



December 28, 2018

NAFRS Board Members
301 5th St. West
Northfield, MN 55057

SENT BY EMAIL ONLY

**CONFIDENTIAL – SUBJECT TO ATTORNEY/
CLIENT PRIVILEGE**

Re: Dundas City Council Resolutions

Dear Board Members:

At the NAFRS Board meeting on December 13, 2018, the Board received three Resolutions passed by the Dundas City Council on November 13 and 26, 2018:

City of Dundas Resolution 2018-58 Requesting Clarification of the Duties of the NAFRS Coordinator
City of Dundas, Resolution 2018-59 Requesting Clarification of the NAFRS Claims Paying Process
City of Dundas Resolution 2018-60 Requesting Clarification of the NAFRS Process to Schedule Meetings and to Comply with All Applicable Statutes of the State of Minnesota

In response to these Resolutions, the NAFRS Board passed a motion requesting that the Board's attorney "reiterate existing opinions" pertaining to Dundas City Council Resolutions 2018-59 and 60. That is the purpose of this letter.

I believe the representatives of the City of Dundas who sit on the NAFRS Board indicated that sufficient information was presented at the December 13 Board meeting with regard to the duties of the NAFRS coordinator as referred to in Resolution 2018-58. On the other matters:

I. Resolution 2018-59, NAFRS Claims Paying Process

With regard to Resolution 2018-59, previous attorneys' letters on this subject have been delivered to the Board, including the following, copies of which I attach to this letter; please note that *the letter noted in #5 below summarizes the applicable law and how NAFRS meets the requirements of applicable law with regard to payment of claims; I will not paraphrase that letter here:*

1. Letter from then-NAFRS attorney Ryan Blumhoefer dated September 17, 2014.
2. Letter from then-NAFRS attorney Ryan Blumhoefer dated October 10, 2014.
3. For reference, letter to NAFRS Board from Dundas city attorney Paula Callies dated October 6, 2015.
4. Letter from me to Paula Callies dated October 13, 2015.
5. Letter from me to Paula Callies dated December 2, 2015.

I would note that Dundas representatives have raised the same questions about payment of claims by NAFRS several times: apparently at the time of Ryan Blumhoefer's letters in 2014; at the time of Paula Callies' letter and my responsive letters in 2015; and again in 2018. I believe their concerns have been adequately addressed.

II. Resolution 2018-60, Process to Schedule Meetings and Comply with All Applicable Statutes of the State of Minnesota

The Open Meeting Law establishes how public bodies must give notice of the scheduling of regular and special meetings. NAFRS makes every effort to comply with the Open Meeting Law in giving notice of the scheduling of its meetings. Regular meetings are scheduled by the Board and the schedule of regular meetings is kept on file at NAFRS' primary office as required by Minn. Stat. § 13D.04, Subd. 1. If the time or place of a regular meeting is different from the time and place stated in the schedule of regular meetings, then the OML requires that notice must be given as for a special meeting – notice of the date, time and place of the meeting must be posted on the principal bulletin board or if there is none, on the door of the body's usual meeting room, and notice must be mailed or otherwise delivered to each person who has filed a written request for notice of special meetings, or must be published in the official newspaper, at least three days before the date of the meeting.

In counting the three day period, the date of posting, delivery, or publication is not counted but the date of the meeting is counted. Therefore, notice of a meeting to be held on a Thursday must be posted and delivered or published by the previous Monday.

The OML does not establish how public bodies must or should give notice of *cancellation* of a regular or special meeting. On quick review, I have not found other statutory or case law which sets forth such direction. It is possible that an exhaustive review of Minnesota law might produce such direction or at least guidance by analogy, but I have not been asked to devote the time necessary to make such an exhaustive review.

Recently, a regular Board meeting (the meeting scheduled for November 15, 2018) was canceled at the direction of the Chair because the Chair determined there was insufficient business needing to be done to warrant holding the meeting. Notice was given three days in advance of the scheduled meeting (on November 12, 2018), by email, to Board members and to the press and others who have requested notice of meetings of the NAFRS Board. I understand that two objections were raised to the cancellation of the November 15 Board meeting:

- that a regular meeting should not be canceled at all, and
- that notice should not be given on a legal holiday (November 12 having been Veteran's Day).

