

## Chapter 1

**PRESCRIBED FORMS, TAXES, GENERAL INFORMATION, LOCAL POLICIES, AND DEPOSITS AND INVESTMENTS**

## PRESCRIBED FORMS

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

Although the SBOA prescribes forms, copies of forms must be purchased from a public printer or other source.

Many computer software programs can create exact replicas of prescribed forms. Exact replica may be used as a prescribed form. If it is desirable to use a form other than a prescribed form that is not an exact replica, the new form must be approved.

For any form that is to be approved, the unit can start using the form as they have it ready. A log of these forms must be kept indicating the form it replaced and the effective date of the new form. At the beginning of an engagement, this log must be presented to the examiner.

New forms must be in place during at least one engagement and must not be an element of a finding or result and comment that is responsible or partially responsible for an exception found during an engagement to be considered approved. The unit is responsible for placing on new forms the year of installation in the upper right corner. This reference should be similar to "Installed in [Name of Unit], (20xx)."

The unit agrees to comply with the following conditions, if applicable, for any new forms installed:

1. The forms installed are subject to review and/or recommendations during engagements of the unit to ensure compliance with current laws and uniform compliance guidelines.
2. Any receipts, checks, purchase orders, or other forms that require numbering shall be either pre-numbered by an outside printing supplier or numbered by the unit's computer system with sufficient controls installed in the system to prevent unauthorized generation of the form or duplication of numbers.
3. All receipts must be either in duplicate or recorded in a prescribed or approved register of receipts.
4. All checks must be either in duplicate or recorded in a register of checks generated by the computer.
5. In the event a change is required due to the passage of a State or Federal law or a change in uniform compliance guidelines, the unit agrees to implement the change in a timely manner.

Officials and employees are required to use prescribed and approved forms in the manner prescribed.

## TAXES

### Federal Income Tax

Units are exempt from federal income taxes under the Internal Revenue Code.

### Federal Excise Tax

Units are exempt from and must not pay any federal excise tax. Claims and invoices must be carefully audited to see that no federal excise taxes are included and paid. Disbursing officers must require that invoices show separately the gross price, the amount of excise tax, and the final price to the unit.

In the case a unit erroneously pays the excise tax, it has 3 years from the date the tax was paid to the federal government in which to file for a refund. To obtain a refund, the unit must submit to the seller an exemption certificate for each item on which excise tax was paid accompanied with documentary evidence that the exemption had not been claimed or receipts. The Internal Revenue Service will provide forms on which the original taxpayer may claim reimbursement.

Any questions concerning federal excise tax should be directed to the Internal Revenue Service.

### Sales Tax

Government funds are exempt from the payment of sales taxes on qualifying purchases. Units should reference Internal Revenue Service and/or Indiana Department of Revenue guidance to determine what are or are not qualifying purchases. DOR information bulletin #34 addresses this: <http://www.in.gov/dor/reference/files/sib34.pdf>.

Units should contact the Indiana Department of Revenue to obtain the exemption certificate. After obtaining the exemption certificate, it must be presented at the time a purchase is made. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division of the DOR.

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee.

## GENERAL INFORMATION

### Advance Payments

Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee.

### Annual Financial Report (AFR)

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year.

### Asset Ownership

Assets purchased must be titled in the name of the unit. In instances where multiple units are purchasing an asset jointly, the asset must be titled in accordance with an interlocal agreement between the units.

### Audit Costs

Audit costs incurred because of poor records, nonexistent records, or any other inadequate bookkeeping practices, or because of theft or a shortage may be the personal obligation of the responsible official or employee.

Any audit costs paid without the prior approval of the SBOA when the SBOA has the statutory requirement to perform the audit of the unit may be considered a duplication of service and an unnecessary expense. These payments may be the personal obligation of the responsible official or employee.

### Capital Assets

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.

The list of capital assets should include the following categories:

#### Land

The records of each unit must include a description of land owned by the unit, its location, amount of acreage (if relevant), its acquisition date and the purchase price. If the purchase price is not available, appraised value may be used.

