

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**TOWN OF LAVELL**

**AGREED-UPON PROCEDURES**

**JANUARY 1, 2005, THROUGH MARCH 20, 2010**

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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# **TOWN OF LAVELL**

**January 1, 2005, through March 20, 2010**



**Agreed-Upon Procedures**

**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors  
Town of Lavell

We have performed the procedures enumerated below, which were agreed to by the Town of Lavell, solely to assist you with respect to evaluating the accounting procedures, practices, and records related to receipts and disbursements of the Town. The Town of Lavell's management is responsible for the accounting procedures, practices, and records related to receipts and disbursements. These procedures were applied to the Town's records for the period of January 1, 2005, to March 20, 2010. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Town of Lavell. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### 1. Procedure

Review procedures and records used to account for the receipt and disbursement of funds, and determine if such procedures and records appear adequate for reporting on activities of the Town.

### Findings

We reviewed procedures and records used to account for the receipt and disbursement of funds and determined that such procedures were adequate for reporting on activities of the Town. However, we noted that the Town did not have an accounting policies or procedures manual. Government entities should document the accounting policies and procedures that make up their internal control system. This manual should describe

procedures as they are intended to be performed, indicate who is to perform the procedure, and explain the design and purpose of the control-related procedures to increase the understanding for controls. This manual should be established and approved by the Town Board to emphasize its importance and authority.

An accounting policies and procedures manual will help enhance the understanding the Clerk, Treasurer, and Board Supervisors have of their roles and functions in the internal control system. It will help establish responsibilities, provide guidance, improve efficiency and consistency of transaction processing, and improve compliance with such policies. It can also help to prevent the deterioration of key elements in the internal control system and help avoid circumvention of Town policies.

We recommend the accounting policies and procedures manual include information on the Town's disbursement process, receipts process, and payroll process. It can include job descriptions for the Clerk, Treasurer, and Board Supervisors. The manual should also include a policy for travel, mileage claims, and attendance at meetings.

2. Procedure

Trace receipts to deposits to determine that all revenue being receipted is properly recorded for deposit in the Town's depositories.

Findings

While tracing receipts to deposits, we noted that, in February 2006, a \$200 hall rental receipt was deposited, but was not recorded in the Small City & Town Accounting System (CTAS) general ledger.

We recommend that all receipts be recorded in the Town's general ledger.

3. Procedure

Trace deposits to bank statements to determine that all revenue receipted is deposited intact and on a timely basis.

Findings

All receipts were deposited in a timely manner, and all deposits traced to the bank statements.

4. Procedure

Trace checks to supporting documentation (invoices and/or claims) to determine that disbursements have occurred and pertain to the Town of Lavell.

### Findings

We reviewed supporting documentation for 40 randomly selected disbursements. Of those reviewed, 7 disbursements totaling \$1,536 did not have adequate, if any, supporting documentation.

We also judgmentally selected for review an additional 223 disbursements. Of those, 87 disbursements did not have adequate, if any, supporting documentation.

We recommend the Town obtain sufficient documentation to support the payment of all claims paid. Under Minnesota law, towns may pay claims (other than payroll) only after the person making the claim itemizes the claim in writing or electronically, if the claim can be itemized in the ordinary course of business. *See* Minn. Stat. § 471.38, subs. 1, 2. Claims should be supported by original receipts and invoices or, if these are not available, other supporting documentation found sufficient by the Board. Adequate support for payments is a fundamental requirement of a sound accounting system.

#### 5. Procedure

Trace checks to bank statements to verify that all disbursement transactions have been accounted for in the Town's depositories.

### Findings

While tracing checks to bank statements, we noted check numbers 5088 to 5105, totaling \$3,490, were not accounted for in the CTAS general ledger, but were shown on the bank statement. In addition, the amounts on check numbers 5026, 5051, 5219, 5262, 5288, 5324, 5754, and 5758 did not agree with the amounts recorded in the CTAS general ledger.

