,541 | 155,927 | 150,938 | 149,306 |
| 98,031,076 | 93,330,327 | 99,966,871 | 99,134,331 | 105,178,549 | 95,226,136 |
| 7,890,897 | 8,320,094 | 9,906,530 | 10,527,851 | 10,586,660 | 10,082,260 |
| 1,664,922 | 1,770,230 | 1,660,585 | 1,592,818 | 1,622,789 | 967,127 |
| 4,767,469 | 4,399,700 | 2,772,496 | 1,500,489 | 1,534,185 | 3,633,796 |
| 22,308 | 15,170 | 8,368 | 12,045 | 70,271 | 169,154 |
| - | 7,639,745 | 12,238,312 | 9,549,773 | 10,187,185 | 10,293,444 |
| 2,782,276 | 3,092,557 | 2,632,945 | 3,702,711 | 5,018,805 | 4,511,866 |
| <u>191,985,246</u> | <u>202,465,443</u> | <u>209,922,755</u> | <u>207,721,198</u> | <u>220,775,045</u> | <u>211,501,153</u> |
| 26,019,233 | 26,049,479 | 27,407,335 | 28,503,167 | 30,638,894 | 27,142,182 |
| 19,316,354 | 20,656,775 | 22,160,090 | 22,739,141 | 23,292,165 | 25,622,367 |
| 48,565,287 | 41,692,425 | 26,942,419 | 29,871,734 | 27,507,107 | 33,458,062 |
| 5,887,119 | 6,496,054 | 6,443,495 | 6,393,032 | 6,422,388 | 6,328,366 |
| 66,575,230 | 68,918,646 | 71,463,828 | 68,312,144 | 60,857,463 | 60,302,517 |
| 1,028,462 | 1,253,810 | 1,197,054 | 1,401,759 | 1,668,794 | 1,253,974 |
| 892,776 | 9,457,898 | 6,517,680 | 5,935,528 | 6,117,557 | 6,708,815 |
| 4,095,954 | 4,672,426 | 3,608,162 | 3,996,222 | 3,545,611 | 4,323,387 |
| 3,528,135 | 10,180,270 | 29,173,329 | 20,512,869 | 38,511,561 | 24,670,343 |
| 2,505,142 | 3,262,998 | 10,897,692 | 4,172,049 | 5,342,989 | 4,878,581 |
| 1,140,917 | 1,475,630 | 1,554,057 | 1,388,281 | 1,218,003 | 1,704,141 |
| 8,803,477 | 9,226,061 | 10,960,962 | 11,207,649 | 10,543,036 | 11,216,102 |
| <u>188,358,086</u> | <u>203,342,472</u> | <u>218,326,103</u> | <u>204,433,575</u> | <u>215,665,568</u> | <u>207,608,837</u> |
| <u>3,627,160</u> | <u>(877,029)</u> | <u>(8,403,348)</u> | <u>3,287,623</u> | <u>5,109,477</u> | <u>3,892,316</u> |
| 129,569 | 692,407 | 12,849,724 | 3,961,400 | 3,774,887 | 4,064,829 |
| (399,333) | (784,392) | (15,263,780) | (3,403,400) | (4,168,887) | (4,064,829) |
| - | - | - | - | - | 899,565 |
| - | 14,270,000 | 12,415,000 | - | 17,645,000 | 6,115,000 |
| - | - | - | - | - | 2,840,000 |
| - | - | 171,268 | - | 126,120 | 168,361 |
| - | - | - | - | - | - |
| 18,000 | 273,875 | 27,000 | 38,535 | 79,000 | - |
| <u>(251,764)</u> | <u>14,451,890</u> | <u>10,199,212</u> | <u>596,535</u> | <u>17,456,120</u> | <u>10,022,926</u> |
| <u>\$ 3,375,396</u> | <u>\$ 13,574,861</u> | <u>\$ 1,795,864</u> | <u>\$ 3,884,158</u> | <u>\$ 22,565,597</u> | <u>\$ 13,915,242</u> |

2.0%

2.5%

6.6%

3.0%

3.7%

3.6%

Unaudited

Schedule 5

ST. LOUIS COUNTY, MINNESOTA
Tax Capacity and Market Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year Ended December 31 | Residential Homestead Property | Agricultural Property | Commercial/ Industrial Property | Non- Homestead Residential Property |
|--|---|----------------------------------|--|--|
| 1996 | \$ 36,985,390 | \$ 1,696,272 | \$ 31,279,970 | \$ 8,838,263 |
| 1997 | 40,148,541 | 1,757,163 | 33,459,459 | 9,806,393 |
| 1998 | 41,711,398 | 1,657,960 | 30,391,504 | 8,742,371 |
| 1999 | 43,602,238 | 1,744,884 | 28,468,649 | 7,040,314 |
| 2000 | 46,212,338 | 1,929,531 | 28,959,891 | 7,164,288 |
| 2001 | 51,067,099 | 2,168,793 | 30,172,888 | 7,901,761 |
| 2002 | 48,461,383 | 2,032,882 | 19,263,426 | 7,330,852 |
| 2003 | 53,637,838 | 2,457,744 | 19,753,640 | 7,423,407 |
| 2004 | 59,887,536 | 2,793,361 | 22,854,952 | 8,739,194 |
| 2005 | 68,144,773 | 3,250,079 | 25,640,672 | 11,016,672 |

