
Executive Summary

Current and Five-Year Trends

- In 2018, Minnesota towns reported total revenues of \$317.3 million. This amount represents a 2.4 percent decrease from the total revenues reported in 2017. From 2014 to 2018, total town revenues increased 3.4 percent (pg. 5).
- Minnesota towns reported total expenditures of \$312.2 million in 2018. This amount represents an increase of 1.9 percent over the amount reported in 2017. Over the five-year period of 2014 to 2018, total town expenditures increased 7.1 percent (pg. 9).
- Towns had debt service expenditures of \$11.1 million in 2018. This amount represents a decrease of 16.3 percent from 2017. Over the five-year period of 2014 to 2018, debt service expenditures decreased 21.0 percent (pg. 11).
- Outstanding indebtedness totaled \$56.7 million in 2018. This represents an increase of 1.1 percent from 2017. Outstanding bonded indebtedness totaled \$35.6 million in 2018, which represents an increase of 2.2 percent from the \$34.9 million outstanding in 2017. Other long-term debt totaled \$20.5 million in 2018, which represents an increase of 3.6 percent from 2017. In addition, towns reported \$535,849 in short-term indebtedness in 2018, which is a decrease of 62.0 percent from 2017 (pg. 13).

Ten-Year Trends

- Between 2009 and 2018, total town revenues in actual dollars increased 20.5 percent. In constant, or inflation-adjusted, dollars,¹ total town revenues decreased 1.6 percent during this ten-year period (pg. 7).
- Since 2009, the share of total revenues derived from taxes increased from 70.4 percent in 2009 to 73.8 percent in 2018, and the share of total revenues derived from intergovernmental sources decreased from 19.1 percent to 18.2 percent over that same period (pg. 7).
- Between 2009 and 2018, total town expenditures in actual dollars increased 20.3 percent. In constant, or inflation-adjusted, dollars, total town expenditures decreased 1.8 percent during the ten-year period (pg. 11).

¹Constant dollars will refer to data adjusted for inflation using the Implicit Price Deflator for State and Local Governments, setting 2009 as the base year (N.I.P.A. Table 1.1.9, September 2019).

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Scope

This report analyzes the financial operations of 1,605 towns in Minnesota that provided financial information to the Office of the State Auditor for the calendar year ended December 31, 2018.² The data used in preparing this report included annual town financial reporting forms, audits by certified public accountants, financial statements prepared by the town clerk or clerk-treasurer, county auditors' reports of indebtedness, and Minnesota Department of Revenue records.³ Data received from the Department of Revenue includes state-shared tax distributions, grants, aids, taxable valuations, and tax levies.

In 2018, there were 1,781 towns, compared to 853 cities and 87 counties. The 2018 population estimates from the State Demographer show that 918,397 individuals reside in towns, representing about 16.3 percent of the state population. Town populations range from 11,095 in the Town of White Bear to 5 in the Town of Hangaard. Fifty-two percent of towns have a population of 300 or less.

The data presented in this report reflects the activities of governmental funds and enterprise funds. The governmental funds consist of the General, Special Revenue, Capital Projects, and Debt Service Funds. The enterprise funds are funds that report the financial operations of municipal public service enterprises, such as water or sewer utilities owned by the town.

Tables 1 and 2 summarize the overall financial condition of Minnesota towns. More specifically, Table 1 displays governmental fund revenues, and Table 2 shows governmental fund expenditures. Tables 3 and 4 present the data for governmental fund revenues and expenditures by individual town, organized by county.

Table 5 lists public service enterprise funds, and Table 6 details outstanding bonded, other long-term, and short-term debt of each individual town as of December 31, 2018. Other long-term debt refers to liabilities such as long-term lease agreements, installment purchase contracts, and notes. Tables 7 and 8 provide a summary of town revenues and expenditures by economic development region.

This report does not analyze fund balances. The majority of towns use a cash basis of accounting, with the remainder using a modified accrual basis of accounting. Those towns using a cash basis of accounting report a single cash balance for all governmental funds at the end of the fiscal year. Towns using a modified accrual basis of accounting report separate fund balances for all of their governmental funds and denote the amounts that fall under the following classifications: *nonspendable*, *restricted*, *committed*, *assigned*, and *unassigned*. Because of these differences among towns, a comparative analysis of fund balances is not appropriate.

²While there were 1,781 Minnesota towns in 2018, a total of 176 towns failed to comply with the statutory reporting requirement. In the previous reporting period, 125 towns failed to comply with the reporting requirement. The difference in the number of towns reporting from 2017 to 2018 may skew comparisons between the two years.

³The underlying databases for Office of the State Auditor reports are available for downloading through the Office of the State Auditor's website at www.auditor.state.mn.us.

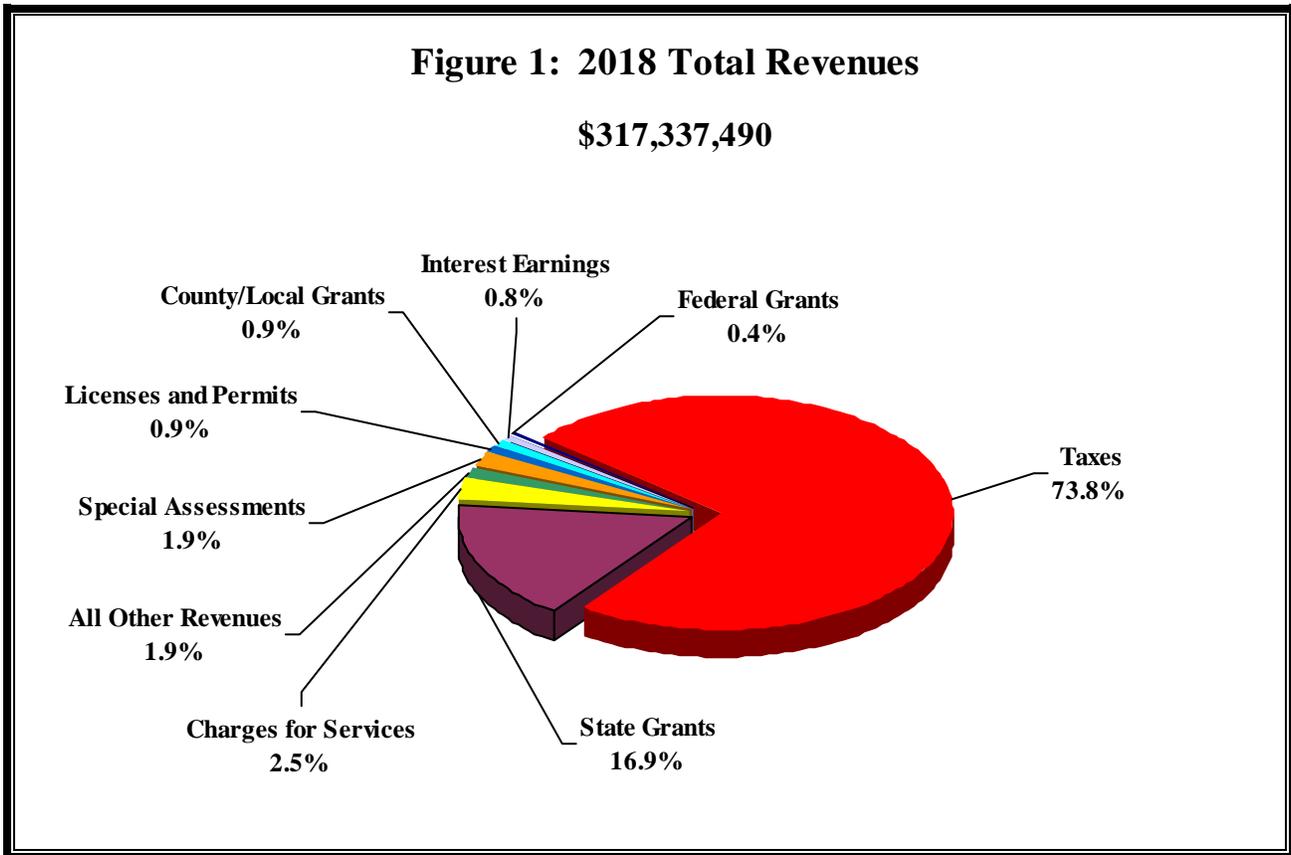
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Overview

Total Governmental Revenues

Principal Sources of Revenues

The principal sources of revenues for towns in 2018 were: taxes (mainly property taxes) and state grants. These sources of revenues accounted for 90.7 percent of town revenues in 2018. Figure 1 below shows the components of revenues as a percent of total revenues in 2018.



Current and Five-Year Trends

In 2018, Minnesota towns reported total revenues of \$317.3 million. This amount represents a 2.4 percent decrease from the total revenues reported in 2017. From 2014 to 2018, total town revenues increased 3.4 percent.

