



State Auditor  
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## OFFICE OF THE STATE AUDITOR

# *E-Update*

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### **1. Meeting: Council on Local Results and Innovation**

The next meeting of the Council on Local Results and Innovation will be held on Tuesday, September 13 at 1:00 p.m. at the League of Minnesota Cities building, 145 University Avenue West, St. Paul. Council meetings are open to the public. For more information on the Council and to access meeting materials, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20100916.000>.

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### **2. Pension: Investment in Exchange Traded Notes (ETNs)**

Some relief associations have begun investing in Exchange Traded Notes (ETNs). ETNs are obligations issued by banks. For relief associations using the Short List ([Minn. Stat. Section 356A.06, subd. 6](#)), the only non-government obligations eligible as investments are corporate bonds rated in one of the top three categories. Clearly ETNs fail to meet this requirement.

For relief associations using the Long List, [Minn. Stat. Section 356A.06, subd. 7 \(j\)](#) specifically authorizes investment in Exchange Traded Funds (ETFs). However, there is no similar authorization for ETNs. With few exceptions, "obligations" eligible as investments on the Long List must also be rated by a nationally-recognized rating agency. ETNs are not rated, nor are they included among the exceptions to the rating requirement.

ETNs are not permissible investments for relief associations using either the Short or Long List of permissible investments.

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### **3. Revised: Statement of Position Public Expenditures: Donations and Dues**

The Statement on Public Expenditures: Donations and Dues has been revised. Statutory citations have been added for convenience. The revised Statement can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20110607.028>.

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### **4. Avoiding Pitfalls: Contract Quotations**

Minnesota's Uniform Municipal Contracting Law uses dollar-amount thresholds to determine whether local government contracts may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. Contracts estimated to exceed \$100,000 must generally be made using sealed bids, solicited by public notice. In general, contracts with estimated values of \$100,000 or less can be made based on quotations. Contracts estimated not to exceed \$25,000 may be made on either quotations or on the open market.

A valid quotation must include a price offered by a vendor who can actually sell an item. A vehicle's "bluebook" price alone is not a quotation for purposes of these provisions. If quotations are used, at least two quotations must be obtained, if possible, and all quotations should be kept on file for at least one year. For recordkeeping purposes, a written quotation from the vendor is recommended.

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