

Carver County, Minnesota Popular Annual Financial Report

For the Fiscal Year Ended December 31, 2017
Prepared by the Carver County Financial Services Department



Newly renovated Veteran Services office located at the Carver County Government Center

Residents encouraged to review County finances

This publication is an attempt to explain County finances and show how tax dollars are put to use. Most of the financial information in this report is taken from the County's 2017 Comprehensive Annual Financial Report (CAFR), which provides more detailed and complete financial information. The annual CAFR is prepared in conformance with Generally Accepted Accounting Principles (GAAP) and is audited by independent auditors. It receives an unmodified or "clean" opinion. The CAFR includes information on the Carver County Community Development Agency (CDA), a discretely presented component unit. This document does not include information on the CDA or agency funds. The Government Finance Officers Association (GFOA) has awarded Certificates of Achievement for Excellence in Financial Reporting to County CAFRs each year since 1996. This report is referred to as a Popular Annual Financial Report (PAFR) by the GFOA since it is designed to give the populace a more general, less technical, summary of county government and its financial condition. In addition to information from the CAFR, it includes condensed information from other County publications. Because this report is a summary, it does not conform to GAAP and reporting requirements for government entities and should not be used

as a substitute for the CAFR. This is the eighth year Carver County has produced this type of report. The County received an Award for Outstanding Achievement in Popular Annual Financial Reporting for the last seven years and is submitting this report for GFOA review. We encourage taxpayers to use these reports as a starting point for understanding Carver County finances and operations. Included in this report is an overview of the organizational structure, demographics, financial statements, and highlights of projects in 2017. The PAFR is produced for use primarily as an online resource. This publication, the CAFR, and other financial reports can be viewed on the County website at www.co.carver.mn.us/departments/property-financial-services/financial-services. If you have questions, or would like a printed copy of this report or the CAFR sent to you, please call me at 952-361-1506 or email dfrischmon@co.carver.mn.us.



David Frischmon
Property and Financial Services Division Director



Pictured above, from left to right, are Carver County Commissioners Randy Maluchnik, Jim Ische, Gayle Degler, Tim Lynch, and Tom Workman. Elected county officials also include Sheriff Jim Olson, pictured above on the right, and County Attorney Mark Metz.

Carver County leaders committed to transparency in government

Carver County is governed by the Carver County Board of Commissioners who represent the five districts in the county. The Board and the County's two other elected officials, the County Sheriff and the County Attorney, are committed to making information on County finances and programs available to the public. More information on Carver County is available on its website, www.co.carver.mn.us.

Quick Facts on Carver County

| | |
|--|----------|
| County Established | 1855 |
| Land Area (square miles) | 354.33 |
| 2017 Population Estimate | 102,119 |
| County Population Rank (of 87) | 11th |
| Percent of Population over 65, 2017 est | 11.5% |
| Percent of Population under 18, 2017 est | 27.1% |
| 2040 Population Estimate | 161,020 |
| Housing Units, 2017 est | 38,252 |
| Average Household Size, 2017 est | 2.75 |
| Median Age, 2017 est | 37.1 |
| Median Household Income, 2016 est | \$88,638 |
| Per Capita Income, 2016 dollars | \$64,473 |
| Percent Living in Poverty, 2017 est | 4.3% |
| Total Labor Force, May 2018 | 58,146 |
| Unemployment Rate, 2017 | 3.1% |

Major Employers Estimated No. Employees

| | |
|-------------------------------|-------|
| Ridgeview Medical Center | 1,500 |
| Eastern Carver County ISD 112 | 1,500 |
| Rosemount, Inc. | 1,200 |
| Lifetime Fitness | 1,160 |
| United Mailing | 1,100 |

References:

- census.gov (QuickFacts)
- bea.gov (BEARFACTS)
- deed.state.mn.us (Regional Labor Market Information)
- stats.metc.state.mn.us (Community Profiles)
- referenceusa.com (UsBusiness advanced search)

County divisions, departments support a full range of services

County Administrator



David Hemze is the head of County responsible for the management of County affairs. His division implements the directives, resolutions, ordinances, and policies of the County board.

Employee Relations



Kerie Anderka is the director of the Employee Relations Division. This division provides a full range of personnel services including personnel administration, staffing classification and compensation, staff benefits, labor relations, training and development, risk management and safety, and employee health and wellness.

