

**OFFICE OF THE  
STATE AUDITOR**

**Minnesota Legal Compliance  
Audit Guide for  
Relief Associations**

## ORDER

Pursuant to Minn. Stat. § 6.65, I hereby prescribe the form and scope of the Minnesota Legal Compliance Audit Guide for Relief Associations. The attached audit guide is hereby incorporated in its entirety. The audit guide consists of the following sections:

Page 1-1	Relief Associations,
Page 2-1	Depositories of Public Funds and Public Investments,
Page 3-1	Example of Independent Auditor's Report.

These sections will comprise the minimum procedures and audit scope for legal compliance for relief associations in Minnesota.

/s/

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Julie Blaha  
State Auditor

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## INTRODUCTION

This Legal Compliance Audit Guide was prepared by the Office of the State Auditor pursuant to Minn. Stat. § 6.65, in consultation with representatives from the Attorney General's Office, towns, cities, counties, school districts, and private sector public accountants. The purpose of this Guide is to establish minimum compliance guidelines for verification by auditors engaged in the process of auditing relief associations of the state.

This guide is divided into specific sections and presented in checklist form to assist the auditor of government units in the verification of statutory compliance. The guide is not meant to be a complete compilation of all laws affecting relief associations or a complete analysis of the laws cited throughout. The checklist is meant to act as a reference guide regarding minimum legal compliance, and auditors must examine, in addition to applicable laws cited in the guide, those laws creating, granting power to, and restricting the entities they are auditing.

Under each section, except for the initial question establishing the transaction covered by the topic heading and except where the explanation of a given question indicates otherwise, all questions should be answered in the affirmative. A negative answer indicates a compliance problem, and the user of the checklist is directed to the statutory section indicated on the left-hand side of the page. If after examination of the appropriate statute, the auditor using this audit guide is still unsure as to whether there has been legal compliance, he or she should check with legal counsel before rendering the opinion on compliance contained at the end of each section.

### AUDITOR'S REPORTS ON COMPLIANCE

Chapter 3 contains a model report to be completed by the auditor following his or her completion of the appropriate compliance sections.

The report or the language from the report must be issued as part of the audits of the governmental entities or relief associations.

### PREPARATION OF MINUTES

Auditing for legal compliance will require a review of the minutes of the board of trustees.

A relief association's board of trustees must comply with the Minnesota Open Meeting Law, Minn. Stat., ch. 13. Pursuant to Minn. Stat. § 13D.01, subd. 4:

The votes of the members of the state agency, board, commission, or department; or of the governing body, committee, subcommittee, board, department, or commission on an action taken in a meeting required by this section to be open to the public must be recorded in a journal kept for that purpose. . . . The vote of each member must be recorded on each appropriation of money, except for payments of judgments, claims, and amounts fixed by statute.

In addition, subd. 5 states, “[t]he journal must be open to the public during all normal business hours where records of the public body are kept.”

The above provision requires that the individual votes of each member of the governing body on “an action” be specifically recorded except for votes on “payments of judgments, claims, and amounts fixed by statute.”

Having satisfied minimum requirements, the question of how elaborate and extensive the minutes should be is largely a policy matter for determination by the particular body in the exercise of reasonable judgment and discretion. The Attorney General has explained:

...there may be circumstances in which it would be advisable for the town board to provide for the minutes to include information over and above what is necessary to satisfy minimum statutory requirements for a record of its official actions.

Op. Atty. Gen. 851-C, March 5, 1992. For example, the board's reasons for reaching a particular decision could be crucial in defending a challenge to the action taken. The inclusion of such information may be deemed appropriate under other circumstances as well.

### DESTRUCTION OF RECORDS

Unless a Minnesota public entity adopts a records retention schedule (and notifies the Minnesota Historical Society), it may not destroy public records without the permission of the records disposition panel. Applications may be made to the State Archives Department for such permission. For instance, bids with supporting documents received by a city must be kept forever, unless the city (1) adopts the General Records Retention Schedule for Cities, in which case, the city must maintain these records for ten years, (2) adopts its own properly approved records retention schedule, or (3) receives authority to dispose of the records from the records disposition panel.

A relief association that wishes to adopt the appropriate General Records Retention Schedule can find information on the [State Archives website](#).

For information and assistance in disposing of or transferring government records, contact:

Minnesota Historical Society  
State Archives Department  
345 Kellogg Boulevard West  
St. Paul, Minnesota 55102-1906  
(651) 259-3260

<http://www.mnhs.org/preserve/records/index.htm>

Questions about the Minnesota Government Data Practices Act should be directed to:

Minnesota Department of Administration  
Information Policy Analysis Division  
201 Administration Building  
50 Sherburne Avenue  
St. Paul, Minnesota 55155  
(651) 296-6733  
(800) 657-3721

<http://www.ipad.state.mn.us>

In future years, the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* will be updated and additional compliance sections may be added. If you have comments or suggestions with regard to future editions, please contact us at:

Office of the State Auditor  
525 Park Street, Suite 500  
St. Paul, Minnesota 55103  
(651) 296-2551  
(651) 296-4755 (Fax)