I have found no prohibition against regular meetings of a public body being canceled. There is no such prohibition in the Open Meeting Law, in the Joint Powers Agreement, in the NAFRS Bylaws,

or in any resolution or policy adopted by the NAFRS Board that I am aware of. It does not seem reasonable, nor in the public interest, to say that a meeting, whether regular or special, may not be canceled. It would seem to be in the public interest to allow meetings to be canceled if there is no business urgently needing the body's attention at the time of the scheduled meeting, or if there is an emergency or other urgent reason to cancel the meeting, or if the circumstances of the meeting simply do not warrant the inconvenience and expense of a particular meeting, including the time of paid employees who could be doing other work, the time of professional consultants who bill for their time attending meetings, and the burden on volunteers who put aside other responsibilities to attend meetings.

With regard to giving notice of cancellation of a meeting, again, I have found no explicit requirement regarding such notice. It seems reasonable to me in light of the OML that three days notice is sufficient. There is indeed a statute (Minn. Stat. § 645.44, Subd. 5) which provides that "no public business shall be transacted on any holiday" specified by the statute, but it is not clear that giving notice of the cancellation of a meeting constitutes transacting public business. There is case law which says that publication of an ordinance in the official newspaper on a legal holiday is not the "transaction of public business" within the meaning of a predecessor to Minn. Stat. § 645.44, and there is a Minnesota Attorney General's opinion that publication of a notice for the laying out of a town road was valid even though it occurred on a legal holiday. The Board may wish to establish its own guidelines for cancellation of meetings, and the representatives of the City of Dundas are free to propose such guidelines, but I do not believe there was any failure to comply with applicable law in the cancellation of the November Board meeting.

I do not know what other "applicable statutes of the State of Minnesota" the Dundas City Council has concerns about. To my knowledge, NAFRS attempts to comply with all applicable State laws. I do not want to put undue time into these matters without specific direction from the Board, so I await direction from the Board if it wishes additional input from me.

Very truly yours,



Maren L. Swanson

enclosures (5 letters)

LAW OFFICES
OF
SCHMITZ, OPHAUG, DOWD & BLUMHOEFER, LLP

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JOHN M. OPHAUG
ADAM J. DOWD *
RYAN L. BLUMHOEFER
PETER J. SCHMITZ (1940-2014)

September 17, 2014

Northfield Area Fire and Rescue Service
ATTN: Glen Castore
5873 145th St. E.
Northfield, MN 55057

SENT VIA EMAIL – gcastore@gofast.am

Re: Disbursement procedures for NAFRS
Our File No. 18962

NAFRS Board Members:

The purpose of this letter is to provide requested guidance on how the NAFRS should handle the approval and disbursement of claims. I will provide a brief review of the applicable statutes and the relevant language of the Joint Powers Agreement and offer my recommendation for proceeding.

Statutory Requirements and Joint Powers Agreement

Minnesota Statutes section 471.59 provides that funds may be disbursed by a joint powers entity as agreed upon by the parties to the joint powers agreement, but the method of disbursement “shall agree as far as practicable with the method provided by law for the disbursement of funds by the parties to the agreement.” Therefore, the NAFRS Board must consider both the terms of the joint powers agreement and the disbursement procedures provided by law for the parties to the agreement.

1. Joint Powers Agreement.

Section 5(i) of the Joint Powers Agreement states that except as otherwise provided, all unbudgeted disbursements and expenditures of the NAFRS must be approved by the NAFRS Board and all checks must be co-signed by two officials designated by the Board. While the Agreement does not offer a comprehensive description of disbursement procedures, those provisions must be followed.

2. *Disbursement procedures provided by law for the parties.*

The NAFRS consists of three different types of entities with three different disbursement procedures: (a) the City of Northfield, a charter city which has large freedom in determining its own procedures and which has adopted its own Purchasing Policy; (b) the City of Dundas, a statutory city which appears to follow the disbursement procedures set out in Minnesota Statutes section 412.271; and (c) the Northfield Rural Fire Protection District, which consists of several townships that must follow the statutory disbursement procedures for townships.

