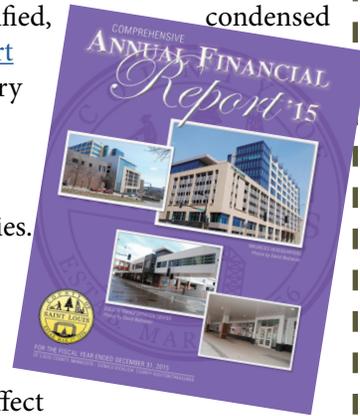


St. Louis County



Popular Annual Financial Report 2015

St. Louis County is committed to transparency and openness, including with its finances. This Popular Annual Financial Report (PAFR) contains simplified, condensed information from the [2015 Comprehensive Annual Financial Report \(CAFR\)](#). Unlike the CAFR, this report does not include the necessary financial statements and notes required by Generally Accepted Accounting Principles (GAAP). It is designed to provide the people and businesses of St. Louis County and beyond an overview of the financial strengths and challenges of serving our diverse communities. Readers of this PAFR should gain a deeper understanding of the organizational and financial structure of St. Louis County, the county's revenues and expenses, how taxpayer dollars are used, and what the county accomplished in 2015. For example, the Transportation Sales Tax (the half percent sales tax that went into effect April 1, 2015) funded five bridge replacements, 28 miles of culvert replacements, 35 miles of pavement preservation projects and seven miles of Gravel Road Improvement Projects (GRIP). Want to learn more? Read on, making sure not to miss the last page of additional highlights (like the one below) and information about how you can get more involved in the county.



In 2015, St. Louis County retained an "AA+" credit rating (one step below the highest possible rating of AAA) from Standard and Poor's, which makes the debt offerings of the county more attractive to investors and lowers the costs of borrowing. For additional details, access the CAFR at:

<http://www.stlouiscountymn.gov/GOVERNMENT/FinanceBudgetAccounting/Accounting>

DID YOU KNOW?

- Located in northeastern Minnesota at the tip of Lake Superior, St. Louis County encompasses more than **7,000 square miles**, making it the largest county east of the Mississippi River in geography, and is even larger than three states (Connecticut, Rhode Island, and Delaware).
- St. Louis County manages **3,000+ miles of roads** and **600+ bridges**, nearly one million acres of public land, and provides services to over **200,000 people**.
- The County Assessor's team assesses each property uniformly, striving to ensure that property owners pay only their fair share, and nothing more.
- Work on the budget is year-round, with County Commissioners certifying the maximum levy in September, holding public meetings in late fall and approving the budget in December.
- St. Louis County held the property tax levy flat (no increase or decrease) for 2016.

Photos (from left): Ely Service Center, Hibbing Annex, Virginia Courthouse



WHAT'S INSIDE...

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Most Minnesota counties have five elected commissioners, but since St. Louis County's population is over 100,000, it is permitted to have seven commissioners. Each one represents approximately 28,600 people, or one-seventh of the county's population. As elected officials, county commissioners oversee county activities and work to ensure that citizen concerns are met, federal and state requirements are fulfilled, and county operations run smoothly.