<http://www.auditor.state.mn.us>

## **RELIEF ASSOCIATIONS**

# LEGAL COMPLIANCE AUDIT GUIDE

## RELIEF ASSOCIATIONS

### Introduction

A relief association is a governmental entity that receives and manages public money to provide retirement benefits. Minn. Stat. § 424A.001, subd. 4(c). The following statutory provisions are the primary provisions applicable to relief associations:

#### Volunteer Firefighters' Relief Associations

Minn. Stat. §§ 69.051; 424A.001-.10; Minn. Stat. §§ 424B.01-.21

#### Bloomington Fire Department Relief Association (Bloomington FDRA)

2013 Minn. Laws, ch. 111, art. 5, §§ 31-42 *as amended by* 2014 Minn. Laws, ch. 275, art. 2, § 23; Minn. Stat., ch. 424 (2000) (to the extent applicable); *see* 2002 Minn. Laws, ch. 392, art. 1, § 7; 1965 Minn. Laws, ch. 446, *as amended*; *see* Minn. Stat. § 424A.001, subd. 4.

Relief associations are subject to depository designation and collateralization requirements of section 2 of this *Legal Compliance Audit Guide* (Minn. Stat. §§ 356A.06, subd. 8a, and 118A.02-.03).

Minn. Stat. § 6.495 requires an audit of both the special and general funds.

Relief associations are subject to their own bylaws and articles of incorporation, subject to statutory provisions. Therefore, a review of the bylaws and articles of incorporation, as well as applicable special laws, is essential to the legal compliance audit of the relief association. Special laws are found in Table 1 of Minnesota Statutes.



Minn. Stat. Section	RELIEF ASSOCIATIONS			Yes	No	Workpaper Reference
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**Part I. Special Fund/General Fund (For All Relief Associations)**

§ 424A.05	A. Were amounts paid to the relief association from the city and state (and for volunteer firefighters' relief associations' donations specified for support of the special fund) set aside and deposited in the special fund?			
§ 424A.06	B. Were all other funds deposited in the association's general fund, if established?			
§§ 349.12, subd. 25(c)(3), & 471.6151	C. Were gambling proceeds <u>not</u> placed in the special fund?			
§ 424A.05	D. Were disbursements from the special fund made only for:			
	1. In the case of volunteers firefighters' relief associations, the payment of disability and service pensions to members of the relief association;			
	2. for the purchase of an annuity for the transfer of benefit amounts to the applicable person's individual retirement account or Minnesota deferred compensation plan under Minn. Stat. § 424A.015;			
	3. payment of survivor's benefits or death benefits to the estate of a deceased active or deferred firefighter as allowed by Minn. Stat. § 424A.05, subd. 4;			
	4. for volunteer firefighters' relief associations, fees, dues, and assessments allowed by Minn. Stat. § 424A.05, subd. 3(5);			
	5. in the case of a volunteer relief association, for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; <u>or</u>			
	6. for the payment of administrative expenses ( <u>see E, below</u> ), <u>and</u>			
	7. were disbursements authorized by the bylaws?			
	Note: For the Bloomington FDRA, check Minn. Stat. § 424.16 (2000).			
§ 424A.05, subd. 3b	E. Were <u>administrative expenses</u> from the special fund paid only as follows:			
	1. <u>office expenses</u> , including (but not limited to) rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, and fixtures;			
	2. salaries of the officers of the association or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the government body of the entity that is responsible for meeting any minimum obligation under Minn. Stat. §§ 424A.092, or 424A.093 (or 2013 Minn. Laws, ch. 111, art. 5, §§ 31-42), and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>			Yes	No	Workpaper Reference
	3. tuition, registration fees, organizational dues, and other authorized expenses of officers or members of the board of trustees incurred attending educational conferences, seminars, or classes that relate to the administration of the relief association;					
	4. audit, and audit-related services, accounting and accounting-related services, and actuarial, medical, legal, investment expenses, and performance evaluation expenses;					
	5. filing and application fees payable by the relief association to federal or other governmental entities;					
	6. reasonable and necessary expenses of officers, members of the board of trustees, or their designees, actually paid and incurred;					
	7. premiums on fiduciary liability insurance and official bonds for officers, members of the board of trustees, and employees of the relief association; and					
	8. salaries of administrative personnel?					
§ 424A.05	F. Was each check or authorization for electronic fund transfer for disbursement from the special fund signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the check or authorization?					
	G. If the relief association made disbursements by electronic fund transfer, had the specific method of payment and internal control policies and procedures regarding the method been approved by the board of trustees?					
§ 424A.06	H. Were all other expenses paid from the general fund?					
	1. In the case of a volunteer firefighters' relief association, were disbursements from the general fund made for a purpose authorized by the association's articles of incorporation or bylaws?					
§ 424A.05	I. If an expense is related to purposes of both funds, were the expenses properly allocated to each fund based on the benefits derived by such fund?					