The City of Northfield Purchasing Policy describes the individuals who must approve certain expenses, based on the size of the purchase and whether it is budgeted v. unbudgeted. For your reference, I have enclosed a copy of this Purchasing Policy, as I think it includes helpful provisions and ideas, some of which the NAFRS may choose to adopt as part of its future policies.

My understanding is that the City of Dundas follows the disbursement procedures of Minnesota Statutes section 412.271, which generally requires all claims to be approved by the city council before disbursements are made. That being said, Minnesota Statutes section 412.271, subdivision 8 would allow the Dundas city council to delegate its authority to review certain claims to a city administrative official.

The Northfield Rural Fire Protection consists of seven townships. In general, claims made against a township must be approved by the Town Board before disbursements are made.

Recommendation

The issue for the Board is how to balance: (a) the need to follow the Joint Powers Agreement and, as far as practicable, the disbursement procedures required by law for the parties to the Agreement, and (b) the practical needs of running the day-to-day operations of the organization, especially if the Board is only planning to meet once per quarter in subsequent years.

It is clear from the statute that the NAFRS is not required to strictly comply with the disbursement procedures of any one specific party to the Agreement. It is also not required that the NAFRS follow the most restrictive disbursement policy implemented by one of the parties to the Agreement. I spoke with Kyle Hartnett, an attorney at the Minnesota Association of Townships who formerly worked for the Minnesota State Auditor's Office, and he agreed with me on both of these points.

Based on the above information, I would recommend adopting a disbursement policy which includes the following basic guidelines:

- Budgeted claims under a certain dollar amount (ex: \$10,000 or \$20,000):
 - Must be approved by the Fire Chief
 - Check signed by the Board Chair (or Vice Chair) and the Fire Chief

- Board audits and approves the claim at the next Board meeting
- Unbudgeted claims or claims over that certain dollar amount:
 - Must receive prior approval of the Board
 - Check signed by the Board Chair (or Vice Chair) and the Chief
- The Board would also adopt additional internal financial controls to ensure the proper handling of public funds, which I believe the Board began discussing at its last meeting.

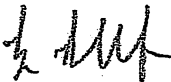
This procedure (or something similar) would provide for: (a) the easy payment of relatively small budgeted items with later Board audit and approval, (b) prior Board approval for larger purchases, and (c) practical compliance with the legal procedures required of and actually implemented by the entities within the NAFRS.

Finally, it is my understanding that the Board has considered establishing a finance committee, which may review certain claims before disbursements are made. Any finance committee meeting would need to be open to the public, pursuant to the Open Meeting Law. If the finance committee would meet on only a monthly basis, there may not be much benefit to having certain claims reviewed and approved by that committee rather than simply having them reviewed and approved by the entire Board.

I hope this letter is helpful to you. I look forward to discussing this issue at the NAFRS meeting next week.

Very truly yours,

SCHMITZ, OPHAUG, DOWD & BLUMHOEFER, LLP



Ryan L. Blumhoefer

Enclosure

LAW OFFICES
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PHONE 507-645-9541
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PETER J. SCHMITZ (1940-2014)

October 10, 2014

Northfield Area Fire and Rescue Services
ATTN: Glen Castore
5873 145th St. E.
Northfield, MN 55057

SENT VIA EMAIL – gcastore@gofast.am

Re: NAFRS – Disbursements
Our File No. 18962

NAFRS Board Members:

This letter is in response to two questions from the Board as to the disbursement procedures of the NAFRS. The first question is whether the NAFRS must follow the procedures of the City of Dundas and the second question is whether the proposed procedures to be adopted comply with the Joint Powers Agreement.

Procedures of the City of Dundas

Article 5.f.viii. of the Joint Powers Agreement states that the Board has the duty to “comply with all public laws applicable to the Members individually, including, but not limited to, the Minnesota Open Meeting Law, Minnesota Government Data Practices Act, and the Minnesota Uniform Municipal Contracting Law.” The question is whether this language requires NAFRS to strictly comply with the disbursement procedures followed by the City of Dundas (a statutory city), which would require the NAFRS Board to pre-approve all disbursements.