We recommend all disbursements be recorded accurately in the Town's CTAS general ledger. The disbursements recorded in the CTAS general ledger should match the information on the check.

#### 6. Procedure

Review year-end bank reconciliations to verify that the Town's year-end cash balances correspond to the balances at the Town's depositories.

### Findings

We prepared a proof of cash for each year from January 2005 to March 20, 2010. We reconciled the depository information to the general ledger and accounted for any variances.

The monthly Treasurer's Report tied the depository balance to the manual general ledger. The Treasurer, however, did not reconcile the manual general ledger to the CTAS general ledger. The depository (bank) account must be reconciled monthly to the CTAS general ledger. Any discrepancies between the bank balance and the general ledger balance should be resolved in a timely manner.

7. Procedure

Trace revenues and expenditures to the Office of the State Auditor's Government Information Division (GID) reports to determine that the amounts reported correspond to the Town's records.

Findings

For the year ending December 31, 2006, the Town's revenues and expenditures reported to the State Auditor's GID did not correspond to the Town's revenue and expenditures as accounted for in the CTAS general ledger. The GID records reported revenues and expenditures of \$379,395 and \$470,608, respectively, for the Town of Lavell. The Town records showed revenues and expenditures of \$195,007 and \$240,554, respectively.

We recommend the revenues and expenditures reported to the State Auditor's GID match the revenues and expenditures in the CTAS general ledger.

8. Procedure

Reconcile year-end cash balances to bank reconciliations to verify that all transactions, including unusual reconciling items, from the Town's general ledger are accounted for in the Town's bank statements.

Findings

We were able to reconcile year-end cash balances to the Treasurer's Report to verify that all transactions, including unusual reconciling items, from the Town's general ledger are accounted for in the Town's bank statements.

As noted in Procedure 6, the Treasurer prepared a monthly Treasurer's Report that tied the depository (bank) balance to the manual ledger. The Treasurer did not prepare proper bank reconciliations reconciling the depository (bank) balance to the CTAS general ledger cash balance.

We recommend the Treasurer reconcile the depository (bank) balance as reported on the monthly bank statement to the CTAS general ledger cash balance on a monthly basis. Any discrepancies between the bank balance and the general ledger balance should be resolved in a timely manner.



9. Procedure

Confirm accounts and balances at all financial institutions to determine that all Town accounts actually exist and that all accounts that should be included have been included.

Findings

All Town accounts at financial institutions appear to exist and have been accounted for.

10. Procedure

Confirm tax settlements and grants made to the Town to verify that the tax and grant revenue sent from the County and State has been properly received, recorded, and accounted for in the Town's records.

Findings

All tax revenue and grant revenue were accounted for in the Town's records.

11. Procedure

Verify compliance with the provisions of applicable laws, regulations, contracts, agreements, grants, and *Minnesota Legal Compliance Audit Guide for Local Government* that we determine necessary.

Findings

We noted the following noncompliance with applicable laws, regulations, contract, agreements, grants, and *Minnesota Legal Compliance Audit Guide for Local Government*.

A. Conflicts of Interest

Background:

Generally, a public officer authorized to make a sale, lease, or contract in an official capacity must not have a personal financial interest in that sale, lease, or contract, or personally benefit financially from it. Minn. Stat. § 471.87. A "public officer" includes supervisors on the town board. Under an exception to the general rule, a governing body, by unanimous vote, may contract for goods or services with an interested public officer if the contract is one for which competitive bids are not required by law. Minn. Stat. § 471.88, subds. 1, 5.

To use this broad exception, however, the governing body and the interested officer must follow the procedures set forth in Minn. Stat. § 471.89. First, the governing body must authorize the contract in advance of its performance by adopting a resolution setting out the essential facts and determining that the contract price is as low as or lower than the price at which the commodity or services could be obtained elsewhere. Second, before claims are paid on the contract, the interested officer must file with the clerk of the governing body an affidavit providing among other things, an itemization of the commodity or services furnished, the interest of the officer in the contract, and a statement that to the best of the officer's knowledge and belief the contract price is as low as or lower than the price at which the commodity or services could be obtained from other sources.