Health and Human Services Division



Rod Franks is the director of the Health and Human Services Division. This division provides a wide variety of social services and public health services and supports to children and families, vulnerable adults, and individuals who are disabled, mentally ill, or medically compromised. The staff provides assessments and assists with applications for state and federal programs, makes referrals for community resources, and provides direct services related to local programs.

Property and Financial Services Division



Dave Frischmon is the director of the Property and Financial Services Division. This division is responsible for all phases of County budget planning, preparation and monitoring, and long-term financial planning, and it is responsible for a wide range of services related to taxation, land records, property assessment, elections, ditches and the operation of two license/service centers. This division performs accounting and payroll services, financial management, capital improvement planning, debt financing, fixed asset inventory, independent audit assistance, grant reporting contract management, and cash and investment management.

Public Services Division



Tom Vellenga is the director of the Public Services Division. This division provides library, environment, land management, planning, water management, technology, and veteran services for the County. Internally, it provides administrative, communications, facility, planning, and technological support for the County's operations. This division maintains a working relationship with the Historical Society, the Soil and Water Conservation District, and the Community Development Agency, which is a separate tax levy authority.

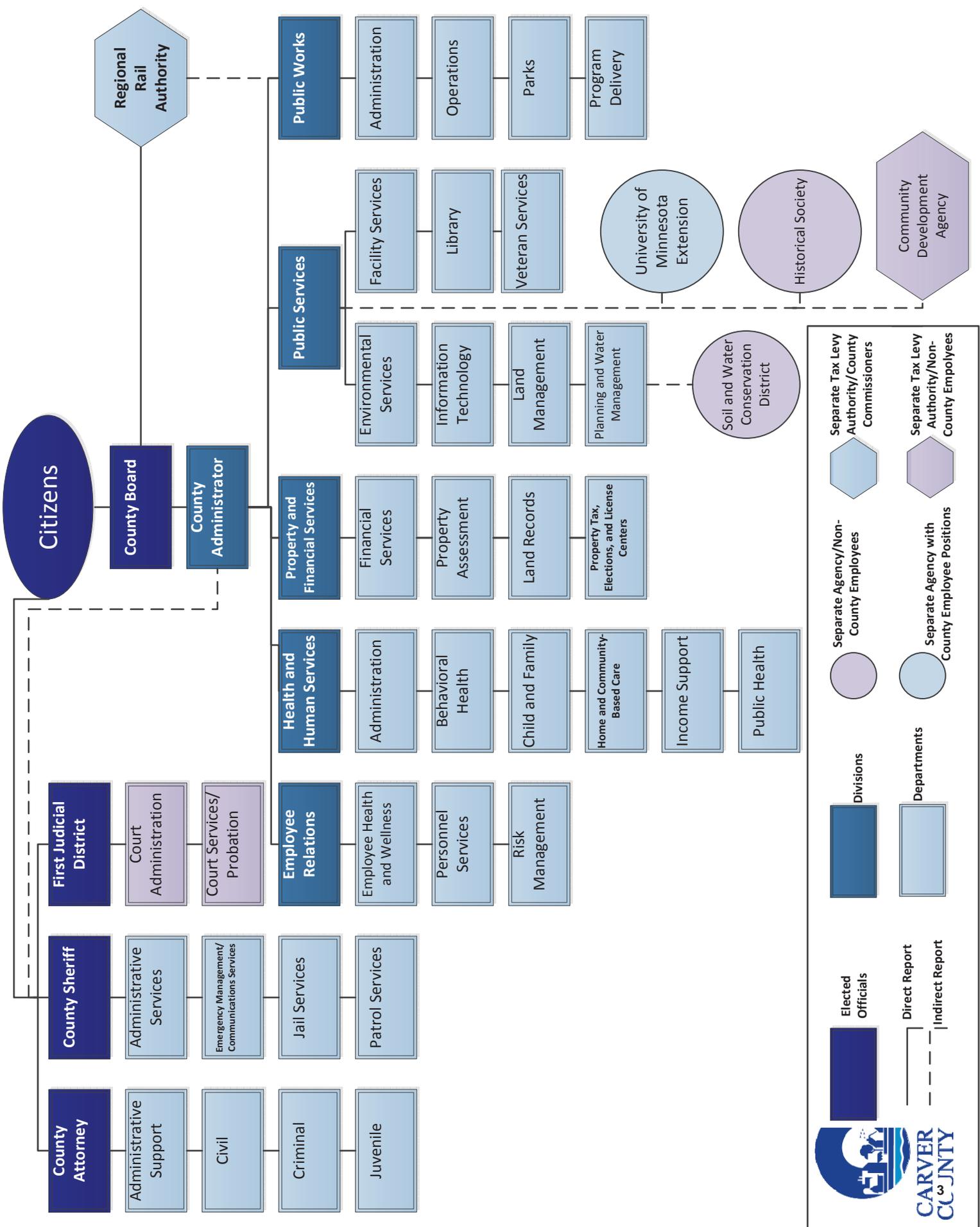
Public Works Division



Lyndon Robjent is the director of the Public Works Division. This division administers all functions associated with the County highway and County parks systems. This division also maintains a functional working relationship with the Carver County Regional Rail Authority, a separate tax levy authority that oversees designated rail transportation corridors in the County.