§ 356A.06 <b>Part II. Investments (Limited List)</b>				
§ 356A.06, subd. 6	The following securities are proper investments for relief associations with pension assets with a market value of \$1,000,000 or less and which do not use:			
	- a registered investment advisor to invest at least 60 percent of its pension assets (market value);			
	- the State Board of Investment (SBI) to invest at least 60 percent of its pension assets (market value); or			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	- a combination of a registered investment advisor and the SBI for at least 75 percent of its pension assets (market value). For relief associations that meet the above criteria, the following investments are permitted. For relief associations that do not meet the above criteria, go to Part III, <u>infra</u> .			
	A. Certificates of Deposit			
	If the fund invested in certificates of deposit, were they			
	1. fully insured or collateralized, <u>and</u>			
	2. issued by a financial institution:			
	a. that is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation,			
	b. that is insured by the National Credit Union Administration, <u>or</u>			
	c. that is authorized to do business in the state and has deposited with the chief financial officer of the plan sufficient marketable securities as collateral in accordance with Minn. Stat. § 118A.03?			
	B. If the fund invested in guaranteed investment contracts, were they limited to:			
	1. guaranteed investment contracts issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency, <u>or</u>			
	2. alternative guaranteed investment contracts where the underlying assets were rated in the top four quality categories by a nationally recognized rating agency?			
	C. Savings Accounts			
	1. If the fund placed money in a savings account, was it fully insured by federal agencies?			
§ 356A.06, subd. 6	D. Government-Backed Obligations			
	1. If the fund is invested in government obligations, were such obligations bonds, notes, bills, mortgages and other evidences of indebtedness?			
	2. Were such government obligations:			
	a. backed by the full faith and credit of the issuer; <u>or</u>			
	b. rated among the top four quality categories by a nationally recognized rating agency?			
	3. Were such government obligations guaranteed or insured issues of:			
	a. the United States, one of its agencies, one of its instrumentalities, or an organization created and regulated by an act of Congress;			
	b. the Dominion of Canada or one of its provinces if the principal and interest are payable in United States dollars;			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	c. a state or one of its municipalities, political subdivisions, agencies, or instrumentalities; <u>or</u>			
	d. any United States government-sponsored organization of which the United States is a member if the principal and interest are payable in United States dollars?			
	<b>E. Corporate Obligations</b>			
	1. If the fund invested in corporate obligations, were they:			
	a. issued or guaranteed by a corporation organized under the laws of the United States or any of its states, or the Dominion of Canada or any of its provinces;			
	b. with the principal and interest payable in U.S. dollars; <u>and</u>			
	c. was the obligation in question rated in one of the top four quality categories by a nationally recognized rating agency?			
	<b>F. Indirect Investment</b>			
	Note: The fund may own the securities described above (A-E) directly or through mutual funds, exchange-traded funds or unit trusts. These indirect investments are subject to the same limitations set forth for direct investments.			
	<b>G. Additional Authority for Mutual Funds and Exchange Traded Funds</b>			
	If the fund invested in mutual funds or exchange-traded funds that held securities not authorized above (A-E),			
	1. were these securities held by the mutual fund or exchange-traded fund authorized by Minn. Stat. § 356A.06, subd. 7, paragraphs (c) to (g), [ <i>see</i> Part III (Expanded List) below]; <u>and</u>			
	2. did the fund's total investment in mutual funds and exchange-traded funds (excluding money market mutual funds and exchange-traded funds) not exceed 75% of the assets of the special fund?			
	<b>H. State Board of Investment</b>			
	Note: In addition to other investment authority, relief associations can place funds with the State Board of Investment.			
	<b>I. Asset Mix</b>			
	Were all of the fund's investments, including those in mutual funds, exchange-traded funds, units trusts, and through the State Board of Investment consistent with the asset mix limitation of Minn. Stat. § 356A.06, subd. 7 [ <i>see</i> Part III (Expanded List) below]?			
	<b>J. Were all of the association's investments permitted and in conformance with A through I above?</b>			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>			Yes	No	Workpaper Reference
§§ 356A.06, 424A.095 (see 2013 Minn. Laws, ch. 111, art. 5, § 38, for Bloomington FDRA)	<b>Part III. Investments (Expanded List)</b>					
§ 356A.06, subds. 6 & 7	The following securities are proper investments for:					
	1. All relief associations with pension assets with a market value in excess of \$1,000,000; and					
	2. Those relief associations with pension assets with a market value of \$1,000,000 or less, provided that the association:					
	<ul style="list-style-type: none"> <li>- uses the services of a registered or licensed investment advisor for the investment of at least 60 percent of its pension assets (market value);</li> </ul>					
	<ul style="list-style-type: none"> <li>- uses the services of the State Board of Investment (SBI) for the investment of at least 60 percent of its pension assets (market value); or</li> </ul>					
	<ul style="list-style-type: none"> <li>- uses a combination of services of an investment advisor and the SBI for the investment of at least 75 percent of its pension assets.</li> </ul>					
	Note: These securities may be owned directly or through shares in exchange traded funds or mutual funds, or as units in a commingled trust, subject to any limitations specified on the expanded list.					
§ 356A.06, subd. 7	A. Government Obligations					
	1. If the fund invested in government obligations, were they: bonds, notes, bills, mortgages, or other evidences of indebtedness backed by the full faith and credit of the issuer <u>or</u> rated among the top four quality rating categories by a nationally recognized rating agency?					
	2. Were the government obligations guaranteed or insured issues of:					
	<ul style="list-style-type: none"> <li>a. the United States, one of its agencies or one of its instrumentalities, or an organization created and regulated by an act of Congress;</li> </ul>					
	<ul style="list-style-type: none"> <li>b. the Dominion of Canada or one of its provinces;</li> </ul>					
	<ul style="list-style-type: none"> <li>c. a state or one of its municipalities, political subdivisions, agencies or instrumentalities; or</li> </ul>					
	<ul style="list-style-type: none"> <li>d. a United States government-sponsored organization of which the United States is a member?</li> </ul>					
	Note: Principle and interest must be payable in United States dollars.					

