



2018

Popular Annual Financial Report

Our Vision: A great place to live, work and play...today and tomorrow

Our Mission: Providing quality services through responsible leadership, innovation, and the cooperation of dedicated people



Accounting & Finance Department
Washington County, Minnesota
12/31/2018

TABLE OF CONTENTS

Introduction	1
Community	2
County Leadership	3
Washington County Services	4
Highways & Streets	4
Public Safety	4
Cultural & Recreational Services	4
General Government	5
Health & Human Services	5
Conservation	5
Awards & Recognition	6
Property Taxes	7
Financial Highlights	8
How we Manage Dollars In-Dollars Out (Revenue and Expense)	8
Fund Types	9
Year Over Year Revenue and Expense Comparison	9
Where the Dollar Comes From—Where the Dollar Goes	10
County Treasures & Obligations	11
General Fund—Fund Balance	12
Major Initiatives	13
Gold Line	13
Land & Water Legacy	13
Recycling & Energy Facility	14
Looking Forward—The Future is Looking Bright	14



Quick Facts Washington County Highlights

- ✓ A region boasting abundant beauty with a growing population
- ✓ AAA/Aaa Rating reaffirmed in 2017 – one of only 87 Counties nationwide with both these highest ratings
- ✓ Market value estimates expected to increase 6.8% in 2019 on top of 2018's 7.1% increase
- ✓ New construction in 2019 added \$538 million in taxable value
- ✓ In 2017 the county issued refunding bonds in the amount of \$42.4M to realize a future savings of \$5.7M
- ✓ Total revenues increased by 18.5% predominately as a result of nearly \$20.M received for the county's new initiative in the Metro Gold Line Bus Rapid Transit (BRT)
- ✓ Credit Rating Agency Comments:
 - a. **Very Strong** Leadership
 - b. **Consistent** Management
 - c. Very Strong **Economy**
 - d. **Commitment** to financial planning
 - e. Strong **budgetary performance and flexibility**
 - f. **Strong financial operations** with **ample reserves and liquidity**
 - g. **Strong tax base**
 - h. **Favorably located** in the Twin Cities metro area

POPULAR ANNUAL FINANCIAL REPORT

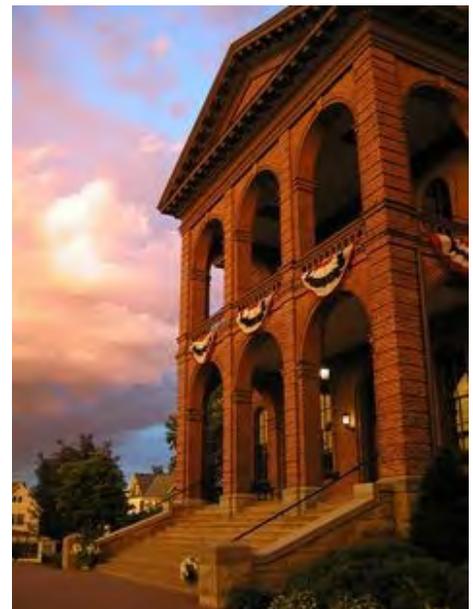
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Residents of Washington County,

We are pleased to present Washington County's Popular Annual Financial Report (PAFR). The Popular Annual Financial Report is a summary report which highlights the county's financial activity in a simple, easy-to-read format and is based on the county's Comprehensive Annual Financial Report (CAFR). The CAFR provides more detailed and complete financial information prepared in conformance with Generally Accepted Accounting Principles and is audited by independent auditors. The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting as a result of the preparation and presentation by the county of the CAFR for the past 33 consecutive years.

The PAFR is prepared as a summary of county government and its financial condition. We have included information regarding basic financial statement information and analytical overview of Washington County's financial activities. We encourage members of the public to use this report as a starting point for understanding the finances of Washington County.

Access to this report can be found online with other financial reports: www.co.washington.mn.us



Our Community

Washington County, established in 1849, is an area of abundant beauty, historical character, and agricultural heritage located on the Minnesota-Wisconsin border. As one of the nine original counties in the historic Minnesota Territory, the county has played a diverse role in the region, servicing the Twin Cities with its commercial, industrial, community, natural and agricultural resources.

Washington County rests on approximately 423 miles of land, equal to 270,761 acres, runs more than 40 miles in length, encompasses 585 major bodies of water and serves a population of 256,905. The county seat is located in Stillwater, Minnesota, along the scenic St. Croix River. Washington County boasts an abundance of landscapes and natural resources that make it a recreation destination for many including two state parks and seven county parks within its borders.

