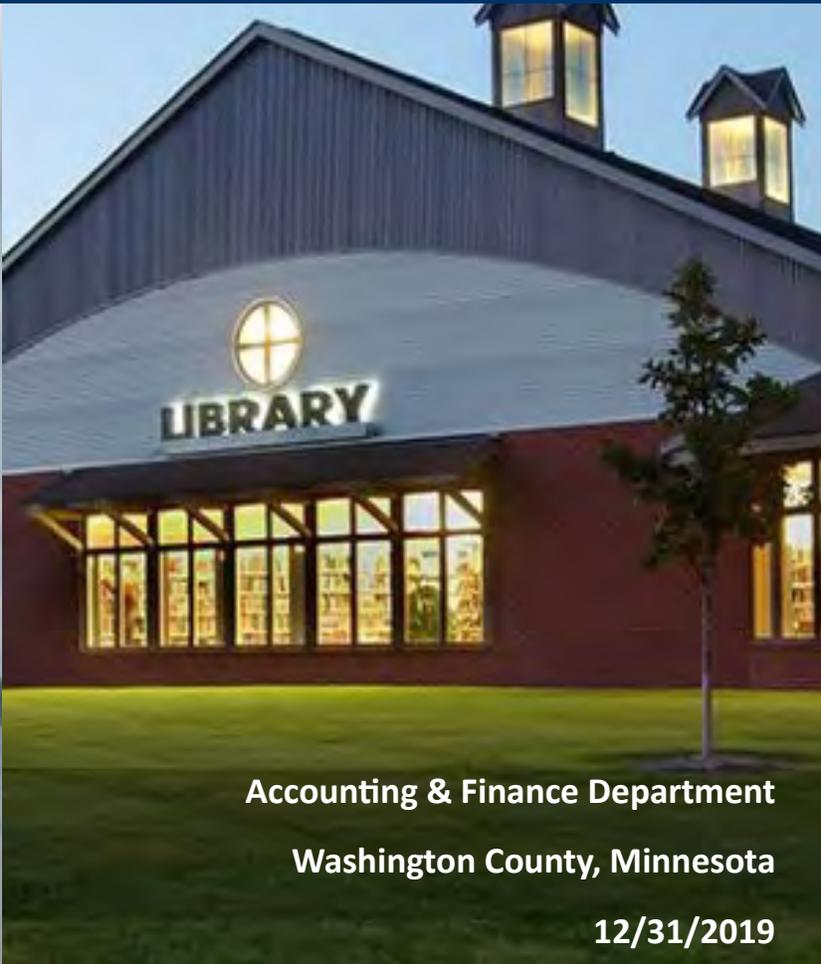


# 2019 Popular Annual Financial Report

**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

12/31/2019



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## Quick Facts Washington County Highlights

- ✓ A region boasting abundant beauty with a growing population
- ✓ AAA/Aaa Rating reaffirmed in 2019 – one of only four counties in Minnesota and only eighty-one counties nationwide with both these highest ratings
- ✓ Market value estimates from tax collection year 2016 to 2020 posted a net increase of 27.0%
- ✓ New construction in 2019 added \$538 million in taxable value
- ✓ In 2019 the county issued \$31.3M in bonds for road, parks, and building projects throughout the county
- ✓ Total revenues increased by 26% predominately as a result of an increase in cost shares for local portions of road and bridge projects.
- ✓ Credit Rating Agency Comments:
  - a. “The county’s overall credit profile is exceptionally strong, even when compared with that of ‘AAA’ rated peers”
  - b. Robust management policies and practices
  - c. Low overall fix costs
  - d. Strong financial operations with ample reserves and liquidity
  - e. Very strong leadership
  - f. Continued growth in a strong regional economy

# POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

## 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 extensively more detailed and complete financial information prepared in conformance with Generally Accepted Accounting Principles (GAAP) 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 34 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 and highlights. 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, under Financial Reports and Documents: [www.co.washington.mn.us](http://www.co.washington.mn.us)