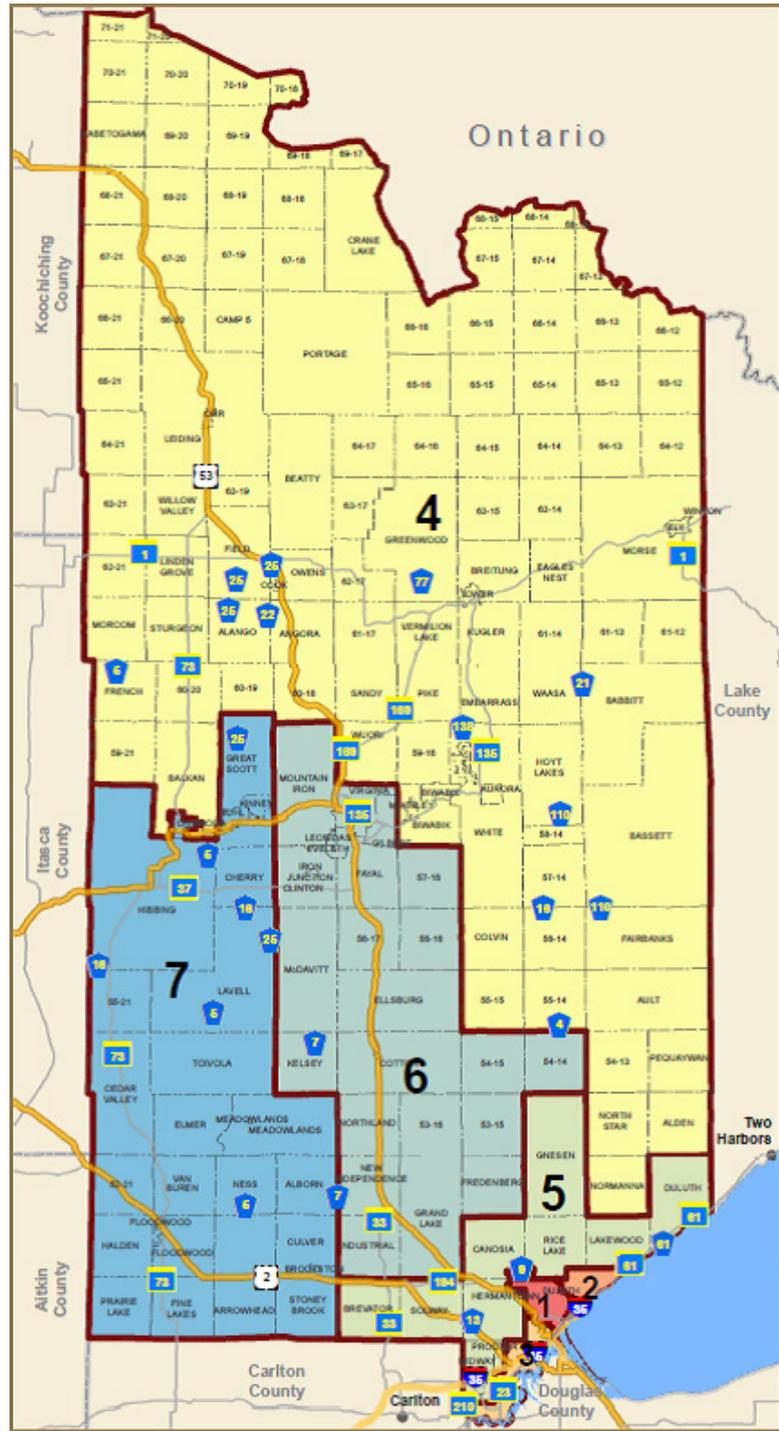
St. Louis County adopted a "County Administrator Plan" for the professional management of the county in 1987. Under this plan of government, a county administrator is appointed by the County Board to serve as the head of the county, managing all county affairs placed in the administrator's charge. The administrator is also responsible for the preparation and execution of the county budget, including a long-range capital expenditure plan. Currently, nearly sixty out of the 87 Minnesota counties have established the position of county administrator or coordinator. The county administrator serves at the pleasure of the County Board, and is the only employee hired directly by county commissioners.

Source: Association of Minnesota Counties

For more details, go to: www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners



Commissioners serve staggered four-year terms on the St. Louis County Board, which generally meets the first, second, and fourth Tuesday each month. Meetings are held in the Duluth Courthouse or at remote locations throughout the county.