First Judicial Court

Judges Janet L. Barke Cain, Kevin W. Eide, Eric J. Braaten, and Michael D. Wentzell have been elected to serve as judges for the First Judicial Court. The District Court processes filings for civil, criminal, traffic, family, probate and juvenile matters. Court Administrator Mary Dalbec oversees Court Administration under the First Judicial Court. Eric Johnson serves as the director of Court Services/Probation, a community-based corrections agency that serves under the authority of Minnesota Statute 244 and the First Judicial District.



Improving, but Continually Challenging Economic Times...

With the Improving, but continually challenging economic times being experienced both globally and locally in Carver County; the 2017 budget responds to those challenges by making smart financial decisions. That ultimately results in a continued stable level of service for citizens. Financial planning policies and practices for Carver County are designed to maintain the County's commitment to a balanced budget: Every dollar budgeted to be spent during the fiscal year must be paired with an offsetting dollar of funding.

The 2017 Budget approved by the Board of Commissioners in December of 2016 called for total expenditures of \$124,131,165 balanced by an equal amount of revenue. The **2016-2017 Budget Comparison** table compares the revenue and expenditure amounts for 2016 and 2017. The 2017 budget is an increase of \$24.7 million from the 2016 Budget with the most significant change being in Street and Highway Construction for expenses that coincide with additional state and federal funds being received for road and bridge projects.

How tax dollars are used

In 2017, owners of an average-valued home (a home valued at \$303,400) paid \$1,139 a year, or approximately \$95 a month, in County taxes.

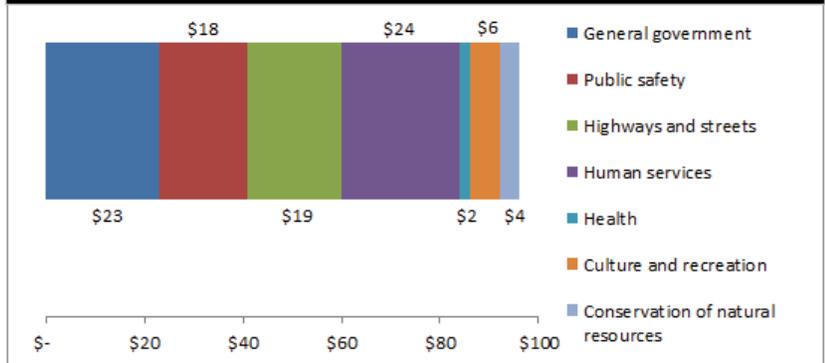
The **Allocation of Taxes Paid by Homeowner, Per Month, for an Average-Value Home** chart indicates the breakdown of how those taxes were allocated in 2017. The largest allocations are for Human Services, General Government, and Highway and Street functions.

