



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 12, 2010

1. Released: 2009 Revenue Thresholds for Audit Requirements
2. Available: Town & City Financial Reporting Forms
3. Released: Tax Increment Financing (TIF) Legislative Report
4. Update: Fire Relief Association Working Group Legislation
5. Avoiding Pitfalls: Uniform/Clothing Allowances

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### **1. Released: 2009 Revenue Thresholds for Audit Requirements**

The following are the 2009 annual revenue levels at which towns, cities and special districts are required to have audits performed:

**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 for 2009 if its annual revenue is greater than \$185,000. A city with a combined clerk/treasurer and annual revenue of \$185,000 or less must have an audit once every five years.

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

**Larger Towns** - A town with a population over 2,500 and 2009 annual revenue greater than \$826,000 must have an annual audit.

**Towns with Combined Clerk/Treasurers** - A town with a combined clerk/treasurer must have an annual audit for 2009 if its annual revenue was greater than \$185,000. A town with annual revenue of \$185,000 or less must have an audit once every five years.

**Special Districts** - A special district must have an annual audit for 2009 if its annual revenue was greater than \$185,000. A special district with annual revenue of \$185,000 or less must have an audit once every five years.

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## **2. Available: Town & City Financial Reporting Forms**

### **Town Financial Reporting Forms**

The 2009 Town Financial Reporting Forms for towns reporting on a GAAP basis are now available for download from our website. The forms can be found at:

<https://www.auditor.state.mn.us/safes/>.

### **City Financial Reporting Forms**

The 2009 City Financial Reporting Forms for cities reporting on a GAAP basis are available for download from our website. The forms can be found at:

<https://www.auditor.state.mn.us/safes/>.

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## **3. Released: Tax Increment Financing (TIF) Legislative Report**

This week the Office of the State Auditor released the 2008 Tax Increment Financing (TIF) Legislative Report. The report summarizes the data received from approximately 2,048 unaudited TIF reports for the year ended December 31, 2008, and provides a summary of the violations cited in the limited-scope audits concluded by the Office of the State Auditor in 2009. To view the complete report, which includes an Executive Summary, tables, and graphs, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20100208.000>.

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## **4. Update: Fire Relief Association Working Group Legislation**

The Legislative Commission on Pensions and Retirement heard the 2009-2010 Fire Relief Association Working Group bill last week and adopted it for inclusion in the omnibus pension bill. A technical amendment was also adopted to insert a few words that were omitted when the bill was drafted. No other changes were made to the Working Group's proposals.

We will continue to keep you updated on the progress of the bill as it makes its way through the legislative process. Working Group documents, including a copy of the bill, can be found at:

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

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## 5. Avoiding Pitfalls: Uniform/Clothing Allowances

Some local government employees may be eligible for the reimbursement of expenses under a uniform or clothing allowance authorized by an employment contract or a personnel policy.

Federal law has long distinguished between non-deductible personal clothing and deductible work clothing. For employees who wear uniforms, the cost of the uniform is deductible only if the uniform is (1) specifically required as a condition of employment, and (2) not of a type adaptable to general usage as ordinary clothing. If non-deductible clothing is reimbursed, the expenditure is income, and must be included on the employee's W-2 (Wage and Tax Statement).

Local units of government should have a system in place to ensure those items that are taxable according to federal regulations are clearly identified so proper taxes can be withheld and reported.

The IRS has posted information regarding uniform/clothing allowances online. For example, the IRS document "Taxable Fringe Benefit Guide" covers these issues on pages 62-63, and can be found by going to:

[http://www.irs.gov/pub/irs-tege/fringe\\_benefit\\_fslg.pdf](http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf).

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