Based on my review of the Joint Powers Agreement and the applicable Minnesota Statutes, it is my opinion that the NAFRS does not need to strictly comply with the disbursement procedures followed by the City of Dundas. The reasons for my opinion are as follows:

1. A general rule of contract interpretation is that an agreement shall be construed as a whole, so as to carry out the overall purpose of the contract, rather than to interpret phrases in the agreement in isolation without any context.

Article 2 of the Joint Powers Agreement states that the purpose of the organization is to provide fire and rescue services to its members. Article 5.f. states that the Board shall have all powers "necessary to carry out the intent and purpose of the [NAFRS] set out in this Agreement". Article 5.f. then lists numerous powers of the Board, including the power to (a) control and direct administration and affairs of the NAFRS, (b) establish and execute operating budgets, (c) receive and disburse funds, (d) make all operational and fire services decisions, (e) adopt rules and guidelines for the operation of the NAFRS, (f) acquire, operate, maintain, replace and dispose of NAFRS vehicles, equipment, and supplies as may be deemed expedient in carrying out the purposes of the Agreement, and (g) exercise such other powers of the NAFRS as are necessary to carry out, and that are consistent with, the purposes of the Agreement.

Therefore, when considering the Agreement as a whole, an interpretation of Article 5.f.viii. which requires the Board to follow the strict disbursement procedures used by the City of Dundas (when no such express requirement is stated) would severely limit the Board's ability to provide adequate fire and rescue services to its members and would be inconsistent with other provisions of the Agreement.

2. Article 5.i. of the Joint Powers Agreement addresses disbursements more specifically than does Article 5.f.viii. Article 5.i. does not reference any requirement that the NAFRS comply with any one individual member's disbursement procedures.
3. Minnesota Statutes section 471.59 (the joint powers statute) does not require a joint powers entity to follow the disbursement procedures of any one individual member. It also does not require that the most restrictive disbursement procedure implemented by one of the members be followed by the joint powers entity. As I mentioned in my letter to the Board, dated September 17, 2014, I previously spoke with Kyle Hartnett who is an attorney for the Minnesota Association of Townships and a former attorney for the Minnesota State Auditor's Office about this point, and he agreed with me that the statute does not require the most restrictive disbursement procedure to be applied.
4. Even if NAFRS was required to comply with the disbursement procedures of a statutory city, Minnesota Statutes section 412.271, subdivision 8 allows a city council of a statutory city to delegate its authority to review certain claims to a city administrative official. If this statute is applied to the NAFRS, the Board could delegate its authority to review certain claims to a fire department official. Therefore, even if this statute applied to the NAFRS, all claims would still not require pre-approval from the NAFRS Board before payment.

Proposed Procedures

It is my understanding that the Board would like to adopt the disbursement policy that was summarized in the October 9, 2014 Board packet. In general, I believe the policy is reasonable and in compliance with the Joint Powers Agreement, with a few minor changes:

- Under the "Budgeting" heading in the Responsibilities of the Board, it says that a five year capital equipment budget and a five year facility maintenance and improvement

budget will be prepared. Article 5.f.xix. of the JPA states that the capital improvement program/finance plan must be no less than ten years in duration.

- I would suggest that all claims (whether budgeted or unbudgeted) be approved by the Board at some point. If budgeted and emergency unbudgeted claims are going to be approved by the Fire Chief and then paid prior to Board review, I would suggest that the Board still review and approve those claims after the fact.
- The check signing language is a bit unclear. My understanding is that checks would be signed by the Chair (or Vice Chair in his/her absence) and the Fire Chief (or Assistant Fire Chief in his/her absence).

I hope this letter is helpful to the Board. Please feel free to contact me if you have any questions.

Very truly yours,

SCHMITZ, OPHAUG, DOWD & BLUMHOFER, LLP



Ryan L. Blumhofer

October 6, 2015

Chair Glen Castore and Members of the Board
Northfield Area Fire and Rescue Services
301 Fifth Street W.
Northfield, MN 55057

Re: Disbursements and Financial Controls

Dear Chair Castore and Board Members:

I am writing on behalf of the Dundas City Council which has serious concerns regarding NAFRS disbursements practices and financial controls. The City of Dundas hereby requests that no claims be paid and no checks be issued by NAFRS for nonemergency expenditures without prior NAFRS Board review and approval.

