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Update from the State Auditor

By Rebecca Otto, State Auditor

The end of the year is a time of reflection for many of us. On December 31, some of us make a New Year's resolution, decide to take up a new hobby, or continue to chip away at the bucket list. We do this in the spirit of making the next year even better than the last. In government, the end of the year is a good time to reflect on what went well, and what we would like to improve upon.

In that spirit, I wanted to provide an update from the Office of the State Auditor (OSA) on the state of town finances in 2011, identify critical deadlines to help towns be successful next year, and mention upcoming issues.

Annual Town Finances Report

We recently released the 2011 Minnesota Town Finances Report. The report analyzes town financial operations for the calendar year ended December 31, 2011. The data in the report comes from the information that towns report annually to the OSA. In 2011, 86 towns failed to comply with the statutory reporting requirement.

In 2011, there were 1,785 towns in Minnesota. According to the 2011 population estimates from the State Demographer, there were 924,158 individuals residing in towns, representing about 17.5 percent of the State population. Town populations range from 10,966 in the Town of White Bear (Ramsey County) to 5 in the Town of Hangaard (Clearwater County). Fifty-one percent of towns have a population of 300 or less.

In 2011, towns reported total revenues of \$270.9 million. This amount represents a 3.7 percent increase over the total revenue reported in 2010. The principal sources of revenues for towns in 2011 were: taxes (mainly property taxes); state grants; charges for services; and special assessments. These sources of revenue accounted for 92.9 percent of town revenue.

Towns reported total expenditures of \$264.1 million in 2011. This amount represents a decrease of 0.3 percent from the amount reported in 2010. Of total expenditures, \$222.6

million (84.3 percent) was allocated to current expenditures, \$29.0 million (11.0 percent) to capital outlay, and \$12.6 million (4.8 percent) to debt service payments.

Expenditures for roads and bridges totaled \$153.6 million in 2011. Of this total, \$133.5 million was allocated to current expenditures (maintenance, snowplowing, lighting, engineering, and administration) and \$20.1 million to capital outlays (road construction and purchase of equipment).

Now let's take a look at long-term trends for towns. Between 2002 and 2011, total town revenues in actual dollars increased 33.4 percent. When taking into account inflation during that period, total town revenues decreased 6.6 percent.

It is important to note that between 2002 and 2011, the share of total town revenues derived from taxes has increased from 58.1 percent in 2002 to 72.6 percent in 2011. In contrast, the share of total town revenues derived from intergovernmental sources has decreased from 25.5 percent in 2002 to 17.8 percent in 2011.

Over this same period, total expenditures in actual dollars increased all years except 2007 and 2011. In constant, or inflation-adjusted, dollars, total town expenditures decreased 6.2 percent between 2002 and 2011.

You can view the complete report on the OSA website at www.auditor.state.mn.us under the "Reports and Data" tab. For a paper copy, you can order one by calling Jim Levi at 651-297-3683 or by e-mailing him at Jim.Levi@osa.state.mn.us.

Annual Reporting

State law, Minnesota statutes 6.74 and 471.697, require that towns report financial information annually to the OSA. Cash towns are required to report their information by March 1st of each year. GAAP towns are required to report by June 30 of each year. In 2011, 86 towns did not report to the OSA as required in statute.

If you are one of the 86 towns that did not report, now is a good time to catch up on maintaining your financial records, and be ready for your annual reporting in 2013. The OSA is here to help. If any of you are encountering problems, or have questions on maintaining your financial records, or on reporting annually to the OSA, please call our staff. They are willing and ready to assist you. The number is 651-296-2551.

The critical deadlines for 2013 to mark on your calendars now are:

- March 1: The Town Financial Reporting Form is due from towns using the Cash Basis of Accounting.
- June 30: The Town Financial Reporting Form and Audited Financial Statements are due from towns in Accordance with Generally Accepted Accounting Principles (GAAP).

The Future of CTAS

As I am planning ahead for the new year, I wanted to let you know that in the next issue of Minnesota Township News, I will have an article on the future of CTAS as we know it. Stay tuned!