DISTRICT 4
Tom Rukavina
 Northern half/eastern townships
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DISTRICT 5
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DISTRICT 7
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DISTRICT 1
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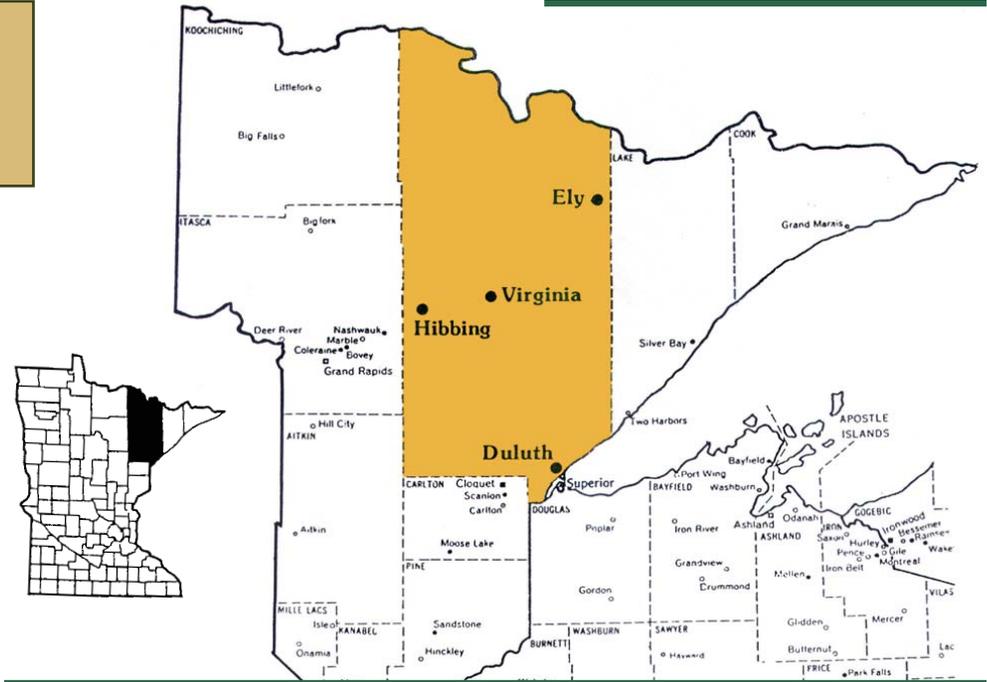
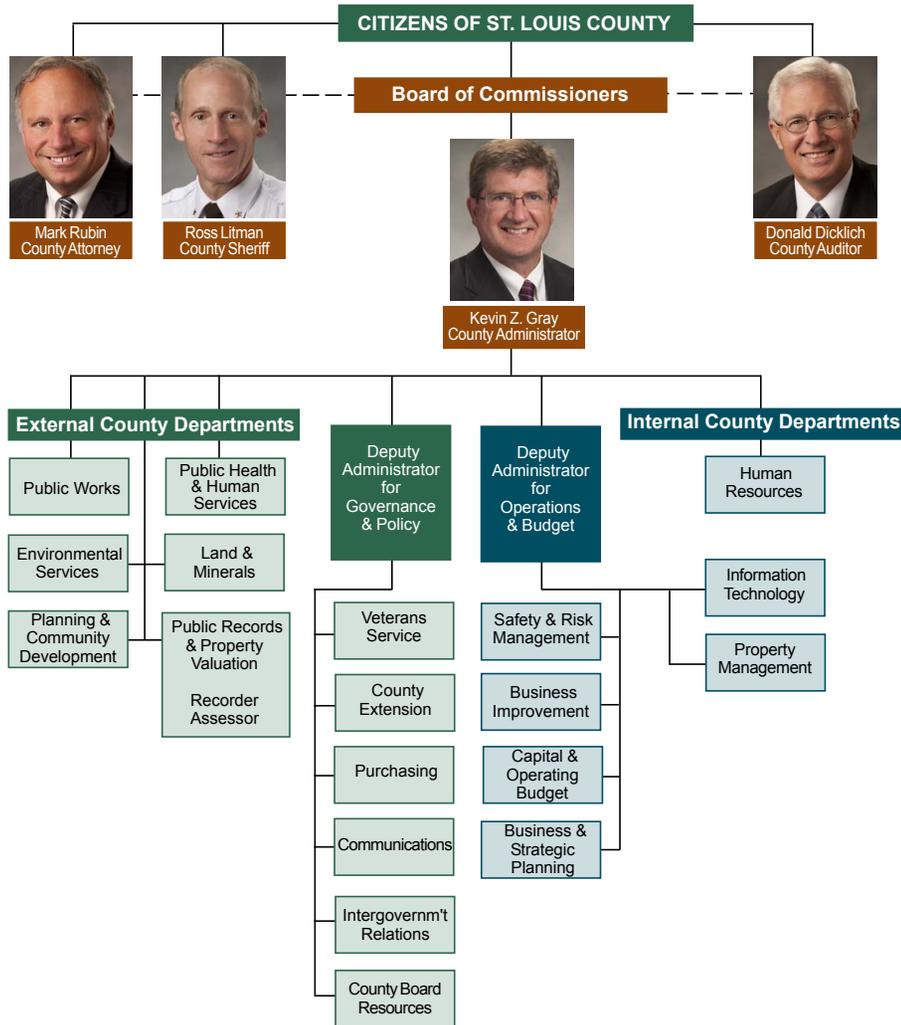