The county's tax base is expected to grow steadily due to the county's diverse mix of industries and availability of land for future development. Washington County has a sizable tax base and has grown at a compounding annual rate of 5.06% since 2012.



Residents benefit from access to employment within the Twin Cities Metro Region which has held unemployment rates below state and national rates for the past ten years. With low poverty rates and median family income equal to 147.8% of the national median (2017 data), Washington County is outperforming both state and national economic indicators.

Health factors in Washington County rank in the top three counties in Minnesota when comparing the physical environment, social and economic factors, and health behaviors against all 87 counties. This includes measuring health outcomes such as length and quality of life.

County Leadership

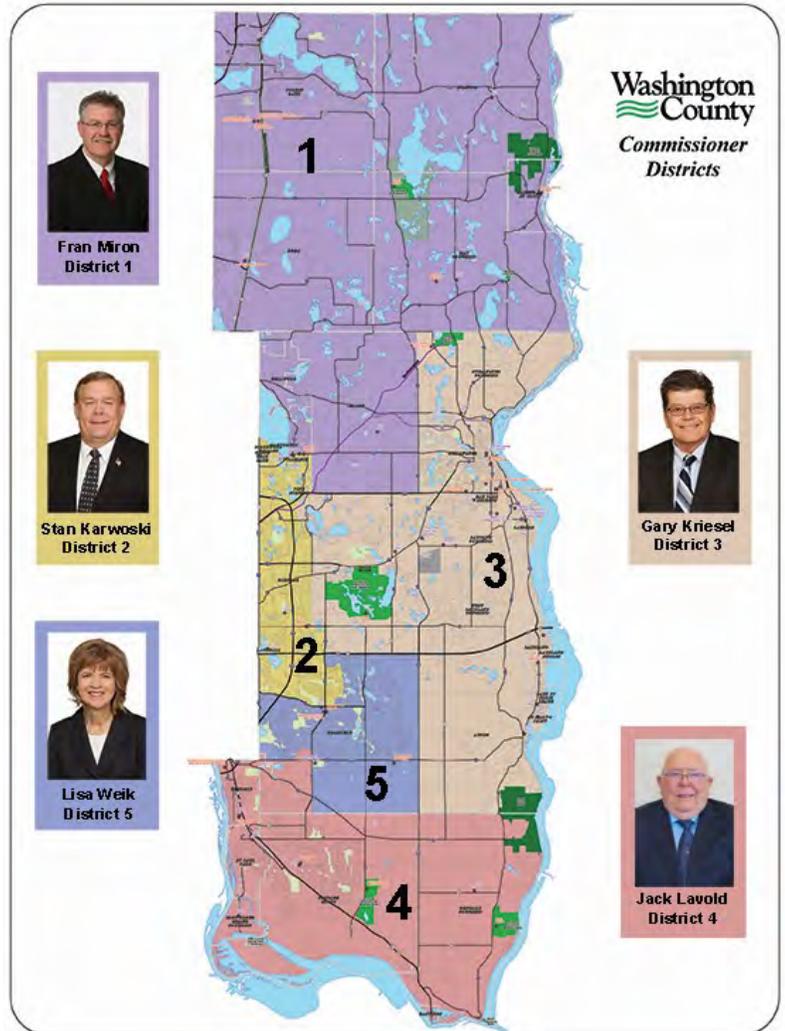
The Board of Commissioners represents the governing bodies of Minnesota counties and serve as the legislative and policymaking body of the county. They are elected to oversee county operations to ensure that citizen concerns are met, federal and state requirements are fulfilled, and county operations are matched to best meet constituent needs.

The County Board, department heads, and other key staff members continually engage in strategic planning to fulfill the county's vision, mission and values that reaffirm key county goals. Focusing on long-term financial planning, the county annually updates the 5-year Financial Planning Document, Capital Improvement Plan, Debt Service Plan, and Capital Equipment & Technology Plan.

The county's leadership team identified five priorities for action this past year, including increasing employee wellness, identifying options for integrating performance more fully into the county's compensation system, advancing diversity and inclusion throughout the organization, focusing on prevention activities, and the delivery of services throughout the county.

Washington County's leaders are committed to transparency in government by ensuring information on county finance and programs are available to the public. Additionally, the county hosts many public forums related to highway and road improvements, focus groups for new initiatives within the county, and public meetings that are intended to invite discussion and feedback. In our ongoing efforts and initiatives aimed at continuous improvement of employees, leadership, and supervisors, we reorganized the New Employee Welcome Session and implemented improved supervisor training to better address organizational effectiveness.