Source: St. Louis County Auditor

Schedule 5

ST. LOUIS COUNTY, MINNESOTA
Tax Capacity and Market Value of Taxable Property
Last Ten Fiscal Years

| Commercial/ Residential/ Seasonal/ Recreational Property | Total Net Tax Capacity by Property Type | Total County Tax Rate Per \$100 of Taxable Net Tax Capacity | Estimated Market Value | Total Net Tax Capacity as a Percentage of Estimated Market Value |
|---|--|--|---------------------------------------|---|
| \$ 8,219,226 | \$ 87,019,121 | 60.6574 | \$ 5,052,522,300 | 1.72% |
| 8,126,420 | 93,297,976 | 57.4892 | 5,438,473,600 | 1.72% |
| 7,577,330 | 90,080,563 | 63.8193 | 5,754,726,300 | 1.57% |
| 7,569,240 | 88,425,325 | 67.8846 | 6,140,638,100 | 1.44% |
| 7,087,965 | 91,354,013 | 69.5235 | 6,588,401,200 | 1.39% |
| 7,848,648 | 99,159,189 | 67.8693 | 7,323,117,800 | 1.35% |
| 6,848,552 | 83,937,095 | 89.0068 | 8,145,767,000 | 1.03% |
| 7,907,779 | 91,180,408 | 83.4794 | 9,092,489,400 | 1.00% |
| 9,099,194 | 103,374,237 | 79.0219 | 10,411,976,900 | 0.99% |
| 10,757,806 | 118,810,002 | 68.9902 | 11,926,897,700 | 1.00% |

Schedule 6

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

| Fiscal Year Ended December 31 | County Direct Tax Rates Per \$100 of Taxable Net Tax Capacity | | | | |
|--|---|----------------------|-----------------------------|---|---------|
| | General Levy | Debt Service Levy | Regional Library Levy | Regional Solid Waste Debt Service Levy | Total |
| 1996 | 58.3790 | 0.8999 | 0.2923 | 1.0863 | 60.6574 |
| 1997 | 54.8065 | 1.1049 | 0.2958 | 1.2821 | 57.4892 |
| 1998 | 59.7082 | 2.2595 | 0.3379 | 1.5137 | 63.8193 |
| 1999 | 64.0266 | 2.2912 | 0.3803 | 1.1865 | 67.8846 |
| 2000 | 65.1481 | 2.9546 | 0.3866 | 1.0341 | 69.5235 |
| 2001 | 64.4464 | 3.0459 | 0.3770 | - | 67.8693 |
| 2002 | 83.2145 | 5.2787 | 0.5135 | - | 89.0068 |
| 2003 | 77.1046 | 5.9133 | 0.4615 | - | 83.4794 |
| 2004 | 73.3240 | 5.2636 | 0.4343 | - | 79.0219 |
| 2005 | 63.1792 | 5.3789 | 0.4321 | - | 68.9902 |

Note: For 2002, the State assumed school levy responsibilities.

Source: St. Louis County Auditor

Schedule 6

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Overlapping Rates

| <u>Independent School District #94</u> | <u>Independent School District #381</u> | <u>Independent School District #698</u> | <u>Independent School District #2142</u> |
|--|---|---|--|
| 43.9340 | 37.3866 | 69.5781 | 40.4264 |
| 45.1834 | 40.1085 | 58.2193 | 37.6036 |
| 45.6374 | 40.8047 | 60.9664 | 34.2993 |
| 50.1784 | 42.7203 | 64.3897 | 34.2581 |
| 45.0645 | 36.9052 | 52.4279 | 33.6357 |
| 38.5729 | 32.7404 | 68.2504 | 32.8102 |
| 33.3146 | 33.1304 | 30.2049 | 9.4238 |
| 31.8687 | 27.0203 | 60.1461 | 4.1740 |
| 32.0967 | 22.5780 | 42.5884 | 2.3800 |
| 30.6592 | 19.1340 | 41.4278 | 3.8191 |