DISTRICT 2
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Chris Dahlberg
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STRUCTURE of St. Louis County



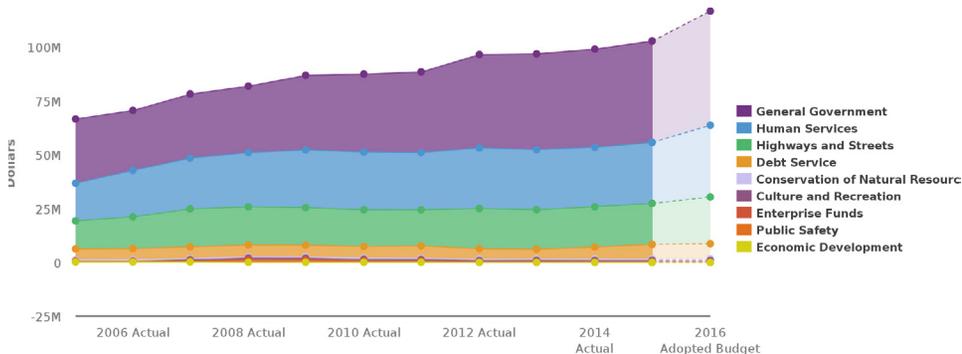
In 2015, St. Louis County employed 1,779 people (a reduction of nearly 500 full-time equivalent employees since 2002) based largely in the four main population centers: Duluth, Hibbing, Virginia and Ely. Major industries in the county that provide significant number of jobs are mining, health care, wood and paper products, shipping, education and tourism. Taconite plants produced 32.7 million metric tons in 2015 (a decrease of 18% compared to 2014), while the Port of Duluth-Superior reported 32.9 million tons of cargo with 757 ships visiting the port in 2015 (down from 37.6 million tons of cargo and 901 ships in 2014). Maurices, a women's clothing store that started with one store in downtown Duluth in 1931, has grown to a chain of about 985 women's clothing stores in the United States and Canada. The company built a new 200,000 square foot, 11-story building in downtown Duluth. Detroit Diesel Remanufacturing LLC, a leader in the remanufacture of products for on-and-off-highway power systems, expanded its operations with a move to a larger facility in Hibbing. LaQuinta Inn and Suites opened a \$10 million, 96-room hotel in Duluth and the Duluth Transit Authority built a \$30 million dollar Multimodal Transportation Center.

Where **Lakes** and **Landscapes** are common

TAXES, Revenues & Expenses

Approximately one third of St. Louis County's budget comes from property taxes (the levy). In 2015, the maximum levy amount was \$116.6 million out of the \$338.1 million budget. The levy is divided up between all property owners based on the assessed value and classification of their property. If your property's value changes, the overall amount of money the county collects doesn't change; only the percentage of the overall amount you pay changes. To learn more, go to "[Budget Explorer](#)" at stlouiscountymn.gov/budgetexplorer. Sample graphs from this interactive tool appear on this page.