The County Attorney's office sponsors criminal justice training both in-office and statewide as part of this commitment to strengthen relationships with municipalities, law enforcement departments, nonprofits, community advocates and citizens. The Attorney's Office has sponsored over 176 hours of training in 2018 to over 7,000 citizens.



Washington County Supports a Full Range of Services

Roads & Highways

1. Provides and maintains a reliable network of roadways and transit services while ensuring health, safety, and the welfare of the public
2. Key driver for the delivery of the Metro Gold Line Bus Rapid Transit (BRT) Project to Metro Transit. This initiative, combined with a larger transit needs study specifically focused on seniors, persons with disabilities, and other populations with special transportation needs, should position the county for significantly improved transportation alternatives



Public Safety

1. Our county Sheriff's Office is charged with the responsibility for the protection and safety of the public.
2. Management of the communication center for 9-1-1 dispatch.
3. Oversees the Washington County Jail with an inmate capacity of 228.
4. Community Corrections Department provides probation and parole supervision of both adults and juveniles in the community.
5. Sentence to Service work crew programs bolster the critical role of accountability in our Community Corrections environment.
6. County Attorney's Office is responsible for the promotion of justice and public's safety through vigorously prosecuting crime, protecting those in need and providing quality legal representation for Washington County



Cultural and recreational services

1. Library services are provided around the county in six locations including three express locations.
2. County Parks Department consists of bikeways, trails, and 4,382 park acres throughout the county.
3. Two new libraries are being planned for construction for the Park Grove Library and the Wildwood Library.
4. For the fifth year in a row, Washington County Library patrons increased their amount of digital material checkouts! In 2017 they had 912,521 digital visits which increased to 1,019,925 in 2018. For digital material circulation in 2017 there were 250,086 checkouts which increased to 288,091 in 2018.

Washington County Services (cont.)

General Government

1. Includes services which are provided by the county for the benefit of the public including infrastructure, information technology, finance and accounting services, human resources and labor management, and the administrative leadership in carrying out all decisions, policies, ordinances, and resolutions of the Board of Commissioners.
2. The Information Technology Department continues to be a significant area of focus for the county. Firewall technology, SPAM filtering, Sheriff's Office software upgrades, additional system authentications and overall user security measures were a priority in the past fiscal year.
3. The Property Records and Taxpayer Services Department provides quality taxation, assessment, recording, land records, licensing, and election services to the residents of Washington County.



Health and Human Services

1. The Public Health and Environment Department works to protect, promote and enhance the health and well-being of all people and the environment.
2. The Community Services Department is committed to providing assistance to ensure individuals and families are safe, independent, and able to meet their basic needs. They work in partnership with public and private agencies to help individuals and families be successful by providing resources and support services include adoption, child protection and support, elderly care, employment resources, medical assistance, mental health services, veteran services, services and resources for individuals with developmental disabilities and chemical dependencies issues.
3. Last year Community Services focused on addressing racial disparities in our child welfare system. A new grant opportunity provided resources for in-depth assessment of factors that affect the child welfare system, the completion of Intercultural Development Inventory and expanded training in cultural competence.

Conservation

1. University of Minnesota Agricultural Extension
2. Land and Water Legacy Program, by voter referendum to improve water quality, protect drinking water, expand parklands, and protect land along water bodies.

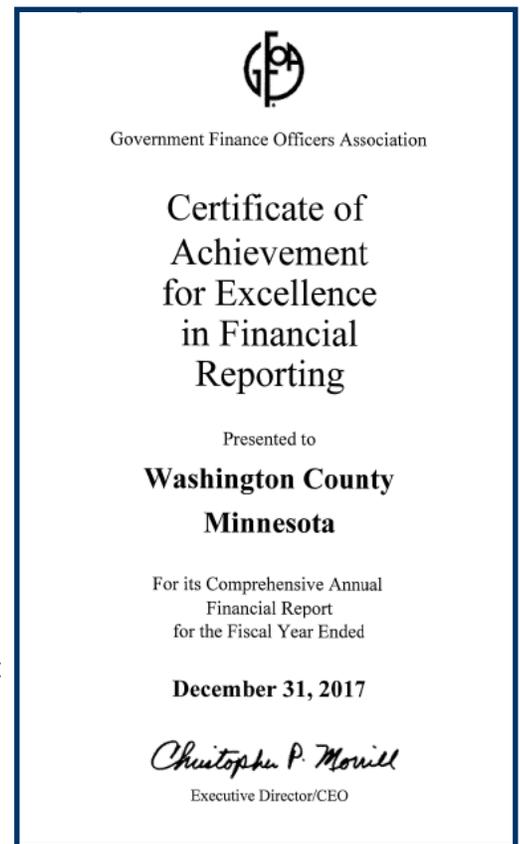


Awards & Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) established an award program, known as the Certificate of Achievement for Excellence in Financial Reporting (CAFR Program). This is a prestigious national award recognizing the efforts of state and local governments to provide transparency and full disclosure and going beyond the minimum requirements of generally accepted accounting principles.