Sampling of Your Tax Dollars at Work:

- Maintain 277 miles of roads, 60 bridge structures, 894 acres of public areas
- Public Safety: patrol, jail, 9-1-1 center, courts & probation
- Human Services: Behavioral Health, Employment Services, Elderly/Disabled Transportation, Child Protection
- 6 city and 4 express libraries

| 2016-2017 Budget Comparison | | |
|---|----------------------|-----------------------|
| Revenue | 2016 Budget | 2017 Budget |
| Tax Levy: | | |
| County | \$ 50,196,200 | \$ 51,649,500 |
| Carver County Water Management Organization | 656,958 | 643,933 |
| Carver County Rail Authority | 144,000 | 144,000 |
| Special Assessments and Other Taxes & Penalties | 1,856,463 | 1,944,692 |
| Licenses and Permits | 1,046,830 | 1,167,823 |
| Intergovernmental | 28,441,537 | 51,000,023 |
| Charges for Services | 12,519,270 | 13,195,105 |
| Fines and Forfeits | 225,586 | 212,086 |
| Interest on Investments | 1,644,661 | 1,544,661 |
| Miscellaneous | 2,705,174 | 2,633,342 |
| Total Revenues | \$ 99,436,679 | \$ 124,135,165 |
| Expenditures | | |
| General Government | \$ 20,593,652 | \$ 22,775,380 |
| Public Safety | 19,521,214 | 20,239,247 |
| Highway and Streets (excluding construction) | 6,791,261 | 6,894,975 |
| Human Services | 22,355,580 | 23,705,659 |
| Health | 2,136,545 | 2,162,124 |
| Culture and Recreation | 5,384,735 | 5,501,926 |
| Conservation of Natural Resources | 3,685,841 | 3,992,711 |
| Street and Highway Construction | 9,820,808 | 30,082,928 |
| Capital Outlay (includes buildings) | 1,819,308 | 2,174,838 |
| Debt Service- Principal | 3,903,000 | 3,819,284 |
| Interest and Fiscal Charges | 1,846,365 | 1,237,916 |
| Transfers Out | 1,578,370 | 1,544,177 |
| Total Expenditures | \$ 99,436,679 | \$ 124,131,165 |
| Capital Reserves Used | - | - |

Allocation of Taxes Paid by Homeowner, Per Month, for an Average-Value Home



Budget reflects strategy to reduce tax impact on homeowners

The 2017 property tax levy of \$51,649,500 set by the County Board is an increase of \$1,453,300 (2.8%) from the 2016 levy. The levy increase captured the new construction tax base, as well as an inflationary increase.

The 2017 Adopted Budget reinforced the Board's ongoing strategy to reduce the tax impact on the average-value home. The **County Property Taxes on Average Home Value** chart shows how the County's portion of the property tax bill on an average-value home has decreased or remained the same since 2009. It also shows how the average-home value decreased from 2011-2014 and now has increased in 2015-2017 to a value of \$303,400.

