



Crow Wing County, Minnesota

Popular Annual Financial Report

For the year ended December 31, 2017



Our Vision: Being Minnesota's favorite place.

Our Mission: Serve well. Deliver value. Drive results.

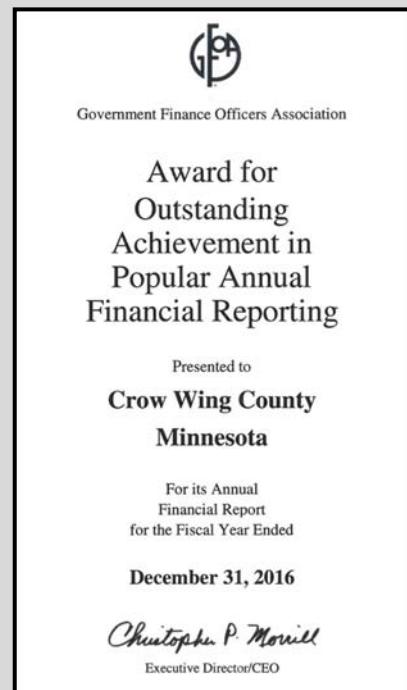
Our Values: Be responsible. Treat people right. Build a better future.

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 Crow Wing 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, whose 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. Crow Wing County has received a Popular Award for the last five consecutive years (fiscal years ended 2013-2017). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.



Financial Report Message

We are pleased to present Crow Wing County's fifth Popular Annual Financial Report (PAFR). The PAFR is a condensed version of the 2017 Comprehensive Annual Financial Report (CAFR).

The CAFR is a more inclusive document, detailing the County's financial statements, notes, schedules, and statistics. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by CliftonLarsonAllen. The CAFR received an unmodified (clean) opinion.

This report provides a summary of the financial position of the County in a simple, easy-to-read format for the fiscal year ending December 31, 2017. The PAFR also provides information on the property tax levy and other noteworthy activities. The PAFR is consistent with GAAP, and is unaudited.

Thank you for your interest in Crow Wing County. For a complete review of the County's financial position, please consult the 2017 CAFR available on the County's website at www.crowwing.us, or contact Finance at 218-824-1047 or FinanceAP@crowwing.us.