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	<b>B. Below Investment-Grade Corporate Obligations</b>			
	For investments in corporate obligations that were not rated in the top four quality categories by a nationally recognized rating agency:			
	1. Did the aggregate value of these obligations not exceed five percent of the market value of the association's special fund?			
	2. Did the association's participation not exceed 50% of any single offering? <u>and</u>			
	3. Did the association's participation not exceed 25% of any issuer's obligations that are not rated in the top four quality categories?			
	<b>C. Investment-Grade Corporate Obligations</b>			
	Were all other corporate obligations rated among the top four quality categories by a nationally recognized rating agency?			
	<b>D. Other Obligations</b>			
	1. If the association invested in bankers' acceptances or deposit notes, were they issued by United States banks rated in the highest four quality categories by a nationally recognized rating agency?			
	2. If the association invested in certificates of deposit (CDs), were the CDs:			
	a. issued by United States banks or savings institutions rated in the highest four quality categories by a nationally recognized rating agency, <u>or</u> whose certificates of deposit were fully insured by federal agencies; or			
	b. issued by credit unions in amounts within the limit of insurance coverage provided by the National Credit Union Administration?			
	3. If the association invested in commercial paper, was it issued by a United States corporation or its Canadian subsidiary and was it rated in the highest two quality categories by a nationally recognized rating agency?			
	4. If the association invested in mortgage or asset-backed securities, were they rated in the top four quality categories by a nationally recognized rating agency?			
	5. Minnesota Housing Finance Agency			
	a. If the association purchased from the Minnesota Housing Finance Agency all or part of any pool of residential mortgages, were they:			
	(1) not in default; and			
	(2) previously financed by the issuance of bonds or notes of the agency?			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	b. If the association entered into a commitment with the agency, at the time of an issue of bonds or notes, to purchase at a specified future date, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes:			
	(1) was the specified future date not more than 12 years from the date of the issue?			
	c. If the association entered into agreements with the agency for the investment of any portion of the funds of the agency:			
	(1) did the agreement cover the period of the investment, withdrawal privileges, and any guaranteed rate of return?			
	6. If the association entered into any repurchase or reverse repurchase agreements, were they collateralized with:			
	a. letters of credit; or			
	b. securities that the relief association could have directly invested in?			
	7. If the association invested in any guaranteed investment contracts:			
	a. were they issued by an insurance company or bank rated in the top four quality categories by a nationally recognized rating agency; or			
	b. were they alternative guaranteed investment contracts where the underlying assets complied with the requirements of Minn. Stat. § 356A.06, subd. 7?			
	8. If the fund put assets in a savings account, was the account fully insured by a federal agency?			
	9. If the fund invested in guaranty fund certificates, surplus notes, or debentures, were they issued by a domestic mutual insurance company?			
	E. Corporate Stocks			
	If the association invested in the stock or convertible issues of a corporation,			
	1. Was the corporation at least one of the following:			
	a. organized under the laws of the United States or any of its states;			
	b. organized under the laws of the Dominion of Canada or any of its provinces; or			
	c. listed on an exchange that is regulated by an agency of the United States or of the Canadian national government?			
	2. Did the investments never exceed five percent of the total outstanding shares of any one corporation, (except that an expanded list plan may hold up to 20% of the shares of a real estate investment trust and up to 20% of the shares of a closed mutual fund)?			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	F. Other Investments			
	1. The association may invest in the following investments, subject to the restrictions below:			
	a. Equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;			
	b. Real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts through investment in limited partnerships, bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;			
	c. Resource investments through limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations; and			
	d. International securities.			
	2. If the association invested in any of the above-enumerated investments (III.E.1):			
	a. did the aggregate value of the II.E.1, (a), (b) and (c) investments equal 35 percent or less of market value of the fund?			
	b. were there <u>at least</u> four unrelated owners of the investment (other than the covered pension plan) made under III.1, (a), (b), and (c)?			
	c. did the association's participation in an investment vehicle equal 20 percent or less for investments made under III.1, (a), (b), and (c)?			
	d. did the association's limited partnership participation and activity <u>not</u> create general liability on the part of the association?			
	e. Did the aggregate value of all unrated obligations and obligations that are not rated among the top four quality categories by a nationally recognized rating agency authorized by Section B above (Below Investment-Grade Corporate Obligations) and section E, 1,d (International Securities), not exceed five percent of the covered plan's market value?			
	f. for volunteer firefighter relief associations, did the association's investment in emerging market equity and international debt combined <u>not</u> exceed 15% of the associations' special fund market value?			
§ 356A.06, subd. 7a	G. Options and Future Contracts			
	If the association invested in any put and call options or future contracts, were they:			



Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>			Yes	No	Workpaper Reference
	1.	related to those securities that are proper direct investments for the association;				
§ 356A.06, subd. 7(b)	2.	traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency;				
§ 356A.06, subd. 7a	3.	was the agreement entered into with a fully offsetting amount of cash or securities; and				
	4.	were only securities authorized by Minn. Stat. § 356A.06, <u>excluding</u> those under Minn. Stat. § 356A.06, subd. 7(h)(1)(i) - (iv), accepted as collateral or offsetting securities?				
	H.	If the relief association entered into an agreement to lend securities:				
	1.	was the agreement concurrently collateralized with cash or securities with a market value of at least 100 percent of the market value of the loaned securities; and				
	2.	were only securities authorized by Minn. Stat. § 356A.06, <u>excluding</u> those under Minn. Stat. § 356A.06, subd. 7(h)(i) - (iv), accepted as collateral?				
	I.	Did the aggregate value of the association's investments under Minn. Stat. § 356A.06, subd. 7(g) [corporate stocks], Minn. Stat. § 356A.06, subd. 7(h) [other investments] and equity investments under Minn. Stat. § 356A.06, subd. 7(i) [State Board of Investment Supplemental Plan], regardless of the form in which they are held, <u>not exceed</u> 85% of the market value of the market value of the association's special fund?				
	J.	Were each of the association's investments permitted in sections A through L above?				

**Part IV. Investments - All Reliefs**

§§ 11A.17, 424A.095, 424A.06 (2013 Minn. Laws, ch. 111, art. 5, § 38 for the Bloomington FDRA)	A.	If the relief association used the State Board of Investment (SBI) to manage all or part of its investments, did the governing board of the association certify funds turned over to the SBI?		
§ 356.64	B.	If the relief association invested in ownership interests or loans secured by mortgages or deeds of trust, were they on non-farm real estate located in Minnesota?		
§ 356A.06, subd. 8b	C.	Before the relief association completed an investment transaction with or in accord with the advice of a broker:		
	1.	did the relief association provide annually to the broker a written statement of investment restrictions applicable to the relief association under state law or the relief association's investment policy;		

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	2. did the broker acknowledge in writing annually the receipt of the statement of investment restrictions and agree to handle the relief association's investments and assets in accordance with the provided investment restrictions; <u>and</u>			
	3. did the broker provide this written acknowledgment to the chief administrative officer of the relief association?			
	4. If any portion of the plan's assets are held by a security broker or its agent, did the security broker or its agent acknowledge in writing annually that sufficient insurance has been obtained from the Securities Investor Protection Corporation, supplemented by additional insurance, if necessary, to cover the full amount of covered pension plan assets held by the security broker or its agent; <u>and</u>  did the plan and brokers use forms prepared by the state auditor to meet the requirements of Minn. Stat. § 356A.06, subd. 8b?			
§ 356A.06, subds. 6 & 7	D. Investment in annuities is not permitted by the limited list or the expanded list.			
	Did the relief association <u>not</u> invest in annuities?			

<b>Part V. Investment Reporting</b>				
§ 356.219	- Minn. Stat. § 356.219 requires local relief associations that are not "fully invested" with the Minnesota State Board of Investment (SBI) to file certain information about their investments with the Office of the State Auditor (OSA).			
	- A local relief association is "fully invested" with the SBI if all of the association's assets "beyond sufficient cash equivalent investments to cover six months expected expenses" are invested through the SBI. Such associations may file a waiver form with the OSA.			
	- A relief association not fully invested with the SBI, with a market value of \$50,000,000 or more at the beginning of the calendar year, must report specified information, broken down into accounts, portfolios, or asset classes, on the appropriate form prescribed by the OSA. The specific requirements are based on criteria set forth in Minn. Stat. § 356.219.			
	- A relief association not fully invested with the SBI, which has a total market value that does not equal or exceed \$50,000,000, must report information about its total portfolio, broken down on a quarterly basis. It must also collect and retain additional information.			
	- All relief associations must submit investment policy statements and subsequent revisions to the OSA.			
§ 356.219	A. For all relief associations:			
	1. Has the relief association submitted the investment policy statement and subsequent revisions?			
	B. For a relief association that had a total market value of \$50,000,000 or more at the beginning of the calendar year:			
	1. Has the relief association filed all of the required investment information on the appropriate form prescribed by the OSA; or			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	2. Is the association excluded from the reporting requirement because all of its assets “beyond sufficient cash equivalent investments to cover six months expected expenses” are invested in the SBI, and has the relief association filed the appropriate form prescribed by the OSA?			
	C. For a relief association that does not have a total market value of \$50,000,000 or more:			
	1. Has the relief association filed all of the required investment information with the OSA on the appropriate form prescribed by the OSA; or			
	2. Is the association excluded from the reporting requirement because all of its assets “beyond sufficient cash equivalent investments to cover six months expected expenses” are invested in the SBI, and has the relief association filed Form ID Waiver with the OSA?			
	3. Has the relief association retained: (1) information specifying the date and amount of each injection and withdrawal to each investment account and investment portfolio, and (2) the market value of each investment account and investment portfolio at the beginning of each calendar year and for each quarter?			