#### Infrastructure

A capital asset account for the cost of infrastructure must reflect the location and brief description identifying each road, bridge, tunnel, drainage system, storm water system, dam, or lighting system owned by the unit.

### Buildings

A capital asset account for buildings must reflect the location of each building and the purchase price or construction cost and the cost of improvements, if applicable. If a building is acquired by gift, the account must reflect its appraised value at the time of acquisition.

### Improvements Other than Buildings

A capital asset account must reflect the acquisition value of permanent improvements, other than buildings, which have been added to the land. Examples of such improvements are fences, retaining walls, sidewalks, and gutters. The improvements must be valued at the purchase or construction cost.

### Equipment

Tangible property of a permanent nature (other than land, buildings, and improvements) must be inventoried. Examples include machinery, trucks, cars, furniture, office equipment including but not limited to computers and data processing equipment, and desks, safes, cabinets, books, cellphones, etc. The value of such items must be carried in the inventory at the purchase cost.

### Construction Work in Progress

Where construction work has not been completed in the current reporting fiscal year, the cost of the project must be carried as "construction work in progress." When the project is completed, it must be placed on the inventory applicable to the assigned asset account.

### Cash Disbursements

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by law.

### Collections of Amounts Due

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law.

### Compensation

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.

### Compensation – Non-Employees

Payments for services provided by an organization must go directly to the organization and not to an individual employee of the organization. All payments for services must be supported by a written contract. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements.

### Condition of Records

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.

### Conflict of Interest

Conflict of interest disclosures must be completed on Gateway.

The attorney for the unit or a private attorney must be consulted in regard to whether a conflict of interest disclosure statement must be filed and whether the format of the disclosure is sufficient.

### Contracts

Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts.

### Correction of Errors

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction.

### Deposit of Accountable Items

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers.

### Donations

Public funds cannot be donated or given to other organizations or individuals unless specifically authorized by law.

### Electronic and Digital Signatures

The SBOA will not take exception to the use of electronic signatures. Each official is responsible for their own signature, so proper internal controls over the use of electronic signatures should be put into place by the unit.

### Employee Benefits

All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed.

The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave.

### Excessive or Unreasonable Costs

Every effort should be made by the unit to avoid unreasonable or excessive costs. Unreasonable or excessive costs may be the personal obligation of the responsible official or employee.

### Expenditures by Holding Corporations

Property and equipment provided by holding corporations to a unit should only be in accordance with the original project as presented to the public and approved by the Department of Local Government Finance.

### Federal and State Agencies - Compliance Requirements

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

### Fees

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained.

### Fundraisers

Units which conduct fund raising events must have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. The Ghost Employment law [IC 35-44.1-1-3] should be considered when conducting a fundraiser.

### Fund Sources and Uses

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement.

### Indebtedness

A unit may not incur indebtedness unless specifically allowed by law.

### Lucrative Office

Any person holding two offices which have been or may be deemed lucrative must obtain the written opinion of the attorney for the unit or units served to determine compliance with Article 2, Section 9 of the Constitution of Indiana.

### Malfeasance, Misfeasance or Nonfeasance

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any official or employee may be the personal obligation of the responsible official or employee.

### Ordinances and Resolutions

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.

### Overdrawn Cash

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time.

### Overpayment Collections

Units must collect any overpayments made.

### Penalties, Interest, and Other Charges

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee.

### Personal Expenses

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the unit. Any personal expenses paid by the unit may be the personal obligation of the responsible official or employee.

### Personal Property Use

Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit.

### Political Expenditures

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by law may be the personal obligation of the responsible official or employee.

### Private Property

Public funds may not be used to make improvements to property not owned by the unit, unless permitted by law.

### Proceeds

Proceeds generated by the sale or rental of property must be receipted into the fund which originally purchased the property unless otherwise provided by law.

### Public Records go with the Office

When an official assumes custody of an office, many of the forms and records are continuous. Each official's acts are a matter of record. An official is not responsible for the acts of his successor and a successor is not responsible for the acts of his predecessor.