Respectfully submitted,

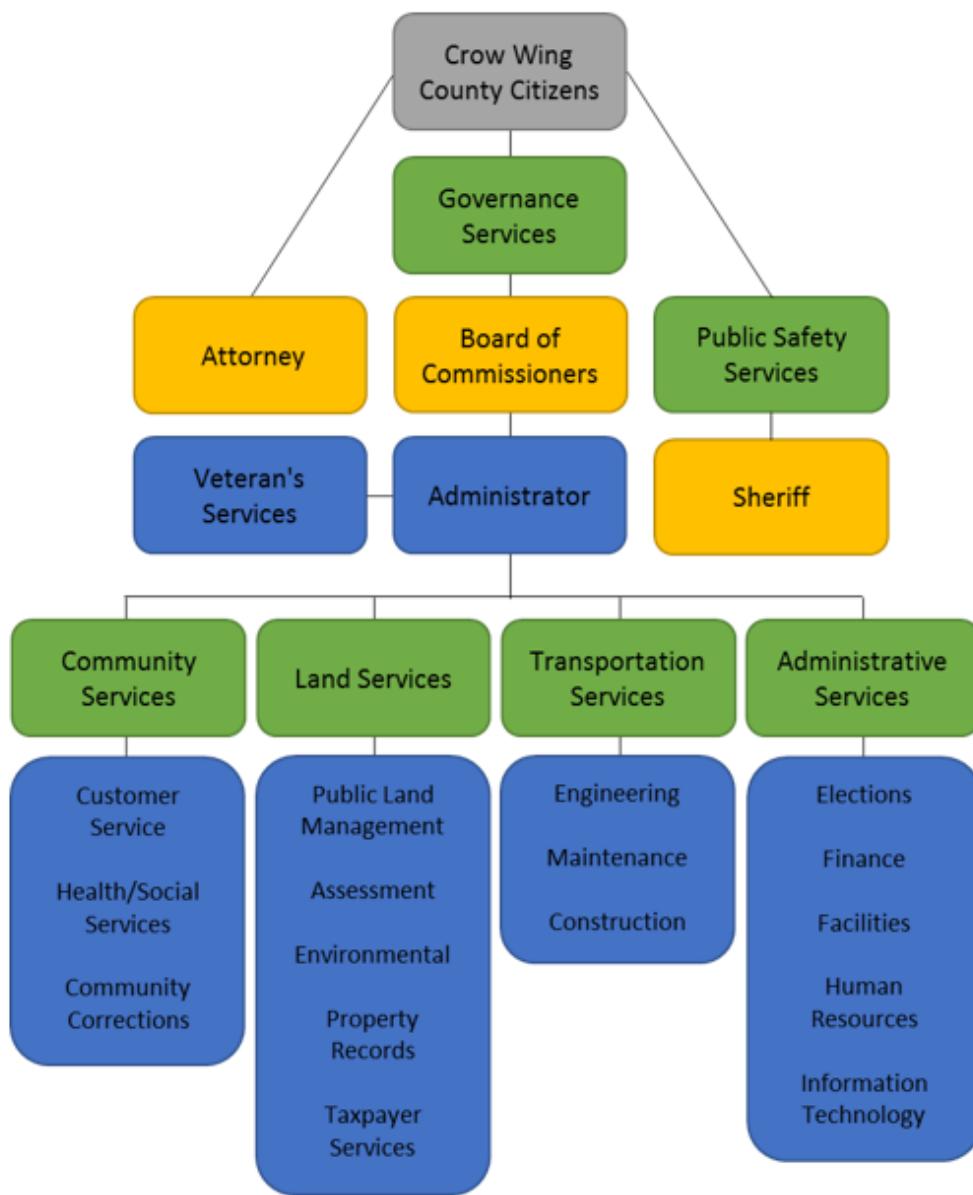
Jason J Rausch
Finance Director

About Crow Wing County

Crow Wing County was established in 1857 and formally organized in 1870. It is located in north-central Minnesota, about 125 miles northwest of the Minneapolis/St. Paul metropolitan area, and covers 999 square miles. The County seat is the City of Brainerd, which is the largest community in the County with a population of 13,349 residents in 2016.

The original County Courthouse was built in Brainerd in 1872; it was replaced in 1920 by the building now known as the Historic Courthouse. Other County structures include the Jail, Judicial Center, Community Services, Central Services, and Land Services buildings. The Highway Department is located off-site near the Brainerd Lakes Regional Airport, and the Solid Waste offices are on the County Landfill property.

Crow Wing County Organizational Structure



Crow Wing County is governed by the Board of Commissioners. There are five members of the County Board, each representing one of five Districts, elected to four-year overlapping terms. The County Board appoints a County Administrator who is the chief appointed administrative officer of the County. The Administrator is responsible for the administration of Board policy and for the management of various County division and departments. The Attorney and Sheriff are elected officials.

The County provides a full range of services contemplated by statute. These services include public safety, highway, health, attorney, human services, recreational, maintenance of property records, vital statistics, issuance of various permits and licenses, administration of property tax assessment and collection, and the distribution of local governments' property taxes within the County.

Service Areas

While the County presents the Comprehensive Annual Financial Report in accordance with Generally Accepted Accounting Principles in regards to fund structure, internally the County operates under a different organizational structure. Offices and departments of the County are grouped under different service areas. The County reports six different service areas: Governance, Public Safety, Community, Land, Transportation, and Administrative Services.

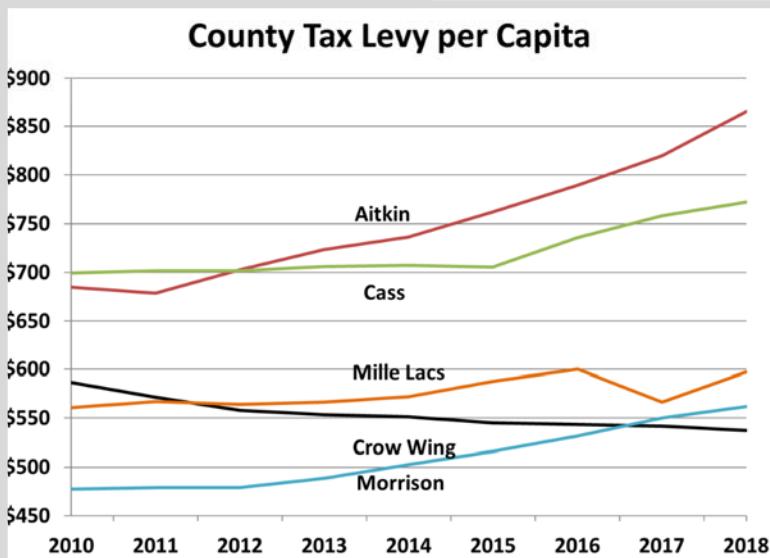
Each service area is a broad grouping of similar customer deliverables, with comparable expectations and focuses. Most service areas are managed by a department head who oversees the various departments or offices within the area.