<b>Part VI. Economic Interest Statement</b>				
§ 356A.06, subd. 4	A. For volunteer firefighter relief associations, or the Bloomington FDRA if its special fund assets are under \$8,000,000:			
	1. Did each member of the governing board and chief administrative officer file with the relief association or firefighting corporation a statement of economic interest indicating:			
	a. the person’s principal occupation and principal place of business;			
	b. whether or not the person has an ownership of or interest of ten percent or greater in an investment security brokerage business, a real estate sales business, an insurance agency, a bank, a savings and loan, or another financial institution; and			
	c. any relationship or financial arrangement that can reasonably be expected to give rise to a conflict of interest?			
	B. For the Bloomington FDRA if its assets are \$8,000,000 or more:			
	1. Did each member of the governing board and chief administrative officer file with the relief association a statement of economic interest containing the information required in Minn. Stat. § 10A.09, subd. 5, and any other information requested by the fiduciary or governing board to disclose reasonably foreseeable potential and actual conflicts of interest?			
	C. For all relief associations mentioned in A or B above:			
	1. Did the chief administrative officer, by January 15, annually transmit a certified listing of all individuals who have filed statements of economic interest with the relief association or firefighting corporation during the preceding 12 months and the address of the office of the pension plan to the Campaign Finance and Public Disclosure Board?			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
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<b>Part VII. Other Requirements for Relief Associations</b>
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2013 Minn. Laws, ch. 111, art. 5, § 39	A. For the Bloomington FDRA:			
	1. Did the association prepare an actuarial valuation showing the condition of the special fund as of December 31 every year?			
	2. Was the actuarial valuation prepared pursuant to the guidelines of Minn. Stat. §§ 356.215, 356.216, and the applicable standards established by the Legislative Commission on Pensions and Retirement?			
	3. Was a copy of the actuarial valuation sent on or before July 1 of the following year to:			
	a. the Executive Director of the Legislative Commission on Pensions and Retirement;			
	b. the Director of the Legislative Reference Library;			
	c. the Bloomington City Council; and			
	d. the State Auditor?			
§424A.093, subd. 2 <u>See GASB 67</u>	B. If the relief association was a volunteer firefighter relief association paying or allowing monthly service pensions:			
	1. Did the association prepare an actuarial valuation showing the condition of the special fund at least every two years as required by Generally Accepted Accounting Principles (GAAP)?			
	2. Was the valuation prepared pursuant to Minn. Stat. § 424A.093, subd. 2, and the guidelines of Minn. Stat. §§ 356.215, subd. 8, 356.216, and any applicable standards established by the Legislative Commission on Pensions and Retirement?			
	3. Was a copy of the actuarial valuation sent to:			
	a. the municipal governing body; and			
	b. the State Auditor?			
§ 424A.093, subd. 1	C. If the relief association previously provided a monthly benefit service pension, but discontinued that practice and either replaced the monthly benefit amount with a lump sum benefit amount consistent with Minn. Stat. § 424A.02, subd. 3, or purchased an annuity in the same amount as the monthly benefit from an insurance company licensed to do business in Minnesota, were the actuarial, financial, and minimum obligation requirements of Minn. Stat. § 424A.092 complied with?			
§ 424A.014, subd. 4	D. Did the relief association obtain from its treasurer bond as follows:			
	1. for the Bloomington FDRA, in a reasonable amount acceptable to the municipality; or			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>		Yes	No	Workpaper Reference
	2.	for volunteer fire relief associations, in an amount equal to at least ten percent of the relief association's assets (except that it need not exceed \$500,000)?			
	E.	Was the municipal contribution to the special fund determined as follows:			
	1.	for the Bloomington FDRA, pursuant to 2013 Minn. Laws, ch. 111, art. 5, § 33;			
	2.	for volunteer firefighter relief associations paying lump sum service pensions, pursuant to Minn. Stat. § 424A.092, subd. 3; or			
	3.	for volunteer firefighter relief associations paying monthly service pensions, pursuant to Minn. Stat. § 424A.093, subd. 5?			
	F.	Did the association certify the financial requirements of the special fund and the minimum obligation of the municipality:			
2013 Minn. Laws, ch. 111, art. 5, § 34	1.	between August 1 and September 1 in the case of the Bloomington FDRA; and			
§§ 424A.092, subd. 4, & 424A.093, subd. 5	2.	prior to August 1 in the case of volunteer firefighter associations?			
2013 Minn. Laws, ch. 111, art. 5, § 35; §§ 424A.091, subd. 2; 424A.092, subd. 4; & 424A.093, subd. 5	G.	Did the municipality pay the minimum obligation as certified by the relief association?			
2013 Minn. Laws, ch. 111, art. 5, § 36; 424A.092, subd. 4; & 424A.093, subd. 5	H.	If the municipality did not pay the minimum obligation as certified, did the officers of the relief association certify the unpaid amount to the county auditor?			