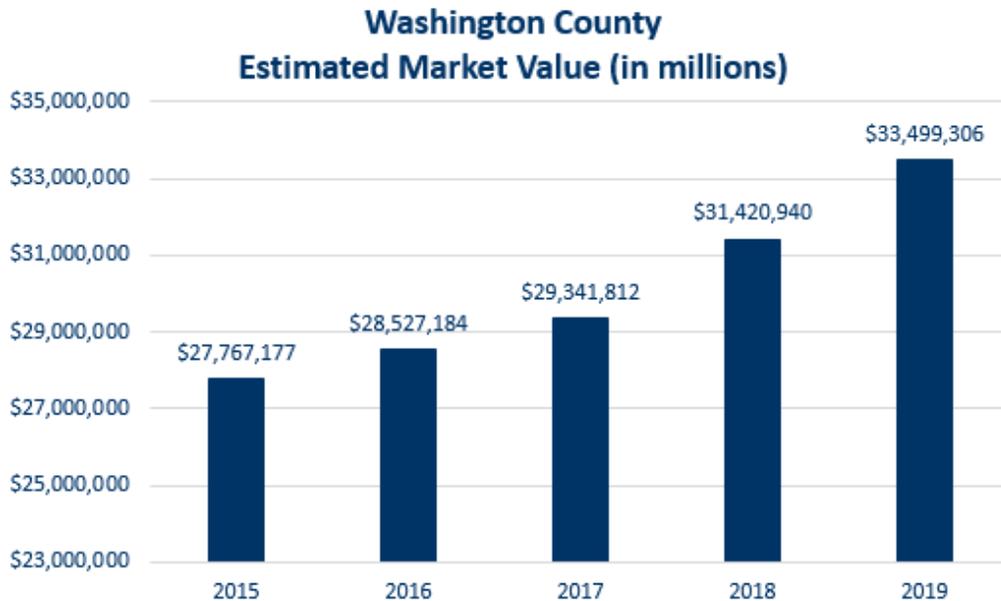


# Our Community

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 261,512. 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 tax base has shown consistent growth for the last seven years and well exceeds its pre-recession peak of \$30.7 billion in 2007,



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 household income 34.9% higher than the national median (2018 data), Washington County is outperforming both state and national economic indicators.

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

# County Leadership

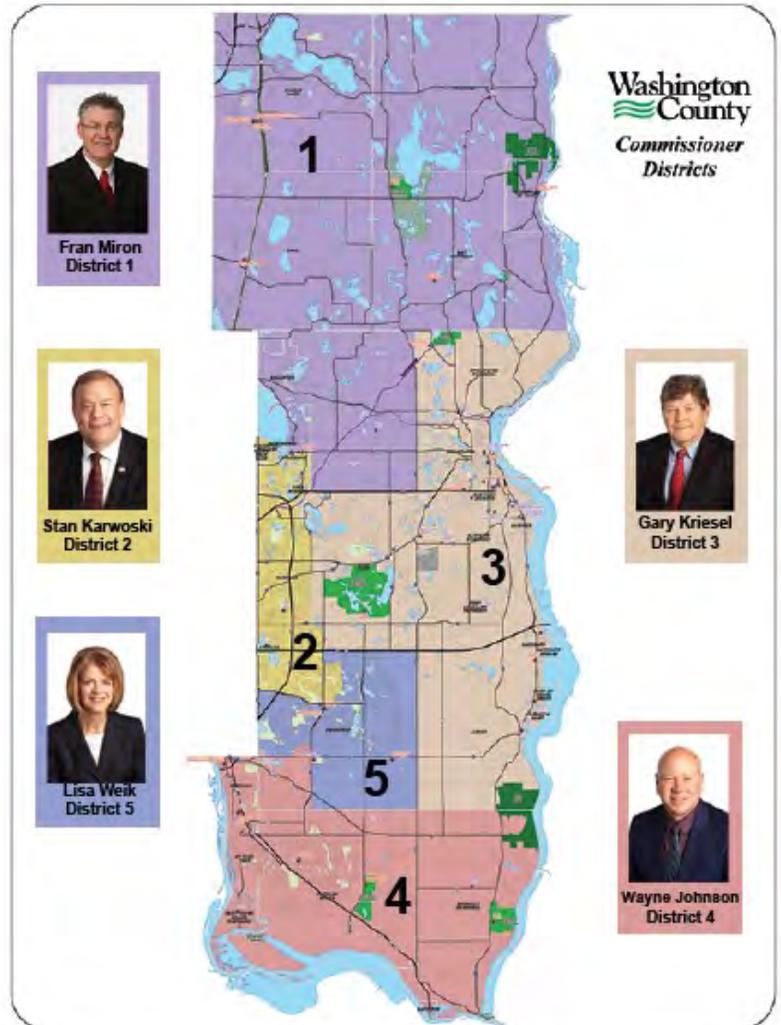
The Board of Commissioners represents the governing bodies of Minnesota counties and serve as the legislative and policymaking body of the county. They are elected to oversee county operations to ensure that citizen concerns are met, federal and state requirements are fulfilled, and county operations 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 five-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 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 residents. The Attorney's Office has sponsored more than 120 presentations in 2019 to over 7,100 residents in the areas of police training and crime prevention.



