



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

*****PRESS RELEASE*****

State Auditor Otto Releases County Finances Report

Contact: Jim Levi, Office of the State Auditor, (651) 297-3683, Jim.Levi@state.mn.us

ST. PAUL (4/27/2010) – State Auditor Rebecca Otto released today a comprehensive report that summarizes the financial data of Minnesota Counties for calendar year 2008. The report also examines long-term trends.

“Over the last 7 years, Minnesota counties as a whole are relying more heavily on property tax revenues as they receive less state grants. Tax revenues increased by 7.2% between 2007 and 2008,” said State Auditor Otto. “A similar long-term trend was noted for cities in the latest City Finances Report,” reported Otto.

Unreserved Fund Balances as a percent of expenditures can be an important measure of county fiscal health. “I am concerned about the trend of county unreserved fund balances as a percent of expenditures steadily declining over the last 4 years. The 2008 county unreserved fund balances as a percent of current expenditures is at the lowest level in 10 years. This is not a sustainable path for county governments,” cautioned Auditor Otto. “The legislature needs to proceed cautiously in the final budget bills when it comes to cuts for our counties, as they will have less reserves to dip into.”

Highlights from the report include:

- Minnesota county revenues totaled \$5.6 billion in 2008. This represents an increase of \$145.6 million or 2.7 percent over 2007. The rise in total revenues was primarily due to a \$161.7 million or 7.2 percent increase in tax revenues.
- Counties reported total expenditures of \$6.2 billion in 2008. This represents an increase of \$372.1 million, or 6.4 percent, over total expenditures in 2007.
- In 2008, Minnesota counties reported outstanding long-term debt of \$3.2 billion. This represents an increase of 12.2 percent over long-term debt reported in 2007. A significant portion of this amount (\$191.8 million) was issued on behalf of the Minnesota Ballpark Authority.

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- The operating losses of Minnesota county enterprises totaled \$24.0 million in 2008. This represents an increase of 43.5 percent over the operating losses of \$16.7 million reported in 2007. The net income of county enterprises totaled \$26.8 million in 2008. This represents an increase of 51.6 percent over 2007.
- In 2008, current expenditures grew at a faster rate (9.8 percent) than unreserved fund balances (2.8 percent). As a result, the average unreserved fund balances as a percent of current expenditures for counties declined from 43.8 percent in 2007 to 41.0 percent in 2008.

Ten-Year Trends

- In actual dollars, total revenues rose 50.3 percent from 1999 to 2008. When converted to constant dollars, the increase totaled 1.8 percent. An examination of the trend in constant revenues shows that 2008 total revenues were less than in 2000.
- Since 2002, the share of total revenues derived from taxes has increased from 35.7 percent to 43.3 percent, while the share of total revenues derived from state grants has decreased from 34.8 percent to 25.1 percent.
- When adjusted for inflation, total county expenditures increased 6.6 percent from 1999 to 2008. In actual dollars, the increase was 57.4 percent.
- When adjusted for inflation, outstanding long-term indebtedness grew 67.7 percent between 1999 and 2008. In actual dollars, long-term debt increased 147.5 percent over this period.

To view the complete report, which includes an Executive Summary, graphs and tables, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20100426.000>.

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The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota's 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.