

# COMPREHENSIVE ANNUAL FINANCIAL *Report* '12



JOYGLOBAL - VIRGINIA, MN



*photos by ColdSnap Photography for Kraus Anderson*



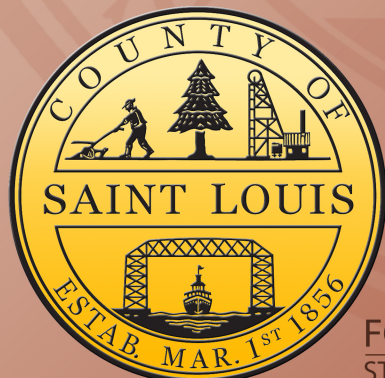
2012 FLOOD - JEAN DULUTH ROAD  
BRIDGE OVER LESTER RIVER



AFTER



*photos by St. Louis County Public Works Dept.*



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012  
ST. LOUIS COUNTY, MINNESOTA - DONALD DICKLICH, COUNTY AUDITOR/TREASURER

## **Joy Global**

Joy Global the parent company of P&H Mining Equipment relocated its Range businesses and workforce in Mountain Iron and Hibbing to a new 92,000-square-foot building in Virginia's industrial park. The company has about 75 employees at the facility and plans for more to be hired. The Milwaukee-based company manufactures and services huge truck-loading shovels, equipment, and parts for the mining industry and is the world-leading supplier of electric rope shovels, large rotary blast-hole drills and walking draglines.

Ground was broken for the \$22 million facility in Virginia in late October 2011. A little more than a year later a grand opening was held. It houses two 100-125 ton bridge cranes that can remove large items from trucks. It also has multiple services bays, including a welding bay, machine shop, warehouse bay and supporting office space.

## **2012 Flood**

In June of 2012, the region experienced the largest two-day rainfall total on record, which spurred the most damaging and expensive flood in the region's history. The rain overwhelmed gutters, ditches, creeks and rivers and then washed out roads, bridges and more. In some areas, the water subsided in a matter of hours. In others, floodwater rose for days, cutting off access to cabins and homes and inundating basements. Local officials have estimated it will cost more than \$100 million to fix all the public infrastructure, which is still in the process of being repaired. The State and Federal government are both helping with the costs of the reconstruction. Meteorologists determined the flood-inducing rainfall was a 500-year event.

The Jean Duluth Road Bridge over Lester River, was one of many bridges washed out during this flood. Before the storm, an average of 4,100 motorists traveled over this bridge each day. Construction from conception to completion on a project of this magnitude normally takes three to four years. However, due to the hard work of the Public Works department and the contractors that worked on this bridge, it was reopened in less than seven months. The bridge project cost about \$1.0 million, with 80 percent of the costs covered by Federal Highway Administration Emergency Relief money, and the rest by state flood bonding.

# **St. Louis County Minnesota**

Comprehensive Annual Financial Report  
for the Fiscal Year Ending  
December 31, 2012



**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."

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ST. LOUIS COUNTY, MINNESOTA  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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ST. LOUIS COUNTY, MINNESOTA  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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# Saint Louis County

County Auditor-Treasurer - 100 North 5<sup>th</sup> 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-Treasurer

June 26, 2013

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, 2012. This report was prepared by the County Auditor's Accounting and Finance 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 ensure that accounting data are accurate for the preparation of financial statements in conformity with generally accepted accounting principles, and to accomplish the County's policies.

St. Louis County is audited annually, as required by Minnesota Statutes §6.48. This requirement has been complied with and the Office of the State Auditor has issued an unmodified ("clean") opinion on St. Louis County financial statements for the year ended December 31, 2012. 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 geographically the largest county east of the Mississippi River, covering 7,092 square miles, including water surface, from the Canadian border to Duluth. The County's 2012 census population was estimated at 200,255 residents while the 2000 census population was 200,528. The County has an average of 28 people per square mile living in small mining towns, farm communities, and busy cities. 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 by the citizens of the County's seven districts. 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 and Public Safety and Corrections.

The Board appoints a 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, county attorney, 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 ensure that proper policies and regulations have been followed. Encumbrances outstanding at year-end are reported as assignments 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***

In June of 2012, the region experienced the largest two-day rainfall total on record, which spurred the most damaging and expensive flood in the region's history. The rain overwhelmed gutters, ditches, creeks and rivers and then washed out roads, bridges and more. In some areas, the water subsided in a matter of hours. In others, floodwater rose for days, cutting off access to cabins and homes and inundating basements. Local officials have estimated it will cost more than \$100 million to fix all the public infrastructure, which is still in the process of being repaired. The State and Federal government are both helping with the costs of the reconstruction. Meteorologists determined the flood-inducing rainfall was a 500-year event. Ironically, the region has had below-normal precipitation ever since the flood and is now in an official drought.

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

The mining industry continues to be a driving force of the region's economy. The taconite industry supports roughly 10,000 jobs with an economic impact of \$3.1 billion annually. Taconite plants produced 39.6 million metric tons in 2012 compared to 38.9 million metric tons in 2011. Predictions for 2013 are for taconite production to decrease to about 37.4 million metric tons. Most of the increase was due to production of iron concentrate from old natural ore tailings basins. Taconite production tax proceeds are distributed to counties, cities, towns, and schools each year.

The Port of Duluth-Superior connects the heartland of the United States and Canada to the rest of the world, ranking among the top 20 ports in the U.S. in cargo tonnage. It is the largest cargo port on the Great Lakes, with the principal cargoes being Iron Ore (40%), Coal (40%), Grain (5-10%), and Other (5-10%). The Port of Duluth-Superior has averaged more than 40 million tons of cargo and nearly 1,000 vessel visits a year since 1990. In 2012, the port reported 36.6 million tons of cargo with 913 ships that visited the port, which are both below average. The 2012 shipping season finished with the lowest grain tonnage totals since the opening of the St. Lawrence Seaway. Last year's regional drought brokered not only poor grain yields but also record low water levels across the Great Lakes and upper reaches of the Mississippi River.

Despite the devastating June flood, tourism tax revenues collected from Duluth hotels, motels, restaurants and bars set a new high in 2012 of \$8.4 million, which is \$1.06 million more than anticipated and up 3 percent over 2011. The Duluth City Council solicited proposals to allocate the \$775,000 of the surplus for improvements to tourist attractions throughout the city. The largest single allocation proposed is \$200,000 for a restroom and deck improvements at Enger Park. Tourism tax increases or decreases have historically been an indicator as to how well the local economy is doing as a whole.

DeCare Dental, one of the nation's largest dental benefit management companies, will expand operations in Gilbert. The Iron Range Resources and Rehabilitation Board (IRRRB) approved a \$2 million capital investment in the DeCare Dental facility in Gilbert. The investment allowed a 10,260 square foot expansion, which provided space to accommodate 120 new work stations throughout the facility. This brings the total capacity to 325 workstations. The plan is to have DeCare hire 40 new people by the end of the year and then phase in the rest until they reach 120 new jobs.

AAR Aircraft Services brought heavy aircraft maintenance back to the long-vacated Northwest Airlines maintenance base in Duluth in 2012. Its startup crew of 100, servicing Air Canada Airbus jets, is just for starters. Their goal is to have up to 250 skilled workers to bring the base up to full capacity within the next year. An economic impact study estimates the company will generate \$47 million in economic impact in the state and pay more than \$2.5 million in state and local taxes.

Atwater Group officials announced an \$80 million, 15-story office tower to be built on West Superior Street in Duluth. At 300,000 square feet, it will be the largest office building downtown. Maurices will be the anchor tenant, occupying 60 percent of the building. Construction is expected to begin in the spring of 2013.

Cirrus Aircraft was sold to China Aviation Industry General Aircraft in early 2011. The owners have since invested nearly \$100 million in the Cirrus Vision Jet, with the company hiring 50 new employees in 2012 and plans to continue hiring in 2013. There are 525 orders for the jet. The vast majority of orders were placed before the pricetag rose from \$1.72 million to \$1.96 million on July 1, 2012. The Vision Jet is expected to be ready for delivery in 2015.

The Duluth International Airport reported a great year in 2012 with traffic up nine percent over 2011 to 322,208. This is the second best year the airport has ever reported, with 2007 coming in first with nearly 350,000 passengers. In January 2013, Duluth International Airport opened a new \$78 million, state-of-the-art passenger terminal. Unlike the old terminal, the new terminal meets federal safety and security requirements implemented after September 11, 2001. It also has multiple pickup and drop-off lanes. The new concourse can accommodate 400 people waiting to board, compared to 120 people in the old terminal. Demolition of the old terminal began in February 2013. The space will provide concourse ramp parking for jets. Construction of a passenger vehicle parking ramp, which is included in the \$78 million project cost, began in the Spring of 2013 with a targeted Fall completion. The entire project has been paid for with federal grants and state bonding money.

For the past ten years, Allete, Inc. (Minnesota Power) has been the top property taxpayer in St. Louis County. Net income for the Duluth-based energy company reached \$97.1 million, up from \$93.8 million in 2011. Company officials are crediting the year-over-year increase to strong retail and municipal sales, higher cost recovery revenue and renewable energy tax credits. Minnesota Power has 101 wind turbines generating electricity at the Bison Wind Energy Farm near New Salem, N.D. as part of its move to create more of its electricity from renewable sources. The utility now generates about 20 percent of its electricity from renewable sources, on its way to meeting state mandates of 25 percent by 2025.

Joy Global the parent company of P&H Mining Equipment relocated its Range businesses and workforce in Mountain Iron and Hibbing to a new 92,000-square-foot building in Virginia's industrial park. The company has about 75 employees at the facility and plans for more to be hired. The Milwaukee-based company manufactures and services huge truck-loading shovels, equipment, and parts for the mining industry and is the world-leading supplier of electric rope shovels, large rotary blast-hole drills, and walking draglines.

### ***Long-term financial planning***

At the end of each year the County calculates the resources needed to pre-fund retiree health insurance premiums for all employees eligible for retirement at the end of the year, by setting aside the value of sick leave balances those employees have accumulated. As of December 31, 2012, 100% of the estimated retiree obligation amount has been classified as committed fund balance in the General Fund and Special Revenue Funds.

The County also calculates the resources needed to pre-fund health insurance premiums for those employees that are not eligible to retire immediately, but probably will retire from the County. As of December 31, 2012, 100% of the estimated retiree obligation amount has been classified as committed fund balance (vesting sick leave) in the General Fund and Special Revenue Funds.

For many years the County has recognized that it would be prudent to set aside funds to meet cash flow needs and began to assign some of its fund balances for that purpose. The County Board's policy is to have the General Fund, the Road and Bridge Fund, and the Public Health and Human Services Fund assign a portion of their available fund balances equal to 5/12 of the certified levy for each fund, plus its share of program aid paid to the County by the State of Minnesota. As of December 31, 2012, the policy was 91% accomplished for the General Fund, 100% for the Public Health and Human Service Fund, and 28%, for the Road and Bridge Fund. These three funds had combined assigned fund balance for cash flow of \$42.8 million at year-end, a decrease of \$2.9 million from 2011.

Starting in 2007, any County-owned buildings with operating revenues in excess of expenditures for the year had the remaining balance transferred into the Depreciation Reserve Fund in the Capital Projects Fund at year end. At the end of 2012, the Depreciation Reserve Fund had a fund balance of \$2.3 million. Those monies will be used to fund future capital improvements at County facilities.

Other financial planning for 2013 and beyond includes the following:

- The County's commitment to core services and balancing the budget to position the County for future fiscal challenges.
- The County Board directs the County Administrator to hold all county departments accountable for making progress in each department's designated priority areas by the regular use of performance measures and outcomes.
- The County Board has committed and assigned monies for specific purposes. These commitments and assignments of fund balance represent the County's intended future use of the County's resources.
- In 2012, the County saw a significant increase in mineral rent royalties for mining that occurred on tax forfeited property. To capitalize on what is expected to be a continuing trend, the 2013 budget includes \$600,000 for start-up costs associated with expanding the minerals management program, including surveyors' work, which is necessary to ensure accuracy.

### ***Major initiatives***

Effective January 2013, the St. Louis County Assessor's Office began providing assessment services for the City of Duluth and several other cities and townships, in addition to its existing client base. The County hired Duluth's assessors as well as additional staff in the Assessor's Office to handle this increased responsibility. This investment will help ensure that property valuations are accurate and fair. This is in keeping with the recommendations of a Blue Ribbon Review Panel that studied assessment practices. This collaborative effort also helps eliminate duplication of services and creates work process efficiencies.

The Board continued its long term facilities strategy of eliminating outside leases and rents and consolidating all county services into county-owned buildings with the purchase of the Service Center in Ely in late 2012. The county had been leasing the building from Irresistible Ink Properties for the last two years. The space offers the services of: Assessor, Veterans Service, Public Health and Human Services and Environmental Services, as well as the office of the fourth district commissioner.

St. Louis County has developed an E-Government Plan as part of its enterprise-wide business improvement/customer service initiatives. It has selected a vendor to begin to make available permits, applications, citizen requests and payment processing services through the county website. This software will make doing business with St. Louis County more timely and convenient for citizens.

The County successfully completed the FCC-mandated shift to narrowband radio frequencies. This project required St. Louis County to transition to the Allied Radio Matrix for Emergency Response (ARMER). In St. Louis County alone, the transition affected 185 different agencies, from the Sheriff's Office and city police forces to volunteer fire departments and emergency responder paramedics, as well as 911 emergency dispatchers. The digital nature of the new system has the ability to assign a channel to a specific incident, which allows multiple agencies to have group discussions on radio, instead of just point-to-point between two people.

In June of 2011, the County Board adopted a standard set of county government performance measures proposed by the Minnesota State Auditor's Performance Measurement Program. This program was created by the Minnesota State Legislature's Council on Local Results. This standard set of ten performance measures for counties will aid residents, taxpayers, and state and local officials in determining the effectiveness of counties in providing services, and will measure residents' opinions of those services. St. Louis County chose to participate in this voluntary program, which makes the County eligible to receive new local government performance aid, reimbursed at \$0.14 per capita, not to exceed \$25,000. The County was well positioned to participate by virtue of its continuous efforts in performance measurement and citizen surveys.

### ***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, 2011.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which 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 twenty-four consecutive years. We believe our current report will conform to the Certificate of Achievement Program requirements, and are thus submitting it to the GFOA.

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 Finance 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 throughout the year. I acknowledge, too, the thorough and professional manner in which they conducted their audit.

Sincerely,



**DONALD DICKLICH**  
County Auditor/Treasurer

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# Legislative & Commissioner Districts - Duluth

2012

## 00 Legislative Districts

### District 3

Sen. Thomas Bakk (DFL)  
147 State Office Bldg  
St. Paul MN 55155  
(651) 296-8881

### District 7

Sen. Roger Reinert (DFL)  
149 State Office Bldg  
St. Paul MN 55155  
(651) 296-4188

3B

Rep. Mary Murphy (DFL)  
343 State Office Building  
St. Paul MN 55155  
(651) 296-2676

7A

Rep. Thomas Huntley (DFL)  
351 State Office Bldg  
St. Paul MN 55155  
(651) 296-2228

7B

Rep. Kerry Gauthier (DFL)  
225 State Office Bldg  
St. Paul MN 55155  
(651) 296-4246

## Commissioner Districts

Frank Jewell  
Room 202

1 100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2450

Chris Dahlberg  
Room 202

3 100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2562

Steven O'Neil  
Room 202

2 100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2359

Peg Sweeney  
Room 208

5 100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2450

## City of Duluth Precincts

Commissioner

District 1: Prec. 10-12, 15-20, 22, 23

District 2: Prec. 1-9, 13, 14,

District 3: Prec. 21, 24-34

Legislative

District 3B: Prec. 11, 23

District 7A: Prec. 1-10, 12-15, 17

District 7B: Prec. 16, 18-22, 24-34

N



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Miles

### Auditor's Office

100 N 5th Ave W, Rm 214  
(218) 726-2380  
[www.stlouiscountymn.gov](http://www.stlouiscountymn.gov)

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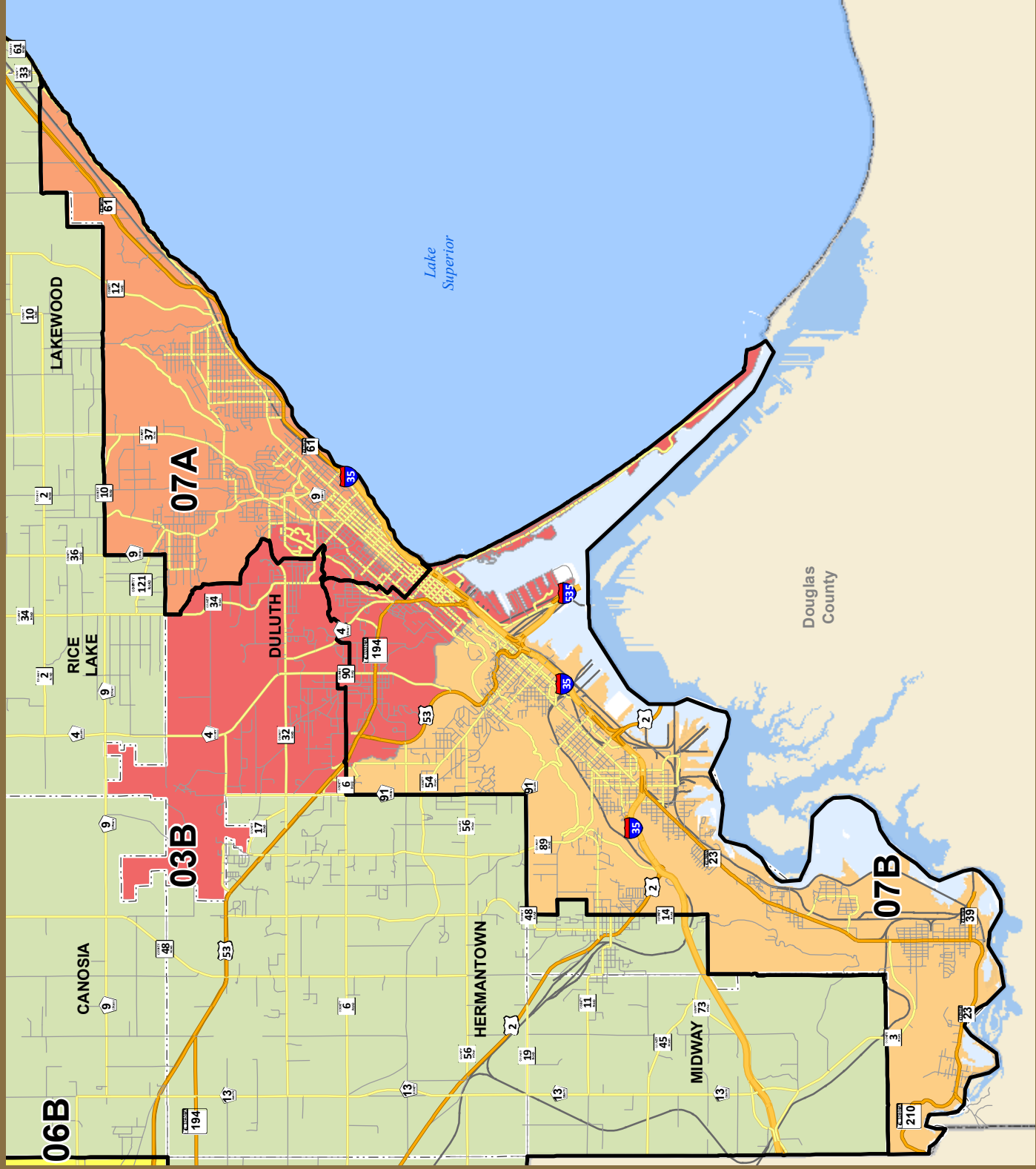
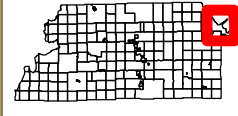
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### Disclaimer

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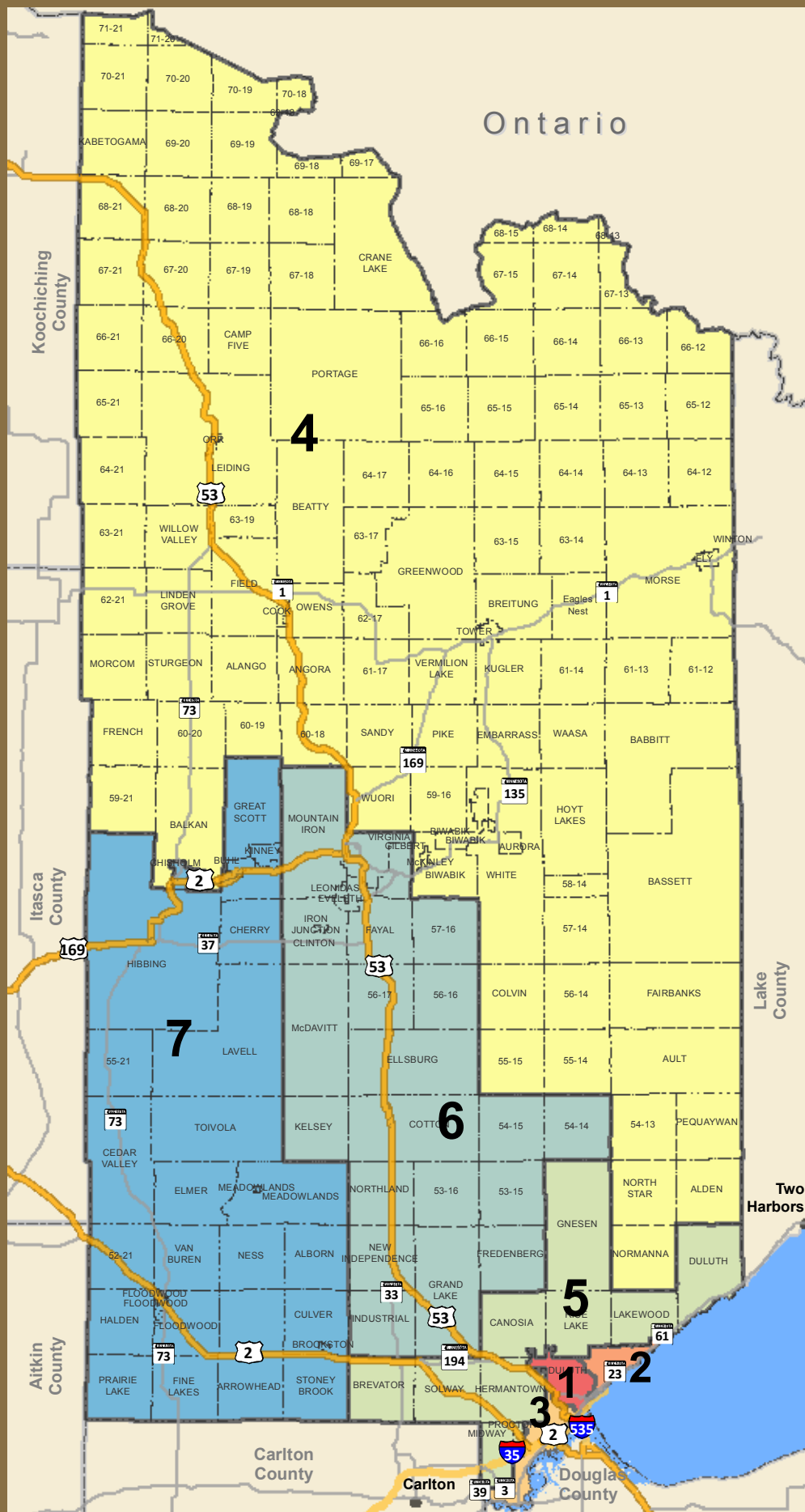
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# Commissioner Districts 2012



## Commissioners

1

Frank Jewell  
Room 208  
100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2450  
Term Ends: 12/31/2014



2

Steve O'Neil  
Room 208  
100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2359  
Term Ends: 12/31/2012



3

Chris Dahlberg  
Room 208  
100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2562  
Term Ends: 12/31/2012



4

Mike Forsman  
SLC Service Center  
320 Miners Dr. E.  
Ely MN 55731  
(218) 365-8200  
Term Ends: 12/31/2014



5

Peg Sweeney  
Room 208  
100 N. 5th Ave. W.  
Duluth MN 55802  
(218) 726-2450  
Term Ends: 12/31/2012



6

Keith Nelson  
Virginia Courthouse  
300 S. 5th Ave.  
Virginia MN 55792  
(218) 749-7108  
Term Ends: 12/31/2014



7

Steve Raukar  
Hibbing Courthouse  
1810 12th Ave. E.  
Hibbing MN 55746  
(218) 262-0201  
Term Ends: 12/31/2014



Prepared By:  
**Auditor's Office**  
100 N 5th Ave W, Rm 214  
(218) 726-2380  
[www.co.st-louis.mn.us](http://www.co.st-louis.mn.us)

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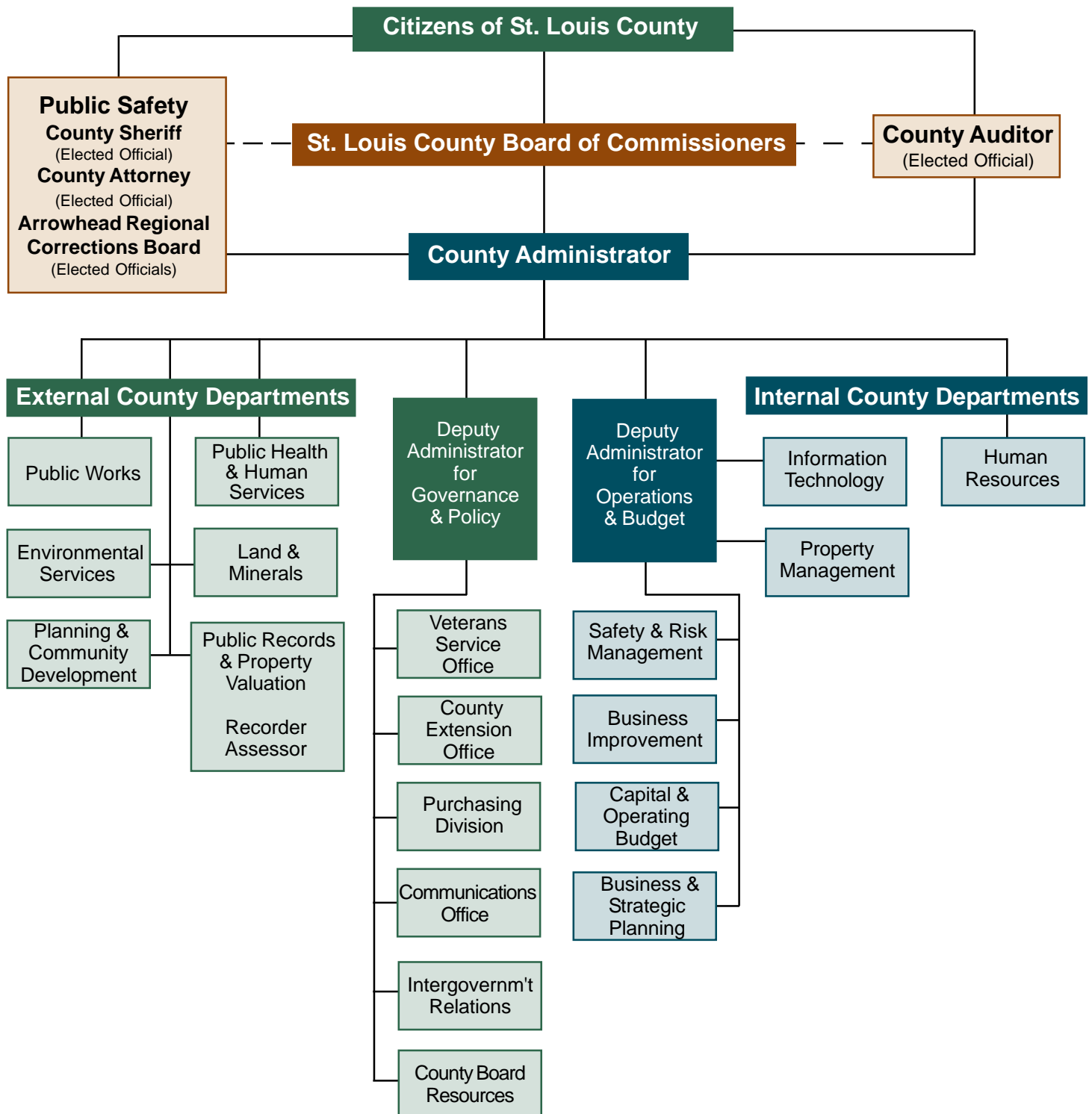
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Office	Name	Term
<b>Commissioners:</b>		
1st District	Frank Jewell	Jan. 2011 Jan. 2015
2nd District	Steve O'Neil	Jan. 2009 Jan. 2013
3rd District	Christopher Dahlberg	Jan. 2009 Jan. 2013
4th District	Mike Forsman	Jan. 2011 Jan. 2015
5th District	Peg Sweeney	Jan. 2009 Jan. 2013
6th District	Keith Nelson	Jan. 2011 Jan. 2015
7th District	Steve Raukar	Jan. 2011 Jan. 2015
<b>Elected Officers:</b>		
Attorney	Mark Rubin	Jan. 2011 Jan. 2015
Auditor	Donald Dicklich	Jan. 2011 Jan. 2015
Sheriff	Ross Litman	Jan. 2011 Jan. 2015
<b>Appointed Officers:</b>		
Administrator	Kevin Gray	
Assessor	David Sipila	
Human Resources Director	James Gottschald	
Examiner of Titles	David W. Adams	
Land and Minerals Commissioner	Robert Krepps	
Information Technology Director	Martin Buscombe	
Planning & Community Development Director	Barbara Hayden	
Property Management Director	Tony Mancuso	
Public Health and Human Services Director	Ann Busche	
Public Works Director	Jim Foldesi	
Public Records & Property Valuation Director	Mark Monacelli	
Environmental Services Director	Ted Troolin	

# St. Louis County Organizational Summary



Updated January 2012

# 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, 2011

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.



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

Executive Director

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REBECCA OTTO  
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

### Report on the Financial Statements

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, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund, Road and Bridge Special Revenue Fund, Public Health and Human Services Special Revenue Fund, and Forfeited Tax Sale Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2012, the County adopted new accounting guidance. As required by the Governmental Accounting Standards Board (GASB), the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

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

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Louis County's basic financial statements. The introductory section, supplementary data, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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, and 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* in considering St. Louis County's internal control over financial reporting and compliance.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 26, 2013

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MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

UNAUDITED  
St. Louis County, Minnesota  
**Management's Discussion and Analysis**  
December 31, 2012

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, 2012. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

## **FINANCIAL HIGHLIGHTS**

St. Louis County's total net position increased by \$42 million to \$649.3 million, or 6.91%. Governmental activities increased by \$42.5 million to \$626.2 million, while the County's business-type activities decreased by \$.5 million to \$23.1 million.

The County's governmental funds reported a combined ending fund balance of \$146.0 million for 2012, a decrease of \$5.6 million compared to 2011. The nonspendable and restricted combined fund balances were \$24.6 million of total fund balance or 16.8%. These fund balances are not available for appropriation because of constraints placed on their use. The remaining fund balances of \$121.4 million or 83.2% are unrestricted and classified as either committed, assigned, or unassigned.

In 2012, the General Fund reported a total fund balance of \$60.6 million, an increase of \$3.8 million over 2011. This increase is mainly due to the \$3.4 million of encumbrances outstanding at year end that will be paid in 2013. The unrestricted fund balance of the General Fund was equal to 58.1% of fund expenditures and 55.7% of fund revenues. The State Auditor recommendations are for unrestricted fund balance to be at least 35-50% of revenues and at least five months of expenditures, or 41.7%.

St. Louis County's outstanding debt decreased by \$4.7 million to \$32.4 million in 2012. The County did not issue new debt in 2012 while making payments of \$4.7 million on existing debt during the year. In the past ten years, the County has issued debt every year except 2003, 2009, 2011, and 2012.

All major governmental funds of the County reported actual expenditures less than their final 2012 expenditure budget. In addition, the General Fund, Public Health and Human Services Fund, and Forfeited Tax Sale Fund reported a combined \$6.8 million excess of actual revenues over actual expenditures for the year. The Road and Bridge Fund had expenditures exceeding revenue by \$8.1 million due to the June 2012 flood, while the Capital Projects Fund spent down bond proceeds in 2012 resulting in actual expenditures exceeding actual revenues by \$7.2 million.

The County's only major business-type activity, the Environmental Services Fund, had an operating loss of \$1.7 million in 2012. However, when nonoperating revenues from taxes, grants, and earnings on investments totaling \$.9 million are added to transfers in and out of \$.2 million, the Environmental Services Fund net position decreased by \$.5 million for the year.

Several account balances were reclassified as of and for the year ended December 31, 2012, 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 related to the County's finances is whether the County, as a whole, is better served as a result of this year's activities. The Statement of Net Position 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 position and changes to net position. Think of the County's net position (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 position 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, in order to assess the overall health of the County.

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

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*Fund financial statements.* These statements provide detailed information about the most significant funds, and 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.

Governmental funds: Most of the County's basic services are reported in governmental funds, which focuses 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 Position 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, Public Health and Human Services 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 the eight 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 Position and the Statement of Activities. The County uses an enterprise fund (a component of proprietary funds) to report the activities of the Environmental Services Fund, the only major fund, as well as one nonmajor enterprise fund. The County uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the County's other programs and activities, such as the County Garage Fund. The proprietary fund basic financial statements can be found on pages 43-47 of this report.

Fiduciary funds: The County is the trustee, or fiduciary, of 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 Position and Statement of Changes in Fiduciary Net Position 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 fiduciary 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 53-90 of this report.

*Supplementary data.* The combining statements for nonmajor governmental funds, internal service funds, fiduciary funds, and miscellaneous schedules are provided on pages 93-121.

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**Government-wide Financial Analysis**

Net position may, over time, be a useful indicator of a government's financial position. In the case of St. Louis County, assets exceeded liabilities for all activities by \$649.3 million.

By far the largest portion of the County's net position is the investment in capital assets (74.7 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.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 228.4	\$ 224.8	\$ 18.0	\$ 19.5	\$ 246.4	\$ 244.3
Capital assets	508.2	465.9	8.7	7.4	516.9	473.3
<b>Total Assets</b>	<b>736.6</b>	<b>690.7</b>	<b>26.7</b>	<b>26.9</b>	<b>763.3</b>	<b>717.6</b>
Long-term liabilities outstanding	78.5	82.5	2.9	2.7	81.4	85.2
Other liabilities	31.9	24.5	0.7	0.6	32.6	25.1
<b>Total liabilities</b>	<b>110.4</b>	<b>107.0</b>	<b>3.6</b>	<b>3.3</b>	<b>114.0</b>	<b>110.3</b>
Net position:						
Invested in capital assets, net of debt	476.3	434.0	8.7	7.4	485.0	441.4
Restricted	21.0	21.5	2.0	1.9	23.0	23.4
Unrestricted	128.9	128.2	12.4	14.3	141.3	142.5
<b>Total Net Position</b>	<b>\$ 626.2</b>	<b>\$ 583.7</b>	<b>\$ 23.1</b>	<b>\$ 23.6</b>	<b>\$ 649.3</b>	<b>\$ 607.3</b>

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

**Governmental Activities:**

In 2012, the total net position of governmental activities increased by \$42.5 million to \$626.2 million. The total net position for the years 2011 back through 2008 were \$583.7 million, \$533.6 million, \$496.7 million, and \$460.2 million, respectively. St. Louis County is again able to report positive balances in all categories of net position as it has since the government-wide financial statements were first prescribed in 2002.

