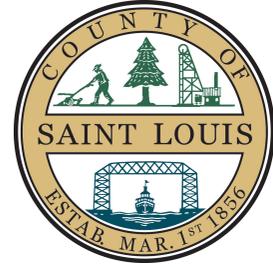


St. Louis County, Minnesota

# 2019 POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019



St. Louis County is committed to transparency and openness. This Popular Annual Financial Report (PAFR) contains simplified, condensed information from the 2019 Comprehensive Annual Financial Report (CAFR). Unlike the CAFR, this report does not include the necessary financial statements and notes required by Generally Accepted Accounting Principles (GAAP).

This PAFR is designed to provide the people and businesses of St. Louis County and beyond an overview of the financial strengths and challenges of serving our diverse communities. Readers of this PAFR should gain a deeper understanding of the organizational and financial structure of St. Louis County, the County's revenues and expenses, how taxpayer dollars are used, and what the County accomplished in 2019.

**MISSION:** The mission of St. Louis County is to promote health and safety, ensure sound infrastructure, embrace our natural resources, and support an environment where communities prosper.

## What's Inside...

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- 2 - Commissioners
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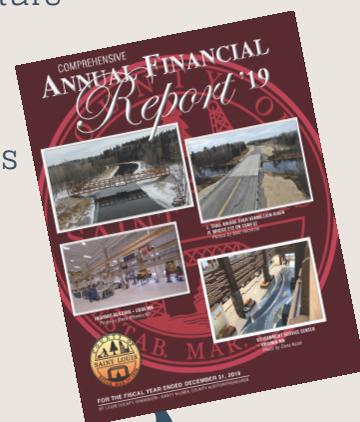
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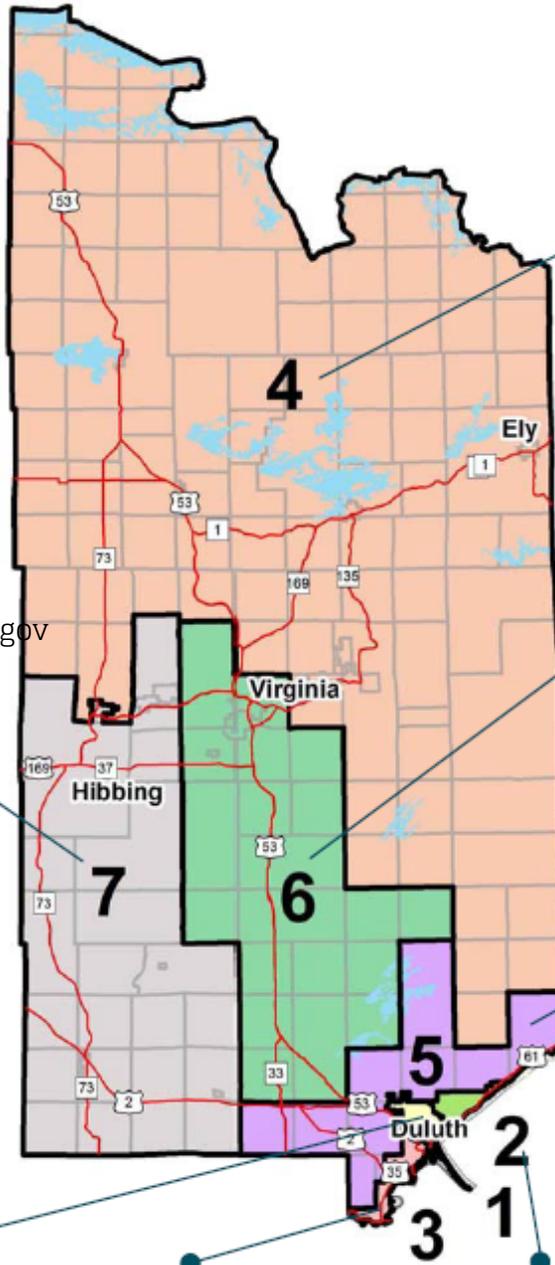
- 10 - Looking Ahead



Access to the Comprehensive Annual Financial Report (CAFR) at:  
[www.stlouiscountymn.gov/budget](http://www.stlouiscountymn.gov/budget)

# COMMISSIONERS

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. The County's 2019 census population was estimated at 199,070 residents, while the 2010 census population was 196,623. 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 Board appoints a County Administrator, who is the chief administrative officer of the County. The Administrator is responsible for administration of Board policy and for management of various County divisions and departments.



**DISTRICT 4  
PAUL MCDONALD**

Northern half of county and eastern townships  
(218) 365-8200  
mcdonaldp@stlouiscountymn.gov  
Term Ends: 01/02/2023



**DISTRICT 6  
KEITH NELSON**

Quad cities area and central townships  
(218) 749-7108  
nelsonk@stlouiscountymn.gov  
Term Ends: 01/02/2023



**DISTRICT 5  
KEITH MUSOLF**

Hermantown/Proctor area and southeast townships  
(218) 726-2450  
musolfk@stlouiscountymn.gov  
Term Ends: 01/04/2021

**DISTRICT 7  
MIKE JUGOVICH**

Hibbing/Chisholm area and southwest townships  
(218) 262-0201  
jugovichm@stlouiscountymn.gov  
Term Ends: 01/04/2021



**DISTRICT 1  
FRANK JEWELL**



Central Duluth  
(218) 726-2450  
jewellf@stlouiscountymn.gov  
Term Ends: 01/02/2023