SERVICES SUPPORTED BY PROPERTY TAXES



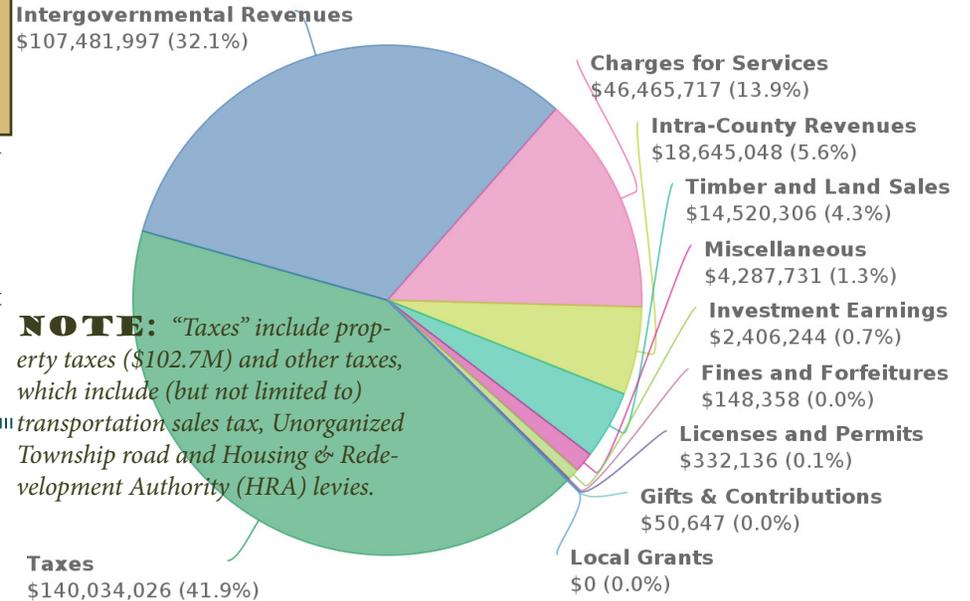
WHERE DID YOUR MONEY GO IN 2015?

General Government* (45.8%)	= \$47,091,132
Human Services (27.6%)	= \$28,305,781
Highways and Streets (18.5%)	= \$19,016,639
Debt Service (6.6%)	= \$6,774,805
Natural Resources Conservation (.7%)	= \$712,576
Culture and Recreation (.6%)	= \$628,872
Enterprise Funds (.2%)	= \$203,465

*Includes Public Safety **TOTAL : \$102,733,270**

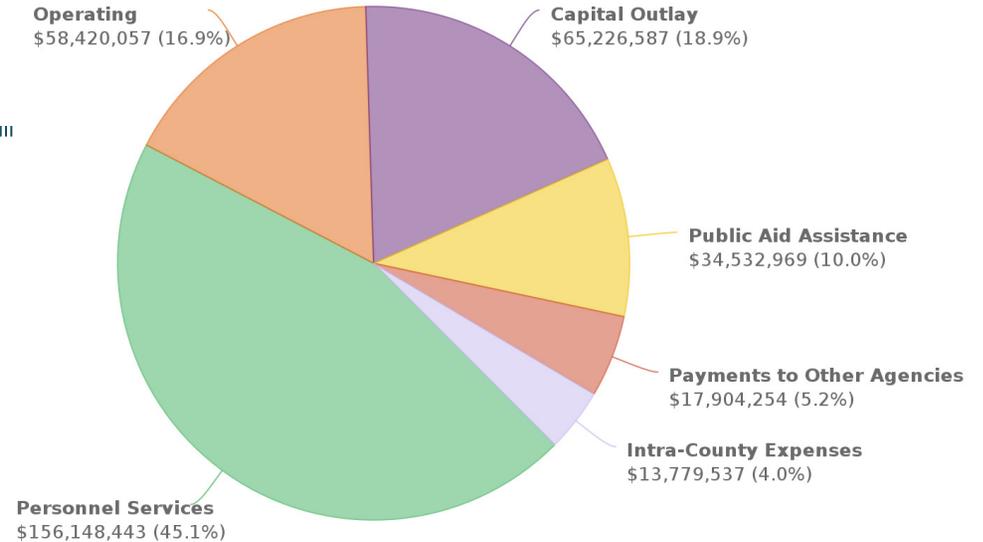
NOTE: The actual amount paid by taxpayers is less than the budgeted levy amount due to various credits and aids.

2015 REVENUE SUMMARY



NOTE: "Taxes" include property taxes (\$102.7M) and other taxes, which include (but not limited to) transportation sales tax, Unorganized Township road and Housing & Redevelopment Authority (HRA) levies.

2015 EXPENSE SUMMARY



NOTE: Data displayed is exported from St. Louis County's Budget Explorer tool, which is based on data pulled from the County's financial system.

FUNDS

Major & Nonmajor

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. 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.

GOVERNMENTAL

PROPRIETARY

FIDUCIARY

M A J O R F U N D S

Special Revenue Funds

• General Fund

Accounts for all financial resources, except those accounted for in another fund.

• Road and Bridge

Accounts for public works activity.