Schedule 7

**ST. LOUIS COUNTY, MINNESOTA
Principal Property Tax Payers
Current Year and Nine Years Ago**

| <u>Taxpayer</u> | <u>2005</u> | | | <u>1996</u> | | |
|----------------------------------|---------------------------------------|-------------|---|---------------------------------------|-------------|---|
| | <u>Net Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Net Tax Capacity Value</u> | <u>Net Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Net Tax Capacity Value</u> |
| Minnesota Power | \$ 3,400,332 | 1 | 2.86% | \$ 2,119,041 | 1 | 2.44% |
| Consolidated Papers, Inc. | 926,016 | 2 | 0.78% | | | |
| Trinity Court | 679,318 | 3 | 0.57% | | | |
| Great Lakes Gas Transmission Co. | 596,645 | 4 | 0.50% | 1,030,837 | 4 | 1.18% |
| Enbridge Energy Ltd | 563,249 | 5 | 0.47% | | | |
| Duluth Winnipeg & Pacific RR | 522,406 | 6 | 0.44% | | | |
| DM & IR Railway | 489,633 | 7 | 0.41% | | | |
| Northern States Power | 473,882 | 8 | 0.40% | 1,059,959 | 3 | 1.22% |
| IRET Properties | 424,560 | 9 | 0.36% | | | |
| USX Corp | 335,556 | 10 | 0.28% | | | |
| Lake Superior Paper Ltd | | | | 1,937,318 | 2 | 2.23% |
| Minnesota Power | | | | 979,363 | 5 | 1.13% |
| Square Butte Electric Coop | | | | 923,363 | 6 | 1.06% |
| Minnesota Power | | | | 835,355 | 7 | 0.96% |
| Miller Hill Mall Co | | | | 657,111 | 8 | 0.76% |
| Minnesota Power | | | | 297,141 | 9 | 0.34% |
| Duluth Clinic | | | | 292,943 | 10 | 0.34% |
| | <u>\$ 8,411,597</u> | | <u>7.08%</u> | <u>\$ 10,132,431</u> | | <u>11.64%</u> |

Source: St. Louis County Auditor

Schedule 8

ST. LOUIS COUNTY, MINNESOTA
Property Tax Levies and Collections
Last Ten Fiscal Years

| <u>Fiscal Year Ended December 31</u> | <u>Taxes Levied for the Fiscal Year (1)</u> | <u>Collected within the Fiscal Year of the Levy</u> | | <u>Collections in Subsequent Years (3)</u> | <u>Total Collections to Date</u> | |
|--------------------------------------|---|---|---------------------------|--|----------------------------------|---------------------------|
| | | <u>Amount (2)</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 1996 | \$ 50,519,787 | \$ 49,036,725 | 97.06% | \$ 1,288,820 | \$ 50,325,545 | 99.62% |
| 1997 | 51,976,882 | 50,413,050 | 96.99% | 1,243,262 | 51,656,312 | 99.38% |
| 1998 | 53,917,233 | 51,803,156 | 96.08% | 1,871,820 | 53,674,976 | 99.55% |
| 1999 | 55,130,131 | 53,599,933 | 97.22% | 1,420,948 | 55,020,881 | 99.80% |
| 2000 | 58,510,889 | 56,746,094 | 96.98% | 1,381,830 | 58,127,924 | 99.35% |
| 2001 | 61,998,393 | 60,233,499 | 97.15% | 1,393,466 | 61,626,965 | 99.40% |
| 2002 | 60,673,939 | 59,169,622 | 97.52% | 1,079,182 | 60,248,804 | 99.30% |
| 2003 | 62,241,475 | 60,638,733 | 97.42% | 1,115,243 | 61,753,976 | 99.22% |
| 2004 | 67,080,535 | 65,115,787 | 97.07% | 1,083,428 | 66,199,215 | 98.69% |
| 2005 | 67,615,098 | 65,797,651 | 97.31% | - | 65,797,651 | 97.31% |

Notes:

- (1) - Excludes tax credits and certain state aids.
- (2) - Includes some small amounts that are not a part of the certified levy.
- (3) - Amounts are adjusted annually until the applicable year is dropped from the records, after 7 years.

Source: St. Louis County Auditor - Tax Levy Status Report

Schedule 9

ST. LOUIS COUNTY, MINNESOTA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | |
|--------------------|---|---|--------------------------------------|
| | General Obligation Bonds | General Obligation Revenue Notes | Tax Lease Obligations |
| 1996 | \$ 2,425,000 | \$ - | \$ 13,070,000 |
| 1997 | 2,340,000 | - | 17,515,000 |
| 1998 | 2,250,000 | 217,900 | 16,400,000 |
| 1999 | 6,150,000 | 224,900 | 15,235,000 |
| 2000 | 5,290,000 | 244,055 | 14,020,000 |
| 2001 | 18,020,000 | 518,809 | 12,745,000 |
| 2002 | 28,997,862 | 546,204 | 3,915,000 |
| 2003 | 25,264,664 | 584,960 | 3,605,000 |
| 2004 | 38,154,023 | 552,517 | 3,280,000 |
| 2005 | 42,752,926 | 547,836 | 2,940,000 |

Source:

See Schedule 13 for population and personal income data.

Schedule 9

ST. LOUIS COUNTY, MINNESOTA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| | Business Activities | | | |
|---------------------------|---|---|--|-----------------------|
| Capital Leases | General Obligation Bonds | Total Primary Government | Percentage of Personal Income | Per Capita |
| \$ 3,207,642 | \$ 10,691,142 | \$ 29,393,784 | 0.67% | \$ 148 |
| 3,705,034 | 6,772,014 | 30,332,048 | 0.67% | 152 |
| 3,374,096 | 5,562,403 | 27,804,399 | 0.58% | 140 |
| 2,505,603 | 4,000,184 | 28,115,687 | 0.56% | 140 |
| 2,052,626 | 3,183,960 | 24,790,641 | 0.47% | 124 |
| 1,583,630 | 2,327,736 | 35,195,175 | 0.66% | 175 |
| 791,287 | 600,000 | 34,850,353 | 0.62% | 174 |
| 604,459 | 515,000 | 30,574,083 | 0.53% | 154 |
| 541,162 | 420,000 | 42,947,702 | 0.70% | 217 |
| 482,900 | 320,000 | 47,043,662 | Not Available | 239 |