Between 2017 and 2018, tax revenues decreased from \$236.5 million to \$234.1 million. This represents a decrease of 1.0 percent. The category of revenue showing the largest increase was interest earnings (22.3 percent). Those categories showing the largest decreases were federal grants (-65.6 percent), all other revenues (-23.0 percent), county/local unit grants (-21.2 percent), and charges for services (-12.4 percent).

Figure 2 below shows total revenues for towns over the five-year period.

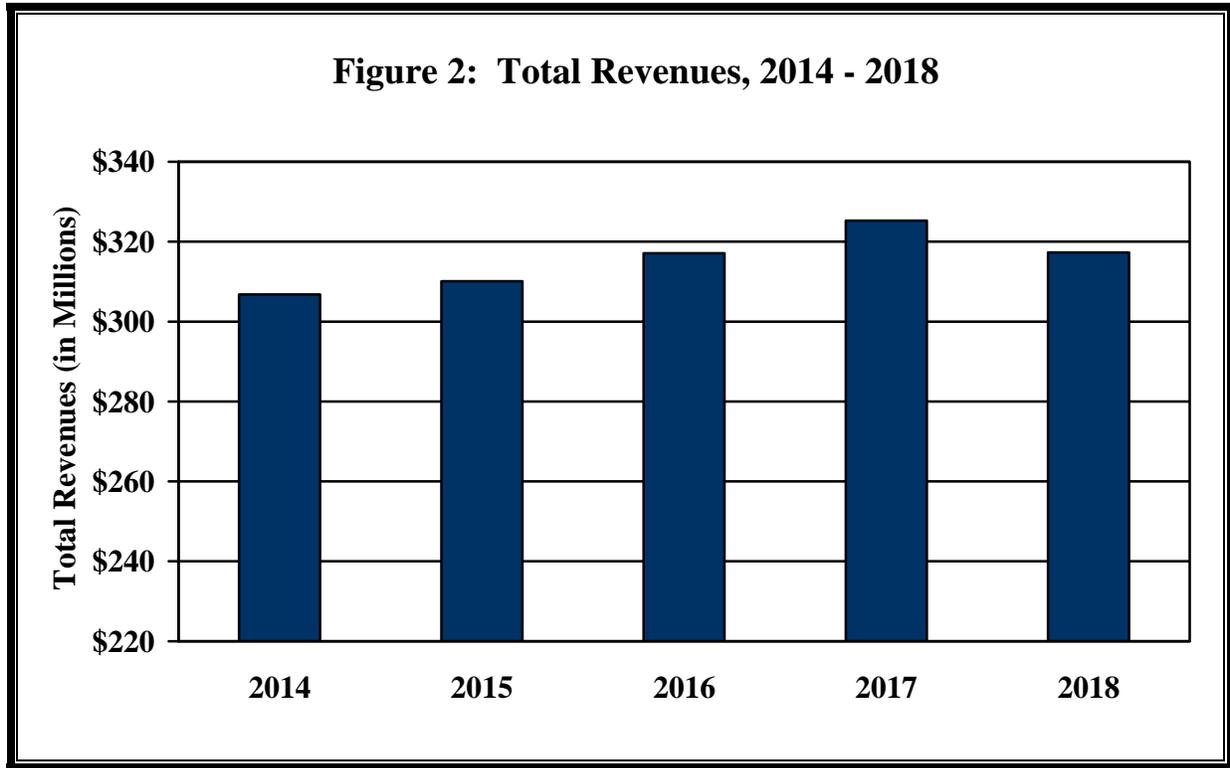
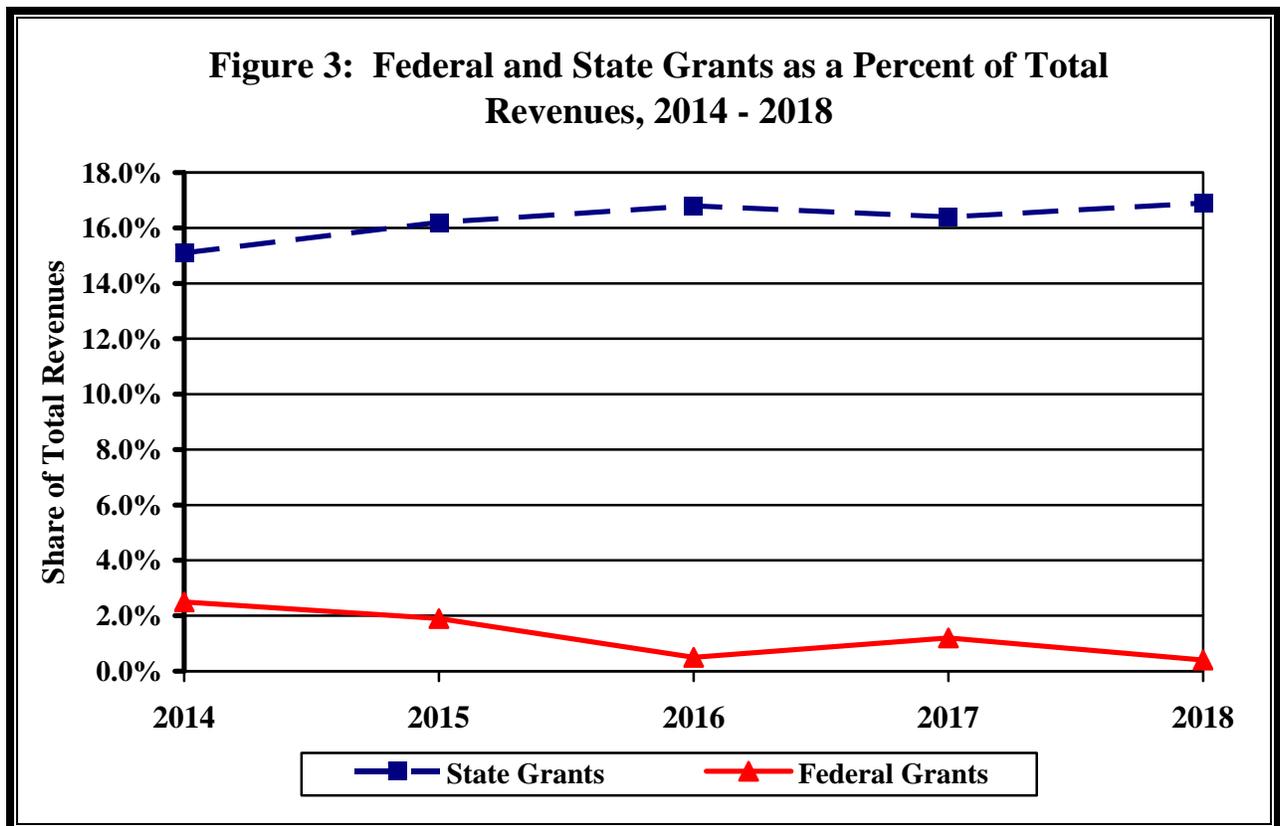
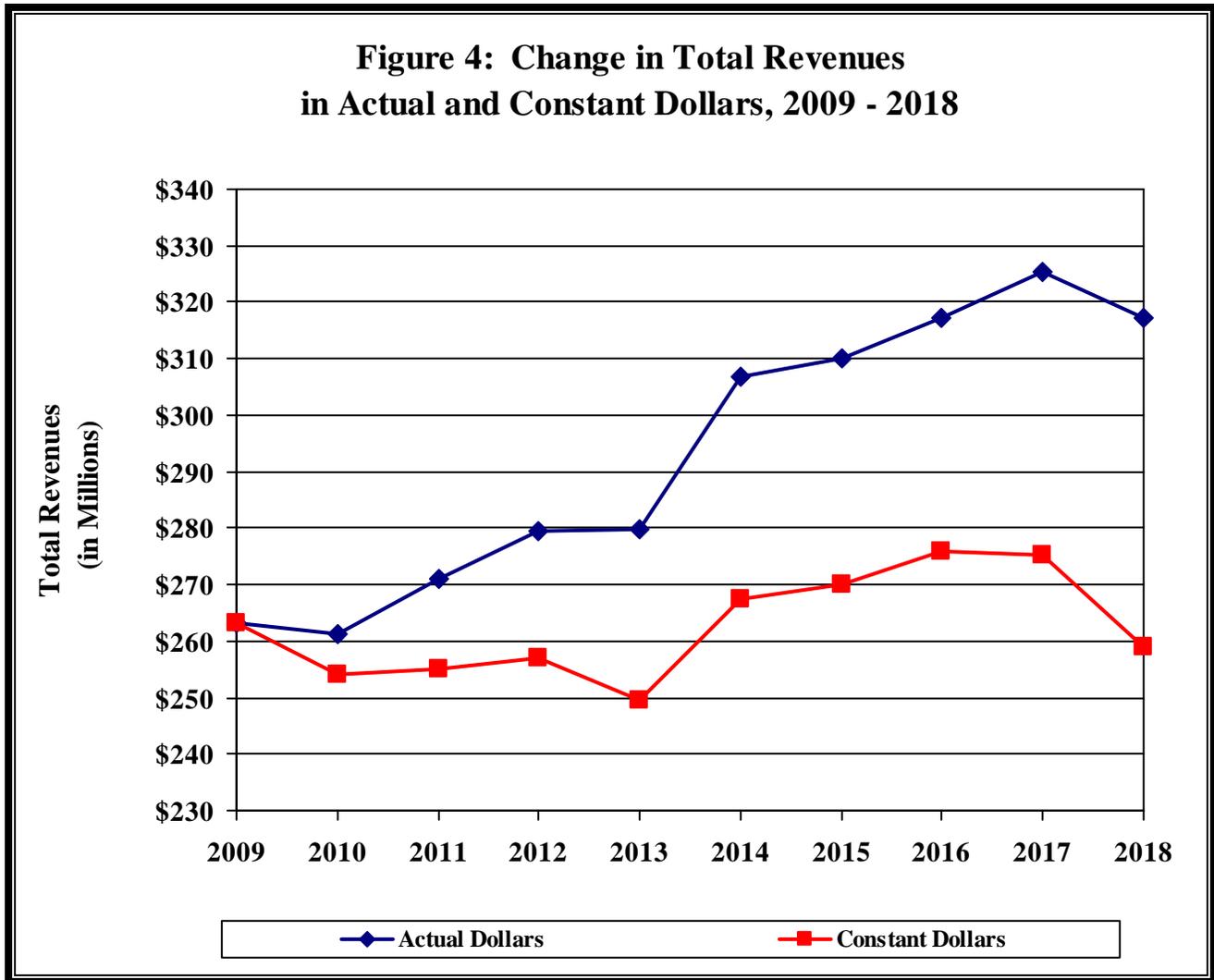


