

**OPINION
45-65**

July 13, 1945 (OPINION)

CITIES

RE: Investment of Proceeds of Bonds

Your letter of July 11, addressed to the attorney general, has been received and contents of same have been noted.

You state that a group of residents of Bismarck, representing the William Moore, the Will and the Richholt Parent Teachers Association, met with the Bismarck Special School District board of directors and presented to them a request for the construction of a new school building on the present site of the William Moore School, and also for an addition to the Richholt School. The board of directors is in full accord with the proposal to build as soon as building material is available.

Accordingly, your plan is to call an election on or about October 1 this year for the purpose of floating a bond issue to raise funds for this building project. If the election approves the bond issue, the purpose is to invest the proceeds in United States government bonds until such time as building materials may be available.

The question you present is whether or not the school board may legally invest the proceeds from the sale of such bonds in United States government bonds during the interim between the sale of the bonds and such time as funds are necessary in construction of the buildings.

The purpose of voting bonds is to raise fund for the construction of a school building, such as you have described. The funds thus raised are available only for that purpose. We have no statute covering such a situation, although the Special Session of 1944 enacted chapter 11, which provides as follows:

"From and after the passage and approval of this act, it shall be lawful for counties, cities, villages, school districts, park districts and townships in this state to invest surpluses in their general fund in Government bonds of the United States, provided, however, that bonds so purchased shall be taken into consideration in making levies for the ensuing year, and when funds are needed for current expenses, the governing board and authorities of such municipalities shall be authorized to convert said bonds into cash."

The purpose of this statute was to permit the municipalities therein designated to make short-time investments of idle funds in the general fund, it being considered that government bonds of the United States may be considered liquid and can be converted into available cash on short notice. In other words, such government securities are practically considered the equivalent of cash on hand.

I see no legal reason why funds raised through a bond issue

authorized by the voters for the purpose of creating a building fund may not be invested in such short time government securities. It would be a safe investment and, as I pointed out, may be converted into ready funds on short notice.

NELS G. JOHNSON

Attorney General