Schedule 10

ST. LOUIS COUNTY, MINNESOTA
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Bonded Debt Outstanding | | | | | Percentage of Estimated Market Value | Per Capita |
|-------------|---------------------------------|----------------------------------|-----------------------|-----------------------------------|-------------------------------------|--------------------------------------|------------|
| | General Obligation Bonds | General Obligation Revenue Notes | Tax Lease Obligations | Restricted for Principal Payments | Net General Bonded Debt Outstanding | | |
| 1996 | \$ 2,425,000 | \$ - | \$ 13,070,000 | \$ 42,537 | \$ 15,452,463 | 0.31% | \$ 78 |
| 1997 | 2,340,000 | - | 17,515,000 | 48,907 | 19,806,093 | 0.36% | 99 |
| 1998 | 2,250,000 | 217,900 | 16,400,000 | 149,289 | 18,718,611 | 0.33% | 94 |
| 1999 | 6,150,000 | 224,900 | 15,235,000 | 149,577 | 21,460,323 | 0.35% | 107 |
| 2000 | 5,290,000 | 244,055 | 14,020,000 | 59,554 | 19,494,501 | 0.30% | 97 |
| 2001 | 18,020,000 | 518,809 | 12,745,000 | - | 31,283,809 | 0.43% | 156 |
| 2002 | 28,997,862 | 546,204 | 3,915,000 | 33,056 | 33,426,010 | 0.41% | 167 |
| 2003 | 25,264,664 | 584,960 | 3,605,000 | 374,132 | 29,080,492 | 0.32% | 146 |
| 2004 | 38,154,023 | 552,517 | 3,280,000 | 679,753 | 41,306,787 | 0.40% | 208 |
| 2005 | 42,752,926 | 547,836 | 2,940,000 | 3,542,947 | 42,697,815 | 0.36% | 217 |

Sources:

See Schedule 5 for Estimated Market Values

See Schedule 13 for population data.

Schedule 11

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Governmental Activities Debt
As of December 31, 2005

| Governmental Unit | Debt Outstanding | Percentage Applicable* | Share of Debt |
|--|-------------------------|-------------------------------|------------------------------|
| Direct Debt | | | |
| St. Louis County | \$ 46,240,762 | 100.00% | \$ 46,240,762 |
| Overlapping Debt | | | |
| School District #94 | 24,180,000 | 4.67% | 1,129,206 |
| School District #381 | 36,095,000 | 17.21% | 6,211,950 |
| School District #698 | 11,910,000 | 97.06% | 11,559,846 |
| School District #2142 | 740,000 | 99.61% | 737,114 |
| Western Lake Superior Sanitary District | 58,634,072 | 82.83% | <u>48,566,602</u> |
| Subtotal, overlapping debt | | | <u>68,204,718</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 114,445,480</u></u> |

*Applicable percentages were estimated by determining the portion of another governmental unit's net tax capacity that is within the county's boundaries and dividing it by each unit's total net tax capacity.

Schedule 12

ST. LOUIS COUNTY, MINNESOTA
Legal Debt Margin Information
Last Ten Fiscal Years

| | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Market value of taxable property | <u>\$ 5,078,155,264</u> | <u>\$ 5,427,265,250</u> | <u>\$ 5,741,577,330</u> | <u>\$ 6,090,275,600</u> |
| Debt limit (2% of market value) | 101,563,105 | 108,545,305 | 114,831,547 | 121,805,512 |
| Debt applicable to limit: | | | | |
| General obligation bonds | 26,186,142 | 26,627,014 | 24,430,303 | 25,610,084 |
| Less: Amount set aside for repayment of general obligation debt | <u>(3,399,415)</u> | <u>(290,206)</u> | <u>(701,076)</u> | <u>(685,582)</u> |
| Total net debt applicable to limit | 22,786,727 | 26,336,808 | 23,729,227 | 24,924,502 |
| Legal debt margin | <u>\$ 78,776,378</u> | <u>\$ 82,208,497</u> | <u>\$ 91,102,320</u> | <u>\$ 96,881,010</u> |
| Total net debt applicable to the limit as a percentage of the debt limit | 22.44% | 24.26% | 20.66% | 20.46% |

Source: St. Louis County Auditor - Abstract of Tax Lists

Schedule 12

ST. LOUIS COUNTY, MINNESOTA
 Legal Debt Margin Information
Last Ten Fiscal Years

| Fiscal Year | | | | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| \$ 6,445,493,100 | \$ 6,964,507,000 | \$ 7,561,771,500 | \$ 8,315,406,800 | \$ 9,405,452,818 | \$ 10,797,377,000 |
| 128,909,862 | 139,290,140 | 151,235,430 | 166,308,136 | 188,109,056 | 215,947,540 |
| 22,738,015 | 33,611,545 | 34,059,066 | 29,969,624 | 42,406,540 | 46,560,761 |
| (1,736,508) | (1,807,360) | (886,715) | (1,339,311) | (1,643,499) | (4,820,996) |
| 21,001,507 | 31,804,185 | 33,172,351 | 28,630,313 | 40,763,041 | 41,739,765 |
| \$ 107,908,355 | \$ 107,485,955 | \$ 118,063,079 | \$ 137,677,823 | \$ 147,346,015 | \$ 174,207,775 |
| 16.29% | 22.83% | 21.93% | 17.22% | 21.67% | 19.33% |