Grouping various functions under a single service area allows the County to streamline operations, promote efficiencies, enhance communication within and across departments, and overall provide a better customer experience.

Did you know?

The 2018 budget, which was approved and adopted by the County Board in December 2017, was the eighth straight year of County tax levy decrease. Crow Wing County is proud to report that over the past eight years, levy has decreased 5.16 percent overall. Crow Wing County cannot find any evidence that any county in Minnesota history has ever accomplished eight straight years of levy reductions.

In a 2018 comparison of four nearby counties, Crow Wing County had the lowest County tax levy per capita at \$537. The chart below shows the downward trend of the County's property tax levy per capita over the past seven years.



Dividing Up Your Tax Dollar

What happens when you pay your property taxes?

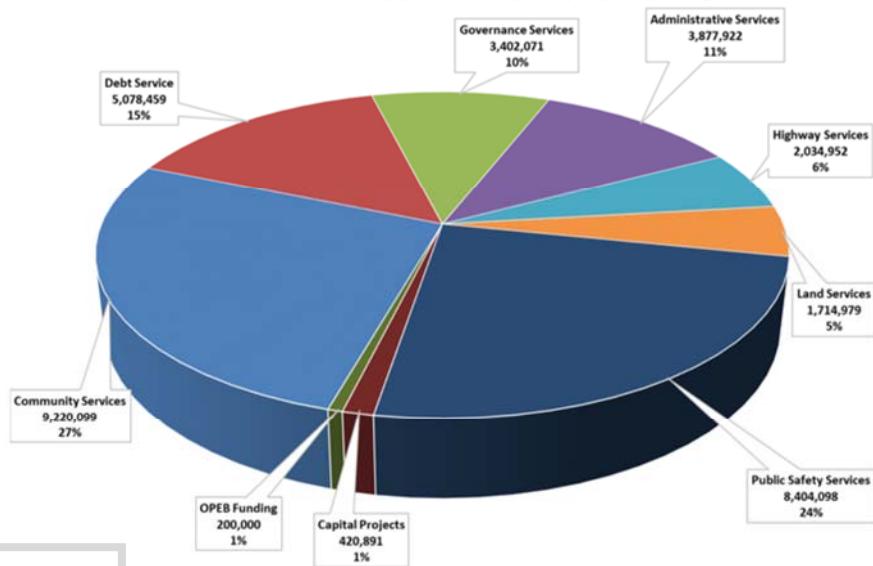
Although you make your property tax payments to Crow Wing County, not all of those funds are kept by the County. The County essentially acts as an “in-between”, and collects funds levied by your city or township, school district, and other special districts.



These funds are then later distributed to these other districts. On average, for all property taxes collected, the County keeps 33¢ of every dollar to provide services. The remaining 67¢ is distributed to cities, townships, school districts, and special districts such as hospitals, HRAs, or sewer districts.

*In most instances, commercial and seasonal recreational properties will pay state general tax in addition to a portion of the school district tax.

Where does the County portion of your property tax go?



Crow Wing County Property Tax

How we allocate resources.

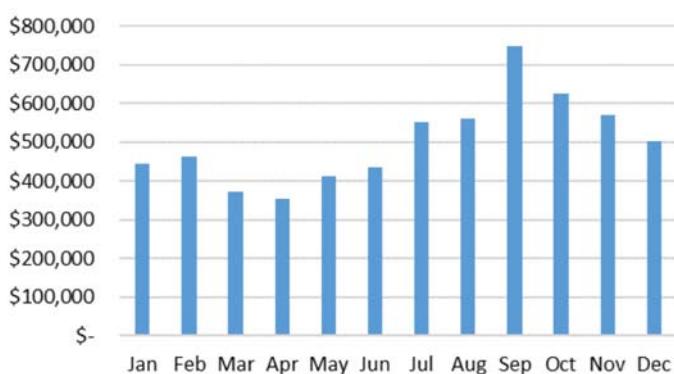
The pie chart above shows where your County property tax dollars go. This does not include the portion of your taxes that go to the city/township, school, or special taxing district. The 2018 property tax levy marked the eighth straight year the County decreased the levy. For 2018, the County property tax levy was \$34,353,471.