# 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 has expanded to include joint development planning among counties and the Federal Transit Administration to incorporate a conceptual shell for expanding services to residents and access to broadening transportation options by including a Western Service Center with a parking structure as part of the design phase of planning.



## 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 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, in addition to three express locations.
2. County Parks Department consists of bikeways, trails, and more than 4,400 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 1,019,025 digital visits which increased to 1,042,849 in 2018.

# Washington County Services (cont.)

## General Government

1. Washington County announced an upcoming change in leadership during 2019 with the news of the County Administrator retiring. The Deputy Administrator, Kevin Corbid, received resounding support across the organization to be appointed to the County Administrator role. This personnel change, combined with additional support in the Deputy Administrator role, has positioned Washington County for continued success and results for the foreseeable future.
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 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 assist individuals and families be successful by providing resources and support services.
3. The county opened its first yard waste collection site in the City of Hugo, serving the north and west-central parts of the county. In addition to yard waste, this site is one of two new locations collecting residential food scraps (organics). There is no fee to drop off materials. The service is funded by the County Environmental Charges on waste disposal bills of all county residences and businesses.

## 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.

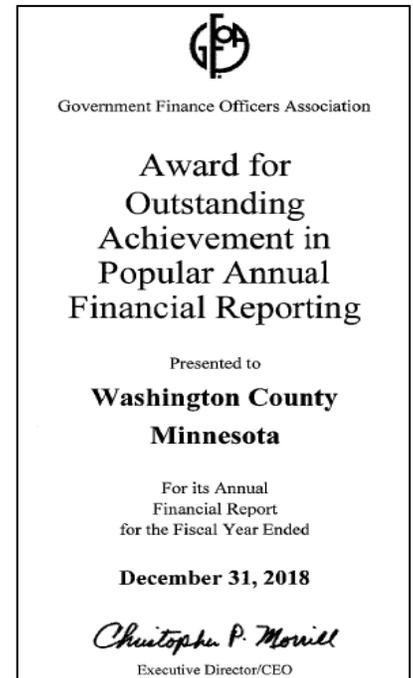


# Awards & Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Washington County for its Popular Annual Financial Report (PAFR) for the fiscal year ending December 31, 2018. This is a prestigious national award recognizing the efforts of state and local governments to provide a high quality report specifically designed to be readily accessible and easy to understand, extracting information from the larger in-depth CAFR.