Schedule 13

ST. LOUIS COUNTY, MINNESOTA
Demographic and Economic Statistics
Last Ten Fiscal Years

| <u>Year</u> | <u>Population (1)</u> | <u>Personal Income (thousands of dollars) (1)</u> | <u>Per Capita Personal Income (1)</u> | <u>Annual Average Labor Force (2)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rate (2)</u> |
|-------------|-----------------------|---|---|---|----------------------------------|----------------------------------|
| 1996 | 198,840 | \$ 4,404,710 | \$ 22,152 | 102,440 | 32,902 | 5.6% |
| 1997 | 199,649 | 4,519,299 | 22,636 | 103,548 | 32,762 | 5.0% |
| 1998 | 199,160 | 4,799,238 | 24,097 | 104,549 | 31,928 | 4.1% |
| 1999 | 200,164 | 4,976,627 | 24,863 | 104,278 | 31,117 | 4.0% |
| 2000 | 200,430 (4) | 5,260,420 | 26,246 | 103,884 | 30,313 | 4.4% |
| 2001 | 200,810 (4) | 5,356,256 | 26,673 | 108,951 | 29,388 | 5.7% |
| 2002 | 199,867 (4) | 5,606,880 | 28,053 | 108,622 | 28,776 | 5.2% |
| 2003 | 199,160 (4) | 5,802,759 | 29,136 | 109,631 | 28,245 | 5.5% |
| 2004 | 198,135 (4) | 6,148,548 | 31,032 | 105,293 | 27,523 | 5.8% |
| 2005 | 197,179 (4) | Not Available | Not Available | 104,581 | 26,659 | 4.9% |

Sources:

- (1) - US Department of Commerce, Bureau of Economic Analysis (www.bea.gov/bea/regional)
- (2) - US Department of Labor, Bureau of Labor Statistics (www.bls.gov/lau/)
- (3) - Minnesota Department of Education (<http://education.state.mn.us>)
- (4) - US Bureau of Census (factfinder.census.gov)

Schedule 14

**ST. LOUIS COUNTY, MINNESOTA
Principal Employers
Current Year and Five Years Ago**

| Employer | 2005 | | | 2000 (Most Historical Data Available) | | |
|--|------------------|-------------|--|--|-------------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| St. Mary's/Duluth Clinic Health System | 4,665 | 1 | 4.46% | 5,196 | 1 | 5.00% |
| Benedictine Healthcare System | 3,593 | 2 | 3.44% | 3,139 | 2 | 3.02% |
| St. Louis County | 2,126 | 3 | 2.03% | 2,254 | 3 | 2.17% |
| University of Minnesota Duluth | 1,700 | 4 | 1.63% | 1,391 | 6 | 1.34% |
| St. Luke's Hospital | 1,592 | 5 | 1.52% | 1,275 | 9 | 1.23% |
| United States Steel (USX) | 1,500 | 6 | 1.43% | 1,650 | 4 | 1.59% |
| Duluth Public Schools | 1,426 | 7 | 1.36% | 1,508 | 5 | 1.45% |
| Allete | 1,400 | 8 | 1.34% | 1,278 | 8 | 1.23% |
| Minntac | 1,189 | 9 | 1.14% | | | |
| Canadian National Railway | 1,100 | 10 | 1.05% | | | |
| LTV Steel Mining | | | | 1,390 | 7 | 1.34% |
| Northwest Airlines | | | | 944 | 10 | 0.91% |
| Total | 20,291 | | 19.40% | 20,025 | | 19.28% |

Sources:

- Northland Connection (www.northlandconnection.com/industries/eading.php)
- University of Minnesota Duluth (www.irr.umn.edu/plandata/pd)
- US Department of Education (nces.ed.gov/ccd/bat/)

Schedule 15

ST. LOUIS COUNTY, MINNESOTA
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| General government | 461.90 | 472.40 | 484.40 | 489.00 |
| Public safety | 233.45 | 245.90 | 251.40 | 255.40 |
| Highways and streets | 336.00 | 337.00 | 342.00 | 342.00 |
| Health and sanitation | 101.25 | 101.25 | 105.25 | 105.25 |
| Human services | 552.50 | 542.00 | 531.70 | 532.10 |
| Conservation of natural resources | 59.60 | 61.60 | 61.60 | 63.60 |
| Solid Waste Management | 40.00 | 40.00 | 40.00 | 40.00 |
| Chris Jensen | 241.68 | 244.78 | 230.85 | 225.76 |
| Nopeming | 213.08 | 211.02 | 205.03 | 181.54 |
| Other Enterprise Funds | 58.68 | 56.18 | 57.18 | 57.18 |
| Total | <u>2,298.14</u> | <u>2,312.13</u> | <u>2,309.41</u> | <u>2,291.83</u> |

Notes:

Internal Service Funds are included with the general government function.
 The Nopeming Nursing Home was closed in 2003.

