

Carver County, Minnesota Popular Annual Financial Report

For the Fiscal Year Ended December 31, 2018
Prepared by the Carver County Financial Services Department



2018 construction on highway 41 four lane expansion north of the highway 212 interchange to Pioneer Trail

TABLE OF CONTENTS

<u>Introduction</u>	<u>Page</u>
Residents Encouraged to Review County Finances.....	1
Quick Facts on Carver County.....	1
Carver County Leadership (Board of Commissioners and elected officials).....	1
<u>Government Structure</u>	
Divisions, Directors, and Services Provided.....	2
County Organizational Flow Chart.....	3
<u>Financial Section</u>	
Budget Comparison.....	4
How Tax Dollars Are Used.....	4
Budget Impact on Average Value Home.....	5
Yearly Revenue and Expenditure Actuals.....	5
Statement of Net Position Highlights.....	6
Statement of Activities Highlights.....	7
<u>Carver County Year in Review</u>	
Community Updates.....	8
<u>Conclusion</u>	
About the Popular Annual Financial Report (PAFR).....	10
County Contact Information.....	10

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 2018 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 ninth 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 eight 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 2018. 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 e-mail dfrischmon@co.carver.mn.us.



David Frischmon
Property and Financial Services Division Director



Pictured above, top row left to right, are Carver County Commissioners Randy Maluchnik, Tom Workman, Jim Ishe, and the Carver County Sheriff Jason Kamerud. The bottom row, left to right, is Carver County Commissioners Gayle Degler, and Tim Lynch followed by the Carver 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
2018 Population Estimate	103,551
County Population Rank (of 87)	11th
Percent of Population over 65, 2018 est	12.0%
Percent of Population under 18, 2018 est	26.8%
2040 Population Estimate	161,240
Housing Units, 2018 est	38,848
Persons Per Household, 2017 est	2.77
Median Age, 2018 est	38.1
Median Household Income, 2017 est	\$93,095
Median Housing Value, 2017 est	\$287,200
Per Capita Personal Income, 2017 est	\$67,680
Percent Living in Poverty, 2018 est	4.0%
Total Labor Force, May 2019	58,183
Unemployment Rate, May 2019	2.6%

Major Employers Estimated No. Employees

Ridgeview Medical Center	1,500
Emerson Process Management	1,200
United Mailing Inc	1,100
Strom Aviation Inc	1,001
Automated Building Components	1,000

