



OFFICE OF THE STATE AUDITOR

E-Update

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1. Avoiding Pitfalls – 2007 City General Records Retention Schedule

Recently, the Records Disposition Panel approved a new (2007) General Records Retention Schedule for Cities. This new General Records Retention Schedule is available from the website of the Municipal Clerks and Finance Officers Association of Minnesota (MCFOA):

http://www.mcfoa.org/index.asp?Type=B_BASIC&SEC={2A0616C3-4791-49BC-9B78-CF2E0B2420F5}

A city that has adopted a previous version of the general schedule does not need to formally adopt the new schedule – the Records Disposition Panel will assume that the city will now use the revised version.

Government records must be preserved according to state law. In Minnesota, local governments may destroy government records only pursuant to:

- an approved “Application for Authority to Dispose of Records,”
- an adopted and approved records retention schedule, or
- an adopted general records retention schedule that has been pre-approved by the State Records Disposition Panel.

General records retention schedules are available for adoption by local governments. Information on several of the General Records Retention

Schedules is available from the State Archives' website:
<http://www.mnhs.org/preserve/records/retentionsched.html>

2. Pension Update – Broker Certification Requirement

This year, the Office of the State Auditor (OSA) is requiring all volunteer fire relief associations that use a broker to submit a copy of the signed certification form to be eligible for 2007 state fire aid. If your relief association uses the services of a broker, state law requires that your association provide annually to the broker a written statement of investment restrictions applicable under state law or applicable under your plan's investment policy. The OSA provides a form called the Broker Certification Form (BC-1) for relief associations to use to comply with this statutory requirement.

The definition of a broker under state law includes broker-dealers, investment advisors, investment managers, and third party agents. Your broker must annually acknowledge receipt of the investment restrictions and must agree to handle your relief association's investments and assets in accord with the provided investment restrictions. Relief associations may not enter into or continue a business arrangement with a broker until the broker has provided this written acknowledgment.

Please forward a copy of the signed form (or forms, if your relief association works with more than one broker) to the Pension Division at 525 Park Street, Suite 500, Saint Paul, MN 55103 or (651) 282-5298 (fax). A copy of the BC-1 form is available in the Forms section of the State Auditor's website at www.auditor.state.mn.us.

3. GID Update – Financial Reporting Forms for Cities and Towns are Due

Towns Reporting on a Cash Basis

The 2006 Town Financial Reporting Form is now due. A letter will be mailed next week to those townships that have not filed a reporting form.

Towns are encouraged to file the form electronically. To download the reporting form, go to the State Auditor's website at www.auditor.state.mn.us. Then, under Current Forms, click the link titled "State Auditor's Form Entry System (SAFES) - Online Forms for GID and Pension." Enter your username and password to access the reporting form.

Cities Reporting on a Cash Basis

The 2006 City Financial Reporting Form and Financial Statements are now due. Cities that have not filed a reporting form and/or financial statement will be mailed a letter next week.

Cities are encouraged to file the form electronically. To download the reporting form, go to the State Auditor's website at www.auditor.state.mn.us. Then, under Current Forms, click the link titled "State Auditor's Form Entry System (SAFES) - Online Forms for GID and Pension." Enter your username and password to access the reporting form.

2007 City Summary Budget Reporting

The 2007 City Summary Budget information can still be submitted on-line. Cities that have not submitted their budget information will receive a telephone call in the next week requesting the information.

The initial deadline for filing the budget information was February 16, 2007. To enter your budget data go to the State Auditor's website at www.auditor.state.mn.us. Then, under Current Forms, click the link titled "2007 County and City Summary Budget Form." The username and password contained in the letter requesting your 2006 lobbying costs is also valid for submitting your budget information.

4. Audit Update – Annual Revenue Levels at Which Towns and Smaller Cities are Required to Have Audits Performed

A city with a population over 2,500 must have an annual audit performed. Whether a town or smaller city has to have its financial statements audited, however, often depends on its annual revenue. The annual revenue thresholds are adjusted each year for inflation. **Please be aware that the revenue thresholds for December 31, 2007 audits will not be available until early 2008.**

The following revenue thresholds apply for December 31, 2006 audits:

Larger Towns - A town with a population over 2,500 and annual revenue greater than \$746,049 must have an audit of its 2006 financial statements.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2006 if its annual revenue was greater than \$166,901. A town with annual revenue of \$166,901 or less must have an audit once every five years.

Smaller 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 if its annual revenue is greater than \$166,901. A city with a combined clerk/treasurer and annual revenue of \$166,901 or less must have an audit once every five years.