Local Option Sales Tax

Improving your transportation experience.

The Crow Wing County Board of Commissioners approved a 0.5 percent sales tax effective April 1, 2016. The local option sales tax allows the County to generate additional revenues not only from those who live in our County, but also those who visit. These sales tax funds are dedicated to County road system improvements and maintenance. Sales tax collections in 2017 totaled \$6,027,701. Initial estimates at the time of adoption anticipated annual collections of approximately \$4 million per year. Crow Wing County is tracking well above annualized projections and anticipates a robust collection for 2018.

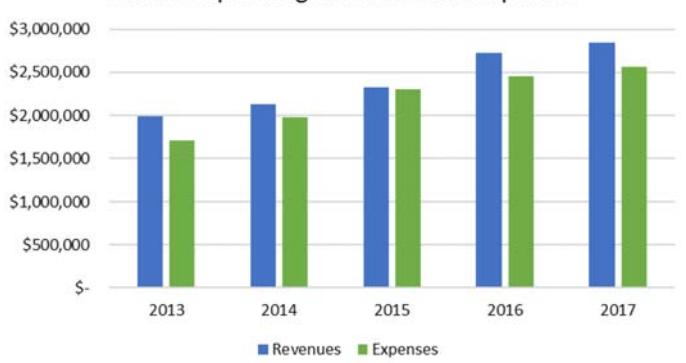
2017 Local Option Sales Tax Collections



Landfill Enterprise Fund

Keeping our lakes and forests clean.

Landfill Operating Revenues and Expenses



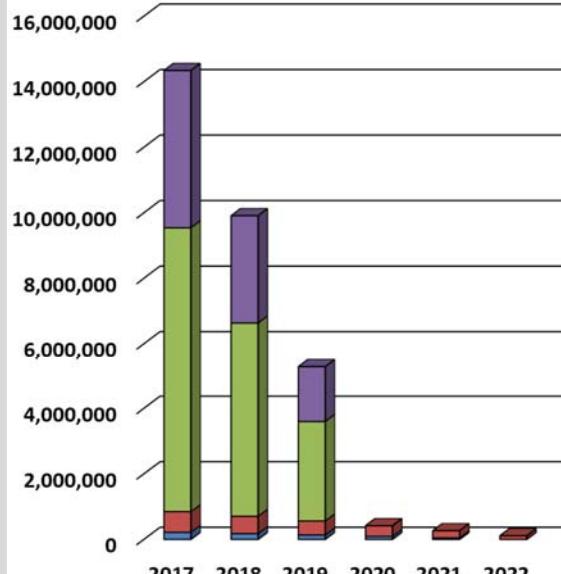
The County's Landfill Fund operates like a business, supporting itself with user fees and charges. For 2017, the Landfill Fund reported an operating income of \$283,919. Operating revenues and expenses are

those that occur in the normal course of business. The principal operating revenues are charges to customers for services provided and for the issuance of licenses and permits. Operating expenses include the cost of services, administrative expenses, depreciation, and costs relating to landfill closure and postclosure. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. During 2017 the Landfill accepted 46,776 tons of municipal solid waste; an increase of 3.12 percent from 2016. Since 2008, municipal solid waste brought to the Landfill has increased 26.72 percent.

Debt Refunding

On July 10, 2013, the County issued \$29,520,000 of General Obligation Refunding Bonds and contributed \$4,943,100 to advance refund \$37,105,000 of outstanding General Obligation bonds. Refunding a bond is comparable to refinancing your mortgage for a lower interest rate. The County reduced its total debt service payments by \$12,022,858 and obtained an economic gain of \$5,022,710. Economic gain is the difference between the present value of the debt service payments on the old and new debt. The new debt will be paid off in 2020. During the refunding, Standard & Poor's reaffirmed the County's AA bond rating. The table below shows a side-by-side comparison of outstanding principal on the old and new debt as of the end of each year.