Generally, political subdivisions may not sell property or materials owned by the political subdivision to its officers or employees. The relevant statute, Minn. Stat. § 15.054, contains an exception to this general prohibition for employees, but not for officers, if the property or materials are no longer needed by the political subdivision and the sale is made after reasonable public notice (at least one week's published notice) at a public auction or by sealed bids. To qualify for the exception, the employee must not be directly involved in the auction or the sealed bid process. The general prohibition against sales to officers and employees also does not apply to property or materials acquired or produced by the political subdivision for sale to the general public in the ordinary course of business.

1. Purchase of Services from a Town Board Supervisor

From September 2005 to June 2008, Warren Electric provided services to the Town for which it was paid \$23,635. Warren Electric is owned by Warren Tinker, who was a Board Supervisor while the Town received Warren Electric services.

This is considered a conflict of interest and a violation of Minn. Stat. § 471.87. As owner of the vendor, Warren Tinker directly benefited financially from the services Warren Electric provided to the Town. The services should not have been purchased from this vendor without following the affidavit and resolution procedures of Minn. Stat. § 471.89.

2. Sale of Road Grader to a Town Board Supervisor

The Town received two sealed bids in the sale of its road grader. Warren Tinker, a Board Supervisor, was the winning bidder with a high bid of \$526. The Town Board awarded the sale of the road grader to Warren Tinker.

This sale violated Minn. Stat. § 15.054 because Mr. Tinker is a town officer.

We recommend that the Town review the laws relating to conflicts of interest and follow Minn. Stat. §§ 471.87 and 15.054.

B. Contracting - Bid Laws

Background:

Under Minnesota's contracting laws, before August 1, 2008, towns were required to solicit sealed bids by public notice for contracts estimated to exceed \$50,000. As of August 1, 2008, the amount requiring competitive bidding was raised to \$100,000.

Before August 1, 2008, towns had the authority to use either the competitive bidding process or direct negotiations for contracts with estimated costs between \$10,000 and \$50,000. As of August 1, 2008, the range for contracts requiring at least two quotes was raised to between \$25,000 and \$100,000.

If the town used the direct negotiation process, the town was required to obtain at least two quotes when possible and to keep them on file for at least one year. A town may not split a contract into a series of smaller contracts in order to keep the dollar amount of the contract under the various threshold dollar amounts.

1. Purchase of a Fire Truck

In 2005, the Town of Lavell entered into a contract with Pierce Manufacturing Inc. totaling \$144,506 for the purchase of a new fire truck without bidding as required by Minn. Stat. § 471.345. This statute required all contracts estimated to exceed \$50,000 to be solicited by public notice and let on sealed bids.

The following excerpts from the Town minutes show that a fire truck, along with related equipment, was purchased without following proper bidding requirements.

The July 13, 2005, board meeting minutes stated:

Old Business – 7. Fire Truck; Mike and Dave will meet with a representative about the truck.

Included in the July 13, 2005, minutes is a hand written memo stating:

David Hill and Mike Wick met with Mike Plesha sales representative for Clarey's Safety Equipment, Inc. on July 20, 2005 to set up specifications for a new fire truck. The fire truck . . . [specification] is a Contender DX pumper manufactured by Pierce 1250 GPM Pump, Foam System, 1000 gal. tank, top mount controls on a International 4400 chassi[s]. Quote price of \$140,031. We also specified fire apparatus equipment such as fire hose, nozzles, etc. Quoted price \$28,000.

The August 10, 2005, minutes stated:

Fire Truck: Information gathered and presented. Cost of Fire Truck \$140,031. Equip. \$28,000. Total \$168,031. Motion by Dave to purchase Fire Truck, 2<sup>nd</sup> By Wess, Motion carries.

The September 14, 2005, minutes stated:

Fire Truck: Dave ordered & signed an agreement for our truck. Our truck could be done & delivered as early as Dec. 2005.

