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*****PRESS RELEASE*****

State Auditor Otto Releases Report on City Finances

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ST. PAUL (2/5/2015) – State Auditor Rebecca Otto today released the Minnesota City Finances Report. The report summarizes, through data tables, charts and graphs, the financial operations of 853 Minnesota cities for calendar year 2013.

“This report is intended to help local government officials, policy makers, and the public understand city financial operations,” said Auditor Otto. **“It points out city financial trends for both large and small cities across Minnesota.”**

Highlights from the report include:

Current Trends

- Total revenues of the governmental funds for all Minnesota cities totaled \$4.83 billion in 2013. This represents an increase of 0.2 percent over 2012 revenues. Total revenues of cities over 2,500 in population increased 0.4 percent, and revenues of cities under 2,500 in population decreased 1.5 percent.
- Total expenditures of the governmental funds for all cities totaled \$5.38 billion in 2013. This represents a decrease of 0.3 percent from 2012. Total expenditures of cities over 2,500 in population increased 0.1 percent, while total expenditures for cities under 2,500 in population decreased 4.1 percent.
- The largest expenditure categories for both groups of cities are streets and highways and public safety. For large cities, streets and highways accounted for 22.9 percent of total expenditures, and public safety accounted for 27.2 percent. For small cities, streets and highways accounted for 22.2 percent of total expenditures, and public safety accounted for 22.1 percent.
- In 2013, unrestricted fund balances as a percent of current expenditures averaged 45.5 percent for large cities, compared to 96.3 percent for small cities.

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- Overall, small cities tend to carry a greater debt burden per capita than large cities. In 2013, small cities carried long-term debt of \$1.19 billion, or \$3,104 per capita, compared to \$8.10 billion, or \$1,988 per capita, for large cities.

Long-term Trends

- Over the ten-year period of 2004 to 2013, an examination of city finances shows that, when adjusted for inflation, 2013 revenue levels are below 2004 levels and decreased by 9.9 percent over that period of time.
- Between 2004 and 2013, actual revenues derived from property taxes grew 68.4 percent, compared to an increase of 2.3 percent for revenues derived from intergovernmental sources. Additional analysis of actual intergovernmental revenues shows uneven trends over the ten-year period; federal grants increased 16.5 percent, state grants decreased 1.5 percent, and local grants increased 8.2 percent. When revenues are adjusted for inflation, the ten-year period shows a 25.8 percent increase in property tax revenues, while intergovernmental revenues decreased 23.6 percent.
- Actual total city expenditures grew from \$4.78 billion in 2004 to \$5.38 billion in 2013. This represents an increase of 12.7 percent. Over the ten-year period of 2004 to 2013, an examination of city finances shows that, when adjusted for inflation, 2013 expenditure levels are below 2004 levels and decreased 15.8 percent over the ten-year period.
- The proportion of total revenues derived from property taxes grew from 29.1 percent in 2004 to 40.6 percent in 2013. During this same time frame, revenues derived from intergovernmental sources decreased from 28.3 percent of total revenues to 24.0 percent.
- Over the ten-year period, when adjusted for inflation, total current expenditures increased 1.0 percent, capital outlays declined 37.3 percent, and debt service decreased 32.5 percent.

To view the complete report, which includes an Executive Summary, graphs and tables, go to:

[Link goes here.](#)

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The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota's 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.