• Public Health & Human Services

Accounts for operations and financial activities of the Public Health & Human Services department.

• Forfeited Tax Sale

Accounts for proceeds from the sale or rental of lands forfeited to the State of Minnesota.

• Capital Projects Fund

Financial resources to be used for acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

What are Proprietary Funds?

Proprietary Funds account for operations that are financed and operated in a manner similar to private business, with the intent that the cost of providing good or services to the general public be financed through user charges. Enterprise Funds and Internal Service Funds are the two components of Proprietary Funds.

• Environmental Services

Accounts for the management and operations of solid waste activities in St. Louis County outside of the Western Lake Superior Sanitary District. *(Enterprise Fund)*

What are Fiduciary Funds?

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

• Investment Trust Funds

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

Report resources held by the reporting government in a purely custodial capacity.

Special Revenue Funds

N O N M A J O R F U N D S

- Housing & Redevelopment Authority
- Community Development Block Grant
- NE Minnesota Housing Consortium
- Septic Loan
- Forest Resources

- Debt Service Fund
- Shoreline Sales *(Permanent Fund)*

Internal Service Funds

• Plat Books *(Enterprise Fund)*

- County Garage/Motor Pool
- Property, Casualty, Liability Insurance
- Workers' Compensation Insurance
- Medical/Dental Insurance
- Retired Employees' Health Insurance

- Taconite Relief *(Investment Trust Funds)*
- Taconite Production Tax *(Investment Trust Funds)*

• Examples of Agency Funds include:
 Human Service Conference, Arrowhead Regional Corrections, Minneapolis-Duluth/Superior Passenger Rail Alliance, Community Health Services, Duluth Area Family Services Collaborative, Local Collaborative Time Study, Regional Railroad Authority, Northern Counties Land Use Board

What are 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.

For additional details, access the Comprehensive Annual Financial Report at: <http://www.stlouiscountymn.gov/GOVERNMENT/FinanceBudgetAccounting/Accounting>



Building Communities, Building Homes

BALANCES of Funds

St. Louis County's governmental funds reported a combined fund balance of \$208.9M--an increase of \$41.7M from 2014. The amount of fund balance with constraints placed on its use (nonspendable or restricted fund balances) was \$76.2M, or 36.5% of the total fund balance. The rest of the total fund balance is made up of committed, assigned or unassigned funds. The County has identified a specific purpose for committed and assigned fund balances, while unassigned fund balances (totaling \$34.8M in 2015) are required in order to meet State Auditor guidelines for cash flow.

Year-end (Dec. 31, 2015)

Fund Balances

	2015	VS.	2014	
General	\$ 68,121,635		\$ 66,329,302	↑
Road & Bridge	\$ 36,784,873		\$ 28,759,382	↑
Public Health & Human Services	\$ 28,333,759		\$ 30,982,150	↓
Forfeited Tax Sale	\$ 1,518,709		\$ 1,424,188	↑
Capital Projects	\$ 43,642,493		\$ 21,666,487	↑
Other Governmental Funds	\$ 30,564,455		\$ 18,034,937	↑

ITEMS TO NOTE:

- **General Fund** balance increased \$1.8M; the unrestricted portion (\$61.9M) of the total General Fund balance (\$68.1M) represented 62.2% of General Fund operating revenues and 65% of its operating expenditures
- **Road & Bridge Fund** had \$11M excess of revenue over expenditures, mainly due to \$9M of unspent Transportation Sales Tax revenue
- **Public Health & Human Services (PHHS) Fund** had \$4.4M excess of expenditures, mainly due to higher than anticipated out of home placement costs and planned use of fund balance
- **Forfeited Tax Sale Fund** distributed \$2.4 in net proceeds to county funds, cities, towns and school districts in St. Louis County
- **Capital Projects** increased \$21.9M, mainly due to unspent bond proceeds for Roads and Bridges

TOTAL \$ 208,965,924 VS. \$ 167,196,446

The County Board authorized the County Auditor to establish portions of fund balances for encumbrances (established "I owe you's"), cash flow (change in your sock drawer), future year budgets (savings account) and future unallotment purposes (money to have on hand if a friend - or the State govern-

ment - doesn't pay you back in full). These amounts are included in the General Fund unassigned fund balance, the Road and Bridge Special Revenue fund assigned for highways and streets, and the Public Health and Human Services (PHHS) Special Revenue assigned for public health and human services.