Debt Principal Outstanding



■ 2013 G.O. Jail Bonds
■ 2013 G.O. CIP Plan Bonds
■ 2012 City of Crosslake Public Works Facility 53% County portion
■ 2010 G.O. Airport Bonds (refunding) 50% County portion

Fund Types

The County maintains five types of governmental funds: general, special revenue, debt service, capital projects, and permanent; an enterprise fund, the Landfill Fund; and many fiduciary funds.

The **General Fund** is the primary fund for the County. It accounts for all revenues and expenditures associated with the general operations of the County not required to be accounted for in separate funds.

Special Revenue Funds account for proceeds of specific revenue sources that are restricted or committed for specific purposes. The County maintains seven Special Revenue Funds: Highway, Community Services, Public Land Management, Solid Waste (Non-Landfill), Unorganized Townships, Small Cities Development Program, and Ditch.

The **Debt Service Fund** is used to account for financial resources used for the repayment of debt.

The **Capital Projects Fund** is used to account for the financial resources used for the acquisition or construction of capital facilities and other capital assets.

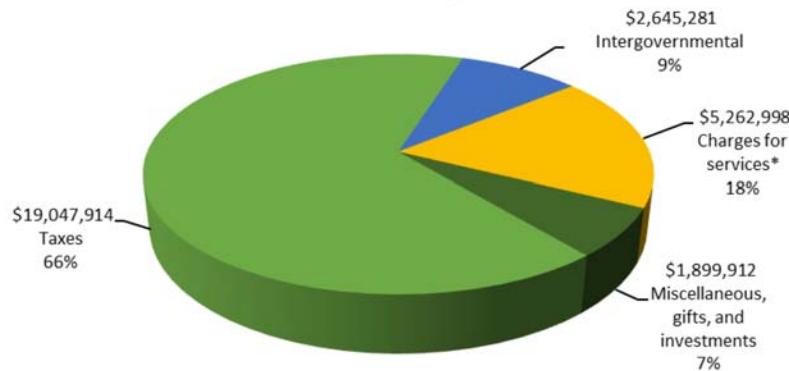
The County maintains one **Permanent Fund**, the Environmental Trust, to account for resources that are non-spendable or restricted for environmental purposes pursuant to Minn. Stat. § 373.475.

The County reports one **Enterprise Fund**, the Landfill Fund, which is operated and accounted for much like a business.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the County's own programs.

General Fund Revenues

Where does the money come from?



The General Fund is the primary fund used for County operations. It accounts for revenues and expenditures associated with the general operations of the County that are not required to be accounted for in separate funds.

The General Fund accounts for services such as attorney; public safety, including dispatch, bomb squad, the County Jail, and boat and water; maintenance of property records; vital statistics; elections; administration of property tax assessment and collection; and the distribution of local governments' property taxes within the County.

The General Fund also accounts for internal services such as human resources, payroll and finance, information technology, and facility services.

Revenues for the General Fund totaled \$28,856,105 for 2017, an increase of \$150,219, or 0.5 percent, from 2016. Property taxes were the largest revenue of the General Fund, at \$19,047,914.

*Charges for services includes charges, licenses and permits, and fines and forfeits.

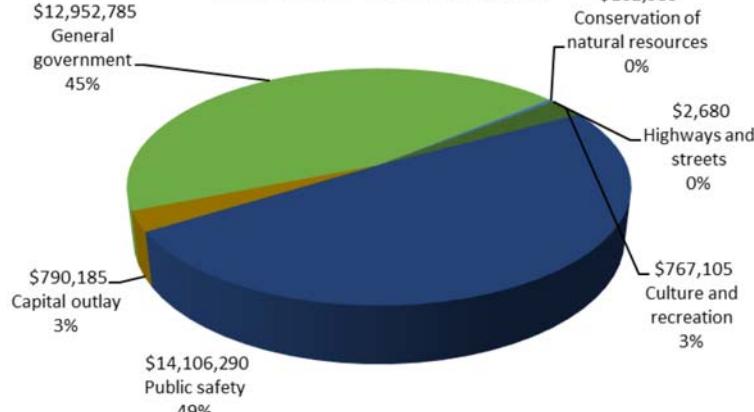
General Fund Expenditures

General Fund expenditures for 2017 were \$28,721,984, an increase of \$201,631, or 0.7 percent, from 2016. The largest increase was in public safety in the amount of \$394,490. Capital outlay increased by \$349,327. These increases were offset by a decrease in general government of \$646,515. The majority of expenditures in the General Fund are for general government and public safety. The General Fund had revenues in excess of expenditures in the amount of \$134,121.