**Part VIII. Requirements of Volunteer Relief Associations**

§ 424A.02, subd. 3	A.	Defined Benefit Plans			
	1.	For defined benefit relief associations, on or before August 1, did the secretary or some other officer of the volunteer firefighters' relief association calculate and certify to the municipality's governing body the "average amount of available financing per active covered firefighter for the most recent three-year period," pursuant to Minn. Stat. § 424A.02, subd. 3?			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	2. For defined benefit relief associations, did the service pension amounts paid by the relief association not exceed the maximum service pension as calculated pursuant to Minn. Stat. § 424A.02, subd. 3?			
§ 424A.016, subd. 4	B. Defined Contribution Plans			
	1. For defined contribution relief associations, was an equal share of the amounts to be credited under Minn. Stat. § 424A.016, subd. 4 credited to the individual account of each firefighter?			
	2. For defined contribution relief associations, were service pensions paid based on that portion of the assets of the special fund to the credit of the member in the individual account that is vested under Minn. Stat. § 424A.016, subd. 3, and the bylaws, based on the retiring member's years of service?			
§ 424A.04	C. If the relief association was directly associated with a municipal fire department, did it have a board of trustees consisting of nine members?			
	1. Does the board consist of:			
	a. six members elected from the membership of the relief association; and			
	b. three members, consisting of:			
	(1) one elected municipal official designated by the municipal governing board,			
	(2) one elected or appointed municipal official designated by the municipal board, and			
	(3) the chief of the municipal fire department?			
	D. If the relief association is a subsidiary of an independent non-profit firefighting corporation, did it have a nine-member board of trustees, with six members elected by the association, two elected or appointed officials designated by the municipality's governing board that year, and the fire chief serving with the independent non-profit firefighting corporation?			
	1. If two or more municipalities contracted with the firefighting corporation, was there one municipal trustee from each of the two largest municipalities?			
	E. If the relief association is directly associated with a fire department operated as or by a joint powers entity, were the municipal trustees the fire chief of the fire department and two trustees annually designated by the joint powers board?			
	F. If the relief association is directly associated with a fire department service area township, were the municipal trustees the fire chief of the fire department and two trustees designated by the township board?			
	G. If a member of the board of trustees was a retired member of the relief, did the bylaws of the association specifically allow such membership? [Note: Allowed only for associations that offer a monthly service pension.]			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	H. If the relief association lacks municipal members provided for in Minn. Stat. § 424A.04, subd. 1(a), (b), or (c), because the fire department is not located in or associated with a municipality or joint powers entity, were the municipal members the fire chief of the fire department and two board members appointed from the fire department service area by the board of commissioners of the applicable county?			
§ 424A.015, subd. 1	I. If a relief association paid a service pension or disability benefit to a former member who has not separated from active service with the fire department to which the relief association is directly associated:			
	1. Did the person discontinue volunteer firefighter duties with the fire department and does the person perform duties within the fire department on a full-time basis?			
	2. Had the governing body of the municipality, of the independent nonprofit firefighting corporation, or of the joint powers entity filed its determination with the board of trustees of the relief association that the person's experience with and service to the fire department in that person's full-time capacity would be difficult to replace?			
	3. Were the bylaws of the relief association amended to provide for the payment of a service pension or disability benefit for such full-time employees?			
§ 424A.04, subd. 3	J. Conditions on Relief Association Consultants			
	<p>For the purposes of this question, a consultant is any person employed under contract to provide legal or financial advice and who is or represents to the volunteer firefighter relief association that the person is an actuary, a certified public accountant, an attorney, an investment advisor or manager, an investment counselor, an investment advisor or manager selection consultant, a pension benefit design advisor or consultant, or any other financial consultant.</p> <p>If the relief association employed or contracted with a consultant to provide legal or financial advice, did the secretary of the relief association obtain and did the consultant provide to the secretary of the relief association a copy of the consultant's certificate of insurance?</p>			
<b>Part IX. Appropriation of State Aid (Firefighters' Relief Associations)</b>				
§ 69.031	Did the relief association treasurer immediately deposit the State Aid received from the municipality into the association's special fund?			

Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
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<b>Part XI. Audit Conclusion</b>
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The auditor must state a conclusion--based on this questionnaire and any other audit procedures performed--whether the client has complied with the legal provisions reviewed relating to relief associations.

Conclusion:




**RELIEF ASSOCIATIONS  
DEPOSITORIES OF PUBLIC FUNDS  
AND  
PUBLIC INVESTMENTS**

# **LEGAL COMPLIANCE AUDIT GUIDE**

## **DEPOSITORIES OF PUBLIC FUNDS AND PUBLIC INVESTMENTS**

### Introduction

The depository and collateral requirements of Minn. Stat. §§ 356A.06, subd. 8a, and 118A.03 apply to fire relief associations.

For relief association audits, complete this section to determine if the relief association has properly deposited its funds in a properly designated depository with appropriate collateral or bond.

Minn. Stat. Section	<b>DEPOSITORIES OF PUBLIC FUNDS AND PUBLIC INVESTMENTS</b>	Yes	No	Workpaper Reference
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<b>Part I. Designation of Depository</b>
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§ 356A.06, subd. 8a	In the case of a relief association:			
	A. Has each depository for assets, not held by the relief association's custodian bank, been designated by the relief association's governing board?			
	B. Is each depository one of the following:			
	1. a national bank;			
	2. an insured state bank;			
	3. an insured credit union; or			
	4. an insured thrift institution?			

<b>Part II. Insuring or Securing Deposits</b>
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§ 118A.03	A. If a relief association entity desires to deposit an amount in excess of deposit insurance, it must obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit at the close of the banking day. For the purpose of this section, "banking day" has the meaning given in Federal Reserve Board Regulation CC, 12 C.F.R. § 229.2(f), and incorporates a financial institution's cutoff hour established under Minn. Stat. § 336.4-108. If irrevocable standby letters of credit from Federal Home Loan Banks are used as collateral, the amount must be equal to the amount of the excess deposit at the close of the banking day.			
	B. Complete the spread sheet in this section to determine the amount of the government entity's funds that is not insured and thus need to be either bonded or collateralized. Deposits held by credit unions are covered by separate deposit insurance rules promulgated by the National Credit Union Administration (NCUA).			
	C. Was collateral coverage sufficient? (Answer after completing the spreadsheet on page 2-5.)			