Reports Submitted to the PAFR program are reviewed by select GFOA professional staff members and by outside reviewers with experience in governmental accounting and financial reporting. Report contents must conform to program standards of creativity, presentation, understandability, and reader appeal.

2018 was the first year Washington County submitted a PAFR.



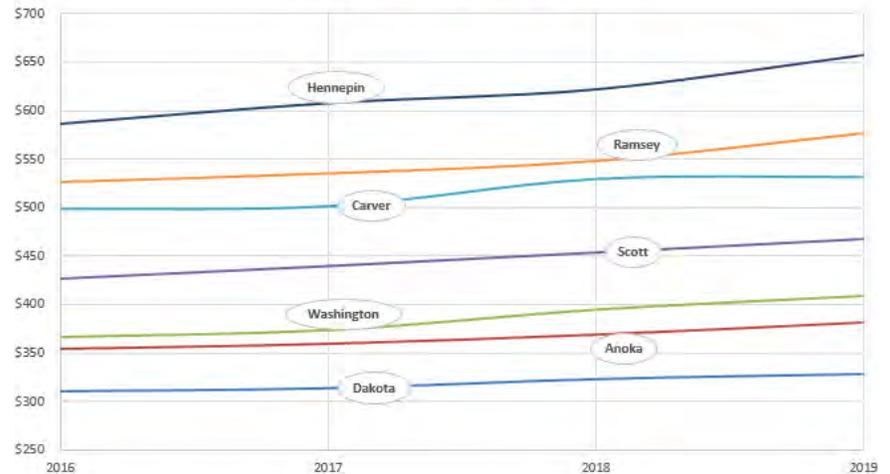
- **Certificate of Achievement for Excellence in Financial Reporting** from the Government Finance Officer's Association, received annually since 1984
- **Distinguished Budget Presentation Award** from the Government Finance Officer's Association, received annually since 1998
- **AAA/Aaa Bond Rating** from Standard & Poor's and Moody's.
- **Employer of the Year for Public Works Department (PWD)** from the Women's Transportation Seminar (WTS) Minnesota Chapter. This award recognizes an employer who leads in recruiting, retaining, and advancing women in the workplace. In the last five years, female transportation professionals have been added to PWD faster than any other demographic.
- **Woman of the Year**—Commissioner Lisa Weik received this award, also from the WTS, for outstanding contribution to transportation industry in Washington County, being an outstanding champion with the Gold Line Bus Rapid Transit project and supporting multimodal transportation design in her district.
- **Achievement Award**—Community Corrections was recognized by the Association of Minnesota Counties (AMC) for the Dosage Probation Program providing structured intervention to reduce recidivism.
- **Management Excellence**—County Administrator Molly O'Rourke received the Dr. Robert A. Barrett Award for Management Excellence from Minnesota City/County Management Association for being an exemplary role model, leader, and mentor in the profession of local government management.

# Property Taxes

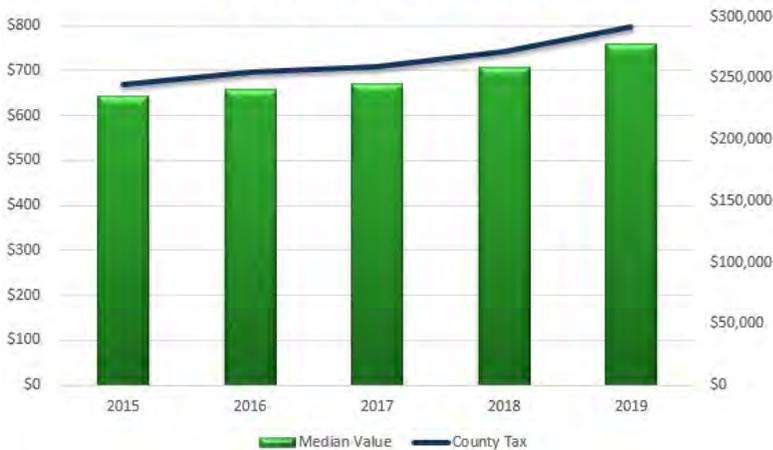
Washington County collects property taxes on more than 100,000 parcels each year. The median Residential Taxable Market Value home, for tax collection year 2019, was \$273,200. When compared to the 7-County Metropolitan area, as evident in the chart to the right, Washington County is the third lowest in county tax levy per capita.