Current and other assets increased by \$3.6 million in 2012 to \$228.4 million. The General Fund had a \$2.8 million increase in cash mainly due to unspent encumbrances at year end. The Road and Bridge Fund had a \$8.0 million increase in receivables, \$1.9 million was for State Road Aid and \$5.1 million was due to the June 2012 Flood. During 2012, the Capital Projects Fund continued to spend cash from bond proceeds on capital projects throughout the county. As a result, the Capital Projects Fund's cash balance decreased by \$8.5 million.

Capital assets at year-end 2012 were \$508.2, compared with \$465.9 million for 2011, an increase of \$42.3 million. At the end of 2006 total capital assets were \$336.7 million. Significant capital outlays for infrastructure, such as roads, by the County each year are the driving force behind large annual increases in capital assets. A detailed analysis of this increase is presented in Table 3 on page 23, under the heading Capital Assets and Debt Administration.

Long-term liabilities outstanding decreased by \$4.0 million in 2012 to \$78.5 million. The decreases were outstanding debt \$4.7 million and compensated absences \$.3 million. Claims payable (insurance funds) increased \$.6 million and \$.4 million in additional monies were needed to fund the OPEB obligation for retirees. A detailed analysis of the decrease in outstanding debt is presented in Table 4 on page 24, under the heading Capital Assets and Debt Administration.

Other liabilities increased \$7.4 million in 2012 to \$31.9 million. Accounts payable, contracts payable, salaries payable, and due to other governments increased slightly more than \$.7 million combined, while unearned revenue increased \$1 million. The major increase was in the advance to the Road and Bridge Fund from the State of Minnesota which increased by \$5.7 million compared to 2011. The advance was State Aid Disaster Funds for the June 2012 Flood.

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Invested in capital assets, net, increased by \$42.3 million to \$476.3 million. The increase was the result of net capital assets increasing by \$42.3 million, while the outstanding debt that is related to capital assets stayed the same. The County's total debt outstanding decreased by \$4.7 in 2012. However, the debt related to the capital projects that has not spent all the proceeds received from general obligation bonds or notes by the end of the year are prorated to determine the debt outstanding.

Restricted net position of the governmental funds decreased by \$.5 million to \$21.0 million in 2012. The largest decrease was for Recorder's equipment which decreased \$.6 million. The Recorder's Office is using these funds to implement an e-recording system. Fund balance in the Forest Resources Fund that is restricted for conservation of natural resources has the largest value of \$6.4 million. The distribution of restricted net assets is typically prescribed by Minnesota statute.

Unrestricted net position that comprise the remaining fund balances increased \$.7 million to \$128.9 million in 2012. The majority of the unrestricted net assets in the government-wide statements are fund balances from governmental fund statements that are either committed by Board action for specific purposes, or assigned indicating County management's intent to use the funds for specific purposes.

**Business-type Activities:**

Total net position of the County's business-type activities decreased by \$.5 million to \$23.1 million in 2012. At year-end the County's business-type activities consisted of only two funds, Environmental Services and Plat Books. Business-type activities were able to report positive balances in all categories of net position for 2012.

Total assets decreased by \$.2 million in 2012. The current and other assets decreased by \$1.5 million mainly due to the decrease in cash and investments. Part of that cash was used to purchase the capital assets, so the decrease was offset by the \$1.3 million increase in capital assets. The Environmental Services Fund also had restricted assets increase by \$.1 million to \$3.7 million for post closure liability coverage.

Capital assets increased by \$1.3 million in 2012, to \$8.7 million. The main reason for the increase was \$2.0 million of additions. Completion of the Landfill Phase VI was \$1.5 million, but other additions included two cars, three trucks, a bobcat, an excavator, a trailer, and a landfill scale. The Environmental Services fund also had deletions of \$.1 million and \$.6 million of depreciation expense.

Total liabilities for business-type activities increased by \$.3 million in 2012. This was due to the annual year-end calculation of employee obligations (compensated absences payable) for the Environmental Services Fund, the only business-type activity with County employees, and a \$.1 million increase in closure and post-closure liability costs.

Invested in capital assets, net, will mirror capital assets when there is not any associated debt outstanding on the capital assets. The business-type activities have not issued debt since 2002 for capital purchases.

Restricted net position in the business-type activities is for financial assurance and health and sanitation in the Environmental Services Fund and increased by \$.1 million in 2012.

Unrestricted net position decreased \$1.9 million for business-type activities primarily due to increase in Capital Assets of \$1.3 million and the increase in the amount of net position restricted for financial assurance and health and sanitation.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>						
<i>Program revenues:</i>						
Charges for services	\$ 48.4	\$ 47.8	\$ 6.4	\$ 6.2	\$ 54.8	\$ 54.0
Operating Grants and Contributions	66.8	52.5	0.6	0.5	67.4	53.0
Capital Grants and Contributions	27.0	23.1	-	-	27.0	23.1
<i>General revenues:</i>						
Taxes:						
Property taxes, levied for general purposes	115.3	105.8	0.2	0.2	115.5	106.0
Property taxes, levied for debt service	5.3	6.3	-	-	5.3	6.3
State shared	16.9	20.1	-	-	16.9	20.1
Federal shared	1.9	1.9	-	-	1.9	1.9
Investment income	2.1	3.3	0.1	0.2	2.2	3.5
Total revenues	<u>283.7</u>	<u>260.8</u>	<u>7.3</u>	<u>7.1</u>	<u>291.0</u>	<u>267.9</u>
<b>Expenses</b>						
<i>Program expenses:</i>						
General government	40.1	37.2	-	-	40.1	37.2
Public safety	53.1	46.3	-	-	53.1	46.3
Highways and streets	52.6	39.1	-	-	52.6	39.1
Health and sanitation	4.6	5.2	-	-	4.6	5.2
Human services	75.9	72.8	-	-	75.9	72.8
Culture and recreation	2.0	2.6	-	-	2.0	2.6
Conservation of natural resources	8.0	7.8	-	-	8.0	7.8
Economic development	3.1	4.0	-	-	3.1	4.0
Interest on long-term debt	1.6	1.6	-	-	1.6	1.6
Environmental services	-	-	8.0	7.7	8.0	7.7
Total expenses	<u>241.0</u>	<u>216.6</u>	<u>8.0</u>	<u>7.7</u>	<u>249.0</u>	<u>224.3</u>
Increase in net position before transfers	42.7	44.2	(0.7)	(0.6)	42.0	43.6
Transfers	(0.2)	5.9	0.2	(5.9)	-	-
<b>Increase (decrease) in net position</b>	<u>42.5</u>	<u>50.1</u>	<u>(0.5)</u>	<u>(6.5)</u>	<u>42.0</u>	<u>43.6</u>
<b>Net position January 1</b>	<u>583.7</u>	<u>533.6</u>	<u>23.6</u>	<u>30.1</u>	<u>607.3</u>	<u>563.7</u>
<b>Net position December 31</b>	<u><b>\$ 626.2</b></u>	<u><b>\$ 583.7</b></u>	<u><b>\$ 23.1</b></u>	<u><b>\$ 23.6</b></u>	<u><b>\$ 649.3</b></u>	<u><b>\$ 607.3</b></u>

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

**Governmental Activities:**

Program revenues are revenues derived directly by a program from sources other than County taxpayers. In 2012, program revenues increased by \$18.8 million to \$142.2 million. Operating grants and contributions increased \$14.3 million mainly due to State and Federal funding the County received as a result of a flood June 2012. Capital grants and contributions, which are almost entirely for highways and street construction, increased by \$3.9 million in 2012 to \$27.0 million. The rest of the change came from Charges for services which increased \$.6 million during 2012.

General revenues are all revenues that are not considered to be program revenues. In 2012, general revenues increased by \$4.1 million to \$141.5 million. Property tax revenues in 2012 increased by 7.6% even though the County Board only increased the annual levy for 2012 by 1.8%. This increase is due to the Market Value Credit program being eliminated by the State Legislature in 2011 and being replaced with the Market Value Exclusion. Under the Market Value Credit program, the State was supposed to pay the County for the homestead credit taxpayers received. Under the Market Value Exclusion program, the entire local property tax levy will be paid by the taxpayers. In 2011, the state did not pay the County for the entire amount of the credit, but in 2012 those dollars were paid to the County by the taxpayers.

State shared revenues that are classified as general revenues are commonly referred to as "local government aids." St. Louis County used to receive the market value credit and disparity aid from the state that reduced the amount of property taxes levied on County taxpayers. As mentioned, at the end of 2011, the State Legislature eliminated the market value credit, but the County did receive \$5.5 million of disparity aid in 2012. Disparity aid payments to the County were the same in 2012 as they were in 2011. Other significant local government aid that comes from the state is county program aid. In 2012, 2011 and 2010, the County received program aid of \$9.8 million compared to \$11.2 million in 2009, and \$9.6 million in 2008.

Investment income for governmental activities was \$2.1 million for 2012, a decrease of \$1.2 million from 2011. The interest rates on the investments the County is statutorily allowed to purchase have decreased, which has affected the return on the portfolio. The County's annual weighted average yield for 2012 was (.76%) for 2011(.92%), for 2010 (1.1%), for 2009 (2.1%), for 2008 (3.6%) and for 2007 (5.1%).

Expenses for governmental activities increased by 11.3% in 2012, an increase of \$24.4 million. Highways and streets increased \$13.5 million mainly due to the rebuilding cost incurred after the June 2012 flood. Public safety also increased by \$6.8 million due to the FCC-mandated shift to narrow band radio frequencies, Allied Radio Matrix for Emergency Response (ARMER). Humans Services increased expenditures by \$3.1 million in 2012 primarily due to the change in long term adjustments made for vested and vesting sick leave between 2011 and 2012.

**Business-type Activities:**

Program revenues for business-type activities increased by \$.3 million in 2012 to \$7.0 million. Charges for services for the Environmental Services Fund increased by \$.2 million to \$6.4 million. The SCORE recycling grant received by the Environmental Services Fund each year from the State of Minnesota increased \$.1 million to \$.6 million in 2012.

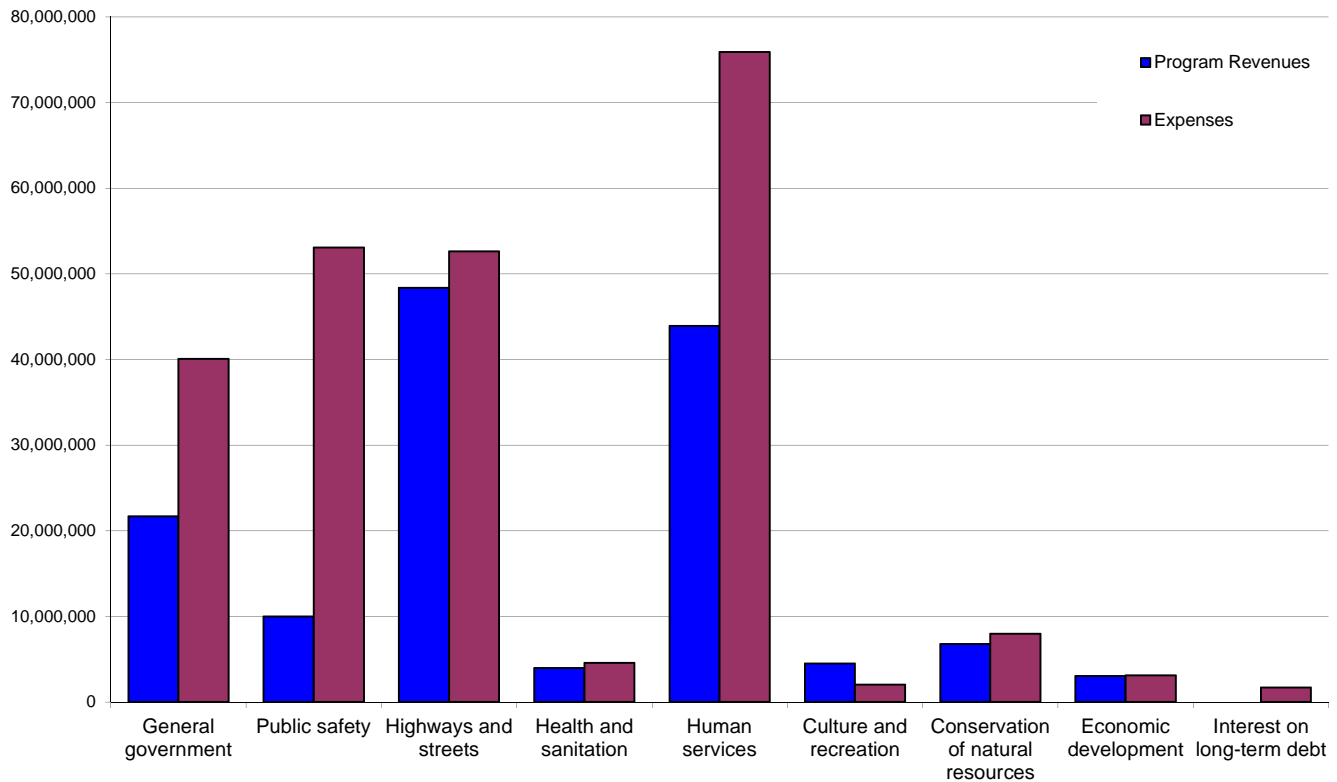
General revenues for the business-type activities decreased by \$.1 million in 2012. The County has been able to reduce the tax levy needed by the Environmental Services Fund for its On-Site Waste Water Division from \$.4 million in 2010 to \$.2 million in 2011 and 2012. Investment income for the Environmental Services Fund decreased by \$.1 million to \$.1 million in 2012. This was due to a decline in interest rates.

Expenses for business-type activities were \$8.0 million in 2012, \$.3 million more than 2011. In 2012, almost all expenses for business-type activities were made by the Environmental Services Fund. The Environmental Services Fund expenses increase was due primarily to a large jump in depreciation expense.

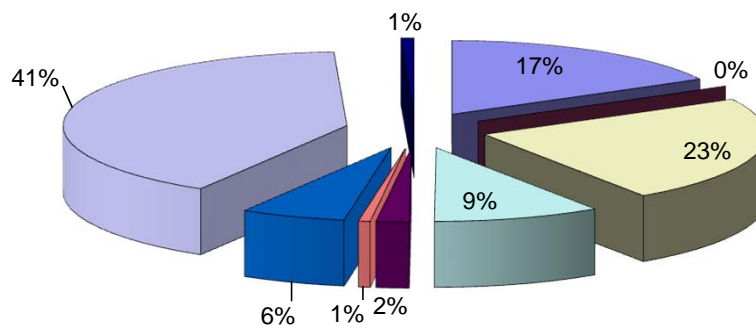
The business-type activities, the Environmental Services fund, had net transfers in of \$.2 million. The main transfer came from the Shoreline Sales Fund which transferred in funds for the On-Site Waste Water Division. The Shoreline Sales Fund is allowed to use interest earnings only for projects related to the improvement of natural resources.

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### Expenses & Program Revenues: Governmental Activities

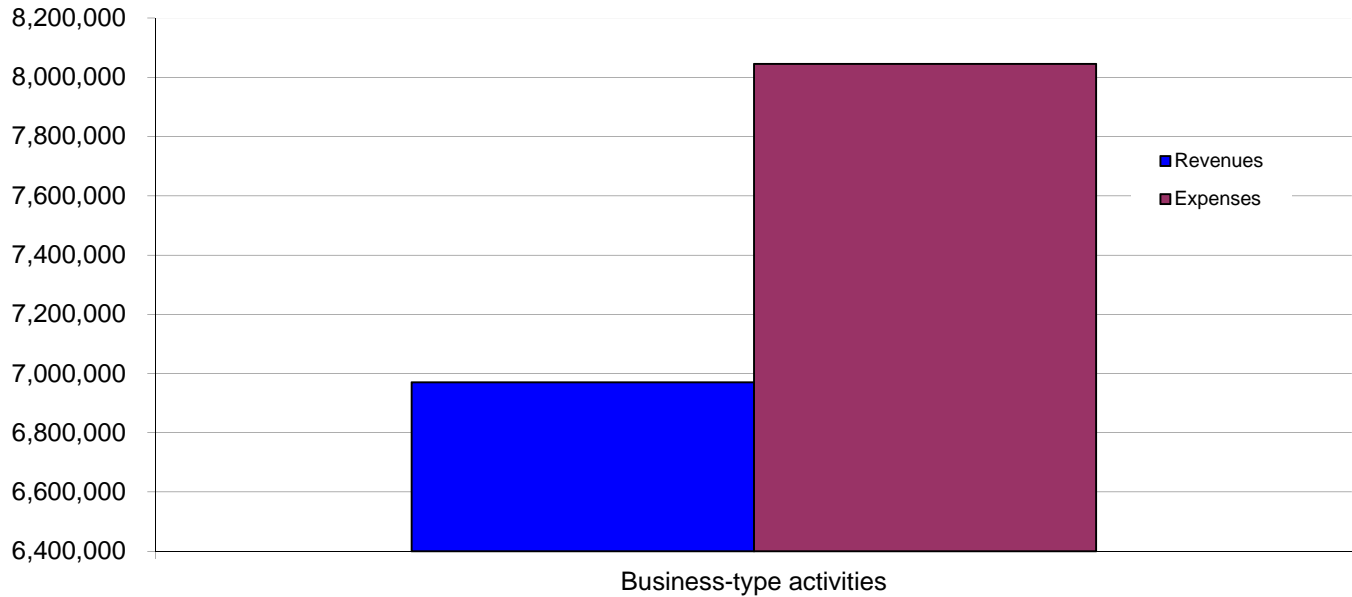


### Revenues by Source: Governmental Activities

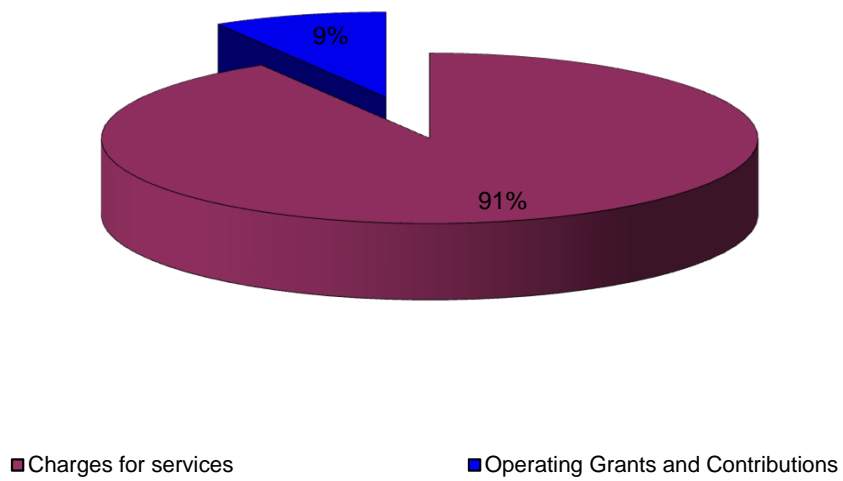


- Charges for services
- Other Program Revenue
- Operating Grants and Contributions
- Capital Grants and Contributions
- Property taxes, levied for debt service
- Federal Share
- State shared
- Property taxes, levied for gen. purposes
- Investment income

### Expenses and Program Revenues: Business-type Activities



### Revenues by Source: Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, St. Louis County uses fund accounting to ensure 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.

St. Louis County's governmental funds reported combined fund balance of \$145.6 million in 2012, compared with \$151.6 million in 2011, a decrease of \$6.0 million. Fund balances that are classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances that are classified as unrestricted are either committed, assigned, or unassigned fund balances. Committed and assigned fund balances are fund balances for which the County has identified a specific purpose. Unassigned fund balances do not have a specific use identified, but generally support cash flows of the County.

Governmental funds reported restricted fund balance for 2012 of \$25.1 million, or 17.2% of total fund balance and unrestricted fund balance of \$120.5 million or 82.8% of total fund balance. Unrestricted fund balance was \$35.6 million committed, \$52.3 million assigned, and \$32.6 million unassigned. Committed fund balances are approved by the County Board. For example, the Board has decided, by resolution, to set aside monies to pay for retiree obligations. Assigned fund balances are amounts that are to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the general fund unless there are deficit fund balances in other funds.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The unrestricted fund balance of the General Fund was \$54.8 million in 2012, compared to \$50.9 million in 2011. Unrestricted fund balance at the end of the year represented 55.9% of General Fund operating revenues and 58.1% of operating expenditures. The Office of the State Auditor recommends that counties maintain unrestricted fund balance in the General Fund of approximately 35 to 50 percent of operating revenues, or no less than five months of operating expenditures (41.7%).

In 2012, the fund balance of the County's General Fund increased \$3.5 million to \$60.3 million, because revenues exceeded expenditures by \$3.8 million. The excess revenues result from an increase in outstanding encumbrances at year end that will be paid in 2013.

The Road and Bridge Fund had an \$8.3 million excess of expenditures over revenues in 2012 due to the June 2012 flood. Many road and bridge repair projects have been paid for by the County and have not yet reimbursed by FEMA. The County also has \$7.7 million advance of State Aid Disaster Funds that were not applied to Flood Projects in 2012 and were not recognized as revenue.

The Public Health and Human Services Fund had revenues in excess of expenditures of \$2.7 million in 2012. This was the result of reimbursement of service revenues being greater than anticipated, largely due to the receipt of one time Targeted Case Management monies. Charges for services also were greater than anticipated due to increased billings to insurers for Mental Health services. State revenues were greater due to the receipt of Child Support Bonuses and incentives. Expenditures were lower than anticipated due in part to lower purchased services costs.

The Capital Projects Fund used fund balance of \$6.7 million to finance various capital projects during 2012, causing an excess of expenditures over revenues of \$7.2 million for the year. Proceeds from prior year debt issues accounted for \$5.6 million of the fund balance that was used.

Pursuant to Minnesota statute, the Forfeited Tax Sale Fund distributed \$.1 million in net proceeds to county funds, cities, and towns in St. Louis County. The distribution was \$1.2 million less than the 2011 distribution primarily due to the decrease in land and timber sales for 2012.

## 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 and submitted to the County Board for its review and approval.

Actual expenditures ended the year \$11.6 million under the final budget. Expenditure budgets for personnel services (\$3.0 million), professional services (\$3.5 million), software maintenance (\$1.1 million), materials (\$1.4), and capital outlay (\$.9) accounted for \$9.9 million of unspent budget.

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St. Louis County, Minnesota  
**Management's Discussion and Analysis**  
December 31, 2012

Actual revenues in total for 2012 were very close to the final budget. Property Taxes came in \$.9 million higher than budgeted due to more delinquent tax payments, while miscellaneous revenue and charges for services came in below budget. The decline in miscellaneous revenue is mainly due to the new Management agreement with the Depot. The decline in charges for services is mainly due to the decline of home sales, resulting in a lower number of mortgages recorded in the Recorder's Office.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At year-end, the County's capital assets totaled \$516.9 million. Of that total, governmental activities accounted for \$508.2 million, and the remaining \$8.7 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 3.

**Table 3**  
**Capital Assets at Year-End**  
**(Net of Depreciation, in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 2.1	\$ 2.1	\$ 0.3	\$ 0.3	\$ 2.4	\$ 2.4
Buildings and structures	77.8	77.4	3.0	3.3	80.8	80.7
Improvements other than buildings	-	-	4.7	3.4	4.7	3.4
Machinery and equipment	4.9	5.3	0.2	0.1	5.1	5.4
Vehicles	17.5	18.0	0.4	0.2	17.9	18.2
Infrastructure	389.3	353.3	-	-	389.3	353.3
Intangibles	3.2	1.6	-	-	3.2	1.6
Work in progress	13.4	8.2	0.1	0.1	13.5	8.3
<b>Totals</b>	<b>\$ 508.2</b>	<b>\$ 465.9</b>	<b>\$ 8.7</b>	<b>\$ 7.4</b>	<b>\$ 516.9</b>	<b>\$ 473.3</b>

Capital assets for governmental activities increased (including additions, disposals, and depreciation expense) by \$42.3 million, or 9.1%, over 2011. Additions for 2012 totaled \$56.4 million, net disposals were \$.1 million, and depreciation expense was \$14.0 million.

Vehicle purchases for governmental activities in 2012 totaled \$2.3 million compared to \$2.8 million in 2011. The total vehicles in 2012 decreased by \$.5 million because disposals and depreciation expense totaled \$2.6 million. Additions to the County's fleet included: 28 cars, 4 suburbans, 2 vans and 18 pickup trucks; 2 tandem trucks; 9 plows; 2 wheel loaders; 1 forklift; 1 trailer; 5 snowmobiles; 5 all terrain vehicles; and 1 watercraft.

Intangibles increased \$1.6 million, \$1.5 million is due to the completion of the Geographic Information System (GIS) that is used by multiple departments in the County. A critical function of county government is to track, record, and provide detailed information on land records at the parcel level. This software provides tools to more efficiently conduct assessment, taxpayer services, and management of land records. This software is also used by the County's E911 Computer Aided Dispatch (CAD) and 911 addressing by providing key data to assist 911 personnel in dispatching the appropriate fire, police, ambulance, and first responders of nearly 180 emergency response agencies in St. Louis County. Public Work's department uses it in planning and implementing infrastructure projects and it was used extensively by the County after the June 2012 flood to geographically mark all areas in the County that were affected. These are just a few examples, but this software is used by almost every department in the County.

Work in progress for governmental activities at year-end included the Depot Train Shed Roof, the Sheriff's Allied Radio Matrix for Emergency Response (ARMER) project, Government Services Center (GSC) Building Remodel, Duluth Jail Energy Upgrades, Auditor License Center Relocation and additions and remodeling to the Virginia Courthouse.

Business-type activities had total net capital assets increase \$1.3 million from 2011. The Environmental Services Fund, the only enterprise fund with capital assets, had net capital assets at year-end of \$8.7 million, new purchases of \$1.9 million and depreciation expense of \$.7 million. At year end, work in progress for the Environmental Service Fund included a 30 foot by 30 foot addition to the Regional Landfill Household Hazardous Waste Facility to provide adequate working space for storage and processing to meet the requirements of the Minnesota Pollution Control Agency.

Additional information on St. Louis County's capital assets can be found in the notes on page 70 and 71.

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## Debt Administration

At year-end, the County had \$32.4 million of outstanding bonded debt that is backed by the full faith and credit of the County. Some of the debt is also secured by specific revenue sources. There is no business-type activity bonded debt.

**Table 4**  
**Outstanding Debt, at Year-end**  
**(in Millions)**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
General obligation bonds	\$ 32.0	\$ 36.7
Revenue bonds	0.4	0.4
<b>Total</b>	<b>\$ 32.4</b>	<b>\$ 37.1</b>

County debt decreased \$4.7 million to \$32.4 million in 2012, the lowest amount of outstanding debt the County has had since 2003. The County's last debt issue was in 2010 for \$7.1 million in Build America Bonds (BAB). These bonds are being used to make improvements to the Virginia Courthouse and for law enforcement and administration building improvements including communication system infrastructure. In 2011, the County made the final payment on 2007 Capital Equipment Notes and is scheduled to make final payments in 2012 (2005 Law Enforcement Refunding Bonds) and 2013 (2008 Capital Equipment Notes) on more of its outstanding debt.

Moody's Investors Service assigned an "Aa2" rating to the bonds issued in 2010.

Additional information on St. Louis County's long-term debt can be found in the notes on pages 72-74.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The average unemployment rate for St. Louis County was 6.6% in 2012, while the average unemployment rate was 8.1% for the United States and 5.5% for the State of Minnesota.

Taconite Production Taxes provided revenues to County funds of \$10.9 million in 2012, which is the same amount the County received in 2011. The distribution to counties is based on a three year tonnage average, the County should expect to receive an increase in Taconite Production Tax revenues in 2013 when the extremely low tonnage year of 2009 is eliminated from the three year average.

State lawmakers eliminated the homestead property tax credit for 2012, which reduced the value of property on which the county can levy against. Owners of all properties will have to pay more to compensate for the loss of state reimbursement to the county for this property tax credit.

County Program Aid monies received from the State of Minnesota in 2009 were \$11.2 million. In 2010, Program Aid decreased by \$1.4 million to \$9.8 million, the same amount the County received in 2011 and in 2012. The amount for 2013 is expected to drop to \$8.8 million.

Employees are key to the quality services provided by St. Louis County. The 2012 budget included 1,697 full time equivalent employees. Of the total 2012 operating budget, \$149.5 million or 49% of the total budget, was designated for personnel related costs.

The volatile prices for gas and diesel fuels will continue to challenge County budgets. Fuel prices will impact the cost of all goods and services purchased by the County.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The County's 2013 budget was passed on December 11, 2012, at a meeting of the St. Louis County Board of Commissioners. The 2013 property tax levy increased \$1.6 million to \$111.6 million, or 1.5% more than 2012. The increase is well below the current inflation rate and reflects the Board's continued commitment to fiscal stewardship and long-term stability. The levy supports investments in public safety, infrastructure, minerals management, and collaboration efforts, including the County's assessment department providing services in Duluth and several other cities and townships.

## 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 demonstrate 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.

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ST. LOUIS COUNTY, MINNESOTA  
**STATEMENT OF NET POSITION**  
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 142,078,167	\$ 1,039,452	\$ 143,117,619
Investments	33,988,486	13,487,404	47,475,890
Receivables (net)	41,801,912	314,102	42,116,014
Internal balances	672,513	(672,513)	-
Inventories	9,328,435	58,770	9,387,205
Prepaid items	455,427	-	455,427
Restricted assets	-	3,786,124	3,786,124
Capital assets not being depreciated	16,033,252	378,520	16,411,772
Capital assets being depreciated, net	492,224,061	8,335,653	500,559,714
Total assets	736,582,253	26,727,512	763,309,765
<b>LIABILITIES</b>			
Accounts payable	19,805,270	666,116	20,471,386
Unearned revenue	4,400,428	60,988	4,461,416
Advance from other governments	7,676,210	-	7,676,210
Noncurrent liabilities:			
Due within one year	13,809,449	185,560	13,995,009
Due in more than one year	64,711,729	2,709,513	67,421,242
Total liabilities	110,403,086	3,622,177	114,025,263
<b>NET POSITION</b>			
Net invested in capital assets	476,247,100	8,714,173	484,961,273
Restricted			
General government	2,264,498	-	2,264,498
Public safety	1,915,762	-	1,915,762
Highways and streets	1,809,188	-	1,809,188
Conservation of natural resources	6,365,886	-	6,365,886
Economic development	1,070,641	-	1,070,641
Debt service	1,134,114	-	1,134,114
Shoreline sales:			
Expendable	336,709	-	336,709
Nonexpendable	6,136,471	-	6,136,471
Health and sanitation	-	33,850	33,850
Financial assurance	-	1,947,470	1,947,470
Unrestricted	128,898,798	12,409,842	141,308,640
Total net position	\$ 626,179,167	\$ 23,105,335	\$ 649,284,502

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, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government</b>			
Governmental Activities:			
General government	\$ 40,057,174	\$ 18,416,982	\$ 3,248,634
Public safety	53,050,539	4,268,919	5,365,421
Highways and streets	52,605,339	4,195,936	17,493,651
Health and sanitation	4,579,000	882,484	3,079,716
Human services	75,901,001	14,265,463	29,629,992
Culture and recreation	2,042,815	56,439	4,431,945
Conservation of natural resources	7,958,287	6,300,430	476,297
Economic development	3,132,056	400	3,033,223
Interest on long-term debt	1,699,853	-	-
<b>Total governmental activities</b>	<b>241,026,064</b>	<b>48,387,053</b>	<b>66,758,879</b>
Business-type activities:			
Environmental Services	7,995,131	6,303,257	564,809
Plat Books	49,899	102,410	-
<b>Total business-type activities</b>	<b>8,045,030</b>	<b>6,405,667</b>	<b>564,809</b>
Total primary government	<b>\$ 249,071,094</b>	<b>\$ 54,792,720</b>	<b>\$ 67,323,688</b>

General revenues:

Taxes:

Property taxes , levied for general purposes

Property taxes, levied for debt service

State shared not restricted to specific programs

Federal shared not restricted to specific programs

Investment earnings

Transfers

Total general revenues and transfers

Changes in net position

Net position - January 1

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (18,391,558)	\$ -	\$ (18,391,558)
357,429	(43,058,770)	-	(43,058,770)
26,662,110	(4,253,642)	-	(4,253,642)
-	(616,800)	-	(616,800)
-	(32,005,546)	-	(32,005,546)
-	2,445,569	-	2,445,569
-	(1,181,560)	-	(1,181,560)
-	(98,433)	-	(98,433)
-	(1,699,853)	-	(1,699,853)
27,019,539	(98,860,593)	-	(98,860,593)
-	-	(1,127,065)	(1,127,065)
-	-	52,511	52,511
-	-	(1,074,554)	(1,074,554)
<u>\$ 27,019,539</u>	<u>(98,860,593)</u>	<u>(1,074,554)</u>	<u>(99,935,147)</u>
	115,310,996	216,972	115,527,968
	5,319,270	-	5,319,270
	16,949,124	-	16,949,124
	1,853,339	-	1,853,339
	2,129,116	137,125	2,266,241
	(210,263)	210,263	-
	<u>141,351,582</u>	<u>564,360</u>	<u>141,915,942</u>
	42,490,989	(510,194)	41,980,795
	583,688,178	23,615,529	607,303,707
	<u>\$ 626,179,167</u>	<u>\$ 23,105,335</u>	<u>\$ 649,284,502</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 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.

**Public Health and Human Services** - This fund is used to account for the operations and financial activities of the Public Health and Human Services Department.