**DISTRICT 3  
BETH OLSON**

Western Duluth  
(218) 726-2562  
olsonb1@stlouiscountymn.gov  
Term Ends: 01/04/2021

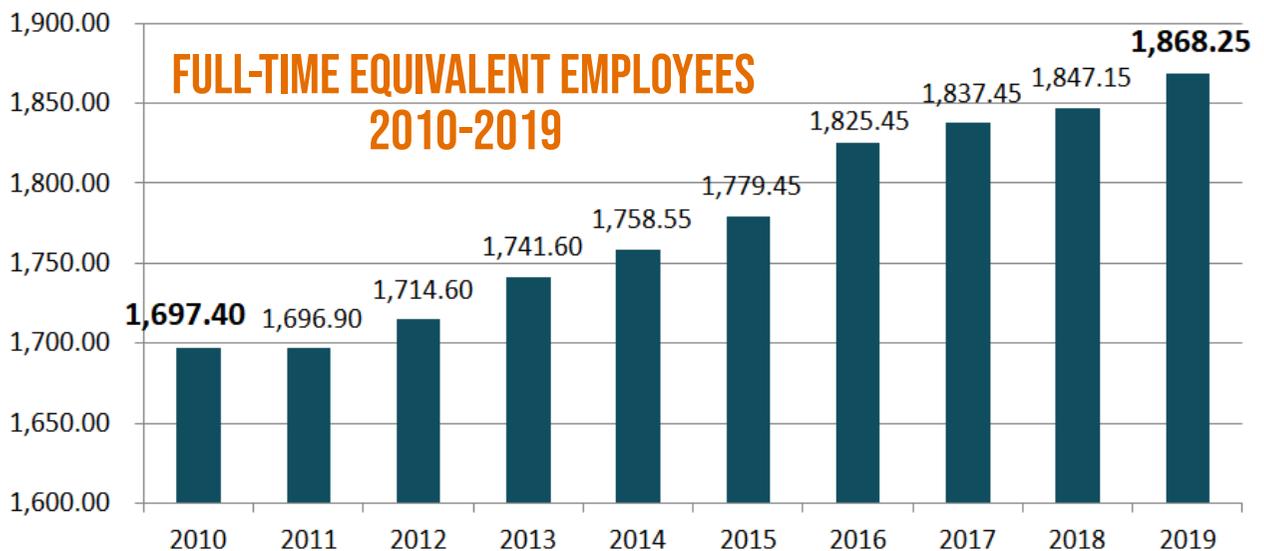
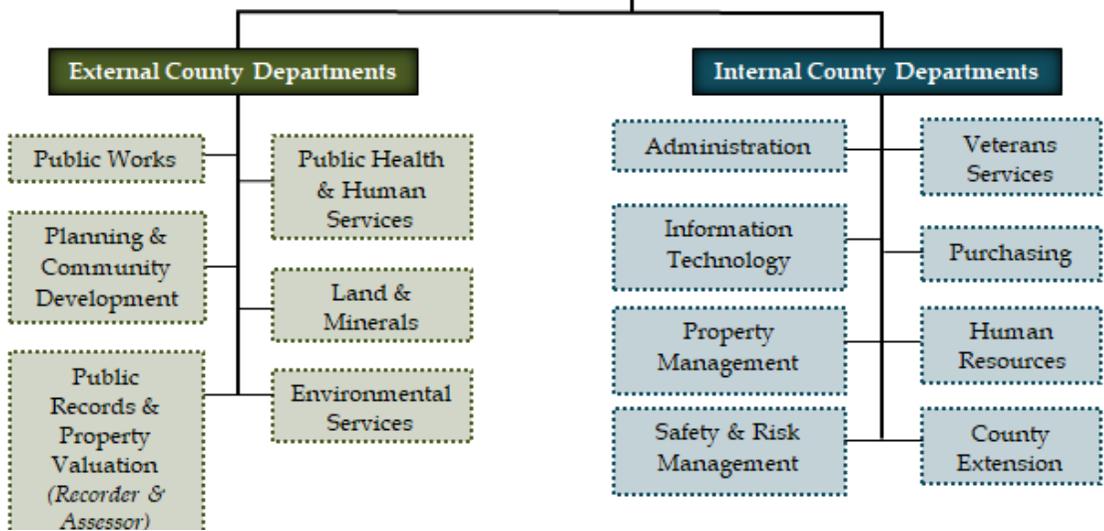
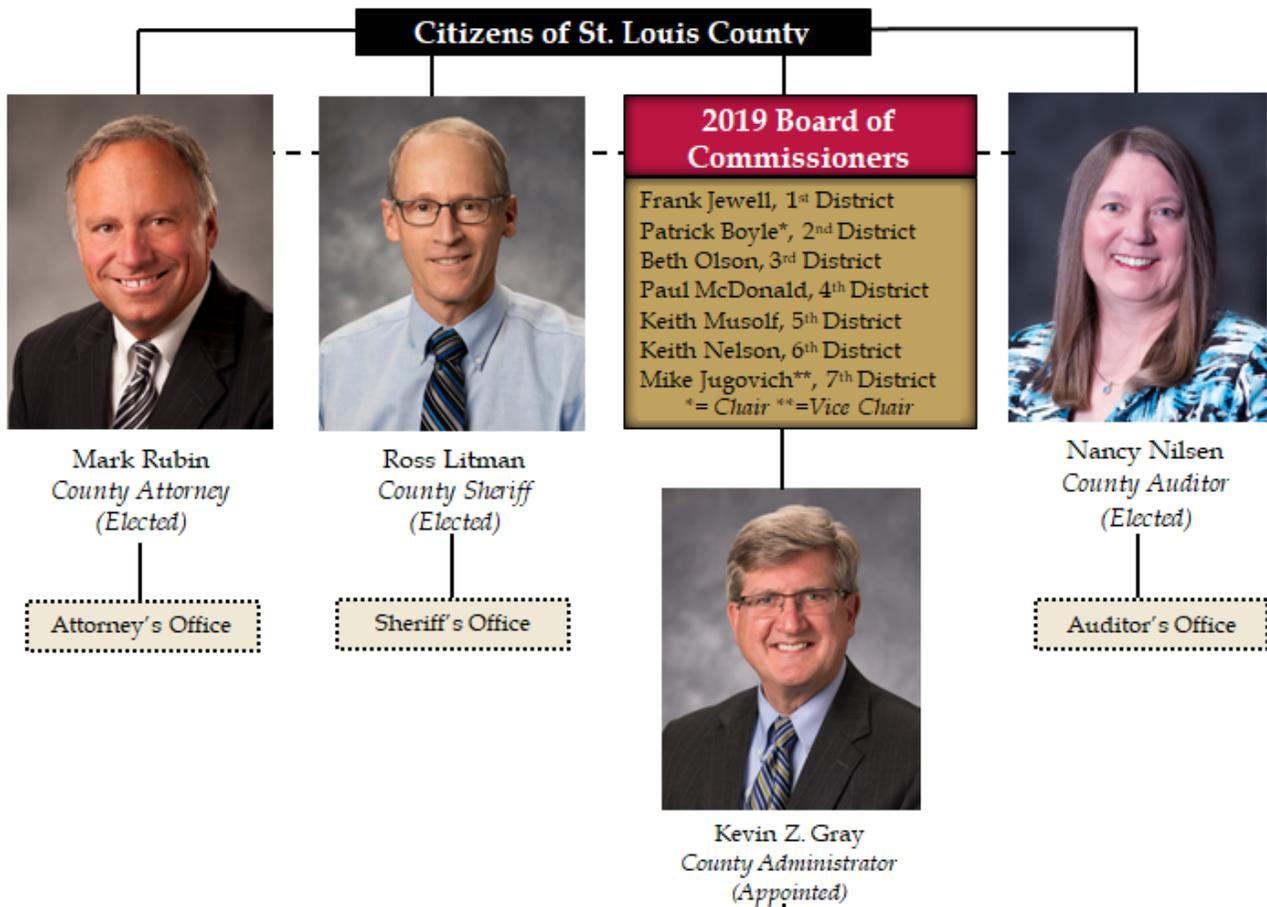


