OFFICE OF THE STATE AUDITOR

E-Update

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State Auditor
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1. Released: 2006 County Finance Report

2. Pension Update: Defined Contribution Plan Sub-Group

3. Avoiding Pitfalls: Collateralization

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1. Released: 2006 County Finance Report

The Office of the State Auditor released the 2006 County Finance Report on revenues, expenditures and debt. The Report summarizes the financial data of counties and also examines longer-term trends to help place current financial conditions in context.

Longer-term analysis shows some noteworthy trends including changes in county revenue sources, a trend which has implications for property tax payers. In addition, analysis of outstanding debt since 1997 shows that counties are incurring debt at a faster pace. The report includes an Executive Summary on the third page which features the highlights of the data. To view the complete Report, go to: http://www.auditor.state.mn.us/default.aspx?page=20080808.000.

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2. Pension Update: Defined Contribution Plan Sub-Group

The volunteer fire relief association Defined Contribution Plan Sub-Group held its second meeting on Thursday, August 7. The sub-group discussed deferred interest, combined service pensions, municipal contributions for defined contribution plans, military service credit, and the timing of forfeitures. The sub-group also continued working on Chapter 424A reorganization.

The next sub-group meeting will be Tuesday, August 19, from 11:00 a.m. to 1:00 p.m. at our Saint Paul office. Materials for that meeting will be available on our website at: http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup.

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3. Avoiding Pitfalls: Collateralization

Recent news accounts of bank failures highlights the need for 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 2007-1012 (Deposits of Public Funds), found at: http://www.auditor.state.mn.us/other/Statements/depositspublicfunds_0703_statement.pdf.

Additional information about public investing is provided in our Statement of Position 2007-1008 (Custodial Credit Risk: Investment Policy Considerations), found at: http://www.auditor.state.mn.us/other/Statements/custodialcreditrisk_0703_statement.pdf.

Information on custodial credit risks is provided in our Statement of Position 2007-1013 (Legal Restrictions on Public Investing), found at: http://www.auditor.state.mn.us/other/Statements/publicinvesting_0707_statement.pdf.

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