**Forfeited Tax Sale** - This fund is used to account for the proceeds from the sale or rental of 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, 2012

	General	Road and Bridge	Public Health and Human Services	Forfeited Tax Sale	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 59,429,947	\$ 28,242,279	\$ 34,589,959	\$ 397,059	\$ 6,513,539	\$ 9,524,269	\$ 138,697,052
Investments	-	-	-	-	-	6,095,321	6,095,321
Delinquent taxes receivable	3,028,107	1,316,253	2,129,954	-	151,271	431,153	7,056,738
Accounts receivable (net)	471,643	144,148	374,370	9,728,726	300	14,897	10,734,084
Accrued interest receivable	460,388	-	-	115,911	-	-	576,299
Loans receivable	308,859	142,552	-	-	-	771,693	1,223,104
Due from other governments	4,185,919	11,601,827	4,744,118	123,506	6,998	748,095	21,410,463
Inventories	-	9,251,147	-	-	-	-	9,251,147
Prepaid items	270,986	-	-	-	-	-	270,986
Total Assets	68,155,849	50,698,206	41,838,401	10,365,202	6,672,108	17,585,428	195,315,194
<b>LIABILITIES AND FUND BALANCES</b>							
Accounts payable	1,149,393	955,491	1,560,783	73,974	786,435	276,542	4,802,618
Contracts payable	-	3,559,408	-	-	314,466	-	3,873,874
Salaries payable	2,554,016	852,280	1,670,702	179,304	-	9,254	5,265,556
Due to other governments	713,735	98,356	465,093	12,637	-	500,807	1,790,628
Unearned revenue	116,471	2,916,102	389,578	-	-	-	3,422,151
Advance from Other Governments	-	7,676,210	-	-	-	-	7,676,210
Total Liabilities	4,533,615	16,057,847	4,086,156	265,915	1,100,901	786,603	26,831,037
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue							
Taxes	2,643,956	915,613	1,886,538	-	138,743	387,334	5,972,184
Grants	336,440	7,140,990	140,449	49,883	-	-	7,667,762
Long-term receivables	-	-	-	8,796,605	-	-	8,796,605
Total Deferred Inflows of Resources	2,980,396	8,056,603	2,026,987	8,846,488	138,743	387,334	22,436,551
<b>FUND BALANCE</b>							
Non Spendable							
Noncurrent loans	308,859	-	-	-	-	-	308,859
Inventories	-	9,251,147	-	-	-	-	9,251,147
Prepaid items	270,986	-	-	-	-	-	270,986
Environmental trust funds	-	-	-	-	-	6,136,471	6,136,471
Restricted							
Unorganized town roads	-	1,809,188	-	-	-	-	1,809,188
Debt service	-	-	-	-	-	1,134,114	1,134,114
Health and sanitation	-	-	-	-	-	61,166	61,166
Improvement of natural resources	-	-	-	-	-	336,709	336,709
Economic development	1,098,312	-	-	-	-	-	1,098,312
Law library	-	-	-	-	-	-	917,606
Recorder's equipment	579,982	-	-	-	-	-	579,982
Communications	1,317,405	-	-	-	-	-	1,317,405
Extension service	264,429	-	-	-	-	-	264,429
Missing heirs	192,516	-	-	-	-	-	192,516
Tax certificate assurance	196,689	-	-	-	-	-	196,689
Attorney forfeitures	361,832	-	-	-	-	-	361,832
Sheriff forfeitures	194,307	-	-	-	-	-	194,307
Sheriff fines	7,791	-	-	-	-	-	7,791
Data Integration	113,276	-	-	-	-	-	113,276
Veterans' credit	-	-	-	15,000	-	-	15,000
Emergency contingency	5,942	-	-	23,969	-	-	29,911
Sheriff's contingency	4,516	-	-	-	-	-	4,516
Committed							
Health and sanitation	-	-	-	-	-	794,528	794,528
Conservation of natural resources	-	-	-	-	-	6,350,886	6,350,886
Economic development	-	-	-	-	-	1,070,641	1,070,641
Retiree obligations	7,347,460	4,442,476	8,256,525	754,130	-	-	20,800,591
Vesting sick leave	3,496,757	1,078,129	1,890,482	394,006	-	-	6,859,374
Ditching	275,000	-	-	-	-	-	275,000
Motorplex	277,430	-	-	-	-	-	277,430

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

ST. LOUIS COUNTY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Road and Bridge	Public Health and Human Services	Forfeited Tax Sale	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assigned							
Out of home placement	-	-	886,694	-	-	-	886,694
Chemical dependency	-	-	300,000	-	-	-	300,000
Major emergency road & bridge repair	-	500,000	-	-	-	-	500,000
Local road & bridge construction projects	-	3,361,433	-	-	-	-	3,361,433
Gas and diesel variability	-	962,947	-	-	-	-	962,947
State aid engineering	-	18,120	-	-	-	-	18,120
Depreciation reserve	-	-	-	-	2,324,372	-	2,324,372
Capital improvements	-	-	-	-	3,108,092	-	3,108,092
Parking	523,047	-	-	-	-	-	523,047
NEMESIS	252,221	-	-	-	-	-	252,221
General government	2,585,749	-	-	-	-	-	2,585,749
Public safety	1,549,678	-	-	-	-	-	1,549,678
Public safety Innovation	921,378	-	-	-	-	-	921,378
Highways and streets	-	5,160,316	-	-	-	-	5,160,316
Health and sanitation	42,140	-	-	-	-	-	42,140
Information Technology	3,482,423	-	3,077,324	-	-	-	6,559,747
GSC Remodel	-	-	1,474,900	-	-	-	1,474,900
Prevention and Innovation	-	-	783,887	-	-	-	783,887
Telecommunications	778,865	-	-	-	-	-	778,865
Human services	-	-	17,463,346	-	-	-	17,463,346
Conservation of natural resources	1,278	-	-	65,694	-	526,976	593,948
Hibbing Raceway	8,000	-	-	-	-	-	8,000
Planning & Zoning GIS	352,243	-	-	-	-	-	352,243
Mineral Management Program	330,000	-	-	-	-	-	330,000
MA Expansion	-	-	1,592,100	-	-	-	1,592,100
Unassigned	32,583,721	-	-	-	-	-	32,583,721
<b>Total Fund Balance</b>	<b>60,641,838</b>	<b>26,583,756</b>	<b>35,725,258</b>	<b>1,252,799</b>	<b>5,432,464</b>	<b>16,411,491</b>	<b>146,047,606</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 68,155,849</b>	<b>\$ 50,698,206</b>	<b>\$ 41,838,401</b>	<b>\$ 10,365,202</b>	<b>\$ 6,672,108</b>	<b>\$ 17,585,428</b>	<b>\$ 195,315,194</b>

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

Total Fund balance - governmental funds (from above)	\$ 146,047,606
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	506,916,881
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	22,436,551
Certain liabilities payable from other long term assets listed above are also not reported in the funds.	(3,518,642)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(66,559,191)
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 Position.	<u>20,855,962</u>
<b>Net position of governmental activities</b>	<b><u>\$ 626,179,167</u></b>

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, 2012

	General	Road and Bridge	Public Health and Human Services	Forfeited Tax Sale	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 54,638,859	\$ 26,616,384	\$ 30,755,749	\$ -	\$ 2,843,846	\$ 6,083,648	\$ 120,938,486
Licenses and permits	126,058	41,831	-	-	-	-	167,889
Intergovernmental	19,768,807	47,470,215	45,845,880	95,358	384,735	3,758,901	117,323,896
Charges for services	20,275,873	2,336,254	4,970,186	1,862	18,122	-	27,602,297
Fines and forfeits	276,085	-	-	-	-	-	276,085
Earnings on investments	1,168,896	-	-	-	1,346	670,627	1,840,869
Gifts and contributions	8,195	-	36	-	-	-	8,231
Land and timber sales	-	-	-	5,790,449	-	-	5,790,449
Miscellaneous	2,100,604	2,380,616	391,412	61,766	74,728	384,814	5,393,940
Total Revenues	<u>98,363,377</u>	<u>78,845,300</u>	<u>81,963,263</u>	<u>5,949,435</u>	<u>3,322,777</u>	<u>10,897,990</u>	<u>279,342,142</u>
<b>EXPENDITURES</b>							
Current:							
General government	37,394,708	-	-	-	512,713	-	37,907,421
Public safety	51,101,699	-	-	-	-	-	51,101,699
Highways and streets	-	42,789,400	-	-	478,509	-	43,267,909
Health and sanitation	517,731	-	4,203,300	-	-	12,368	4,733,399
Human services	161,123	-	75,018,984	-	-	-	75,180,107
Culture and recreation	1,883,054	-	-	-	-	159,761	2,042,815
Conservation of natural resources	885,385	-	-	5,796,921	-	727,708	7,410,014
Economic development	-	-	-	-	-	3,103,683	3,103,683
Debt service:							
Principal	-	-	-	-	-	4,774,990	4,774,990
Interest and other charges	-	-	-	-	-	1,387,050	1,387,050
Capital outlay:							
General government	964,719	-	-	-	6,919,233	-	7,883,952
Public safety	1,362,471	-	-	-	916,154	-	2,278,625
Highways and streets	-	44,171,387	-	-	1,697,313	-	45,868,700
Human services	-	-	32,128	-	-	-	32,128
Conservation of natural resources	-	-	-	146,435	-	-	146,435
Total Expenditures	<u>94,270,890</u>	<u>86,960,787</u>	<u>79,254,412</u>	<u>5,943,356</u>	<u>10,523,922</u>	<u>10,165,560</u>	<u>287,118,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,092,487</u>	<u>(8,115,487)</u>	<u>2,708,851</u>	<u>6,079</u>	<u>(7,201,145)</u>	<u>732,430</u>	<u>(7,776,785)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,075,003	1,233,348	257,167	125,879	1,103,710	18,174	3,813,281
Transfers (out)	<u>(1,360,879)</u>	<u>-</u>	<u>(65,989)</u>	<u>(63,361)</u>	<u>(622,621)</u>	<u>(500,743)</u>	<u>(2,613,593)</u>
Total other financing sources and uses	<u>(285,876)</u>	<u>1,233,348</u>	<u>191,178</u>	<u>62,518</u>	<u>481,089</u>	<u>(482,569)</u>	<u>1,199,688</u>
Net change in fund balances	3,806,611	(6,882,139)	2,900,029	68,597	(6,720,056)	249,861	(6,577,097)
Fund balances - January 1	56,835,227	32,499,932	32,825,229	1,184,202	12,152,520	16,161,630	151,658,740
Increase in inventories	<u>-</u>	<u>965,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>965,963</u>
Fund balances - December 31	<u>\$ 60,641,838</u>	<u>\$ 26,583,756</u>	<u>\$ 35,725,258</u>	<u>\$ 1,252,799</u>	<u>\$ 5,432,464</u>	<u>\$ 16,411,491</u>	<u>\$ 146,047,606</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, 2012

Net change in fund balances--total governmental funds (from previous page)	\$ (6,577,097)
Increase in inventories--total governmental funds (from previous page)	965,963
Amounts reported for governmental activities in the Statement of Activities are different because:	
Unavailable revenues reported in the governmental funds are considered revenues in the Statement of Activities.	4,096,927
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.	
Due to other governments	(166,333)
Compensated absences	293,439
Bond interest payable	13,543
Debt Issuance cost amortization	(375,239)
Bond premium amortization	48,893
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.	42,392,561
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.	(3,087,683)
Expenditures reported in the governmental funds are not considered expenses in the Statement of Activities	
Intra-general government function rent	111,025
Repayment of bond principal and redemption of refunding bonds is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position	4,774,990
Change in net position of governmental activities	<u><u>\$ 42,490,989</u></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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 53,364,694	\$ 53,753,683	\$ 54,638,859	\$ 885,176
Licenses and permits	116,500	116,500	126,058	9,558
Intergovernmental	20,198,935	19,964,233	19,768,807	(195,426)
Charges for services	20,460,318	20,776,178	20,275,873	(500,305)
Fines and forfeitures	176,750	176,750	276,085	99,335
Earnings on investments	1,227,500	1,227,509	1,168,896	(58,613)
Gifts and contributions	7,000	7,250	8,195	945
Miscellaneous	1,755,867	2,042,108	2,100,604	58,496
Total revenues	97,307,564	98,064,211	98,363,377	299,166
<b>EXPENDITURES</b>				
General government				
Commissioners				
Personnel services	867,581	878,957	878,957	-
Other operating	280,689	269,313	243,515	(25,798)
Total commissioners	1,148,270	1,148,270	1,122,472	(25,798)
Port authority				
Other operating	12,000	12,000	12,000	-
County administrator				
Personnel services	2,961,206	2,636,491	1,312,551	(1,323,940)
Other operating	1,784,587	927,806	389,518	(538,288)
Capital outlay	-	827,000	248,100	(578,900)
Total county administrator	4,745,793	4,391,297	1,950,169	(2,441,128)
Intergovernmental affairs				
Personnel services	130,258	133,481	133,481	-
Other operating	184,630	192,406	118,714	(73,692)
Total intergovernmental affairs	314,888	325,887	252,195	(73,692)
Labor relations				
Other operating	103,980	123,236	118,724	(4,512)
Planning and zoning				
Personnel services	1,461,059	1,386,921	1,156,520	(230,401)
Other operating	611,128	798,921	347,258	(451,663)
Capital outlay	-	207,689	207,689	-
Total planning and zoning	2,072,187	2,393,531	1,711,467	(682,064)
Commitment representation				
Personnel services	2,500	2,500	-	(2,500)
Other operating	93,560	93,560	47,414	(46,146)
Total commitment representation	96,060	96,060	47,414	(48,646)
Court administrator				
Other operating	1,079,249	1,079,749	1,079,296	(453)
Examiner of titles				
Personnel services	121,500	122,553	122,420	(133)
Other operating	16,205	16,205	15,809	(396)
Total examiner of titles	137,705	138,758	138,229	(529)
County attorney				
Personnel services	5,727,172	5,975,697	5,975,697	-
Other operating	904,643	827,466	780,431	(47,035)
Total county attorney	6,631,815	6,803,163	6,756,128	(47,035)
Subtotal	16,341,947	16,511,951	13,188,094	(3,323,857)
				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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
County auditor				
Personnel services	3,559,852	3,619,747	3,279,005	(340,742)
Other operating	2,021,846	2,015,379	952,428	(1,062,951)
Total county auditor	5,581,698	5,635,126	4,231,433	(1,403,693)
Telecommunications				
Personnel services	521,208	570,535	570,535	-
Other operating	944,400	958,916	883,453	(75,463)
Capital outlay	135,000	125,000	69,776	(55,224)
Total telecommunications	1,600,608	1,654,451	1,523,764	(130,687)
Information Technology				
Personnel services	3,123,688	3,127,307	3,121,986	(5,321)
Other operating	1,804,858	2,058,187	1,453,018	(605,169)
Capital outlay	378,262	386,007	383,229	(2,778)
Total information technology	5,306,808	5,571,501	4,958,233	(613,268)
County assessor				
Personnel services	1,662,518	1,811,175	1,811,175	-
Other operating	306,477	341,948	313,055	(28,893)
Total county assessor	1,968,995	2,153,123	2,124,230	(28,893)
Purchasing				
Personnel services	208,862	219,750	210,115	(9,635)
Other operating	31,921	31,920	15,096	(16,824)
Total purchasing	240,783	251,670	225,211	(26,459)
Microfilming				
Personnel services	126,310	133,717	133,717	-
Other operating	50,087	47,410	47,410	-
Total microfilming	176,397	181,127	181,127	-
Recorder				
Personnel services	1,828,206	1,869,165	1,826,867	(42,298)
Other operating	305,637	557,026	460,311	(96,715)
Capital outlay	15,000	10,000	-	(10,000)
Total recorder	2,148,843	2,436,191	2,287,178	(149,013)
Human Resources				
Personnel services	1,168,609	1,189,794	1,156,090	(33,704)
Other operating	316,263	316,263	262,443	(53,820)
Total human resources	1,484,872	1,506,057	1,418,533	(87,524)
Veteran's service				
Personnel services	575,023	591,335	591,335	-
Other operating	135,069	122,105	122,105	-
Total veteran's service	710,092	713,440	713,440	-
Employee training				
Personnel services	185,756	185,755	184,314	(1,441)
Other operating	206,696	242,609	191,238	(51,371)
Total employee training	392,452	428,364	375,552	(52,812)
Elections				
Personnel services	20,000	20,000	9,934	(10,066)
Other operating	343,294	343,303	303,550	(39,753)
Total elections	363,294	363,303	313,484	(49,819)
Subtotal	19,974,842	20,894,353	18,352,185	(2,542,168)

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts Budgetary Basis	Final Budget Over (Under)
EXPENDITURES (CONTINUED)				
General government				
Property management				
Personnel services	3,883,227	3,955,169	3,786,618	(168,551)
Other operating	2,676,780	2,779,170	2,729,913	(49,257)
Capital outlay	3,663	151,801	55,925	(95,876)
Total property management	6,563,670	6,886,140	6,572,456	(313,684)
Missing heirs				
Other operating	-	5,915	5,915	-
Law library				
Personnel services	69,725	32,898	25,411	(7,487)
Other operating	166,798	216,836	215,366	(1,470)
Total law library	236,523	249,734	240,777	(8,957)
Total General Government	43,116,982	44,548,093	38,359,427	(6,188,666)
Public safety				
Arrowhead Regional Corrections				
Other operating	11,622,932	11,702,932	11,702,932	-
Sheriff				
Personnel services	10,600,472	10,839,414	10,506,754	(332,660)
Other operating	4,113,746	4,143,166	3,842,565	(300,601)
Capital outlay	953,015	1,333,096	1,291,991	(41,105)
Total sheriff	15,667,233	16,315,676	15,641,310	(674,366)
Boat and water safety				
Other operating	111,649	78,934	78,206	(728)
Capital outlay	28,878	20,810	12,285	(8,525)
Total boat and water safety	140,527	99,744	90,491	(9,253)
Medical examiner				
Other operating	520,400	540,400	538,819	(1,581)
Emergency management				
Personnel services	202,759	416,020	249,075	(166,945)
Other operating	1,333,848	1,275,949	103,102	(1,172,847)
Total emergency management	1,536,607	1,691,969	352,177	(1,339,792)
Rescue squad				
Other operating	180,041	121,360	121,360	-
Capital outlay	-	58,681	-	(58,681)
Total rescue squad	180,041	180,041	121,360	(58,681)
Law enforcement service				
Personnel services	1,122,509	1,082,971	915,636	(167,335)
Other operating	112,386	112,386	74,379	(38,007)
Total law enforcement service	1,234,895	1,195,357	990,015	(205,342)
Emergency communication				
Personnel services	3,386,970	3,465,320	3,365,918	(99,402)
Other operating	548,026	659,977	602,220	(57,757)
Capital outlay	28,057	31,057	30,080	(977)
Total emergency communication	3,963,053	4,156,354	3,998,218	(158,136)
Ambulance service				
Other operating	64,500	87,500	86,239	(1,261)
Subtotal	34,930,188	35,969,973	33,521,561	(2,448,412)
				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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Public safety				
Radio maintenance				
Personnel services	470,775	530,876	530,876	-
Other operating	1,347,762	5,737,806	4,946,028	(791,778)
Capital outlay	2,303,537	912	912	-
Total radio maintenance	4,122,074	6,269,594	5,477,816	(791,778)
Jail prisoners				
Personnel services	6,374,804	6,399,901	6,370,409	(29,492)
Other operating	5,498,736	5,497,638	4,453,490	(1,044,148)
Total jail prisoners	11,873,540	11,897,539	10,823,899	(1,073,640)
Jail building				
Personnel services	539,392	539,392	536,590	(2,802)
Other operating	423,078	483,806	483,806	-
Total jail building	962,470	1,023,198	1,020,396	(2,802)
Mine inspector				
Personnel services	235,840	309,176	283,029	(26,147)
Other operating	26,180	26,180	22,163	(4,017)
Total mine inspector	262,020	335,356	305,192	(30,164)
Volunteer fire department				
Other operating	25,000	459,632	448,615	(11,017)
Sheriff's NEMESIS system				
Other operating	632,225	632,225	520,504	(111,721)
Sheriff fines				
Other operating	45,399	45,399	14,676	(30,723)
Attorneys forfeitures				
Personnel services	-	6,044	6,044	-
Other operating	62,729	90,823	90,049	(774)
Total Attorneys forfeitures	62,729	96,867	96,093	(774)
Sheriffs forfeitures				
Other operating	118,000	118,000	64,696	(53,304)
Enhanced 9-1-1				
Other operating	357,000	247,523	129,559	(117,964)
Capital outlay	-	59,477	27,203	(32,274)
Total enhanced 9-1-1	357,000	307,000	156,762	(150,238)
City/County antenna site				
Other operating	201,694	201,694	6,158	(195,536)
Sheriff's contingent fund				
Other operating	-	20,000	7,802	(12,198)
Total Public Safety	53,592,339	57,376,477	52,464,170	(4,912,307)
				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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Health and sanitation				
Occupational safety				
Personnel services	359,424	359,424	332,053	(27,371)
Other operating	249,277	249,278	167,078	(82,200)
Total occupational safety	608,701	608,702	499,131	(109,571)
Midway Township Sewer				
Other operating	18,600	18,600	18,600	-
Total Health and Sanitation	627,301	627,302	517,731	(109,571)
Human services				
Emergency shelter program				
Personnel services	5,000	5,350	5,350	-
Other operating	197,882	155,773	155,773	-
Total emergency shelter program	202,882	161,123	161,123	-
Total Human Services	202,882	161,123	161,123	-
Culture and recreation				
Duluth Airshow				
Other operating	15,000	15,000	15,000	-
Tourism promotion				
Other operating	115,000	180,000	179,909	(91)
Depot				
Other operating	366,500	366,500	228,148	(138,352)
Arrowhead Library System				
Other operating	699,504	699,504	699,504	-
Historical Society				
Other operating	317,998	317,998	317,998	-
Community fairs				
Other operating	1,000	1,000	750	(250)
County fair - north				
Other operating	12,806	12,806	12,806	-
County fair - south				
Other operating	12,806	12,806	12,806	-
Trail assistance				
Other operating	-	500,000	416,133	(83,867)
Total Culture and Recreation	1,540,614	2,105,614	1,883,054	(222,560)

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Conservation of natural resources				
North Shore Management Board				
Other operating	-	2,500	2,500	-
Soil conservation - north				
Other operating	50,000	50,000	50,000	-
Soil conservation - south				
Other operating	50,000	50,000	50,000	-
County agent				
Personnel services	241,587	248,384	248,384	-
Other operating	356,605	350,664	337,476	(13,188)
Total county agent	598,192	599,048	585,860	(13,188)
Youth task force				
Personnel services	65,449	71,361	71,361	-
Other operating	133,028	137,116	125,664	(11,452)
Total youth task force	198,477	208,477	197,025	(11,452)
Total Conservation of Natural Resources	896,669	910,025	885,385	(24,640)
Economic development				
Revolving loans				
Other operating	-	139,000	-	(139,000)
Total Economic Development	-	139,000	-	(139,000)
Total Expenditures	99,976,787	105,867,634	94,270,890	(11,596,744)
Excess of revenues over (under) expenditures	(2,669,223)	(7,803,423)	4,092,487	11,895,910
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,466,448	1,075,003	1,075,003	-
Transfers (out)	(845,668)	(1,405,822)	(1,360,879)	44,943
Total other financing sources (uses)	620,780	(330,819)	(285,876)	44,943
Net change in fund balances	(2,048,443)	(8,134,242)	3,806,611	11,940,853
Fund Balance - January 1	56,835,227	56,835,227	56,835,227	-
Fund Balance - December 31	<u>\$ 54,786,784</u>	<u>\$ 48,700,985</u>	<u>\$ 60,641,838</u>	<u>\$ 11,940,853</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, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Taxes	\$ 26,297,215	\$ 26,279,185	\$ 26,616,384	\$ 337,199
Licenses and permits	45,000	45,000	41,831	(3,169)
Intergovernmental	38,124,935	53,618,263	47,470,215	(6,148,048)
Charges for services	228,498	1,028,042	2,336,254	1,308,212
Miscellaneous	1,739,021	1,837,855	2,380,616	542,761
Total Revenues	66,434,669	82,808,345	78,845,300	(3,963,045)
<b>EXPENDITURES</b>				
Highways and streets				
Administration				
Personnel services	4,708,636	4,560,623	3,132,450	(1,428,173)
Other operating	1,743,132	1,904,794	1,180,020	(724,774)
Capital outlay	120,543	116,492	1,490,248	1,373,756
Total administration	6,572,311	6,581,909	5,802,718	(779,191)
Road maintenance				
Personnel services	10,943,577	11,896,123	10,305,198	(1,590,925)
Other operating	3,186,294	3,306,952	2,526,085	(780,867)
Capital outlay	-	-	771,325	771,325
Total road maintenance	14,129,871	15,203,075	13,602,608	(1,600,467)
Road construction				
Personnel services	-	2,025,110	1,199,586	(825,524)
Other operating	-	11,995,179	12,561,538	566,359
Capital outlay	56,838,214	58,263,276	41,909,814	(16,353,462)
Total road construction	56,838,214	72,283,565	55,670,938	(16,612,627)
Equipment maintenance and shops				
Personnel services	3,492,015	3,647,333	3,646,925	(408)
Other operating	10,867,328	11,124,041	8,237,598	(2,886,443)
Total equipment maintenance and shops	14,359,343	14,771,374	11,884,523	(2,886,851)
Total Expenditures	91,899,739	108,839,923	86,960,787	(21,879,136)
Excess of Revenues Over (Under) Expenditures	(25,465,070)	(26,031,578)	(8,115,487)	17,916,091
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	726,202	1,233,348	1,233,348	-
Total other financing sources (uses)	726,202	1,233,348	1,233,348	-
Net change in fund balances	(24,738,868)	(24,798,230)	(6,882,139)	17,916,091
Fund Balance - January 1	32,499,932	32,499,932	32,499,932	-
Increase in inventories	-	-	965,963	965,963
Fund Balance - December 31	\$ 7,761,064	\$ 7,701,702	\$ 26,583,756	\$ 18,882,054

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**  
**PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Over (Under)
<b>REVENUES</b>				
Taxes	\$ 30,677,953	\$ 30,648,128	\$ 30,755,749	\$ 107,621
Intergovernmental	43,218,799	44,381,536	45,845,880	1,464,344
Charges for services	4,190,461	4,425,461	4,970,186	544,725
Gifts and contributions	-	-	36	36
Miscellaneous	482,150	482,150	391,412	(90,738)
Total Revenues	78,569,363	79,937,275	81,963,263	2,025,988
<b>EXPENDITURES</b>				
Human services				
Administration				
Personnel services	6,016,480	5,931,139	5,931,139	-
Other operating	5,281,465	5,306,699	5,189,266	(117,433)
Capital outlay	-	32,128	32,128	-
Total administration	11,297,945	11,269,966	11,152,533	(117,433)
Income maintenance				
Personnel services	11,240,629	11,000,231	11,000,231	-
Other operating	3,467,883	3,681,261	3,411,563	(269,698)
Total income maintenance	14,708,512	14,681,492	14,411,794	(269,698)
Social services				
Personnel services	18,752,294	19,584,285	19,584,285	-
Other operating	29,559,601	30,939,114	29,902,500	(1,036,614)
Total social services	48,311,895	50,523,399	49,486,785	(1,036,614)
Total human services	74,318,352	76,474,857	75,051,112	(1,423,745)
Health and sanitation				
Administration				
Personnel services	464,104	230,159	230,159	-
Other operating	193,687	159,089	159,057	(32)
Total administration	657,791	389,248	389,216	(32)
Nursing				
Personnel services	3,518,920	3,595,119	3,594,560	(559)
Other operating	361,395	347,829	219,524	(128,305)
Total nursing	3,880,315	3,942,948	3,814,084	(128,864)
Total health and sanitation	4,538,106	4,332,196	4,203,300	(128,896)
Total Expenditures	78,856,458	80,807,053	79,254,412	(1,552,641)
Excess of Revenues Over (Under) Expenditures	(287,095)	(869,778)	2,708,851	3,578,629
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	257,167	257,167	-
Transfers out	-	(65,989)	(65,989)	-
Total other financing sources and uses	-	191,178	191,178	-
Net change in fund balances	(287,095)	(678,600)	2,900,029	3,578,629
Fund Balance - January 1	32,825,229	32,825,229	32,825,229	-
Fund Balance - December 31	\$ 32,538,134	\$ 32,146,629	\$ 35,725,258	\$ 3,578,629

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 19,222	\$ 144,378	\$ 95,358	\$ (49,020)
Charges for services	-	-	1,862	1,862
Land and timber sales	7,540,000	7,540,000	5,790,449	(1,749,551)
Miscellaneous	60,000	60,000	61,766	1,766
Total Revenues	7,619,222	7,744,378	5,949,435	(1,794,943)
<b>EXPENDITURES</b>				
Current:				
Conservation of natural resources				
Personnel services	4,345,187	4,488,325	4,453,102	(35,223)
Other operating	1,729,381	1,798,482	1,343,819	(454,663)
Capital outlay	240,500	242,400	146,435	(95,965)
Total Expenditures	6,315,068	6,529,207	5,943,356	(585,851)
Excess of Revenues Over (Under) Expenditures	1,304,154	1,215,171	6,079	(1,209,092)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	121,830	121,830	125,879	4,049
Transfers out	-	(63,361)	(63,361)	-
Total other financing sources (uses)	121,830	58,469	62,518	4,049
Net change in fund balances	1,425,984	1,273,640	68,597	(1,205,043)
Fund Balance - January 1	1,184,202	1,184,202	1,184,202	-
Fund Balance - December 31	\$ 2,610,186	\$ 2,457,842	\$ 1,252,799	\$ (1,205,043)

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

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## 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 fund has been classified as a major fund:

**Environmental Services** - 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.

**Plat Books** - This is the only nonmajor enterprise fund and is used to account for the production and sale of plat books for all County lands.

*ST. LOUIS COUNTY, MINNESOTA*  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
DECEMBER 31, 2012

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Environmental	Plat Books	Total	
	Services			
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 830,344	\$ 209,108	\$ 1,039,452	\$ 3,381,115
Investments	13,487,404	-	13,487,404	27,893,165
Delinquent taxes receivable	16,082	-	16,082	-
Accounts receivables (net)	134,411	159	134,570	518,828
Accrued interest receivable	60,566	-	60,566	279,785
Due from other governments	102,884	-	102,884	2,611
Inventories	-	58,770	58,770	77,288
Prepaid items	-	-	-	184,441
Total current assets	<u>14,631,691</u>	<u>268,037</u>	<u>14,899,728</u>	<u>32,337,233</u>
Noncurrent assets:				
Restricted assets				
Financial assurance				
Cash and cash equivalents	838,028	-	838,028	-
Investments	2,914,246	-	2,914,246	-
Health and sanitation				
Cash and cash equivalents	33,850	-	33,850	-
Capital assets				
Land	233,266	-	233,266	25,500
Buildings and structures	6,778,224	-	6,778,224	1,026,898
Improvements other than buildings	10,850,695	-	10,850,695	-
Machinery and equipment	886,409	-	886,409	79,214
Vehicles	1,406,628	-	1,406,628	2,268,518
Construction in progress	145,254	-	145,254	-
Less accumulated depreciation	(11,586,303)	-	(11,586,303)	(2,059,698)
Total capital assets, net	<u>8,714,173</u>	<u>-</u>	<u>8,714,173</u>	<u>1,340,432</u>
Total noncurrent assets	<u>3,786,124</u>	<u>-</u>	<u>3,786,124</u>	<u>1,340,432</u>
Total assets	<u>27,131,988</u>	<u>268,037</u>	<u>27,400,025</u>	<u>33,677,665</u>

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

**ST. LOUIS COUNTY, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
DECEMBER 31, 2012

	Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Environmental Services	Plat Books	Total	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	509,854	-	509,854	335,523
Salaries payable	118,547	-	118,547	36,193
Compensated absences payable	185,560	-	185,560	79,143
Claims payable	-	-	-	3,021,515
Due to other governments	37,715	-	37,715	80,412
Unearned revenue	60,988	-	60,988	978,277
Total current liabilities	912,664	-	912,664	4,531,063
Noncurrent liabilities:				
Compensated absences payable	904,709	-	904,709	266,107
Claims payable	-	-	-	5,322,421
OPEB obligation	-	-	-	3,374,625
Closure and post-closure liabilities	1,804,804	-	1,804,804	-
Total noncurrent liabilities	2,709,513	-	2,709,513	8,963,153
Total liabilities	3,622,177	-	3,622,177	13,494,216
<b>NET POSITION</b>				
Invested in capital assets,				
net of related debt	8,714,173	-	8,714,173	1,340,432
Restricted for health and sanitation	33,850	-	33,850	-
Restricted for financial assurance	1,947,470	-	1,947,470	-
Unrestricted	12,814,318	268,037	13,082,355	18,843,017
Total net position	\$ 23,509,811	\$ 268,037	\$ 23,777,848	\$ 20,183,449
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(672,513)	
Net position of business type activities			\$ 23,105,335	

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 POSITION**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Environmental Services	Plat Books	Total	
Operating Revenues				
Charges for services	\$ 5,674,809	\$ 102,410	\$ 5,777,219	\$ 34,686,015
Licenses and permits	6,196	-	6,196	-
Other	595,752	-	595,752	557,356
Total Operating Revenues	6,276,757	102,410	6,379,167	35,243,371
Operating Expenses				
Personal services	2,939,705	-	2,939,705	885,922
Contractual services	4,100,363	-	4,100,363	4,343,894
Materials	285,451	49,899	335,350	702,446
OPEB expense	-	-	-	451,968
Claims Paid	-	-	-	30,631,062
Depreciation	634,936	-	634,936	249,944
Total Operating Expenses	7,960,455	49,899	8,010,354	37,265,236
Operating Income (Loss)	(1,683,698)	52,511	(1,631,187)	(2,021,865)
Nonoperating Revenues (Expenses)				
Taxes	216,972	-	216,972	-
Grants	564,809	-	564,809	-
Earnings on investments	137,125	-	137,125	288,247
Loss or gain on asset disposal	26,500	-	26,500	21,210
Total Nonoperating Revenues (Expenses)	945,406	-	945,406	309,457
Income (Loss) Before Transfers	(738,292)	52,511	(685,781)	(1,712,408)
Transfers in	216,832	-	216,832	137,485
Transfers out	(6,569)	-	(6,569)	(1,547,436)
Total Transfers	210,263	-	210,263	(1,409,951)
Change in net position	(528,029)	52,511	(475,518)	(3,122,359)
Net position - January 1	24,037,840	215,526	24,253,366	23,305,808
Net position - December 31	\$ 23,509,811	\$ 268,037	\$ 23,777,848	\$ 20,183,449
Change in net position			\$ (475,518)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(34,676)	
Change in net position of business type activities			\$ (510,194)	

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, 2012

	Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Environmental	Plat Books	Total	
	Services			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 5,507,117	\$ 102,410	\$ 5,609,527	\$ -
Receipts from interfund services provided	-	(120)	(120)	34,703,176
Payments to suppliers	(4,391,748)	(63,971)	(4,455,719)	(4,612,680)
Payments to employees	(2,783,195)	-	(2,783,195)	(886,472)
Claims paid	-	-	-	(30,355,792)
Other receipts (payments)	601,948	-	601,948	549,610
Net cash provided (used) by operating activities	(1,065,878)	38,319	(1,027,559)	(602,158)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from taxes	218,122	-	218,122	-
Proceeds from grants	625,797	-	625,797	-
Transfers from other funds	210,263	-	210,263	137,485
Transfers to other funds	-	-	-	(1,547,436)
Net cash provided (used) by noncapital financing activities	1,054,182	-	1,054,182	(1,409,951)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(1,806,005)	-	(1,806,005)	(205,809)
Proceeds from sale of capital assets	-	-	-	51,733
Net cash provided (used) by capital and related financing activities	(1,806,005)	-	(1,806,005)	(154,076)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(10,685,291)	-	(10,685,291)	(25,301,180)
Sale of investments	12,589,074	-	12,589,074	26,188,600
Interest and dividends	107,414	-	107,414	203,770
Net cash provided by investing activities	2,011,197	-	2,011,197	1,091,190
Net Increase (Decrease) in Cash and Cash Equivalents	193,496	38,319	231,815	(1,074,995)
Balances - January 1	1,508,726	170,789	1,679,515	4,456,110
Balances - December 31	<u>\$ 1,702,222</u>	<u>\$ 209,108</u>	<u>\$ 1,911,330</u>	<u>\$ 3,381,115</u>
<b>Detail on Statement of Net Position</b>				
Cash and cash equivalents				
Current	\$ 830,344	\$ 209,108	\$ 1,039,452	\$ 3,381,115
Restricted				
Financial assurance	838,028	-	838,028	-
Health and sanitation	33,850	-	33,850	-
Total	<u>\$ 1,702,222</u>	<u>\$ 209,108</u>	<u>\$ 1,911,330</u>	<u>\$ 3,381,115</u>

continued

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

ST. LOUIS COUNTY, MINNESOTA  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Environmental Services	Plat Books	Total	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (1,683,698)	\$ 52,511	\$ (1,631,187)	\$ (2,021,865)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	634,936	-	634,936	249,944
(Increase) Decrease Receivables, net	(66,548)	(120)	(66,668)	(13,194)
(Increase) Decrease Due from other governments	(101,144)	-	(101,144)	(2,611)
(Increase) Decrease Inventories	-	(11,322)	(11,322)	(261)
(Increase) Decrease Prepaid Items	-	-	-	(39,295)
Increase (Decrease) Accounts payable	(39,552)	(2,750)	(42,302)	138,925
Increase (Decrease) Salaries payable	27,834	-	27,834	(3,666)
Increase (Decrease) Compensated absences payable	128,675	-	128,675	(46,483)
Increase (Decrease) Claims payable	-	-	-	683,404
Increase (Decrease) Due to other governments	33,619	-	33,619	(24,244)
Increase (Decrease) OPEB obligation	-	-	-	451,968
Increase (Decrease) Unearned revenue	-	-	-	25,220
Total Adjustments	617,820	(14,192)	603,628	1,419,707
Net cash provided (used) by operating activities	<u>\$ (1,065,878)</u>	<u>\$ 38,319</u>	<u>\$ (1,027,559)</u>	<u>\$ (602,158)</u>
<b>NON-CASH ACTIVITIES</b>				
Change in fair value of investments	11,020	-	11,020	15,363
Transfer of vehicles within proprietary funds	8,063	-	8,063	(8,086)
Transfer of vehicles from governmental funds	3,151	-	3,151	-

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

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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** - 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 POSITION**  
**FIDUCIARY FUNDS**  
DECEMBER 31, 2012

	<b>Investment Trusts</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32	\$ 9,708,872
Investments	16,321,383	2,726,694
Delinquent taxes receivable	-	90,795
Accounts Receivable		86,011
Accrued interest receivable	5,573	-
Due from other governments	-	3,771,578
Total Assets	<hr/> 16,326,988 <hr/>	<hr/> 16,383,950 <hr/>
<b>LIABILITIES</b>		
Accounts payable	-	1,286,281
Salaries payable	-	697,610
Due to other governments	342,834	14,400,059
Total Liabilities	<hr/> 342,834 <hr/>	<hr/> 16,383,950 <hr/>
<b>NET POSITION</b>		
Held in trust for pool participants and other purposes	<hr/> \$ 15,984,154 <hr/>	<hr/> \$ - <hr/>

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

ST. LOUIS COUNTY, MINNESOTA  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Investment Trusts</b>
	<hr/>
<b>ADDITIONS</b>	
Taconite taxes	\$ 32,451,153
Earnings on investments	34,461
Total Additions	<hr/> 32,485,614 <hr/>
<b>DEDUCTIONS</b>	
Distributions to participants	<hr/> 31,196,971
Total Deductions	<hr/> 31,196,971 <hr/>
Changes in net position	1,288,643
Net position - January 1	<hr/> 14,695,511
Net position - December 31	<hr/> <u>\$ 15,984,154</u> <hr/>

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

Notes to the  
Financial Statement

ST. LOUIS COUNTY, MINNESOTA  
**NOTES TO THE FINANCIAL STATEMENTS**  
DECEMBER 31, 2012

**Guide to the Notes**

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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 position and the statement of activities) 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. Exceptions to this general rule include 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. Another exception is interfund rent which is considered an interfund service provided and used. It is eliminated within the general government function only. 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 are not included within program revenues, and are reported 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.