Minn. Stat. §471.59, subd.3 requires that the method for disbursement of funds under a joint powers agreement must “agree as far as practicable with the *method provided by law for the disbursement of funds by the parties to the agreement*. Contracts let and purchases made under the agreement shall conform to the requirements applicable to contracts and purchases of any one of the parties as specified in the agreement. *Strict accountability of all funds and report of all receipts and disbursements shall be provided for.*”

The disbursement practices of NAFRS are not in line with the statutory requirement of §471.59 to comply with the method for disbursement of funds provided by law for the parties to the JPA, which includes the City of Dundas. Minn. Stat. §412.271 requires that Dundas receive prior council review and approval of most claims for goods and services. No checks may be issued for claims for goods and services until the city council has reviewed and approved such claims. There are certain limited exceptions when prior approval is not required such as for rent and payroll. In addition, a city may establish a petty cash account generally for the purpose of handling small purchases. Minn. Stat. §412.271, subd.5; LMC Memo *Procedures for Paying Claims*. A city council may also delegate authority to an administrative official to pay certain claims upon adoption of a resolution specifying the type of claims to be paid and complying with other accounting procedures indicated in the statute. Minn. Stat. §412.271, subd.8.

There is no practical reason why nonemergency claims should be paid by NAFRS before the Board has reviewed and approved them, as required by Minn. Stat. §471.59, subd.3. Moreover, the Policy for Disbursements and Financial Controls of the NAFRS dated October 20, 2013 (the “Disbursements Policy”) does not establish any monetary limit for non-emergency expenditures, nor has NAFRS specified the type of claims that may be paid without prior Board approval.

NAFRS
October 6, 2015
Page Two

The Disbursements Policy provides that the Fire Chief will make recommendations for non-emergency unbudgeted expenditures to the Finance Committee, which will then make its recommendations to the Board. This suggests that prior Board review and approval is required, but in practice this is not occurring.

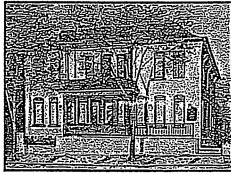
State law prescribes the procedures for disbursement of public funds and the officials involved in payment of claims. Beyond the statutory requirements, principles of good government and transparency demand strict accountability of all funds. The City of Dundas requests that NAFRS review its disbursements policies and practices and make the necessary changes to conform to state law and the JPA.

Sincerely,



Paula A. Callies
Dundas City Attorney

cc: Dundas City Council
John McCarthy



LAMPE
LAW
GROUP_{LLP}

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Lance R. Heisler www.lampelaw.com

October 13, 2015

Paula A. Callies
Callies Law
5500 Wayzata Blvd., Suite 1000
Minneapolis, MN 55416

Re: NAFRS Disbursements and Financial Controls

Dear Ms. Callies:

NAFRS Board Chair Glen Castore referred to me your letter dated October 6, 2015. I will be reviewing the issues you raised and addressing them with the Board in the near future and I will respond to you as soon as possible, probably after the Board meeting in November.

In the meantime, I did want to mention the following, preliminarily:

First, the attorney who did work for the NAFRS Board previously, Ryan Blumhoefer, researched and made recommendations to the Board regarding its current disbursements and financial controls policies, by letters to the Board dated September 17, 2014 and October 10, 2014. Your client should have copies of those letters but if you cannot obtain them from your client, please let me know and I will forward copies to you. The Board adopted its current policies based on carefully considered legal advice it received at the time. I do not want to duplicate that effort, but if there are changes or clarifications that can be made to the existing policies which would serve the public interest, I will support doing that.

I also want to mention the practical realities under which NAFRS operates or will soon be operating, as we look ahead to possibly modifying or clarifying current policies. For instance, under section 5 (Governance), e., iii. of the JPA, after the first year of its existence, the Board is allowed to meet quarterly rather than monthly, and I am informed that the Board is likely to change from monthly to quarterly meetings sometime in 2016. This could make preapproval of claims by the Board impractical or could lead to the regular imposition of late fees.

