

CROW WING COUNTY, MINNESOTA

June 2014

Popular Annual Financial Report

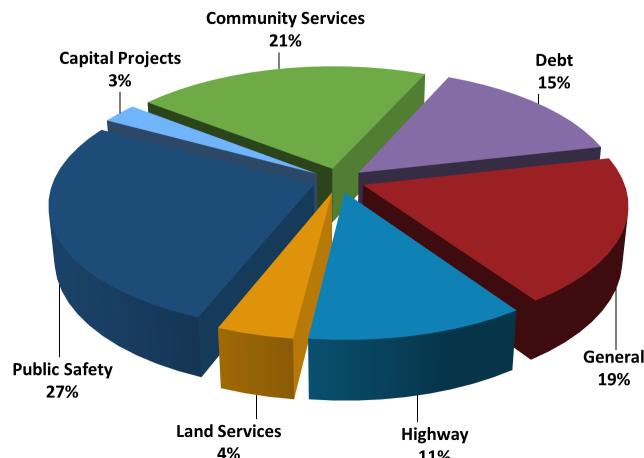
For the fiscal year ended December 31, 2013

Crow Wing County presents its Popular Annual Financial Report (PAFR). The purpose of this report is to inform the community of the County's financial activity in a simple, easy-to-read format for the fiscal year ending December 31, 2013. These highlights are based upon the County's Comprehensive Annual Financial Report (CAFR) which is a more inclusive document prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited by the County's independent auditors. The CAFR received an unmodified, or "clean," opinion.

Crow Wing County Property Tax

In a 2013 comparison of four nearby counties, Crow Wing County had the second-lowest County tax on a \$200,000 homestead property, at \$619.53 annually, or \$51.63 per month. Crow Wing County is ranked ninth lowest in the State in 2013. The pie chart below 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 2013 property tax levy marked the third year the County decreased the levy. Over the past three years, the County has decreased the levy by 4.1 percent. For 2013, the County property tax levy was \$34,737,542.

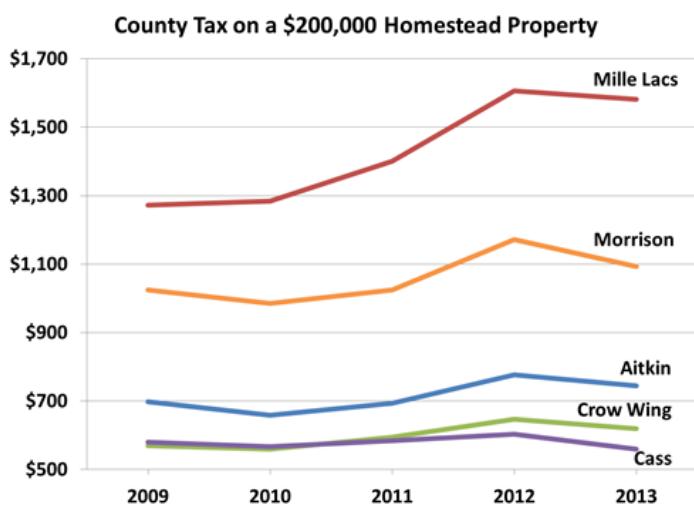
Where the County portion of your property taxes go...



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.



Dividing Up Your Tax Dollar

On average, for all property taxes levied, the County keeps 34¢ of every dollar to provide services. The remaining 66¢ is distributed to cities, townships, school districts, and special districts such as hospitals, HRAs, or sewer districts.



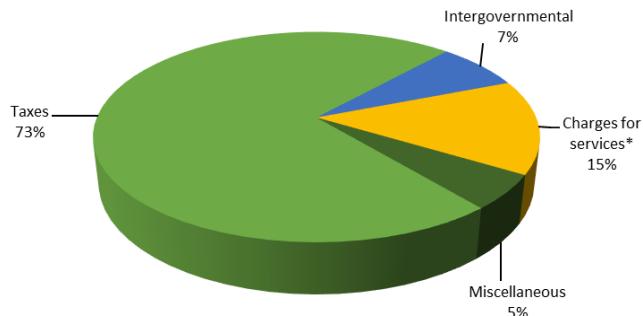
34¢ County
28¢ City or Township
37¢ School District or State General Tax*
1¢ Special districts

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

General Fund Revenues

The General Fund is the primary fund for the County. 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. Revenues for the General Fund totaled \$25,727,284 for 2013, an increase of \$281,756, or 1.1 percent. Property taxes were the largest revenue of the General Fund, at \$18,744,360.