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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. 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:**

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County, except those 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. Revenues are generated from taxes, state aid and federal grants.

The Public Health and Human Services Special Revenue Fund accounts for the operations and financial activities of the Public Health and Human Services Department. Revenues are generated from taxes, state aid and federal grants.

The Forfeited Tax Sale Special Revenue Fund accounts for the proceeds from the sale or lease of lands forfeited to the State of Minnesota. Revenues are generated from the sale of land and timber.

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

**The County reports the following major proprietary fund:**

The Environmental Services Fund accounts for the activities of solid waste and recycling operations within the County, but outside the Western Lake Superior Sanitary District service area.

**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, the Forest Resources activities, and the Northern Lights Express grant 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 5-1/2 percent of the market value of the fund on January 1 of the preceding calendar year may be used to support the County's programs.

Enterprise Funds account for Plat Book activities.

Internal Service Funds account for County Garage (fleet management) services, Property, Casualty, Liability Insurance coverage, Workers' Compensation Insurance coverage, Medical/Dental Insurance coverage 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 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.

*ST. LOUIS COUNTY, MINNESOTA*  
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Agency Funds account for resources held by the County in a purely custodial capacity and include the State of Minnesota, Beer-Auctioneer Licenses, Taxes and Penalties, Payroll Deductions, Canceled Check, Arrowhead Regional Corrections, Permit to Carry Firearms, Minneapolis - Duluth/Superior Passenger Rail Alliance, Community Health Services, Duluth Area Family Service Collaborative, Local Collaborative Time Study, Regional Railroad Authority, Northern Counties Land Use Board, and Agency Miscellaneous funds.

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

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  
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**D. Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of Differences Between Governmental Funds Balance Sheet and the Statement of Net Position**

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

	<b>Total Governmental Funds</b>	<b>Long-term Assets Liabilities (1)</b>	<b>Internal Service Funds (2)</b>	<b>Reclassification and Elimination (3)</b>	<b>Statement of Net Position Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 138,697,052	\$ -	\$ 3,381,115	\$ -	\$ 142,078,167
Investments	6,095,321	-	27,893,165	-	33,988,486
Delinquent taxes receivable	7,056,738	-	-	(7,056,738)	-
Accounts receivable (net)	10,734,084	-	518,828	(11,252,912)	-
Accrued interest receivable	576,299	-	279,785	(856,084)	-
Loans receivable	1,223,104	-	-	(1,223,104)	-
Due from other governments	21,410,463	-	2,611	(21,413,074)	-
Receivables (net)	-	-	-	41,801,912	41,801,912
Internal balances	-	-	672,513	-	672,513
Inventories	9,251,147	-	77,288	-	9,328,435
Prepaid items	270,986	-	184,441	-	455,427
Capital assets not being depreciated	-	16,007,752	25,500	-	16,033,252
Capital assets being depreciated, net	-	490,909,129	1,314,932	-	492,224,061
Total Assets	<u>195,315,194</u>	<u>506,916,881</u>	<u>34,350,178</u>	<u>-</u>	<u>736,582,253</u>
<b>LIABILITIES</b>					
Accounts payable	4,802,618	-	335,523	14,667,129	19,805,270
Contracts payable	3,873,874	-	-	(3,873,874)	-
Salaries payable	5,265,556	-	36,193	(5,301,749)	-
Bond interest payable	-	101,824	-	(101,824)	-
Due to other governments	1,790,628	3,518,642	80,412	(5,389,682)	-
Unearned revenue	3,422,151	-	978,277	-	4,400,428
Advance from Other Governments	7,676,210	-	-	-	7,676,210
Due within one year	-	10,708,791	3,100,658	-	13,809,449
Due in more than one year	-	55,748,576	8,963,153	-	64,711,729
Total Liabilities	<u>26,831,037</u>	<u>70,077,833</u>	<u>13,494,216</u>	<u>-</u>	<u>110,403,086</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes	5,972,184	(5,972,184)	-	-	-
Grants	7,667,762	(7,667,762)	-	-	-
Long-term receivables	8,796,605	(8,796,605)	-	-	-
Total Deferred Inflows of Resources	<u>22,436,551</u>	<u>(22,436,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE/NET POSITION</b>					
Invested in capital assets, net of related debt	-	474,906,668	1,340,432	-	476,247,100
Nonspendable	15,967,463	-	-	(15,967,463)	-
Restricted	8,634,749	-	-	12,398,520	21,033,269
Committed	36,428,450	-	-	(36,428,450)	-
Assigned	52,433,223	-	-	(52,433,223)	-
Unassigned	32,583,721	(15,631,069)	19,515,530	(36,468,182)	-
Unrestricted	-	-	-	128,898,798	128,898,798
Total Fund Balance/Net Position	<u>146,047,606</u>	<u>459,275,599</u>	<u>20,855,962</u>	<u>-</u>	<u>626,179,167</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/ Net Position	<u>\$ 195,315,194</u>	<u>\$ 506,916,881</u>	<u>\$ 34,350,178</u>	<u>\$ -</u>	<u>\$ 736,582,253</u>

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(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 position includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 786,792,506
Accumulated depreciation	<u>(279,875,625)</u>
	<u>\$ 506,916,881</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 unavailable revenue in the governmental funds, and thus are not included in fund balance. Also, there are liabilities related to some of these deferred inflows of resources that are not included in fund balance.

Adjustment of unavailable revenue	<u>\$ (22,436,551)</u>
Adjustment of due to other governments	<u>\$ 3,518,642</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 position. Balances at December 31, 2012 were:

Bond interest payable	<u>\$ 101,824</u>		
		Due Within One Year	Due In More Than One Year
		Total	
Bonds and notes payable	\$ 4,373,478	\$ 28,032,465	\$ 32,405,943
Compensated absences	6,335,313	27,716,111	34,051,424
	<u>\$ 10,708,791</u>	<u>\$ 55,748,576</u>	<u>\$ 66,457,367</u>

(2) Internal service funds are used by management to charge the cost of certain activities, such as insurance and motor pool charges, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 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>\$ 672,513</u>
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(3) Reclassifications are used primarily to condense various receivables and payables into single totals, Receivables, net and Accounts payable.

ST. LOUIS COUNTY, MINNESOTA  
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**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 position" 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.

	<b>Total Governmental Funds</b>	<b>Long-term Revenue, Expenses (1)</b>	<b>Long-Term Debt and Capital Related Items (2) &amp; (4)</b>	<b>Internal Service Funds (3)</b>	<b>Revenue Reclass</b>	<b>Statement of Activities Totals</b>
<b>Revenues and Other Sources</b>						
Taxes	\$ 120,938,486	\$ (308,220)	\$ -	\$ -	\$ (120,630,266)	\$ -
Property taxes						
General purpose	-	-	-	-	115,310,996	115,310,996
Debt service	-	-	-	-	5,319,270	5,319,270
Licenses and permits	167,889	-	-	-	(167,889)	-
Intergovernmental	117,323,896	-	-	-	(117,323,896)	-
State shared	-	-	-	-	16,949,124	16,949,124
Federal shared	-	-	-	-	1,853,339	1,853,339
Operating grants	-	3,515,691	-	-	63,243,188	66,758,879
Capital grants	-	1,469,764	-	-	25,549,775	27,019,539
Charges for services	27,602,297	(482,469)	-	-	21,267,225	48,387,053
Fines and forfeits	276,085	-	-	-	(276,085)	-
Earnings on investments	1,840,869	-	-	288,247	-	2,129,116
Gifts and contributions	8,231	-	-	-	(8,231)	-
Land and timber sales	5,790,449	415,833	-	-	(6,206,282)	-
Miscellaneous	5,393,940	(513,672)	-	-	(4,880,268)	-
<b>Total</b>	<b>279,342,142</b>	<b>4,096,927</b>	<b>-</b>	<b>288,247</b>	<b>-</b>	<b>283,727,316</b>
<b>Expenditures/Expenses</b>						
<b>Current:</b>						
General government	37,907,421	(345,759)	2,013,934	481,578	-	40,057,174
Public safety	51,101,699	(222,122)	1,772,792	398,170	-	53,050,539
Highways and streets	43,267,909	(639,422)	9,454,011	522,841	-	52,605,339
Health and sanitation	4,733,399	(195,379)	448	40,532	-	4,579,000
Human services	75,180,107	(51,480)	323,811	448,563	-	75,901,001
Culture and recreation	2,042,815	-	-	-	-	2,042,815
Conservation of natural resources	7,410,014	246,463	227,515	74,295	-	7,958,287
Economic development	3,103,683	3,605	24,768	-	-	3,132,056
<b>Debt service:</b>						
Principal	4,774,990	-	(4,774,990)	-	-	-
Interest and other charges	1,387,050	-	312,803	-	-	1,699,853
Capital Outlay	56,209,840		(56,209,840)	-	-	-
<b>Total</b>	<b>287,118,927</b>	<b>(1,204,094)</b>	<b>(46,854,748)</b>	<b>1,965,979</b>	<b>-</b>	<b>241,026,064</b>
<b>Other financing uses/changes in net position:</b>						
Transfers in	3,813,281	-	-	137,485	-	3,950,766
Transfers out	(2,613,593)	-	-	(1,547,436)	-	(4,161,029)
Increase in inventories	965,963	(965,963)	-	-	-	-
<b>Total</b>	<b>2,165,651</b>	<b>(965,963)</b>	<b>-</b>	<b>(1,409,951)</b>	<b>-</b>	<b>(210,263)</b>
<b>Net change for the year</b>	<b>\$ (5,611,134)</b>	<b>\$ 4,335,058</b>	<b>\$ 46,854,748</b>	<b>\$ (3,087,683)</b>	<b>\$ -</b>	<b>\$ 42,490,989</b>

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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, receivables for certain aids and grant revenues not available for expenditure are deferred inflows of resources. The adjustment to revenue between the governmental fund statements and the statement of activities is the change in deferred inflows of resources. In addition, intra-general government function rent charges are eliminated.

Property taxes	\$ (308,220)
Long-term receivables:	
Intergovernmental	4,874,430
Intra-general government function rent	111,025
Charges for services	(482,469)
Land & timber sales	415,833
Miscellaneous	(513,672)
	<u>\$ 4,096,927</u>

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. Changes in long-term liabilities (compensated absences and capital leases) also result in an expense in the statement of activities. In addition, intra-general government function expenses are eliminated.

Due to other governments	\$ 166,333
Intra-general government function rent	(111,025)
Increase in inventories	(965,963)
Compensated absences	(293,439)
	<u>\$ (1,204,094)</u>

(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 position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ (56,209,840)
Net disposal of capital assets	59,891
Depreciation expense	13,757,388
Difference	<u>\$ (42,392,561)</u>

(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) Issuance of bonds is reported as an other financing source in governmental funds and, thus, has the effect of increasing fund balance because current financial resources are available. For the County as a whole, however, the principal payments increase the liabilities in the statement of net position and do not result in available funds. The County's bonded debt was reduced when principal payments were made to bond holders. In addition, some financing 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.

Principal payments made	\$ (4,774,990)
Bond interest payable	(13,543)
Debt issuance costs amortization	375,239
Bond premium amortization	(48,893)
	<u>\$ (4,462,187)</u>

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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 Projects 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 its review and approval. If approved, changes are implemented by the Auditor's Office as budget revisions. Supplemental appropriations could be required due to 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 \$25,545,072.

**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 training is conducted and a budget manual is provided which outlines the County Administrator's basic guidelines for preparing the budget proposal.
3. Departments submit preliminary estimates of requested appropriations and anticipated revenues by early June. These figures are used to determine the amount of tax levy required to meet departmental requests, and the amount of budget adjustments that the County Administrator needs to make during the preliminary budget meetings in order to meet goals established by the County Board.
4. Preliminary budget meetings are held by the County Administrator with each department. These meetings begin about mid-June and last until about mid-July.
5. The County Administrator's budget recommendation is delivered 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 Truth in Taxation provisions of state law.
6. The County Board holds formal public meetings on the proposed budget and adopts by resolution the final budget and tax levy on or before December 28.

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**F. Reclassifications**

Several account balances were reclassified as of and for the year ended December 31, 2011, as previously reported. These reclassifications, which did not require a restatement of net position or fund balance, were required for comparability to the financial statements as of and for the year ended December 31, 2012. Although comparative statements for 2011 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

**G. Assets, Liabilities, and 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 2012 were \$1,168,896. 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. Information relating to the MAGIC Fund can be obtained from Client Services Group, Minnesota Association of Governments Investing for Counties c/o PFM Asset Management LLC, P.O. Box 11760, Harrisburg, Pennsylvania, 17108-11760.

St. Louis County invests in an external investment pool, the Minnesota State of Board of Investments, under authority of Minnesota Statutes Chapter 11A. Minnesota statutes, section 11A.24, broadly restricts investments to United States and Canadian governments, their agencies, and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture, capital, real estate, or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments. Information on investment activity, investment management fees and a listing of specific investments owned by the pools asset account can be obtained from SBI, Suite 355, 60 Empire Drive, St. Paul, Minnesota, 55103.

**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 across taxable property based on the value of the property on the assessment date. At the time taxes are spread they become a lien on 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 is shown as deferred inflows of resources - unavailable revenue.

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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 fund balance classified as non-spendable to indicate that they do not constitute available spendable resources.

Plat Book Enterprise Fund inventories consist of items for resale and consumption and are recorded as an expense when sold or used. Inventories are priced at cost on a first-in, first-out basis.

County Garage Internal Service Fund 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 resources are restricted for financial assurance within the Environmental Services Fund. When an expense is incurred for which both restricted and unrestricted net position is available, restricted resources are applied first.

**Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangibles, 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 of two or more years. The capitalization threshold for computer software, including internally generated software is \$250,000. 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. For the purposes of depreciating infrastructure capital assets, all roads and bridges are considered a network. 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:	58 years
Intangibles:	2-5 years

**Deferred Outflows/Inflows of Resources**

In 2012, the County early implemented the requirements of Statement No. 65 of the Governmental Accounting Standards Board.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, intergovernmental grants, and long-term receivables. These amounts are recognized as an inflow of resources in the period that the amounts become available.

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**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 available at retirement to be used for payment of employee's health and dental costs 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 \$6,092,587 at December 31, 2012 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 \$1,804,804 for the open area reported on the Environmental Services Enterprise Fund statement of net position as landfill closure and postclosure liability at December 31, 2012, represents the following:

Postclosure liability

This is the liability for post closure costs for the Regional Landfill.	\$1,005,598
It is based on the use of 71.00% 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 71.00% of the existing open area.	\$799,206

The County will recognize the remaining \$666,334 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 2012. The County expects the open area to be closed in 2013 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, 2012, restricted assets of \$3,752,274 are included in the amounts shown on the Environmental Services Enterprise Fund balance sheet as Restricted assets financial assurance - Cash and cash equivalents and Investments.

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.

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### **Long-Term Obligations**

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

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**

Fund balance is classified as:

Nonspendable – amounts that cannot be spent because they are not in spendable form (non-current loans, inventories and prepaid items), or that cannot be legally spent (principal portion of the Shoreline Sales Permanent Fund).

Restricted – amounts to be used for specific purposes as determined by enabling legislation or imposed by grantors or debt covenants; used before unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available.

Committed – amounts to be used for specific purposes as determined by formal County Board resolution. The Fund Balance policy is also established annually by board resolution. Committed fund balances are used before assigned or unassigned fund balances when an eligible expenditure is incurred.

Assigned – amounts intended to be used for certain purposes as determined by the County Board, or by the Administrator and Auditor acting together. The Fund Balance policy is established annually by board resolution. Assigned fund balance is used when an expenditure is incurred for which both assigned and unassigned fund balance is available.

Unassigned – amount remaining in the General Fund that has not been restricted, committed, or assigned.

### **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, 2012; 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.

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**Note 2. 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	\$ 142,078,167
Investments	33,988,486
Business-type Activities:	
Current assets:	
Cash and cash equivalents	1,039,452
Investments	13,487,404
Restricted assets:	
Financial Assurance	
Cash and cash equivalents	838,028
Investments	2,914,246
Health and sanitation	
Cash and cash equivalents	33,850
Fiduciary Activities	
Current assets:	
Cash and cash equivalents	9,708,904
Investments	19,048,077
Total	<u>223,136,614</u>
Deposits	46,090,921
Cash on hand	68,294
Investments	176,977,399
Total deposits, cash on hand, and investments	<u>\$ 223,136,614</u>

**(Amounts in Dollars)**

	Held for Individual Investment Accounts - Investment Trust Funds	Held for All Other County Funds	Total
Cash and cash equivalents	32	153,698,369	153,698,401
Investments	16,321,383	53,116,830	69,438,213
Total	<u>16,321,415</u>	<u>206,815,199</u>	<u>223,136,614</u>

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**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 deposit policy for custodial credit risk 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, 2012, 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, 2012, the County had the following investments and maturities:

	Fair Value	Investment Maturities in Years					
		Less than 1	1-2	2-3	3-4	4-5	More than 5
Brokered CD's	\$ 66,483,000	\$ 24,163,000	\$ 14,956,000	\$ 7,255,000	\$ 8,542,000	\$ 10,573,000	\$ 994,000
CD's	8,551,094	3,657,725	1,000,000	1,500,000	-	2,393,369	-
Minnesota SBI	6,095,321	6,095,321	-	-	-	-	-
Municipal Bonds	2,851,204	-	-	309,366	1,604,408	504,000	433,430
FFCB	7,392,308	-	5,000,650	1,091,400	-	-	1,300,258
FHLB	40,686,530	24,140,812	3,603,556	1,304,966	2,146,537	5,346,432	4,144,227
FHLMC	21,863,039	5,021,500	-	1,304,277	6,092,246	9,445,016	-
FNMA	23,054,903	-	-	4,502,485	8,315,041	7,629,759	2,607,618
<b>Total</b>	<b>\$ 176,977,399</b>	<b>\$ 63,078,358</b>	<b>\$ 24,560,206</b>	<b>\$ 17,267,494</b>	<b>\$ 26,700,232</b>	<b>\$ 35,891,576</b>	<b>\$ 9,479,533</b>

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*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, and the desired weighted average maturity of the portfolio shall be less than three years. The County is in compliance with the policy.

*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. Except for the Shoreline Sales Permanent Fund, authorized under Minn. Stat §373.475, which invests in the unrated Minnesota State Board of Investment, 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, 2012, is as follows:

Rating	Fair Value
S&P AA+	\$94,915,844
Moodys Aa2	932,140
Total	<u>\$95,847,984</u>

*Custodial Credit Risk-Investments.* 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. As required by County policy, at December 31, 2012, all of the County's investments were held by a third party custodian and were not exposed 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 states that in no case will investments in any one financial institution exceed 50% of the County's total portfolio. U.S. government securities, mutual funds, and external investment pools are exempt from this restriction.

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**Receivables**

Receivables as of December 31, 2012 for the County's governmental and business-type activities, including applicable allowances for uncollectible accounts are:

	Total Receivable	Not expected to be collected within one year
Governmental Activities:		
Taxes	\$ 7,056,738	\$ -
Accounts receivable	11,252,912	8,669,903
Accrued interest receivable	856,084	-
Loans receivable	1,223,104	1,119,982
Due from other governments	21,413,074	-
	<u>\$ 41,801,912</u>	<u>\$ 9,789,885</u>
Total Governmental Activities		
Business Activities		
Taxes	\$ 16,082	\$ -
Accounts Receivable	134,570	-
Accrued interest receivable	60,566	-
Due from other governments	102,884	-
	<u>\$ 314,102</u>	<u>\$ -</u>
Total Business Activities		

**Loans Receivable**

The loan receivable from Meadowlands Affordable Housing Limited Partnership is \$98,214 and is included in the committed for economic development category of fund balance. The purpose of the loan was the construction of a 12-unit affordable housing project. In 2010 the Housing and Redevelopment Authority Board passed a resolution to defer principal and interest payments until December 3, 2023 at which time the loan and accrued interest will be forgiven, provided the Meadowland Affordable Housing Partnership has maintained Meadowlands Manor as affordable rental housing in conformance with the note. The receivable is being written off over the remaining loan life using the straight-line method, 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 totaling \$673,479 at December 31, 2012. These are included in the committed for health and sanitation category of fund balance.

The long-term loan receivable from the South St. Louis County Fair Association is \$132,859 and is included in the nonspendable noncurrent loans category of fund balance. The receivable arises from the County financing the construction of new grandstands and racetrack lighting. The interest free loan was approved by the County Board on December 17, 2002. Repayment comprises the County withholding \$5,000 from the South St. Louis County Fair Association annual allocation and the Fair Association paying \$1 per seat surcharge to retire the debt.

Loans receivable includes \$166,000 for a concession and multipurpose building at the South St. Louis County fairgrounds. The loan is included in the nonspendable noncurrent loans category of fund balance. Repayment began in 2009 and calls for \$5,000 due from the Lakehead Racing Association annually. Beginning November 1, 2011, the St. Louis County Fair Association also began paying \$7,000 annually to retire the debt.

The Dirt Floor Arena Committee owes \$10,000 for improvements at the South St. Louis County fairgrounds. This is an interest free loan which requires repayment of \$5,000 annually. The loan is included in the nonspendable noncurrent loans category of fund balance.

The City of Ely owes for its share of costs associated with the Ely Joint Public Works Facility. One loan has a balance of \$24,083 with an interest rate of 3.9%. It requires payments of \$1,095 on May 1 and November 1 each year until 2027. The second loan has a balance of \$118,469 with an interest rate of 5%. It requires payments of \$5,792 on May 1 and November 1 each year until 2027. Both loans are included in the assigned for highways and streets category of fund balance.

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**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 \$2,048,964, leaving a carrying value of \$3,899,640. The State pays rent of \$14,077 per month through August 2017. 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	
2013	\$ 168,919
2014	168,919
2015	168,919
2016	168,919
2017	112,615
Total	<u>\$ 788,291</u>

**Lease to Chris Jensen, LLC**

On November 1, 2009 St. Louis County entered into an agreement with Chris Jensen, LLC, a Minnesota limited liability company for the lease of approximately 398,941 square feet located at 2501 Rice Lake Road, Duluth, Minnesota, the site of the Chris Jensen Health and Rehabilitation Center. The initial lease will be for five years ending on October 31, 2014. The lease may be extended for three separate renewal terms of five years each. The lease specifies rent payments to St. Louis County of \$4,167 monthly through October 15, 2012, then increasing to \$5,000 effective November 15, 2012, and increasing again on November 15, 2013 to \$5,833 per month.

The County will also receive from Chris Jensen, LLC pro rated collections of the certified accounts receivable as of November 1, 2009. This will continue until September 2013. A capital expenditure/operating account was established during 2009 for scheduled deposits by the County that totaled \$500,000 at April 1, 2010. The deposits will be used by Chris Jensen, LLC in accordance with the lease agreement.

Chris Jensen Health and Rehabilitation Center Enterprise Fund employees are no longer employed by St. Louis County. Many of these former County employees have been retained by Chris Jensen, LLC to staff the nursing home.

The minimum future rentals are:

Year Ending December 31	
2013	61,667
2014	58,333
Total	<u>\$ 120,000</u>

**Restricted Assets**

Business-type activities

Financial assurance for closure and post closure care

Cash and cash equivalents	\$ 838,028
Investments	2,914,246

Health and sanitation

Cash and cash equivalents	33,850
Total	<u>\$ 3,786,124</u>

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**Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

**Governmental Activities:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	\$ 2,129,327	\$ -	\$ -	\$ -	2,129,327
Permanent right of way	270,452	178,828	-	-	449,280
Work in progress	8,239,217	9,569,628		(4,354,200)	13,454,645
Total capital assets, not being depreciated	10,638,996	9,748,456	-	(4,354,200)	16,033,252
Capital assets, being depreciated:					
Buildings and structures	124,155,940	845,325		2,599,292	127,600,557
Machinery and equipment	21,111,465	1,039,695	(258,695)	-	21,892,465
Vehicles	51,906,657	2,220,003	(1,003,262)	(59,127)	53,064,271
Infrastructure	525,627,241	42,581,630	-	-	568,208,871
Computer Software	1,611,712			1,754,908	3,366,620
Temporary right of way	20,700	5,900	-	-	26,600
Total capital assets being depreciated	724,433,715	46,692,553	(1,261,957)	4,295,073	774,159,384
Less accumulated depreciation for:					
Buildings and structures	(46,791,683)	(3,031,819)		-	(49,823,502)
Machinery and equipment	(15,856,070)	(1,410,979)	258,695	-	(17,008,354)
Vehicles	(33,890,226)	(2,625,957)	898,721	47,890	(35,569,572)
Infrastructure	(172,295,835)	(6,579,939)	-	-	(178,875,774)
Computer Software	(295,481)	(351,590)	-	-	(647,071)
Temporary right of way	(4,002)	(7,048)	-	-	(11,050)
Total accumulated depreciation	(269,133,297)	(14,007,332)	1,157,416	47,890	(281,935,323)
Total capital assets being depreciated, net	455,300,418	32,685,221	(104,541)	4,342,963	492,224,061
Governmental activities, capital assets, net	<u>\$ 465,939,414</u>	<u>\$ 42,433,677</u>	<u>\$ (104,541)</u>	<u>\$ (11,237)</u>	<u>\$ 508,257,313</u>

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**Business-type activities:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	\$ 233,266	\$ -	\$ -	\$ -	233,266
Construction in progress	110,000	1,607,886	-	(1,572,632)	145,254
Total capital assets, not being depreciated	343,266	1,607,886	-	(1,572,632)	378,520
Capital assets, being depreciated:					
Buildings and structures	6,778,224		-	-	6,778,224
Improvements other than buildings	9,278,063		-	1,572,632	10,850,695
Machinery and equipment	793,712	92,697	-	-	886,409
Vehicles	1,168,900	198,423	(19,822)	59,127	1,406,628
Total capital assets being depreciated	18,018,899	291,120	(19,822)	1,631,759	19,921,956
Less accumulated depreciation for:					
Buildings and structures	(3,472,138)	(280,979)	-	-	(3,753,117)
Improvements other than buildings	(5,884,151)	(256,766)	-	-	(6,140,917)
Machinery and equipment	(620,054)	(40,579)	-	-	(660,633)
Vehicles	(946,956)	(56,612)	19,822	(47,890)	(1,031,636)
Total accumulated depreciation	(10,923,299)	(634,936)	19,822	(47,890)	(11,586,303)
Total capital assets, being depreciated, net	7,095,600	(343,816)	-	1,583,869	8,335,653
Business-type activities, capital assets, net	<u>\$ 7,438,866</u>	<u>\$ 1,264,070</u>	<u>\$ -</u>	<u>\$ 11,237</u>	<u>\$ 8,714,173</u>

**Depreciation:**

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	2,035,201
Public safety	1,755,693
Highways	9,397,214
Health and sanitation	448
Human Services	323,811
Conservation of natural resources	220,253
Economic development	24,768
Internal Service Funds	249,944
Total depreciation expenses - governmental activities	<u>\$ 14,007,332</u>
Business-type activities	
Environmental Services	\$ 634,936

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**B. Liabilities**

**Advance From Other Governments**

The Minnesota Department of Transportation (MnDOT) has advanced to the County a portion of future years' regular construction allotment funds for the purpose of financing current County state-aid projects. Of the balance of \$7,676,210 reported in the financial statements as Advance from other governments, \$78,468 represents regular construction funds received from MnDOT that will be recognized as revenue in the year the allotment normally would have accrued. As a result, the County anticipates receiving approximately 99.5% of its normal construction allotment during 2013.

The Minnesota Department of Transportation (MnDOT) also advanced to the County funds to help cash flow and cover expense for road and bridge repairs related to the June 2012 Flood. \$12,000,000 of State Aid Disaster Funds were received shortly after the flood. Of this amount, \$1,000,000 has been returned to MnDOT and \$3,402,258 has been applied to road and bridge projects. The remaining \$7,597,742 is reported in Advance from other governments.

**Long-Term Debt**

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One-Year
<b>GOVERNMENTAL ACTIVITIES</b>					
<b><i>Bonds, notes, and tax lease obligations payable</i></b>					
General obligation debt					
Capital Improvement Bonds 2004A	\$ 8,379,549	\$ -	\$ (905,628)	\$ 7,473,921	\$ 935,628
Capital Improvement Bonds 2005A	4,088,109	-	(388,109)	3,700,000	400,000
LEC Refunding Bonds 2005B	488,941	-	(488,941)	-	-
Capital Improvement					
Crossover Bonds 2006A	5,835,500	-	(1,088,237)	4,747,263	1,123,237
Capital Equipment Notes 2008A	1,534,675	-	(755,265)	779,410	779,410
Capital Improvement Bonds 2008B	9,677,332	-	(642,713)	9,034,619	662,713
Capital Improvement Bonds 2010A	6,705,000	-	(430,000)	6,275,000	430,000
General obligation revenue notes	438,220	-	(42,490)	395,730	42,490
<b><i>Total bonds, notes and tax lease obligations payable</i></b>	<u>37,147,326</u>	<u>-</u>	<u>(4,741,383)</u>	<u>32,405,943</u>	<u>4,373,478</u>
<b><i>Other Liabilities</i></b>					
Compensated absences	34,736,597	9,280,897	(9,620,820)	34,396,674	6,414,456
Claims payable	7,660,532	31,039,196	(30,355,792)	8,343,936	3,021,515
Capital leases payable	82,500	-	(82,500)	-	-
Other post employment benefits obligation	2,922,657	451,968	-	3,374,625	-
<b><i>Total other liabilities</i></b>	<u>45,402,286</u>	<u>40,772,061</u>	<u>(40,059,112)</u>	<u>46,115,235</u>	<u>9,435,971</u>
<b>Governmental activities long-term liabilities</b>	<u>\$ 82,549,612</u>	<u>\$ 40,772,061</u>	<u>\$ (44,800,495)</u>	<u>\$ 78,521,178</u>	<u>\$ 13,809,449</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
<b><i>Other Liabilities</i></b>					
Compensated absences	\$ 961,593	\$ 372,292	\$ (243,616)	\$ 1,090,269	\$ 185,560
Closure and post-closure liabilities	1,727,067	77,737	-	1,804,804	-
<b><i>Total other liabilities</i></b>	<u>2,688,660</u>	<u>450,029</u>	<u>(243,616)</u>	<u>2,895,073</u>	<u>185,560</u>
<b>Business-type activities long-term liabilities</b>	<u>\$ 2,688,660</u>	<u>\$ 450,029</u>	<u>\$ (243,616)</u>	<u>\$ 2,895,073</u>	<u>\$ 185,560</u>

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 \$12,063,811 of internal service funds compensated absences, claims payable, and other post employment benefit obligations are included in the above amounts. Also, for the governmental activities, claims, capital leases, and compensated absences are generally liquidated by the General Fund, Road and Bridge, Public Health and Human Services, and Forfeited Tax Sale Special Revenue funds.