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



Nick Koltavy 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

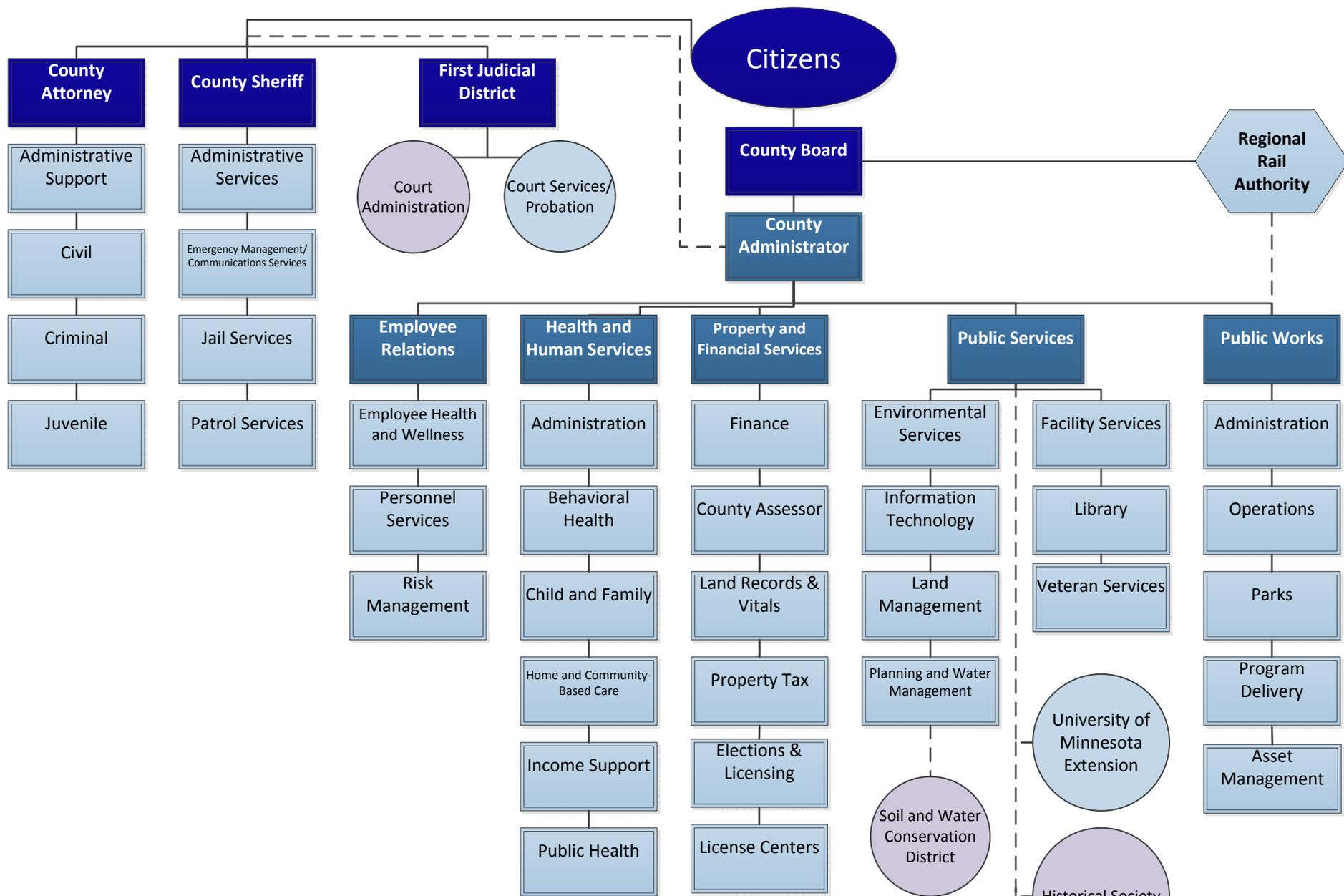


Lyndon Robjert is the director of the Public Works Division. This division administers all functions associated with the County highway and County parks systems. This division also maintains a functional working relationship with the Carver County Regional Rail Authority, a separate tax levy authority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

First Judicial Court

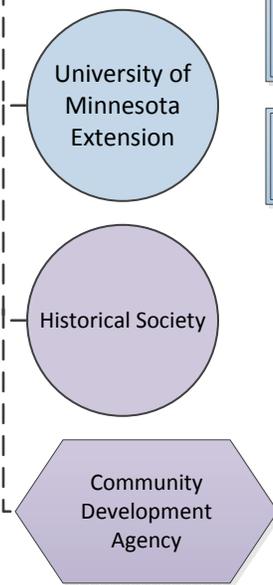
Judges Janet L. Barke Cain, Kevin W. Eide, Eric J. Braaten, and Michael D. Wentzell have been elected to serve as judges for the First Judicial Court. The District Court processes filings for civil, criminal, traffic, family, probate and juvenile matters. Court Administrator Mary Dalbec oversees Court 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.





CARVER COUNTY

- Elected Officials**: Dark Blue Box
- Divisions**: Dark Blue Box
- Departments**: Light Blue Box
- Direct Report**: Solid Line
- Indirect Report**: Dashed Line
- Separate Agency/Non-County Employees**: Light Purple Circle
- Separate Agency with County Employee Positions**: Light Blue Circle
- Separate Tax Levy Authority/County Commissioners**: Light Blue Hexagon
- Separate Tax Levy Authority/Non-County Employees**: Light Purple Hexagon



Improving, but Continually Challenging Economic Times...