Source: St. Louis County Operating and Capital Budget

Schedule 15

ST. LOUIS COUNTY, MINNESOTA
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

| Full-time Equivalent Employees | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| 488.50 | 489.50 | 490.78 | 503.48 | 500.70 | 497.60 |
| 256.40 | 258.40 | 261.40 | 261.40 | 261.40 | 265.30 |
| 343.00 | 343.00 | 343.00 | 343.00 | 323.00 | 323.00 |
| 105.25 | 104.65 | 104.65 | 103.25 | 100.25 | 99.25 |
| 523.20 | 524.70 | 526.70 | 523.20 | 504.75 | 510.80 |
| 63.60 | 64.40 | 64.40 | 64.40 | 63.00 | 64.00 |
| 40.00 | 40.00 | 40.00 | 40.00 | 40.00 | 40.00 |
| 214.39 | 208.00 | 215.15 | 209.90 | 231.70 | 246.40 |
| 163.28 | 154.45 | 160.84 | - | - | - |
| 57.18 | 57.18 | 56.78 | 56.78 | 55.78 | 45.78 |
| <u>2,254.80</u> | <u>2,244.28</u> | <u>2,263.70</u> | <u>2,105.41</u> | <u>2,080.58</u> | <u>2,092.13</u> |

Schedule 16

**ST. LOUIS COUNTY, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years**

| Function/Program | 1996 | 1997 | 1998 | 1999 |
|--|---------------|---------------|---------------|-----------------------------------|
| General Government | | | | |
| Auditor's Office | | | | |
| Checks Issued | 80,342 | 79,080 | 79,569 | 80,411 |
| Motor Vehicle Driver's License | 9,594 | 10,714 | 11,210 | 13,691 |
| Motor Vehicle Passports | | | | |
| Motor Vehicle Transactions | | 111,038 | 106,403 | 118,774 |
| Planning - Building Permits Issued | | | | |
| Single Family Dwelling | | | | |
| Other | | | | Data is unavailable prior to 2002 |
| Public Safety | | | | |
| Sheriff's Department | | | | |
| Parking Tickets Issued | 19 | 15 | 6 | 9 |
| Arrests | 1,318 | 1,355 | 1,640 | 1,439 |
| Traffic Citations | 1,860 | 2,769 | 3,400 | 3,287 |
| Highways and Streets | | | | |
| Road and Bridge | | | | |
| Miles of Overlay | 51.58 | 19.79 | 25.14 | 21.47 |
| Miles of Mill Overlay | | 0.50 | | |
| Miles of Construction | 11.64 | 13.59 | 36.18 | 37.74 |
| Miles of Bridge Constructed | 0.88 | 0.32 | 0.18 | |
| Tons of Crushing | 235,000 | 287,150 | 417,000 | 450,100 |
| Miles of Crack Seal | | | 82.68 | 73.86 |
| Miles of Guard Rail Constructed | 1.76 | | 2.83 | 1.20 |
| Health and Sanitation | | | | |
| Mines | | | | |
| Mine Visits and Inspections | 582 | 681 | 650 | 708 |
| Human Services | | | | |
| Social Services | | | | |
| Public Health Home Visits | 10,443 | 8,822 | 8,705 | 9,835 |
| Food Beverage and Lodging Inspections | 1,546 | 1,603 | 1,170 | 1,361 |
| Public Health Nursing Service Screenings | 2,237 | 3,182 | 3,303 | 3,345 |
| Unduplicated Children in Out of Home Placement | 1,300 | 1,167 | 1,182 | 1,081 |
| Financial Assistance Cases | 15,365 | 15,201 | 14,520 | 14,450 |
| Child Support Cases | N/A | 9,773 | 10,363 | 10,080 |
| Persons Receiving MR/RC Wavered Services | 250 | 312 | 330 | 343 |
| Purchased Social Services (1) | \$ 52,326,622 | \$ 55,759,934 | \$ 56,502,703 | \$ 71,849,995 |
| Social Services Administrative costs (2) | \$ 18,025,312 | \$ 17,566,479 | \$ 18,324,181 | \$ 21,161,154 |
| Conservation of Natural Resources | | | | |
| Land | | | | |
| Total Acres of Tax Forfeit Lands | 906,699 | 907,736 | 907,054 | 899,158 |
| Contracts Sold | 122 | 123 | 122 | 144 |
| Closed Sales | 82 | 92 | 140 | 122 |
| Acres Harvested | 5,623 | 5,473 | 8,005 | 7,315 |
| Average Size of Sale (Acres) | 69 | 59 | 57 | 60 |
| Harvest Volume (Cords) | 128,131 | 103,303 | 177,791 | 149,636 |
| Cords Per Sale | 1,563 | 1,123 | 1,270 | 1,227 |
| Value | \$ 2,049,980 | \$ 1,938,410 | \$ 3,907,308 | \$ 3,528,054 |
| Average Value Per Sale | 25,000 | 21,070 | 27,909 | 28,918 |
| Average Value Per Cord | \$ 16 | \$ 19 | \$ 22 | \$ 24 |
| Average Value Per Cut Acre | \$ 365 | \$ 354 | \$ 488 | \$ 482 |
| Volume Per Cut Acre (Cords) | 23 | 19 | 22 | 20 |
| Value Per Tax Forfeit Acre | \$ 2 | \$ 2 | \$ 4 | \$ 4 |
| Solid Waste Management | | | | |
| Tons of Municipal Solid Waste Landfilled | 42,831 | 42,195 | 44,109 | 46,298 |
| Tons of Municipal Solid Waste Processed | 1,574 | 1,789 | 1,600 | 800 |
| Tons of Industrial Waste Landfilled | 9,743 | 14,301 | 11,719 | 12,107 |
| Tons of Ash Landfilled | 5,851 | 6,820 | 5,103 | 4,542 |
| Tons of Recycling Problem Materials | 35,362 | 36,905 | 41,425 | 42,672 |
| Tons of Demolition Landfilled | 5,441 | 6,380 | 3,885 | 3,731 |
| Chris Jensen | | | | |
| Licensed Beds (3) | 247/235 | 235 | 235 | 235 |
| Capacity - Resident Days | 87,102 | 85,775 | 85,775 | 85,775 |
| Occupancy - Resident Days | 83,362 | 80,423 | 82,028 | 81,144 |
| Occupancy Percentage Rate | 95.71% | 93.76% | 95.63% | 94.60% |
| Case Mix (4) | 2.81 | 2.79 | 2.71 | 2.59 |
| RUGS (4) | | | | |
| Medicare Resident Days | 15,447 | 12,812 | 13,677 | 10,609 |
| Medicaid Resident Days | 54,940 | 55,404 | 53,985 | 55,494 |
| Other Resident Days | 12,975 | 12,207 | 14,366 | 15,041 |