**DISTRICT 2  
PATRICK BOYLE**

Eastern Duluth  
(218) 726-2359  
boylep@stlouiscountymn.gov  
Term Ends: 01/04/2021



# ORGANIZATIONAL STRUCTURE



## MINING



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. Preliminary totals indicate that taconite plants produced 37.1 million metric tons in 2019, a decrease of 5.4% from 2018. All of the taconite producers were in operation at the end of 2019.

## PORT OF DULUTH-SUPERIOR



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. The port reported 33.5 million tons of cargo with 754 ships that visited the port in 2019, compared to 35.9 million tons and 821 ships in 2018. The port is now ranked in the top 10 in North America for transporting wind turbine components.

## HEALTHCARE



Essentia Health is building an \$800 million expansion for downtown Duluth called "Vision Northland." The project will create more than 5,600 on-site construction jobs and approximately 3,600 off-site construction-related jobs. The new facility is expected to open in 2022. Essentia also helped construct a \$26 million community wellness center in Hermantown that opened in October of 2019. In addition, Essentia Health purchased the old Younkers and Sears spaces at the Miller Hill Mall and constructed their Fitness and Therapy Center in what was Younkers.

St. Luke's Hospital has begun its \$250 million construction at the downtown Duluth and Two Harbors facilities as well. They are constructing a new and expanded emergency room, catheterization lab helipad, parking ramp, and hospital tower in Duluth and a \$17 million expansion project to connect the Lake View Hospital and Medical Clinic in Two Harbors.

## Additional Developments:



A Hibbing entrepreneur opens TechTank, Hibbing's first co-working space that is shared by several workers from different companies and organizations.



Minnesota-based Twin Cities Hospitality (TCH) LLC purchased Coates Plaza Hotel in Downtown Virginia, and rebranded it to a Quality Inn & Suites in 2019. TCH invested \$1.2 million into the hotel, which is located in the corridor of the downtown area, which benefits the entire community.



The Lincoln Park neighborhood in Duluth is getting an influx of new housing following a micro brew business boom in that area. Garfield Square apartments recently opened. A 775 unit, four story apartment building is going to be built where the former Roberts Furniture building stands: Enger Lofts, West Superior St. Apartments and the former Kemps milk plant are slated for housing construction.



The Board of Trade Building in downtown Duluth is being redeveloped into a mixed-use apartment complex. The develop aims to create 84 residential housing units in the historic building, constructed in 1895. Of the apartments, 17 units would be reserved as affordable housing for tenants earning 50 percent or less than the area median income.



Bell Bank announced plans to open a full-service bank in one of Duluth's most historic buildings, the Temple Opera Block building. They plan on making some extensive renovations while preserving the building's classic look. Bell Bank is the nation's tenth-largest privately held bank, with locations in the Twin Cities and the west-central part of Minnesota. The Duluth branch is expected to open in 2020.

