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 Report on Minnesota County Finances

~Report shows some positive changes for counties from 2004 to 2005, but 10 year analysis shows noteworthy trends ~

Contact: Jeff Falk, Office of the State Auditor, (651) 297-3683, jeff.falk@state.mn.us

ST. PAUL (09/05/2007) – State Auditor Rebecca Otto released a comprehensive report that summarizes the financial data of Minnesota counties for calendar year 2005. In addition, the report examines longer term trends to help place current financial conditions in context.

"Minnesota counties in general have seen some improvement in their fiscal health over the previous year," State Auditor Otto said. **"However, our data shows noteworthy long-term trends in revenue and expenditure levels and in the rise of long-term debt. We will share this data with legislators to inform their decision making."**

While Minnesota county revenues grew 6.6 percent, expenditures grew 5.2 percent from 2004 to 2005. The revenue growth coupled with slower growth in expenditures allowed counties to increase unreserved fund balances by 5.2 percent. A measure of fiscal health, unreserved fund balances as a percent of current expenditures sits at its highest level in more than 10 years. The overall improvement in financial condition reverses a recent trend in which non-inflation adjusted revenues and expenditures declined.

While counties appear to have ended 2005 in improved financial condition, an examination of data between 1996 and 2005 shows some noteworthy trends. When the ten-year period is broken into two five-year segments, 1996 to 2000 and 2001 to 2005, a wide divergence in trends emerges. These trends provide insight into the pre- and post- state government budget deficit and its affect on county government, especially on long-term debt.

In particular, when adjusted for inflation, 2005 revenue and expenditure levels remain near 1998 levels. At the same time, counties have incurred greater amounts of debt. The amount of outstanding long-term debt increased by 6.8 percent from 2004 to 2005. Long-term debt grew 5 percent from 1996 to 2000, but jumped by 37 percent between 2001 and 2005. The growth in long term debt could indicate that counties have been funding a greater number of capital projects with debt rather than by pay-as-you-go.

For the complete report, which includes tables and graphs, go to http://www.auditor.state.mn.us/reports/gid/2005/county/county_05_report.pdf.

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