With the Improving, but continually challenging economic times being experienced both globally and locally in Carver County; the 2018 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 2018 Budget approved by the Board of Commissioners in December of 2017 called for total expenditures of \$125,280,728 balanced by an equal amount of revenue. The **2018-2017 Budget Comparison** table compares the revenue and expenditure amounts for 2018 and 2017. The 2018 budget is an increase of \$1.15 million from the 2017 Budget. The most significant change from last year took place in Street and Highway Construction for expenses that coincide with less intergovernmental revenue being received for road and bridge projects.

How tax dollars are used

In 2018, owners of an average-valued home (a home valued at \$320,700) paid \$1,169 a year, or approximately \$97 a month, in County taxes.

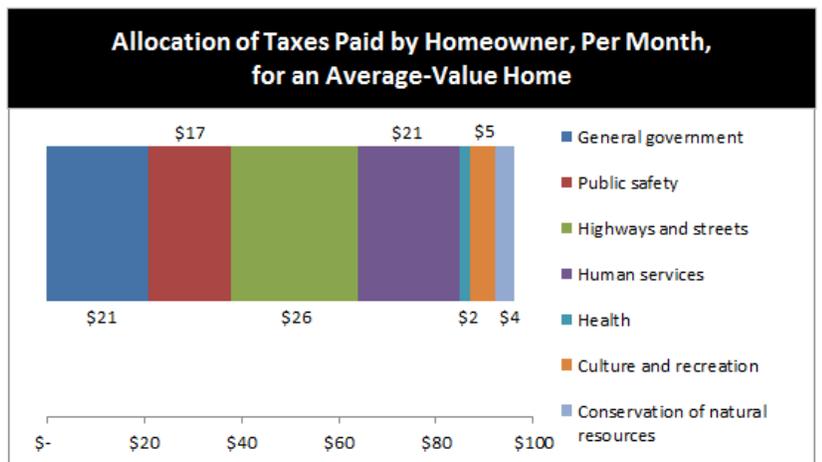
The **Allocation of Taxes Paid by Homeowner, Per Month, for an Average-Value Home** chart indicates the breakdown of how those taxes were allocated in 2018. The largest allocations are for Human Services, General Government, and Highway and Street functions.

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



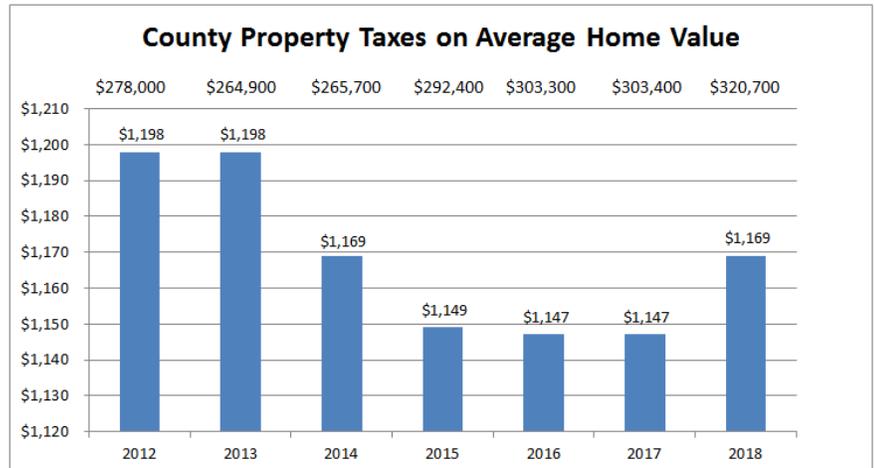
2018-2017 Budget Comparison		
Revenue	2018 Budget	2017 Budget
Tax Levy:		
County	\$ 53,602,000	\$ 51,649,500
Carver County Water Management Organization	768,656	643,933
Carver County Rail Authority	166,000	140,000
Special Assessments and Other Taxes & Penalties	6,521,519	1,944,692
Licenses and Permits	1,284,406	1,167,823
Intergovernmental	44,379,073	51,000,023
Charges for Services	13,742,799	13,195,105
Fines and Forfeits	211,286	212,086
Interest on Investments	1,544,661	1,544,661
Miscellaneous	3,060,328	2,633,342
Total Revenues	\$ 125,280,728	\$ 124,131,165
Expenditures		
General Government	\$ 22,210,570	\$ 22,775,380
Public Safety	21,658,770	20,239,247
Highway and Streets (excluding construction)	7,499,957	6,894,975
Human Services	26,556,882	23,705,659
Health	2,214,123	2,162,124
Culture and Recreation	5,712,940	5,501,926
Conservation of Natural Resources	4,259,916	3,992,711
Street and Highway Construction	24,006,956	30,082,928
Capital Outlay (includes buildings)	4,116,851	2,174,838
Debt Service- Principal	3,819,284	3,819,284
Interest and Fiscal Charges	1,237,916	1,237,916
Transfers Out	1,986,563	1,544,177
Total Expenditures	\$ 125,280,728	\$ 124,131,165
Capital Reserves Used	-	-