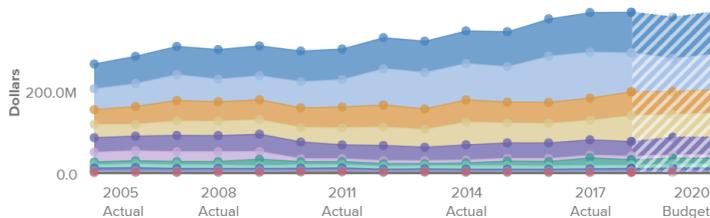


Hilton opened its Tru hotel--a four-story, 106-room hotel--on Duluth's Central Entrance in 2019.

# ACCOMPLISHMENTS

In addition to producing a CAFR and PAFR, St. Louis County has OpenGov, which is the County's interactive online tool that gives anyone with internet access the ability to explore the current County budget and look at County investment trends over the last decade. This tool, known as "Budget Explorer" increases government transparency by allowing users to drill down into current year budget and compare it to previous years through interactive graphs.

Visualization



4 Notes in this view

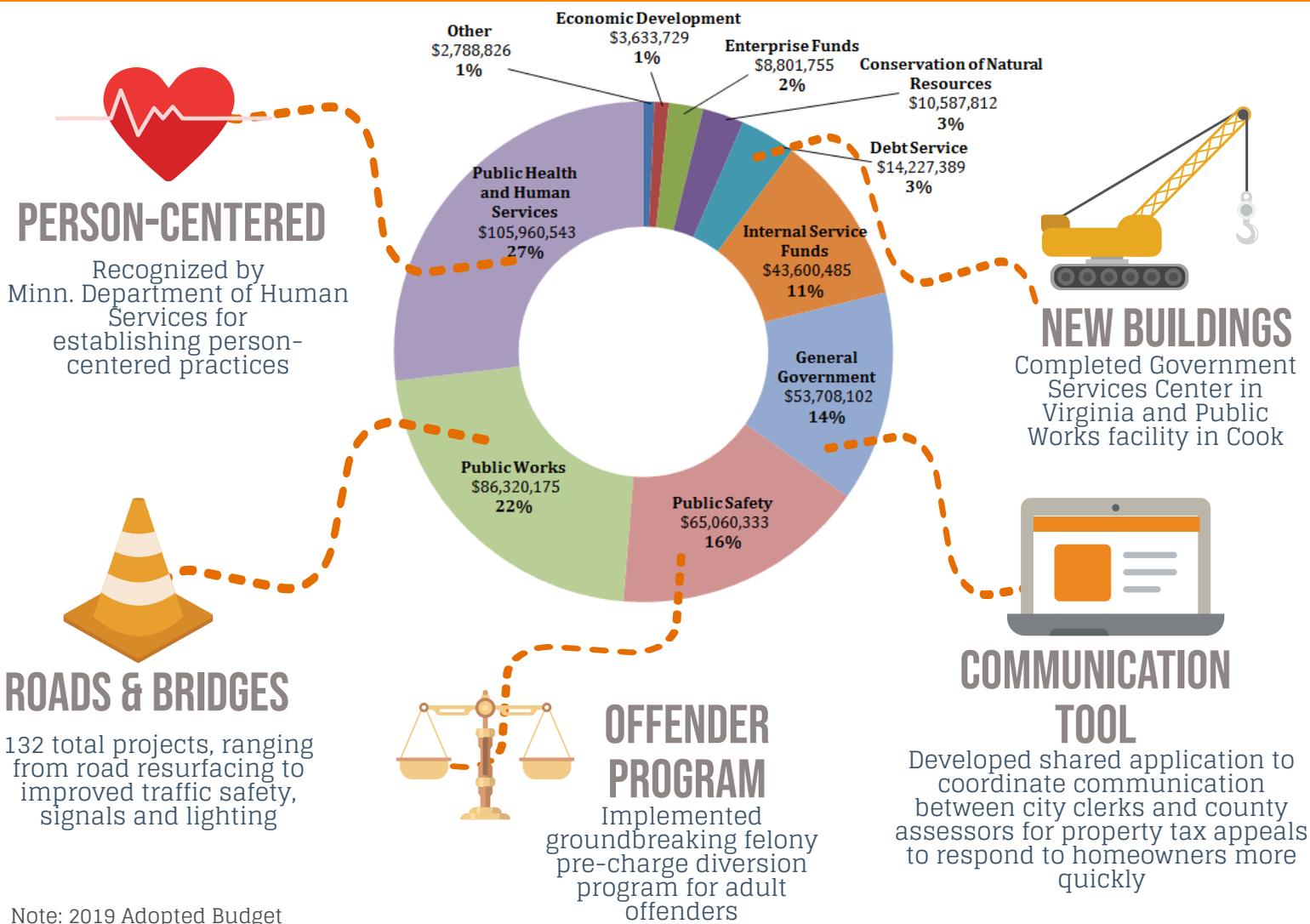
Sort Large to Small

- Human Services
- Highways and Streets
- Public Safety
- General Government

Go to [www.stlouiscountymn.gov/budgetexplorer](http://www.stlouiscountymn.gov/budgetexplorer)

## [ 2019 ]

St. Louis County's leadership team took time to reflect back on a few highlights of 2019. Please note that some of this information goes beyond the CAFR.