2. Purchase and Installation of a Water Tank Upon a Fire Truck

In 2009, the Town contracted with River Bend Industries for \$30,157 for the purchase of a water tank to be installed on a Town fire truck without bidding or obtaining two or more quotations as required by Minn. Stat. § 471.345. This statute required all contracts from \$25,000 to \$50,000 to be made either upon sealed bids or by direct negotiation by obtaining two or more quotations when possible.

3. Purchase of Construction and Maintenance Services

The Town contracted with Steve Horvath to provide repairs, maintenance, and other miscellaneous services to the Town. The following are the total expenditures paid by year to Mr. Horvath:

2005	\$	36,076
2006		44,745
2007		14,387
2008		22,000
2009		53,085

The Board minutes do not show resolutions approving services provided by Mr. Horvath prior to his performance of them. Because the minutes do not document how much each project would cost and the total costs Mr. Horvath billed for each project, we cannot confirm compliance with Minn. Stat. § 471.345 for these expenditures. This statute requires that the Town receive sealed bids or two or more quotes in order to award contracts within the given limits.

4. Purchase of Blacktopping

In June 2006, the Town received a \$19,500 quote from Ulland Brothers, Inc. to site-prep and pave the Town Hall parking lot. The Town minutes did not disclose whether a second quote was obtained and, if not, how the Town complied with the law, which then required sealed bids or two quotes if possible for contracts estimated to exceed \$10,000.

We recommend that the Town review Minn. Stat. § 471.345, the Uniform Municipal Contracting Law. We also recommend that the Town start awarding contracts by soliciting sealed bids for contracts estimated to exceed \$100,000, by obtaining two quotes for contracts between \$25,000 and \$100,000, or open market or quotations for contracts estimated not to exceed \$25,000. A formal resolution should be approved authorizing the contract. Whenever practicable, a written contract should be obtained to clarify the obligations of the contractor and town.

C. Claims and Disbursements

Background:

Minn. Stat. § 367.18 states: “Accounts audited and allowed, and the amount of any account voted to be allowed, at any town meeting, shall be paid by the town treasurer, on the order of the town board, signed by the chair and countersigned by the clerk. Each order shall be drawn so that when signed by the treasurer in an appropriate place, it becomes a check on the town depository.”

Purchasing

The Town paid for a membership to Sam’s Club for years 2007, 2008, and 2009. The Town Clerk and Town custodian were the authorized members on the Town’s Sam’s Club account. The Town purchased supplies totaling \$243 and \$1,028 for the years 2006 and 2007, respectively. The Town did not purchase any items in 2008 and 2009, even though the Town paid the membership. It was brought to our attention that the Town Clerk and Town custodian purchased and paid for personal items using the Town’s membership. The Town’s Sam’s Club membership cannot be used for personal purchases.

The Town supplies were paid for at the time of purchase using a Town check. The date on each check coincided with the date of the related purchase. The checks cleared the bank before the dates on which the board approved the claims for payment.

We recommend checks not be pre-signed to pay claims before the claim is audited and allowed by the Town Board. Signing checks prior to Town Board approval defeats this statutorily-mandated safeguard.

Before Town Board meetings, supervisors should fully review each claim for appropriateness and accuracy. The minutes must identify the claims approved. Towns can accomplish this by attaching a list of claims, signed by the Board Chair, to the meeting minutes.

The Board should adopt a purchasing policy establishing procedures as to who may purchase for the Town, what authorization is needed to make purchases, and when purchases may be made.

D. Miscellaneous Provisions

1. Board Minutes

Various statutes that refer to taking or publishing minutes use the term “proceedings” or “official proceedings.” It is the town clerk’s duty “to record the minutes of the proceedings of every town meeting, and to keep a true record of the town board’s proceedings. *See* Minn. Stat. § 367.11. The Minnesota Attorney General has used the definition of “proceedings,” found at Minn. Stat. § 331A.01, subd. 6, in analyzing the clerk’s duties to take minutes. The statute states, in part:

“Proceedings” means the substance of all official actions taken by the governing body of a political subdivision at any regular or special meeting, and at minimum includes the subject matter of a motion, the persons making and seconding a motion, the roll call vote on a motion, the character of resolutions or ordinances offered, including a brief description of their subject matter, and whether defeated or adopted.

