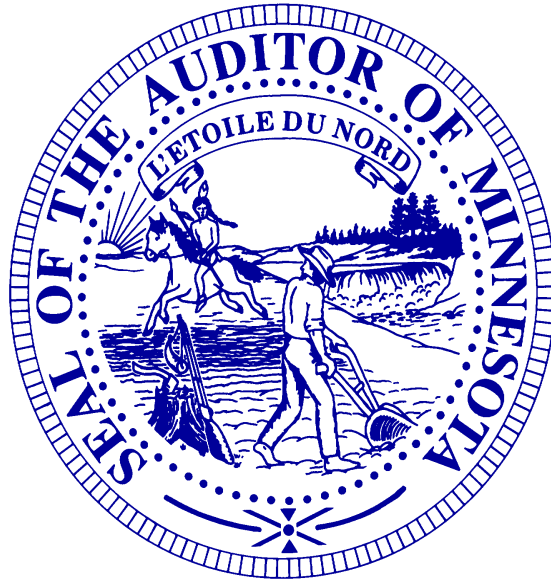


# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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# Annual Summary of Local Government Finances

*“The Cost of Local Government”*

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 175 financial and compliance audits per year and has oversight responsibilities for over 3,621 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government.

**Pension Oversight** - monitors investment, financial, and actuarial reporting for over 700 public pension funds;

**Tax Increment Financing (TIF)** - promotes compliance and accountability in local governments' use of TIF through financial and compliance audits;

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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# Annual Summary of Local Government Finances

*“The Cost of Local Government”*



August 23, 2006

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## Scope

The Office of the State Auditor has oversight responsibility for over 3,621 local units of government throughout the state. As part of this oversight function, the Office performs approximately 175 financial and legal compliance audits per year while private accounting firms conduct all other required audits. In addition to performing audits, the State Auditor's Office reviews the financial statements, audits, management letters, and financial reporting forms of all local governments under the Office's purview.

Another mission of the Auditor's Office is to be the primary source of financial information on Minnesota's local governments. To fulfill this mission, the State Auditor compiles financial data from reporting forms completed by local governments. These reporting forms are then cross-referenced against audited and non-audited financial statements to help maintain uniformity. The compiled financial data is the basis of a series of reports on local government finance.

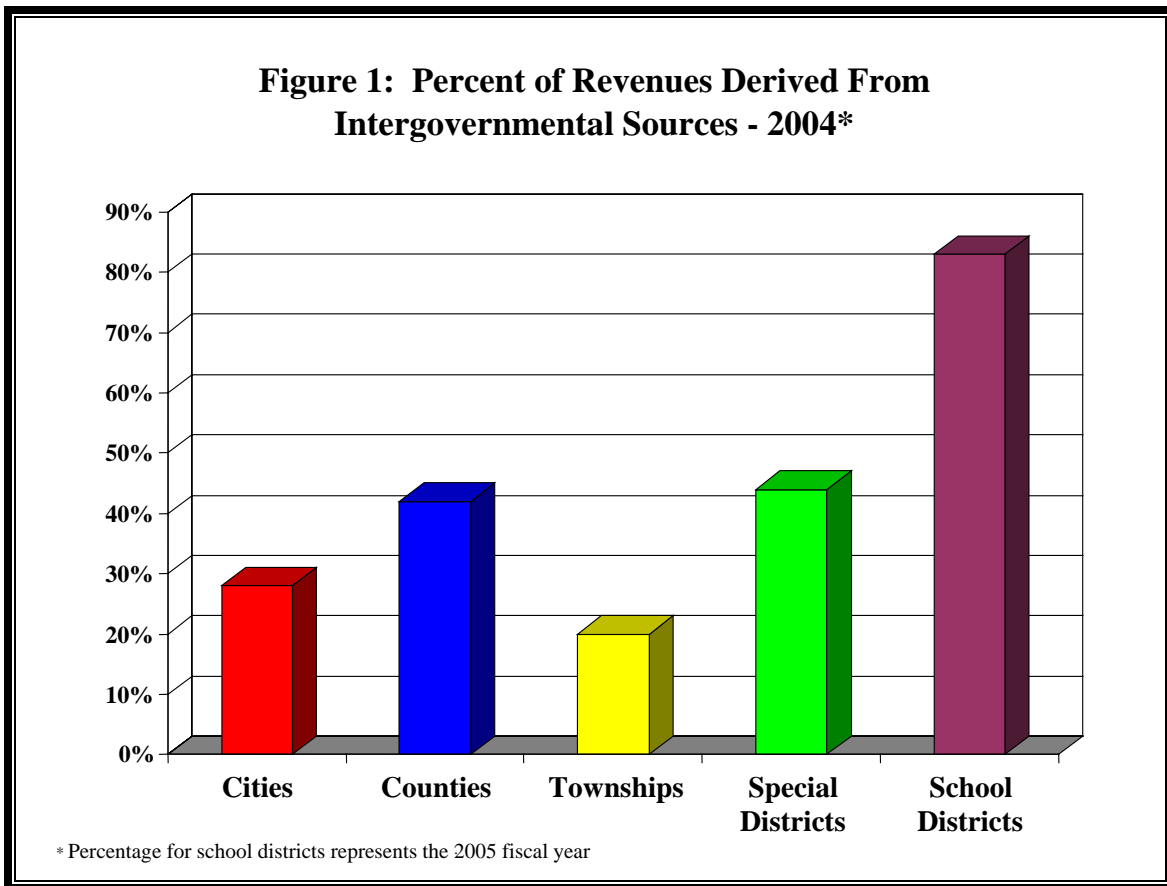
There are a total of eight tables in this report. There are four tables that present data in actual dollars and an equal number that present the data in per capita amounts. The four categories used in this report are revenues, expenditures, debt, and business-type activities. The revenue and expenditure tables are based on 2004 governmental fund activities for all local governments except for school districts (and charter schools) which list 2005 data. The outstanding debt table includes all debt regardless of fund. Finally, the enterprise fund or business-type activities table shows the gross and net profitability/(loss) from local government enterprises.

The following compilation provides a summary of the "cost" of local government in Minnesota.