Reports Submitted to the CAFR program are reviewed by select GFOA professional staff members and the GFOA Special Review Committee, comprised of individuals with public sector financial reporting expertise.

For 33 consecutive years, Washington County has been the recipient of this award

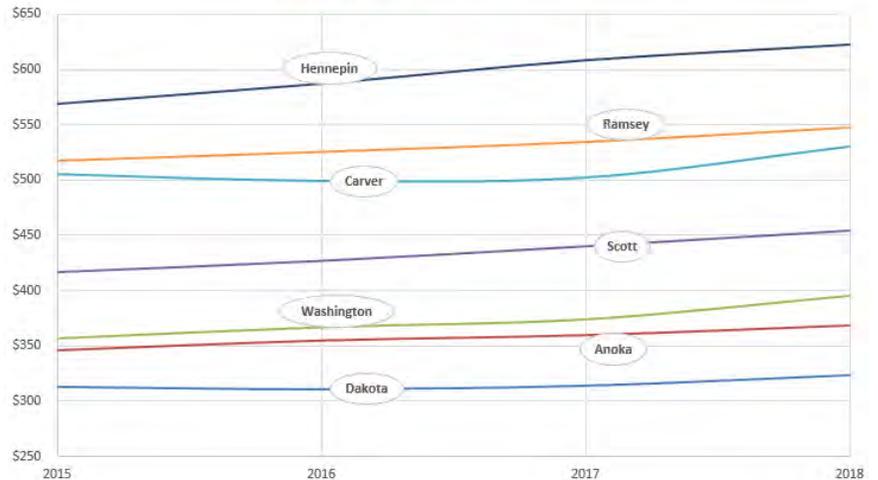


- **Certificate of Achievement for Excellence in Financial Reporting** from the Government Finance Officer's Association, received annually since 1984
- **Distinguished Budget Presentation Award** from the Government Finance Officer's Association, received annually since 1998
- **AAA/Aaa Bond Rating** from Standard & Poor's and Moody's.
- **Outstanding Achievement Award** from the Minnesota Safety Conference. Our Human Resources Department received this honorable award for exceptional safety performance. Recognition is based on incidence rates compared to the industry average and a score on the safety program evaluation scale.
- **Achievement Awards**—The county was nationally recognized by the National Association of Counties (NACo) for three separate achievement awards; Parks program that used goats to fight common buckthorn, an invasive species shrub; a program Assisting Children of Incarcerated Parents; and the county's Re-Entry Program assisting to successfully reintegrate jail inmates to the community. The first two listed were also recognized as two of the 100 Brilliant Ideas at Work initiative of NACo.

Property Taxes

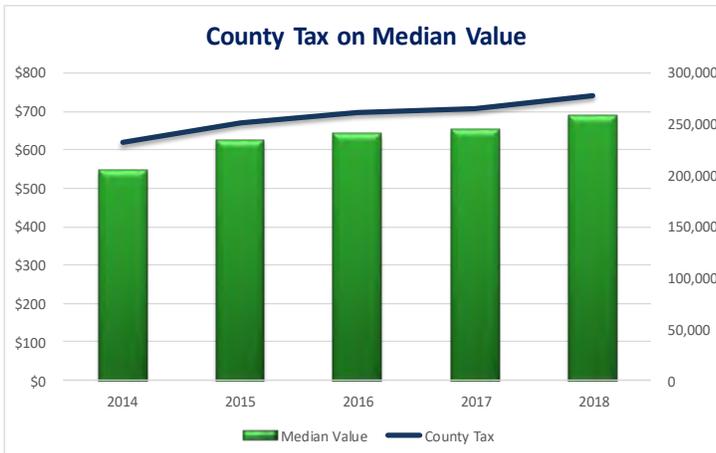
Washington County collects property taxes on over 100,000 parcels each year. The median Residential Taxable Market Value, for pay 2018, was \$258,600. When compared to the 7-County Metropolitan area, as evident in the chart to the right, Washington County is the third lowest in county tax levy per capita.