Budget reflects strategy to reduce tax impact on homeowners

The 2018 property tax levy of \$53,602,000 set by the County Board is an increase of \$1,952,500 (3.8%) from the 2017 levy. The levy increase captured the new construction tax base, as well as an inflationary increase.

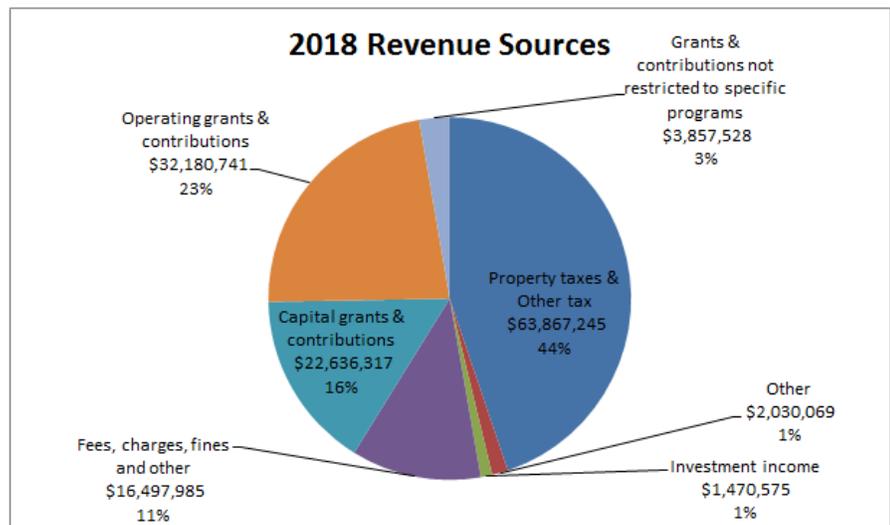
The 2018 Adopted Budget reinforced the Board's ongoing strategy to minimize the tax impact on the average-value home. The **County Property Taxes on Average Home Value** chart shows how the County's portion of the property tax bill on an average-value home has remained minimal since 2012. It also shows how the average-home value decreased from 2012-2014 and now has increased in 2015-2018 to a value of \$320,700.



2018 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.

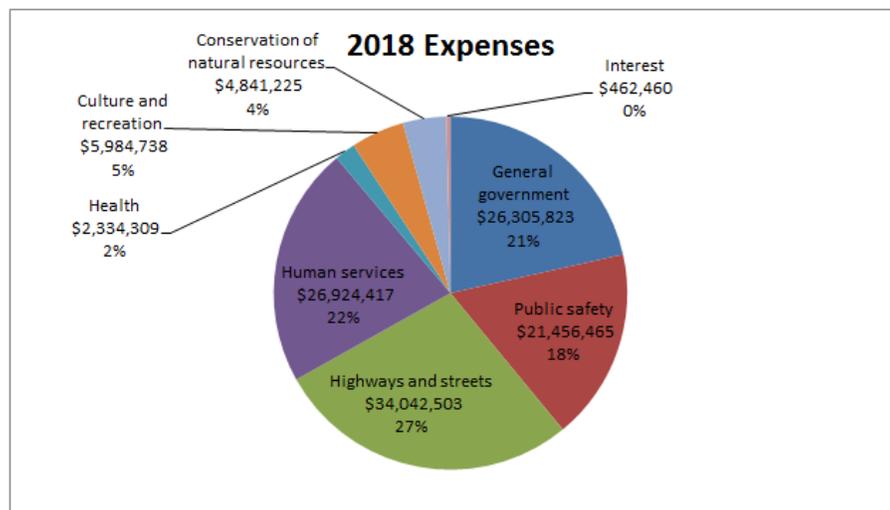
The preliminary levy for the following year is set by the County Board in September, and the levy is adopted in December. Once established, the property tax levy cannot be increased during the year. The County's annual budget includes the amount of property taxes levied for the year and estimated penalty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