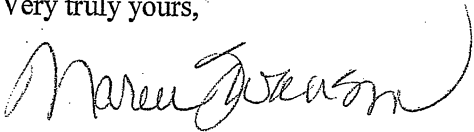
I note that Minn. Stat. § 471.59, Subd. 3, provides that “[f]unds may be paid to and disbursed by [a joint powers] agency *as may be agreed upon*” and that the method of disbursement of funds is only required to conform “*as far as practicable*” to the methods provided by law for the parties to the agreement. The methods of disbursement of funds that apply to the various parties to this JPA differ from each other, so NAFRS cannot conform to all of those various methods. Since “the legislature does not intend a result that is absurd, impossible of execution, or unreasonable” (Minn. Stat. § 645.17, Presumptions in Ascertaining Legislative Intent), it seems clear that NAFRS is not

Paula A. Callies
October 13, 2015
Page 2

required to match the policies of any particular member. Nevertheless, I will encourage the Board to make reasonable changes and clarifications to its existing policies to the extent those actions will enhance functionality, understanding, and public confidence.

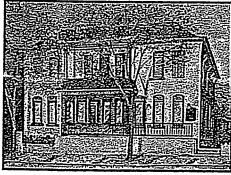
Thank you for your letter. I look forward to discussing this matter with you further, at least by correspondence.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Maren Swanson". The signature is written in black ink and is positioned below the closing "Very truly yours,".

Maren L. Swanson

cc Glen Castore, Chair
NAFRS Board



December 2, 2015

Paula A. Callies
Callies Law
5500 Wayzata Blvd., Suite 1000
Minneapolis, MN 55416

Re: NAFRS Disbursements and Financial Controls

Dear Ms. Callies:

I am writing to follow up on my preliminary response to your letter of October 6, 2015. Your letter was addressed to the Northfield Area Fire and Rescue Service Board. I have reviewed the issues you raised and have addressed them with the Board. It is my opinion that the disbursements policies and financial controls adopted by the Board, and NAFRS' practices under those policies, fully comply with Minnesota law and with the Joint Powers Agreement under which the organization operates, outlined as follows:

I. JOINT POWERS AGREEMENT

The Joint Powers Agreement which governs NAFRS provides that:

1. The Board has various powers and duties including the power and duty:
 - a. To control and direct the administration of NAFRS affairs
 - b. To establish an administrative structure
 - c. To establish and execute budgets
 - d. To receive and disburse funds
 - e. To comply with "all public laws applicable to the Members individually," mentioning specifically the Open Meeting Law, Data Practices Act and Uniform Municipal Contracting Law.

(Section 5. f.) *The Board is complying with all of the duties mentioned above.*

2. Except as otherwise provided, all unbudgeted disbursements and expenditures must be approved by the Board (by implication, must be pre-approved by the Board), and all checks issued by NAFRS must be co-signed by two officials designated by the Board. (Section 5. i.)

NAFRS is complying with these requirements. I am informed that to date there have been no unbudgeted non-emergency expenditures; if there were, under the Board's adopted

policies and practices, the Board would be asked to pre-approve them. All NAFRS checks are co-signed by the Fire Chief, or in the Chief's absence by the Assistant Chief, and by the Board Chair, or in the Chair's absence by the Vice Chair.

3. There must be an annual audit of NAFRS books and accounts by an outside professional auditing firm and the auditor must ensure that NAFRS finances and accounting are in compliance with all applicable legal and auditing requirements and that NAFRS operates under effective financial controls. (Section 5. j.)

NAFRS is complying with this requirement. The first partial year financial audit was performed by the firm of Abdo, Eick & Meyers, LLP, and reflected that NAFRS and its finances and accounting are in compliance with all applicable legal and accounting requirements and that NAFRS is operating under effective financial controls.

4. The Board must appoint a fiscal agent to provide management of all NAFRS funds and to keep and maintain all financial records. (Section 8)

The NAFRS Board appointed and uses the outside accounting firm of Reese Winter & Associates Ltd. as its fiscal agent to provide accounting services including reviewing and entering all disbursement requests and issuing checks.

