State Auditor
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OFFICE OF THE STATE AUDITOR

E-Update

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

September 12, 2014

1. Announced: OSA Annual Training

2. Released: TIF Newsletter

3. Tip: Pension Maximum Benefit Levels

4. Avoiding Pitfalls: Monitoring Risks with Certificates of Deposit

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1. Announced: OSA Annual Training

The Office of the State Auditor Annual Training will be held on Wednesday, November 19th, at the Ramada Mall of America Hotel in Bloomington. Topics covered will include legal compliance, grant requirements, and governmental accounting and auditing. The conference will also include a discussion of the new pension accounting standards.

The OSA is once again making this day of training available to people working with local government finances. More information on the conference, including links to the agenda and a registration form, will be available soon on the State Auditor's website and will be announced in the E-Update.

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2. Released: TIF Newsletter

The September **TIF Newsletter** has been released. The Newsletter contains information on the reporting requirements for a decertified TIF district and an excess increment reminder. The Newsletter also provides information for districts which have not yet submitted all their 2013 annual reporting forms.

To view the complete Newsletter, go to:

http://www.auditor.state.mn.us/default.aspx?page=tifDocs.

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3. Tip: Pension Maximum Benefit Levels

Our July 11th and 18th E-Updates provided information about maximum benefit levels for volunteer fire relief associations and the Maximum Benefit Worksheet that defined-benefit relief associations must complete every year.

The Maximum Benefit Worksheet calculates the maximum benefit level that a relief association may establish. A relief association does not have the authority to set a benefit level higher than the maximum level, even if the benefit level is ratified by the affiliated municipality.

It is important that relief association trustees and municipal officials monitor maximum benefit levels. State statute requires that penalties be imposed if a relief association pays a service pension that uses a benefit level above the maximum allowable benefit level. The penalties required by statute for payment above the maximum level are: 1) disqualification from receiving fire state aid; and 2) required recovery of the overpaid amount from any retired firefighter who received an overpayment.

Additional information about maximum benefit levels is provided in our Statement of Position on this topic, at:

http://www.auditor.state.mn.us/default.aspx?page=20110531.003.

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4. Avoiding Pitfalls: Monitoring Risks with Certificates of Deposit

Government entities are permitted to invest in Certificates of Deposit (CDs) that are "fully insured" by the Federal Deposit Insurance Corporation (FDIC). Each depositor has up to $250,000 of FDIC coverage at any individual bank, so most government entities purchase CDs in amounts just less than the FDIC limit.

Often, government entities will use brokers, banks and certificate-of-deposit placement services to purchase CDs. Therefore, a government entity must set up a system to monitor all CDs purchased on its behalf to ensure they do not exceed the FDIC limit at any given bank. Purchasing multiple CDs that exceed the FDIC limit from a bank that fails will result in losses to the government entity.

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