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Minnesota Town Finances Report Released

By Rebecca Otto, State Auditor

The Office of the State Auditor recently released a report that analyzes the financial operations of Minnesota's 1,789 towns for calendar year 2006. In 2006, Minnesota had 1,789 towns compared to 853 cities and 87 counties. The 2006 population estimates from the State Demographer show that 952,686 individuals were residing in towns, representing 18.2 percent of the estimated state population. The report caught the attention of the Pioneer Press, and they published a small piece titled "Our Towns." The article included mention of the Town of Hangaard, population 7, and the largest town, the Town of White Bear, population 11,752.

The report analyzes current and five to ten-year trends related to town financial information. Although the data for towns is usually fairly stable, our analysis revealed a few interesting trends contained in this year's report.

First, there has been a steady decline in intergovernmental revenues (state, federal and local unit, and county grants) over the last five years, and a proportional increase in taxes to replace them. Since 2001, the share of total revenue from taxes increased by 15.7 percent, while the share of total revenue from intergovernmental revenues decreased by nearly the same percent.

A second noteworthy trend is that, while the share of expenditures from roads and bridges fluctuated between 1997 and 2003, it has been increasing as a percent of total expenditures since 2004. Rising expenditures for roads and bridges played a significant role in the increase in total expenditures for towns in recent years.

Finally, when total revenue is adjusted for inflation, it has risen only slightly since 1997.

Overall Trends in Revenue, Expenditures and Debt

In 2006, Minnesota towns reported total revenue of \$236.8 million. This amount represents a 3.0 percent increase from the total revenue reported in 2005 and a 16.6 percent increase since 2002.

Minnesota towns reported total expenditures of \$244.5 million in 2006. This amount represents an increase of 5.5 percent over the amount reported in 2005 and a 24.1 percent rise since 2002.

Towns had debt service expenditures of \$12.3 million in 2006. This amount represents a 15.6 percent decrease in debt service expenditures from 2005 to 2006 and a 14.1 percent decrease over the five-year period from 2002 to 2006.

The complete report can be found on our website at:

<http://www.auditor.state.mn.us/default.aspx?page=20080423.000>.

A paper copy can also be requested by contacting Jim Levi at 651-297-3683 or by e-mail at jim.levi@state.mn.us.