County Tax Levy per Capita



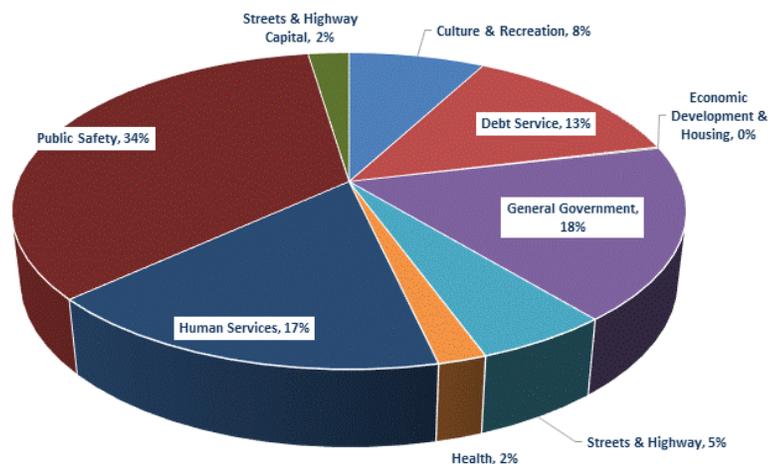
The chart below shows the net tax based on estimated market value.

County Tax on Median Value



The pie chart below shows how the county budgeted levy is allocated to each functional area within county operations. The county levy budget for 2018 was just over \$114M, which is approximately 51% of the total 2018 adopted revenue budget of \$224.3M.

Where does the county portion of your property tax go?



Financial Highlights

How we Manage Dollars In—Dollars Out (Revenue and Expense)

Washington County is committed to sound financial management and reporting. The annual budget development process emphasizes providing sufficient funding for high-quality services and programs. The final budget, adopted by the County Board, is balanced and directed to meet county operating needs. It is a reflection of the hard work, cooperation, and dedication of county elected officials, department directors, and staff. The county remains focused on guiding principles; structural alignment, capacity, future financial flexibility, and designing models that address current issues.

Budget principles, adopted by the County Board, are paramount to the budget development process. The principles include:

- Support of the county's visions, mission, and goals
- Focus resources on core county functions to improve outcomes
- Technology improvements that increase efficiencies
- Strategic investments in human resources to attract and retain a qualified workforce
- Sustainable revenue streams
- Maximize federal and State revenues for mandated services
- Maximize non-property tax revenues such as seeking federal and State grants
- Address current and future needs of a growing, aging, diversified population
- Investments in capital assets
- Adhere to policies to ensure ongoing financial health and protection of the county's AAA bond ratings



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 Washington County with an average \$258,600 (the county's average market value) is \$61.83/month

As a service organization, our greatest investment, asset, and expense is personnel expenses. Our employees serve key functions to provide exemplar services to the citizens of Washington County.



Financial Highlights

Fund Types

The county maintains four types of governmental funds: general, special revenue, debt service, and capital projects.

The **General Fund** is the primary fund for the county. It represents funds that the County Board directly oversees or has delegated management to county departments or officials. This fund accounts for all revenues and expenditures associated with the general operations of the county not required to be accounted for in separate funds.

The **Special Revenue Fund** accounts for funds segregated from general operations for legal requirements or administrative purposes. Regional Rail Authority and Metro Gold Line are reported as Special Revenue.

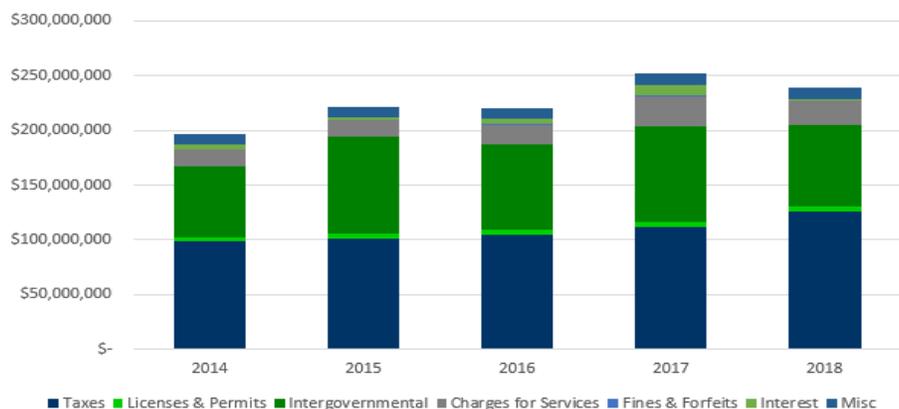
The **Capital Projects Fund** is used to account for the financial resources used for the acquisition, maintenance or construction of capital facilities and other capital assets.

