

THE REVISED SCHOOL CODE (EXCERPT)
Act 451 of 1976

380.622 Financial institutions for deposit of school funds; selection; coded accounts; audit; separation of funds; investments; commingling prohibited; exception; earnings; accounting for money combined for investment pool; limitation on deposit or investment of additional funds; limitation on acceptable assets; secured deposits; form of security; “deposit” and “financial institution” defined.

Sec. 622. (1) The intermediate school board shall select financial institutions for the deposit of school funds. The intermediate school board shall keep a set of coded accounts to be approved by the superintendent of public instruction and shall have its books audited at least annually by a certified public accountant. General operating funds, building and site funds, cooperative education funds, special education funds, vocational-technical education funds, and debt retirement funds shall be maintained separately and shall not be commingled, except that the intermediate school board, by resolution, may authorize the treasurer to combine money from more than 1 fund for the purpose of making an investment authorized by subsection (2)(g).

(2) The treasurer of an intermediate school district, if authorized by resolution of the intermediate school board, may invest general operating funds, special education funds, area vocational-technical education funds, building and site funds, cooperative education funds, and debt retirement funds of the district. Investments shall be made subject to subsection (4) and shall be restricted to any of the following:

- (a) Bonds, bills, or notes of the United States or obligations of this state.
- (b) Certificates of deposit issued by a financial institution.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.
- (h) Mutual funds composed entirely of investment vehicles that are legal for direct investment by an intermediate school district.
- (i) Certificates of deposit issued in accordance with the following conditions:
 - (i) The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (ii) The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the intermediate school district.
 - (iii) The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
 - (iv) The financial institution acts as custodian for the intermediate school district with respect to each certificate of deposit.
- (v) At the same time that the funds of the intermediate school district are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the intermediate school district through the financial institution.
- (j) Deposit accounts that meet all of the following conditions:
 - (i) The funds are initially deposited in a financial institution that is not ineligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.
 - (ii) The financial institution arranges for the deposit of the funds in deposit accounts in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of the intermediate school district.
 - (iii) The full amount of the principal and any accrued interest of each deposit account is insured by an agency of the United States.
 - (iv) The financial institution acts as custodian for the intermediate school district with respect to each deposit account.
- (v) On the same date that the funds of the intermediate school district are deposited under subparagraph (ii), the financial institution receives an amount of deposits from customers of other insured depository

institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by the intermediate school district in the financial institution.

(3) The earnings of an investment shall become a part of the fund from which the investment was made. When money of more than 1 fund of a single intermediate school district or money of more than 1 intermediate school district are combined for an investment pool authorized by subsection (2)(g), the money shall be accounted for separately, and the earnings from the investment shall be separately and individually computed, recorded, and credited to the fund or intermediate school district, as the case may be, for which the investment was acquired.

(4) Notwithstanding subsection (2), additional funds of an intermediate school district shall not be deposited or invested in a financial institution that is not eligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.

(5) Assets acceptable for pledging to secure deposits of funds under this act are limited to any of the following:

(a) Assets considered acceptable to the state treasurer under section 3 of 1855 PA 105, MCL 21.143, to secure deposits of state surplus funds.

(b) Any of the following:

(i) Securities issued by the federal home loan mortgage corporation.

(ii) Securities issued by the federal national mortgage association.

(iii) Securities issued by the government national mortgage association.

(c) Securities considered acceptable to the intermediate school board and the financial institution.

(6) Security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of an intermediate school district in a financial institution. However, an investment under subsection (2)(e) or in an investment pool that includes instruments eligible for investments under subsection (2)(e) shall be secured by the transfer of title and custody of the obligations to which the repurchase agreements relate and an undivided interest in those obligations must be pledged to the intermediate school district for these agreements.

(7) As used in this section, "deposit" includes purchases of or investment in shares of a credit union.

(8) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

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