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*General obligation bonds and notes payable at December 31, 2012, consist of the following issues:*

\$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 \$38,921. This bond was issued to finance capital improvements.	\$ 7,473,921
\$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. This bond was issued to finance capital improvements	3,700,000
\$7,845,000 General Obligation Capital Improvement Crossover Refunding Bonds due in annual installments of \$1,005,000 to \$1,245,000 on December 1, 2010 through 2016; interest at 3.75 percent, including unamortized premium of \$32,263. This bond was issued to crossover refund \$7,795,000 of the \$10,465,000 outstanding of the \$14,270,000 General Obligation Capital Improvement bonds, Series 2001, dated May 1, 2001. The net present value benefit of the refunding issue is \$276,208 and results in a reduction of \$359,585 in future debt service payments. The crossover refunding occurred December 1, 2009.	4,747,263
\$3,580,000 General Obligation Capital Equipment Notes due in annual installments of \$665,000 to \$770,000 on December 1, 2009 through 2013; interest at 3.50 percent, including unamortized premium of \$9,410.	779,410
\$11,380,000 General Obligation Capital Improvement Bonds due in annual installments of \$525,000 to \$1,010,000 on December 1, 2009 through 2023; interest at 3.50 to 5.00 percent, including unamortized premium of \$29,619.	9,034,619
\$7,135,000 General Obligation Capital Improvement Bonds due in annual installments of \$430,000 to \$555,000 on December 1, 2011 through 2025; interest at 0.7 to 4.65 percent. This bond was issued to finance capital improvements. They are Build America Bonds with a federal credit amount through December 1, 2025 of \$738,289.	6,275,000
<i>General obligation revenue notes payable at December 31, 2012, consist of the following issues:</i>	
\$50,000 1998 General Obligation Revenue Notes 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.	19,554
\$200,000 1998 General Obligation Revenue Notes 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.	157,067
\$200,000 2001 General Obligation Revenue Notes Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program.	157,067
\$79,000 2004 General Obligation Revenue Notes Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program.	62,042
The terms of the above described revenue notes require semi-annual repayments of \$20,700 to \$7,900 beginning April 1, 2009 through 2024.	
	<u><u>\$ 32,405,943</u></u>

ST. LOUIS COUNTY, MINNESOTA  
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Governmental Activities General Obligation Long-Term Debt to Maturity is as follows:

<b>Year Ending</b>	<b>General Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2013	4,373,478	1,221,890
2014	3,724,068	1,074,217
2015	3,861,968	947,693
2016	4,011,283	811,947
2017	2,858,731	669,121
2018-2022	10,928,126	1,785,807
2023-2025	2,648,289	198,296
<b>Total:</b>	<b>\$ 32,405,943</b>	<b>\$ 6,708,971</b>

The County's proportionate shares of general obligation debt and general obligation revenue debt at December 31, 2012, 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:

	<b>(Amounts in Dollars)</b>		
	<b>Outstanding</b>	<b>Percentage Applicable to the County</b>	<b>County Share of Debt</b>
<b>Direct Debt</b>			
St. Louis County	32,405,943	100.00	32,405,943
<b>Overlapping Debt</b>			
School Districts	137,212,585	61.17	83,927,268
Western Lake Superior Sanitary District	53,273,769	83.17	44,308,814
<b>Underlying Debt</b>			
Cities	187,990,806	100.00	187,990,806
School Districts	125,325,257	100.00	125,325,257
Towns	3,211,437	100.00	3,211,437
Virginia Housing and Redevelopment Authority	4,765,000	100.00	4,765,000
Duluth/North Shore Sanitary District	7,233,511	100.00	7,233,511
<b>Total</b>	<b>551,418,308</b>		<b>489,168,036</b>

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**Lease Obligations**

The County is committed under various operating leases for office space, parking facilities, data processing software, and office equipment. 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 2012:

<u>Type of Property</u>	
Rental of office space and parking facilities	\$ 630,857
Data processing software	19,186
Hardware	576,966
<b>Total rental expense</b>	<b><u>\$ 1,227,009</u></b>

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2012:

<u>Year Ended</u>	
2013	\$ 1,041,655
2014	1,049,482
2015	1,050,779
2016	1,053,192
2017	1,055,158
<b>Total future minimum lease payments</b>	<b><u>\$ 5,250,266</u></b>

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**Construction Commitments**

At December 31, 2012, the County had construction commitments as follows:

	(Amounts in Dollars)			
	Authorized Projects	Expended to Date	Commitments	Required Further Financing
Public Safety building communication:	500,166	500,166	-	-
GSC Elevator Upgrades	520,371	520,371	-	-
Duluth Courthouse elevator upgrades	42,200	42,200	-	-
Duluth Courthouse HVAC upgrades	2,759,156	2,759,156	-	-
Duluth Courthouse Retaining Wall	135,087	135,087	-	-
Duluth Courthouse Window Replacement	1,593,588	1,593,588	-	-
Duluth Courthouse Sally Port	3,728,227	3,728,227	-	-
Meadowlands Maintenance Facility	2,385,282	2,385,282	-	-
Virginia Courthouse Remodel	5,929,079	5,929,079	-	-
ARMER	1,079,848	947,988	131,860	-
<b>Total</b>	<b>18,673,004</b>	<b>18,541,144</b>	<b>131,860</b>	<b>-</b>

**Purchase Commitments**

At December 31, 2012, the County had purchase commitments represented by open encumbrances. These are included as part of assigned fund balance as follows:

<b>Fund</b>	<b>Amount</b>
General	\$ 3,441,514
Road and Bridge	1,700,243
Public Health and Human Services	96,645
Forfeited Tax Sale	115,577
Forest Resources	526,977
<b>Total</b>	<b>\$ 5,880,956</b>

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## 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 \$75,000 at December 31, 2012, 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 \$1,840,000 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 \$1,840,000 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, 2012, 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 nondiscounted value of the estimated liability for claims payable at the end of the year was \$6,201,626 and is present valued at 1.0075%.

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 premium is for administrative costs and reinsurance costs which are paid from the Fund; a portion of the premium is to provide for expected future catastrophic losses.

*The Medical/Dental Insurance Fund* covers medical and dental expenses incurred by County employees, dependents, and retirees, including cost of claims management by a third party administrator and 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 position. 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.

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Changes in the funds' claims liability amounts during 2011 were:

	<b>(Amounts in Dollars)</b>		
	<b>Property, Casualty, &amp; Liability Insurance Fd</b>	<b>Workers' Compensation Insurance Fund</b>	<b>Medical/ Dental Insurance Fund</b>
Beginning of fiscal year liability for claims	128,874	5,290,859	2,062,237
Current year claims and changes in estimates	444,508	1,142,889	26,398,792
Claim payments	(342,382)	(1,326,900)	(26,138,345)
Balance of claims payable at fiscal year end	<b>231,000</b>	<b>5,106,848</b>	<b>2,322,684</b>

Changes in the funds' claims liability amounts during 2012 were:

	<b>(Amounts in Dollars)</b>		
	<b>Property, Casualty, &amp; Liability Insurance Fd</b>	<b>Workers' Compensation Insurance Fund</b>	<b>Medical/ Dental Insurance Fund</b>
Beginning of fiscal year liability for claims	231,000	5,106,848	2,322,684
Current year claims and changes in estimates	408,134	1,560,174	29,070,888
Claim payments	(319,134)	(1,155,903)	(28,880,755)
Balance of claims payable at fiscal year end	<b>320,000</b>	<b>5,511,119</b>	<b>2,512,817</b>

## 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). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General 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 and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, 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 as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 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 Public Employees Retirement Fund members hired prior to July 1, 1989, 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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General 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.org](http://www.mnpera.org); by writing to PERA at 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	7.25%
Public Employees Police and Fire Fund	
	14.40%
Public Employees Correctional Fund	
	8.75%

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The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<b>2012</b>		<b>2011</b>		<b>2010</b>
General Employees Retirement Fund	\$ 5,983,560	\$	5,896,106	\$	5,781,585
Public Employees Police and Fire Fund	1,093,847		1,120,180		1,100,152
Public Employees Correctional Employees Fund	610,006		582,497		566,521

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

**Defined Contribution Plan**

Five of the nine eligible elected officials of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2012, were:

	<b>Employee</b>		<b>Employer</b>
Contribution amount	\$ 14,023	\$	14,023
Percentage of covered payroll	5.00%		5.00%

Required contribution rates were 5.0 percent.

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**Interfund Receivables, Payables, and Transfers**

The composition of interfund transfers during the year ended December 31, 2012, is as follows:

Fund Transferred To	Fund Transferred From	Purpose	Amount
Major Funds			
General	Public Health and Human Services	Employees moved to general fund	\$ 65,989
	Forfeited Tax Sale	Land sale apportionment	51,176
	Capital Projects	Operating projects	109,486
	Forest Resources	GIS project	200,000
	Shoreline Sales	Natural resource improvements	118,600
	Property Casualty Liability	Insurance premium rebate	283,419
	Medical Dental Insurance	Health & wellness reimbursement	246,333
Road and Bridge	Capital Projects	Depot roof project	507,146
	Property Casualty Liability	Insurance premium rebate	726,202
Public Health and Human Service	General	1% salary increases	257,167
Forfeited Tax Sale Fund	Environmental Services	Vehicle transfer	4,049
	Property Casualty Liability	Insurance premium rebate	121,830
Capital Projects	General	Ely building purchase, license center relocation, 4th district economic development analysis, and excess rent revenues	1,103,710
Environmental Services	Property Casualty Liability	Insurance premium rebate	33,586
	Shoreline Sales	Natural resource improvements	182,143
	County Garage	Vehicle transfer	1,103
Nonmajor Funds			
Debt Service	Capital Projects	Remaining 2008B funds	5,989
Forest Resources	Forfeited Tax Sale	Land sale apportionment	12,185
County Garage	Environmental Services	Vehicle transfer	2,520
	Property Casualty Liability	Insurance premium rebate	134,965
	Total		<u>\$ 4,167,598</u>

ST. LOUIS COUNTY, MINNESOTA  
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**C. Fund Equity**

The County Board authorized the County Auditor to establish portions of fund balance for encumbrances, cash flow, and future unallotment purposes. 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 Special Revenue Fund assigned for public health and human services.

	<u>Encumbrances</u>	<u>Cash Flow</u>	<u>Future Unallotment</u>	<u>Non - Designated</u>	<u>Total</u>
Unassigned					
General	\$ -	\$ 25,488,638	\$ 6,445,050	\$ 650,033	\$ 32,583,721
Assigned					
Road and Bridge	1,700,243	2,567,521	750,000	-	5,017,764
Public Health and Human Services	96,645	14,785,886	1,463,714	1,117,101	17,463,346
Total	<u>\$ 1,796,888</u>	<u>\$ 42,842,045</u>	<u>\$ 8,658,764</u>	<u>\$ 1,767,134</u>	<u>\$ 55,064,831</u>

The cash flow maximum amount for each fund is calculated as 5/12 of the subsequent year's levy, plus the subsequent year county program aid. For the year ended December 31, 2012, the maximum amounts, actual amounts, and percentage funded are shown below. The future unallotment is calculated based on required departmental savings due to state unallotments.

	<u>Cash Flow</u>		
	<u>Maximum Amount</u>	<u>Actual Amount</u>	<u>Percentage Funded</u>
General Fund	\$ 27,999,786	\$ 25,488,638	91.00%
Road and Bridge Fund	9,181,727	2,567,521	28.00%
Public Health and Human Services	14,785,886	14,785,886	100.00%

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**Note 3. Joint Ventures/Jointly Governed Organizations**

**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 2011, (the most recent available), county contributions were in the following proportion:

Carlton County	9.25%
Cook County	1.13%
Koochiching County	1.82%
Lake County	2.22%
St. Louis County	85.58%
Total	<u>100.00%</u>

St. Louis County provided \$11,702,932 in funding during 2012. Separate financial information can be obtained from:

Arrowhead Regional Corrections  
211 West Second St. Suite 450  
Duluth, Minnesota 55802

A summary of the financial information from Arrowhead Regional Corrections' Government-Wide Financial Statements for December 31, 2011 (the most recent available), was:

Total Assets	\$ 11,583,872
Total Liabilities	5,480,324
Total Net Assets	6,103,548
Total Program and General Revenues	20,207,852
Total Expenses/Uses	21,169,166
Change in Net Assets	(961,314)

**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 2012.

A summary of the financial information of the Community Health Services Board Government-Wide Financial Statements for December 31, 2011, (the most recent available) was:

Total Assets	\$ 1,188,582
Total Liabilities	940,509
Total Net Assets	248,073
Total Program and General Revenues	6,073,622
Total Expenses	6,031,081
Change in Net Assets	42,541

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

ST. LOUIS COUNTY, MINNESOTA  
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**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 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 2012.

A summary of the financial information of the Regional Railroad Authority for the Government-Wide Financial Statement for December 31, 2011, (the most recent available) was:

Total Assets	\$ 14,699,753
Total Liabilities	239,423
Total Net Assets	14,460,330
Total Revenues	2,665,707
Total Expenses	1,254,096
Change in Net Assets	1,411,611

Separate financial information can be obtained from:

St. Louis & Lake Counties Regional Railroad Authority  
111 Station 44 Rd  
Eveleth, MN 55734

**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 areas" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such "service delivery area" 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, 2012, was:

Total Assets	\$ 3,244,642
Total Liabilities	1,805,858
Total Net Assets	1,438,784
Total Revenues	5,300,003
Total Expenses	5,236,622
Change in Net Assets	63,381

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training  
820 North Ninth Street, Suite 240, P.O. Box 1028  
Virginia, Minnesota 55792

ST. LOUIS COUNTY, MINNESOTA  
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**Northern Counties Land Use Coordinating Board**

Northern Counties Land Use Coordinating 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, Koochiching, Lake, Lake of the Woods, Pennington, Roseau, 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 \$3,000 during 2012.

A summary of the financial information of Northern Counties Land Use Coordinating Board for the Financial Statements for December 31, 2012, was:

Total Assets	\$ 127,231
Total Liabilities	794
Total Fund Balance	126,437
Total Revenues	16,500
Total Expenditures	6,704
Change in Fund Balance	9,796

Separate financial information can be obtained from:

Northern Counties Land Use Coordinating Board  
St. Louis County Courthouse  
100 N 5th Ave West #214  
Duluth, Minnesota 55802

**Minnesota Counties Information Systems (MCIS)**

The Counties of Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, 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 thirteen 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.

A summary of the financial information of Minnesota Counties Information System's funds for the Government-Wide Financial Statements for December 31, 2010, (the most recent available) was:

Total Assets	\$ 1,527,727
Total Liabilities	349,605
Total Net Assets	1,178,122
Total Revenues	2,984,785
Total Expenses	2,591,311
Change in Net Assets	393,474

Separate financial information can be obtained from:

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

ST. LOUIS COUNTY, MINNESOTA  
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**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 2012. 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, 2012, is:

Total Assets	\$ 58,834
Total Liabilities	-
Total Net Assets	58,834
Total Revenues	-
Total Expenditures	-
Change in Net Assets	-

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

**Minneapolis-Duluth/Superior Passenger Rail Alliance**

The St. Louis and Lake County Regional Railroad Authority (a jointly governed organization) entered into a joint powers agreement with the Regional Rail Authorities of Hennepin County, Isanti County, Pine County, the cities of Duluth and Minneapolis, and Douglas County, Wisconsin to establish the Minneapolis-Duluth/Superior Passenger Rail Alliance. The Alliance's purpose is to collaboratively discuss the development of rail transportation between the Twin Cities Metropolitan and Twin Ports areas. The governing Board comprises one elected official from each party to the agreement. Each party contributes funds consistent with the annual budget and cost sharing formula. The St. Louis and Lake County Regional Railroad Authority serves as the fiscal agent.

A summary of the financial information of the Minneapolis- Duluth/Superior Passenger Rail Alliance for the Government-Wide Financial Statement for December 31, 2011 (the most recent available) was:

Total Assets	\$ 529,245
Total Liabilities	106,304
Total Net Assets	422,941
Total Revenues	366,000
Total Expenditures	265,919
Change in Net Assets	100,081

Separate financial information can be obtained from:

St. Louis and Lake County Regional Railroad Authority  
111 Station 44 Rd  
Eveleth, MN 55734

*ST. LOUIS COUNTY, MINNESOTA*  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Northeast Minnesota Regional Radio Board**

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications. The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia.

Control of Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one county commissioner from each of the member counties and one city councilor from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. St. Louis County provided no funding to this organization in 2012.

**City/County Communication Antenna Site**

St. Louis County and the City of Duluth entered into a joint powers agreement under Minn. Stat. §471.59 for the purpose of managing a jointly owned communications tower and support building at 7, Observation Road, Duluth, Minnesota. Designated contacts for the County and City are the Communications Director and the Chief of Police, respectively. The agreement specifies certain maintenance responsibilities for each party. Revenues comprise annual assessments to the County and City, plus charges for third party use of the antenna site. St. Louis County is the fiscal agent for the financial activity. It is accounted for in the General Fund. This agreement will continue until terminated by either party.

**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. The \$100,000 member participation is included as a long term receivable in the General Fund.

#### **Note 4. 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.

##### **Pollution Remediation**

Governmental Accounting Standards Board (GASB) Statement 49 establishes standards for accounting and financial reporting for pollution remediation obligations and is effective for periods beginning after December 15, 2007. The Environmental Services Fund management believes the County could be responsible for at least some types of third party impacts related to the Closed Landfill Program operated by the Minnesota Pollution Control Agency. Any liability is unknown at December 31, 2012 as it would need to be determined through the legal system.

##### **Other Post Employment Benefits**

In 2007 the County implemented the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

##### **Plan Description and Funding Policy**

The County provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2012 there were approximately 219 retirees receiving health benefits from the County's health plan. The cost of other post-employment benefits is funded on the "pay as you-go method".

In addition to the implicit rate subsidy described above, the County pays a portion or the entire premium for postretirement medical coverage on behalf of certain disabled deputies and their dependents under Minnesota Statute §299A.465. These contributions are referred to as the explicit rate subsidy.

ST. LOUIS COUNTY, MINNESOTA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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### Annual OPEB Costs and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 1,912,772
Interest on net OPEB obligation	128,597
Adjustments to ARC	<u>(177,324)</u>
Annual OPEB Cost	1,864,045
Contributions during the year	<u>(1,412,077)</u>
Increase in net OPEB obligation	451,968
Net OPEB obligation - beginning of the year	<u>2,922,657</u>
Net OPEB obligation - end of year	<u><u>\$ 3,374,625</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the excess OPEB contributions or net OPEB obligation for 2010, 2011, and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	2,018,508	1,207,853	59.84	2,352,837
12/31/2011	2,065,153	1,495,333	72.41	2,922,657
12/31/2012	1,864,045	1,412,077	75.75	3,374,625

### Funding Status and Funding Progress

The actuarial accrued liability for benefits as of January 1, 2012 is \$20 million. The County currently has no assets that have been irrevocably deposited in a trust for future health benefits, thus the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$85 million. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 23.55%.

### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.40% discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual healthcare cost trend rate is 0.00% initially, increased incrementally to an ultimate rate of 5.00% after twenty years. The unfunded accrued actuarial liability is being amortized as a level dollar amount over an open 30-year period.

ST. LOUIS COUNTY, MINNESOTA  
**NOTES TO THE FINANCIAL STATEMENTS**  
DECEMBER 31, 2012

**St. Louis County Heritage and Arts Center (Depot)**

The County has an agreement with Oneida Reality Company for strategic leadership of the St. Louis County Heritage and Arts Center (Depot) as a tourist attraction, and center for the arts, heritage and cultural organizations. This contract began on July 1, 2012 and terminates on June 30, 2017.

Per this agreement, Oneida will be responsible for the strategic management, operations, marketing and facilities management of the Depot. The County will on an annual basis approve funding for the Depot-Oneida Contract as part of its annual budget. No amount of funding is guaranteed under this Agreement. In light of the uncertainty and possible variability of funding from the County, this contract will be updated annually by November 1st for the subsequent year for the sole purpose of determining what, if any, funding will come from the County as approved by the County Board budget for said subsequent year. If the parties are unable to reach mutual agreement on funding from the County for services for the subsequent year, either party may terminate this contract with a six month written notice.

**Northwoods Townhomes Project**

During 2006, the St. Louis County Housing and Redevelopment Authority (the County HRA), the City of Ely Housing and Redevelopment Authority (the City HRA), the City of Ely (the City), and St. Louis County (the County) entered into an agreement to finance the costs of acquisition, construction and equipping of a multifamily rental housing project for the elderly consisting of 26 single story townhouse units located in the City of Ely, Minnesota. The County HRA irrevocably appointed the City HRA as its agent in connection with the project.

The City HRA issued \$3,800,000 of revenue bonds for the project payable with rents collected for the units. The County pledged its full faith and credit and taxing powers to the payment of the debt service on the revenue bonds should the cash flow projection of net revenues (as prepared by the City HRA) not equal at least 105 percent of the scheduled debt service payments for the next calendar year. If the County is required to make debt service payments as described above, the City pledges its general obligation to indemnify the County for the debt payments made up to a maximum of \$3,000,000. The City HRA agrees to repay the County to the extent the County is not indemnified by the City.

The project will be jointly owned by the County HRA and the City HRA. The City HRA will manage the project including construction, operation and maintenance. If the County HRA and the City HRA mutually agree to offer the project for sale, the County HRA is entitled to 20 percent of the net sale proceeds.

**Tax Forfeited Land Management**

The County manages over 890,000 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**

The St. Louis County Board anticipates issuing both capital equipment and capital improvement bonds in 2013.

Required  
Supplementary  
Data

*St. Louis County, Minnesota*  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST EMPLOYMENT BENEFIT PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero. Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions became effective for the year ended December 31, 2007.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 20,002,896	\$ 20,002,896	0.00%	\$ 94,230,038	21.23%
1/1/2010	-	22,541,450	22,541,450	0.00	82,955,992	27.17
1/1/2012	-	20,035,809	20,035,809	0.00	85,062,112	23.55

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**OTHER POST EMPLOYMENT BENEFIT PLAN**  
**DECEMBER 31, 2012**

Year Ended December 31	Employer Contributions	Annual OPEB Cost	Percentage Contributed
2010	\$ 1,207,853	\$ 2,018,508	59.84%
2011	1,495,333	2,065,153	72.41
2012	1,412,077	1,864,045	75.75

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## **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.

**Northern Lights Express** - This fund is used to account for a grant from the State of Minnesota passed through St. Louis County to the Minneapolis - Duluth/Superior Passenger Rail Alliance for the purpose of an environmental and preliminary engineering study

### **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, 2012

	Special Revenue Funds		
	Housing and Redevelopment Authority	Community Development Block Grant	Northeast Minnesota Housing Consortium
<b>ASSETS</b>			
Cash and cash equivalents	\$ 970,785	\$ 16,994	\$ 14,432
Investments	-	-	-
Delinquent taxes receivable	14,525	-	-
Accounts receivable (net)	-	-	-
Loans receivable	98,214	-	-
Due from other governments	-	652,514	33,731
Total Assets	<u>1,083,524</u>	<u>669,508</u>	<u>48,163</u>
<b>LIABILITIES</b>			
Accounts payable	-	169,339	44,847
Salaries payable	-	5,938	3,316
Due to other governments	-	494,231	-
Total Liabilities	<u>-</u>	<u>669,508</u>	<u>48,163</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			
Taxes	12,883		
Total Deferred Inflows of Resources	<u>12,883</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Environmental trust funds	-	-	-
Restricted:			
Debt service	-	-	-
Health and sanitation	-	-	-
Improvement of natural resources	-	-	-
Committed:			
Health and sanitation	-	-	-
Conservation of natural resources	-	-	-
Economic development	1,070,641	-	-
Assigned:			
Conservation of natural resources	-	-	-
Total Fund Balance	<u>1,070,641</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,083,524</u>	<u>\$ 669,508</u>	<u>\$ 48,163</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
DECEMBER 31, 2012

**Special Revenue Funds (continued)**

	<b>Septic Loan</b>	<b>Forest Resources</b>	<b>Northern Lights Express</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 250,715	\$ 6,844,037	\$ -	\$ 8,096,963
Investments	-	-	-	-
Delinquent taxes receivable	-	-	-	14,525
Accounts receivable (net)	14,897	-	-	14,897
Loans receivable	673,479	-	-	771,693
Due from other governments	-	61,850	-	748,095
<b>Total Assets</b>	<u>939,091</u>	<u>6,905,887</u>	<u>-</u>	<u>9,646,173</u>
<b>LIABILITIES</b>				
Accounts payable	40,907	21,449	-	276,542
Salaries payable	-	-	-	9,254
Due to other governments	-	6,576	-	500,807
<b>Total Liabilities</b>	<u>40,907</u>	<u>28,025</u>	<u>-</u>	<u>786,603</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Taxes				12,883
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,883</u>
<b>FUND BALANCES</b>				
Non-spendable:				
Environmental trust funds	-	-	-	-
Restricted:				
Debt service	42,490	-	-	42,490
Health and sanitation	61,166	-	-	61,166
Improvement of natural resources	-	-	-	-
Committed:				
Health and sanitation	794,528	-	-	794,528
Conservation of natural resources	-	6,350,886	-	6,350,886
Economic development	-	-	-	1,070,641
Assigned:				
Conservation of natural resources	-	526,976	-	526,976
<b>Total Fund Balance</b>	<u>898,184</u>	<u>6,877,862</u>	<u>-</u>	<u>8,846,687</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u><u>\$ 939,091</u></u>	<u><u>\$ 6,905,887</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,646,173</u></u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
DECEMBER 31, 2012

		Permanent Fund	
	Debt Service Fund	Shoreline Sales	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,049,447	\$ 377,859	\$ 9,524,269
Investments	-	6,095,321	6,095,321
Delinquent taxes receivable	416,628	-	431,153
Accounts receivable (net)	-	-	14,897
Loans receivable	-	-	771,693
Due from other governments	-	-	748,095
Total Assets	<u>1,466,075</u>	<u>6,473,180</u>	<u>17,585,428</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	276,542
Salaries payable	-	-	9,254
Due to other governments	-	-	500,807
Total Liabilities	<u>-</u>	<u>-</u>	<u>786,603</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			
Taxes	374,451		387,334
Total Deferred Inflows of Resources	<u>374,451</u>	<u>-</u>	<u>387,334</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Environmental trust funds	-	6,136,471	6,136,471
Restricted:			
Debt service	1,091,624	-	1,134,114
Health and sanitation	-	-	61,166
Improvement of natural resources	-	336,709	336,709
Committed:			
Health and sanitation	-	-	794,528
Conservation of natural resources	-	-	6,350,886
Economic development	-	-	1,070,641
Assigned:			
Conservation of natural resources	-	-	526,976
Total Fund Balance	<u>1,091,624</u>	<u>6,473,180</u>	<u>16,411,491</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,466,075</u>	<u>\$ 6,473,180</u>	<u>\$ 17,585,428</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds		
	Housing and Redevelopment Authority	Community Development Block Grant	Northeast Minnesota Housing Consortium
<b>REVENUES</b>			
Taxes	\$ 207,150	\$ -	\$ -
Intergovernmental	391	2,521,398	511,933
Earnings on investments	-	-	-
Miscellaneous	-	-	400
Total Revenues	<u>207,541</u>	<u>2,521,398</u>	<u>512,333</u>
<b>EXPENDITURES</b>			
Current:			
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Conservation of natural resources	-	-	-
Economic development	69,952	2,521,398	512,333
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>69,952</u>	<u>2,521,398</u>	<u>512,333</u>
Excess (deficiency) of revenues over expenditures	<u>137,589</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	137,589	-	-
Fund Balance - January 1	<u>933,052</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,070,641</u>	<u>\$ -</u>	<u>\$ -</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**Special Revenue Funds (continued)**

	<b>Septic Loan</b>	<b>Forest Resources</b>	<b>Northern Lights Express</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 557,228	\$ -	\$ 764,378
Intergovernmental	-	209,629	159,761	3,403,112
Earnings on investments	18,677	-	-	18,677
Miscellaneous	1,158	-	-	1,558
Total Revenues	<u>19,835</u>	<u>766,857</u>	<u>159,761</u>	<u>4,187,725</u>
<b>EXPENDITURES</b>				
Current:				
Health and sanitation	12,368	-	-	12,368
Culture and recreation	-	-	159,761	159,761
Conservation of natural resources	-	727,708	-	727,708
Economic development	-	-	-	3,103,683
Debt service:				
Principal	42,490	-	-	42,490
Interest and other charges	-	-	-	-
Total expenditures	<u>54,858</u>	<u>727,708</u>	<u>159,761</u>	<u>4,046,010</u>
Excess (deficiency) of revenues over expenditures	<u>(35,023)</u>	<u>39,149</u>	<u>-</u>	<u>141,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	12,185	-	12,185
Transfers out	-	(200,000)	-	(200,000)
Total other financing sources and uses	<u>-</u>	<u>(187,815)</u>	<u>-</u>	<u>(187,815)</u>
Net change in fund balances	(35,023)	(148,666)	-	(46,100)
Fund Balance - January 1	<u>933,207</u>	<u>7,026,528</u>	<u>-</u>	<u>8,892,787</u>
Fund Balance - December 31	<u>\$ 898,184</u>	<u>\$ 6,877,862</u>	<u>\$ -</u>	<u>\$ 8,846,687</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

		Permanent Fund	
	Debt Service Fund	Shoreline Sales	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 5,319,270	\$ -	\$ 6,083,648
Intergovernmental	355,789	-	3,758,901
Earnings on investments	-	651,950	670,627
Miscellaneous	383,256	-	384,814
Total Revenues	<u>6,058,315</u>	<u>651,950</u>	<u>10,897,990</u>
<b>EXPENDITURES</b>			
Current:			
Health and sanitation	-	-	12,368
Culture and recreation	-	-	159,761
Conservation of natural resources	-	-	727,708
Economic development	-	-	3,103,683
Debt service:			
Principal	4,732,500	-	4,774,990
Interest and other charges	1,387,050	-	1,387,050
Total expenditures	<u>6,119,550</u>	<u>-</u>	<u>10,165,560</u>
Excess (deficiency) of revenues over expenditures	<u>(61,235)</u>	<u>651,950</u>	<u>732,430</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,989	-	18,174
Transfers out	-	(300,743)	(500,743)
Total other financing sources and uses	<u>5,989</u>	<u>(300,743)</u>	<u>(482,569)</u>
Net change in fund balances	(55,246)	351,207	249,861
Fund Balance - January 1	<u>1,146,870</u>	<u>6,121,973</u>	<u>16,161,630</u>
Fund Balance - December 31	<u>\$ 1,091,624</u>	<u>\$ 6,473,180</u>	<u>\$ 16,411,491</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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Taxes	\$ 206,695	\$ 206,695	\$ 207,150	\$ 455
Intergovernmental	177	177	391	214
Total Revenues	<u>206,872</u>	<u>206,872</u>	<u>207,541</u>	<u>669</u>
 <b>EXPENDITURES</b>				
Economic development				
Personnel services	140,000	140,000	14,122	(125,878)
Other operating	<u>231,872</u>	<u>437,872</u>	<u>55,830</u>	<u>(382,042)</u>
Total Expenditures	<u>371,872</u>	<u>577,872</u>	<u>69,952</u>	<u>(507,920)</u>
 Excess of Revenues Over (Under) Expenditures	(165,000)	(371,000)	137,589	508,589
 Fund Balance - January 1	<u>933,052</u>	<u>933,052</u>	<u>933,052</u>	<u>-</u>
 Fund Balance - December 31	<u>\$ 768,052</u>	<u>\$ 562,052</u>	<u>\$ 1,070,641</u>	<u>\$ 508,589</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 2,654,685	\$ 2,767,139	\$ 2,521,398	\$ (245,741)
<b>EXPENDITURES</b>				
Economic development				
Personal services	415,879	415,879	194,030	(221,849)
Other operating	<u>2,238,806</u>	<u>2,351,260</u>	<u>2,327,368</u>	<u>(23,892)</u>
Total Expenditures	<u>2,654,685</u>	<u>2,767,139</u>	<u>2,521,398</u>	<u>(245,741)</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 860,364	\$ 513,669	\$ 511,933	\$ (1,736)
Miscellaneous	-	-	400	400
Total Revenues	<u>860,364</u>	<u>513,669</u>	<u>512,333</u>	<u>(1,336)</u>
 <b>EXPENDITURES</b>				
Economic development				
Personal services	100,335	85,437	85,437	-
Other operating	<u>760,029</u>	<u>428,232</u>	<u>426,896</u>	<u>(1,336)</u>
Total Expenditures	<u>860,364</u>	<u>513,669</u>	<u>512,333</u>	<u>(1,336)</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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Earnings on investments	\$ 20,000	\$ 20,000	\$ 18,677	\$ (1,323)
Miscellaneous	90,000	90,000	1,158	(88,842)
Total Revenues	110,000	110,000	19,835	(90,165)
<b>EXPENDITURES</b>				
Health and sanitation				
Other operating	137,000	137,000	12,368	(124,632)
Debt service				
Principal	42,490	42,490	42,490	-
Interest and other charges	-	-	-	-
Total Expenditures	179,490	179,490	54,858	(124,632)
Excess of Revenues Over (Under) Expenditures	(69,490)	(69,490)	(35,023)	34,467
Fund Balance - January 1	933,207	933,207	933,207	-
Fund Balance - December 31	\$ 863,717	\$ 863,717	\$ 898,184	\$ 34,467

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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Taxes	\$ 557,009	\$ 557,009	\$ 557,228	\$ 219
Intergovernmental	323,750	143,600	209,629	66,029
Total Revenues	880,759	700,609	766,857	66,248
<b>EXPENDITURES</b>				
Conservation of natural resources				
Other operating	2,065,176	1,885,026	727,708	(1,157,318)
Total Expenditures	2,065,176	1,885,026	727,708	(1,157,318)
Excess of Revenues Over (Under) Expenditures	(1,184,417)	(1,184,417)	39,149	1,223,566
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	12,185	12,185	-
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources and uses	(200,000)	(187,815)	(187,815)	-
Net change in fund balances	(1,384,417)	(1,372,232)	(148,666)	1,223,566
Fund Balance - January 1	7,026,528	7,026,528	7,026,528	-
Fund Balance - December 31	\$ 5,642,111	\$ 5,654,296	\$ 6,877,862	\$ 1,223,566

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**NORTHERN LIGHTS EXPRESS SPECIAL REVENUE FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
<b>REVENUES</b>				
Intergovernmental	\$ 91,567	\$ 159,761	\$ 159,761	\$ -
<b>EXPENDITURES</b>				
Culture and recreation				
Other operating	91,567	159,761	159,761	-
Total Expenditures	91,567	159,761	159,761	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ -	\$ -	\$ -

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget Over (Under)</u>
<b>REVENUES</b>				
Taxes	\$ 5,284,443	\$ 5,279,305	\$ 5,319,270	\$ 39,965
Intergovernmental	348,997	354,135	355,789	1,654
Miscellaneous	-	-	383,256	383,256
Total Revenues	<u>5,633,440</u>	<u>5,633,440</u>	<u>6,058,315</u>	<u>424,875</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	4,732,500	4,732,500	4,732,500	-
Interest and fiscal charges	1,387,050	1,387,050	1,387,050	-
Total Expenditures	<u>6,119,550</u>	<u>6,119,550</u>	<u>6,119,550</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(486,110)	(486,110)	(61,235)	424,875
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	5,989	5,989
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,989</u>	<u>5,989</u>
Net change in fund balances	(486,110)	(486,110)	(55,246)	430,864
Fund Balance - January 1	<u>1,146,870</u>	<u>1,146,870</u>	<u>1,146,870</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 660,760</u>	<u>\$ 660,760</u>	<u>\$ 1,091,624</u>	<u>\$ 430,864</u>

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## 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.