The General Fund reported a positive variance of \$1,077,333 against the budgeted revenues and expenditures for 2017: the General Fund's revenues were greater than anticipated, and expenditures were less than anticipated.

The General Fund continues to maintain a healthy fund balance level, reporting an unrestricted fund balance of \$11,743,288 as of December 31, 2017, which is 40.9 percent of General Fund expenditures.

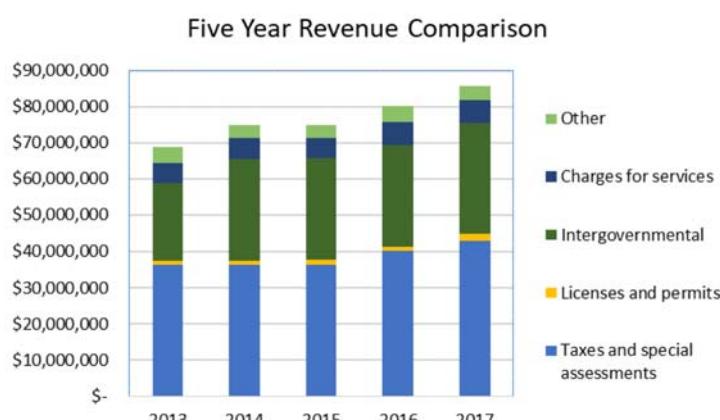
Where does the money go?



Governmental Funds Revenues and Expenditures

The County's revenues for 2017 (for all funds except the Landfill) were \$85,633,084, an increase of \$5,531,637 over the prior year. A large portion of this increase is attributed to a full year's collection of transportation sales and use tax, for which the County reported revenues (including accruals) of \$6,077,340, an increase of \$2,056,435 or 51.1 percent over the prior year. Additionally, intergovernmental revenue in the Highway Fund increased \$2,263,258 due to the timing of state aids received. Licenses and permits increased \$646,904, or 61.6 percent, from the previous year, largely due to increased timber permits in the Public Land Management Fund.

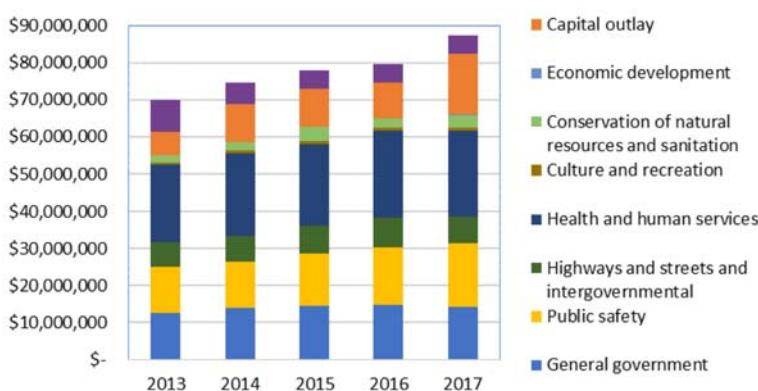
The graph to the right provides a five-year comparison of governmental revenues. Governmental revenues have grown 24.3 percent, or \$16,753,101, since 2013.



The County's expenditures for 2017 (for all funds except the Landfill) were \$87,446,651, an increase of \$7,645,548, or 9.6 percent, over the prior year. Expenditures for public safety increased 10.7 percent due to

increased salaries including retiree health insurance, property casualty insurance, and upgrades to the County's Dispatch center. Expenditures for capital outlay increased \$6,750,876, or

Five Year Expenditure Comparison



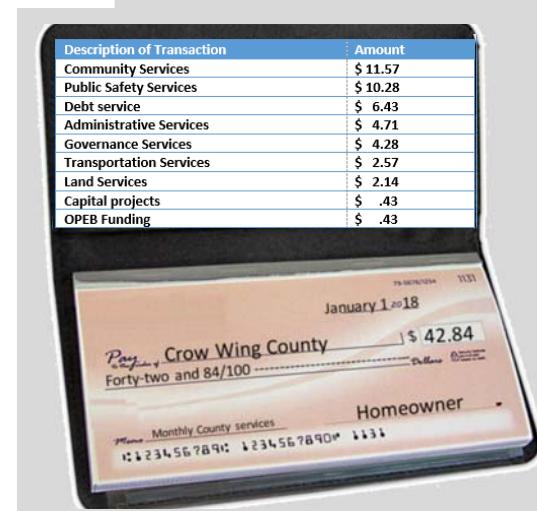
70.16 percent, primarily due to increases in infrastructure projects.

