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

State Auditor Otto Releases Report on City Finances

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ST. PAUL (3/5/2012) – State Auditor Rebecca Otto today released the Minnesota City Finances Report, which summarizes the financial operations of Minnesota cities for calendar year 2010. The report summarizes, through data tables and charts, the financial operations of the 848 Minnesota cities that provided their financial information to the Office of the State Auditor for calendar year 2010. **"This report shows that many of the trends that we have been noticing over the last few years are continuing," said Auditor Otto. "An examination of long-term trends shows that cities have seen a decrease in their revenues as they continue to decrease their expenditures."** City classifications are designated based on the decennial census. This report uses the new class designations based on the 2010 census population figures.

"We also see a continuation of the trend of cities relying more and more on property taxes for their revenues," said Otto. "Between 2001 and 2010, the proportion of total revenues derived from property taxes grew from 24 percent to 38 percent. During those same years, revenues derived from intergovernmental sources decreased from 31 percent of total revenues to 26 percent."

"These are important figures for the Legislature and the Governor to consider as they continue to work on the state's finances, and I look forward to sharing this information with them," Auditor Otto added.

Highlights from the report include:

Current Trends

- Total revenues of the governmental funds for all Minnesota cities totaled \$4.76 billion in 2010. This represents an increase of 2 percent over 2009 revenues. Total revenues of cities over 2,500 in population increased 3 percent, and revenues of cities under 2,500 in population decreased 8 percent.
- Total expenditures of the governmental funds for all cities totaled \$5.47 billion in 2010. This represents an increase of 2 percent over 2009. Total expenditures of cities over 2,500 in population increased 3 percent, while total expenditures for cities under 2,500 in population decreased 9 percent.

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- The largest expenditure categories for both groups of cities are streets and highways and public safety. For large cities, streets and highways accounted for 20 percent of total expenditures, and public safety accounted for 26 percent. For small cities, streets and highways accounted for 22 percent of total expenditures, and public safety accounted for 21 percent.
- In 2010, unreserved fund balances as a percent of current expenditures averaged 106 percent for small cities (up from 102 percent in 2009), compared to 45.1 percent for large cities (down from 50 percent in 2009).

Long-term Trends

- Over the ten-year period of 2001 to 2010, an examination of city finances shows that when adjusted for inflation, 2010 revenue levels are below 2001 levels. Inflation-adjusted total city revenues decreased 10 percent between 2001 and 2010.
- Between 2001 and 2010, actual revenues derived from property taxes grew 100 percent, compared to 7 percent for revenues derived from intergovernmental sources. Additional analysis of actual intergovernmental revenues shows uneven trends over the ten year period with federal grants increasing 151 percent, state grants decreasing 13 percent, and local grants increasing 5 percent.
- Actual total city expenditures grew from \$4.47 billion in 2001 to \$5.47 billion in 2010. This represents an increase of 23 percent. Over the ten-year period of 2001 to 2010, an examination of city finances shows that, when adjusted for inflation, 2010 expenditure levels are below 2001 levels and decreased 13 percent over the ten-year period.
- Between 2001 and 2010, the proportion of total revenues derived from property taxes grew from 24 percent in 2001 to 38 percent in 2010. During this same time frame, revenues derived from intergovernmental sources decreased from 31 percent of total revenues to 26 percent.
- Over the ten-year period, when adjusted for inflation, total current expenditures grew 8 percent while capital outlays and debt service decreased by 45 percent and 13 percent respectively.

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

<http://www.auditor.state.mn.us/default.aspx?page=20120302.002>.

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>.