Figure 3 below illustrates the five-year trend in federal and state grants.



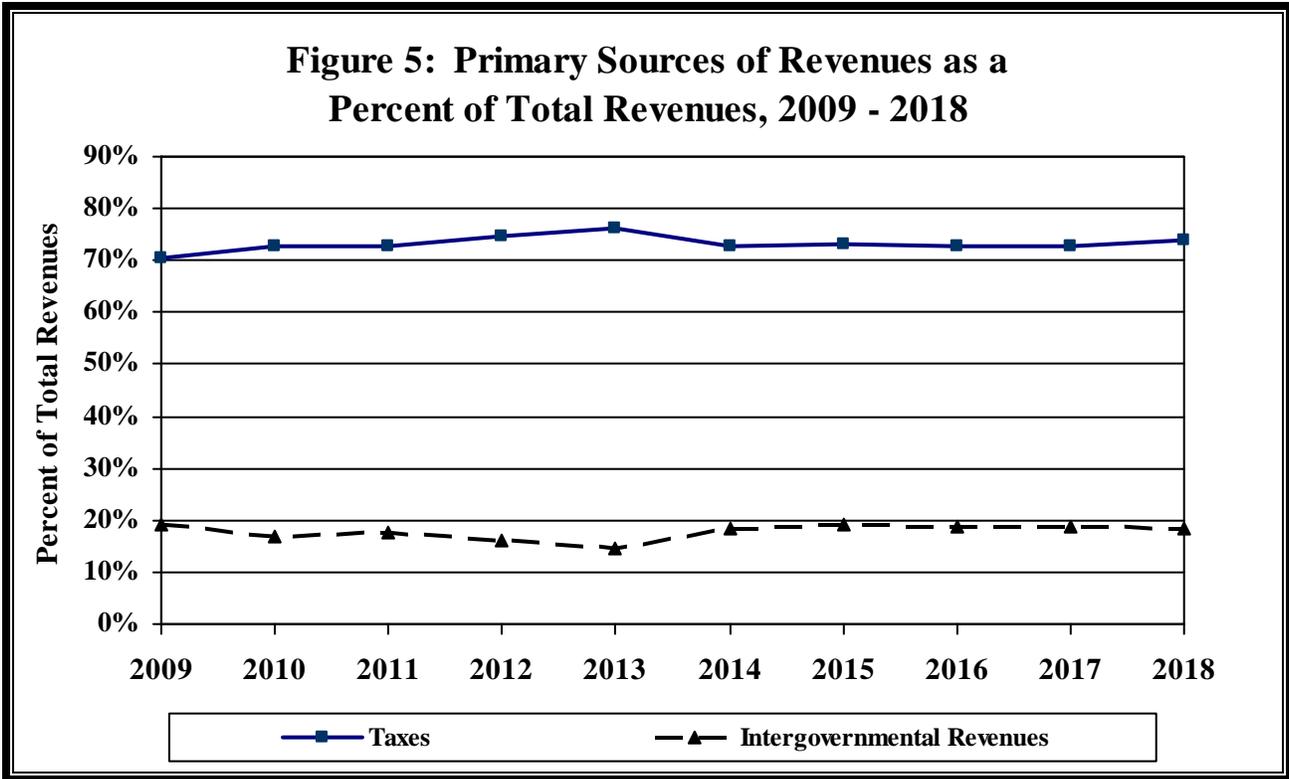
Ten-Year Trends

Figure 4 below illustrates a long-term trend in total revenues in actual and constant dollars.⁴ Between 2009 and 2018, total town revenues in actual dollars increased 20.5 percent. In constant, or inflation-adjusted, dollars, total town revenues decreased 1.6 percent during this ten-year period.



⁴Constant dollars will refer to data adjusted for inflation using the Implicit Price Deflator for State and Local Governments, setting 2009 as the base year (N.I.P.A. Table 1.1.9, September 2019).

Figure 5 below shows the two major components of revenues: taxes and intergovernmental revenues. These components have historically been the primary sources of revenues. Since 2009, the share of total revenues derived from taxes increased from 70.4 percent in 2009 to 73.8 percent in 2018, and the share of total revenues derived from intergovernmental sources decreased from 19.1 percent to 18.2 percent over that same period.

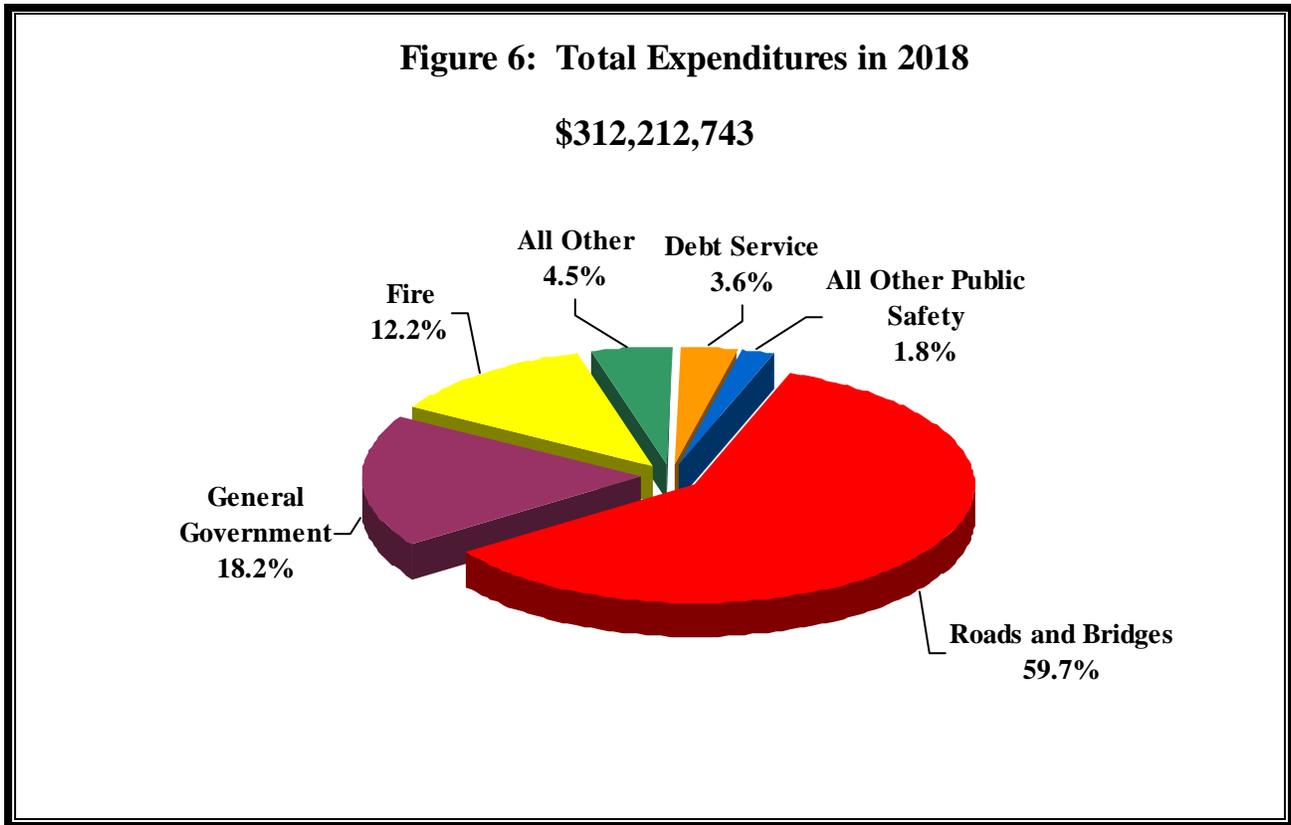


The underlying data displayed in Figures 1 through 5 for the years 2009 through 2013 is from previous town finance reports. Data displayed for the years 2014 through 2018 is in Table 1 on page 25.

