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Article for *Minnesota Township News*

Update from the Office of the State Auditor

By Rebecca Otto, State Auditor

Annual Town Finances Report Released

The Office of the State Auditor released the Minnesota Town Finances Report for the calendar year ended December 31, 2010 in early November. The report analyzes the financial operations of 1,716 towns in Minnesota that provided financial information to our office. This number represents a drop in towns reporting to our office from 2009, when 1,736 towns provided their information in a timely manner. We hope for better compliance next year.

In 2010, there were 1,785 towns in Minnesota, compared with 854 cities and 87 counties. The 2010 population estimates from the State Demographer show that 925,784 individuals reside in towns, representing 17.5 percent of the State population. Town populations range from 10,949 in the Town of White Bear (Ramsey County) to 5 in the Town of Hangaard (Clearwater County). Fifty-two percent of towns have a population of 300 or less.

Some interesting facts from the summary report:

- In 2010, Minnesota towns reported total revenues of \$261.2 million. This amount represents a 0.8 percent decrease from the total revenues reported in 2009.
- Minnesota towns reported total expenditures of \$265.0 million in 2010. This amount represents an increase of 2.1 percent over the amount reported in 2009.
- Towns had debt service expenditures of \$15.0 million in 2010. This amount represents a 3.4 percent increase in debt service expenditures from 2009 to 2010.
- Since 2001, the share of total revenues derived from taxes has increased from 50.6 percent in 2001 to 72.8 percent in 2010. In contrast, the share of total revenues derived from intergovernmental sources has decreased from 35.1 percent in 2001 to 17.0 percent in 2010.

- In constant dollars (which factors in inflation), town total revenues decreased 7.7 percent between 2001 and 2010.
- In constant dollars, town total expenditures decreased 5.0 percent between 2001 and 2010.

To access this report electronically, go to our website at www.auditor.state.mn.us and go to “Reports and Data.” Click on “Towns” and select the 2010 Report. To do a comparison of your town’s financial data from year to year or to compare your town’s data to figures from another similar town, go to our website at www.auditor.state.mn.us and go to “Reports and Data”, then select “Comparison Tools.” Choose your township from the list and select the year that you would like to view. You can then compare the 2010 data to your town's information from prior years or to other towns' data.

If you would prefer a paper copy of this report, please contact Jim Levi at 651-297-3683 or by e-mail at Jim.Levi@osa.state.mn.us.

New Audit Procedures for Small Towns

The Office of the State Auditor (OSA) has developed new requirements for auditors to follow when auditing certain towns. The new requirements will apply to the towns that are required to be audited once every five years because the town has combined the offices of clerk and treasurer and has annual revenues are \$150,000 or less, as adjusted annually for inflation. The audit threshold for 2010 was \$191,000. The 2011 threshold will be determined in early February 2012.

The primary reason for the change in the requirements is to provide the most efficient and economical approach for towns in complying with the statutory audit requirements. The change in requirements for towns is based on feedback the OSA received from the Minnesota Association of Townships and certified public accountants. This change in focus will identify specific areas for the town to improve internal controls.

The annual reporting requirement to the Office of the State Auditor for this limited group will change slightly. They will still complete the annual Town Financial Reporting Form and, instead of submitting audited financial statements, they will submit an Agreed-Upon Procedures report, completed by their auditor, which summarizes the review of specific internal controls and compliance matters.

The new Agreed-Upon Procedures and report format for auditors will be posted on the Office of the State Auditor website and announced in the State Auditor's weekly electronic newsletter, the E-Update, when they are available for viewing. The 2011 audit thresholds will also be announced in the E-Update. To have the E-Update e-mailed to you, you go to our website at www.auditor.state.mn.us and go to “Latest News”, and then select “E-Update.” A link on that page will bring you to the sign-up page. You can also call Jim Levi at 651-297-3683 to sign you up.