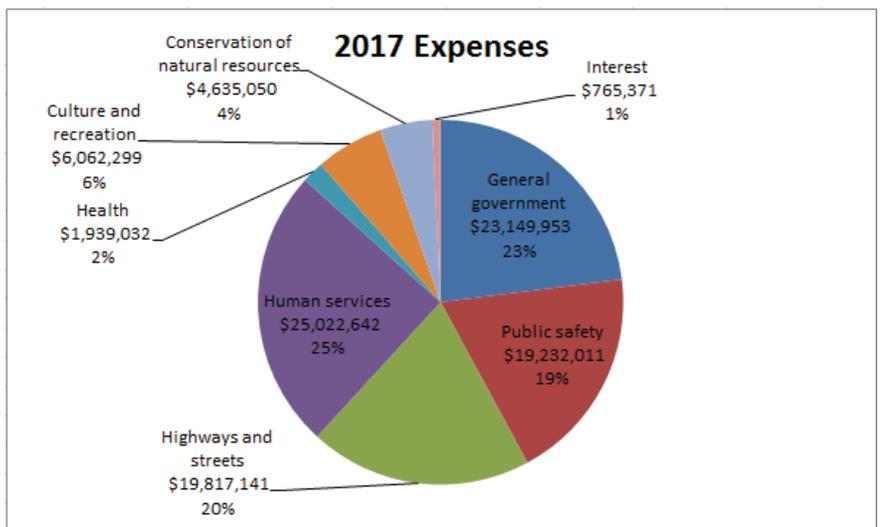
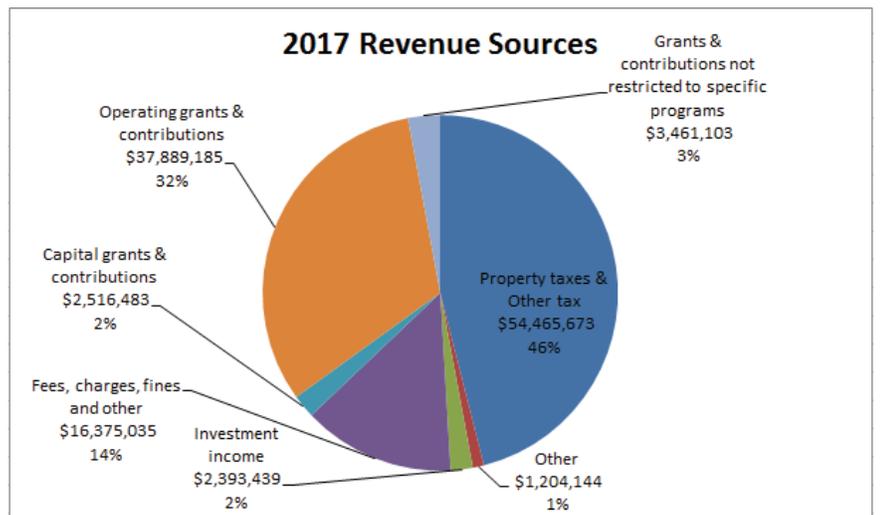
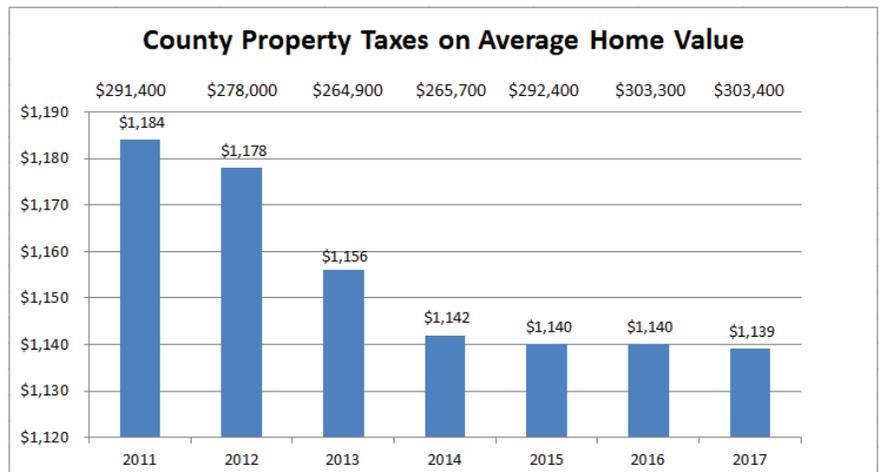
2017 Actual Revenue Sources: The Certified Property Tax Levy is the primary funding source for the County budget, and the source of revenue over which the County has the most control.

The preliminary levy for the following year is set by the County Board in September, and the levy is adopted in December. Once established, the property tax levy cannot be increased during the year. The County's annual budget includes the amount of property taxes levied for the year and estimated penalty fees.

In 2017, a combination of property taxes and special assessments comprised 46% of all revenue sources, as shown in the **2017 Revenue Sources** chart.

2017 Actual Expenses: The County classifies expenses by function for General Government, Public Safety, Highways and Streets, Human Services, Health, Culture and Recreation, Conservation of Natural Resources, and Interest.

As the **2017 Expenses** chart indicates, Human Services and General Government had the largest percentage of expenses in 2017, comprising 25% and 23%, respectively, of the total.



Statements reflect County's net position, financial activity, total debt

Statement of Net Position

The County's Statement of Net Position offers a summary of what the County owns (assets) and owes (liabilities) to provide a snapshot of the financial health of the County in any given year. As in past years, the assets of Carver County have exceeded its liabilities at the close of the most recent fiscal year. The following is a summary of the County's Statement of Net Position. It can be found in much more detail in the 2017 Comprehensive Annual Financial Report (CAFR).

| 2017 | | 2016 | |
|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Assets | \$401,016,756 | Assets | \$390,966,156 |
| Deferred Outflows of Resources* | 24,553,234 | Deferred Outflows of Resources* | 40,271,217 |
| Liabilities | (105,390,957) | Liabilities | (139,589,065) |
| Deferred Inflows of Resources* | <u>(25,997,648)</u> | Deferred Inflows of Resources* | <u>(7,407,663)</u> |
| Net Position | <u>\$294,181,385</u> | Net Position | <u>\$284,240,645</u> |