Total Governmental Expenditures

Principal Expenditures

Expenditures for towns include current expenditures and capital outlays for roads and bridges, general government, fire, all other public safety, and all other expenditures.⁵ Debt service principal and interest payments are also included in total expenditures for towns. Figure 6 below displays the categories of expenditures for 2018. The roads and bridges expenditures category, which is the primary service provided by towns, is more than three times the size of the next largest category, which is general government.



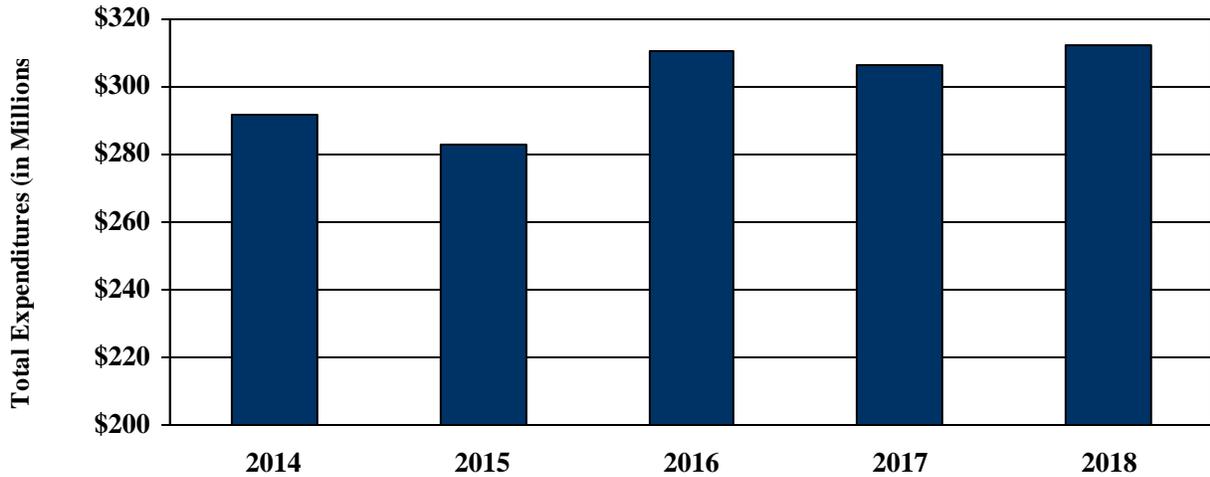
Current and Five-Year Trends

Minnesota towns reported total expenditures of \$312.2 million in 2018. This amount represents an increase of 1.9 percent over the amount reported in 2017.

Of total expenditures, \$267.3 million (85.6 percent) was allocated to current expenditures, \$33.8 million (10.8 percent) to capital outlay, and \$11.1 million (3.6 percent) to debt service payments. Over the five-year period of 2014 to 2018, total town expenditures increased 7.1 percent. Figure 7 on the following page illustrates total expenditures over the five-year period.

⁵Current expenditures and capital outlays for water and sewer enterprises are included separately as enterprise fund activities in Table 5, pg. 152.

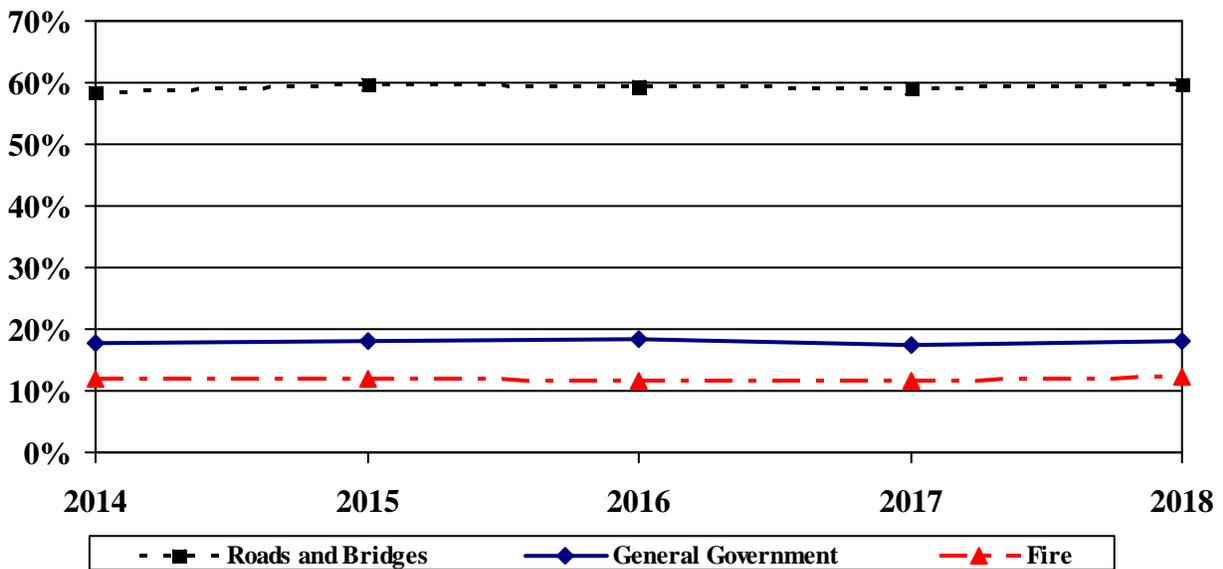
Figure 7: Total Town Expenditures, 2014 - 2018



Expenditures for roads and bridges totaled \$186.3 million in 2018. Of this total, \$160.5 million was allocated to current expenditures (maintenance, snowplowing, lighting, engineering, and administration) and \$25.8 million to capital outlays (road construction and purchase of equipment).

Figure 8 below provides a comparison of the percent of total expenditures allocated to general government, fire, and roads and bridges spending during the years 2014 through 2018.

Figure 8: Categories of Total Expenditures as a Percent of Total Expenditures, 2014 - 2018