Where does the money come from?



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.

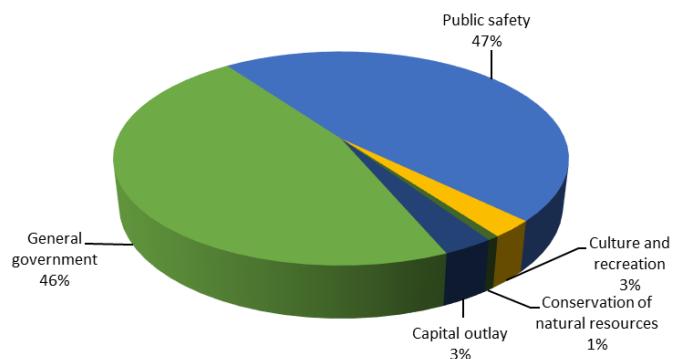
*Charges for services includes charges, licenses and permits, and fines and forfeits.

General Fund Expenditures

The County's General Fund expenditures for 2013 were \$25,385,194, a decrease of \$555,269, or 2.1 percent, from 2012. General government and public safety account for the majority of expenditures out of the General Fund. During 2013, the General Fund transferred \$5,000,000 to the Highway Special Revenue Fund for future infrastructure projects. Transfers to and from funds are reported separately from regular revenues and expenditures, in a section called "Other Financing Sources (Uses)." While the General Fund had excess revenues over expenditures of \$342,090, the fund saw a decrease in fund balance of \$4,643,192 due to transfers.

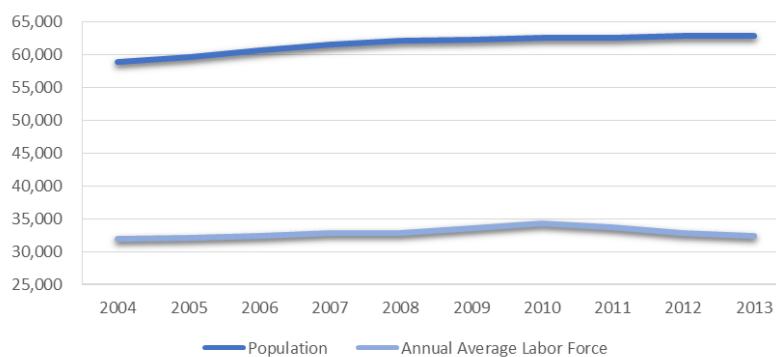
The General Fund reported a positive variance of \$584,783 against the budgeted revenues and expenditures for 2013. This means the General Fund's revenues were greater than anticipated, and expenditures were less than anticipated.

Where does the money go?



Economic Condition and Outlook

Population and Labor Force



The State Demographic Center estimated the 2013 population of Crow Wing County at 62,876, an increase of 6.9 percent since 2004. The annual average labor force has been estimated at 32,405 for 2013, an increase of 1.6 percent since 2004.

The County's per capita personal income in 2012 (the most recent year available) was \$34,873, an increase of \$882 over 2011, or 2.6 percent. In contrast, the State's personal income rose 4.0 percent over the same time period, according to the Bureau of Economic Analysis.

The County contains a variety of commercial and industrial businesses in areas such as retail and wholesale; manufacturing; health care; construction; architectural design; business franchise; financial, legal, and computer service providers; high-tech firms; publishing, design, and advertising;

transportation; and a host of specialty firms. Tourism is an important facet of the local economy, as during the height of the tourism season, the County's population swells to an estimated 300,000, when tourists and seasonal residents are taken into consideration. The leisure and hospitality industry is the largest employing industry in the County, with approximately 4,045 employed in 2012, an increase of 151, or 3.9 percent. The single largest employer in the County is Essentia Health, with 1,251 employees, followed by Independent School District #181 with 875 employees, and Cuyuna Regional Medical Center with 727 employees.

