



State Auditor  
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## OFFICE OF THE STATE AUDITOR

# *E-Update*

*The official online news  
publication of the Office  
of the State Auditor*

February 6, 2015

1. Released: Minnesota City Finances Report
2. Released: Annual Audit Thresholds
3. Pension: Reporting Forms Redesign
4. Avoiding Pitfalls: Taxable Employee Expense Reimbursements

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### **1. Released: Minnesota City Finances Report**

The Office of the State Auditor this week 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. To view the complete Report, which includes an Executive Summary, graphs, and tables, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20150204.000>.

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### **2. Released: Annual Audit Thresholds**

**Cities** - A city with a population over 2,500 must have an annual audit performed.

**Cities with Combined Clerk/Treasurers** - A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit for 2014 if its annual revenue is greater than \$204,000. A city with a combined clerk/treasurer and annual revenue of \$204,000 or less must have an Agreed-Upon Procedures engagement once every five years.

**Towns** - A town with a population over 2,500 and 2014 annual revenue greater than \$910,000 must have an annual audit.

**Towns with Combined Clerk/Treasurers** - A town with a combined clerk/treasurer must have an annual audit for 2014 if its annual revenue was greater than \$204,000. A town with a combined clerk/treasurer and annual revenue of \$204,000 or less must have an Agreed-Upon Procedures engagement once every five years.

**Special Districts** - A special district must have an annual audit for 2014 if its annual revenue was greater than \$204,000. A special district with annual revenue of \$204,000 or less must have an Agreed-Upon Procedures engagement once every five years.

The Office of the State Auditor has developed minimum procedures and a reporting format for Agreed-Upon Procedures engagements of cities and towns that have combined the offices of clerk and treasurer, and special districts, with annual revenues less than the audit threshold. The minimum procedures and reporting format for Agreed-Upon Procedures engagements can be found on the OSA website at:

<http://www.auditor.state.mn.us/default.aspx?page=20111222.001>.

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### **3. Pension: Reporting Forms Redesign**

The Office of the State Auditor has begun redesigning pension reporting forms for volunteer fire relief associations to make the forms more user-friendly and to streamline the reporting process. A volunteer user testing group of relief association trustees, municipal finance officers, accountants, and investment brokers has begun helping with the redesign. The first phase of the project began this week with a brainstorming meeting with members of the Group.

We will continue to keep you updated on the progress of the project. If you have questions or suggestions, please contact Rose Hennessy Allen at [Rose.Hennessy-Allen@osa.state.mn.us](mailto:Rose.Hennessy-Allen@osa.state.mn.us) or (651) 296-5985.

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### **4. Avoiding Pitfalls: Taxable Employee Expense Reimbursements**

If employee expenses are submitted for reimbursement more than 60 days after the expense is incurred, the reimbursement may be taxable and appropriate withholdings would need to be made.

For a detailed explanation of this issue, see IRS Publication 463, "Travel, Entertainment, Gift, and Car Expenses" found on the IRS website at:

<http://www.irs.gov/pub/irs-pdf/p463.pdf>.

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