Capital Outlays

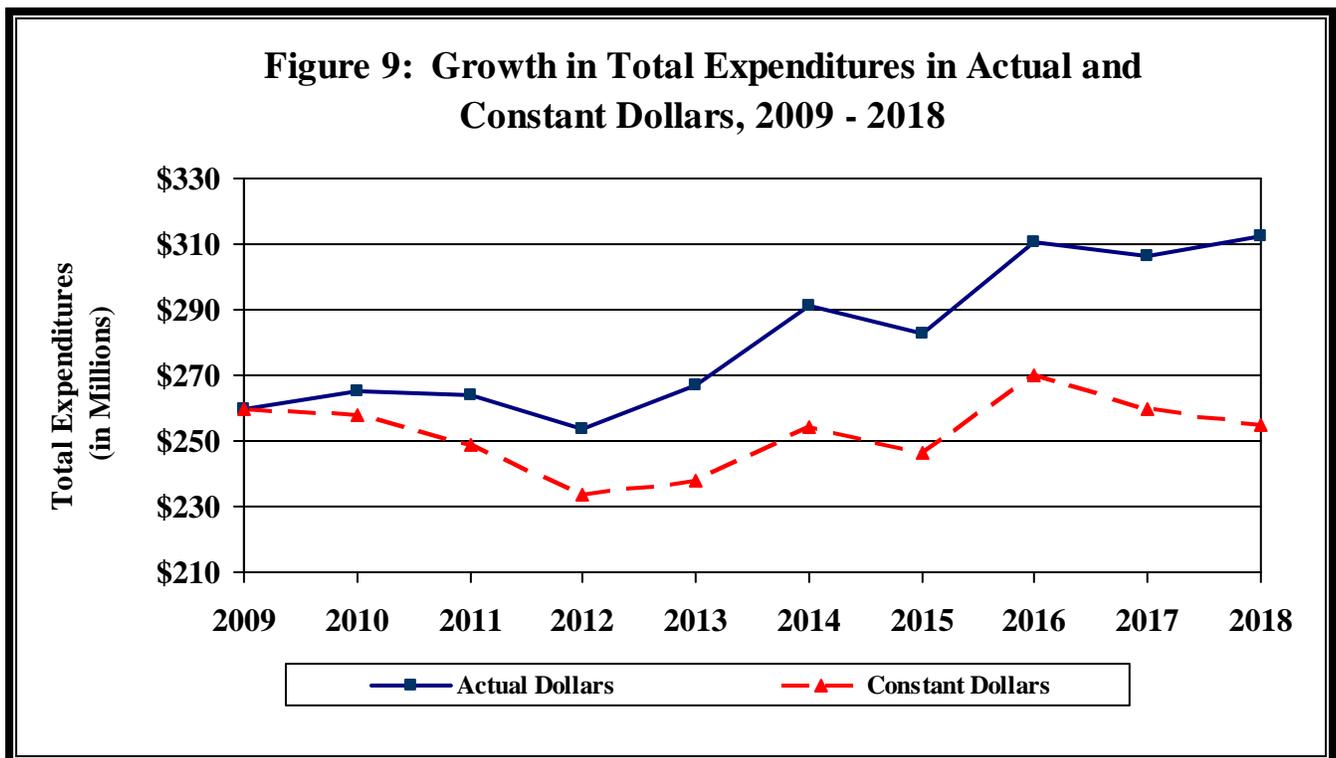
Capital outlays are expenditures used for the acquisition or construction of capital assets, such as buildings and roads. Capital assets have lives extending beyond a single reporting period. Town capital outlays totaled \$33.8 million in 2018. This amount represents a decrease of 1.3 percent from 2017 and an increase of 15.6 percent over the five-year period beginning in 2014. The largest category of capital outlays for towns was roads and bridges. Capital outlay expenditures for roads and bridges increased 7.1 percent from 2017 to 2018 and comprised 76.3 percent of total capital outlay spending in 2018.

Debt Service

Debt service expenditures are the principal and interest payments on outstanding indebtedness. Towns had debt service expenditures of \$11.1 million in 2018. This amount represents a decrease of 16.3 percent from 2017. Over the five-year period of 2014 to 2018, debt service expenditures decreased 21.0 percent.

Ten-Year Trends

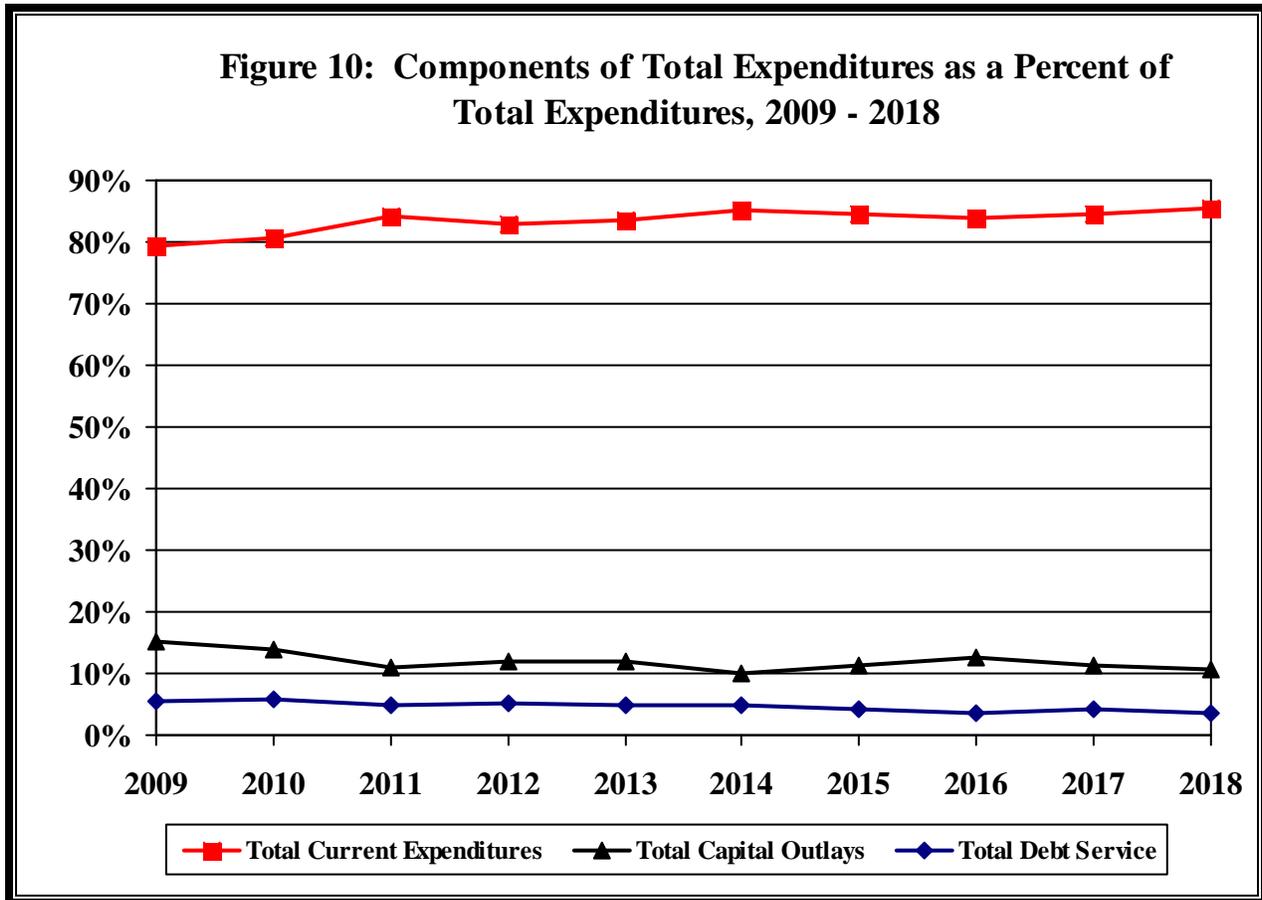
Figure 9 below shows the change in total expenditures in actual and constant dollars from 2009 to 2018. Between 2009 and 2018, total town expenditures in actual dollars increased 20.3 percent. In constant, or inflation-adjusted, dollars,⁶ total town expenditures decreased 1.8 percent during the ten-year period.



⁶Constant dollars will refer to data adjusted for inflation using the Implicit Price Deflator for State and Local Governments, setting 2009 as the base year (N.I.P.A. Table 1.1.9, September 2019).

Primary Categories of Expenditures

Figure 10 below illustrates the ten-year trend in current expenditures, capital outlays, and debt service as a percent of total expenditures from 2009 to 2018. The chart shows that current expenditures are the primary expenditure for towns. In addition, the chart shows that the share of total expenditures allocated to current expenditures has generally been increasing.



The underlying data displayed in Figures 7 through 10 for the years 2009 through 2013 can be found in the town finance reports for previous years. Data displayed for years 2014 through 2018 is in Table 2 on page 26.