The **Debt Service Fund** is used to account for financial resources used for the repayment of the county's long-term debt.

While property taxes represent the most significant resource to the county, the county charges for some services and we receive substantial revenues from state and local governments to provide many of the services offered by the county.

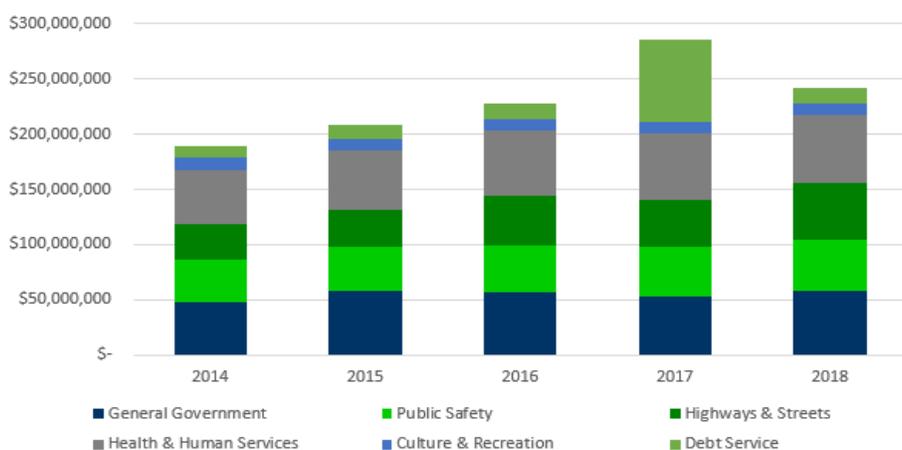
The county's total revenues for 2018 were \$239.5M. This is a decrease of \$12.9M, over 2017, most notably in the intergovernmental revenue line item fueled by grant receipts to fund the new Metro Gold Line BRT, coupled with the related \$2.2M local sales tax receipts. There is a decrease in interest reflected as earnings were down from the previous year due to lesser investment growth in the OPEB trust and declines in market value for the portfolio.

Year Over Year Revenue Comparison



The county's expenditures for 2018 were \$242.0M, which is \$43.5M lower than 2017 total expenditures. The significant decrease is the result of the county's large payoff of outstanding debt.

Year Over Year Expense Comparison



Financial Highlights

Where the dollar comes from:



Taxes, \$0.53

Intergovernmental, \$0.31

Charges for Services, \$0.09

Miscellaneous, \$0.04

Licenses & Permits, \$0.02

Interest on Investments,
\$0.01

Where the dollar goes:



Health & Human
Services, \$0.25

General Government,
\$0.24

Highways & Streets,
\$0.21

Public Safety, \$0.19

Debt Service, \$0.06

Culture & Recreation,
\$0.05

Financial Highlights

County Treasures & Obligations

The Net Position of an organization is a measure of “net worth” which may serve over time as an indicator of the county’s financial stability and health. Increases and decreases in net position serve as an indicator of the county’s financial position and the results of the county’s annual financial activity. Reviewing a summary of what the county owns (treasures/assets) and owes (obligations/liabilities) can quickly demonstrate its financial health. Most of what we own is in the form of capital assets (equipment, buildings, land and roads). Some of our assets are restricted externally by grantors, contributors, laws, and governmental regulations. The remaining assets may be used to meet the county’s ongoing obligations to its citizenry and creditors.

Long-term obligations for the county totaled \$272.9M and is comprised mostly of debt for capital investment. Long-term debt is a common way for governments to raise funding for large, long-term capital projects. It provides a tool to spread the cost of improvements to all those who enjoy the improvement in a low interest environment and is a great way to plan for capital asset improvements and acquisitions.

Looking at comparison data between other local county debt per capita, although we are slightly higher than most of the other counties we compared to, we maintain manageable debt levels.