**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.

**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 POSITION**  
**INTERNAL SERVICE FUNDS**  
DECEMBER 31, 2012

	<u>County Garage</u>	<u>Property, Casualty, Liability Insurance</u>	<u>Workers' Compensation Insurance</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 929,017	\$ 529,863	\$ 523,206
Investments	-	3,901,574	6,650,719
Accounts receivable	8,110	-	10,540
Accrued interest receivable	-	20,691	54,219
Due from other governments	2,611	-	-
Inventories	77,288	-	-
Prepaid items	-	-	-
Total current assets	<u>1,017,026</u>	<u>4,452,128</u>	<u>7,238,684</u>
Noncurrent assets:			
Capital assets:			
Land	25,500	-	-
Buildings and structures	1,026,898	-	-
Machinery and equipment	79,214	-	-
Vehicles	2,268,518	-	-
Less accumulated depreciation	<u>(2,059,698)</u>	<u>-</u>	<u>-</u>
Total capital asset (net)	<u>1,340,432</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,340,432</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,357,458</u>	<u>4,452,128</u>	<u>7,238,684</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	69,998	42,406	204,566
Salaries payable	18,480	3,193	14,520
Compensated absences payable	34,455	-	-
Claims payable	-	-	508,698
Due to other governments	1,177	-	79,235
Unearned revenue	-	-	-
Total current liabilities	<u>124,110</u>	<u>45,599</u>	<u>807,019</u>
Noncurrent liabilities:			
Compensated absences payable	83,875	-	-
Claims payable	-	320,000	5,002,421
OPEB obligation	-	-	-
Total non-current liabilities	<u>83,875</u>	<u>320,000</u>	<u>5,002,421</u>
Total liabilities	<u>207,985</u>	<u>365,599</u>	<u>5,809,440</u>
<b>NET POSITION</b>			
Invested in capital assets	1,340,432	-	-
Unrestricted	809,041	4,086,529	1,429,244
Total net position	<u>\$ 2,149,473</u>	<u>\$ 4,086,529</u>	<u>\$ 1,429,244</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
DECEMBER 31, 2012

	<b>Medical/ Dental Insurance</b>	<b>Retired Employees' Health Insurance</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,170,320	\$ 228,709	\$ 3,381,115
Investments	17,340,872	-	27,893,165
Accounts receivable	500,178	-	518,828
Accrued interest receivable	204,875	-	279,785
Due from other governments	-	-	2,611
Inventories	-	-	77,288
Prepaid items	184,441	-	184,441
Total current assets	<u>19,400,686</u>	<u>228,709</u>	<u>32,337,233</u>
Capital assets:			
Land	-	-	25,500
Buildings and structures	-	-	1,026,898
Machinery and equipment	-	-	79,214
Vehicles	-	-	2,268,518
Less accumulated depreciation	-	-	(2,059,698)
Total capital asset (net)	<u>-</u>	<u>-</u>	<u>1,340,432</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,340,432</u>
Total assets	<u>19,400,686</u>	<u>228,709</u>	<u>33,677,665</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	16,764	1,789	335,523
Salaries payable	-	-	36,193
Compensated absences payable	-	44,688	79,143
Claims payable	2,512,817	-	3,021,515
Due to other governments	-	-	80,412
Unearned revenue	978,277	-	978,277
Total current liabilities	<u>3,507,858</u>	<u>46,477</u>	<u>4,531,063</u>
Noncurrent liabilities:			
Compensated absences payable	-	182,232	266,107
Claims payable	-	-	5,322,421
OPEB obligation	3,374,625	-	3,374,625
Total non-current liabilities	<u>3,374,625</u>	<u>182,232</u>	<u>8,963,153</u>
Total liabilities	<u>6,882,483</u>	<u>228,709</u>	<u>13,494,216</u>
<b>NET POSITION</b>			
Invested in capital assets	-	-	1,340,432
Unrestricted	12,518,203	-	18,843,017
Total net position	<u>\$ 12,518,203</u>	<u>\$ -</u>	<u>\$ 20,183,449</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>County Garage</u>	<u>Property, Casualty, Liability Insurance</u>	<u>Workers' Compensation Insurance</u>
Operating Revenues			
Charges for services	\$ 1,597,505	\$ 304,648	\$ 2,803,383
Other	4,317	11,157	541,882
Total Operating Revenues	<u>1,601,822</u>	<u>315,805</u>	<u>3,345,265</u>
Operating Expenses			
Personal services	482,064	77,490	326,368
Contractual services	202,885	408,134	2,133,631
Materials	702,446	-	-
OPEB expense	-	-	-
Claims Paid	-	-	1,560,174
Depreciation	249,944	-	-
Total Operating Expenses	<u>1,637,339</u>	<u>485,624</u>	<u>4,020,173</u>
Operating Income (Loss)	<u>(35,517)</u>	<u>(169,819)</u>	<u>(674,908)</u>
Nonoperating revenues (expenses)			
Earnings on investments	-	34,721	63,859
Loss or gain on asset disposal	21,210	-	-
Total Nonoperating Revenues (Expenses)	<u>21,210</u>	<u>34,721</u>	<u>63,859</u>
Income (Loss) Before Transfers	(14,307)	(135,098)	(611,049)
Transfers in	137,485	-	-
Transfers (out)	(1,103)	(1,300,000)	-
Total Transfers	<u>136,382</u>	<u>(1,300,000)</u>	<u>-</u>
Change in net position	122,075	(1,435,098)	(611,049)
Net position - January 1	<u>2,027,398</u>	<u>5,521,627</u>	<u>2,040,293</u>
Net position - December 31	<u>\$ 2,149,473</u>	<u>\$ 4,086,529</u>	<u>\$ 1,429,244</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Medical/ Dental Insurance</b>	<b>Retired Employees' Health Insurance</b>	<b>Total</b>
Operating Revenues			
Charges for services	\$ 29,816,237	\$ 164,242	\$ 34,686,015
Other	-	-	557,356
Total Operating Revenues	<u>29,816,237</u>	<u>164,242</u>	<u>35,243,371</u>
Operating Expenses			
Personal services	-	-	885,922
Contractual services	1,435,002	164,242	4,343,894
Materials	-	-	702,446
OPEB expense	451,968	-	451,968
Claims Paid	29,070,888	-	30,631,062
Depreciation	-	-	249,944
Total Operating Expenses	<u>30,957,858</u>	<u>164,242</u>	<u>37,265,236</u>
Operating Income (Loss)	<u>(1,141,621)</u>	<u>-</u>	<u>(2,021,865)</u>
Nonoperating revenues (expenses)			
Earnings on investments	189,667	-	288,247
Loss or gain on asset disposal	-	-	21,210
Total Nonoperating Revenues (Expenses)	<u>189,667</u>	<u>-</u>	<u>309,457</u>
Income (Loss) Before Transfers	(951,954)	-	(1,712,408)
Transfers in	-	-	137,485
Transfers (out)	(246,333)	-	(1,547,436)
Total Transfers	<u>(246,333)</u>	<u>-</u>	<u>(1,409,951)</u>
Change in net position	(1,198,287)	-	(3,122,359)
Net position - January 1	<u>13,716,490</u>	<u>-</u>	<u>23,305,808</u>
Net position - December 31	<u>\$ 12,518,203</u>	<u>\$ -</u>	<u>\$ 20,183,449</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	County Garage	Property, Casualty, Liability Insurance	Workers' Compensation Insurance
<b>CASH FLOWS FROM</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 1,589,036	\$ 304,648	\$ 2,803,383
Payments to suppliers	(863,090)	42,405	(2,104,549)
Payments to employees	(474,397)	(76,623)	(335,452)
Claims paid	-	(319,134)	(1,155,903)
Other receipts (payments)	4,317	13,065	532,228
Net cash provided (used) by operating activities	<u>255,866</u>	<u>(35,639)</u>	<u>(260,293)</u>
<b>CASH FLOWS FROM</b>			
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	137,485	-	-
Transfers to other funds	(1,103)	(1,300,000)	-
Net cash provided (used) by noncapital financing activities	<u>136,382</u>	<u>(1,300,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND</b>			
<b>RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(205,809)	-	-
Proceeds from the sale of capital assets	51,733	-	-
Net cash provided (used) by capital and related financing activities	<u>(154,076)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(4,437,808)	(4,511,980)
Sale of investments	-	5,642,800	4,745,250
Interest and dividends	-	30,343	57,096
Net cash provided (used) by investing activities	<u>-</u>	<u>1,235,335</u>	<u>290,366</u>
Net Increase (Decrease) in Cash and Cash Equivalents	238,172	(100,304)	30,073
Balances - January 1	690,845	630,167	493,133
Balances - December 31	<u>\$ 929,017</u>	<u>\$ 529,863</u>	<u>\$ 523,206</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (35,517)	\$ (169,819)	\$ (674,908)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	249,944	-	-
(Increase) Decrease Receivables	(5,858)	1,908	(9,654)
(Increase) Decrease Due from other governments	(2,611)	-	-
(Increase) Decrease Inventories	(261)	-	-
(Increase) Decrease Prepaid items	-	-	-
Increase (Decrease) Accounts payable	42,656	42,405	53,172
Increase (Decrease) Salaries payable	4,551	867	(9,084)
Increase (Decrease) Compensated absences payable	3,116	-	-
Increase (Decrease) Claims payable	-	89,000	404,271
Increase (Decrease) Due to other governments	(154)	-	(24,090)
Increase (Decrease) OPEB obligation	-	-	-
Increase (Decrease) Unearned revenue	-	-	-
Total Adjustments	<u>291,383</u>	<u>134,180</u>	<u>414,615</u>
Net cash provided (used) by operating activities	<u>\$ 255,866</u>	<u>\$ (35,639)</u>	<u>\$ (260,293)</u>
<b>NON-CASH ACTIVITIES</b>			
Change in fair market value of investments	-	-	(1,194)
Transfer of vehicles to Environmental Services Enterprise Fund	(8,086)	-	-

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Medical/ Dental Insurance	Retired Employees' Health Insurance	Total
<b>CASH FLOWS FROM</b>			
<b>OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 29,841,867	\$ 164,242	\$ 34,703,176
Payments to suppliers	(1,472,340)	(215,106)	(4,612,680)
Payments to employees	-	-	(886,472)
Claims paid	(28,880,755)	-	(30,355,792)
Other receipts (payments)	-	-	549,610
Net cash provided (used) by operating activities	(511,228)	(50,864)	(602,158)
<b>CASH FLOWS FROM</b>			
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	-	137,485
Transfers to other funds	(246,333)	-	(1,547,436)
Net cash provided (used) by noncapital financing activities	(246,333)	-	(1,409,951)
<b>CASH FLOWS FROM CAPITAL AND</b>			
<b>RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	-	-	(205,809)
Proceeds from the sale of capital assets	-	-	51,733
Net cash provided (used) by capital and related financing activities	-	-	(154,076)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(16,351,392)	-	(25,301,180)
Sale of investments	15,800,550	-	26,188,600
Interest and dividends	116,331	-	203,770
Net cash provided (used) by investing activities	(434,511)	-	1,091,190
Net Increase (Decrease) in Cash and Cash Equivalents	(1,192,072)	(50,864)	(1,074,995)
Balances - January 1	2,362,392	279,573	4,456,110
Balances - December 31	\$ 1,170,320	\$ 228,709	\$ 3,381,115
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,141,621)	\$ -	\$ (2,021,865)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	-	249,944
(Increase) Decrease Receivables	410	-	(13,194)
(Increase) Decrease Due from other governments	-	-	(2,611)
(Increase) Decrease Inventories	-	-	(261)
(Increase) Decrease Prepaid items	(39,295)	-	(39,295)
Increase (Decrease) Accounts payable	1,957	(1,265)	138,925
Increase (Decrease) Salaries payable	-	-	(3,666)
Increase (Decrease) Compensated absences payable	-	(49,599)	(46,483)
Increase (Decrease) Claims payable	190,133	-	683,404
Increase (Decrease) Due to other governments	-	-	(24,244)
Increase (Decrease) OPEB obligation	451,968	-	451,968
Increase (Decrease) Unearned revenue	25,220	-	25,220
Total Adjustments	630,393	(50,864)	1,419,707
Net cash provided (used) by operating activities	\$ (511,228)	\$ (50,864)	\$ (602,158)
<b>NON-CASH ACTIVITIES</b>			
Change in fair market value of investments	16,557	-	15,363
Transfer of vehicles to Environmental Services Enterprise Fund	-	-	(8,086)

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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 as an individual investment account for the State of Minnesota.

**Taconite Production Tax** -This fund is used to account for the tax imposed by Minn. Stat. 298.24 as an individual investment account for the State of Minnesota.

## 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.

**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.

**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.

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

## **AGENCY FUNDS**

### **Continued**

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

**Minneapolis - Duluth/Superior Passenger Rail Alliance** - This fund is used to account for the financial transactions of the Minneapolis - Duluth/Superior Passenger Rail Alliance for whom the Regional Railroad Authority is the fiscal agent.

**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 POSITION**  
**FIDUCIARY FUNDS**  
DECEMBER 31, 2012

	<u>Investment Trust Funds</u>		
	<u>Taconite Relief</u>	<u>Taconite Production Tax</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26	\$ 6	\$ 32
Investments	15,978,555	342,828	16,321,383
Accrued interest receivable	5,573		5,573
Total Assets	<u>15,984,154</u>	<u>342,834</u>	<u>16,326,988</u>
<b>LIABILITIES</b>			
Due to other governments	-	342,834	342,834
Total Liabilities	<u>-</u>	<u>342,834</u>	<u>342,834</u>
<b>NET POSITION</b>			
Held in trust for pool participants and other purposes	<u>\$ 15,984,154</u>	<u>\$ -</u>	<u>\$ 15,984,154</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Investment Trust Funds</b>		
	<b>Taconite Relief</b>	<b>Taconite Production Tax</b>	<b>Total</b>
<b>ADDITIONS</b>			
Taconite taxes	\$ 12,801,910	\$ 19,649,243	\$ 32,451,153
Earnings on investments	32,726	1,735	34,461
Total Additions	<u>12,834,636</u>	<u>19,650,978</u>	<u>32,485,614</u>
<b>DEDUCTIONS</b>			
Distribution to participants	<u>11,545,993</u>	<u>19,650,978</u>	<u>31,196,971</u>
Total deductions	<u>11,545,993</u>	<u>19,650,978</u>	<u>31,196,971</u>
Changes in net position	1,288,643	-	1,288,643
Net position - January 1	<u>14,695,511</u>	<u>-</u>	<u>14,695,511</u>
Net position - December 31	<u>\$ 15,984,154</u>	<u>\$ -</u>	<u>\$ 15,984,154</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b>STATE OF MINNESOTA FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 672,162	\$ 44,476,401	\$ 44,436,775	\$ 711,788
Accounts receivable	13,332	15,711	15,299	13,744
Due from other governments	145,395	3,368,407	3,412,525	101,277
Total Assets	<u>\$ 830,889</u>	<u>\$ 47,860,519</u>	<u>\$ 47,864,599</u>	<u>\$ 826,809</u>
LIABILITIES				
Due to other governments	<u>\$ 830,889</u>	<u>\$ 47,860,519</u>	<u>\$ 47,864,599</u>	<u>\$ 826,809</u>
<b>BEER-AUCTIONEER LICENSES FUND</b>				
ASSETS				
Cash and cash equivalents	<u>\$ 4,380</u>	<u>\$ 2,220</u>	<u>\$ 4,455</u>	<u>\$ 2,145</u>
LIABILITIES				
Due to other governments	<u>\$ 4,380</u>	<u>\$ 2,220</u>	<u>\$ 4,455</u>	<u>\$ 2,145</u>
<b>TAXES AND PENALTIES FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 3,165,518	\$ 406,359,217	\$ 407,685,806	\$ 1,838,929
Due from other governments	2,307,870	274,386	2,307,870	274,386
Total Assets	<u>\$ 5,473,388</u>	<u>\$ 406,633,603</u>	<u>\$ 409,993,676</u>	<u>\$ 2,113,315</u>
LIABILITIES				
Due to other governments	<u>\$ 5,473,388</u>	<u>\$ 406,633,603</u>	<u>\$ 409,993,676</u>	<u>\$ 2,113,315</u>
<b>PAYROLL DEDUCTIONS FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 713,651	\$ 48,053,444	\$ 48,073,354	\$ 693,741
Accounts receivable	16	-	16	-
Total Assets	<u>\$ 713,667</u>	<u>\$ 48,053,444</u>	<u>\$ 48,073,370</u>	<u>\$ 693,741</u>
LIABILITIES				
Accounts payable	<u>\$ 713,667</u>	<u>\$ 48,053,444</u>	<u>\$ 48,073,370</u>	<u>\$ 693,741</u>
<b>CANCELED CHECK FUND</b>				
ASSETS				
Cash and cash equivalents	<u>\$ 1,199</u>	<u>\$ 14,444</u>	<u>\$ 14,269</u>	<u>\$ 1,374</u>
LIABILITIES				
Accounts payable	<u>\$ 1,199</u>	<u>\$ 14,444</u>	<u>\$ 14,269</u>	<u>\$ 1,374</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b>ARROWHEAD REGIONAL CORRECTIONS FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 1,340,925	\$ 22,215,852	\$ 21,559,814	\$ 1,996,963
Investments	2,722,596	4,098	-	2,726,694
Accounts receivable	94,522	2,167,848	2,213,841	48,529
Due from other governments	995,973	1,861,636	995,973	1,861,636
Inventories	104,882	-	104,882	-
Total Assets	<u>\$ 5,258,898</u>	<u>\$ 26,249,434</u>	<u>\$ 24,874,510</u>	<u>\$ 6,633,822</u>
LIABILITIES				
Accounts payable	\$ 193,080	\$ 3,352,078	\$ 3,262,327	\$ 282,831
Salaries payable	492,967	673,843	492,967	673,843
Due to other governments	4,572,851	22,223,513	21,119,216	5,677,148
Total Liabilities	<u>\$ 5,258,898</u>	<u>\$ 26,249,434</u>	<u>\$ 24,874,510</u>	<u>\$ 6,633,822</u>
<b>PERMIT TO CARRY FIREARMS FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 135,260	\$ 178,220	\$ 135,072	\$ 178,408
Accounts receivable	3,335	7,615	3,335	7,615
Total Assets	<u>\$ 138,595</u>	<u>\$ 185,835</u>	<u>\$ 138,407</u>	<u>\$ 186,023</u>
LIABILITIES				
Accounts payable	\$ 9,747	\$ 56,664	\$ 65,938	\$ 473
Due to other governments	128,848	129,171	72,469	185,550
Total Liabilities	<u>\$ 138,595</u>	<u>\$ 185,835</u>	<u>\$ 138,407</u>	<u>\$ 186,023</u>
<b>MINNEAPOLIS-DULUTH/SUPERIOR PASSENGER RAIL ALLIANCE FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 467,245	\$ 596,870	\$ 620,897	\$ 443,218
Account receivable	8,867	-	8,867	-
Due from other governments	105,543	12,154	105,543	12,154
Total Assets	<u>\$ 581,655</u>	<u>\$ 609,024</u>	<u>\$ 735,307</u>	<u>\$ 455,372</u>
LIABILITIES				
Accounts payable	\$ 179,388	\$ 345,405	\$ 511,775	\$ 13,018
Due to other governments	402,267	263,619	223,532	442,354
Total Liabilities	<u>\$ 581,655</u>	<u>\$ 609,024</u>	<u>\$ 735,307</u>	<u>\$ 455,372</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b>COMMUNITY HEALTH SERVICES FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 516,490	\$ 4,473,210	\$ 4,989,700	\$ -
Accounts receivable	377	-	377	-
Prepaid items	3,758	-	3,758	-
Due from other governments	667,958	1,069,874	667,958	1,069,874
Total Assets	<u>\$ 1,188,583</u>	<u>\$ 5,543,084</u>	<u>\$ 5,661,793</u>	<u>\$ 1,069,874</u>
LIABILITIES				
Accounts payable	\$ 97,076	\$ 2,057,376	\$ 2,068,349	\$ 86,103
Salaries payable	7,810	14,727	7,810	14,727
Due to other governments	1,083,697	3,470,981	3,585,634	969,044
Total Liabilities	<u>\$ 1,188,583</u>	<u>\$ 5,543,084</u>	<u>\$ 5,661,793</u>	<u>\$ 1,069,874</u>
<b>DULUTH AREA FAMILY SERVICE COLLABORATIVE FUND</b>				
ASSETS				
Cash and cash equivalents	<u>\$ 58,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,834</u>
LIABILITIES				
Due to other governments	<u>\$ 58,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,834</u>
<b>LOCAL COLLABORATIVE TIME STUDY FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 886,698	\$ 739,126	\$ 795,393	\$ 830,431
Due from other governments	-	222,051	-	222,051
	<u>\$ 886,698</u>	<u>\$ 961,177</u>	<u>\$ 795,393</u>	<u>\$ 1,052,482</u>
LIABILITIES				
Accounts payable	\$ 2,519	\$ 794,470	\$ 792,149	\$ 4,840
Due to other governments	884,179	166,707	3,244	1,047,642
Total Liabilities	<u>\$ 886,698</u>	<u>\$ 961,177</u>	<u>\$ 795,393</u>	<u>\$ 1,052,482</u>
<b>REGIONAL RAILROAD AUTHORITY FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 2,033,051	\$ 2,311,375	\$ 1,919,293	\$ 2,425,133
Delinquent taxes receivable	90,842	90,795	90,842	90,795
Accounts receivable	26,663	16,123	26,663	16,123
Due from other governments	156,194	230,200	156,194	230,200
Total Assets	<u>\$ 2,306,750</u>	<u>\$ 2,648,493</u>	<u>\$ 2,192,992</u>	<u>\$ 2,762,251</u>
LIABILITIES				
Accounts payable	\$ 108,846	\$ 1,532,565	\$ 1,440,909	\$ 200,502
Salaries payable	8,187	9,040	8,187	9,040
Due to other governments	2,189,717	1,106,888	743,896	2,552,709
Total Liabilities	<u>\$ 2,306,750</u>	<u>\$ 2,648,493</u>	<u>\$ 2,192,992</u>	<u>\$ 2,762,251</u>

ST. LOUIS COUNTY, MINNESOTA  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
<b>NORTHERN COUNTIES</b>				
<b>LAND USE BOARD FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 117,632	\$ 16,500	\$ 6,901	\$ 127,231
LIABILITIES				
Accounts payable	\$ 991	\$ 6,704	\$ 6,901	\$ 794
Due to other governments	116,641	9,796	-	126,437
Total Liabilities	\$ 117,632	\$ 16,500	\$ 6,901	\$ 127,231
<b>AGENCY MISCELLANEOUS FUND</b>				
ASSETS				
Cash and cash equivalents	\$ 443,749	\$ 401,123	\$ 444,195	\$ 400,677
Accounts receivable	5,830	-	5,830	-
Total Assets	\$ 449,579	\$ 401,123	\$ 450,025	\$ 400,677
LIABILITIES				
Accounts payable	\$ -	\$ 159,451	\$ 156,846	\$ 2,605
Due to other governments	449,579	241,672	293,179	398,072
	\$ 449,579	\$ 401,123	\$ 450,025	\$ 400,677
<b>TOTALS FOR ALL AGENCY FUNDS</b>				
ASSETS				
Cash and cash equivalents	\$ 10,556,794	\$ 529,838,002	\$ 530,685,924	\$ 9,708,872
Investments	2,722,596	4,098	-	2,726,694
Delinquent taxes receivable	90,842	90,795	90,842	90,795
Accounts receivable	152,942	2,207,297	2,274,228	86,011
Due from other governments	4,378,933	7,038,708	7,646,063	3,771,578
Inventories	104,882	-	104,882	-
Prepaid items	3,758	-	3,758	-
Total Assets	\$ 18,010,747	\$ 539,178,900	\$ 540,805,697	\$ 16,383,950
LIABILITIES				
Accounts payable	\$ 1,306,513	\$ 56,372,601	\$ 56,392,833	\$ 1,286,281
Salaries payable	508,964	697,610	508,964	697,610
Due to other governments	16,195,270	482,108,689	483,903,900	14,400,059
Total Liabilities	\$ 18,010,747	\$ 539,178,900	\$ 540,805,697	\$ 16,383,950

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ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INVESTMENTS AND INTEREST EARNING DEPOSITS**  
DECEMBER 31, 2012

	<u>Interest Rates</u>	<u>Par Value</u>	<u>Market</u>
<b>Pooled Investments</b>			
Money market savings account	2.65%	\$ 174,816	\$ 174,816
Savings accounts	0.15%	11,527,740	11,527,740
Certificates of deposit	0.25% - 3.10%	46,597,094	46,597,094
MAGIC	Varies	14,576,172	14,576,172
Municipal Bonds	0.70% - 2.00%	2,835,000	2,851,204
FFCB	0.77% - 4.55%	7,300,000	7,392,308
FHLB	0.23% - 3.75%	29,410,000	29,891,536
FHLMC	0.50% - 2.00%	17,300,000	17,433,823
FNMA	0.50% - 1.65%	22,200,000	22,254,055
<b>Total Pooled Investments</b>		<u>\$ 151,920,822</u>	<u>\$ 152,698,748</u>
<b>Capital Projects</b>			
MAGIC	Varies	<u>\$ 931,359</u>	<u>\$ 931,359</u>
<b>Shoreland Sales Permanent Fund</b>			
MN Board of Investments	Varies	<u>\$ 6,095,321</u>	<u>\$ 6,095,321</u>
<b>Environmental Services Enterprise Fund</b>			
Savings account	0.15%	\$ 4,717,630	\$ 4,717,630
Certificates of deposit	0.25% - 1.85%	10,673,000	10,673,000
FHLMC	1.25%	1,000,000	1,011,020
<b>Total Environmental Services Enterprise Fund</b>		<u>\$ 16,390,630</u>	<u>\$ 16,401,650</u>
<b>Property, Casualty, Liability Insurance</b>			
<b>Internal Service Fund</b>			
Savings accounts	0.15%	\$ 736,574	\$ 736,574
Certificates of deposit	0.30% - 1.65%	3,165,000	3,165,000
<b>Total Property, Casualty, Liability Insurance</b>			
<b>Internal Service Fund</b>		<u>\$ 3,901,574</u>	<u>\$ 3,901,574</u>
<b>Worker's Compensation Insurance</b>			
<b>Internal Service Fund</b>			
Savings Account	0.15%	\$ 1,591,077	\$ 1,591,077
Certificates of Deposit	0.30% - 2.70%	3,657,000	3,657,000
FHLMC	1.25%	600,000	601,794
FNMA	0.75%	800,000	800,848
<b>Total Workers' Compensation Insurance</b>			
<b>Internal Service Fund</b>		<u>\$ 6,648,077</u>	<u>\$ 6,650,719</u>
<b>Medical/Dental Insurance</b>			
<b>Internal Service Fund</b>			
Savings Account	0.15%	\$ 2,789,076	\$ 2,789,076
Certificates of Deposit	0.30% - 3.25%	10,942,000	10,942,000
FHLB	2.00%	750,000	793,394
FHLMC	1.25%	2,800,000	2,816,402
<b>Total Medical/Dental Insurance</b>		<u>\$ 17,281,076</u>	<u>\$ 17,340,872</u>
<b>Internal Service Fund</b>			
<b>Taconite Relief Trust Fund</b>			
Savings Account	0.15%	\$ 6,319,783	\$ 6,319,783
FHLB	0.125% - 0.25%	10,000,000	10,001,600
<b>Total Taconite Relief Trust Fund</b>		<u>\$ 16,319,783</u>	<u>\$ 16,321,383</u>
<b>Arrowhead Regional Corrections Agency Fund</b>			
Savings accounts	0.15%	<u>\$ 2,726,694</u>	<u>\$ 2,726,694</u>
<b>Total Investments</b>		<u><u>\$ 222,215,336</u></u>	<u><u>\$ 223,068,320</u></u>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds
		Road and Bridge	Public Health and Human Services	Other	
<b>Shared revenue</b>					
<b>State</b>					
Department of Natural Resources					
Mineral rents & royalties	\$ 1,048,505	\$ -	\$ -	\$ -	\$ -
Department of Public Safety					
Enhanced 911 program grant	326,232	-	-	-	-
Department of Revenue					
County program aid	7,270,422	998,595	1,479,692	-	-
Disparity aid	2,470,722	975,969	1,614,486	-	278,147
Local Performance Aid	25,000	-	-	-	-
Market value credit	60,268	24,506	38,864	387	6,696
PERA Aid	165,244	96,221	183,656	21,102	-
Police Aid	543,153	-	-	-	-
State fire aid	13,983	-	-	-	-
Department of Transportation					
30 percent rental income	288	121	200	1	42
Engineering	-	1,704,011	-	-	-
MN FD 29 bridge bond	-	1,783,886	-	-	-
Municipal maintenance	-	733,070	-	-	-
Regular construction	-	11,833,035	-	-	-
Regular maintenance	-	9,243,345	-	-	-
Right of way / utility reimbursement	-	111,440	-	-	-
State Aid Admin Account	-	51,639	-	-	-
State Aid Disaster Relief	-	3,402,258	-	-	-
State Aid for Consulting	-	64,564	-	-	-
State Park	-	1,356,673	-	-	-
Town bridge	-	3,530	-	-	-
Unorganized town road and bridge aid	-	131,403	-	-	-
<b>Total Shared Revenue</b>	<b>\$ 11,923,817</b>	<b>\$ 32,514,266</b>	<b>\$ 3,316,898</b>	<b>\$ 21,490</b>	<b>\$ 284,885</b>
<b>Reimbursement for Services</b>					
<b>State</b>					
Department of Human Services					
Case management for community alternative care	\$ -	\$ -	\$ 3,981	\$ -	\$ -
Child welfare targeted case mgmt	-	-	4,800,480	-	-
Children's therapeutic support services	-	-	413	-	-
Community alternatives for disabled individuals waived services	-	-	479,048	-	-
Elderly waived services	-	-	65,089	-	-
LTCC waived services	-	-	133,903	-	-
Medical assistance - ACT	-	-	1,476,996	-	-
Medical assistance - CEHI	-	-	369,970	-	-
Medical assistance - Rule 5	-	-	362,987	-	-
Mentally retarded waived services	-	-	635,394	-	-
MH targeted case management	-	-	1,111,549	-	-
Personal care assistance	-	-	99,180	-	-
Relocation waived services	-	-	11,589	-	-
Traumatic brain injury	-	-	54,419	-	-
VADD targeted case management	-	-	118,596	-	-
Other					
Prisoner transport	4,874	-	-	-	-
<b>Total State</b>	<b>\$ 4,874</b>	<b>\$ -</b>	<b>\$ 9,723,594</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Reimbursement for Services Revenue</b>	<b>\$ 4,874</b>	<b>\$ -</b>	<b>\$ 9,723,594</b>	<b>\$ -</b>	<b>\$ -</b>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital Projects Fund	Environmental Services Enterprise Fund	Internal Service Funds	Total
<b>Shared revenue</b>				
<b>State</b>				
Department of Natural Resources				
Mineral rents & royalties	\$ -	\$ -	\$ -	\$ 1,048,505
Department of Public Safety				
Enhanced 911 program grant	-	-	-	326,232
Department of Revenue				
County program aid	60,189	-	-	9,808,898
Disparity aid	151,152	-	-	5,490,476
Local Performance Aid	-	-	-	25,000
Market value credit	3,639	-	-	134,360
PERA Aid	-	-	3,957	470,180
Police Aid	-	-	-	543,153
State fire aid	-	-	-	13,983
Department of Transportation				
30 percent rental income	10	-	-	662
Engineering	-	-	-	1,704,011
MN FD 29 bridge bond	-	-	-	1,783,886
Municipal maintenance	-	-	-	733,070
Regular construction	-	-	-	11,833,035
Regular maintenance	-	-	-	9,243,345
Right of way / utility reimbursement	-	-	-	111,440
State Aid Admin Account	-	-	-	51,639
State Aid Disaster Relief	-	-	-	3,402,258
State Aid for Consulting	-	-	-	64,564
State Park	-	-	-	1,356,673
Town bridge	-	-	-	3,530
Unorganized town road and bridge aid	-	-	-	131,403
<b>Total Shared Revenue</b>	<b>\$ 214,990</b>	<b>\$ -</b>	<b>\$ 3,957</b>	<b>\$ 48,280,303</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Department of Human Services				
Case management for community alternative care	\$ -	\$ -	\$ -	\$ 3,981
Child welfare targeted case mgmt	-	-	-	4,800,480
Children's therapeutic support services	-	-	-	413
Community alternatives for disabled individuals waived services	-	-	-	479,048
Elderly waived services	-	-	-	65,089
LTCC waived services	-	-	-	133,903
Medical assistance - ACT	-	-	-	1,476,996
Medical assistance - CEHI	-	-	-	369,970
Medical assistance - Rule 5	-	-	-	362,987
Mentally retarded waived services	-	-	-	635,394
MH targeted case management	-	-	-	1,111,549
Personal care assistance	-	-	-	99,180
Relocation waived services	-	-	-	11,589
Traumatic brain injury	-	-	-	54,419
VADD targeted case management	-	-	-	118,596
Other				
Prisoner transport	-	-	-	4,874
<b>Total State</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,728,468</b>
<b>Total Reimbursement for Services Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,728,468</b>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds
		Road and Bridge	Public Health and Human Services	Other	
<b>Grants</b>					
<b>State Grants</b>					
Board of Water & Soil Resources					
Natural resources block grant	\$ 105,867	\$ -	\$ -	\$ -	\$ -
Department of Employment and Economic Development					
Redevelopment grant program	55,537	-	-	-	-
Department of Environmental Assistance					
SCORE recycling grant	-	-	-	-	-
Department of Finance					
6/12 Storm-State Flood Bond	-	183,972	-	-	-
Department of Health					
Local public health grant	-	-	791,407	-	-
Department of Human Services					
Adult integrated fund	-	-	2,771,897	-	-
Alternative care	-	-	306,048	-	-
Alternative response	-	-	45,572	-	-
Case management CAC state	-	-	3,981	-	-
Child care basic sliding fee	-	-	51,697	-	-
Child support health insurance bonus	-	-	202,829	-	-
Child support incentives	-	-	63,293	-	-
Children's mental health	-	-	291,968	-	-
Community alternatives for disabled individuals waived services	-	-	503,034	-	-
Community Social Services Act block grant	-	-	2,953,020	-	-
Consolidated chemical dependency fund admin	-	-	125,714	-	-
Consumer directed	-	-	6,900	-	-
Cost effective health insurance	-	-	369,881	-	-
CTC MA	-	-	266,886	-	-
CTSS	-	-	413	-	-
DD family support	-	-	118,509	-	-
DD Screening State	-	-	36,687	-	-
Elderly waived services	-	-	68,533	-	-
Family homelessness prevention	-	-	536,043	-	-
Forgotten child	-	-	300	-	-
Fraud prevention incentives	-	-	105,850	-	-
Homeless outreach	-	-	724,463	-	-
LTCC waived services	-	-	140,104	-	-
Medical assistance - ACT	-	-	1,553,090	-	-
Medical assistance transportation	-	-	278,903	-	-
Mentally retarded waived services	-	-	667,854	-	-
MN family investment project child care	-	-	31,211	-	-
MN family investment project employment services	-	-	316,915	-	-
Personal care assistance	-	-	99,180	-	-
Relative custody	-	-	923,473	-	-
Relocation waived services	-	-	12,234	-	-
Semi-independent living skills	-	-	344,799	-	-
Statewide health improvement - SHIP	-	-	99,183	-	-
Traumatic brain injury	-	-	57,153	-	-
Workers Compensation	-	-	-	-	-
Department of Natural Resources					
Boat and water safety	41,948	-	-	-	-
Forest road access	-	-	-	147,779	-
Off highway ATV	43,003	-	-	-	-
Snowmobile safety	13,144	-	-	-	-
State trail assistance	416,133	-	-	-	-
Department of Post Board Training					
Training reimbursement	35,866	-	-	-	-