Indebtedness

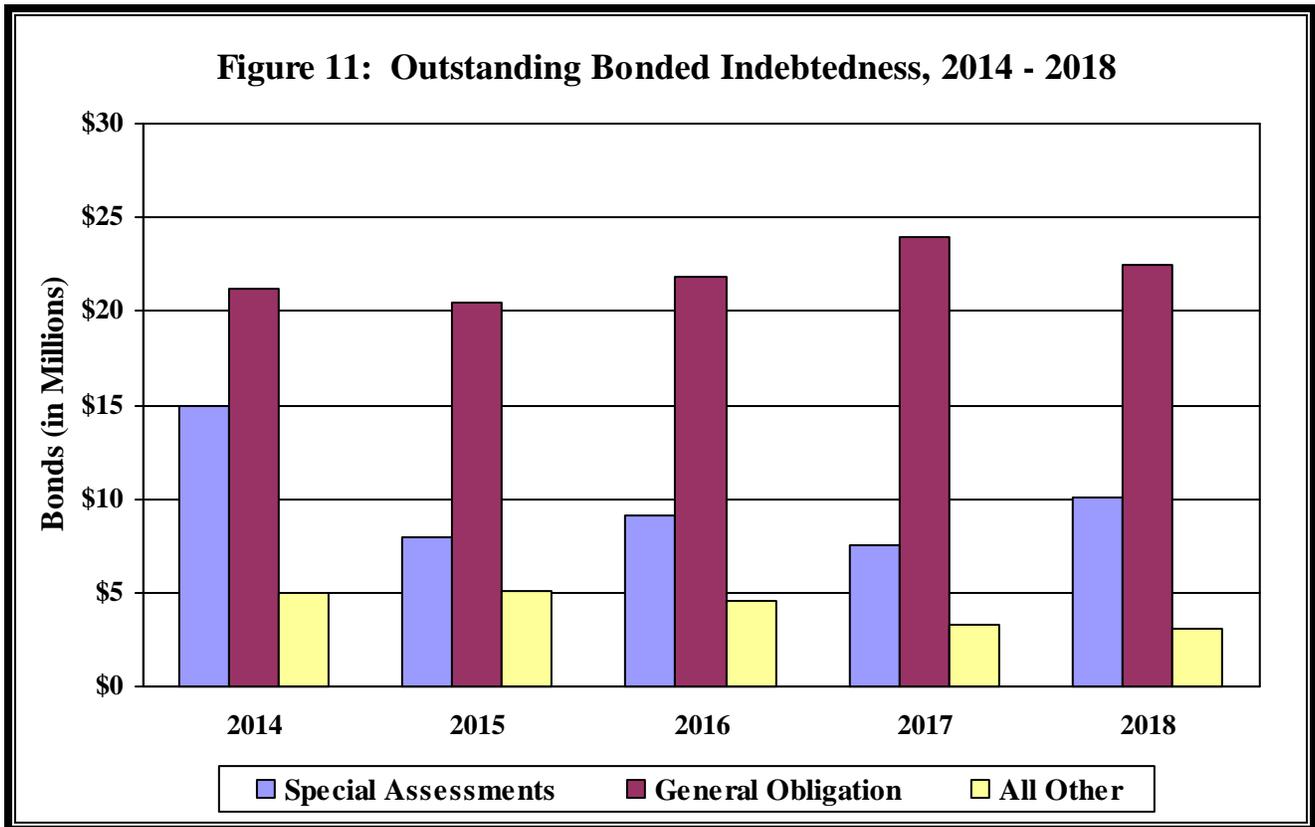
Current and Five-Year Trends

Towns incur long-term debt through the issuance of bonds and notes, certificates of indebtedness, and tax anticipation certificates. Long-term lease agreements are also classified as long-term debt.

Towns can borrow only as permitted by state law, generally to finance purchases or capital projects. The amount of outstanding debt affects the amount available for current expenditures because towns must have sufficient funds available to make principal and interest payments to service the debt.

Outstanding indebtedness totaled \$56.7 million in 2018. This represents an increase of 1.1 percent from 2017. Outstanding bonded indebtedness totaled \$35.6 million in 2018, which represents an increase of 2.2 percent from the \$34.9 million outstanding in 2017. Other long-term debt totaled \$20.5 million in 2018, which represents an increase of 3.6 percent from 2017. In addition, towns reported \$535,849 in short-term indebtedness in 2018, which is a decrease of 62.0 percent from 2017.

Figure 11 below provides a summary of bonds outstanding, classified by type of bond, for the years 2014 through 2018.



Ten-Year Trends

Outstanding long-term debt has generally trended downward over the ten-year period. Figure 12 on the following page illustrates outstanding long-term debt, which includes total bonded indebtedness and other long-term debt in actual and constant dollars for the years 2009 through 2018.

Between 2009 and 2018, outstanding long-term debt in actual dollars decreased 30.3 percent. In constant, or inflation-adjusted dollars,⁷ outstanding long-term debt decreased 43.1 percent during the ten-year period.

⁷Constant dollars will refer to data adjusted for inflation using the Implicit Price Deflator for State and Local Governments, setting 2009 as the base year (N.I.P.A. Table 1.1.9, September 2019).

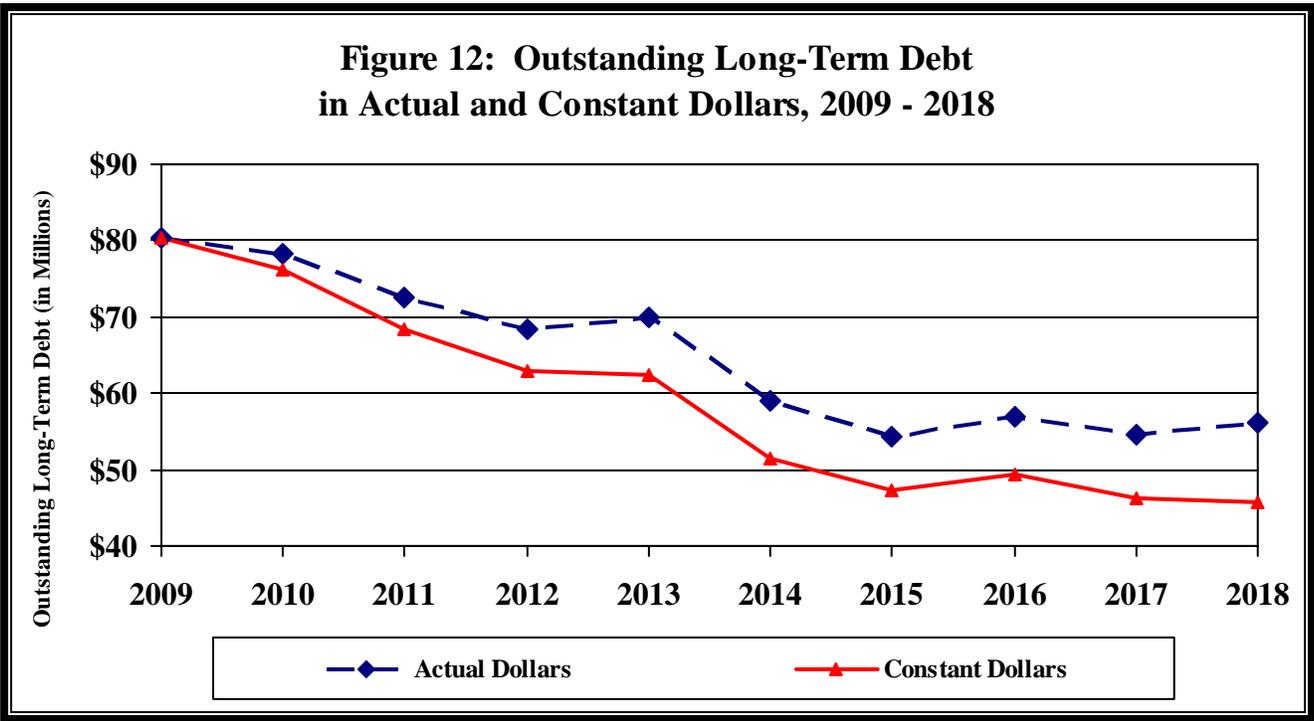
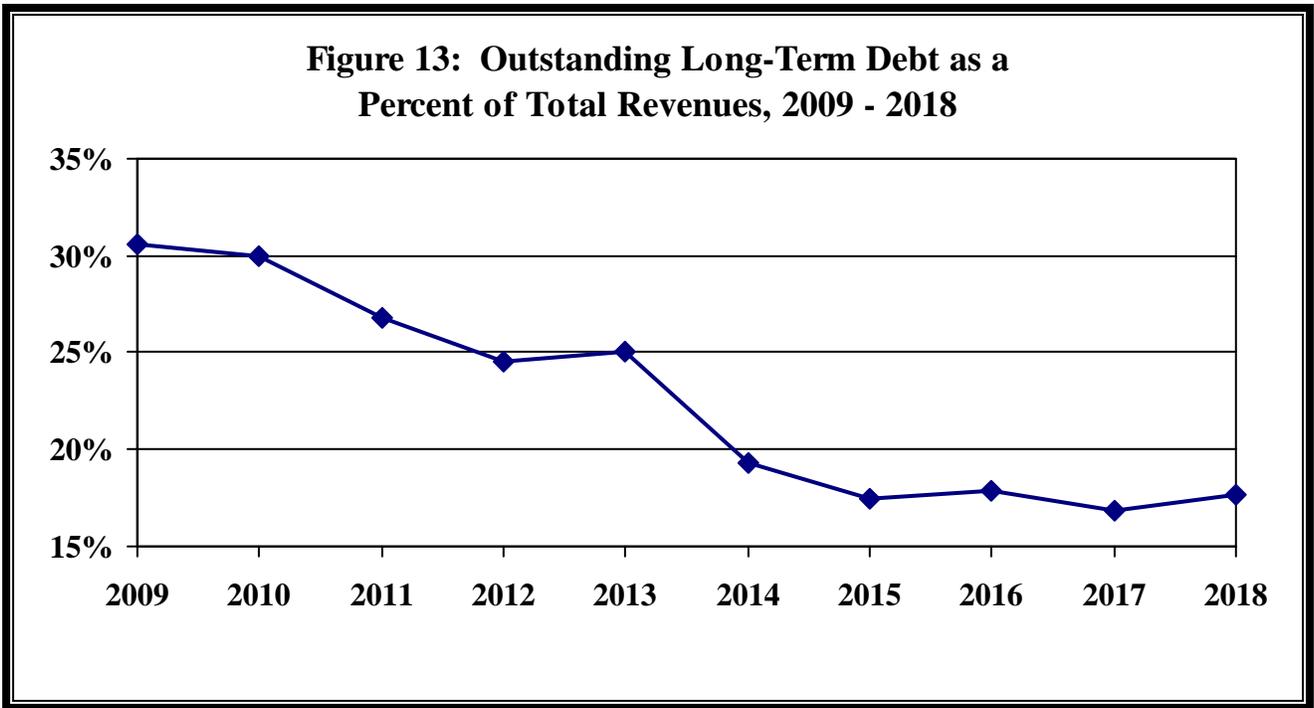