Notes:

- (1) Purchased Social Services are payments made by DHS or Health and Human Services for St. Louis County residents
- (2) Includes children's services, child care, chemical dependency, mental health, developmental disabilities, adult services
- (3) Chris Jensen was licensed for 247 beds until March 31, 1996. At that time, Chris Jensen delicensed 12 beds. Chris Jensen delicensed 15 beds and "laid away" 15 beds beginning July 1, 2003, pursuant to closure of Nopeming Nursing Home and creation of a secure Alzheimer's unit. The current number of licensed beds is 220, but with the "laid away" beds, the count of 205 beds is the beds used to determine occupancy.
- (4) Case mix was the means of categorizing the residents care level and determining the reimbursement rate through September 30, 2002. Beginning October 1, 2002, the state switched to the "RUG" (Resource Utilization Grouper) method for determining care level and reimbursement.

Source: Individual County Departments

Schedule 16

**ST. LOUIS COUNTY, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years**

| Fiscal Year | | | | | | |
|---------------|---------------|----------------|----------------|----------------|---------------|--|
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | |
| 78,221 | 77,755 | 80,172 | 63,649 | 42,916 | 39,814 | |
| 16,849 | 17,573 | 17,822 | 16,148 | 16,576 | 17,294 | |
| 104,687 | 83,918 | 70,655 | 56,915 | 47,416 | 48,854 | |
| | | 271 | 349 | 409 | 337 | |
| | | 674 | 731 | 714 | 795 | |
| 12 | 12 | 2 | 2 | 8 | 3 | |
| 1,460 | 1,545 | 1,503 | 1,416 | 1,422 | 1,929 | |
| 3,202 | 2,675 | 3,023 | 2,840 | 2,660 | 2,615 | |
| 43.19 | 25.44 | 31.14 | 0.50 | 1.78 | 7.19 | |
| 14.80 | 2.20 | 18.85 | 8.18 | | 2.19 | |
| 0.10 | 0.44 | 0.54 | 11.60 | 21.97 | 7.08 | |
| 488,500 | 283,000 | 543,500 | 258,000 | 418,428 | 372,600 | |
| 67.47 | 83.50 | 86.38 | | | 59.70 | |
| 1.48 | | 1.17 | 1.07 | | 1.39 | |
| 684 | 573 | 501 | 531 | 520 | 534 | |
| 8,993 | 7,490 | 9,440 | 10,237 | 9,440 | 8,740 | |
| 602 | 1,197 | 984 | 1,236 | 1,322 | 1,451 | |
| 3,386 | 3,477 | 2,714 | 2,609 | 2,582 | 2,339 | |
| 900 | 880 | 910 | 744 | 649 | 712 | |
| 14,609 | 15,282 | 16,254 | 17,447 | 17,970 | 18,500 | |
| 10,108 | 10,570 | 10,512 | 10,779 | 11,032 | 11,200 | |
| 371 | 586 | 657 | 686 | 714 | 707 | |
| \$ 72,513,963 | \$ 83,100,917 | \$ 101,747,952 | \$ 109,586,274 | \$ 114,737,095 | \$ n/a | |
| \$ 20,476,811 | \$ 20,569,552 | \$ 21,627,497 | \$ 21,688,702 | \$ 20,758,769 | \$ 22,366,144 | |
| 898,306 | 898,161 | 897,655 | 898,092 | 897,196 | 895,193 | |
| 140 | 115 | 138 | 109 | 118 | 114 | |
| 136 | 118 | 127 | 147 | 124 | 118 | |
| 7,950 | 7,767 | 8,482 | 9,784 | 9,527 | 10,593 | |
| 58 | 66 | 67 | 67 | 77 | 90 | |
| 166,577 | 189,028 | 199,728 | 224,682 | 207,410 | 232,627 | |
| 1,225 | 1,602 | 1,573 | 1,528 | 1,673 | 1,971 | |
| \$ 3,440,905 | \$ 4,008,217 | \$ 4,919,064 | \$ 6,025,985 | \$ 6,219,835 | \$ 8,165,974 | |
| 25,301 | 33,968 | 38,733 | 40,993 | 50,160 | 69,203 | |
| \$ 21 | \$ 21 | \$ 25 | \$ 27 | \$ 30 | \$ 35 | |
| \$ 433 | \$ 516 | \$ 580 | \$ 616 | \$ 653 | \$ 771 | |