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

County Tax Levy per Capita

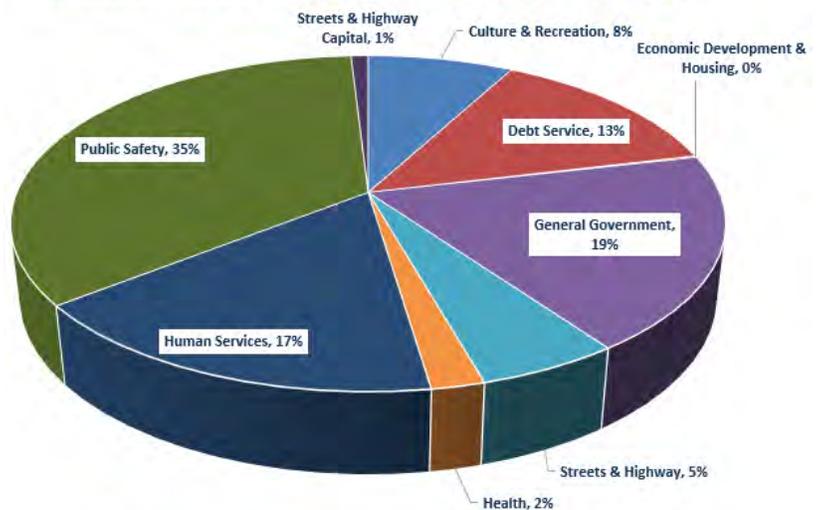


County Tax on Median Value



The pie chart shows how the county budgeted levy is allocated to each functional area within county operations. The county levy budget for 2019 was more than \$119M, which is approximately 42% of the total 2019 adopted revenue budget of \$288.1M.

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 2019 for a homeowner in Washington County with an average \$273,200 (the county’s average home market value) is \$65.25/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.

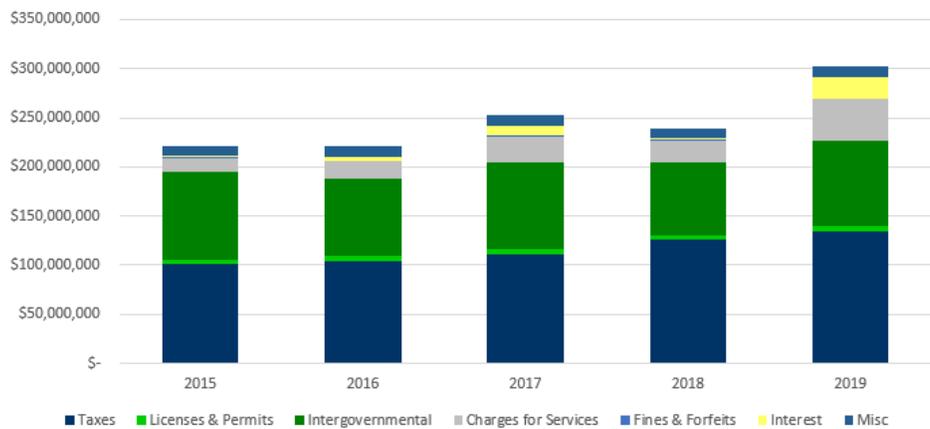
The **Capital Projects Fund** is used to account for the financial resources used for the acquisition, maintenance or construction of capital facilities and other capital assets.