Note: 2019 Adopted Budget

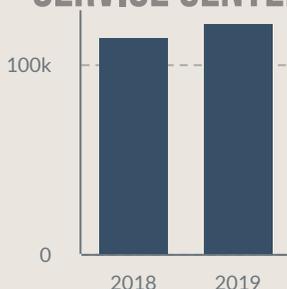
## CUSTOMER SERVICE - INTERNAL & EXTERNAL

### ACCOUNTING DIVISION



5  
2,161 of the 32,812 payment vouchers processed used the new paperless system

### SERVICE CENTER



The Mall Service Center completed 122,094 transactions-- an increase of over 8k

### TAX DIVISION



7,127 mortgages were processed in 2019, compared to 6,299 mortgages in 2018

# ITEMS OF NOTE

NOTE: The information on this page goes beyond the CAFR.



## PUBLIC HEALTH AND SAFETY

St. Louis County Jail implemented a Medication Assisted Treatment program to support inmates who have opioid use disorders. Resources were dedicated to assist with the transition from incarceration to the community to promote ongoing recovery and lessen the risk of fatal overdoses.



## SOUND COUNTY INFRASTRUCTURE

Geographic Information Systems (GIS) created a spatial platform to visualize sales, including filtering sales data by neighborhood and other commonalities to assist assessors to determine fair and equitable market values.



## NATURAL RESOURCES MANAGEMENT

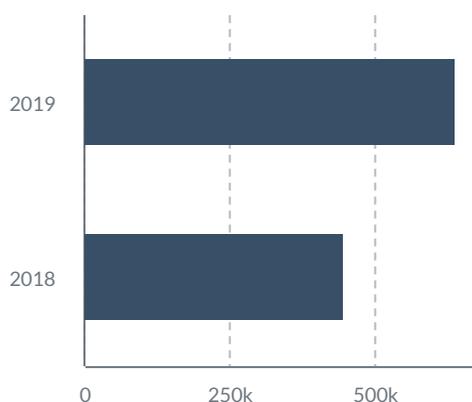
Environmental Services purchased a ConCover sprayer to apply a blend of polymers and recycled fiber product on the working face of the Regional Landfill. The method is approved by the Minnesota Pollution Control Agency and serves as an alternative daily and monthly cover, reducing traditional landfill cover (soils) costs and conserving landfill space.



## COMMUNITY GROWTH & PROSPERITY

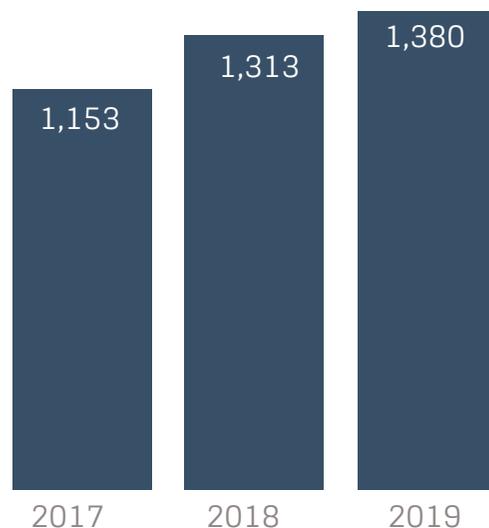
Public Health and Human Services enhanced prevention efforts, including Circle of Security groups, Safe Babies Court and Zero to Three Initiative and multiple other partnerships between Children and Family Services and Public Health.

### LEASE LAND REVENUE



Lease land revenue (from recreational leases, mining leases, etc.) increased \$192,511--from \$444,015 Dec. 1, 2018 to \$636,526 Dec. 1, 2019

### LAND USE PERMITS



Land Use permit activity (new buildings, other construction, and performance standard permits) in the county land use administered areas increased from 1,313 in 2018 to 1,380 for 2019 for an increase of 67 permits (5.1% increase)

### SOCIAL MEDIA PLATFORMS



Facebook  
▲ 2,100



Twitter  
▲ 371



Sign up for St. Louis County news alerts at [www.stlouiscountymn.gov](http://www.stlouiscountymn.gov) and look for the following:

