



State Auditor
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OFFICE OF THE STATE AUDITOR

E-Update

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1. Released: 2017 Legal Compliance Audit Guides
 2. Released: 2017 Revenue Thresholds for Audit Requirements
 3. Deadline: Forfeiture Reporting
 4. Deadline: Fire Equipment Certification Reminder
 5. Avoiding Pitfalls: Collateralization
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1. Released: 2017 Legal Compliance Audit Guides

Minnesota political subdivision audits must include financial and legal compliance audits. The OSA annually publishes the Minnesota Legal Compliance Audit Guides for Political Subdivisions to establish the minimum scope for the required legal compliance audits. The guides are available on the OSA website in both PDF and Word formats.

To access the 2017 Minnesota Legal Compliance Audit Guides, please go to:

<http://www.auditor.state.mn.us/default.aspx?page=20180208.000>.

2. Released: 2017 Revenue Thresholds for Audit Requirements

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 2017 if its annual revenue is more than \$216,000. A city with a combined clerk/treasurer and annual revenue of \$216,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Towns - A town with a population over 2,500 and 2017 annual revenue of \$963,000 or more must have an annual audit.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2017 if its annual revenue was more than \$216,000. A town with a combined clerk/treasurer and annual revenue of \$216,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Special Districts - A special district must have an annual audit for 2017 if its annual revenue was more than \$216,000. A special district with annual revenue of \$216,000 or less must have an Agreed-Upon Procedures engagement once every five years.

The OSA 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>.

3. Deadline: Forfeiture Reporting

February 20th is the deadline for law enforcement agencies to report final disposition of property seized subject to forfeiture for the month of January. To report final disposition of forfeitures, please go to:

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

4. Deadline: Fire Equipment Certification Reminder

The 2017 Fire Equipment Certification (FA-1) Form is due to the Minnesota Department of Revenue (DOR) by March 15, 2018. Submission of the form is required for communities to be eligible for 2018 fire state aid. The form must be signed by the fire chief and by the municipal clerk or secretary of the independent nonprofit firefighting corporation, as applicable.

Five percent of a community's fire state aid is forfeited for each week or fraction of a week that the form is submitted past the March 15 due date. A copy of the FA-1 form and a list of fire departments for which the form has been received are provided on the DOR's website at:

http://www.revenue.state.mn.us/local_gov/prop_tax_admin/Pages/fsa.aspx.

5. Avoiding Pitfalls: Collateralization

State law requires public entities to maintain proper collateralization of their accounts. Collateral provides protection for public funds in the event of a bank failure.

All public funds on deposit in a bank or credit union must be protected by deposit insurance, corporate surety bond or pledged collateral. Most financial institutions choose to pledge collateral for amounts not covered by federal deposit insurance. If the institution should fail, the governmental entity can then take the pledged securities to make up for any loss to its deposited funds.

For more information about the required collateral for public funds, see our Statement of Position entitled Deposits of Public Funds, which can be found at:

<http://www.auditor.state.mn.us/default.aspx?page=20110607.002>.

The risk addressed by pledged collateral is identified by the Government Accounting Standards Board (GASB) as “custodial credit risk”. Information on custodial credit risk related to investment policy is provided in our Statement of Position, Custodial Credit Risk: Investment Policy Considerations, found at:

<http://www.auditor.state.mn.us/default.aspx?page=20110607.001>.

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