



OFFICE OF THE STATE AUDITOR

E-Update

*The official online news
publication of the Office
of the State Auditor*

**State Auditor
Rebecca Otto**

October 17, 2008

1. Pension Reminder: Special Fund Loans
 2. Revised: Statement of Position
 3. Avoiding Pitfalls: Claim Approval by the Governing Body
-

1. Pension Reminder: Special Fund Loans

Volunteer fire relief associations must have a Special Fund, which is a restricted pension fund. Disbursements from a relief association's Special Fund are limited to purposes expressly authorized under state law. Authorized Special Fund disbursements include pension or other benefit payments and certain authorized administrative expenditures.

Relief association trustees occasionally consider taking out a loan from a third party to cover pension and benefit payments. Such loans cannot be repaid from the special fund because loan repayment amounts are not benefits nor are they authorized administrative expenses. Relief association trustees should make sure that an adequate amount is maintained in liquid investments in order to pay benefits as they come due.

State law requires the chief administrative officer of each relief association to determine the minimum liquidity requirement of the association and retain appropriate documentation of that determination for three years from the date of determination. The state statute on minimum liquidity requirements can be viewed at:

https://www.revisor.leg.state.mn.us/bin/getpub.php?pubtype=STAT_CHAP_SEC&year=current§ion=356A.06 (see subdivision 8)

2. Revised: Statement of Position

The Statement of Position on Employee Recognition Programs and Events has been revised to include towns. The 2008 Legislature granted town electors the authority to set an amount of money for the town board to spend for recognizing volunteers, service efforts and retiring town officers. To view the revised Statement, go to:

http://www.auditor.state.mn.us/other/Statements/employeerecogprogevents_0705_statement.pdf

3. Avoiding Pitfalls: Claim Approval by the Governing Body

Generally, the governing body of a public entity, as a whole, must approve the expenditure of public funds. The decision to expend public funds should be based upon a formal vote of the governing body that is memorialized in the meeting minutes.

On occasion, individual elected officials authorize a payment on behalf of their public entity. A public official who individually agrees to a payment of public funds runs the risk that the governing body will disagree. When that happens, the public official may be personally liable for the payment, or the goods that have been purchased may be returned.

If you are interested in signing up to receive an e-mail version of the E-Update regularly, [click here](#).

The Office of the State Auditor is located at 525 Park Street, Suite 500, Saint Paul, MN 55103. Phone: 651-296-2551 Fax: 651-296-4755 Web: www.auditor.state.mn.us