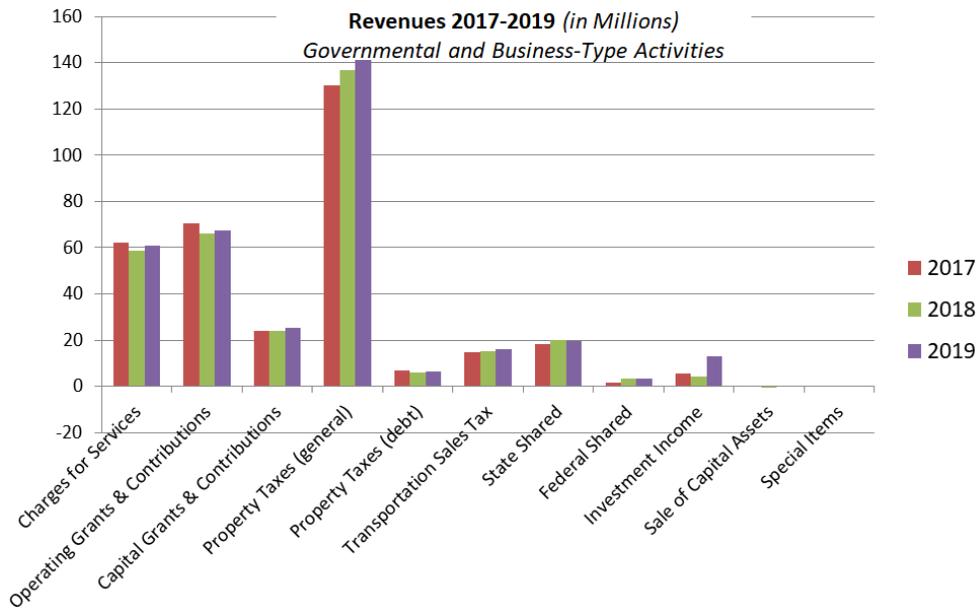


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# REVENUES AND EXPENSES

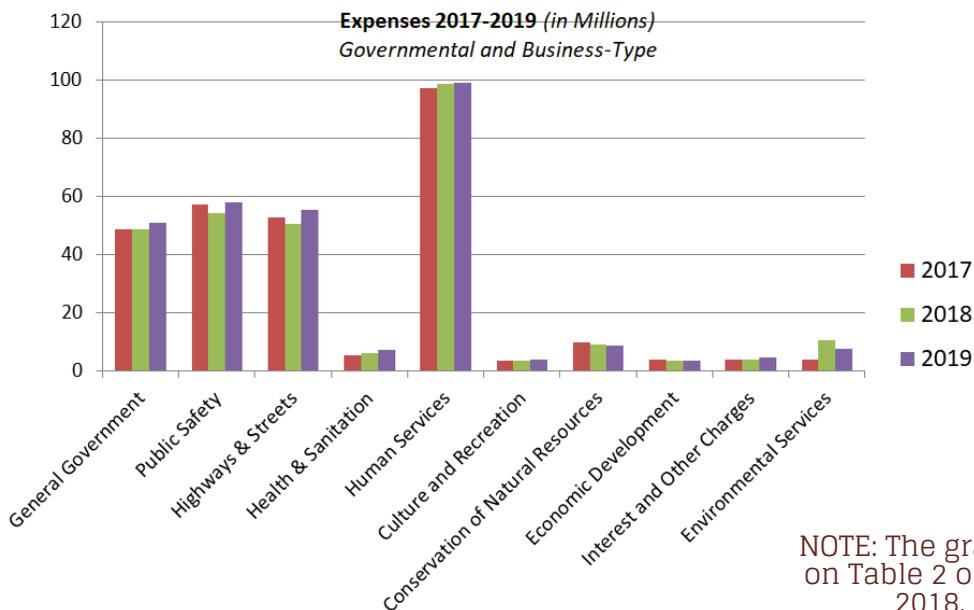
## Revenues

In 2019, program revenue--revenue derived directly by a program from sources other than County taxpayers--for governmental activities increased by \$5M to \$146.5M, while program revenue for business-type activities increased to \$7.1M. General revenues increased by \$13.9M to \$199.8M. Tax revenues increased by \$5.8M mainly due to the 3.3% increase in the 2019 Property Tax Levy, which brought in an additional \$4.8M. Transportation Sales Tax revenue came in \$0.9M higher than 2018, while state shared revenues (commonly referred to as local government aids) decreased by \$0.5M to \$19.5M due to the County receiving \$.4M less in State of MN contributions to PERA in 2019. Investment income for governmental activities was \$12.7 million for 2019 (a increase of \$8.6 million compared to 2018) mainly due to the gain on the funds invested with the State Board of Investments in our Shoreline Sales, Permanent Fund.



## Expenses

Expenses for governmental activities increased \$12.4 million in 2019, or 4.3%. Highways and streets increased by \$4.6 million mainly due to the \$4.1 million increase in depreciation expense. Public safety also increased \$3.4 million mainly due to higher pension expense for the Police and Fire and Corrections PERA plans. Expenses for business-type activities were \$7.7 million in 2019, \$2.8 million less than 2018. In 2019, almost all expenses for business-type activities occurred in the Environmental Services Fund. Depreciation and Depletion expense decreased by \$0.9 million due to the 2018 completion of a large cell closure project at the landfill. There was no cell closure or construction for 2019. Depletion expense was credited due to a cubic yard volume adjustment to the 2018 contracted survey. The survey included 11 acres of closure and should have been 10.1 acres. Operating expenses decreased due to contract services, equipment repairs and intracounty charges for operating the landfill. Materials expenses showed decreases in fuels and equipment parts. Personal Services decreased primarily due to the transfer out of salaries to the Planning Department as part of the departmental relocation of Onsite Wastewater from Environmental Services to Planning. Medical and retired health insurance and GASB pension expense all showed decreases in expense.



NOTE: The graphs above are based on Table 2 on page 18 of the 2017, 2018, and 2019 CAFR.

# FINANCIALS

St. Louis County's governmental funds reported a combined ending fund balance of \$204.9 million for 2019, a decrease of \$20.6 million compared to 2018. The nonspendable and restricted combined fund balances were \$66.6 million of total fund balance or 32.5%. These fund balances are not available for appropriation because of constraints placed on their use. The remaining fund balances of \$138.3 million or 67.5% are unrestricted and classified as either committed, assigned, or unassigned. 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.

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. In 2019, the General Fund reported a total fund balance of \$73.3 million, an increase of \$1.3 million over 2018. The unassigned fund balance of the General Fund was equal to 37.7% of fund expenditures and 35% of fund revenues. The State Auditor's recommendations are for unrestricted fund balance to be at least 35-50% of revenues and at least five months of expenditures, or 41.7%.