## Governmental Fund Revenues

Local governments received revenues exceeding \$18.1 billion in 2004.<sup>1</sup> This is the equivalent of \$3,534 for every person in the state. In comparison, the Minnesota state government raised general fund revenues of approximately \$13.5 billion (excluding revenues derived from borrowing and transfers) in 2004.

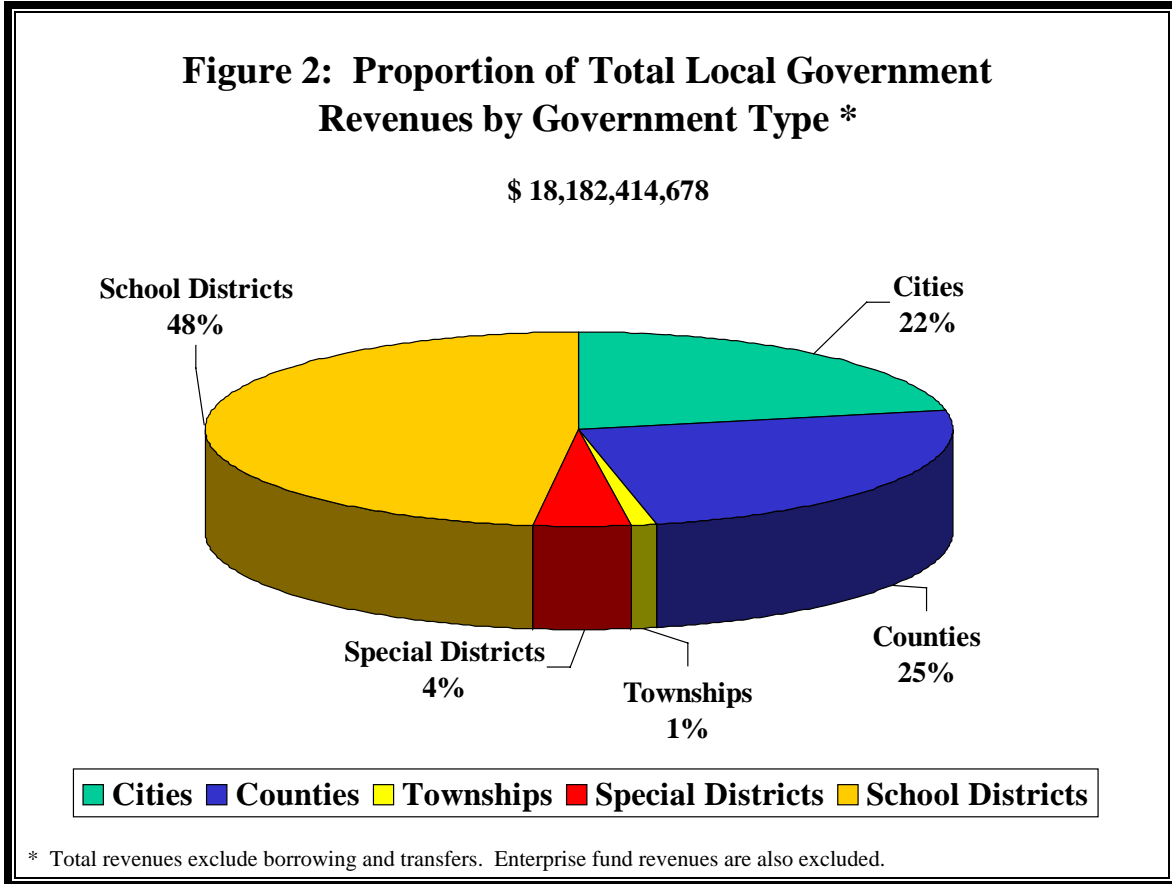
Intergovernmental revenues were the largest source of revenues for local governments at \$10.7 billion, followed by taxes at \$4.9 billion, and charges for services at \$1.1 billion. The importance of intergovernmental revenues varies greatly depending on the type of local government. Intergovernmental revenues accounted for just 20 percent of township revenues compared to 83 percent of school district revenues. Figure 1 illustrates the differences in intergovernmental revenues.



<sup>1</sup> The figure includes 2005 school district data.



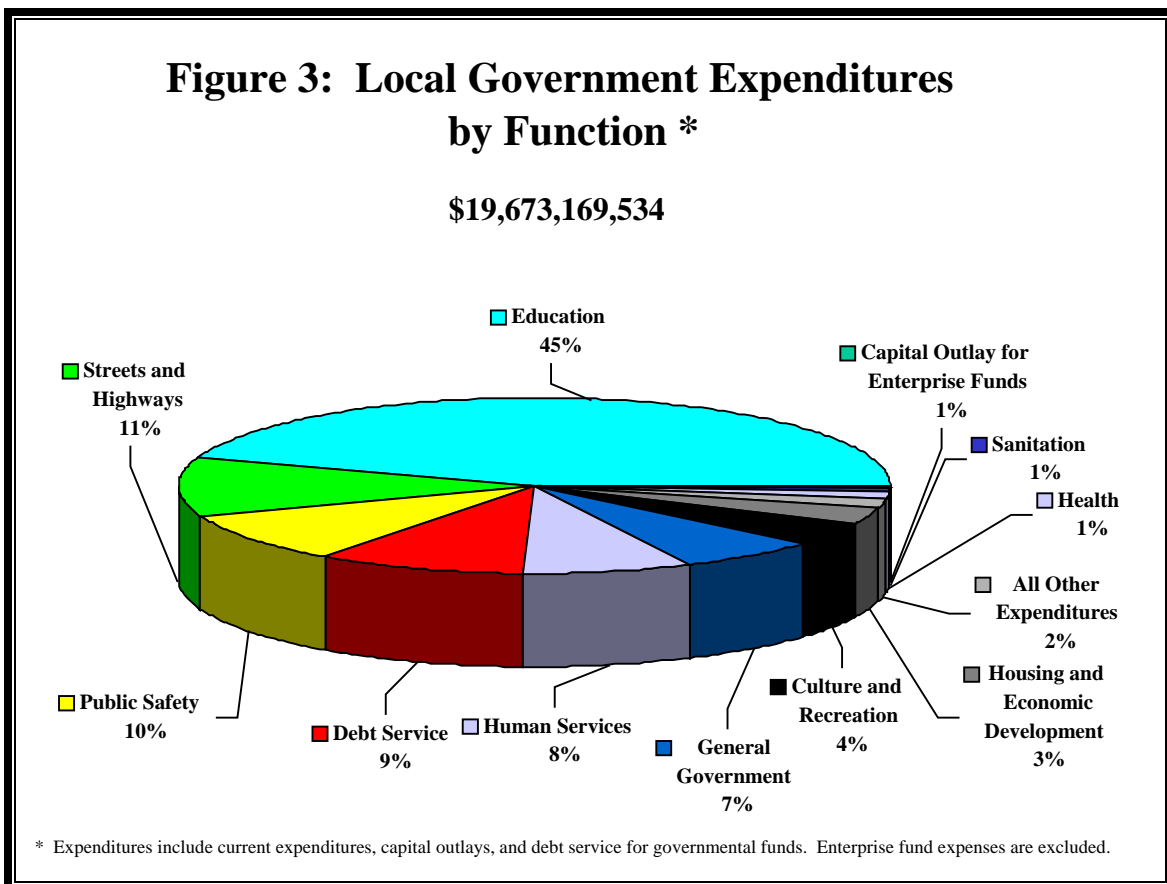
School districts were the largest type of local government in 2004 accounting for 48 percent of all local government revenues -- almost as much as all other local governments combined. Figure 2 shows the proportion of total revenues represented by each type of local government.