Figure 13 below displays outstanding long-term debt as a percent of total revenues for the years 2009 to 2018. As Figure 13 shows, outstanding long-term debt as a percent of total revenues has been trending downward. The highest percent was in 2009 when it reached 30.6 percent, while the lowest level was in 2017 when it fell to 16.8 percent.



The underlying data displayed in Figures 12 and 13 for the years 2009 through 2017 can be found in the town finance reports for previous years. Data for 2018 is in Table 6 starting on page 157.

Towns Failing to Report

Out of 1,781 towns in Minnesota in 2018, 176 failed to comply with the statutory reporting requirement. The chart below shows the number of towns that have not reported their financial information to the Office of the State Auditor in each of the last five years.

Number of Towns Failing to Report, 2013 - 2017					
Year	2014	2015	2016	2017	2018
# of Towns	102	95	125	125	176

The list below identifies the towns (in alphabetical order, with the county's name in parentheses) that have not reported their financial information to the Office of the State Auditor, as required by law.

*Twenty-six towns failed to report in 2017 and 2018.

**Fifty-two towns failed to report in 2016, 2017, and 2018.

Aetna** (Pipestone)	Beaver Falls (Renville)	Crow River** (Stearns)
Akron (Wilkin)	Bernadotte* (Nicollet)	Culver (Saint Louis)
Alba (Jackson)	Bird Island (Renville)	Dale** (Cottonwood)
Alma (Marshall)	Bloomer (Marshall)	Deer** (Roseau)
Alta Vista* (Lincoln)	Bull Moose (Cass)	Deerfield (Cass)
Alvwood** (Itasca)	Buzzle** (Beltrami)	Delaware* (Grant)
Andrea* (Wilkin)	Byron (Waseca)	Des Moines** (Jackson)
Ann Lake* (Kanabec)	Camp Lake (Swift)	Dewald (Nobles)
Antrim (Watonwan)	Camp Release* (Lac qui Parle)	Diamond Lake (Lincoln)
Badger (Polk)	Campbell* (Wilkin)	Dieter* (Roseau)
Baker (Stevens)	Carlos (Douglas)	Drammen** (Lincoln)
Balkan (Saint Louis)	Cedar (Marshall)	Eagle Point** (Marshall)
Barnett (Roseau)	Clark (Aitkin)	Eagle Valley (Todd)
Bassett (Saint Louis)	Clinton (Rock)	Eagles Nest (Saint Louis)
Beaulieu** (Mahnommen)	Clover (Clearwater)	East Park** (Marshall)
Beaver** (Roseau)	Crate** (Chippewa)	Eastern (Otter Tail)

Eddy** (Clearwater)	Hangaard (Clearwater)	Lisbon* (Yellow Medicine)
Eidsvold** (Lyon)	Hereim (Roseau)	Logan** (Grant)
Erdahl (Grant)	Highlanding (Pennington)	Lorain* (Nobles)
Fairfax (Polk)	Holy Cross** (Clay)	Lyons (Wadena)
Fairmont** (Martin)	Hubbard** (Polk)	Mayfield (Pennington)
Fairview (Lyon)	Iosco** (Waseca)	McGregor (Aitkin)
Fawn Lake (Todd)	Itasca* (Clearwater)	McKinley (Cass)
Fine Lakes* (Saint Louis)	Jo Daviess (Faribault)	Moose Park** (Itasca)
Finlayson* (Pine)	Johnson (Polk)	Motley (Morrison)
Flom (Norman)	Johnsonville* (Redwood)	Mount Pleasant* (Wabasha)
Fort Ripley* (Crow Wing)	Kelso* (Sibley)	Mudgett (Mille Lacs)
Fountain Prairie** (Pipestone)	Kilkenny (Le Sueur)	Nereson (Roseau)
Friendship* (Yellow Medicine)	Kurtz** (Clay)	Nevada** (Mower)
Galena (Martin)	La Crescent (Houston)	New Auburn (Sibley)
Garfield (Lac qui Parle)	La Crosse (Jackson)	New Hartford (Winona)
Germantown* (Cottonwood)	La Garde (Mahnomen)	Nidaros* (Otter Tail)
Gervais (Red Lake)	Lake (Roseau)	Norman (Yellow Medicine)
Gillford (Wabasha)	Lake George** (Stearns)	Northland (Polk)
Glendorado* (Benton)	Laona** (Roseau)	Ortonville (Big Stone)
Good Hope** (Itasca)	Lee (Aitkin)	Oscar (Otter Tail)
Gorman (Otter Tail)	Leentrop (Chippewa)	Pleasant Prairie (Martin)
Granville (Kittson)	Leiding** (Saint Louis)	Pohlitz** (Roseau)
Grass Lake (Kanabec)	Leven (Pope)	Polonia** (Roseau)
Green Lake (Kandiyohi)	Lida (Otter Tail)	Pomroy (Itasca)
Gregory (Mahnomen)	Lien** (Grant)	Poppleton** (Kittson)
Grove (Stearns)	Limestone (Lincoln)	Prairie Lake** (Saint Louis)

Raymond* (Stearns)	Stowe Prairie** (Todd)
Redpath** (Traverse)	Strand (Norman)
Rheiderland** (Chippewa)	Sturgeon** (Saint Louis)
Richmond (Winona)	Sugar Bush (Becker)
River** (Red Lake)	Sundal (Norman)
Rollis (Marshall)	Sunrise (Chisago)
Rosendale** (Watonwan)	Tabor (Polk)
Roseville (Kandiyohi)	Tegner** (Kittson)
Ross** (Roseau)	Thief Lake** (Marshall)
Rost** (Jackson)	Toivola* (Saint Louis)
Round Lake (Jackson)	Twin Lakes (Mahnomen)
Sauk Rapids (Benton)	Tynsid (Polk)
Seely (Faribault)	Vineland (Polk)
Severance* (Sibley)	Wagner* (Aitkin)
Shelly** (Norman)	Wakefield (Stearns)
Silver Leaf (Becker)	Weimer** (Jackson)
Sioux Valley (Jackson)	Westbrook** (Cottonwood)
Skelton** (Carlton)	Whitefield** (Kandiyohi)
Spring Creek (Norman)	Wild Rice** (Norman)
Spruce** (Roseau)	Willow Lake (Redwood)
Spruce Grove (Beltrami)	Winfield (Renville)
Spruce Valley (Marshall)	Winger* (Polk)
Steamboat River (Hubbard)	Wiscoy (Winona)
Stevens (Stevens)	Workman (Aitkin)
Stony River** (Lake)	Worthington** (Nobles)

Economic Development Regions

Minnesota has 13 economic development regions. The following section summarizes town financial information by economic development region. The number of towns listed and data presented reflects only those towns that reported 2018 financial information to the Office of the State Auditor. Total revenues, total expenditures, and total debt service are summarized on a regional basis. The underlying data for this section is in Tables 7 and 8 (pages 167 and 168). The map on page 21 shows the location of each economic development region.

Metro Area (7-County Twin Cities)

There were 42 towns in this region that reported 2018 financial information. Total revenues in this region increased 5.0 percent and totaled \$32.9 million in 2018, accounting for 10.4 percent of total town revenues. Total expenditures in this region increased 16.4 percent to \$33.8 million, accounting for 10.8 percent of total town expenditures. Debt service in this region decreased 19.1 percent and totaled \$1.9 million, accounting for 17.0 percent of total town debt service.

Arrowhead

There were 158 towns in this region that reported 2018 financial information. Total revenues in this region decreased 10.4 percent and totaled \$32.4 million in 2018, accounting for 10.2 percent of total town revenues. Total expenditures decreased 9.2 percent and totaled \$33.4 million, accounting for 10.7 percent of total town expenditures. Debt service in this region decreased 50.7 percent and totaled \$1.5 million, accounting for 13.4 percent of total town debt service.