As of the end of the fiscal year, governmental funds reported combined ending fund balances of \$45,295,654, a decrease of \$1,873,057 in comparison to the prior year. Of this total amount, \$27,130,581 constitutes unrestricted fund balance.

How Your Tax Dollars Buy County Services

Residents receive a variety of County services at an affordable price. The cost of County services in 2018 for a homeowner in Crow Wing County with an assessor's market value of \$180,000 (the County's average market value) is \$42.84 per month. The value received from County services compares favorably to charges for other monthly bills.

The checkbook below shows how the monthly cost of property tax-supported services is divided among County service areas. Public Safety Services include sheriff and 911 dispatch, as well as the operation of the County Jail. Land Services includes services such as property tax assessment and collection, environmental services, and the recorder. Administrative Services includes internal support departments such as Finance, IT, Facilities, and also Elections. Transportation Services support road maintenance and improvements within the County. Governance Services provides for County Administrator, County Board, and Attorney.



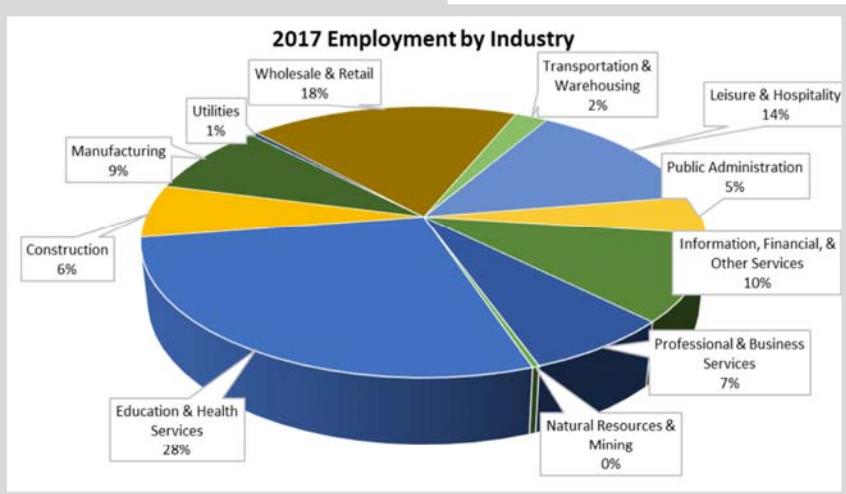
Economic Condition and Outlook

The County contains a variety of commercial and industrial businesses in areas such as retail and wholesale; health care; education; manufacturing and construction; and financial and information services. Tourism is an important facet of the local economy. During the height of tourism season the County's population swells to an estimated 300,000 when tourists and seasonal residents are taken into consideration. Leisure and hospitality industries brought in nearly \$231 million in gross sales in 2016, the most recent year data is available. The leisure and hospitality industry is a large industry in the County, with an annual average of 4,284 employed in 2017. The single largest employer in the County is Essentia Health, with 1,500 employees, followed by Cuyuna Regional Medical Center with 947 employees, and Independent School District #181 with 897 employees. The chart below shows the breakout of employment by industry for the County for 2017.

Improved Customer Service Experience

How we seek to serve well.

In 2015 the County secured special legislation to appoint the Auditor/Treasurer and Recorder, which were previously elected positions, in order to improve service delivery for land and vital record transactions. This allowed the County to create a single Customer Service center for all land-related transactions, thereby improving customer experience and reducing expenses by over \$300,000. In early 2016, the Recorder and Auditor/Treasurer functions became fully restructured into Land Services. Additionally, an Administrative Services department was created, which contains internal operational divisions such as Elections, Finance, Information Technology, and Facilities, and soon will include Human Resources.



The State Demographic Center estimated the 2017 population of Crow Wing County at 64,000, an increase of 2.9 percent since 2008. The annual average labor force has been estimated at 32,038 for 2017, a decrease of 2.1 percent since 2008, as seen in the graph below.

The County continues to examine potential ways to serve a growing population with a decreasing labor force.

The County's per capita personal income in 2016 (the most recent year available) was \$41,887, an increase of \$1,177 over 2015, or 2.9 percent.

Population and Labor Force