At a minimum, the minutes must include the information required by Minn. Stat. §§ 13D.01 to .07 (Open Meeting Law). Under Minn. Stat. § 13D.01, subd. 4, the individual votes of each member of the governing body on “an action” must be specifically recorded, except votes on “payments of judgments, claims and amounts fixed by statute.” If the

minimum requirements are satisfied, 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.

While the following is not an exhaustive list, some specific items that should be included in the minutes to the proceedings of Town Board meetings are:

- a. type of meeting (regular, special, adjourned regular, adjourned special, recessed, and emergency);
- b. the type of group that is meeting (whether the meeting is a meeting of the governing body or committee, for example);
- c. date and place meeting was held;
- d. the time the meeting was called to order;
- e. a list of Town Board members present and absent;
- f. approval of minutes to previous meeting, with any corrections noted;
- g. appointments of representatives to committees and outside organizations;
- h. authorizations and directions to invest excess funds; information on investment redemptions and maturities;
- i. list of all sealed bids received or price quotations obtained;
- j. identity of parties to whom contracts were awarded;
- k. abstentions from voting due to a conflict and the Town Board member's name and reason for the abstention;
- l. reasons the Town Board determines to award a particular contract to a bidder other than the lowest bidder;
- m. granting of variances or special use permits;
- n. the approval of hourly rates paid for services provided, mileage rates, meal reimbursement amounts, and per diem amounts;
- o. listing of all bills allowed or approved for payment, noting the order-check number, claimant, purpose, and amount;
- p. reports of officers;
- q. transfers of funds; and
- r. the reason the meeting concluded and the time it concluded.

The OSA Statement of Position, *Meeting Minutes*, provides the following additional guidance: “The minutes should not be cluttered with unnecessary detail that could hamper efforts to review or otherwise use the minutes at a later date. In addition, the minutes should never reflect the clerk’s opinion on anything said or done.”

The Clerk should sign the minutes once they have been prepared for approval. In addition, a designated member of the Town Board should sign the minutes once they have been adopted by the Board, to indicate that they are the official minutes.

If a Town resident, employee, or official has questions about public access to the Board minutes, we recommend they contact the Information Policy Analysis Division of the Minnesota Department of Administration for assistance at 651-296-6733 or 800-657-3721, or email at: [info.ipad@state.mn.us](mailto:info.ipad@state.mn.us), or website <http://www.ipad.state.mn.us>.

In our review of the board minutes, we noted actions taken by the Town Board were not always properly recorded in the minutes. For example, at the Special Meeting on June 23, 2005, the board hired a janitor for the Town Hall. The minutes documenting the hiring do not contain any motion by the board.

We also noted that the December 13, 2006, board minutes were missing.

We recommend that the Town prepare and maintain its board minutes in accordance with Minnesota Statutes.

## 2. Payment of Board Members’ Claims

Claims, including those submitted by Town officers, must be itemized as provided by Minn. Stat. § 471.38. In reviewing travel claims, we noted the following:

- The meeting purpose was not always noted on the claim for per diem.
- How mileage was arrived at, such as odometer reading, for travel claimed for town business and attending meetings was not documented. For example, check number 6389 for \$557 was paid on February 15, 2010, to the Town Clerk for mileage reimbursement. The Town Clerk claimed 1,114 miles consisting of 150 miles to a meeting in Cotton, Minnesota; 218 miles for



training in Kimberly, Minnesota; 348 miles to a meeting in Virginia, Minnesota; and 398 miles for inspection of town roads and turnarounds. Without sufficient documentation for the claim, the mileage appears unreasonable given the distance to the various locations and the miles of town roads.

