



OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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1. Pension Update – Pension Reminder - Return to Service Limitations
2. Revised Statement of Position
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1. Pension Update – Pension Reminder - Return to Service Limitations

Occasionally, a member of a relief association will retire and receive a service pension payment, and then subsequently decide to rejoin the fire department. Current state law limits a volunteer firefighter’s ability to rejoin the same volunteer fire department after receiving a service pension from that department. The law specifies that, if a volunteer firefighter rejoins the same fire department after retirement, no additional service pension amount is payable to the person, no additional service is creditable to the person, and the person must repay any previously received service pension. Please note that the language applies if the firefighter rejoins the same department, even if the individual doesn’t rejoin the relief association. There is an exception if certain other requirements are met for individuals returning to full-time employment with the fire department.

2. Revised Statement of Position

A revised Statement of Position, Custodial Credit Risk: Investment Policy Considerations, No. 2007-1008, has been updated and is now available on our website. The revised Statement expands the discussion of procedures needed to protect public deposits and investments as it concerns federal compliance and the custodial credit risks disclosures required by GASB. In addition, it now identifies the financial entities permitted to hold a public entity’s investments under state law. The Statement of Position can be found on our website at

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

3. Avoiding Pitfalls – Contractors’ Performance and Payment Bonds

When public entities enter into contracts greater than \$75,000, they must obtain a performance bond and a payment bond from the contractor. This requirement, with a few exceptions, applies to all contracts for “the doing of any public work.” The performance bond helps ensure that the work will be completed according to the terms of the contract. The payment bond helps ensure that subcontractors, and people who provide labor and materials, are paid.

The bonds must be equal to or greater than the contract price. If the contract price increases after the bonds are provided, the public entity should consider obtaining additional bonds.

The statutes requiring these bonds are contained in the Public Contractors’ Performance and Payment Bond Act found in Minnesota Statutes sections 574.26 to 574.32. For additional information on contractors’ bonds, see our Statement of Position 2007-1001 found at:

http://www.osa.state.mn.us/other/statements/contractorsbonds_0704_statement.pdf.