| 21 | 24 | 24 | 23 | 22 | 22 | |
| \$ 4 | \$ 4 | \$ 5 | \$ 7 | \$ 7 | \$ 9 | |
| 47,569 | 50,840 | 50,388 | 52,322 | 54,560 | 53,066 | |
| 11,701 | 8,239 | 10,163 | 13,554 | 17,970 | 8,621 | |
| 5,424 | 5,506 | 8,789 | 10,036 | 9,953 | 9,784 | |
| 43,173 | 49,180 | 50,348 | 54,723 | 55,000 | 55,652 | |
| 5,272 | 6,240 | 5,708 | 5,579 | 4,570 | 4,844 | |
| 235 | 235 | 235 | 235/205 | 205 | 205 | |
| 86,010 | 85,775 | 85,775 | 80,850 | 75,030 | 74,825 | |
| 81,398 | 78,572 | 66,827 | 72,634 | 72,405 | 72,214 | |
| 94.64% | 91.60% | 77.91% | 89.84% | 96.50% | 96.51% | |
| 2.72 | 2.60 | 2.85 | | | | |
| | | | 1.14 | 1.18 | 1 | |
| 11,466 | 13,412 | 5,458 | 10,039 | 7,967 | 9,470 | |
| 55,003 | 51,582 | 51,746 | 53,788 | 53,884 | 48,873 | |
| 14,929 | 13,578 | 9,623 | 8,807 | 10,554 | 13,871 | |

Schedule 17

ST. LOUIS COUNTY, MINNESOTA
 Capital Asset Statistics by Function/Program,
 Last Ten Fiscal Years

| Function/Program | As of December 31 | | | | | | | | | |
|-----------------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| General Government | | | | | | | | | | |
| Courthouses | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Motor Pool Vehicles | 124 | 122 | 117 | 113 | 113 | 115 | 115 | 113 | 115 | 109 |
| Parking Ramp | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Safety | | | | | | | | | | |
| Vehicles | 100 | 104 | 106 | 109 | 114 | 117 | 119 | 124 | 120 | 123 |
| Jail and Lockup Facilities | 1 | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Emergency Operations Center | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Highways and Streets | | | | | | | | | | |
| Vehicles | 220 | 219 | 222 | 215 | 219 | 220 | 219 | 218 | 218 | 210 |
| Miles of County Road | 1,605 | 1,619 | 1,619 | 1,619 | 1,619 | 1,619 | 1,619 | 1,598 | 1,578 | 1,579 |
| Miles of County State Aid Road | 1,577 | 1,577 | 1,577 | 1,577 | 1,577 | 1,577 | 1,577 | 1,386 | 1,385 | 1,379 |
| Number of Bridges | 599 | 599 | 599 | 599 | 599 | 604 | 604 | 605 | 605 | 605 |
| Garages and Storage Buildings | 56 | 58 | 61 | 61 | 64 | 57 | 82 | 86 | 86 | 86 |
| Graders, Loaders and Heavy Trucks | 412 | 409 | 405 | 403 | 408 | 401 | 397 | 398 | 397 | 394 |
| Health and Sanitation | | | | | | | | | | |
| Nursing Homes | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Regional Landfill | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recyclables Processing Facility | 1 | 1 | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Transfer Station | | | | | | 1 | 1 | 1 | 1 | 1 |
| Laundry Facility | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Human Services | | | | | | | | | | |
| Office Buildings | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Culture and Recreation | | | | | | | | | | |
| Heritage and Arts Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Conservation of Natural Resources | | | | | | | | | | |
| Vehicles | 39 | 44 | 50 | 52 | 52 | 49 | 50 | 49 | 50 | 51 |
| Offices and Garages | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Graders, Loaders and Heavy Trucks | 9 | 10 | 10 | 10 | 10 | 9 | 10 | 11 | 11 | 11 |

Sources:

St. Louis County Auditor
 Individual County Departments