Governmental Revenues and Expenditures

Crow Wing County Fund Types

The County maintains five types of governmental funds: general, special revenue, debt service, capital projects, and permanent. The County also maintains an enterprise fund, the Landfill Fund, and various agency funds (a type of fiduciary fund).

- 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 that are 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 six Special Revenue Funds: Highway, Community Services, Public Land Management, Solid Waste (Non-Landfill), Unorganized Townships, and Small Cities Development Program.
- 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 nonspendable 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. The Landfill Fund is supported by user fees.
- **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.

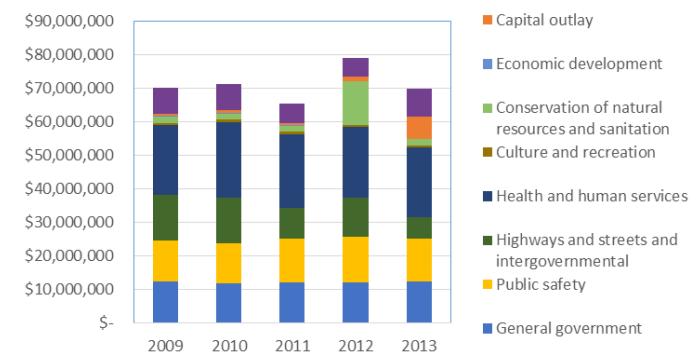
The County's revenues for 2013 (for all funds except the Landfill) were \$68,879,983, a decrease of \$12,795,298 over the prior year. However, revenues in the prior year were inflated by the \$11,039,580 State grant funding received for the Mississippi Northwoods land acquisition. Revenues for 2013 are comparable to revenues received for 2011. The graph below provides a five-year comparison of governmental revenues.

Five Year Revenue Comparison



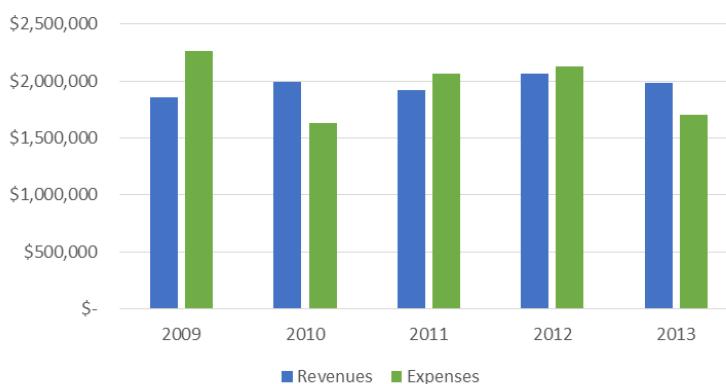
The County's expenditures for 2013 (for all funds except the Landfill) were \$69,852,727, a decrease of \$9,285,106 over the prior year. Expenditures were greater in the prior year due to the Mississippi Northwoods land acquisition.

Five Year Expenditure Comparison



Landfill Fund

Landfill Operating Revenues and Expenses



The County's Landfill Fund operates like a business, supporting itself with user fees and charges. For 2013, the Landfill Fund reported an operating income of \$282,685. Operating revenues and expenses are those that occur in the normal course of business. The principal operating revenues of the Landfill Fund 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.