## Governmental Fund Expenditures

In 2004, local governments spent \$19.7 billion providing services.<sup>2</sup> On a per capita basis, local governments spent \$3,824. This is considerably more than the approximately \$13.1 billion or \$2,545 per capita the state spent on services accounted for in the general fund.

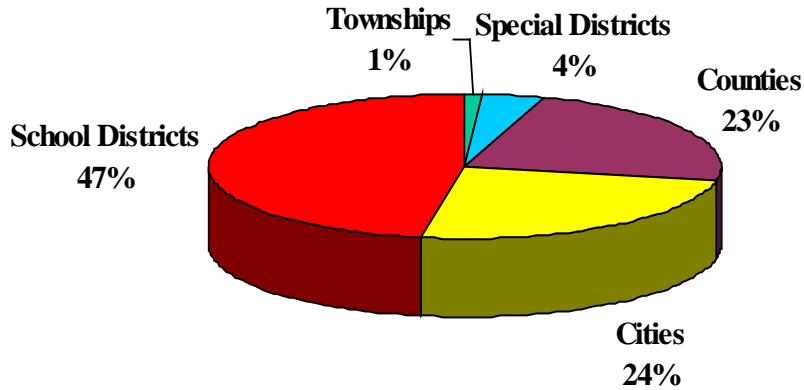
Local governments provide a wide range of services but have different priorities in terms of where the money is spent. In cities and townships, streets and highways account for the largest share of expenditures, while in counties, human services is the largest expenditure, and in special districts and school districts, the largest share is education expenditures. Overall, education expenditures dwarf all other categories because school districts receive and spend the most money, and they are a single-purpose type of government. Figure 3 illustrates the overall spending priorities of local governments, while figure 4 shows the proportion of total expenditures by type of government.



<sup>2</sup> Includes current and capital outlay expenditures, and debt service payments, but excludes other uses such as transfers and refunded bonds.

**Figure 4: Proportion of Total Local Government Expenditures by Government Type \***

\$19,673,169,534



■ Townships ■ Special Districts ■ Counties ■ Cities ■ School Districts

\* Total expenditures exclude transfers, debt redemption, and other financing uses.

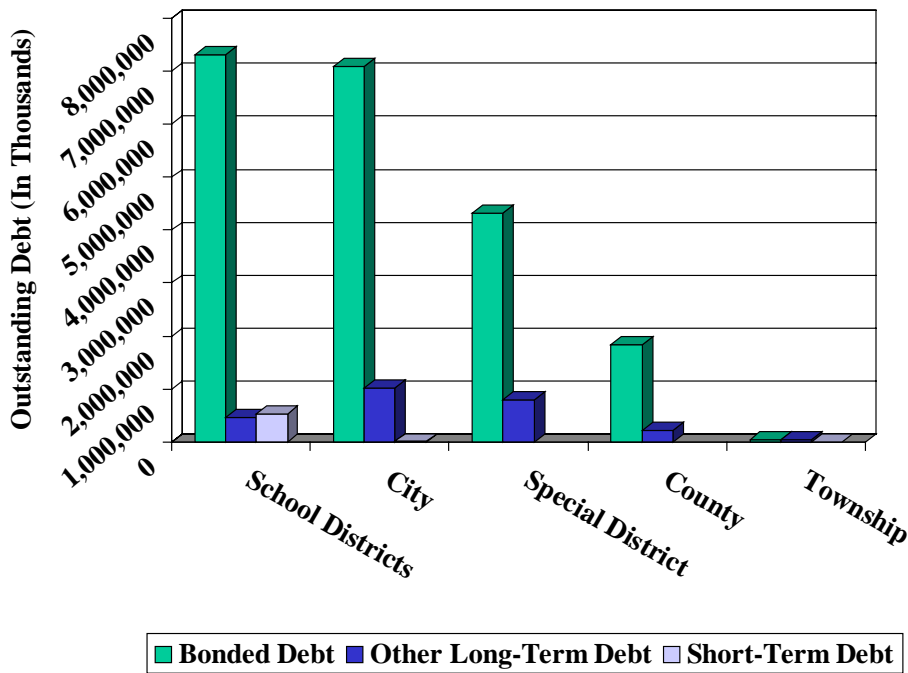
## Total Outstanding Debt

At the end of 2004, local government had outstanding short and long-term debt of \$23.7 billion. This represents \$4,606 for every person in the state. Cities and school districts carry the most debt while townships carry the least. Most long-term debt such as bonds, notes, and long-term leases incurred by local governments is used to fund the construction of public infrastructure projects such as roads, waste treatment facilities, and schools. Other long-term debt is issued to fund significant renovations of existing structures or purchase land or buildings.