Central

There were 67 towns in this region that reported 2018 financial information. Total revenues in this region increased 2.1 percent and totaled \$34.7 million, accounting for 10.9 percent of total town revenues. Total expenditures in this region increased 5.4 percent and totaled \$34.4 million, accounting for 11.0 percent of total town expenditures. Debt service in this region increased 0.2 percent and totaled \$1.6 million, accounting for 14.5 percent of total town debt service.

East Central

There were 82 towns in this region that reported 2018 financial information. Total revenues in this region decreased 1.5 percent and totaled \$21.5 million, accounting for 6.8 percent of total town revenues. Total expenditures in this region decreased by 1.1 percent and totaled \$21.2 million, accounting for 6.8 percent of total town expenditures. Debt service in this region increased 26.3 percent and totaled \$919,637, accounting for 8.3 percent of total town debt service.

Headwaters

There were 97 towns in this region that reported 2018 financial information. Total revenues in this region slightly increased to \$13.4 million, accounting for 4.2 percent of total town revenues. Total expenditures in this region increased 10.8 percent to \$13.6 million, accounting for 4.3 percent of total town expenditures. Debt service in this region increased 20.9 percent and totaled \$133,962, accounting for 1.2 percent of total town debt service.

North Central

There were 142 towns in this region that reported 2018 financial information. Total revenues in this region decreased 0.4 percent and totaled \$26.3 million, accounting for 8.3 percent of total town revenues. Total expenditures in this region decreased 1.6 percent and totaled \$25.3 million, accounting for 8.1 percent of total town expenditures. Debt service in this region increased 53.6 percent and totaled \$972,319, accounting for 8.7 percent of total town debt service.

Northwest

There were 181 towns in this region that reported 2018 financial information. Total revenues in this region decreased 5.8 percent and totaled \$14.1 million, accounting for 4.4 percent of total town revenues. Total expenditures in this region decreased 7.4 percent and totaled \$12.3 million, accounting for 3.9 percent of total town expenditures. Debt service in this region decreased 68.8 percent and totaled \$15,613, accounting for 0.1 percent of total town debt service.

South Central

There were 133 towns in this region that reported 2018 financial information. Total revenues in this region decreased 4.3 percent and totaled \$23.5 million, accounting for 7.4 percent of total town revenues. Total expenditures in this region increased 6.3 percent and totaled \$23.8 million, accounting for 7.6 percent of total town expenditures. Debt service in this region increased 20.9 percent and totaled \$596,802, accounting for 5.4 percent of total town debt service.

Southeast

There were 187 towns in this region that reported 2018 financial information. Total revenues in this region decreased 1.5 percent and totaled \$40.7 million, accounting for 12.8 percent of total town revenues. Total expenditures in this region increased 4.0 percent and totaled \$40.0 million, accounting for 12.8 percent of total town expenditures. Debt service in this region decreased 5.8 percent and totaled \$842,146, accounting for 7.6 percent of total town debt service.

Southwest

There were 139 towns in this region that reported 2018 financial information. Total revenues in this region decreased 1.2 percent and totaled \$17.4 million, accounting for 5.5 percent of total town revenues. Total expenditures in this region increased 15.0 percent and totaled \$17.5 million, accounting for 5.6 percent of total town expenditures. Debt service in this region decreased 36.9 percent and totaled \$374,991, accounting for 3.4 percent of total town debt service.

Southwest Central

There were 76 towns in this region that reported 2018 financial information. Total revenues in this region decreased 7.1 percent and totaled \$16.1 million, accounting for 5.1 percent of total town revenues. Total expenditures in this region decreased 2.6 percent and totaled \$15.2 million, accounting for 4.9 percent of total town expenditures. Debt service in this region increased 26.8 percent and totaled \$630,685, accounting for 5.7 percent of total town debt service.

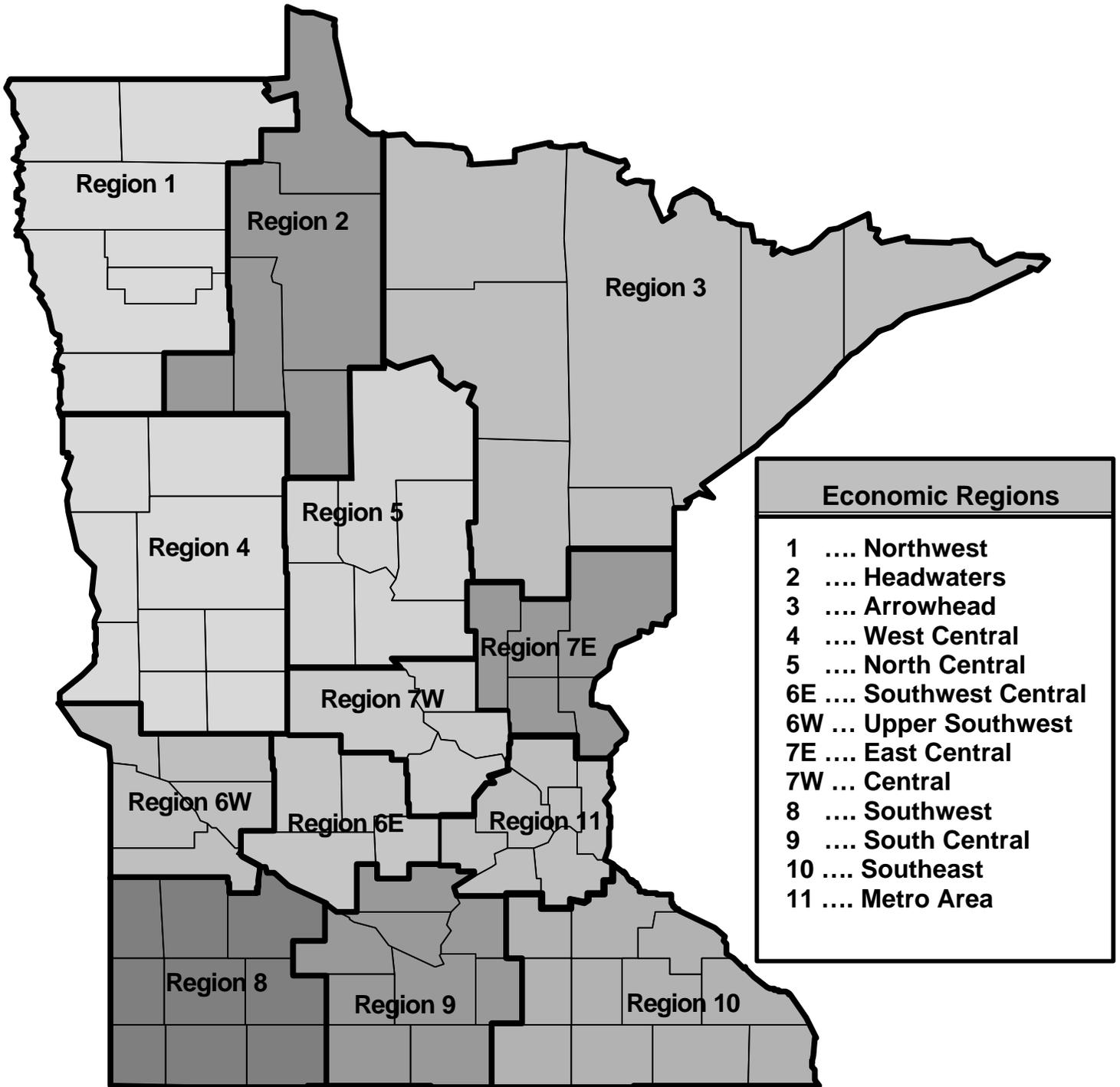
Upper Southwest

There were 84 towns in this region that reported 2018 financial information. Total revenues in this region increased 2.4 percent and totaled \$8.9 million, accounting for 2.8 percent of total town revenues. Total expenditures in this region increased 4.8 percent and totaled \$8.2 million, accounting for 2.6 percent of total town expenditures. Debt service in this region decreased 41.8 percent and totaled \$62,542, accounting for 0.6 percent of total town debt service.

West Central

There were 217 towns in this region that reported 2018 financial information. Total revenues in this region decreased 5.9 percent and totaled \$35.4 million, accounting for 11.1 percent of total town revenues. Total expenditures in this region decreased 6.3 percent and totaled \$33.5 million, accounting for 10.7 percent of total town expenditures. Debt service in this region decreased 28.9 percent and totaled \$1.6 million, accounting for 14.2 percent of total town debt service.

Economic Development Regions



Graphic by the Office of the State Auditor.