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

State Auditor Otto Releases Report on Minnesota County Finances

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ST. PAUL (4/27/2009) – State Auditor Rebecca Otto released today a comprehensive report that summarizes the financial data of Minnesota Counties for calendar year 2007. In addition, the report examines long-term trends that counties have experienced over the last 5 and 10 years. The report is intended to help citizens, local government officials, and state lawmakers understand county financial operations.

“One noteworthy trend is that from 2003 to 2007, the share of revenue derived from taxes increased from 37.5 percent to 41.5 percent, while the share of revenues derived from state grants decreased from 33.3 percent to 28.8 percent. There is a direct correlation between the decrease in state grants to counties, and the increase in taxes to replace those revenues,” said State Auditor Otto. **“This information should be part of the final discussions about the state budget at the Capitol.”**

Highlights from the report include:

Current Trends

- Minnesota county revenues increased 5.9 percent from 2006 to 2007 to total \$5.4 billion. The rise in total revenues was primarily due to a 10.6 percent increase in tax revenues and a 24.6 percent increase in interest earnings.
- Counties reported total expenditures of \$5.8 billion in 2007. This represents an increase of \$581.5 million, or 11.0 percent, from total expenditures in 2006.
- In 2007, Minnesota counties reported outstanding long-term debt of \$2.9 billion. This represents an increase of 25.0 percent over long-term debt reported in 2006. Three counties, Hennepin, Olmsted, and Washington, accounted for \$228.4 million, or 54.8 percent of the increase in bond indebtedness.

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- The operating losses of Minnesota county enterprises totaled \$16.7 million in 2007. This represents an increase of 839.3 percent from the operating losses of \$1.8 million reported in 2006. The net income of county enterprises totaled \$17.7 million in 2007. This represents a decrease of 43.9 percent from 2006. A primary factor affecting overall trends in 2007 was the Hennepin County Medical Center (HCMC). The operating losses of the HCMC increased from \$12.0 million in 2006 to \$30.9 million in 2007. The net income went from \$7.4 million in 2006 to a net loss of \$18.1 million in 2007.
- In 2007, current expenditures grew at a faster rate (6.2 percent) than unreserved fund balances (2.1 percent). As a result, the average unreserved fund balances as a percent of current expenditures for counties declined from 45.5 percent in 2006 to 43.8 percent in 2007.

Ten-Year Trends

- Total revenues in constant dollars (adjusted for inflation) have risen 5.1 percent since 1998.
- When adjusted for inflation, total county expenditures increased 9.2 percent from 1998 to 2007. Over the ten-year period, inflation-adjusted expenditures were at their highest point in 2002, declined to their lowest point in 2005, and started rising again in 2006 and 2007.
- From 2003 to 2007, the share of revenue derived from taxes increased from 37.5 percent to 41.5 percent, while the share of revenues derived from state grants decreased from 33.3 percent to 28.8 percent.
- When adjusted for inflation, outstanding long-term indebtedness grew 50.3 percent between 1998 and 2007. When compared to the 5.1 percent growth in constant total revenues during this period, the trend suggests that counties are now more frequently issuing bonds to finance capital expenditures.

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

<http://www.auditor.state.mn.us/default.aspx?page=20090427.000>.

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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>.