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Article for *Minnesota Township Insider*

Working with Public Funds

By *Rebecca Otto, State Auditor*

Stewardship of public funds is a key responsibility of township officials. Our office often receives questions about two important areas of township finances: investments of township money and donations of public funds.

Township Investments

Local government entities in Minnesota are allowed to invest public funds, but where they can invest is limited by Statute. State law permits investment in those securities that are generally considered to be among the safest available, and describes which securities are permissible for an entity to invest in.

Minnesota law also mandates how public investments are to be handled, particularly if purchased through a broker. Before entering into an investment transaction with a broker, State law requires that public entities obtain the broker's signature on a "Broker Certification Form." Once a relationship with a broker has been established, the public entity will need to obtain a signed Broker Certification Form from that broker every year. The Form is available on our website, www.auditor.state.mn.us. Go to the menu item "Forms" and click on "Broker Certification Forms for Local Governments".

The Office of the State Auditor (OSA) has a Statement of Position with more information on this topic entitled "Legal Restrictions on Public Investing". To view the complete Statement, go to our website at www.auditor.state.mn.us and go to the menu item "For Local Officials". Click on "Statements of Position", and then "Deposits & Investments".

Donations of Public Funds

Towns are often asked to give funds to support various groups and activities. While the causes may be worthwhile, towns need to be cautious when making any financial commitments involving public funds.

Before a township makes a contribution, it is important to determine that the township has specific authorization to make the expenditure. In most circumstances, towns have no

authority to give away public funds as donations. Generally, in order to spend money on something, a town must have authority to do so. Authority for an expenditure may be specifically stated in a statute, or it may be implied as necessary to do what an express power authorizes. In addition, the expenditure must be for a “public purpose.”

The Office of the State Auditor has a Statement of Position on this topic entitled “Public Expenditures: Donations and Dues”. To view the complete Statement, go to our website at www.auditor.state.mn.us, then go to the menu item “For Local Officials”. Click on “Statements of Position”, then "Public Purpose".