Local governments, with one notable exception, rarely incur short-term debt to fund current operations. Many school districts issue tax anticipation notes to ease cash flow problems caused by the state's use of accounting procedures that shift tax and aid payments from one fiscal year to the next. In fact, of the \$534.1 million in short-term debt outstanding, \$527.9 million or 99 percent is held by school districts.

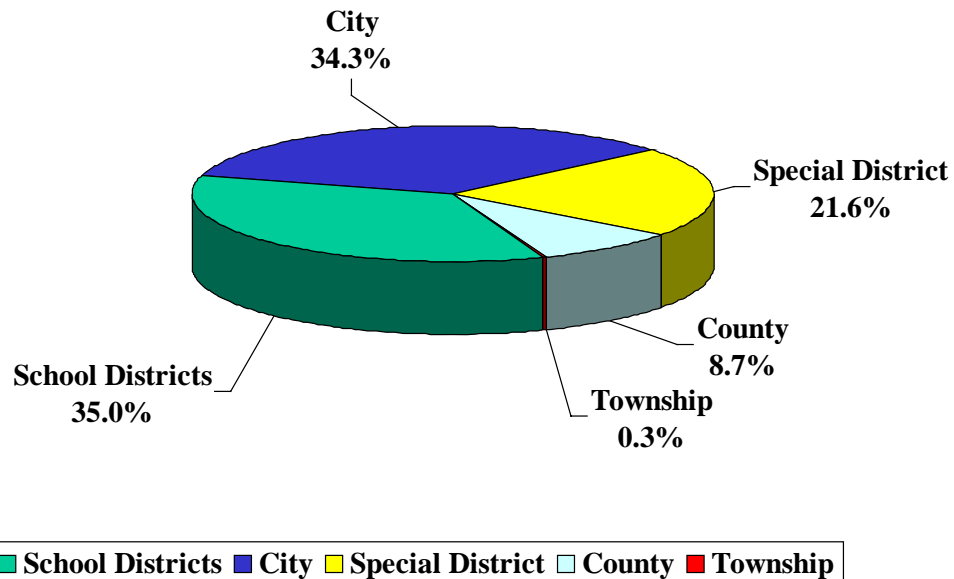
Figures 5 and 6 on the following page illustrate the overall distribution of debt among local governments.

**Figure 5: Outstanding Debt by Local Government Type**



**Figure 6: Proportion of Total Debt by Local Government Type**

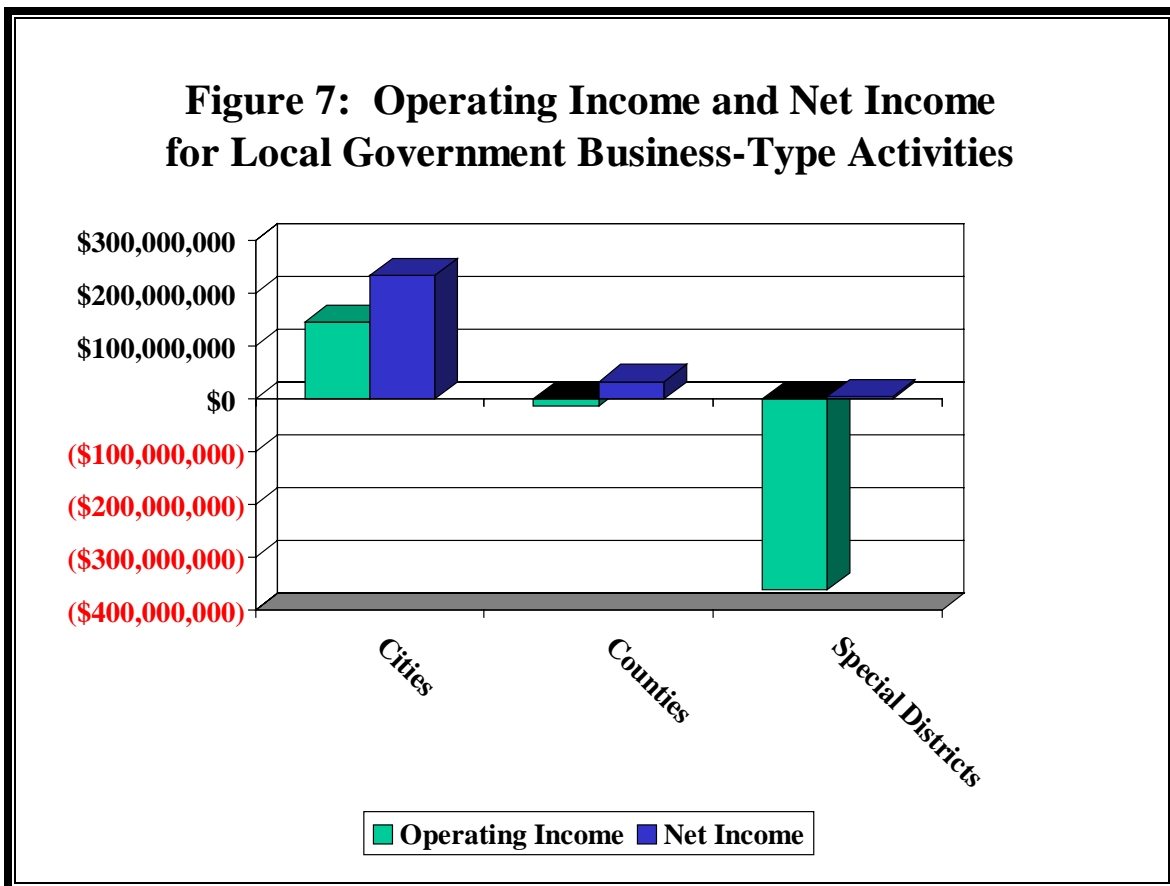
\$ 23,696,662,726



## Enterprise Fund or Business-Type Activities

In addition to services that are provided generally to citizens, many local governments provide services through municipal enterprises that are run similar to private sector businesses. The enterprises are generally expected to recover the majority of their costs through fees paid by the users of the services. In 2004, there was a cumulative operating loss of \$230.3 million for business-type activities. These operating losses, however, were offset by non-operating revenues that greatly exceeded non-operating expenses. The result was a net income of \$269.1 million.