In 2018, a combination of property taxes and special assessments comprised 44% of all revenue sources, as shown in the **2018 Revenue Sources** chart. Total revenues for 2018, 2017, and 2016 were \$142,540,460, \$118,305,048, and \$108,831,936 respectively.



2018 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 **2018 Expenses** chart indicates, Highways and Streets, General Government, and Human Services had the largest percentage of expenses in 2018, comprising 27%, 22%, and 22%, respectively, of the total. Total expenses for 2018, 2017, and 2016 were \$122,351,940, \$108,364,308, and \$100,070,079 respectively.



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 2018 Comprehensive Annual Financial Report (CAFR).

2017		2018	
Assets	\$401,016,756	Assets	\$405,932,321
Deferred Outflows of Resources*	24,553,234	Deferred Outflows of Resources*	17,694,186
Liabilities	(105,390,957)	Liabilities	(85,134,167)
Deferred Inflows of Resources*	(25,997,648)	Deferred Inflows of Resources*	(24,122,435)
Net Position	<u>\$294,181,385</u>	Net Position	<u>\$314,369,905</u>

The largest portion of the County's net position (84% or \$263,692,672 in 2018) 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 (\$31,189,679) 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 6% of the remaining balance of net position (\$19,487,554 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 2018 CAFR.

2017		2018	
Net Position, beginning of year	\$284,240,645	Net Position, beginning of the year	\$294,181,385
Revenues	118,305,048	Revenues	142,540,460
Expenditures	(108,364,308)	Expenditures	(122,351,940)
Net Position, end of year	<u>294,181,385</u>	Net Position, end of year	<u>314,369,905</u>
Change in Net Position	<u>\$9,940,740</u>	Change in Net Position	<u>\$20,188,520</u>

County revenues increased in 2018 mainly from an increase in capital grants and contributions for highways and streets. The County's total net position increased by \$20,188,520 from the end of Fiscal Year 2017 to the end of Fiscal Year 2018. 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) 17 and CSAH 10.

Outstanding Net Total Debt

2017		2018	
General Obligation Bonds	\$22,325,218	General Obligation Bonds	\$17,107,260
General Obligation Notes Payable	13,588,245	General Obligation Notes Payable	12,604,000
Loans	<u>690,814</u>	Loans	<u>754,790</u>
Total	<u>\$36,604,277</u>	Total	<u>\$30,466,050</u>

As this summary of outstanding debt illustrates, the County's total debt decreased by \$6,138,227 during the 2018 fiscal year, which is about a 17% change from the prior year. The General Obligation (GO) Bond category decrease relates to the retirement of the 2008B bonds. There was also a payoff on the MPFA notes payable, along with other debt retirements. The 2018 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)

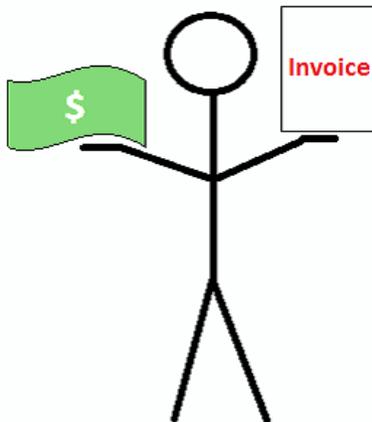
Comparative Revenue Sources

2017		2018	
Property taxes & other tax	\$54,277,321	Property taxes & other tax	\$63,668,346
Operating grants & contributions	37,889,185	Operating grants & contributions	32,180,741
Fees, charges, fines, and other	16,375,022	Fees, charges, fines, and other	16,497,985
Capital grants & contributions	2,516,483	Capital grants & contributions	22,636,317
Grants & contributions not restricted to a specific program	3,461,103	Grants & contributions not restricted to a specific program	3,857,528
Payment in lieu of taxes	188,352	Payment in lieu of taxes	198,899
Investment income	2,393,439	Investment income	1,470,575
Other	1,204,144	Other	2,030,069
Total	<u>\$118,305,048</u>	Total	<u>\$142,540,460</u>