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 financial 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 2019 were \$302.1M. This is an increase of \$62.6M, over 2018, most notably in the charges for services line item fueled by an increase in cost shares for local portions of road and bridge projects, coupled with the related \$12.2M in grant revenue for these projects. There is also a significant increase in the amount of investment earnings on the fund the county owns and is designated to ensure requisite funding for the health care benefits of retired employees.

Year Over Year Revenue Comparison



The county's expenditures for 2019 were \$279.1M, which is \$37.1M higher than 2018 total expenditures. Costs related to large scale infrastructure improvements in general government and highways and streets increased by \$24.6M, also personnel costs increased.

Year Over Year Expense Comparison



# Financial Highlights

## Where the dollar comes from:



Taxes, \$0.45

Intergovernmental, \$0.29

Charges for Services, \$0.14

Interest on Investments,  
\$0.07

Miscellaneous, \$0.04

Licenses & Permits, \$0.02

## Where the dollar goes:



General Government,  
\$0.26

Highways & Streets,  
\$0.24

Health & Human  
Services, \$0.23

Public Safety, \$0.17

Debt Service, \$0.06

Culture & Recreation,  
\$0.04

# Financial Highlights

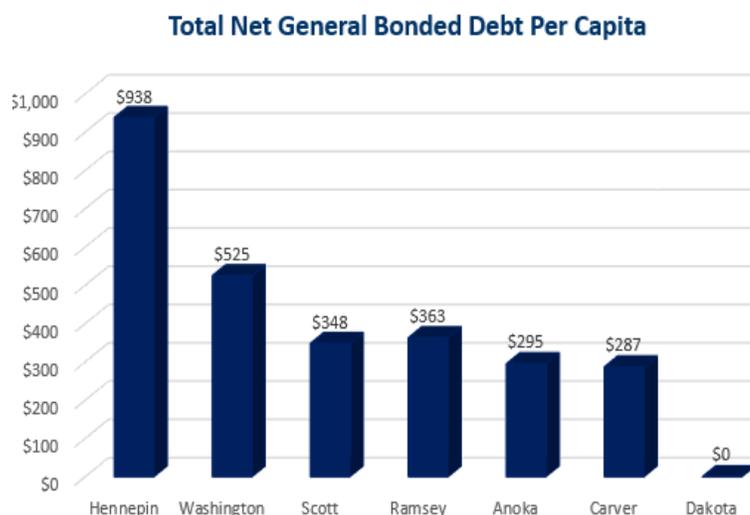
## County Treasures & Obligations

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 \$289M 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 way to plan for capital asset improvements and acquisitions.

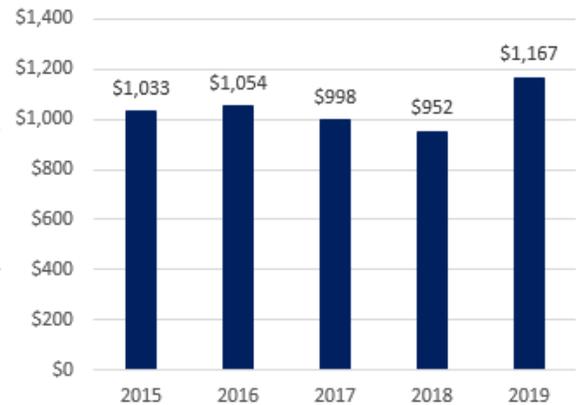
Looking at comparison data with other local county debt per capita, we are slightly higher than most of the other counties we compared to, but we maintain manageable debt levels.

Looking at key financial ratios enables the county to have a clear picture of where it has been and where it

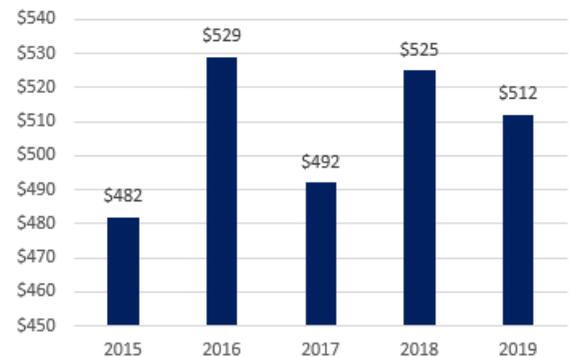


(2018 data as 2019 not available as of the publishing of this document.)