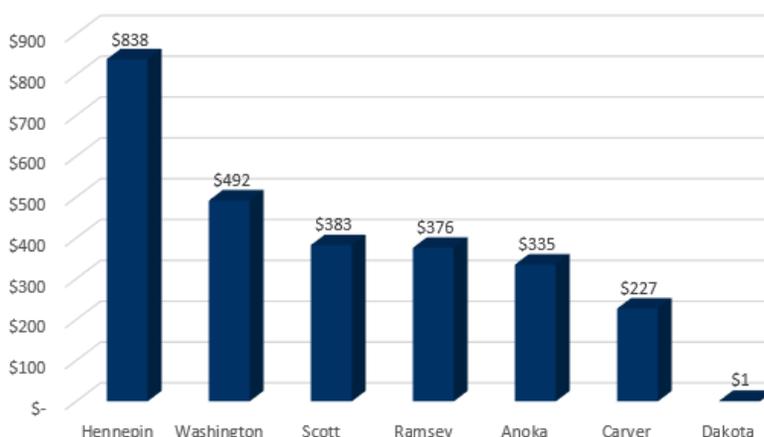
Treasures (Assets) Per Capita



Obligations Per Capita



Total Net General Bonded Debt Per Capita



(2017 data as 2018 not available as of the publishing of this document.)

Looking at key financial ratios enables the county to have a clear picture of where it has been and where it is going. The Debt to Net Position Ratio focuses on the ability to meet long-term obligations and is a measure of the government’s solvency. A high ratio is desired. For 2017 the county’s debt to net position ratio was 4.29%. The Current Ratio measures the ability for the county to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the current total assets relative to total current liabilities. Our ratio for 2017 was 6.38%.

Financial Highlights

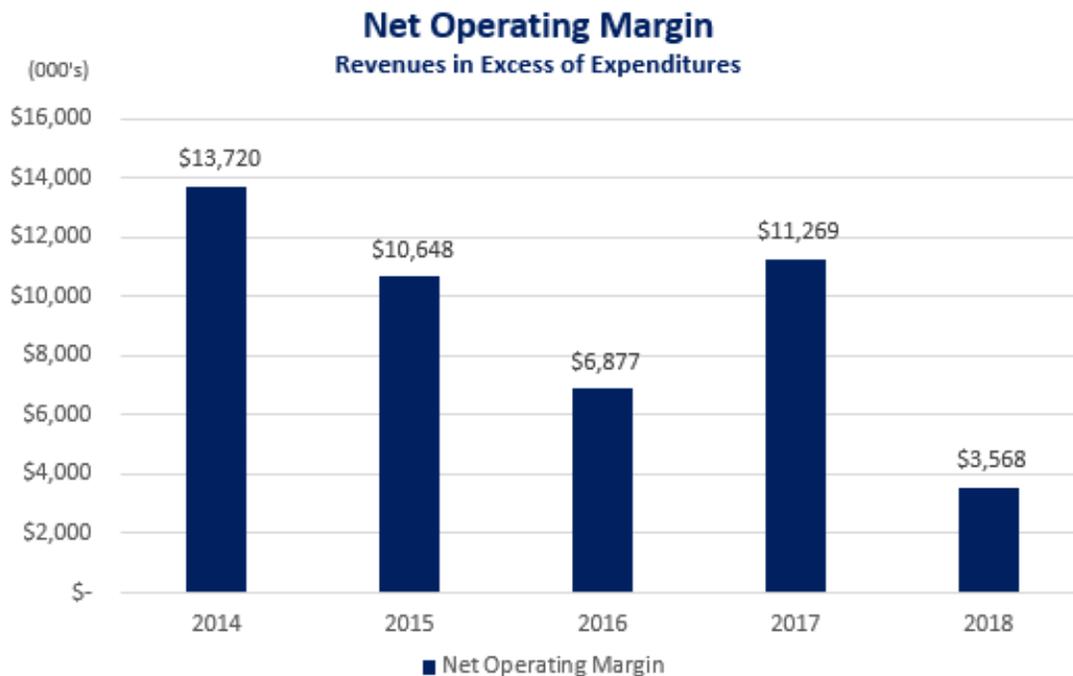
General Fund—Fund Balance

As a measure of the General Fund’s ability to pay off short-term obligations, it is useful to compare unassigned fund balance and total fund balance to total fund expenditures.

General Fund - Fund Balance Compared to Expenditures

2017			
Total Expenditures	\$ 170,163,298		
Unassigned Fund Balance	\$ 60,573,615	35.60%	
Total Fund Balance	\$ 161,132,374	94.69%	
2018			
Total Expenditures	\$ 175,381,621		
Unassigned Fund Balance	\$ 61,552,428	35.10%	
Total Fund Balance	\$ 163,370,207	93.15%	

The county’s Net Operating Margin in the General Fund focuses on whether the county lived within its financial means during the fiscal year.