<b>Part III. The Bond and Collateral</b>
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§ 118A.03, subd. 1	A. If a bond was furnished by the depository to the government entity, answer the following question:			
	1. Was the bond executed by a corporate surety company authorized to do business in the state?			
§ 118A.03, subd. 2	B. If the depository assigned collateral to the government entity, answer the following questions:			
	1. Was the collateral one of the following:			
	a. U.S. government treasury bills, notes, or bonds;			

Minn. Stat. Section	<b>DEPOSITORIES OF PUBLIC FUNDS AND PUBLIC INVESTMENTS</b>	Yes	No	Workpaper Reference
	b. issues of a U.S. government agency or instrumentality that are quoted by a recognized industry quotation service available to the government entity;			
	c. a general obligation of a state or local government, with taxing powers, rated "A" or better;			
	d. a revenue obligation of a state or local government, with taxing powers, rated "AA" or better;			
	e. unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;			
	f. an irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or			
	g. time deposits insured by any federal agency?			
§ 118A.03, subd. 7	2. Was the collateral placed for safekeeping:			
	a. In a restricted account at the Federal Reserve Bank; or			
	b. in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository?			
	3. Did the government entity approve of the selection of the safekeeping entity?			
§ 118A.03, subd. 4	4. Was the collateral assignment in writing?			
	5. Did the assignment provide that, upon default, the depository shall release the collateral pledged to the government entity on demand, free of exchange or other charges?			
§ 118A.03, subd. 3	C. Collateral pledged must equal at least ten percent more than the uninsured and unbonded amount on deposit at the close of the banking day. If irrevocable standby letters of credit from Federal Home Loan Banks are used, the amount must be equal to the amount of the excess deposit at the close of the banking day. The depository may, at its discretion, furnish both a bond and collateral aggregating the required amount.  For the purpose of this section, "banking day" has the meaning given in Federal Reserve Board Regulation CC, 12 C.F.R. § 229.2(f), and incorporates a financial institution's cutoff hour established under Minn. Stat. § 336.4-108.			
	1. If a bond was obtained or standby letters of credit from Federal Home Loan Banks were pledged, was the amount of excess deposit at the close of the banking day (as defined above) equal to or less than the amount of the bond or standby letters of credit?			
	2. If other collateral was pledged, was the amount of collateral at least ten percent more than the uninsured amount on deposit at the close of the banking day?			

Minn. Stat. Section	<b>DEPOSITORIES OF PUBLIC FUNDS AND PUBLIC INVESTMENTS</b>	Yes	No	Workpaper Reference
	D. Assignment [Federal Statutory Requirements]			
[12 U.S.C. § 1823(e)]	1. Was the written assignment approved by the depository's board of directors or loan committee?			
	2. Was the assignment an official record of the depository?			

<b>Part VI. Audit Conclusion</b>
The auditor must state a conclusion--based on this questionnaire and any other audit procedures performed--whether the client has complied with the legal provisions reviewed relating to depositories of public funds and investments.
Conclusion:

SPREADSHEET

			a	b	c	a - (b + c) = d	d x 1.1 = e	f	f - e
Name of Depository	*	**	Amount on Deposit	Amount of Insurance Coverage	Amount of Bond	Deposits Requiring Collateral	Amount of Collateral Needed (110% of Deposits Requiring Collateral)	Market Value of Collateral Provided	Sufficient (Insufficient) Collateral Coverage

\* Put a check in this column if depository is a member of FDIC or NCUA.  
 \*\*Put a check in this column if depository is not a branch of any of the other depositories here.

**RELIEF ASSOCIATIONS  
EXAMPLE OF INDEPENDENT AUDITOR'S REPORT**

**LEGAL COMPLIANCE AUDIT GUIDE**  
**EXAMPLE OF INDEPENDENT AUDITOR'S REPORT**

Minnesota Legal Compliance  
Relief Associations

3-2



Independent auditor's report for *relief associations*. (Note: Eliminate this paragraph from the report.)

## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

(Governing body)  
(Entity)

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of (*list related opinion units*) of (*entity name*) as of and for the year ended (*year-end date*), and the related notes to the financial statements, which collectively comprise the (*entity type*)'s basic financial statements, and have issued our report thereon dated \_\_\_\_\_.

In connection with our audit, nothing came to our attention that caused us to believe that (*entity name*) failed to comply with the provisions of the deposits and investments and relief associations (*delete sections not required to test*) sections of the *Minnesota Legal Compliance Audit Guide for Relief Associations*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the (*entity type*)'s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

- If legal compliance findings are reported, use the following wording:

In connection with our audit, nothing came to our attention that caused us to believe that (*entity name*) failed to comply with the provisions of the deposits and investments and relief associations (*delete sections not required to test*) sections of the *Minnesota Legal Compliance Audit Guide for Relief Associations*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the (*schedule name where findings are listed*) as items (*list related finding numbers*). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the (*entity type*)'s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of (*entity name*) and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

(Signature)  
(Date)