### Treasures (Assets) Per Capita



### Obligations Per Capita



is going. The current ratio focuses on the ability to meet long term obligations, such as bonded debt and is a measure of the government’s solvency. Washington County’s current ratio is 12.5—our current resources are equal to more than 12 times the debt during the next year.

Equally important is the ability for the county to have means to cover existing operations in the long run. Looking at total liabilities as a percentage of total net assets as an indicator, 43% of the county’s assets would need to be liquidated to meet long term obligations. Clearly, Washington County has requisite assets to meet all if its obligations.

# 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

| 2018                    |    |             |         |
|-------------------------|----|-------------|---------|
| Total Expenditures      | \$ | 175,381,621 |         |
| Unassigned Fund Balance | \$ | 61,552,428  | 35.10%  |
| Total Fund Balance      | \$ | 163,370,207 | 93.15%  |
| 2019                    |    |             |         |
| Total Expenditures      | \$ | 184,820,895 |         |
| Unassigned Fund Balance | \$ | 71,027,263  | 38.43%  |
| Total Fund Balance      | \$ | 188,150,275 | 101.80% |

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

## Cottage Grove Ravine Regional Park Lower Landing Facility

Washington County believes the \$3.9M it intends to invest in one of Cottage Grove's natural amenities will make it more attractive to the public. The current structure, built in 1985, has been closed since 2018 due to poor roof conditions and exterior cracking in masonry. This park is typically utilized for cross country ski trails, with a picnic area and fishing pier; however its poor access, decrepit bathrooms and aging infrastructure have lessened the park attendance.



Preliminary plans call for reconstructing the entrance off East Point Douglas and Innovation roads making a more high profile entrance to the park more visible. The new facility would be 4,000 square feet, have public restrooms, lobby space, multipurpose rooms, and outdoor covered picnic shelter.

The county was intentional about public engagement for the project, holding three pop-up table events, online survey, and open house. Funding for the project comes primarily from the 2019 bond sale, as well as a combined \$1.4M from Legacy State Sales Tax and State and Met council. Construction is expected to start summer 2020 and expected completion is summer 2021.

## 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

## Looking Forward—The Future is Looking Bright

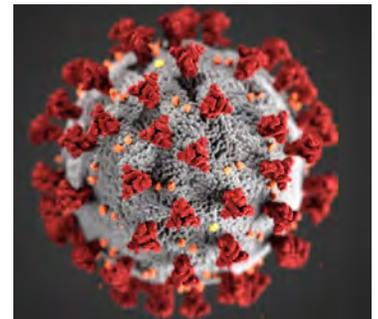
Washington County is the fifth largest county in Minnesota with population growth starting in the 1990s at a rate of nearly 38 percent and an increase of 6.3 percent since 2010. The economic strength of the region can be summarized as expanding business base, lower than average unemployment rates in 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.

## Pandemic Effect—Financial Impact

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 has had significant impact to various parts of its 2020 operations and financial position, including, but not limited to, costs for emergency response, required facility modifications and continuing pressure for preparedness and planning.



The County is taking appropriate actions to mitigate the negative impact however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as things are still developing. The County Board, Leadership, and staff continue to be provide amazing service to its residents in arguably the worst of times. We have taken on a most critical public health response, including a regional testing responsibility, provided significant amount of personal protective equipment to our congregate living facilities and hospitals as well as initiate a large-scale home-made mask initiative to benefit all our residents in Washington County. We will continue countywide leadership to serve and protect our Washington County residents with confidence and zeal.