Major Initiatives

Gold Line

The Metro Gold Line BRT will connect people across the region to job centers, housing options, transit stations, and key destinations in the I-94 corridor. The planned nine-mile dedicated line will connect St. Paul, Maplewood, Landfall, Oakdale, and Woodbury generally along Interstate 94 (I94).



The Metro Gold Line BRT will be Minnesota's first BRT line that operates primarily within exclusive bus-only lanes. These exclusive lanes are dedicated only to transit buses and will be built on the north side of I94. The Metro Gold Line BRT will be built with several amenities to ensure a comfortable ride and fast service including frequent, all day service in both directions; pre-board fare payment for faster stops; access to park and rides in St. Paul, Oakdale, and Woodbury; real-time arrival and departure information; and heated shelters, lighting, and security features.

Metro Gold Line BRT service will offer new opportunities for residents, employees, and business owners by strengthening connections to the eastern Twin Cities metropolitan area with 11 new stations. The system is designed to connect 522,000 people to 310,000 jobs with a commute time of 30 minutes or less. The new services will assist 20% of twin cities households without cars, will be at-grade boarding to ensure access for people with disabilities, and bike parking is provided to continue to incent and support alternative transportation strategies. Connecting residents to destinations with approximately 8,000 rides a day will have a significant impact on the residents of Washington County.

Land & Water Legacy

The Land and Water Legacy Program, is a program through which the county works with landowners and organizations to purchase land or interests in land to keep it in a natural condition.



The county purchases or accepts donated interests in land directly or in partnership with cities, townships, public agencies and nonprofit conservation organizations. Generally, for land protection purposes, the county acquires the fee title to land only when it is located within an established county or regional park. Elsewhere, the county purchases or accepts donated partial interests in the property in the form of a conservation easement. A conservation easement is a

legal agreement between the landowner and a conservation organization, whereby the landowner agrees to limit or prohibit development and other activities on the land for the purposes of protecting the natural characteristics of the land. The land remains in private ownership and future landowners are bound by the terms of the conservation easement as well. Washington County is the holder of the conservation easement.

Major Initiatives

Recycling & Energy Facility

The Ramsey/Washington Recycling & Energy Board (R&E Board) is a joint powers board, formed by Ramsey and Washington Counties, to provide solid waste (trash) services to residents, businesses, and institutions in both counties. Combined, the two counties have 785,000 residents with 407,000 people employed within the two counties.

With a partnership of over 20 years, Ramsey and Washington Counties made a bold pivot in thinking about waste and recognizing the inherent value in the materials that are put in the trash, viewing these items as local assets. The economic and environmental value of these assets can be realized only through a complete system that seeks to recover that value. This resulted in the 2016 purchase of the Ramsey/Washington Recycling & Energy Center (R&E Center) from Resource Recovery Technologies.

In owning the facility, and requiring all garbage produced in Ramsey and Washington Counties be brought to it, the resources can be handled to better recover the value that lie within the trash, anchored by the R&E Center. In fulfilling this vision, the east metro area will maximize the recovery of resources, divert as much as possible from landfills, and meet the State's 75% recycling goal.

Looking Forward—The Future is Looking Bright

Washington County is the fifth largest county in Minnesota with population growth starting in the 1990s at a rate of nearly 38 percent and an increase of 6.3 percent since 2010. The economic strength of the region can be summarized as expanding business base, lower than average unemployment rates in comparison to statewide averages, and the total estimated taxable market value in the county has increased 9.3 percent since 2014.

The county continues to evaluate and reallocate the overall operating budget relative to operational and organizational goals. Projections provide us guidance in ongoing efforts to plan for our financial future by analyzing current and future needs. A projection also assures us that our planning efforts are aligned with our financial resources providing a clear roadmap for our future.

Washington County is a stable organization, both financially and operationally. With a robust planning process we anticipate maintaining the highest ratings available from both Moody's and Standard and Poor's Rating Agencies in the upcoming year. We are proud of the county and the citizens we serve, honored to have the opportunity to protect and provide safety to all, and take seriously our role of fiscal stewardship and public service.



**RAMSEY/WASHINGTON
RECYCLING & ENERGY**
CONNECTING VALUE TO WASTE

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 June, 2019 for the fiscal year ending December 31, 2018.



WASHINGTON COUNTY FINANCIAL
DOCUMENTS ON THE WEB

www.co.washington.mn.us/finance/reports



Washington County Accounting & Finance Department

14949 62nd Street North | PO Box 3804 | Stillwater, MN 55082-3804

☎ 651-430-6033 | 📠 651-430-6060

A great place to live, work, and play...today and tomorrow