The largest portion of the County's net position (85% or \$250,468,438 in 2017) reflects the County's net investment in capital assets (i.e. infrastructure, land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. Approximately 10% of Carver County's net position (\$28,886,109) represents resources that are subject to external restrictions on how they may be used. These restrictions are imposed by grantors, contributors, laws, and governmental regulations and restrictions. Approximately 5% of the remaining balance of net position (\$14,826,838 unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors. The increase in net position from the prior year is mainly attributed to the increase in capital assets either from purchased or constructed assets. The County's Statement of Activities reflects all of the financial activity for the County during the fiscal year. It presents information to show how the County's net position changed during the year as a result of the financial activity (i.e. revenues and expenditures). This is a summarized version of the more detailed Statement of Activity found in the County's 2017 CAFR.

| 2017 | | 2016 | |
|---------------------------------|---------------------------|---|---------------------------|
| Net Position, beginning of year | \$284,240,645 | Net Position, beginning of the year, restated | \$275,478,788 |
| Revenues | 118,305,048 | Revenues | 108,831,936 |
| Expenditures | <u>(108,364,308)</u> | Expenditures | <u>(100,070,079)</u> |
| Net Position, end of year | <u>294,181,385</u> | Net Position, end of year | <u>284,240,645</u> |
| Change in Net Position | <u>\$9,940,740</u> | Change in Net Position | <u>\$8,761,857</u> |

County revenues increased in 2017 mainly from an increase in operating grants and contributions for highways and streets. The County's total net position increased by \$1,178,883 from the end of Fiscal Year 2016 to the end of Fiscal Year 2017. This increase was primarily the result of an increase in capital assets. The majority of the increase can be attributed to the completion of street projects such as County State Aid Highway (CSAH) 18 and CSAH 61.

Outstanding Net Total Debt

| 2017 | | 2016 | |
|----------------------------------|----------------------------|----------------------------------|----------------------------|
| General Obligation Bonds | \$22,325,218 | General Obligation Bonds | \$30,828,356 |
| General Obligation Notes Payable | 13,588,245 | General Obligation Notes Payable | 14,549,197 |
| Loans | <u>690,814</u> | Loans | <u>737,989</u> |
| Total | <u>\$36,604,277</u> | Total | <u>\$46,115,542</u> |

As this summary of outstanding debt illustrates, the County's total debt decreased by \$9,511,265 during the 2017 fiscal year, which is about a 21% change from the prior year. The General Obligation (GO) Bond category decrease relates to the retirement of the 2008A bonds. There was also a large payoff on the MPFA notes payable, along with other debt retirements. The 2017 CAFR offers more detailed information on outstanding debt.

*Deferred outflows/inflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure), or an inflow or resources (revenue), until that time.

Statements reflect County's net position, financial activity, total debt (continued)

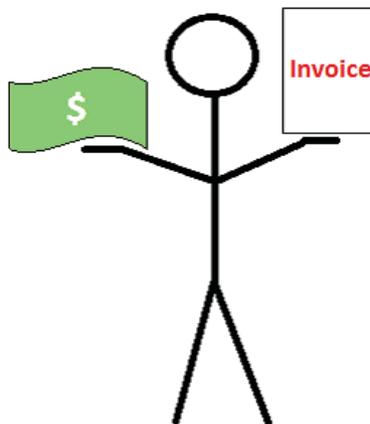
Comparative Revenue Sources

| 2017 | | 2016 | |
|--|-----------------------------|--|-----------------------------|
| Property taxes & other tax | \$54,277,321 | Property taxes & other tax | \$51,769,746 |
| Operating grants & contributions | 37,889,185 | Operating grants & contributions | 29,465,961 |
| Fees, charges, fines, and other | 16,375,022 | Fees, charges, fines, and other | 15,635,455 |
| Capital grants & contributions | 2,516,483 | Capital grants & contributions | 5,655,606 |
| Grants & contributions not restricted to a specific program | 3,461,103 | Grants & contributions not restricted to a specific program | 3,461,341 |
| Payment in lieu of taxes | 188,352 | Payment in lieu of taxes | 166,705 |
| Investment income | 2,393,439 | Investment income | 1,576,539 |
| Other | 1,204,144 | Other | 1,100,583 |
| Total | <u>\$118,305,048</u> | Total | <u>\$108,831,936</u> |

County revenues and expenses overall increased by \$9,473,112 and \$8,294,229, respectively. The overall increase to revenue can mostly be attributed to an increase in operating grants & contributions from new crisis grants, additional funds from the Metropolitan Council, along with other State and municipal participation. The increase in property taxes from the capture of new construction tax base and an inflationary increase also contributed to the increase in revenue. Expenses within the County increased mainly due to new highway and street construction projects that took place during 2017.