While the special district enterprise operating loss appears large, the loss can be primarily attributed to five special district enterprises: the Metropolitan Council's Bus, Housing and Redevelopment Authority and Light Rail Transit operations, the Minneapolis Public Housing Authority, and the St. Paul Public Housing Authority. These five agencies recorded total operating losses of \$387.7 million -- more than the combined total operating income/(losses) for all other special district enterprises. Figure 7 shows the relative financial condition of city, county, and special district enterprises.



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## **DATA TABLES**

**Table 1**  
**Summary of Governmental Fund Revenues for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<b>Governmental Fund Revenues</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2005</b>	<b>Local Government Total</b>
	<b>City</b>	<b>County</b>	<b>Townships</b>	<b>Special Districts</b>	<b>School Districts &amp; Charter Schools</b>	
Taxes	\$ 1,615,814,885	\$ 1,774,769,845	\$ 142,866,617	\$ 138,687,962	\$ 1,187,610,165	\$ 4,859,749,474
Special Assessments	286,890,417	35,639,201	8,900,077	5,638,485	-	\$ 337,068,180
Licenses and Permits	165,408,805	27,275,273	4,366,109	862,230	-	\$ 197,912,417
Intergovernmental Revenues						
Federal Grants	185,882,619	423,053,235	1,237,990	57,193,817	512,457,175	\$ 1,179,824,836
State Grants	\$ 848,133,132	\$ 1,413,179,887	\$ 38,836,179	\$ 203,225,886	\$ 6,040,804,631	\$ 8,544,179,715
Local Grants	100,393,504	42,210,926	3,882,819	67,896,393	725,707,966	940,091,608
Total Intergovernmental Revenues	1,134,409,255	1,878,444,048	43,956,988	328,316,096	7,278,969,772	10,664,096,159
Charges for Services	406,842,459	473,364,532	12,312,914	239,032,953	-	1,131,552,858
Fines and Forfeits	41,848,613	14,960,423		265,574	-	57,074,610
Interest Earnings	89,771,533	60,253,189	3,401,740	8,951,659	81,223,881	243,602,002
All Other Revenues	263,238,536	197,124,036	8,277,477	24,317,875	198,401,054	691,358,978
<b>Total Revenues</b>	<b>4,004,224,503</b>	<b>4,461,830,547</b>	<b>224,081,922</b>	<b>746,072,834</b>	<b>8,746,204,872</b>	<b>18,182,414,678</b>
Other Sources						
Borrowing	991,732,735	274,642,169	18,960,733	63,887,331	1,718,112,442	3,067,335,410
Other Financing Sources	36,608,977	26,358,303		15,382,071	20,770,217	99,119,568
Transfers	851,689,249	101,725,654	7,866,811	15,047,061	18,968,519	995,297,294
<b>Total Revenues and Other Sources</b>	<b>5,884,255,464</b>	<b>4,864,556,673</b>	<b>250,909,466</b>	<b>840,389,297</b>	<b>10,504,056,050</b>	<b>22,344,166,950</b>



**Table 2**  
**Summary of Governmental Fund Revenues Per Capita for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<b>Governmental Fund Revenues</b>	<b>2004 City</b>	<b>2004 County</b>	<b>2004 Townships</b>	<b>2004 Special Districts</b>	<b>2005 School Districts &amp; Charter Schools</b>	<b>Total Revenue Per Capita for Those Living in Towns</b>	<b>Total Revenue Per Capita for Those Living in Cities</b>	<b>Statewide Local Government Revenue Per Capita</b>
Taxes	\$ 390	\$ 345	\$ 149	\$ 27	\$ 231	\$ 752	\$ 992	\$ 945
Special Assessments	69	7	9	1	-	17	77	66
Licenses and Permits	40	5	5	-	-	10	45	38
Intergovernmental Revenues								
Federal Grants	45	82	1	11	100	194	238	229
State Grants	204	275	41	39	1,174	1,529	1,693	1,661
Local Grants	24	8	4	13	141	167	187	183
Total Intergovernmental Revenues	273	365	46	64	1,415	1,890	2,117	2,073
Charges for Services	98	92	13	46	-	151	237	220
Fines and Forfeits	10	3	-	-	-	3	13	11
Interest Earnings	22	12	4	2	16	33	51	47
All Other Revenues	63	38	9	5	39	90	145	134
<b>Total Revenues</b>	<b>965</b>	<b>867</b>	<b>234</b>	<b>145</b>	<b>1,700</b>	<b>2,946</b>	<b>3,677</b>	<b>3,534</b>
Other Sources								
Borrowing	239	53	20	12	334	420	639	596
Other Financing Sources	9	5	-	3	4	12	21	19
Transfers	205	20	8	3	4	35	232	193
<b>Total Revenues and Other Sources</b>	<b>1,419</b>	<b>945</b>	<b>262</b>	<b>163</b>	<b>2,042</b>	<b>3,413</b>	<b>4,569</b>	<b>4,343</b>

\* Per capita amounts are calculated based on the population that lives within the entity type. City per capita amounts are based on city populations and town per capita amounts are based on township populations. All citizens live in counties, special districts, and school districts so the per capita amounts are based on the total state population. The total for all local governments is calculated by dividing the total dollars by the total state population.