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital Projects Fund	Environmental Services Enterprise Fund	Internal Service Funds	Total
<b>Grants</b>				
<b>State Grants</b>				
Board of Water & Soil Resources				
Natural resources block grant	\$ -	\$ 37,087	\$ -	\$ 142,954
Department of Employment and Economic Development				
Redevelopment grant program	-	-	-	55,537
Department of Environmental Assistance				
SCORE recycling grant	-	491,997	-	491,997
Department of Finance				
6/12 Storm-State Flood Bond	-	-	-	183,972
Department of Health				
Local public health grant	-	-	-	791,407
Department of Human Services				
Adult integrated fund	-	-	-	2,771,897
Alternative care	-	-	-	306,048
Alternative response	-	-	-	45,572
Case management CAC state	-	-	-	3,981
Child care basic sliding fee	-	-	-	51,697
Child support health insurance bonus	-	-	-	202,829
Child support incentives	-	-	-	63,293
Children's mental health	-	-	-	291,968
Community alternatives for disabled individuals waived services	-	-	-	503,034
Community Social Services Act block grant	-	-	-	2,953,020
Consolidated chemical dependency fund admin	-	-	-	125,714
Consumer directed	-	-	-	6,900
Cost effective health insurance	-	-	-	369,881
CTC MA	-	-	-	266,886
CTSS	-	-	-	413
DD family support	-	-	-	118,509
DD Screening State	-	-	-	36,687
Elderly waived services	-	-	-	68,533
Family homelessness prevention	-	-	-	536,043
Forgotten child	-	-	-	300
Fraud prevention incentives	-	-	-	105,850
Homeless outreach	-	-	-	724,463
LTCC waived services	-	-	-	140,104
Medical assistance - ACT	-	-	-	1,553,090
Medical assistance transportation	-	-	-	278,903
Mentally retarded waived services	-	-	-	667,854
MN family investment project child care	-	-	-	31,211
MN family investment project employment services	-	-	-	316,915
Personal care assistance	-	-	-	99,180
Relative custody	-	-	-	923,473
Relocation waived services	-	-	-	12,234
Semi-independent living skills	-	-	-	344,799
Statewide health improvement - SHIP	-	-	-	99,183
Traumatic brain injury	-	-	-	57,153
Workers Compensation	-	-	540,327	540,327
Department of Natural Resources				
Boat and water safety	-	-	-	41,948
Forest road access	-	-	-	147,779
Off highway ATV	-	-	-	43,003
Snowmobile safety	-	-	-	13,144
State trail assistance	-	-	-	416,133
Department of Post Board Training				
Training reimbursement	-	-	-	35,866

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds
		Road and Bridge	Public Health and Human Services	Other	
<b>Grants (continued)</b>					
<b>State grants (continued)</b>					
Department of Public Safety					
Bullet proof vests	8,636	-	-	-	-
Emergency Comm Networks Div	1,466,686	-	-	-	-
Office of Justice program grants	97,924	-	-	-	-
Public Assistance Disaster Fund	2,061	639,696	-	18,787	-
Victim emergency fund	796	-	-	-	-
Veterans Affairs					
Enhancement	11,697	-	-	-	-
Veterans support organization	265	-	-	-	-
<b>Total State Grants</b>	<b>\$ 2,299,563</b>	<b>\$ 823,668</b>	<b>\$ 14,869,024</b>	<b>\$ 166,566</b>	<b>\$ -</b>
<b>Federal Grants</b>					
Department of Agriculture					
10.557 Women, infants, and children (through Community Health Bo	\$ -	\$ -	\$ 753,986	\$ -	\$ -
10.561 Food stamps	37,778	-	1,375,321	-	-
10.664 Cooperative Forestry Assist	-	-	-	61,850	-
10.665 National forest land	1,612,500	-	-	-	-
10.665 National forest land - roads & schools	-	274,165	-	-	-
10.665 National forest title III	39,909	-	-	-	-
Department of Commerce					
11.419 Coastal zone management and administration awards	24,713	-	-	-	-
Department of Energy					
81.128A Facility cost share - ARRA	-	-	-	-	-
Department of Health & Human Services					
93.150 Adult integrated fund	-	-	69,215	-	-
93.251 Universal Newborn Hearing Screening	-	-	4,500	-	-
93.283 Health preparedness	-	-	132,558	-	-
93.505 Maternal, Infant, and Early Childhood Home Visiting	-	-	33,341	-	-
93.556 Title IV-B Alternative Response	-	-	181,611	-	-
93.558 MN family investment project employment services	-	-	2,828,355	-	-
93.558 Temporary assistance to needy families admin	15,747	-	445,864	-	-
93.558 Temporary assistance to needy families home visiting	-	-	343,551	-	-
93.563 Child support	63,808	-	2,722,031	-	-
93.563 Title IV-D incentives	-	-	527,700	-	-
93.566 Refugee Admin Aid	56	-	1,899	-	-
93.575 Child care basic sliding fee	-	-	85,957	-	-
93.575 MN family investment project child care	-	-	38,581	-	-
93.645 Title 4B Fam Response	-	-	63,802	-	-
93.658 Foster care	12,431	-	12,652	-	-
93.658 IV-E foster care social service time study & state social serv	-	-	241,090	-	-
93.658 Title IV-E cost of care	-	-	621,589	-	-
93.658 Title IV-E foster care case management	-	-	53,533	-	-
93.667 Title XX block grant	-	-	1,783,368	-	-
93.674 Support for emancipation and living functionally	-	-	42,311	-	-
93.714A MN family investment project supported work	-	-	231,498	-	-
93.778 Child teen checkups	-	-	266,886	-	-
93.778 DD screening	-	-	36,687	-	-
93.778 Medical assistance	107,378	-	2,806,100	-	-
93.778 Medical assistance - Rule 25	-	-	1,436,762	-	-
93.778 Medical assistance incentives	-	-	121,698	-	-
93.778 Medical assistance transportation	-	-	278,816	-	-
93.994 Fed Maternal & Child Care	-	-	250,813	-	-
Department of Homeland Security					
97.012 Boating safety financial assurance	22,039	-	-	-	-
97.036 FEMA Public Assistance	6,870	2,007,874	-	56,486	-
97.039 Hazard mitigation grant	73,006	-	-	-	-
97.042 Homeland Security Grant	76,300	-	-	-	-
97.047 FEMA Wildfr Haz Mit Planning	28,780	-	-	-	-

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital Projects Fund	Environmental Services Enterprise Fund	Internal Service Funds	Total
<b>Grants (continued)</b>				
<b>State grants (continued)</b>				
Department of Public Safety				
Bullet proof vests	-	-	-	8,636
Emergency Comm Networks Div	-	-	-	1,466,686
Office of Justice program grants	-	-	-	97,924
Public Assistance Disaster Fund	-	2,475	-	663,019
Victim emergency fund	-	-	-	796
Veterans Affairs				
Enhancement	-	-	-	11,697
Veterans support organization	-	-	-	265
<b>Total State Grants</b>	<b>\$ -</b>	<b>\$ 531,559</b>	<b>\$ 540,327</b>	<b>\$ 19,230,707</b>
<b>Federal Grants</b>				
Department of Agriculture				
10.557 Women, infants, and children (through Community Health Bo	\$ -	\$ -	\$ -	\$ 753,986
10.561 Food stamps	-	-	-	1,413,099
10.664 Cooperative Forestry Assist	-	-	-	61,850
10.665 National forest land	-	-	-	1,612,500
10.665 National forest land - roads & schools	-	-	-	274,165
10.665 National forest title III	-	-	-	39,909
Department of Commerce				
11.419 Coastal zone management and administration awards	-	-	-	24,713
Department of Energy				
81.128A Facility cost share - ARRA	8,603	-	-	8,603
Department of Health & Human Services				
93.150 Adult integrated fund	-	-	-	69,215
93.251 Universal Newborn Hearing Screening	-	-	-	4,500
93.283 Health preparedness	-	-	-	132,558
93.505 Maternal, Infant, and Early Childhood Home Visiting	-	-	-	33,341
93.556 Title IV-B Alternative Response	-	-	-	181,611
93.558 MN family investment project employment services	-	-	-	2,828,355
93.558 Temporary assistance to needy families admin	-	-	-	461,611
93.558 Temporary assistance to needy families home visiting	-	-	-	343,551
93.563 Child support	-	-	-	2,785,839
93.563 Title IV-D incentives	-	-	-	527,700
93.566 Refugee Admin Aid	-	-	-	1,955
93.575 Child care basic sliding fee	-	-	-	85,957
93.575 MN family investment project child care	-	-	-	38,581
93.645 Title 4B Fam Response	-	-	-	63,802
93.658 Foster care	-	-	-	25,083
93.658 IV-E foster care social service time study & state social servic	-	-	-	241,090
93.658 Title IV-E cost of care	-	-	-	621,589
93.658 Title IV-E foster care case management	-	-	-	53,533
93.667 Title XX block grant	-	-	-	1,783,368
93.674 Support for emancipation and living functionally	-	-	-	42,311
93.714A MN family investment project supported work	-	-	-	231,498
93.778 Child teen checkups	-	-	-	266,886
93.778 DD screening	-	-	-	36,687
93.778 Medical assistance	-	-	-	2,913,478
93.778 Medical assistance - Rule 25	-	-	-	1,436,762
93.778 Medical assistance incentives	-	-	-	121,698
93.778 Medical assistance transportation	-	-	-	278,816
93.994 Fed Maternal & Child Care	-	-	-	250,813
Department of Homeland Security				
97.012 Boating safety financial assurance	-	-	-	22,039
97.036 FEMA Public Assistance	-	8,249	-	2,079,479
97.039 Hazard mitigation grant	-	-	-	73,006
97.042 Homeland Security Grant	-	-	-	76,300
97.047 FEMA Wildfr Haz Mit Planning	-	-	-	28,780

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds
		Road and Bridge	Public Health and Human Services	Other	
<b>Grants (continued)</b>					
<b>Federal Grants (continued)</b>					
97.055 Homeland Sec IO Emer Comm	5,386	-	-	-	-
97.056 Port security grant	590,820	-	-	-	-
97.067 Homeland security grant	1,429,475	-	-	-	-
97.078 Buffer Zone Protection	153,267	-	-	-	-
Department of Housing & Urban Development					
14.218 CDBG federal grant	-	-	-	2,483,275	-
14.231 Emergency shelter grant	65,741	-	-	-	-
14.239 Home federal grant	-	-	-	462,903	-
14.257 Homeless prevention HPRR	94,882	-	-	-	-
Department of Interior					
15.226 Payment in lieu of taxes	240,496	111	183	2	31
Department of Justice					
16.527 Safe haven grant	-	-	144,106	-	-
16.607 Bullet proof vests	3,514	-	-	-	-
16.710 COPS grant	669,267	-	-	-	-
16.710 Law enforcement assistance	155,980	-	-	-	-
Department of Transportation					
20.205 Emergency Relief Federally Owned Roads	-	2,276,673	-	-	-
20.205 Highway planning and construction	-	9,361,306	-	-	-
20.205A Highway planning and construction	-	212,152	-	-	-
20.317 NLX grant	-	-	-	159,761	-
<b>Total Federal grants</b>	<u>\$ 5,530,143</u>	<u>\$ 14,132,281</u>	<u>\$ 17,936,364</u>	<u>\$ 3,224,277</u>	<u>\$ 31</u>
<b>Other Grants</b>					
Local					
American Bar Association	\$ 10,410	\$ -	\$ -	\$ -	\$ -
Blue Cross & Blue Shield	-	-	-	-	-
City of Duluth	-	-	-	-	-
Koochiching County	-	-	-	-	-
Miscellaneous	-	-	-	-	-
MN Power	-	-	-	-	-
<b>Total Other grants</b>	<u>\$ 10,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Grants</b>	<u>\$ 7,840,116</u>	<u>\$ 14,955,949</u>	<u>\$ 32,805,388</u>	<u>\$ 3,390,843</u>	<u>\$ 31</u>
<b>Other Federal</b>					
Department of Health and Human Services					
Early Retiree Reinsurance Program	\$ -	\$ -	\$ -	\$ -	\$ -
Department of Treasury					
Build America Bonds Interest	-	-	-	-	70,873
<b>Total Other Federal</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,873</u>
<b>In-kind Match</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,137</u>	<u>-</u>
<b>Total Intergovernmental Revenue</b>	<u>\$ 19,768,807</u>	<u>\$ 47,470,215</u>	<u>\$ 45,845,880</u>	<u>\$ 3,498,470</u>	<u>\$ 355,789</u>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF INTERGOVERNMENTAL REVENUE**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Capital Projects Fund	Environmental Services Enterprise Fund	Internal Service Funds	Total
<b>Grants (continued)</b>				
<b>Federal Grants (continued)</b>				
97.055 Homeland Sec IO Emer Comm	-	-	-	5,386
97.056 Port security grant	-	-	-	590,820
97.067 Homeland security grant	-	-	-	1,429,475
97.078 Buffer Zone Protection	-	-	-	153,267
Department of Housing & Urban Development				
14.218 CDBG federal grant	-	-	-	2,483,275
14.231 Emergency shelter grant	-	-	-	65,741
14.239 Home federal grant	-	-	-	462,903
14.257 Homeless prevention HPRR	-	-	-	94,882
Department of Interior				
15.226 Payment in lieu of taxes	17	1	-	240,841
Department of Justice				
16.527 Safe haven grant	-	-	-	144,106
16.607 Bullet proof vests	-	-	-	3,514
16.710 COPS grant	-	-	-	669,267
16.710 Law enforcement assistance	-	-	-	155,980
Department of Transportation				
20.205 Emergency Relief Federally Owned Roads	-	-	-	2,276,673
20.205 Highway planning and construction	-	-	-	9,361,306
20.205A Highway planning and construction	-	-	-	212,152
20.317 NLX grant	-	-	-	159,761
<b>Total Federal grants</b>	<b>\$ 8,620</b>	<b>\$ 8,250</b>	<b>\$ -</b>	<b>\$ 40,839,966</b>
<b>Other Grants</b>				
Local				
American Bar Association	\$ -	\$ -	\$ -	\$ 10,410
Blue Cross & Blue Shield	-	-	84,077	84,077
City of Duluth	147,988	-	-	147,988
Koochiching County	-	25,000	-	25,000
Miscellaneous	7,415	-	-	7,415
MN Power	5,722	-	-	5,722
<b>Total Other grants</b>	<b>\$ 161,125</b>	<b>\$ 25,000</b>	<b>\$ 84,077</b>	<b>\$ 280,612</b>
<b>Total Grants</b>	<b>\$ 169,745</b>	<b>\$ 564,809</b>	<b>\$ 624,404</b>	<b>\$ 60,351,285</b>
<b>Other Federal</b>				
Department of Health and Human Services				
Early Retiree Reinsurance Program	\$ -	\$ -	\$ 240,585	\$ 240,585
Department of Treasury				
Build America Bonds Interest	-	-	-	70,873
<b>Total Other Federal</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 240,585</b>	<b>\$ 311,458</b>
<b>In-kind Match</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,137</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 384,735</b>	<b>\$ 564,809</b>	<b>\$ 868,946</b>	<b>\$ 118,757,651</b>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Direct		
Cooperative Forestry Assistance	10.664	\$ 43,600
Passed Through Carlton, Cook, Lake and St. Louis Community Health Board Special Supplemental Nutrition Program for Women, Infants and Children	10.557	758,529
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	1,413,099
Passed Through Minnesota Department of Finance Schools and Roads - Grants to States	10.665	1,926,574
<b>Total Department of Agriculture</b>		<b>\$ 4,141,802</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct		
Community Development Block Grants ~ Entitlement Grants	14.218	\$ 2,483,275
Emergency Shelter Grants Program	14.231	65,741
Shelter Plus Care Program	14.238	500
Home Investment Partnerships Program	14.239	462,903
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	94,882
<b>Total Department of Housing and Urban Development</b>		<b>\$ 3,107,301</b>
<b>U.S. Department of the Interior</b>		
Direct		
Payments in Lieu of Taxes	15.226	\$ 240,841
<b>U.S. Department of Justice</b>		
Direct		
Supervised Visitation, Safe Havens for Children	16.527	\$ 137,037
Bullet Proof Vest Partnership Program	16.607	3,514
Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$664,459)	16.710	573,843
Passed Through City of Virginia Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants 16.710 \$664,459)	16.710	90,616
<b>Total Department of Justice</b>		<b>\$ 805,010</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 12,268,309
Highway Planning and Construction - ARRA (Total Highway Planning and Construction 20.205 \$12,462,358)	20.205	194,049
Capital Assistance to States - Intercity Passenger Rail Service	20.317	159,761
<b>Total Department of Transportation</b>		<b>\$ 12,622,119</b>

ST. LOUIS COUNTY, MINNESOTA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(Continued)

**U.S. Elections Assistance Commission**

Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	\$	55,597
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**U.S. Department of Health and Human Services**

Passed Through Carlton, Cook, Lake and St. Louis Community Health Board			
Universal Newborn Hearing Screening	93.251	\$	4,500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		133,428
Maternal, Infant, and Early Childhood Home Visiting	93.505		43,622
Temporary Assistance for Needy Families	93.558		343,551
(Total Temporary Assistance for Needy Families 93.558 \$3,633,517)			
Medical Assistance Program	93.778		201,904
(Total Medical Assistance 93.778 \$4,911,200)			
Maternal and Child Health Services Block Grant to the States	93.994		250,813
 Passed Through Minnesota Department of Human Services			
Projects for Assistance in Transition from Homelessness (PATH)	93.150		69,215
Promoting Safe and Stable Families	93.556		181,611
Temporary Assistance for Needy Families Cluster (TANF)			
Temporary Assistance for Needy Families (TANF)	93.558		3,289,966
(Total Temporary Assistance for Needy Families 93.558 \$3,633,517)			
Emergency Contingency Fund for Temporary Assistance for Needy Families - ARRA	93.714		231,498
Child Support Enforcement	93.563		3,313,539
Refugee and Entrant Assistance - State Administered	93.566		1,955
 Child Care and Development Block Grant	93.575		134,994
Stephanie Tubbs Jones Child Welfare Services Program	93.645		63,802
 Foster Care Title IV-E	93.658		951,040
Social Services Block Grant	93.667		1,783,368
Chafee Foster Care Independence Program	93.674		42,311
Medical Assistance Program	93.778		4,709,296
(Total Medical Assistance 93.778 \$4,911,200)			

<b>Total Department of Health and Human Services</b>		<b>\$</b>	<b>15,750,413</b>
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**U.S. Department of Homeland Security**

Passed Through Minnesota Department of Natural Resources			
Boating Safety	97.012	\$	22,039
 Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		3,716,150
Hazard Mitigation Grant	97.039		69,006
Emergency Management Performance Grant	97.042		154,417
Pre-Disaster Mitigation	97.047		28,452
Interoperable Emergency Communications	97.055		9,856
Port Security Grant Program	97.056		357,429
Homeland Security Grant Program	97.067		1,425,527
Buffer Zone Protection Program (BZPP)	97.078		153,267

<b>Total Department of National Homeland Security</b>		<b>\$</b>	<b>5,936,143</b>
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<b>Total Federal Awards</b>		<b>\$</b>	<b>42,659,226</b>
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ST. LOUIS COUNTY, MINNESOTA  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by St. Louis County. The County's reporting entity is defined in Note 1 to the financial statements.

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of St. Louis County under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of St. Louis County, it is not intended to and does not present the financial position, changes in net position, or cash flows of St. Louis County.

**Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

**Subrecipients**

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant/Entitlement Grants	\$ 2,257,382
14.239	HOME Investment Partnerships Program	<u>367,995</u>
	Total	\$ <u><u>2,625,377</u></u>

**American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

**Clusters**

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	\$12,462,358
Temporary Assistance for Needy Families Cluster	3,865,015

ST. LOUIS COUNTY, MINNESOTA  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Reconciliation of intergovernmental Revenue</b>	<b>Federal CFDA Number</b>	<b>Amount</b>
Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 40,839,966
Unavailable Revenue in 2012 - grants received more than 60 days after year-end		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	26,537
Shelter Plus Care Program	14.238	500
Public Safety Partnership and Community Policing Grants	16.710	1,467
Highway Planning and Construction (Regular)	20.205	846,725
Highway Planning and Construction (Disaster)	20.205	202,248
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	870
Maternal, Infant, and Early Childhood Home Visiting	93.505	10,281
Child Care and Development Block Grant (Basic Sliding Fee)	93.575	6,883
Child Care and Development Block Grant (Minnesota Family Investment Project)	93.575	3,573
Foster Care Title IV-E (Administration)	93.658	4,260
Foster Care Title IV-E (SSTS Administration)	93.658	5,485
Medical Assistance Program (Transportation)	93.778	3,517
Disaster Grants - Public Assistance (Forest Roads)	97.036	37,412
Disaster Grants - Public Assistance (Regular)	97.036	1,599,259
Emergency Management Performance Grant	97.042	78,117
Interoperable Emergency Communications	97.055	4,470
Unavailable in 2011 recognized as revenue in 2012		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	(21,994)
Cooperative Forestry Assistance	10.664	(18,250)
Coastal Zone Management Administration Awards	11.419	(24,713)
Public Safety Partnership and Community Policing Grants -Law Enforcement Technology Grant	16.710	(95,424)
Public Safety Partnership and Community Policing Grants -Methamphetamine Grant	16.710	(66,831)
Supervised Visitation, Safe Havens for Children	16.527	(7,069)
Highway Planning and Construction	20.205	(418,643)
Highway Planning and Construction - ARRA	20.205	(18,103)
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	(8,603)
Medical Assistance Program (MIECHV)	93.778	(64,982)
Medical Assistance Program (Transportation)	93.778	(81,662)
Hazard Mitigation Grant	97.039	(4,000)
Pre-Disaster Mitigation	97.047	(328)
Port Security Grant Program	97.056	(233,391)
Homeland Security Grant Program	97.067	(3,948)
Grant received previously recognized as revenue carried over several years		
Help America Vote Act Requirements Payments	90.401	55,597
Total Expenditures Per Schedule of Expenditures of Federal Awards		<u>\$ 42,659,226</u>

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# Statistical Section

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

Contents	Page
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<b>Financial Trends</b>	
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These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	136
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<b>Revenue Capacity</b>	
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These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	144
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<b>Debt Capacity</b>	
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These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	150
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<b>Demographic and Economic Information</b>	
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	156
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<b>Operating Information</b>	
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These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	158
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Schedule 1**

*ST. LOUIS COUNTY, MINNESOTA*  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net	\$ 254,742,638	\$ 281,959,954	\$ 284,598,787	\$ 304,712,967
Restricted	35,063,432	39,106,761	26,905,894	36,452,547
Unrestricted	<u>52,677,107</u>	<u>46,821,225</u>	<u>77,188,234</u>	<u>68,069,867</u>
Total governmental activities net position	<u>\$ 342,483,177</u>	<u>\$ 367,887,940</u>	<u>\$ 388,692,915</u>	<u>\$ 409,235,381</u>
Business-type activities				
Invested in capital assets, net	\$ 13,926,745	\$ 14,390,848	\$ 14,201,467	\$ 13,331,890
Restricted	1,380,436	1,695,220	1,354,381	1,432,450
Unrestricted	<u>10,518,855</u>	<u>9,447,853</u>	<u>8,846,260</u>	<u>13,628,137</u>
Total business-type activities net position	<u>\$ 25,826,036</u>	<u>\$ 25,533,921</u>	<u>\$ 24,402,108</u>	<u>\$ 28,392,477</u>
Primary government				
Invested in capital assets, net	\$ 268,669,383	\$ 296,350,802	\$ 298,800,254	\$ 318,044,857
Restricted	36,443,868	40,801,981	28,260,275	37,884,997
Unrestricted	<u>63,195,962</u>	<u>56,269,078</u>	<u>86,034,494</u>	<u>81,698,004</u>
Total primary government net position	<u>\$ 368,309,213</u>	<u>\$ 393,421,861</u>	<u>\$ 413,095,023</u>	<u>\$ 437,627,858</u>

**Schedule 1**

*ST. LOUIS COUNTY, MINNESOTA*  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 326,996,032	\$ 345,956,633	\$ 363,819,364	\$ 392,758,196	\$ 433,944,576	\$ 476,247,100
29,341,037	27,151,369	20,822,222	21,835,970	21,522,115	21,033,269
79,097,149	87,088,512	112,106,602	119,053,455	128,221,487	128,898,798
<u>\$ 435,434,218</u>	<u>\$ 460,196,514</u>	<u>\$ 496,748,188</u>	<u>\$ 533,647,621</u>	<u>\$ 583,688,178</u>	<u>\$ 626,179,167</u>
\$ 13,059,476	\$ 13,081,334	\$ 12,126,524	\$ 12,172,253	\$ 7,438,866	\$ 8,714,173
3,077,821	1,781,917	1,790,325	2,010,475	1,893,627	1,981,320
11,359,532	13,408,307	16,270,035	15,869,797	14,283,036	12,409,842
<u>\$ 27,496,829</u>	<u>\$ 28,271,558</u>	<u>\$ 30,186,884</u>	<u>\$ 30,052,525</u>	<u>\$ 23,615,529</u>	<u>\$ 23,105,335</u>
\$ 340,055,508	\$ 359,037,967	\$ 375,945,888	\$ 404,930,449	\$ 441,383,442	\$ 484,961,273
32,418,858	28,933,286	22,612,547	23,846,445	23,415,742	23,014,589
90,456,681	100,496,819	128,376,637	134,923,252	142,504,523	141,308,640
<u>\$ 462,931,047</u>	<u>\$ 488,468,072</u>	<u>\$ 526,935,072</u>	<u>\$ 563,700,146</u>	<u>\$ 607,303,707</u>	<u>\$ 649,284,502</u>

**Schedule 2**

**ST. LOUIS COUNTY, MINNESOTA**

**Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
Governmental activities				
General government	\$ 33,163,387	\$ 30,524,381	\$ 29,100,780	\$ 30,763,681
Public safety	32,616,921	32,556,130	36,138,644	41,611,706
Highways and streets	46,286,039	44,489,431	46,721,613	35,704,013
Health and sanitation	6,561,149	6,493,633	6,148,241	6,824,984
Human services	69,908,477	62,014,749	61,265,538	65,667,980
Culture and recreation	1,116,401	1,727,935	1,314,472	1,601,310
Conservation of natural resources	5,752,492	6,736,966	6,941,801	8,374,838
Economic development	3,998,107	3,579,409	4,318,448	4,602,756
Interest on long-term debt	1,320,624	1,265,887	1,696,061	1,996,722
Total governmental activities expenses	<u>200,723,597</u>	<u>189,388,521</u>	<u>193,645,598</u>	<u>197,147,990</u>
Business-type activities				
Environmental services	5,909,965	5,883,928	6,247,826	6,226,992
Chris Jensen Health and Rehabilitation Center	15,214,467	15,695,780	15,283,241	14,946,088
Other Enterprise Funds	3,387,444	3,240,342	3,081,251	3,222,799
Total business-type activities expenses	<u>24,511,876</u>	<u>24,820,050</u>	<u>24,612,318</u>	<u>24,395,879</u>
Total primary government expenses	<u>\$ 225,235,473</u>	<u>\$ 214,208,571</u>	<u>\$ 218,257,916</u>	<u>\$ 221,543,869</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services and other program revenues:				
General government	\$ 7,902,502	\$ 7,824,624	\$ 8,132,846	\$ 7,841,220
Public safety	1,671,199	2,202,944	1,887,999	1,999,799
Highways and streets	2,111,520	3,121,653	1,613,892	2,226,187
Health and sanitation	1,392,001	1,692,543	1,911,070	1,679,313
Human services	16,873,401	16,283,231	19,394,617	21,066,096
Culture and recreation	12,000	12,000	-	-
Conservation of natural resources	9,630,145	10,399,237	14,713,043	13,052,500
Economic development	-	41,795	27,004	20,967
Operating grants and contributions	43,115,156	36,553,108	40,133,061	40,729,196
Capital grants and contributions	4,387,127	26,934,552	9,860,471	13,356,070
Total governmental activities program revenues	<u>87,095,051</u>	<u>105,065,687</u>	<u>97,674,003</u>	<u>101,971,348</u>
Business-type activities:				
Charges for services:				
Environmental services	5,099,943	5,441,373	5,557,064	5,712,990
Chris Jensen Health and Rehabilitation Center	13,666,733	13,814,668	14,644,607	14,347,019
Other Enterprise Funds	3,541,385	3,190,043	3,167,878	3,091,419
Operating grants and contributions	417,607	455,258	474,575	461,436
Total business-type activities program revenues	<u>22,725,668</u>	<u>22,901,342</u>	<u>23,844,124</u>	<u>23,612,864</u>
Total primary government program revenues	<u>\$ 109,820,719</u>	<u>\$ 127,967,029</u>	<u>\$ 121,518,127</u>	<u>\$ 125,584,212</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (113,628,546)	\$ (84,322,834)	\$ (95,971,595)	\$ (95,176,642)
Business-type activities	(1,786,208)	(1,918,708)	(768,194)	(783,015)
Total primary government net expense	<u>\$ (115,414,754)</u>	<u>\$ (86,241,542)</u>	<u>\$ (96,739,789)</u>	<u>\$ (95,959,657)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 76,975,884	\$ 81,653,199	\$ 80,830,475	\$ 85,847,071
Property taxes, levied for debt service	4,741,101	4,675,978	5,518,701	5,605,148
State shared	43,418,625	19,359,587	27,435,818	25,698,357
Federal shared	626,757	510,000	1,186,130	1,195,573
Investment earnings	1,806,307	1,805,371	4,127,976	7,939,433
Contributions to Permanent Fund	365,163	302,857	107,310	-
Miscellaneous	158,186	219,662	168,919	169,017
Special Items - capital asset adjustments	-	-	(1,003,816)	-
Transfers	-	(394,000)	-	(3,871,044)
Total governmental activities	<u>128,092,023</u>	<u>108,132,654</u>	<u>118,371,513</u>	<u>122,583,755</u>
Business-type activities				
Taxes				
Property taxes, levied for general purposes	-	-	-	-
Property taxes, levied for debt service	118,458	119,525	194,310	169,525
Investment earnings	237,218	147,299	407,840	732,815
Miscellaneous	-	-	-	-
Transfers	-	394,000	-	3,871,044
Total business-type activities	<u>355,676</u>	<u>660,824</u>	<u>602,150</u>	<u>4,773,384</u>
Total primary government	<u>\$ 128,447,699</u>	<u>\$ 108,793,478</u>	<u>\$ 118,973,663</u>	<u>\$ 127,357,139</u>
<b>Changes in Net Position</b>				
Governmental activities	\$ 14,463,477	\$ 23,809,820	\$ 22,399,918	\$ 27,407,113
Business-type activities	(1,430,532)	(1,257,884)	(166,044)	3,990,369
Total primary government	<u>\$ 13,032,945</u>	<u>\$ 22,551,936</u>	<u>\$ 22,233,874</u>	<u>\$ 31,397,482</u>

Unaudited

**Schedule 2**

**ST. LOUIS COUNTY, MINNESOTA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

2007	2008	2009	2010	2011	2012
\$ 31,815,617	\$ 30,790,310	\$ 35,989,696	\$ 34,923,640	\$ 37,211,681	\$ 40,057,174
44,565,536	46,231,906	46,993,281	46,550,865	46,282,905	53,050,539
41,594,052	41,898,297	38,988,375	39,287,999	39,094,710	52,605,339
6,151,830	5,019,721	4,816,622	5,277,745	5,167,926	4,579,000
68,325,769	71,497,759	72,399,548	72,962,372	72,784,119	75,901,001
1,415,848	2,217,578	1,863,936	3,052,386	2,582,543	2,042,815
6,452,175	9,841,091	6,960,833	7,909,680	7,824,835	7,958,287
3,767,037	4,012,705	4,464,249	3,608,417	4,037,357	3,132,056
1,794,534	1,912,118	2,197,175	1,586,786	1,612,315	1,699,853
205,882,398	213,421,485	214,673,715	215,159,890	216,598,391	241,026,064
6,758,724	7,600,096	7,655,438	6,501,817	7,783,082	7,995,131
14,933,759	14,840,837	12,421,108	-	-	-
3,251,808	2,089,958	571,964	1,312,236	8,526	49,899
24,944,291	24,530,891	20,648,510	7,814,053	7,791,608	8,045,030
\$ 230,826,689	\$ 237,952,376	\$ 235,322,225	\$ 222,973,943	\$ 224,389,999	\$ 249,071,094
\$ 12,215,938	\$ 11,482,301	\$ 15,151,024	\$ 13,268,257	\$ 17,749,722	\$ 18,416,982
2,536,485	2,963,073	2,712,253	3,908,406	4,203,835	4,268,919
2,962,882	3,004,798	3,096,066	6,430,144	4,631,854	4,195,936
1,395,939	1,428,622	350,133	672,376	838,042	882,484
22,486,494	10,991,429	14,756,252	14,329,286	13,516,911	14,265,463
-	-	-	122,000	142,000	56,439
(930,630)	9,886,026	6,014,724	7,775,116	6,729,070	6,300,430
20,614	20,599	22,403	18,295	350	400
37,952,947	49,880,675	54,379,254	49,068,231	52,511,057	66,758,879
17,609,562	15,284,247	16,410,218	22,845,507	23,101,507	27,019,539
96,250,231	104,941,770	112,892,327	118,437,618	123,424,348	142,165,471
5,984,570	6,042,288	5,428,774	5,986,389	6,198,634	6,303,257
13,951,140	14,349,753	11,386,268	-	-	-
2,714,043	2,202,381	685,307	71,991	11,726	102,410
460,943	481,473	481,833	495,045	498,219	564,809
23,110,696	23,075,895	17,982,182	6,553,425	6,708,579	6,970,476
\$ 119,360,927	\$ 128,017,665	\$ 130,874,509	\$ 124,991,043	\$ 130,132,927	\$ 149,135,947
\$ (109,632,167)	\$ (108,479,715)	\$ (101,781,388)	\$ (96,722,272)	\$ (93,174,043)	\$ (98,860,593)
(1,833,595)	(1,454,996)	(2,666,328)	(1,260,628)	(980,640)	(1,074,554)
\$ (111,465,762)	\$ (109,934,711)	\$ (104,447,716)	\$ (97,982,900)	\$ (94,154,683)	\$ (99,935,147)
\$ 93,731,489	\$ 97,474,934	\$ 104,321,529	\$ 104,647,533	\$ 105,775,760	\$ 115,310,996
5,937,083	5,888,289	5,888,439	5,912,874	6,315,569	5,319,270
25,594,606	22,839,111	24,129,399	20,032,790	20,138,989	16,949,124
1,206,209	1,697,018	2,835,929	2,618,909	1,848,440	1,853,339
9,000,989	4,316,482	4,250,285	1,011,023	3,260,011	2,129,116
-	-	-	-	-	-
233,916	298,913	-	-	-	-
-	-	-	-	-	-
126,712	(395,105)	(3,092,519)	(601,424)	5,875,831	(210,263)
135,831,004	132,119,642	138,333,062	133,621,705	143,214,600	141,351,582
-	1,009,304	1,087,379	403,116	247,739	216,972
164,322	119,271	-	-	-	-
899,876	706,045	401,756	121,729	171,736	137,125
461	-	-	-	-	-
(126,712)	395,105	3,092,519	601,424	(5,875,831)	210,263
937,947	2,229,725	4,581,654	1,126,269	(5,456,356)	564,360
\$ 136,768,951	\$ 134,349,367	\$ 142,914,716	\$ 134,747,974	\$ 137,758,244	\$ 141,915,942
\$ 26,198,837	\$ 23,639,927	\$ 36,551,674	\$ 36,899,433	\$ 50,040,557	\$ 42,490,989
(895,648)	774,729	1,915,326	(134,359)	(6,436,996)	(510,194)
\$ 25,303,189	\$ 24,414,656	\$ 38,467,000	\$ 36,765,074	\$ 43,603,561	\$ 41,980,795