Comparative Expense Functions

| 2017 | | 2016 | |
|-----------------------------------|------------------------------|-----------------------------------|-----------------------------|
| General government | \$17,755,764 | General government | \$15,543,460 |
| Public Safety | 25,936,255 | Public safety | 27,429,936 |
| Highways and streets | 20,778,791 | Highways and streets | 14,206,084 |
| Human services | 28,809,030 | Human services | 27,281,389 |
| Health | 2,278,107 | Health | 2,285,038 |
| Culture and recreation | 6,985,503 | Culture and recreation | 7,691,214 |
| Conservation of natural resources | 5,055,487 | Conservation of natural resources | 4,642,206 |
| Interest | 765,371 | Interest | 990,752 |
| Total | <u>\$ 108,364,308</u> | Total | <u>\$100,070,079</u> |



Community Updates

Financial Health

The financial health of the County received high rankings in 2017. The County's "AAA" bond rating was affirmed by Standard & Poor's (S&P) Global Ratings – good news for taxpayers in terms of getting the best interest rates for County construction projects and overall costs of borrowing.

Road and Bridge Funding

One of the biggest headlines in 2017 was the implementation of the ½ percent sales tax and increase in wheelage tax. These new funds will help to improve high priority road and bridges over the next 20 years including state highways. With this new revenue, projects on roads like Highway 212, Highway 5, Highway 41 and 101 become obtainable. Passing this tax has already leveraged \$15 million in Highway freight funding for 212.

Transportation Awards

The County won the Partnerships in Planning Award from the Minnesota American Planning Association Chapter for the 41/61 Corridor Study. The Southwest Connection Project, the 101 bridge, received the 2016 County Project of the Year from the Minnesota County Engineers Association, the 2017 Environmental Stewardship Award from MnDOT for preservation and restoration of the Minnesota River Valley, and a 2017 American Council of Engineering Companies Honor Award.

Innovation

Carver County continued to use Innovative methods to improve the efficiency of our services to the public. We held three new Innovation events in which the staff used the Kaizen method to make our operations more efficient. They streamlined deed processing, land development data sharing with the City of Waconia, and our transportation service for veterans. The staff also used two other innovative facilitation techniques to improve operations. Finally, in order to expand our reach, we have begun to train four additional staff members as Innovation Program facilitators.

Health and Human Services Award

The Public Health Department in partnership with the Child and Family Department were awarded the prestigious Pinwheel Award, receiving statewide recognition for

outstanding work to create safe and healthy environments for children and families.

Mental Wellness Facility

The County was successful in finalizing the purchase of the Marie Steiner Kelting Hospice Home and in securing \$1.25M in State bond funds to transform the facility into a Mental Wellness Facility which would provide critical mental wellness services to area residents.

Housing Grant

The Behavioral Health Department was awarded a highly competitive Housing Assistance for the Seriously Mentally Ill Grant, and 15 County residents who otherwise would have been homeless received housing.

One Stop Land Records and Drive Thru

Property and Financial Services created a "One-Stop" Land Records Department to streamline property transfers. The Chaska License Center also opened a drive-thru. Both achievements help the County to better serve the public.

CarverLink

Watertown and Mayer have now joined the other nine cities on the County's fiber optic cable network, known as CarverLink. All 11 city halls in the County are now connected through CarverLink, which has also expanded its network to Eastern Carver County schools and boosted the internet capacity for all public school districts in the County. In addition to cities and school districts, CarverLink also serves community health care providers, County facilities, and Crown College.