**Table 3**  
**Summary of Governmental Fund Expenditures for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<u>Governmental Fund Expenditures</u>	<u>2004 Cities</u>	<u>2004 Counties</u>	<u>2004 Township</u>	<u>2004 Special Districts</u>	<u>2005 School Districts</u>	<u>Local Government Total</u>
<b>Expenditures (Current and Capital Combined)</b>						
General Government	\$ 460,992,855	\$ 777,913,897	\$ 45,090,439	\$ 11,494,649	\$ -	\$ 1,295,491,840
Public Safety	1,065,040,607	756,139,535	29,144,821	31,096,862	-	1,881,421,825
Streets and Highways	1,076,500,117	827,856,634	117,850,513	106,375,888	-	2,128,583,152
Sanitation	23,456,543	78,591,430	-	26,710,753	-	128,758,726
Health	23,819,620	203,541,571	-	12,032,431	-	239,393,622
Human Services	-	1,432,774,148	-	95,351,839	-	1,528,125,987
Culture and Recreation	593,675,026	142,609,176	-	85,478,248	-	821,762,450
Housing and Economic Development	416,801,116	109,450,671	-	24,547,558	-	550,799,345
Airports	45,628,092	-	-	-	-	45,628,092
Education	-	-	-	217,950,690	8,569,364,163	8,787,314,853
All Other Expenditures	106,500,536	73,296,963	25,006,294	79,097,799	40,296,137	324,197,729
Capital Outlay for Enterprise Funds	108,043,306	-	-	-	-	108,043,306
Debt Service	855,977,008	212,343,389	16,733,366	50,798,480	697,796,364	1,833,648,607
Total Expenditures	<b>4,776,434,826</b>	<b>4,614,517,414</b>	<b>233,825,433</b>	<b>740,935,197</b>	<b>9,307,456,664</b>	<b>19,673,169,534</b>
<b>Other Financing Uses</b>						
Debt Redemption - Refunded Bonds	124,992,085	8,163,294	-	10,395,000	-	143,550,379
Other Financing Uses	6,642,319	525,272	-	72,138	-	7,239,729
Transfers	801,332,073	108,484,524	7,866,811	30,633,726	14,831,752	963,148,886
Total Expenditures & Other Uses	<b>5,709,401,303</b>	<b>4,731,690,504</b>	<b>241,692,244</b>	<b>782,036,061</b>	<b>9,322,288,416</b>	<b>20,787,108,528</b>

**Table 4**  
**Summary of Governmental Fund Expenditures Per Capita for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<u>Governmental Fund Expenditures</u>	<u>2004 Cities</u>	<u>2004 Counties</u>	<u>2004 Township</u>	<u>2004 Special Districts</u>	<u>2005 School Districts</u>	<u>Total Statewide Expenditures Per Capita for Those Living in Towns</u>	<u>Total Statewide Expenditures Per Capita for Those Living in Cities</u>	<u>Local Government Total</u>
<b>Expenditures (Current and Capital Combined)</b>								
General Government	\$ 111	\$ 151	\$ 47	\$ 2	-	\$ 201	\$ 265	\$ 252
Public Safety	257	147	30	6	-	183	410	366
Streets and Highways	260	161	123	21	-	305	441	414
Sanitation	6	15	-	5	-	20	26	25
Health	6	40	-	2	-	42	48	47
Human Services	-	278	-	19	-	297	297	297
Culture and Recreation	143	28	-	17	-	44	187	160
Housing and Economic Development	100	21	-	5	-	26	127	107
Airports	11	-	-	-	-	-	11	9
Education	-	-	-	42	1,666	1,708	1,708	1,708
All Other Expenditures	26	14	26	15	8	64	63	63
Capital Outlay for Enterprise Funds	26	-	-	-	-	-	26	21
Debt Service	206	41	17	10	136	204	393	356
<b>Total Expenditures</b>	<b>1,151</b>	<b>897</b>	<b>244</b>	<b>144</b>	<b>1,809</b>	<b>3,094</b>	<b>4,001</b>	<b>3,824</b>
<b>Other Financing Uses</b>								
Debt Redemption - Refunded Bonds	30	2	-	2	-	4	34	28
Other Financing Uses	2	-	-	-	-	-	2	1
Transfers	193	21	8	6	3	38	223	187
<b>Total Expenditures &amp; Other Uses</b>	<b>1,376</b>	<b>920</b>	<b>253</b>	<b>152</b>	<b>1,812</b>	<b>3,136</b>	<b>4,260</b>	<b>4,040</b>

\* Per capita amounts are calculated based on the population that lives within the entity type. City per capita amounts are based on city populations and town per capita amounts are based on township populations. All citizens live in counties, special districts, and school districts so the per capita amounts are based on the total state population. The total for all local governments is calculated by dividing the total dollars by the total state population.

**Table 5**  
**Summary of Outstanding Long and Short-Term Indebtedness for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<u>Type of Debt</u>	<u>2004 City</u>	<u>2004 County</u>	<u>2004 Township</u>	<u>2004 Special District</u>	<u>2005 School Districts</u>	<u>Local Government Total</u>
Bonded Debt	\$ 7,103,636,030	\$ 1,842,721,660	\$ 44,391,839	\$ 4,322,269,772	\$ 7,315,747,715	\$ 20,628,767,016
Other Long-Term Debt	1,021,809,314	222,484,805	34,046,275	795,315,994	460,185,465	2,533,841,853
Short-Term Debt	5,741,848	-	384,611	-	527,927,398	534,053,857
<b>Total</b>	<b><u>\$ 8,131,187,192</u></b>	<b><u>\$ 2,065,206,465</u></b>	<b><u>\$ 78,822,725</u></b>	<b><u>\$ 5,117,585,766</u></b>	<b><u>\$ 8,303,860,578</u></b>	<b><u>\$ 23,696,662,726</u></b>

**Table 6**  
**Summary of Outstanding Long and Short-Term Indebtedness Per Capita for All Local Governments**  
**FY 2004 and 2005 (School Districts)**

<u>Type of Debt</u>	<u>2004 City</u>	<u>2004 County</u>	<u>2004 Township</u>	<u>2004 Special District</u>	<u>2005 School Districts</u>	<u>Total Statewide Debt Per Capita for Those Living in Towns</u>	<u>Total Statewide Debt Per Capita for Those Living in Cities</u>	<u>Local Government Total</u>
Bonded Debt	\$ 1,712	\$ 358	\$ 46	\$ 840	\$ 1,422	\$ 2,666	\$ 4,333	\$ 4,009
Other Long-Term Debt	246	43	36	155	89	323	534	492
Short-Term Debt	1	-	-	-	103	103	104	104
<b>Total</b>	<b><u>\$ 1,960</u></b>	<b><u>\$ 401</u></b>	<b><u>\$ 82</u></b>	<b><u>\$ 995</u></b>	<b><u>\$ 1,614</u></b>	<b><u>\$ 3,092</u></b>	<b><u>\$ 4,970</u></b>	<b><u>\$ 4,606</u></b>

\* Per capita amounts are calculated based on the population that lives within the entity type. City per capita amounts are based on city populations and town per capita amounts are based on township populations. All citizens live in counties, special districts, and school districts so the per capita amounts are based on the total state population. The total for all local governments is calculated by dividing the total dollars by the total state population.