FUND EQUITY	Encumbrances	Cash Flow	Future Year Budget	Future Unallotment	TOTAL	Cash Flow Maximum*	Percentage Funded
Unassigned							
General		\$30,624,093	\$ 1,271,339	\$ 2,891,565	\$34,786,997	\$31,705,757	96.59%
Assigned							
Road and Bridge	\$ 1,743,721	\$ 5,410,505		\$ 750,000	\$ 7,904,226	\$ 9,128,625	59.27%
PHHS	\$ 653,275	\$13,410,027	\$ 2,026,675		\$16,089,977	\$15,215,665	88.13%
TOTAL	\$ 2,396,996	\$49,444,625	\$ 3,298,014	\$ 3,641,565	\$58,781,200		

*Calculated based on 5/12 of the subsequent year's levy, plus the subsequent year's county program aid.

NOTE: The Office of the State Auditor recommends maintaining an unrestricted General Fund balance that is at least 35-50% of its operating revenue and at least five months of its operating expenditures (or 41.7%). St. Louis County exceeded these targets with its \$61.9M unrestricted General Fund Balance.

NET POSITION of St. Louis County

St. Louis County's net position (the difference between assets and liabilities) is one way to measure the County's financial health, or financial position. In 2015, St. Louis County's **assets exceeded liabilities** for all activities by \$705.4 million.

For additional details, access the Comprehensive Annual Financial Report at: <http://www.stlouiscountymn.gov/GOVERNMENT/FinanceBudgetAccounting/Accounting>

Net Position <i>(in millions)</i>		2015	2014	VARIANCE	
Governmental Activities	Total assets	\$927.2	VS. \$845.8	↑ \$ 81.4	
	\$28.4M in unspent bond proceeds for roads and bridges; significant increase in capital assets, including the Government Services Center remodel, Virginia Motor Pool Relocation, North Rescue Squad Building and the AP Cook Building Remodel; includes over \$500M of roads and bridges				
	Deferred pension outflows	\$ 12.1		[New requirement in 2015]	
	Total liabilities	\$243.3	VS. \$128.5	↑ \$114.8	
	Long-term liabilities increased by \$117.1M; County issued \$41M in new debt for County roads and bridges and implemented Governmental Accounting Standards Board (GASB) Statement 68, which added \$76.5M of pension liability				
	Total deferred inflows	\$ 10.9		[New requirement in 2015]	
	Total Net Position, as reported	\$685.1	VS. \$717.3	(\$32.2)	
<i>Change in accounting principle*</i>			(\$74.2)		
Total Net Position, as restated		\$685.1	VS. \$643.1	\$ 42.0	
NOTE: The total net position of governmental activities increased by \$42M to \$685.1M, after restatement for GASB Statements 68 and 71.					
Business-Type Activities	Total assets	\$ 25.0	VS. \$ 25.5	↓ (\$.5)	
	Capital assets decreased due to the depreciation expense of \$.7M; the Environmental Services Fund had net capital assets at year-end of \$7.3M after purchasing two vehicles, a trailer and starting construction on a cold storage building				
	Deferred pension outflows	\$.2		[New requirement in 2015]	
	Total liabilities	\$ 4.8	VS. \$ 3.5	↑ \$ 1.3	
	The implementation of GASB 68 added \$1.5M of pension liability to the Environmental Services Fund; the business-type activities have not issued debt since 2002 for capital purchases				
	Total deferred inflows	\$.1		[New requirement in 2015]	
Total Net Position, as reported	\$ 20.3	VS. \$ 22.0	(\$ 1.7)		
<i>Change in accounting principle*</i>			(\$ 1.4)		
Total Net Position, as restated		\$ 20.3	VS. \$ 20.6	(\$.3)	
TOTAL NET POSITION, as reported					
		\$ 705.4	VS. \$ 739.3		

*This is the first year the County implemented the new pension accounting and financial reporting standards Statements 68 & 71. The County had to make a prior year change in accounting principle to record.

