

## CHAPTER 118

### DEPOSITORIES OF PUBLIC FUNDS

118.005 Designation, protection of deposit.  
118.01 Depository bonds and collateral.

#### 118.005 DESIGNATION, PROTECTION OF DEPOSIT.

Subdivision 1. The governing body of every municipality, as defined in section 118.01, which has the power to receive and disburse funds, shall designate as a depository of the funds such national, insured state banks or thrift institutions as defined in section 51A.02, subdivision 23, as it may deem proper. The governing body may authorize the treasurer or chief financial officer to exercise the powers of the governing body in designating a depository of the funds.

For purposes of this chapter, a credit union is a thrift institution.

Subd. 2. In the event the bank or insured thrift institution selected as a depository is a member of the federal deposit insurance corporation or the federal savings and loan insurance corporation, or is insured by the national credit union administration, the custodian of the funds may deposit an amount not to exceed the maximum amount of insurance on the deposits. In the event it is desired to deposit a greater amount in any bank or thrift institution prior to the deposit the governing body or officer shall require the bank or thrift institution to furnish a bond, executed by a corporate surety company authorized to do business in the state in a sum at least equal to the estimated sum to be deposited in excess of the maximum amount of insurance. In lieu of the bond, the depository shall assign to the custodian of the funds collateral security in accordance with section 118.01.

**History:** 1985 c 239 s 1; 1985 c 292 s 8

#### 118.01 DEPOSITORY BONDS AND COLLATERAL.

Subdivision 1. Any bank, trust company or thrift institution authorized to do business in this state may, in lieu of the corporate or personal surety bond required to be furnished to secure deposited funds, deposit with the custodian of the funds as collateral security, notes secured by first mortgages of future maturity, upon which interest is not past due, on improved real estate free from delinquent taxes, within the county wherein the depository is located, or within counties immediately adjoining the county in the state of Minnesota, the obligations which are legally authorized investments for debt service funds under section 475.66, subdivision 3, and qualified state or local government obligations acceptable to the treasurer or chief financial officer. Qualified obligations must be general obligations rated "A" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

Subd. 2. Except for notes secured by first mortgages of future maturity, the total in amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit at the close of the business day, in excess of any insured portion, which would be permitted if a corporate or personal surety bond were furnished. The total amount of collateral consisting of notes secured by first mortgages of future maturity computed at its market value shall be at least 40 percent more than the amount on deposit at the close of the business day, in excess of any insured portion, which would be permitted if a corporate or personal surety bond were furnished. The depository may furnish both a bond and collateral aggregating the required amount.

Subd. 3. Any collateral so deposited shall be accompanied by an assignment thereof to the municipality from the depository. The assignment shall recite that the depository shall pay over to the treasurer or chief financial officer on demand, free of exchange or any other charges, except for early withdrawal penalties on time deposits, all money deposited therein at any time during the period the collateral shall be so deposited and shall pay the interest thereon when due at the agreed rate; and that, in case of any default upon the part of the depository, the governing body of the municipality or the treasurer or chief financial officer may sell the collateral, or as much thereof as may be necessary to realize the full amount due the municipality and to pay over any surplus to the depository or its assigns.

Subd. 4. A depository may make withdrawals of excess collateral or substitute other collateral, as defined in subdivision 1, on receipt by the municipality of written notice from the depository. Authority is vested in the treasurer to return the collateral to the depository. All interest on the collateral so deposited shall be paid to the depository so long as it is not in default.

Subd. 5. The closing of a depository shall be deemed a default on the part of the depository and no demand on the part of the municipality shall be necessary to establish the default. If a depository closes, any deposit placed therein shall immediately become due and payable.

Subd. 6. All collateral shall be deposited with the treasurer or chief financial officer of the municipality or placed in safekeeping for the municipality in a financial institution approved by the governing body of the municipality or the treasurer or chief financial officer, if approval authority is designated to the treasurer or chief financial officer. The collateral shall not be redeposited in the bank, trust company or thrift institution furnishing it.

Subd. 7. "Municipality" for the purpose of this section means a county, city, town, school district, hospital district, public authority, public corporation, public commission, special district, police or salaried firefighter's relief association, volunteer firefighter's relief association, independent nonprofit firefighting corporation having a subsidiary firefighter's relief association, or any retirement association established pursuant to statute or special law holding funds intended to support or pay retirement benefits for employees of a municipality, any other political subdivision, or an agency of the state or of its subdivisions.

**History:** 1985 c 239 s 2