**Table 7**  
**Summary of Business-Type Activities for Local Governments**  
**FY 2004**

<u>Statement of Operations</u>	<u>2004 Cities</u>	<u>2004 Counties</u>	<u>2004 Special Districts</u>	<u>Local Government Total</u>
<b>Operating</b>				
Revenues	\$ 2,750,445,872	\$ 897,605,569	\$ 1,507,466,769	\$ 5,155,518,210
Expenses	<u>2,606,539,561</u>	<u>911,183,327</u>	<u>1,868,096,562</u>	<u>5,385,819,450</u>
Operating Income/(Loss)	143,906,311	(13,577,758)	(360,629,793)	(230,301,240)
<b>Non-Operating</b>				
Revenues	223,855,645	82,023,224	569,122,810	875,001,679
Expenses	<u>135,463,971</u>	<u>35,728,688</u>	<u>204,411,080</u>	<u>375,603,739</u>
Net Income/(Loss)	<u><u>232,297,985</u></u>	<u><u>32,716,778</u></u>	<u><u>4,081,937</u></u>	<u><u>269,096,700</u></u>

**Table 8**  
**Summary of Business-Type Activities Per Capita for Local Governments**  
**FY 2004**

<u>Statement of Operations</u>	<u>2004 Cities</u>	<u>2004 Counties</u>	<u>2004 Special Districts</u>	<u>Local Government Total</u>
<b>Operating</b>				
Revenues	\$ 663	\$ 174	\$ 293	\$ 1,002
Expenses	628	177	363	1,047
Operating Income/(Loss)	<u>35</u>	<u>(3)</u>	<u>(70)</u>	<u>(45)</u>
<b>Non-Operating</b>				
Revenues	54	16	111	170
Expenses	<u>33</u>	<u>7</u>	<u>40</u>	<u>73</u>
Net Income/(Loss)	<u><b>56</b></u>	<u><b>6</b></u>	<u><b>1</b></u>	<u><b>52</b></u>

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# **GLOSSARY**

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## Glossary

**BORROWING** - These revenues reflect the sale of bonds and notes, certificates of indebtedness, and tax anticipation certificates. Cities are restricted by law from borrowing for current expenses.

**CAPITAL OUTLAY** - These expenditures include the purchase, construction or permanent improvements of buildings, equipment, machinery, and land. Capital outlay varies from year to year based on the needs and resources of the cities.

**CAPITAL OUTLAY FOR ENTERPRISE FUNDS** - The expenditures from governmental funds for improvements to public service enterprises, such as sewer and water mains.

**CAPITAL PROJECTS FUND** - A fund created to account for the financial resources that are used for the acquisition or construction of a fixed asset.

**CASH BASIS OF ACCOUNTING** - Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

**CHARGES FOR SERVICES** - These revenues reflect fees for activities of the governmental funds. These include rent of city hall by individuals or organizations, police and fire contracts, fire calls, recreation fees, park dedication fees, etc.

**DEBT SERVICE EXPENDITURES** - These expenditures reflect the annual costs of servicing the outstanding debt of the local government. These costs include principal, interest, and some fiscal charges.

**DEBT SERVICE FUND** - A fund to account for the collection of resources and payment of principal and interest from long-term debt.

**ENTERPRISE FUND** - A fund established to account for operations financed and operated in a manner similar to private business. Examples include water, sewer, and electric utilities. The expenses of providing services are primarily financed by user charges.

**FINES AND FORFEITS** - These revenues reflect receipts from the payment of penalties for law violations, non-observance of contracts, and forfeited deposits.

**FRANCHISE TAXES** - These revenues reflect proceeds from taxes imposed on public utilities, usually involving elements of a monopoly, (e.g., electric utilities, gas utilities, cable TV) for use of public property.

**GENERAL FUND** - The fund used to account for all financial resources not required to be accounted for in another fund. This fund is the main operating fund.

**GENERAL GOVERNMENT EXPENDITURES** - These expenditures reflect the costs associated with running a local government, such as the mayor, the city council, administration, finance, and elections. Expenditures in this category include salaries, wages, and benefits of legislative, judicial, and administrative personnel, supplies, and city hall maintenance.

## Glossary

**GOVERNMENTAL FUNDS** - The funds through which most governmental activities are financed. The four governmental fund types are: general, special revenue, debt service, and capital projects.

**GRAVEL TAX** - These revenues are derived from taxes imposed by the local government for aggregate material removal.

**HEALTH** - These expenditures are for the maintenance of vital statistics, restaurant inspection, communicable disease control, and various health services and clinics.

**HRA AND ECONOMIC DEVELOPMENT** - These expenditures are for development and redevelopment activities in blighted or otherwise economically disadvantaged areas. Activities may include low interest loans to individuals and businesses, cleanup of hazardous sites, rehabilitation of substandard housing and other physical facilities, and other assistance to those wanting to provide housing and economic opportunity within a disadvantaged area.

**INTEREST ON INVESTMENTS** - These revenues reflect interest earned on checking and savings accounts, CDs, money market funds, and bonds. This category also includes dividends. In addition, the net increase or decrease in the fair value of investments is recorded here.

**LICENSES AND PERMITS** - These revenues reflect receipts from liquor licenses, cigarette licenses, other business licenses, street use permits, buildings permits, and other non-business licenses and permits.

**MISCELLANEOUS EXPENDITURES** - These expenditures reflect the costs of activities that were not allocated to a specific function. Some activities included in this category are pension and insurance costs not allocated to a specific department.