- In reviewing travel claims paid, we noted the Town Clerk and Town Treasurer submitted claims that included alcohol, tips in excess of 20 percent, and a charge slip that was not itemized.
- On September 10, 2008, the Town Board approved claim number 5971, giving the Town Clerk \$1,000 for a trip to Washington, D.C. The Board approved claim number 5978 paying the Town Clerk \$177, but no documentation or explanation was attached to this claim. However, the CTAS disbursement list report noted that this expenditure was also for the Washington trip. Claim number 5979 was also approved, paying the Town Clerk for 11 hours on September 30 and 12 hours on October 1 related to the trip. There was no documentation to support any of the claims related to the trip.

We recommend that all per diems and mileage claims be adequately documented. The claim should describe the purpose of the meeting and how the mileage was computed. The Office of the State Auditor has long maintained that the purchase of alcohol at public expense does not serve a public purpose.

The Town Board should adopt a travel policy that establishes what authorization is needed for travel, the cost reimbursement limits, and what documentation is required.

### 3. Donations/Gifts Made by the Town

Expenditures by towns are limited to those authorized by law. The Minnesota Constitution requires all expenditures of public tax dollars to serve a “public purpose.” In general, an expense is considered to serve a “public purpose” when it:

- benefits the community as a whole,
- is directly related to the functions of government, and
- primarily serves a public interest rather than a private interest.

In addition to a public purpose, all town expenditures need to be authorized by statute.<sup>1</sup> There is no general statute authorizing towns to donate or make gifts to individuals or groups.

In 2008, the Minnesota Legislature revised Minn. Stat. § 365.10, subd. 12, to grant town electors the authority to set an amount of money, and let the town board spend it, to recognize “volunteers, service efforts, and retiring town officers.” The statute specifically requires the electors to set the amount of money to be spent on these recognitions. Absent such a vote by the electors at an annual or special meeting, towns do not have authority to hold employee recognition events.

In reviewing the Town’s expenditures, we noted the following donations, the claims or minutes for which lacked sufficient explanation of the authority for or public purpose of the expenditure.

- Check number 5191 dated October 10, 2005, for \$25 to Double T for a gift certificate - dinner.
- Check number 5707 dated October 10, 2007, for \$32 to Range Floral for flowers.
- Check number 5926 dated August 13, 2008, for \$67 to Range Floral for a funeral.
- Check number 5989 dated October 17, 2008, for \$300 to Cherry Vol. Fire & Rescue - donation.
- Check number 6219 dated August 12, 2009, for \$41 to Range Floral for a funeral.
- Check number 6425 dated March 10, 2010, for \$1,000 to Meadowland Ambulance Service - donation.
- Check number 6481 dated May 12, 2010, for \$20 to Wesley Anderson, for SLCATO - gift.

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<sup>1</sup> See Minn. Const., art. X, § 1 (“Taxes . . . shall be levied and collected for public purposes.”); *Visina v. Freeman*, 89 N.W.2d 635 (1958) (courts generally construe “public purpose” to mean “such an activity as will serve as a benefit to the community as a body and which, at the same time, is directly related to the functions of government”); *Tousley v. Leach*, 180 Minn. 293, 230 N.W. 788 (1930) (public funds may be used by public entity if the purpose is a public one for which tax money may be used, there is authority to make the expenditure, and the use is genuine); see e.g. Op. Att’y Gen. (Dec. 4, 1934) (regardless of how desirable or commendable the purpose may be, public funds cannot be expended unless there is a statutory or charter authority to do so).

We recommend the Town pay only authorized expenditures that meet a public purpose. Donations should be made only as allowed by statute. If payments are made to an organization providing a service (towns, for example, have authority to contract for ambulance services under Minn. Stat. § 471.476.) this agreement should be memorialized in a contract with the organization.

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We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accounting procedures, practices, and records related to receipts and disbursements of the Town. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Supervisors and the Town of Lavell and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

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STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 17, 2011