## FUND BALANCES

Year-end (Dec. 31) Fund Balances						
	2016	2017	2018	2019	Variance (2018 vs. 2017)	
<b>General</b>	70,505,326	69,508,842	71,965,013	73,252,393	1,287,380	↑
<b>Capital Projects</b>	45,088,838	16,006,778	46,348,164	21,943,135	(24,405,029)	↓
<b>Road &amp; Bridge</b>	32,385,648	34,473,727	31,133,262	27,622,745	(3,510,517)	↓
<b>Public Health &amp; Human Services</b>	23,660,263	23,727,275	24,412,618	28,396,961	3,984,343	↑
<b>Forfeited Tax Sale</b>	1,562,318	1,672,441	1,607,739	1,607,739	-	↔
<b>Shoreline Sales</b>	17,901,529	20,103,607	19,672,907	23,549,683	3,876,776	↑
<b>Other Governmental Funds</b>	26,963,938	29,913,861	30,117,830	28,497,494	(1,620,336)	↓
<b>Debt Service Fund</b>	25,434,249	20,458,433	19,902,267	17,976,903	(1,925,364)	↓

**General Fund:** The fund balance for the General Fund increased by \$1.5M to \$73.3M due to higher than anticipated revenues (especially investment earnings) and expense budget savings due to position vacancies and funds that were unspent but encumbered at year-end.

**Capital Projects:** The Capital Projects Fund's fund balance decreased from \$46.3 million in 2018 to \$21.9 million in 2019 due to bond proceeds spending for the Government Service Center North and the new Public Works Facility in Cook, MN.

**Road & Bridge:** The Road & Bridge Fund had a \$0.3M excess of revenue over expenditure in 2019 mainly due to Transportation Sales Tax revenue coming in \$1.7M over budget. The fund balance decreased by \$3.5M due to an advance of State Aid revenue that cannot be recognized until 2020.

**Public Health & Human Services:** The Public Health and Human Services Fund had revenue in excess of \$1.5M in 2018 mainly due to lower Public Aid expenditures than planned. Its fund balance increased by almost \$4M.

**Forfeited Tax Sale:** Forfeited Tax Sale Fund, which account for the proceeds from the sale or lease of land forfeited to the State of Minnesota, was flat from 2018 to 2019.

**Shoreline Sales:** Shoreline Sales Fund is used to report resources that are legally restricted to the extent that only up to 5 1/2 percent of the market value of the fund on Jan. 1 of the preceding calendar year may be used to support the County's programs.

**Debt Service:** The Debt Service Fund's fund balance decreased \$2.0M in 2019 mainly due to using debt service reserves to make part of the 2019 payments on the 2018A and 2018B bond issues.

NOTE: See page 54 of the CAFR for further explanations of funds.

# CASH FLOW AND NET POSITION

## Cash Flow

The County Board authorized the County Auditor to establish portions of fund balances for encumbrances ("I owe you's"), cash flow, future year budgets (savings account) and future unallotments (back-up money in case the state government shortchanges the County).

	Encumbrances	Future Year Budget	Future Unallotment	Cash Flow	TOTAL	Cash Flow Max	% Funded
General		\$ 1,440,388	\$ 4,468,997	\$ 35,576,635	\$ 41,486,020	\$ 37,137,139	95.80%
Road & Bridge	\$ 3,061,911				\$ 3,061,911	\$ 9,885,618	0.00%
PHHS	\$ 122,516			\$ 15,810,560	\$ 15,933,076	\$ 21,758,528	72.66%
<b>Total</b>	<b>\$ 3,184,427</b>	<b>\$ 1,440,388</b>	<b>\$ 4,468,997</b>	<b>\$ 51,387,195</b>	<b>\$ 60,481,007</b>		

## Net Position

Net position (the different between assets and liabilities) may, over time, be a useful indicator of a government's financial condition. In the case of St. Louis County, assets and deferred outflows exceeded liabilities and deferred inflows for all activities by \$877.6 million.

	Net Position (in millions)	2015	2016	2017	2018	2019	Variance (2019 vs. 2018)
Governmental Activities	Total Assets	927.2	1004.6	1049.0	1135.0	1180.0	45.0
	Deferred Outflows	12.1	72.0	40.5	26.3	15.9	(10.4)
	Total Liabilities	243.3	343.3	290.8	317.0	305.8	(11.2)
	Total Deferred Inflows	10.9	17.5	38.5	40.8	31.5	(9.3)
	<b>Total Net Position, As Reported</b>	<b>685.1</b>	<b>715.8</b>	<b>760.2</b>	<b>803.5</b>	<b>858.6</b>	55.1
	<i>Change in Acctg. Principle</i>			(5.0)	(0.8)		0.8
	<b>Total Net Position, As Restated</b>	<b>685.1</b>	<b>715.8</b>	<b>755.2</b>	<b>802.7</b>	<b>858.6</b>	<b>55.9</b>
Business-Type Activities	Total Assets	25.0	24.3	27.1	24.6	23.7	(0.9)
	Deferred Outflows	0.2	1.1	0.5	0.3	0.1	(0.2)
	Total Liabilities	4.8	6.1	4.6	4.8	4.4	(0.4)
	Total Deferred Inflows	0.1	0.2	0.3	0.5	0.4	(0.1)
	<b>Total Net Position, As Reported</b>	<b>20.3</b>	<b>19.1</b>	<b>22.7</b>	<b>19.6</b>	<b>19.0</b>	<b>(0.6)</b>
	<i>Change in Acctg. Principle</i>			(0.2)			0.0
	<b>Total Net Position, As Restated</b>	<b>20.3</b>	<b>19.1</b>	<b>22.5</b>	<b>19.6</b>	<b>19.0</b>	<b>(0.6)</b>
<b>Total Net Position, As Restated</b>	<b>705.4</b>	<b>734.9</b>	<b>777.7</b>	<b>822.2</b>	<b>877.6</b>	<b>55.4</b>	