**MISCELLANEOUS REVENUES** - These revenues refer to refunds, reimbursements, donations, and lease payments.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING** - Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

**NET TAX LEVY** - The city net property taxes, after state property tax relief aids or grants, required to be paid by the property owners of the city.

**OTHER FINANCING SOURCES** - Long-term debt proceeds, sale of fixed assets, and transfers from other funds.

**OTHER FINANCING USES** - Transfers to other funds, refunding bond proceeds deposited with escrow agent and invested until they are used to pay principal and interest on the old debt at a future time, and remittance to other agencies.

## Glossary

**OUTSTANDING LONG-TERM DEBT** - This category refers to the long-term debt that a local government has incurred to finance its capital projects. Examples of long-term debt include various types of bonds and other obligations such as notes and long-term leases.

**PARKS AND RECREATION** - These expenditures reflect park maintenance, mowing, planting, and removal of trees. Recreation expenditures include festivals, bands, museums, community centers, cable TV, baseball fields, organized recreation activities, etc.

**PUBLIC SAFETY EXPENDITURES** - These expenditures reflect the costs related to the protection of persons and property. This category combines several distinct city departments, including police, fire, ambulance services, and other protection. They are combined here because cities allocate similar responsibilities differently among these departments.

**SANITATION** - These expenditures reflect the costs of refuse collection and disposal, recycling, as well as weed and pest control. Some cities provide sanitation services through enterprise funds.

**SPECIAL ASSESSMENTS** - These revenues refer to levies made against certain properties to defray all or part of the costs of a specific improvement, such as new sewer and water mains, deemed to benefit primarily those properties. The amount includes the penalties and interest paid on the assessments.

**SPECIAL REVENUE FUNDS** - A fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specific purpose.

**STREETS AND HIGHWAYS EXPENDITURES** - These expenditures reflect the costs associated with the maintenance and repair of local highways, streets, bridges, and street equipment. Common expenditures include patching, seal coating, and snow removal. Expenditures for road construction are not included in current expenditures but are accounted for as capital outlay.

**TAXABLE TAX CAPACITY** - The tax capacity less the tax increment district value, less the fiscal disparities contribution value, plus the fiscal disparities distribution value.

**TAX CAPACITY** - The value assigned to the property used to calculate the property taxes.

**TAX INCREMENTS** - These revenues refer to the amount of resources cities generate when they establish tax increment financing (TIF) districts. In a TIF district, the increase in property tax revenues in the redeveloped area are used to pay the costs of development and redevelopment in the district rather than the general services of the city, county, and school district.

**TOTAL CURRENT EXPENDITURES** - This category reflects the total of all expenses relating to current operations.

**TOTAL EXPENDITURES** - This category includes current operating expenses, capital outlays, and debt service principal and interest payments.

## Glossary

**TOTAL REVENUES** - This category reflects all sources of revenue that increase the amount of available resources without creating a liability or a future payment. Borrowing and transfers between funds are not included in total revenues.

**TRANSFERS - ENTERPRISE FUNDS** - The transfer of available resources to or from public service enterprises. An example of this transfer is a water utility transferring money to the General Fund.

**TRANSFERS - GOVERNMENTAL FUNDS** - The transfer of money between governmental fund types. The revenues and expenditures for these funds are always shown in the same tables.

**UNALLOCATED INSURANCE** - These expenditures refer to insurance premiums that were not allocated to a specific function of government.

**UNALLOCATED PENSION CONTRIBUTIONS** - These expenditures refer to contributions to pension plans that were not allocated to a specific function of government.

## RECENT ANNUAL REPORTS, SPECIAL STUDIES, AND BEST PRACTICES REVIEWS FROM THE OFFICE OF THE STATE AUDITOR

### **Special District Finances**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all special districts in Minnesota for the most recent audited fiscal year. August 2006

### **Financial Trends of Minnesota School Districts and Charter Schools: 2001 to 2005**

This annual report provides five years of data and rankings based on the per pupil revenues, expenditures, and debt for all regular Minnesota school districts and charter schools. The report also provides rankings on student demographics, average teacher salaries, fund balances, and other statistics. June 2006

### **2005 Local Government Lobbying Expenditures**

This annual report lists what local government and associations of local governments spend to lobby the Legislature and agencies of the state administration. April 2006

### **Minnesota County Finances**

This annual report lists the sources and audited amounts of revenues, expenditures and debt for Minnesota counties during the most recent fiscal year (year-ended 2004). It includes analysis of counties' enterprise operations and the fund balances for the general and special revenue funds. The report also includes summary budget data for 2005 and 2006. March 2006

### **An Analysis of Minnesota's Municipal Liquor Store Operations in 2004**

This annual report details the sales and profits of Minnesota's municipally-owned and operated liquor stores. December 2005

### **2004 Minnesota City Finances – “The State Auditor’s Big Book of Cities”**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all Minnesota cities for the most recent audited fiscal year (year-ended 2004). It also examines enterprise operations. December 2005

### **Best Practice Review: *Contracting and Procurement in the Public Sector***

The best practices review provides detailed steps that can help increase accountability, reduce liability, and encourage savings when contracting and procuring in the public sector. November 2005

### **Minnesota Township Finances**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for Minnesota towns for the most recent fiscal year (2004). October 2006

### **Annual Summary of Local Government Finances**

This new annual report provides a summary of all local government finances: counties, cities, school districts, townships and special districts for the most recently audited fiscal year. August 2005

### **Best Practices Review: *Cooperative Efforts in Public Service Delivery***

The best practices review highlights examples of successful local government cooperation and offers guidance to those local governments pursuing cooperative efforts. December 2004

### **Special Study: Municipal Enterprise Activity**

This study, requested by a bipartisan group of legislators, examines the financial information of enterprise fund operations of Minnesota cities from 1998 to 2002. March 2004

### **Special Study: School Superintendent Compensation**

This special study examined the compensation (salary, benefits, severance, etc.) of Minnesota School Superintendents from 1997 to 2002. September 2003

### **Special Study: Local Government Aid and its Effect on Expenditures**

This special study examined the effect the state program known as Local Government Aid has on expenditures for cities over 2,500 in population. February 2003

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