Unaudited

**Schedule 3**

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Nonspendable	431,334	\$ 8,250	\$ -	\$ 97,813
Restricted	2,919,507	3,624,022	4,736,411	4,752,904
Committed	7,859,211	9,684,509	10,118,815	10,406,664
Assigned	1,782,202	2,177,735	1,393,731	1,969,146
Unassigned	<u>16,516,444</u>	<u>16,402,860</u>	<u>22,821,211</u>	<u>22,857,499</u>
Total general fund	<u>29,508,698</u>	<u>\$ 31,897,376</u>	<u>\$ 39,070,168</u>	<u>\$ 40,084,026</u>
All Other Governmental Funds				
Nonspendable	8,974,349	\$ 9,711,621	\$ 10,383,580	\$ 11,342,421
Restricted	3,769,976	3,975,493	7,004,870	12,389,045
Committed	20,337,965	22,549,287	27,181,073	29,829,825
Assigned	<u>18,321,675</u>	<u>36,035,013</u>	<u>34,776,816</u>	<u>25,342,634</u>
Total all other government funds	<u>51,403,965</u>	<u>\$ 72,271,414</u>	<u>\$ 79,346,339</u>	<u>\$ 78,903,925</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**  
(accrual basis of accounting)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 5,018	\$ 5,701	\$ 5,401	\$ 57,180	\$ 216,648	\$ 579,845
4,552,771	4,746,726	5,120,775	5,461,407	5,683,399	5,254,603
10,742,199	11,326,277	12,474,039	11,764,815	11,807,038	11,396,647
4,707,925	2,707,193	4,785,564	7,995,336	9,190,115	10,827,022
24,273,534	25,983,807	23,534,358	22,449,169	29,938,027	32,583,721
<u>\$ 44,281,447</u>	<u>\$ 44,769,704</u>	<u>\$ 45,920,137</u>	<u>\$ 47,727,907</u>	<u>\$ 56,835,227</u>	<u>\$ 60,641,838</u>
\$ 12,954,842	\$ 13,253,457	\$ 14,271,607	\$ 14,454,353	\$ 14,884,876	\$ 15,387,618
12,476,312	12,400,040	4,394,009	4,211,782	3,650,901	3,380,146
25,524,779	25,292,493	26,844,154	26,337,512	24,381,395	25,031,803
22,395,314	39,415,462	40,921,318	53,051,317	51,906,341	41,606,201
<u>\$ 73,351,247</u>	<u>\$ 90,361,452</u>	<u>\$ 86,431,088</u>	<u>\$ 98,054,964</u>	<u>\$ 94,823,513</u>	<u>\$ 85,405,768</u>

**Schedule 4**

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

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Revenues</b>				
Taxes	\$ 81,545,253	\$ 86,425,663	\$ 86,468,064	\$ 90,929,063
Licenses	155,927	150,938	149,306	156,606
Intergovernmental	99,134,331	105,419,772	95,226,136	98,882,892
Charges for services	10,527,851	10,586,660	10,082,260	12,029,779
Fines and forfeits	1,592,818	1,622,789	967,127	201,088
Earnings on investments	1,500,489	1,534,185	3,633,796	7,011,940
Gifts and contributions	12,045	70,271	169,154	12,457
Land and timber sales	9,549,773	10,187,185	10,293,444	11,753,426
Miscellaneous	3,702,711	5,018,805	4,511,866	4,312,043
Total revenues	<u>207,721,198</u>	<u>221,016,268</u>	<u>211,501,153</u>	<u>225,289,294</u>
<b>Expenditures</b>				
General government	30,378,167	32,537,856	29,017,182	29,573,303
Public safety	32,071,790	31,936,239	34,963,469	40,881,994
Highways and streets	29,871,734	27,507,107	33,458,062	32,083,124
Health and sanitation	6,393,032	6,422,388	6,328,366	6,547,383
Human services	68,312,144	60,857,463	60,302,517	66,254,073
Culture and recreation	1,401,759	1,668,794	1,253,974	1,539,447
Conservation of natural resources	5,935,528	6,117,557	6,708,815	7,317,595
Economic development	3,996,222	3,545,611	4,323,387	4,641,791
Capital outlay	20,512,869	38,511,561	24,670,343	29,426,501
Debt service:				
Principal	4,172,049	5,342,989	4,878,581	5,428,091
Interest and other charges	1,388,281	1,218,003	1,704,141	1,987,288
Bond issuance costs	-	-	-	-
Total Expenditures	<u>204,433,575</u>	<u>215,665,568</u>	<u>207,608,837</u>	<u>225,680,590</u>
Excess of revenues over (under) expenditures	<u>3,287,623</u>	<u>5,350,700</u>	<u>3,892,316</u>	<u>(391,296)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,961,400	3,774,887	4,064,829	6,675,213
Transfers out	(3,403,400)	(4,168,887)	(4,064,829)	(10,546,257)
Sale of capital assets	-	-	899,565	-
Bonds issued	-	17,645,000	6,115,000	7,845,000
Refunding bonds issued	-	-	2,840,000	-
Refunding bonds redeemed	-	-	-	(2,940,000)
Bond premium proceeds	-	126,120	168,361	87,863
Loan proceeds	38,535	79,000	-	-
Total other financing sources (uses)	<u>596,535</u>	<u>17,456,120</u>	<u>10,022,926</u>	<u>1,121,819</u>
Net change in fund balances	<u>\$ 3,884,158</u>	<u>\$ 22,806,820</u>	<u>\$ 13,915,242</u>	<u>\$ 730,523</u>
Debt service as a percentage of noncapital expenditures	3.0%	3.7%	3.6%	3.8%

**Schedule 4**

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 99,497,719	\$ 102,853,734	\$ 109,059,182	\$ 109,879,942	\$ 111,689,434	\$ 120,938,486
157,871	159,704	164,724	162,363	141,491	167,889
98,421,879	99,521,527	103,392,997	108,368,210	109,516,961	117,323,896
20,667,976	20,470,751	20,567,474	22,990,395	26,264,862	27,602,297
189,882	200,291	129,810	191,041	223,409	276,085
7,899,118	3,459,176	3,661,413	726,839	2,910,684	1,840,869
21,889	11,721	8,830	20,014	8,433	8,231
7,230,255	7,656,960	6,939,323	8,677,995	6,903,181	5,790,449
3,879,124	5,179,133	4,577,267	5,259,132	4,592,934	5,393,940
<u>237,965,713</u>	<u>239,512,997</u>	<u>248,501,020</u>	<u>256,275,931</u>	<u>262,251,389</u>	<u>279,342,142</u>
32,298,957	33,244,633	34,418,680	33,498,818	36,775,477	37,907,421
43,236,476	45,060,321	45,292,287	44,557,197	45,379,001	51,101,699
34,346,944	36,234,934	31,514,275	32,067,873	32,073,766	43,267,909
6,062,129	5,268,999	4,903,147	5,258,702	5,350,896	4,733,399
67,984,104	71,500,433	72,775,244	73,195,199	74,451,490	75,180,107
1,415,848	2,217,578	1,863,936	3,052,386	2,582,543	2,042,815
9,727,227	8,927,491	7,199,476	8,431,306	7,864,462	7,410,014
3,706,320	3,953,672	4,431,255	3,631,866	3,992,412	3,103,683
39,754,334	24,266,667	32,247,888	39,526,133	46,812,865	56,209,840
5,627,329	5,857,261	5,166,374	5,478,358	5,944,670	4,774,990
1,777,563	1,882,726	2,256,848	1,603,635	1,597,362	1,387,050
-	151,518	-	-	-	-
<u>245,937,231</u>	<u>238,566,233</u>	<u>242,069,410</u>	<u>250,301,473</u>	<u>262,824,944</u>	<u>287,118,927</u>
<u>(7,971,518)</u>	<u>946,764</u>	<u>6,431,610</u>	<u>5,974,458</u>	<u>(573,555)</u>	<u>(7,776,785)</u>
7,105,726	3,144,884	4,299,401	7,914,293	9,521,747	3,813,281
(6,828,194)	(3,359,995)	(6,094,780)	(7,575,694)	(3,642,033)	(2,613,593)
-	-	-	-	-	-
5,000,000	14,960,000	-	7,135,000	-	-
-	-	-	-	-	-
-	-	(7,795,000)	-	-	-
33,416	93,104	-	-	-	-
-	-	-	-	-	-
<u>5,310,948</u>	<u>14,837,993</u>	<u>(9,590,379)</u>	<u>7,473,599</u>	<u>5,879,714</u>	<u>1,199,688</u>
<u>\$ (2,660,570)</u>	<u>\$ 15,784,757</u>	<u>\$ (3,158,769)</u>	<u>\$ 13,448,057</u>	<u>\$ 5,306,159</u>	<u>\$ (6,577,097)</u>
3.6%	3.7%	3.5%	3.4%	3.5%	2.7%

**Schedule 5**

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

<b>Fiscal Year Ended December 31</b>	<b>Residential Homestead Property</b>	<b>Agricultural Property</b>	<b>Commercial/ Industrial Property</b>	<b>Non- Homestead Residential Property</b>
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
2006	76,328,481	3,743,709	26,490,558	13,064,657
2007	82,111,286	4,450,065	28,255,420	15,098,605
2008	88,278,899	5,281,584	30,324,855	17,581,634
2009	91,495,498	6,137,972	32,728,653	19,820,598
2010	89,946,389	12,642,970	33,980,909	20,180,082
2011	88,190,046	12,588,904	34,569,003	20,234,189
2012	73,421,338	11,850,610	34,880,766	20,752,566

**Source:** St. Louis County Auditor

**Notes:** Large decrease for Residential Homestead Property attributed to the homestead market value exclusion lowering the actual taxable market value, and therefore the Net Tax Capacity of that classification, as well as possible revaluing of property

**Schedule 5**

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

<b>Commercial/ Residential Seasonal/ Recreational Property</b>	<b>Total Net Tax Capacity</b>	<b>Total County Tax Rate Per \$100 of Taxable Net Tax Capacity</b>	<b>Estimated Market Value</b>	<b>Total Net Tax Capacity as a Percentage of Estimated Market Value</b>
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%
12,590,714	132,218,119	64.6911	13,086,585,200	1.01%
15,077,180	144,992,556	64.4337	14,237,164,906	1.02%
18,027,031	159,494,003	60.6374	15,385,764,706	1.04%
21,194,393	171,377,114	59.0881	16,118,391,100	1.06%
19,869,574	176,619,924	56.5695	16,071,520,900	1.10%
19,872,050	175,454,192	57.2397	15,925,753,100	1.10%
18,023,850	158,929,130	63.4004	15,570,004,789	1.02%

**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	County-wide Enterprise Fund	Total
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
2006	59.4039	4.8450	0.4422	-	64.6911
2007	59.3618	4.6059	0.4660	-	64.4337
2008	55.7728	4.3974	0.4671	-	60.6374
2009	54.4004	3.6860	0.4402	0.5615	59.0881
2010	52.3204	3.7153	0.4068	0.1270	56.5695
2011	53.8690	2.8940	0.3639	0.1127	57.2397
2012	59.6669	3.2055	0.4031	0.1249	63.4004

**Source: St. Louis County Auditor**

Schedule 6

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

Overlapping Rates			
Independent School District #94	Independent School District #381	Independent School District #698	Independent School District #2142
31.8687	27.0203	60.1461	4.1740
32.0967	22.5780	42.5884	2.3800
30.6592	19.1340	41.4278	3.8191
27.9647	17.0543	45.5389	3.1519
27.3069	15.4269	53.7009	2.7818
25.6842	14.9967	36.0645	2.1496
24.5607	14.9797	41.9039	2.5395
33.2021	17.1819	44.5120	16.6308
29.6546	18.8364	39.6476	17.3332
32.9031	21.2286	30.5928	22.0098

**Schedule 7**

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

<b>Taxpayer</b>	<b>2012</b>			<b>2003</b>		
	<b>Net Tax Capacity Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Net Tax Capacity Value</b>	<b>Taxable Tax Capacity</b>	<b>Rank</b>	<b>Percentage of Total Taxable Net Tax Capacity Value</b>
Allete, Inc.	\$ 4,368,974	1	2.75%	\$ 5,492,979	1	6.02%
Wisconsin Central LTD	2,956,212	2	1.86%			0.00%
Enbridge Energy LTD Partnership	2,010,012	3	1.26%			0.00%
Potlatch Group	715,521	4	0.45%			0.00%
Duluth Clinic	700,066	5	0.44%	343,209	10	
Cliffs Mining Services	652,922	6	0.41%			
IRET Properties	622,412	7	0.39%			0.00%
American Transmission Co LLC	618,530	8	0.39%			
Miller Hill Mall Co	616,898	9	0.39%	1,021,750	3	
Burlington No/Santa Fe Railway Co	539,945	10	0.34%			
Consolidated Papers, Inc.				1,673,510	2	1.84%
Great Lakes Gas Transmission Co				950,098	4	1.04%
Northern States Power Co				663,959	5	0.73%
Northwest Airlines Inc				534,552	6	0.59%
Square Butte Electric Coop				479,177	7	
US Bank Corporate Properties				372,389	8	
ZMC Hotels				362,977	9	
	<u>\$ 13,801,492</u>		<u>8.66%</u>	<u>\$ 11,894,600</u>		<u>10.22%</u>

**Source:** St. Louis County Auditor

**Notes:** Wisconsin Central LTD is a consolidated Payor previously reported separately: Duluth Missabe & Iron Range RR and Duluth Winnipeg & Pacific RR Enbridge has had a number of utility personal property leases that have gone up millions of dollars each year since 2010

**Schedule 8**

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

<b>Fiscal Year Ended December 31</b>	<b>Taxes Levied for the Fiscal Year (1)</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years (3)</b>	<b>Total Collections to Date</b>	
		<b>Amount (2)</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2000	58,510,889	56,746,094	96.98%	1,413,100	58,159,194	99.40%
2001	61,998,393	60,233,499	97.15%	1,469,425	61,702,924	99.52%
2002	60,673,939	59,169,622	97.52%	1,228,593	60,398,215	99.55%
2003	62,241,475	60,638,733	97.42%	1,371,801	62,010,534	99.63%
2004	67,080,535	65,115,787	97.07%	1,548,941	66,664,728	99.38%
2005	67,615,098	65,797,651	97.31%	1,377,891	67,175,542	99.35%
2006	72,228,139	69,947,539	96.84%	1,894,897	71,842,436	99.47%
2007	79,958,970	77,398,024	96.80%	2,051,837	79,449,861	99.36%
2008	84,523,919	81,790,285	96.77%	1,979,054	83,769,339	99.11%
2009	89,183,812	85,745,073	96.14%	2,177,536	87,922,609	98.59%
2010	91,311,279	88,034,513	96.41%	1,727,766	89,762,279	98.30%
2011	92,048,735	88,767,523	96.44%	-	88,767,523	96.44%
2012	100,525,458	97,421,159	96.91%	-	97,421,159	96.91%

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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>	<b>General Obligation Revenue Notes</b>	<b>Tax Lease Obligations</b>	<b>Capital Leases</b>
2003	25,264,664	584,960	3,605,000	604,459
2004	38,154,023	552,517	3,280,000	541,162
2005	42,752,926	547,836	2,940,000	482,900
2006	45,248,107	541,945	-	425,700
2007	44,642,938	535,116	-	365,200
2008	53,837,296	522,755	-	300,300
2009	40,905,636	496,648	-	232,100
2010	42,531,995	470,890	-	159,500
2011	36,709,106	438,220	-	82,500
2012	32,010,213	395,730	-	-

**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**

<b>Business Activities</b>			
<b>General Obligation Bonds</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
515,000	30,574,083	0.51%	154
420,000	42,947,702	0.69%	217
320,000	47,043,662	0.75%	239
215,000	46,430,752	0.70%	237
110,000	45,653,254	0.66%	232
-	54,660,351	0.76%	278
-	41,634,384	0.58%	211
-	43,162,385	0.59%	220
-	37,229,826	0.49%	186
-	32,405,943	Not Available	162

**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		
2003	25,264,664	584,960	3,605,000	463,144	28,991,480	0.32%	146
2004	38,154,023	552,517	3,280,000	695,711	41,290,829	0.40%	209
2005	42,752,926	547,836	2,940,000	4,039,132	42,201,631	0.35%	215
2006	45,248,107	541,945	-	8,662,484	37,127,569	0.28%	189
2007	44,642,938	535,116	-	8,808,538	36,369,517	0.26%	185
2008	53,837,296	522,755	-	8,388,350	45,971,701	0.30%	234
2009	40,905,636	496,648	-	760,696	40,641,588	0.25%	206
2010	42,531,995	470,890	-	360,940	42,641,945	0.27%	217
2011	36,709,106	438,220	-	284,525	36,862,801	0.23%	184
2012	32,010,213	395,730	-	3,213,929	29,192,014	0.19%	146

**Sources:**

See Schedule 5 for Estimated Market Values

See Schedule 13 for population data.

See Debt Summary - Lead Sheet 213600.1 for GO Bond information

**Notes:**

Payments for 2010 are lower by \$2,127, as fund 302 Hibbing PW bond should be excluded since it is not financed by levy

**Schedule 11**

*ST. LOUIS COUNTY, MINNESOTA*  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2012**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Percentage Applicable*</b>	<b>Share of Debt</b>
<b>Direct Debt</b>			
St. Louis County	\$ 32,405,943	100.00%	\$ 32,405,943
<b>Overlapping Debt</b>			
School District #94	24,405,000	4.92%	1,201,553
School District #381	34,035,000	15.25%	5,190,455
School District #698	5,878,585	95.53%	5,615,910
School District #707	254,000	51.06%	129,696
School District #2142	72,640,000	98.83%	71,789,653
Western Lake Superior Sanitary District	53,273,769	83.17%	44,308,814
<b>Subtotal, overlapping debt</b>			<u>128,236,083</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 160,642,026</u></u>

\*Applicable percentages were estimated by determining the portion of the 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Market value of taxable property	\$ 8,315,406,800	\$ 9,405,452,818	\$ 10,797,377,000	\$ 12,149,201,810
Debt limit (2% of market value)	166,308,136	188,109,056	215,947,540	242,984,036
Debt limit (3% of market value)	-	-	-	-
Debt applicable to limit:				
General obligation bonds	29,969,624	42,406,540	46,560,761	46,005,052
Less: Amount set aside for repayment of general obligation debt	<u>(1,339,311)</u>	<u>(1,643,499)</u>	<u>(4,820,996)</u>	<u>(9,887,917)</u>
Total net debt applicable to limit	28,630,313	40,763,041	41,739,765	36,117,135
Legal debt margin	<u>\$ 137,677,823</u>	<u>\$ 147,346,015</u>	<u>\$ 174,207,775</u>	<u>\$ 206,866,901</u>
Total net debt applicable to the limit as a percentage of the debt limit	17.22%	21.67%	19.33%	14.86%

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

**Schedule 12**

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 13,344,940,438	\$ 14,676,662,476	\$ 15,750,647,100	\$ 16,204,768,400	\$ 16,151,981,500	\$ 14,545,032,989
266,898,809	-	-	-	-	-
-	440,299,874	472,519,413	486,143,052	484,559,445	436,350,990
45,288,054	54,360,051	41,402,284	43,002,885	37,147,326	32,405,943
(10,147,911)	(9,734,039)	(1,556,513)	(1,329,888)	(1,146,870)	(1,091,624)
35,140,143	44,626,012	39,845,771	41,672,997	36,000,456	31,314,319
<u>\$ 231,758,666</u>	<u>\$ 395,673,862</u>	<u>\$ 432,673,642</u>	<u>\$ 444,470,055</u>	<u>\$ 448,558,989</u>	<u>\$ 405,036,671</u>
13.17%	10.14%	8.43%	8.57%	7.43%	7.18%

**Schedule 13**

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

<b>Year</b>	<b>Population (4)</b>	<b>Personal Income (thousands of dollars) (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Annual Average Labor Force (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (2)</b>
2003	198,858	5,937,663	29,855	104,343	28,245	6.2%
2004	197,739	6,191,364	31,309	103,641	27,523	5.8%
2005	196,552	6,236,876	31,731	102,632	26,659	5.1%
2006	196,218	6,595,176	33,622	102,648	26,278	5.1%
2007	196,420	6,930,479	35,277	103,507	25,860	5.6%
2008	196,864	7,187,399	36,454	104,916	25,347	6.4%
2009	197,767	7,215,588	36,485	106,613	25,506	9.3%
2010	196,623	7,265,519	36,302	106,167	25,167	7.6%
2011	200,226	7,621,547	38,059	106,564	25,150	6.6%
2012	200,255	Not Available	Not Available	103,634	25,100	6.6%

**Sources:**

- (1) - US Department of Commerce, Bureau of Economic Analysis (<http://www.bea.gov/regional/index.htm> - Available April '13)
- (2) - Minnesota Department of Employment and Economic Development (<http://www.positivelyminnesota.com/apps/lmi/laus/>)
- (3) - Minnesota Department of Education (<http://w20.education.state.mn.us/MDEAnalytics/Data.jsp>) - December 2012
- (4) - US Bureau of Census ([factfinder2.census.gov](http://factfinder2.census.gov))

**Schedule 14**

*ST. LOUIS COUNTY, MINNESOTA*  
**Principal Employers**  
**Current Year and Six Years Ago**  
**(Ten Years Ago Information is Unavailable)**

<b>Employer</b>	<b>2012</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
St. Mary's/Duluth Clinic Health System (Essentia Health)	5,796	1	5.59%	4,281	1	4.17%
St. Louis County	1,715	2	1.65%	2,126	3	2.07%
University of Minnesota Duluth	1,636	3	1.58%	1,700	4	1.66%
St. Luke's Hospital	1,602	4	1.55%	1,592	5	1.55%
Duluth Public Schools	1,426	5	1.38%	1,426	7	1.39%
Allete	1,419	6	1.37%	1,400	8	1.36%
Uniprise (United Health Care)	1,368	7	1.32%	1,100	10	1.07%
Minnesota Taconite (US Steel)	1,169	8	1.13%	1,500	6	1.46%
Duluth Air National Guard Base	1,068	9	1.03%			
City of Duluth	850	10	0.82%			
Benedictine Healthcare System				3,593	2	3.50%
Minntac				1,200	9	1.17%
<b>Total</b>	<b>18,049</b>		<b>17.42%</b>	<b>20,291</b>		<b>19.40%</b>

**Sources:**

Northland Connection (<http://www.northlandconnection.com/industries.php>)  
Schedule 15 - St Louis County  
St. Mary's/Duluth Clinic Health System (email)  
University of Minnesota Duluth ([http://www.oir.umn.edu/static/hrdata/Employee\\_Head\\_Counts\\_2005\\_2012.pdf](http://www.oir.umn.edu/static/hrdata/Employee_Head_Counts_2005_2012.pdf))

**Schedule 15**

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

<b><u>Function/Program</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
General government	503.48	500.70	410.20	414.70
Public safety	261.40	261.40	274.70	277.70
Highways and streets	343.00	323.00	323.00	323.00
Health and sanitation	103.25	100.25	99.25	100.25
Human services	523.20	504.75	511.80	509.80
Conservation of natural resources	64.40	63.00	64.00	64.00
Environmental services	40.00	40.00	40.00	40.00
Chris Jensen	209.90	231.70	246.40	226.10
Other Enterprise Funds	<u>56.78</u>	<u>55.78</u>	<u>45.78</u>	<u>45.78</u>
Total	<u>2,105.41</u>	<u>2,080.58</u>	<u>2,015.13</u>	<u>2,001.33</u>

**Notes:**

Internal Service Funds are included with the general government function.  
The Nopeming Nursing Home was closed in 2003.  
In 2005, The State of MN took over the Courts (previously included in the general government function).  
The Chris Jensen Health and Rehabilitation Center was leased in 2009 and the employees transferred to the lessor.  
The Community Foods Enterprise Fund was closed in 2009.  
The Supervised Living Facilities Enterprise Fund was closed in 2010.

**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**

<b>Full-time Equivalent Employees</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
424.20	427.30	416.10	398.90	397.90	406.60
276.70	278.60	275.60	276.60	279.10	281.10
323.00	321.00	301.00	316.00	316.00	319.00
90.75	91.25	64.10	65.40	65.40	58.40
509.80	520.80	523.80	520.50	519.50	530.50
64.00	69.00	69.00	68.00	68.00	68.00
40.00	42.00	52.00	52.00	51.00	51.00
234.65	190.40	-	-	-	-
46.78	41.97	-	-	-	-
<u>2,009.88</u>	<u>1,982.32</u>	<u>1,701.60</u>	<u>1,697.40</u>	<u>1,696.90</u>	<u>1,714.60</u>

**Schedule 16**

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

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General Government</b>				
Auditor's Office				
Checks Issued	63,649	42,916	39,814	40,225
Motor Vehicle Driver's License	16,148	16,576	17,294	17,642
Motor Vehicle Passports	1,053	2,737	4,658	6,951
Motor Vehicle Transactions	56,915	47,418	48,854	49,247
Planning - Building Permits Issued				
Single Family Dwelling	349	409	337	312
Other	731	714	795	739
<b>Public Safety</b>				
Sheriff's Department				
Arrests	1,416	1,422	1,929	1,651
Traffic Citations	2,842	2,668	2,818	3,151
Mines				
Mine Investigations and Inspections (1)	531	520	534	675
<b>Highways and Streets</b>				
Road and Bridge				
Miles of Overlay	0.50	1.78	7.19	1.62
Miles of Mill Overlay	8		2	
Miles of Reclaim Overlay				19
Miles of Mill Reclaim Overlay				4
Miles of Construction	11.60	21.97	7.08	13.25
Tons of Crushing	258,000.00	418,428.00	372,600.00	386,200.00
Miles of Crack Seal			60	47
<b>Health and Human Services</b>				
Health				
Public Health Home Visits	10,237	9,440	8,740	7,145
Public Health Nursing Service Screenings	2,609	2,582	2,339	3,501
Human Services				
Unduplicated Children in Out of Home Placement	744	649	712	702
Financial Assistance Cases	17,447	17,970	18,500	18,750
Child Support Cases	10,779	11,032	11,200	11,000
Persons Receiving DD (prev MR/RC) Waivered Services	686	714	707	702
Purchased Social Services (2)	\$ 109,586,274	\$ 110,962,782	\$ 113,170,010	\$ 119,215,990
Social Services Administrative costs (3)	\$ 21,688,702	\$ 20,758,769	\$ 22,366,144	\$ 20,733,845
<b>Conservation of Natural Resources</b>				
Land				
Total Acres of Tax Forfeit Lands	898,092	897,196	895,193	894,682
Contracts Sold	109	118	114	118
Closed Sales	147	124	118	100
Acres Harvested	9,784	9,527	10,593	7,828
Average Size of Sale (Acres)	67	77	90	78
Harvest Volume (Cords)	224,682	207,410	232,627	174,294
Cords Per Sale	1,528	1,673	1,971	1,743
Value	\$ 6,025,985	\$ 6,219,835	\$ 8,165,974	\$ 6,661,905
Average Value Per Sale	\$ 40,993	\$ 50,160	\$ 69,203	\$ 66,619
Average Value Per Cord	\$ 27	\$ 30	\$ 35	\$ 38
Average Value Per Cut Acre	\$ 616	\$ 653	\$ 771	\$ 851
Volume Per Cut Acre (Cords)	23	22	22	22
Value Per Tax Forfeit Acre	\$ 7	\$ 7	\$ 9	\$ 7
<b>Environmental Services</b>				
Tons of Municipal Solid Waste Landfilled	52,322	54,560	53,066	54,039
Tons of Industrial Waste Landfilled	13,554	17,970	8,621	9,362
Tons of Demolition Collected	5,579	4,570	4,844	4,715
<b>Chris Jensen (4)</b>				
Licensed Beds (5)	235/205	205	205	205
Capacity - Resident Days	80,850	75,030	74,825	74,825
Occupancy - Resident Days	72,634	72,405	72,214	71,734
Occupancy Percentage Rate	89.84%	96.50%	96.51%	95.87%
RUGS (6)	1.14	1.18	1.17	1.10
Medicare Resident Days	10,039	7,967	9,470	6,941
Medicaid Resident Days	53,788	53,884	48,873	46,478
Other Resident Days	8,807	10,554	13,871	18,315

**Notes:**

- (1) Beginning in 2012, Mine Inspector is reporting the number of mine investigations and inspections, rather than mine visits and inspections.
- (2) Purchased Social Services are payments made by DHS or Health and Human Services for St. Louis County residents
- (3) Includes children's services, child care, chemical dependency, mental health, developmental disabilities, adult services
- (4) Effective November 1, 2009, the Chris Jensen Health and Rehabilitation Center was leased to Health Dimensions Group, Inc./Jensen, LLC (HDG), DBA Chris Jensen, LLC
- (5) 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.
- (6) 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.

**Unaudited**

**Schedule 16**

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

2007	2008	2009	2010	2011	2012
38,483	30,519	19,406	17,162	15,962	15,862
17,543	18,785	18,335	18,470	18,755	19,621
8,207	6,048	7,323	6,203	4,707	5,629
49,908	50,363	48,747	51,436	53,959	52,944
265	209	165	165	152	121
659	593	474	477	457	508
1,383	1,245	2,118	3,014	2,711	2,253
2,054	2,603	1,629	2,169	2,643	2,396
722	749	754	676	567	436
0.75	0.61	2.00	0.25	3.05	-
		-	4.02	-	-
17.60	20	29.52	17.15	21.62	34.20
	6	8.23	12.90	4.12	22.30
10.80	6.01	1.18	7.23	11.43	21.70
398,500.00	345,100.00	310,182.00	257,009.00	304,288.00	291,296.00
19	74	64	-	125	148
6,798	5,560	4,228	4,493	5,840	6,472
2,262	2,037	2,517	2,328	2,278	1,830
725	770	787	793	735	780
19,169	20,823	22,405	23,016	24,068	23,895
11,455	11,600	11,549	11,758	11,900	11,917
677	681	701	736	745	754
\$ 125,925,606	\$ 125,497,474	\$ 129,795,521	\$ 134,200,110	\$ 133,734,173	unavailable
\$ 22,068,291	\$ 23,791,246	\$ 26,572,518	\$ 26,735,885	\$ 26,751,337	\$ 25,993,636
893,623	892,938	892,726	892,642	893,003	893,040
204	128	123	118	123	126
72	97	97	127	134	111
6,073	6,885	7,452	9,843	10,650	10,783
84	71	77	78	79	97
117,711	146,355	158,248	214,308	231,159	215,749
1,635	1,509	1,631	1,687	1,725	1,944
\$ 4,728,720	\$ 5,091,656	\$ 4,043,085	\$ 5,014,940	\$ 5,137,017	4,766,023
\$ 65,677	\$ 52,491	\$ 41,681	\$ 39,488	\$ 38,336	42,937
\$ 40	\$ 35	\$ 26	\$ 23	\$ 22	22
\$ 779	\$ 740	\$ 543	\$ 509	\$ 482	442
19	21	21	22	22	20
\$ 5	\$ 6	\$ 5	\$ 6	\$ 6	5
54,006	54,265	50,312	49,784	51,346	52,007
7,359	6,219	2,794	8,963	12,304	12,675
6,395	5,888	5,640	6,016	6,990	8,791
205	189	189	-	-	-
74,825	69,174	68,985	-	-	-
68,626	63,581	49,517	-	-	-
91.72%	91.91%	86.18%	0.00%	0.00%	0.00%
1.06	1.06	1.09	-	-	-
6,237	5,277	3,814	-	-	-
43,212	36,350	32,095	-	-	-
19,177	21,954	13,608	-	-	-

**Schedule 17**

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

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Government										
Courthouses	3	3	3	3	3	3	3	3	3	3
Motor Pool Vehicles	113	115	109	117	126	126	126	127	138	131
Office Buildings	1	1	1	1	1	1	1	1	1	2
Parking Ramp	2	2	2	2	2	2	2	2	2	2
Public Safety										
Vehicles	124	120	123	121	121	122	121	143	147	166
Jail and Lockup Facilities	3	3	3	3	3	3	3	3	3	3
Emergency Operations Center	1	1	1	1	1	1	1	1	1	1
Highways and Streets										
Vehicles	218	218	210	214	242	225	220	221	218	220
Miles of County Road	1,598	1,578	1,578	1,583	1,578	1,582	1,588	1,573	1,576	1,600
Miles of County State Aid Road	1,386	1,385	1,385	1,385	1,385	1,383	1,385	1,385	1,392	1,392
Number of Bridges	605	605	605	604	598	597	597	596	594	594
Garages and Storage Buildings	86	86	86	86	88	84	84	86	88	90
Graders, Loaders and Heavy Trucks	398	397	394	400	417	396	378	376	383	380
Health and Sanitation										
Nursing Homes	1	1	1	1	1	1	1	1	1	1
Demolition Landfill	1	1	1	1	1	1	1	1	1	1
Regional Landfill	1	1	1	1	1	1	1	1	1	1
Recyclables Processing Facility	1	1	1	1	1	1	1	1	1	1
Transfer Station	5	5	5	5	5	5	5	5	5	5
Laundry Facility	1	1	1	1	1	1	-	-	-	-
Human Services										
Office Buildings	2	2	2	2	2	2	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	49	50	51	50	52	57	45	46	46	47
Offices and Garages	8	8	8	8	8	8	8	8	8	8
Graders, Loaders and Heavy Trucks	11	11	11	14	13	13	11	12	13	13

Sources:

    St. Louis County Auditor  
    Individual County Departments