# Community Highpoints

## Principal Employers 2019

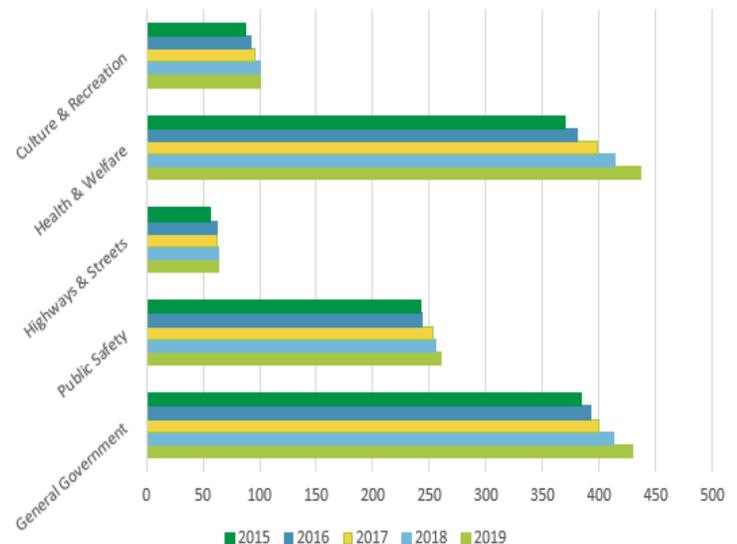
| Taxpayer   | Rank | Employees     | % of Total County Employment |
|--|------|---------------|------------------------------|
| Andersen Corporation (Bayport, Cottage Grove)                          | 1    | 3,022         | 2.15%                        |
| Independent School District 833  | 2    | 2,605         | 1.85%                        |
| Woodwinds Health East Campus   | 3    | 1,429         | 1.02%                        |
| Washington County, Government  | 4    | 1,290         | 0.92%                        |
| Hy-Vee Grocery   | 5    | 1,250         | 0.89%                        |
| Independent School District 834  | 6    | 1,143         | 0.81%                        |
| Wal-Mart (Forest Lake, Oak Park Heights, Woodbury and Cottage Grove)   | 7    | 1,110         | 0.79%                        |
| Independent School District 831  | 8    | 1,074         | 0.76%                        |
| Target (Cottage Grove, Forest Lake, Stillwater, Woodbury, and Oakdale) | 9    | 993           | 0.71%                        |
| Lakeview Hospital  | 10   | 868           | 0.62%                        |
| <b>Totals</b>  |      | <b>14,784</b> | <b>10.52%</b>                |

**Source:** (a) Municipal Securities Rulemaking Board: EMMA.  
 (b) MN Department of Employment and Economic Development.  
 (c) Survey of individual employers, 2019.

## Top 10 Taxable Market Value

|                                     |             |
|-------------------------------------|-------------|
| Xcel Energy                         | 496,357,200 |
| Tamarack Village Shopping Center LP | 88,529,000  |
| 10825 Grand Forest Owner LLC        | 84,254,100  |
| Ramco-Gershenson Properties LP      | 61,499,700  |
| 3M Company                          | 55,867,400  |
| IRPF Woodbury City Place LLC        | 46,581,000  |
| Menard Inc & Corporate Accounting   | 45,481,000  |
| Woodbury Village Shopping Center    | 41,384,400  |
| Wal-Mart Real Estate Business Trust | 40,986,900  |
| Dayton Hudson Corp                  | 38,073,800  |

## Employees by Function



# Reader's Notes

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# *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 2020 for the fiscal year ending December 31, 2019.*

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**WASHINGTON COUNTY FINANCIAL  
DOCUMENTS ON THE WEB**

**[www.co.washington.mn.us/395/Financial-Documents-and-Reports](http://www.co.washington.mn.us/395/Financial-Documents-and-Reports)**

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Washington County Accounting & Finance Department  
14949 62nd Street North | PO Box 3804 | Stillwater, MN 55082  
☎ 651-430-6030 | 📠 651-430-6060

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