About this Report

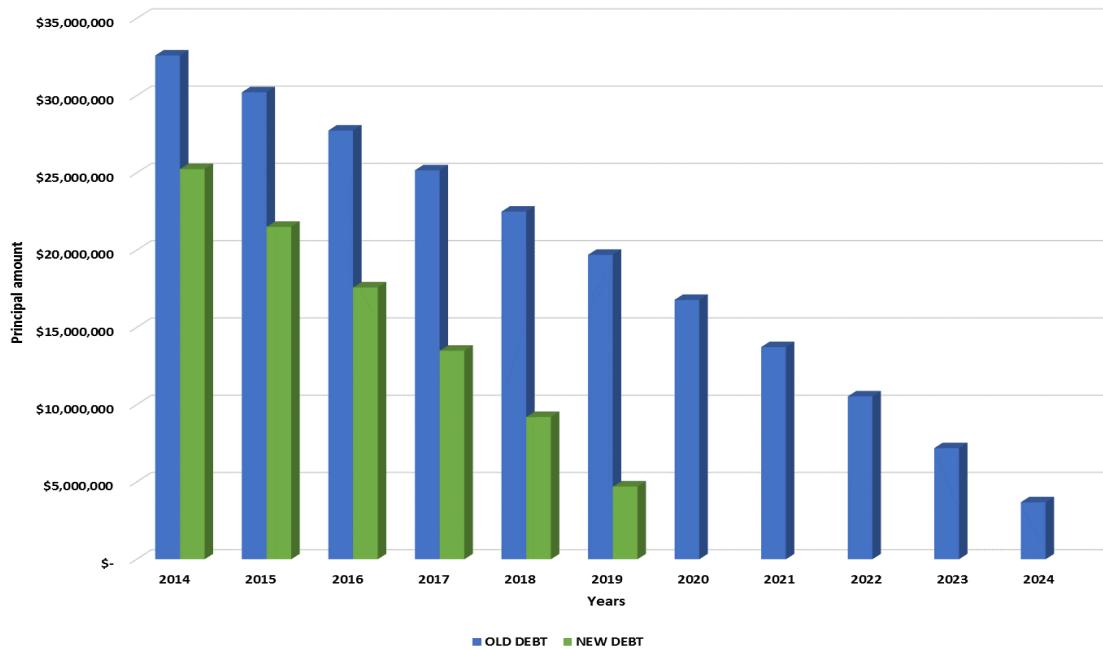
Crow Wing County reports financial year-end results in the Comprehensive Annual Financial Report (CAFR). The Popular Annual Financial Report (PAFR) is an unaudited report that summarizes the most significant data from the 2013 CAFR, and is consistent with Generally Accepted Accounting Principles (GAAP).

For a complete review of the County's financial position for 2013, please consult the 2013 CAFR available on the County's website at www.crowwing.us, or contact the Finance Department at 218-824-1045.

Long-Term Debt

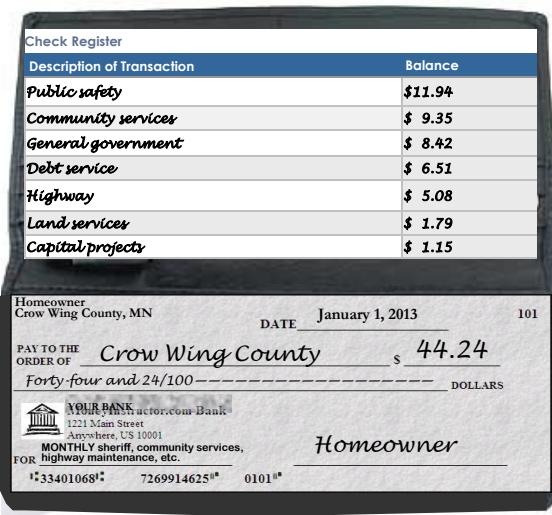
On July 10, 2013, the County issued \$29,520,000 of General Obligation Refunding Bonds with a true interest cost of 1.45 percent in order to advance refund \$23,920,000 of outstanding General Obligation Capital Improvement Plan Bonds and \$13,185,000 of outstanding General Obligation County Jail Bonds, with true interest costs of 4.66 and 4.66 percent, respectively. The County also contributed \$3,500,000 of cash equity and a \$1,443,100 transfer from prior debt issues towards the refunding. 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 table below shows a side-by-side comparison of outstanding principal 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.

DEBT REFINANCING



How Your Tax Dollars Buy County Services

Residents receive a variety of County services at an affordable price. The cost of County services in 2013 for a homeowner in Crow Wing County with an assessor's market value of \$176,000 (the County's average market value) was \$44.24 per month. The value received from County services compared favorably to charges of other monthly bills.



Property Tax-Supported Services

The checkbook shows how the monthly cost of property tax-supported services was divided among County departments. Public safety costs include sheriff and 911 dispatch, as well as the operation of the County Jail. General government includes services such as the attorney, property tax assessment and collection, library services, courts, and the recorder. Highway costs go to support road maintenance within the County.