HIGHLIGHTS of St. Louis County

The St. Louis County Board continued its long-term facilities strategy of eliminating outside leases and rents and consolidating all county services into county-owned buildings. The major renovation of the Government Services Center enabled more county offices to locate there, making it easier for citizens to find and use services. As part of its enterprise-wide customer service initiatives, the county is working with a vendor to offer online permits, applications, citizen requests and payment processing services through the county website. This makes doing business with the county more timely and convenient.

As St. Louis County faces budget challenges related to jail overcrowding, high foster family demand and rising healthcare costs, it is committed to investing in its people and infrastructure in support of providing citizens and businesses with vital services in a manner that consistently earns their trust.

2015 GOVERNMENTAL REVENUE

- Charges for Services and Capital Grants and Contributions increased mainly due to the increase from State Road Aid for highways and streets.
- Operating Grants and Contributions decreased by \$16.3 million due to final payments being made on several highway and street projects related to the June 2012 flood.
- Overall tax revenues increased by \$11.9 million (or 8.5%) mainly due to the new \$11 million Transportation Sales Tax dedicated for Transportation Improvement Plan (TIP) projects.

2015 GOVERNMENTAL EXPENSES

- Expenses for General Government, Public Safety, and Highways and Streets decreased by \$11.4 million due to the near completion of the Government Services Center's renovation and the Northeast Regional Correction Center (NERCC) renovation, along with the completion of several road and bridge projects.
- Expenses for Human Services increased by \$6.7 million, mainly due to increased costs for Out of Home Placements and planned use of assigned fund balances.

OVERALL

Overall, in 2015, Governmental Expenses decreased \$1.8 million from 2014, while Governmental Revenues increased \$900 thousand.

WANT TO LEARN MORE?



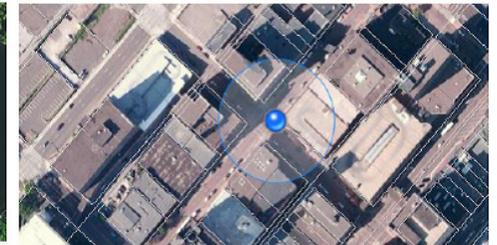
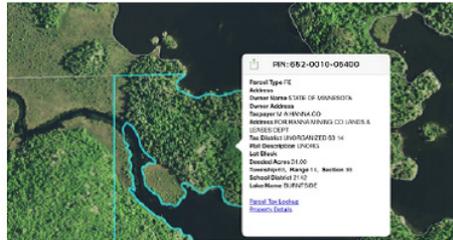
Watch videos of County Commissioners and County Administrator Kevin Gray talk about 2015 **accomplishments** and the 2016 **budget** at:
www.stlouiscountymn.gov/budget



Check out the latest **news** in St. Louis County at:
www.stlouiscountymn.gov



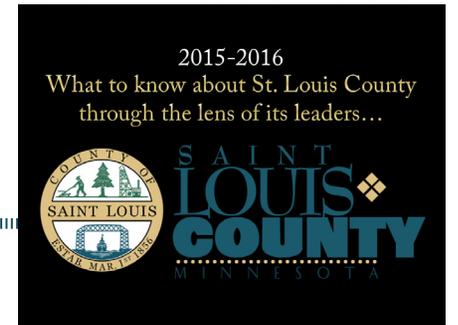
Download the **FREE** Mobile **Land Explorer** application to access land record data at:
www.stlouiscountymn.gov/LandProperty/Maps/MappingApplications/MobileApps



View **Road Construction** Projects at:
<http://www.stlouiscountymn.gov/construction>



E-mail budget@stlouiscountymn.gov or access St. Louis County's Comprehensive Annual Financial Report (CAFR) at:
<http://www.stlouiscountymn.gov/GOVERNMENT/FinanceBudgetAccounting/Accounting>



WANT TO GET INVOLVED?

Become a Foster Parent - E-mail: childfostercare@stlouiscountymn.gov
Go to www.stlouiscountymn.gov/childfostercare or Call 800-450-9777 (x7793 or x2228)

Adopt-a-Highway - E-mail adoptahighway@stlouiscountymn.gov or Call 218-625-3860
Go to www.stlouiscountymn.gov/transportation/VolunteerServices/AdoptaHighway

Work for the County

Go to www.stlouiscountymn.gov/government/employment