**Q:** What are Deferred Inflows & Outflows?

**A:** Deferred Inflows & Outflows represent flows of resources into and out of the County during the fiscal year; unlike revenues and expenses, which relate to the period in which they occur, deferrals are related to future periods

## GOVERNMENTAL ACTIVITIES

**HINT:** Assets = things the County owns  
Liabilities = things the County owes

In 2019, the total net position of governmental activities increased by \$55.9 million to \$858.6 million. Current and other assets decreased by \$23.0 million in 2019 to \$278.9 million. The main reason for the large decrease was due to spending the 2018A and 2018B bond issuances that were issued in 2018. Capital assets at year-end 2019 were \$901.1 million, compared with \$833.1 million in 2019, an increase of \$68.0 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. Long-term liabilities outstanding decreased by \$8.4 million in 2019 to \$272.8 million. The main reason for the decrease is due to paying down \$10.0 million of outstanding debt, while the pension liability decreased \$1.2 million in 2019 for St. Louis County's portion of PERA's unfunded liability.

## BUSINESS-TYPE ACTIVITIES

(Business-Type Activities consisted of two funds-- Environmental Services & Plat Books)

Capital assets decreased by \$0.2 million in 2019 to \$8.2 million. The depreciation expense in 2019 was \$0.6 million, there were no landfill cell closure or construction costs in 2019. A fleet of vehicles were transferred from Environmental Services to Planning for the department change of Onsite Wastewater. A large quantity of replacement bins and two new transfer station trailers were purchased. Total liabilities for business-type activities had a decrease for 2019. The majority of change resulted in Closure and post-closure liabilities and funds due to other governments and a reduction in compensated absences payable decreasing the liability by \$0.5 million in 2019. The GASB 68 Pension liability showed a decrease in liability of \$0.1 million.

## Where Taxpayer Dollars Will Go...

NOTE: Some information on this page goes beyond the CAFR.

The graphic to the right illustrates the relative cost of providing County services by category, as funded through each taxpayer's 2020 property tax dollars.

Adopted 2020 Levy:  
\$145,561,377

Adopted 2020 Budget:  
\$407,171,161

6.45% Levy Increase



**General Gov't 14%** Administration, Auditor, Human Resources, Planning & Community Development, Recorder, Veterans Office, Purchasing, Assessor, IT

**Health & Human Services 33%** Administration, Public Health, Child Support Collection, Child Protective Services, Services to Adults, the Elderly, Families with Children, Mentally Ill, Developmentally Disabled, and the Chemically Dependent

**Public Works 18%** Administration & Engineering, Road Maintenance, Equipment & Materials, Road Construction, Road Overlay, Bridge Projects, Right of Way

**Public Safety 30%** Arrowhead Regional Corrections, County Attorney's Office, Adult & Juvenile Prosecutions, Sheriff's Office, County Jail, 911 Operations, Emergency Management, Law Enforcement Patrol, Public Safety, Boat & Water Safety, Court Security, Civil Process Service, Background Checks, Fingerprinting, Medical Examiner, Accident-Incident Reports

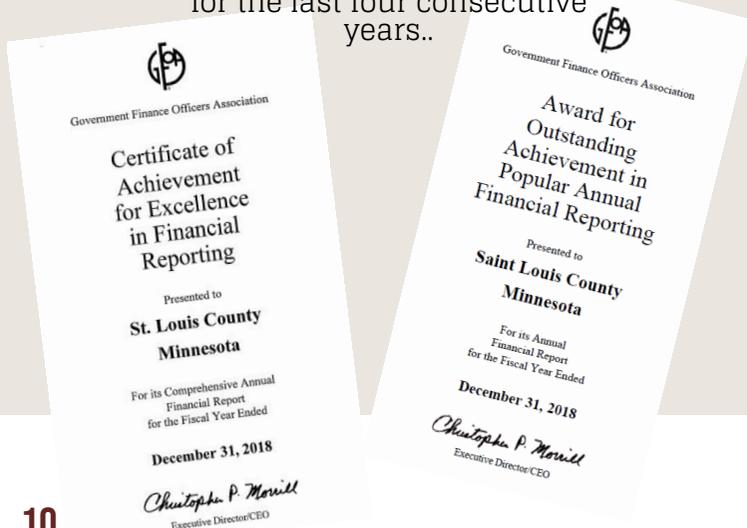
**Debt 5%** Payoff of bonds for capital projects

Source: Adopted 2020 Property Tax Levy

## DID YOU KNOW?

### Financial Achievement

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 ending December 31, 2018. In order to be awarded, a governmental unit must publish an easily readable and efficiently organized comprehensive financial report, the contents of which confirm 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 30 consecutive years. The County has also received the Award for Outstanding Achievement in Popular Annual Reporting for the last four consecutive years..



### St. Louis County Depot

St. Louis County hired its first County-employed Director of the St. Louis County Heritage and Arts Center (the Depot) in July 2019. Visit its website to learn more.

[WWW.EXPERIENCETHEDEPOT.ORG](http://WWW.EXPERIENCETHEDEPOT.ORG)

## ST. LOUIS COUNTY DEPOT

SPARK YOUR CURIOSITY ----- FOLLOW ON FACEBOOK & INSTAGRAM



Access to the CAFR at: [www.stlouiscountymn.gov/budget](http://www.stlouiscountymn.gov/budget)