II. JOINT POWERS ACT

NAFRS is subject to the "Joint Powers Act," Minn. Stat. § 471.59. Under Subd. 3 of that statute:

"[f]unds may be paid to and disbursed by [a joint powers] agency as may be agreed upon" by the agency, and the method of disbursement of funds is required to conform "as far as practicable" to the methods provided by law for the parties to the agreement.

The methods of disbursement of funds that apply to the various members of NAFRS may differ from one another, and to the extent that is true, NAFRS cannot possibly conform to all of the various disbursement methods. It is said that "the legislature does not intend a result that is absurd, impossible of execution, or unreasonable" (Minn. Stat. § 645.17, Presumptions in Ascertaining Legislative Intent). Therefore it is clear that NAFRS is not required to match the policies of all of its members or of any particular member.

Nevertheless, it has been asserted that NAFRS must comply with the disbursement requirements which apply to a statutory city such as Dundas, and if that were true, I am happy to report that in my opinion NAFRS does comply with those requirements.

III. DISBURSEMENTS BY STATUTORY CITIES

As you have noted, Minn. Stat. § 412.271 controls disbursement of public funds by statutory cities such as Dundas. You have suggested that NAFRS is bound by the requirements of this statute. While I do not think NAFRS is strictly bound by this statute, my review indicates that NAFRS *does comply with this statute*. The statute requires that, except as otherwise provided by the statute, no order for payment may be issued until the claim has been approved by the council. However, as is so often true, the exceptions swallow the rule in this statute. The statute allows payment of claims without prior council approval in situations including:

1. For the payment of judgments, salaries and wages previously fixed by the council or by statute, for the payment of principal and interest on obligations and other fixed charges the exact amount of which has been previously determined by contract authorized by the council, and as otherwise provided in subdivisions 4, 5 and 8 of the statute.
2. Subd. 4 of the statute applies to immediate payment of claims based on contract where delay would result in loss through forfeiture of discount privileges or otherwise.
3. Subd. 5 provides for the establishment of imprest funds (petty cash) to pay claims which it is impractical to pay in any other manner.
4. Subd. 8 allows the delegation of authority to pay certain claims to an administrative official, which has been done by NAFRS. The statute requires:
 - a. That a statutory city have internal accounting and administrative control procedures in place to ensure proper disbursement of public funds.

The NAFRS Board has adopted disbursement policies and practices which include review of each claim, prior to payment (1) by the Administrative Assistant who logs in the claim, attaches supporting documentation, and assigns budgeted claims to the proper account within the budget; (2) by the Fire Chief who confirms the documentation, confirms that the claim is a budgeted expense, and designates any emergency expenses; (3) by the chair of the Finance Committee who checks the assigned account and the documentation; (4) by the accounting firm which enters the claim into the accounting system and issues the check; and (5) by the two co-signers before they sign the check.

- b. The administrative procedures must include regular and frequent review by the city council, and a list of all claims paid must be presented to the council for informational purposes only at its next regularly scheduled meeting after payment of the claim.

The NAFRS Board receives and reviews a list of all disbursements at each of its regular meetings, currently monthly.

- c. A city council that delegates authority in this way must adopt a resolution authorizing a specific administrative official to pay claims that meet the standards and procedures of the council.

The NAFRS Board passed a resolution adopting its Policy for Disbursements and Financial Controls on October 23, 2014. The Policy designates the Fire Chief to authorize all budgeted expenses; the budget is also adopted by resolution and the budget lists the types of expenses that are included and therefore considered budgeted expenses.

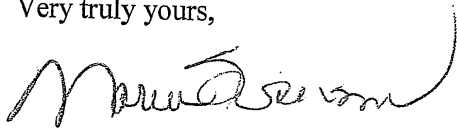
- d. There must be independent annual audited financial statements for the city in order for the council to delegate authority to an administrative official to pay claims.

NAFRS has had and will continue to have independent annual audited financial statements.

In summary, my review indicates that the NAFRS Board is following sound financial practices and is fully complying with applicable law and the JPA. In fact its management of claims to be paid has multiple layers and appears highly responsible and effective. Of course, the Board is always seeking to improve its practices and procedures, so if you have specific examples of any failure to comply with legal requirements, please communicate them to the Board for further consideration and action.

Thank you.

Very truly yours,



Maren L. Swanson

cc NAFRS Board