Veterans Services

The County sought to better serve our veterans by moving the Veteran Services Office to the county government center in Chaska. This space provides better confidentiality, easier access, and the appropriate amount of space for the VSO. Over the past five years, there was a 35% increase in the amount of federal dollars brought into Carver County in VA Compensation and Pension benefits as well as a 30% increase of federal dollars saved by Carver County veterans in VA Medical costs.

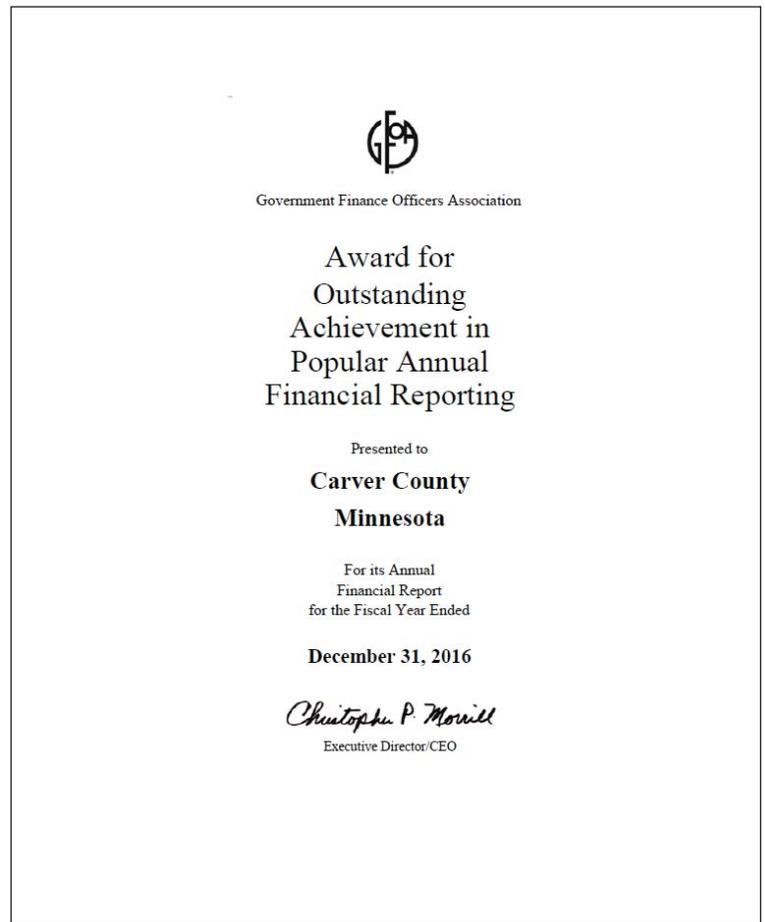


Library Space Changes

Space changes were made in Chanhassen, Chaska, Norwood Young America, and Waconia libraries to make our libraries more customer friendly and usable. This includes a new activity room in Waconia that includes audio-visual equipment, space for book groups, computer classes, robotics programs, and a host of creative and STEM programming.

WMO Anniversary

Public Services celebrated the 20th anniversary of the Water Management Organization. Over the past 20 years, the County WMO has overseen: the establishment of over 300 storm water treatment practices treating 1,500 acres of new development, the removal of nearly 400 direct discharge septic systems, as well as educational programs that reached an estimated 30,000 people to help our fellow residents become good stewards of our land and waters for generations to come.



GFOA Award given for Popular Annual Financial Report

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Carver County for its Popular Annual Financial Report for the fiscal year ended December 31, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report in which the contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Financial Services staff believe the current report continues to conform to the Popular Annual Financial Reporting requirements and is submitting it to GFOA for review.



Popular Annual Financial Report

About this report

This type of community report is referred to as a Popular Annual Financial Report (PAFR) since it is designed to give the populace a general, less technical summary of county government and its financial condition. This report was produced in July 2018 for the fiscal year ended Dec. 31, 2017.

This PAFR was produced by Carver County using in-house resources. A limited number of copies have been printed on recycled paper and are available at the Carver County Government Center.

Taxpayers are encouraged to view the online edition of this report by visiting the Financial Services Department on the Carver County website www.co.carver.mn.us.

Carver County is an equal opportunity employer. Our staff welcomes your questions and comments. Please call the Financial Services Department at 952-361-1506 if you would like more information or have questions.

Carver County Financial Documents On The Web

www.co.carver.mn.us/departments/property-financial-services/financial-services



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