County revenues and expenses overall increased by \$24,235,412 and \$13,987,632, respectively. The overall increase to revenue can mostly be attributed to an increase in capital grants & contributions from the State and other 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 2018.

Comparative Expense Functions

2017		2018	
General government	\$17,755,764	General government	\$18,858,145
Public Safety	25,936,255	Public safety	23,844,205
Highways and streets	20,778,791	Highways and streets	34,833,267
Human services	28,809,030	Human services	29,839,951
Health	2,278,107	Health	2,589,613
Culture and recreation	6,985,503	Culture and recreation	6,744,462
Conservation of natural resources	5,055,487	Conservation of natural resources	5,179,837
Interest	765,371	Interest	462,460
Total	<u>\$ 108,364,308</u>	Total	<u>\$122,351,940</u>



Community Updates

Financial Health

The financial health of the County received high rankings in 2018. 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 Projects

One of the most important and visible road projects in 2018 was the Highway 41 expansion which was completed in the fall. The expansion to four lanes north of the Highway 212 interchange to Pioneer Trail provides more comfortable, and convenient, options for pedestrians and bicyclists as well as expanded roadway for increased automobile traffic.

Lake Waconia Regional Park Development

Carver County was awarded \$1.5 million in grant funding during the 2018 legislative session. The grant is to be used for predesign, design, and engineering for the development of Lake Waconia Regional Park. \$1.5 million in local matching funds are required in order for the State to release the grant funds for the project. Phase I work would consist of construction of sewer and water utilities, site grading, parking areas, and road improvements.

Land Management Floodplain Insurance

The Carver County Land Management Department has completed its 12 year effort to update the floodplain regulations and maps, maintaining the County's standing in the National Flood Insurance Program. The County's participation in this program allows landowners to continue obtaining critical flood insurance.

Master Space Plan

Carver County has completed its 30-year Master Space Plan. The plan describes how the County facilities will develop by addressing immediate needs over the next five years while planning for the long term evolution of services and facilities over the next 20 years for a rapidly growing County population.

Innovation

Since 2012, Carver County has made an organizational commitment to Innovation. We are focused on using the LEAN Kaizen process to achieve continuous improvements in processes, and we employ other methods to eliminate waste, achieve efficiencies, save money, and improve performance across the entire County. We held several events this year, and we will continue to hold Innovation events through 2019. Our Innovation Leadership Team advises the Innovation Program, which has the strong support of the Board and staff leadership.

Highway 10 Ribbon Cutting

The County also completed a key project in Waconia, thanks in large part to our partnership with the City of Waconia, the Waconia School District and the Minnesota Department of Transportation. This highway is a critical connector for transportation. The school district's campus expansion required a new access to highway 5 and this collaboration made that possible. The County also realized cost-sharing, right-of-way preservation allowing for future development. This project also included items such as pedestrian and bicycle accommodations, storm water solutions, and implemented an accelerated construction schedule that limited the full closure of highway 5.

U.S. Highway 212 Project

The County continues to seek funding to complete the four lane expansion of highway 212 between Chaska and Norwood Young America. Currently the County has two grant requests to the Federal government through the BUILD Program. These funds, if awarded, along with County sales tax funding would be used to complete the additional 2 lanes. The first phase between Chaska and Cologne is \$5 million short of fully funded. The second phase between Cologne and Norwood, including the intersection at County Road 51, is \$38 million short of being fully funded. A Federal BUILD grant would reduce the funding gap to \$13 million. To close the last portion of the gap the County is working with MnDOT and State legislators.



Sheriff's Office Updates

All licensed and jail staff attended 40 hours of crisis intervention training in 2018. New protocols were developed to allow County fire departments to respond to medical calls specific to their community. A new emergency, and non-emergency, notification system was implemented. An alternate pathway to policing was created through the "Cadet Program" so select candidates can earn their peace officer licensure while employed by the County. The 15th Medicine Takeback event was conducted in 2018. So far the Sheriff's Office has collected and destroyed more than 14,000 pounds of unused medications.

Behavioral Health Telehealth

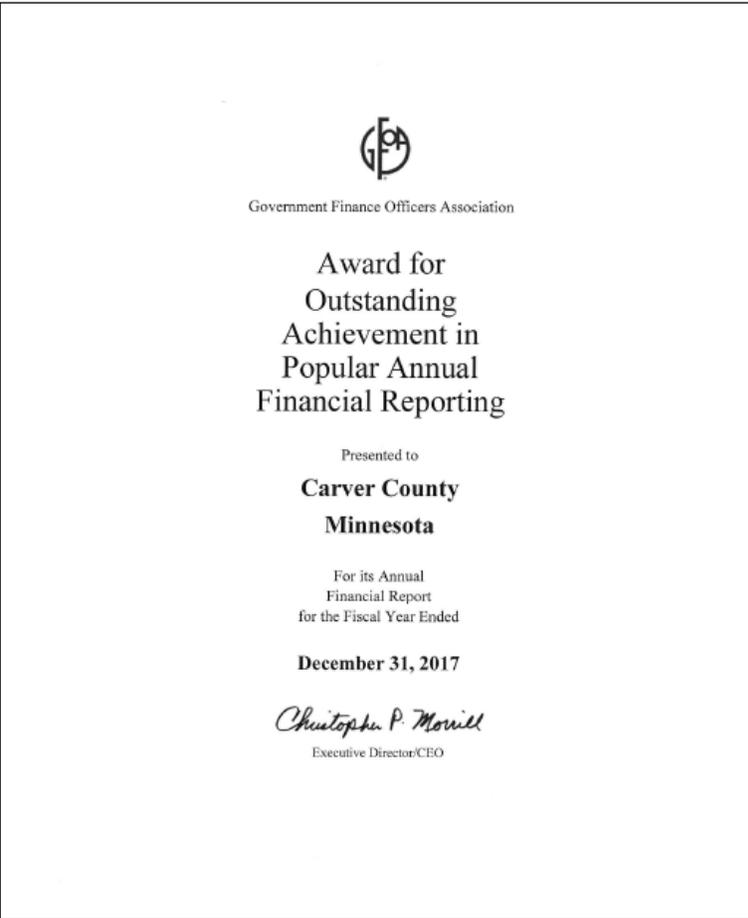
To fill the County's need for psychiatric services in the midst of a national shortage, we now offer telehealth services. Telehealth services are offered by having clients come to First Street Center in Waconia where they can interact with a psychiatrist who serves them remotely through computer equipment. The equipment allows them to see and hear each other clearly, all while an in-house nurse stands by to assist. Telehealth increases the amount and quality of available providers, reduces wait times, and increases availability.

Behavioral Health Electronic Medical Records

The County implemented a new electronic medical record system in January. This is the first time that all units of the Behavioral Health Department are joined under one medical record system. This helps increase quality and continuity of care through increased communication and consultations between providers and County units. This also helps to increase business efficiency for the County by allowing monitoring of organizational goals through metrics and other analytical features provided by the system.

Health & Human Services

Carver County received a National Association of Counties 2018 National Achievement Award for Project Community Connect. Carver County is the top performing metro county on child support measures. The County fully implemented electronic records and case management system, which significantly increased efficiency. The County was also recognized by the State for perfect on time reporting. The Mental Health Mobile Response Crisis Program was started 35 years ago and the County continues to be a leader in providing crisis services to this day.



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, 2017. 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 2019 for the fiscal year ended Dec. 31, 2018.

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



Carver County Financial Services Department
Government Center Administration Building
600 East Fourth Street
Chaska, MN 55318