Regardless of the capacity served by an official, upon completion of his service, all records and forms are to be immediately delivered to his successor.

### Purchasing Bonuses

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the unit becomes the property of the unit. Any amounts received by an official or employee may be the personal obligation of the responsible official or employee.

### Receipt Issuance

Receipts shall be issued and recorded at the time of the transaction.

### Record of Hours Worked

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employee's Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.



### Risk of Loss

The unit must ensure it is adequately protected for all risks of loss.

### Separate Bank Accounts

When two or more units are authorized by statute to have the same fiscal officer, there must be separate bank accounts and accounting records for each unit unless authorized by law.

### Severance Pay

Unless specifically authorized by law, severance pay, or other payments to employees upon separation from employment, must be supported by the written opinion of the attorney for the unit stating that the payments are in accordance with all laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance/resolution.

### Signature Stamps

The decision on whether the number of items to be signed justifies the use of a rubber stamp or other device, including computer image signatures, for affixing a signature must be made by each official responsible for signing warrants, claims, and other official documents. A rubber stamp or other signing device should be used only under the direction of the official and should be properly safeguarded when not in use. Each official is responsible for their own signature.

### Supporting Documentation

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.

### Suspension with Pay

Suspension with pay must be supported by the written opinion of the attorney for the unit stating that the suspension is in accordance with all laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance/resolution.

### Timely Recordkeeping

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1.

### Transaction Recording

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

### Trusts and Endowments

Each unit is responsible for complying with any requirements of trust agreements or endowments received which are not contrary to state law.

### Unemployment Compensation

Legislation was passed in 1977 amending the Indiana Employment Security Act, IC 22-4, to include the State and all its units as employers under the act, effective January 1, 1978.

Employers may elect payment of a percentage rate on a quarterly basis or to make "payments in lieu of contributions" on a monthly basis for benefits paid out during the month. If the employer chooses the first option, it pays an unemployment insurance tax on a fixed sum of wages paid to each employee during a calendar year. The political subdivision's rate will be determined by the size of its credit reserve in relation to past claims. Employers wishing to change their elected option of payment may do so upon giving proper notification to the Department of Workforce Development. Employers under each option are required to file quarterly reports on their payroll and contributions. Each employer must display posters (available from the Department of Workforce Development) where all employees can see them.

### Vending Machine Commissions and/or Profits

There must be a clearly defined procedure adopted by the unit concerning placement, use, maintenance, commissions, and profits of vending machines on their property.

All revenues generated and costs incurred in operating vending machines located on the units premises must be accounted for through the unit's records.

If vending machines are located in restricted areas (areas other than those available to the public) and if the governing body and fiscal officer wish for those revenues to be restricted for the use and benefit of those employees who use the machines and generate the revenues, the SBOA takes no exception to such action in an engagement. The decisions must be authorized by proper resolution/ordinance of the governing body.

If vending machines are located in areas where the public makes use of the machines and generates the resulting revenues, we advise officials to place the revenues in the general fund. Any alternative procedure must be authorized by resolution/ordinance of the governing body.

In the event personnel other than the unit's personnel maintain, stock, and clean up around vending machines, we take no exception when such persons are paid for these services. A written agreement must be entered into listing the services to be rendered, the amount to be paid for such services, timing of payments, and any other areas deemed necessary by the unit.

## LOCAL POLICIES

### Alcohol Purchases

The governing body of a unit must have a written policy concerning the purchase of alcohol using public funds. This policy must address the exact situations in which alcohol can be purchased and outline any liability issues that may arise with using public funds to purchase alcohol.

### Bad Debts and Uncollectible Accounts

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee.

### Capital Assets

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset.

### Contracting with a Unit [IC 36-1-21]

Effective July 1, 2012, all units are required to have a 'Contracting with a Unit' policy. This policy must discuss a unit contracting with the relative of an elected official. The statute provides requirements, such as filing a conflict of interest disclosure, but the unit can adopt more stringent requirements.

### Credit Cards

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.

6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

For additional suggestions regarding the use of credits, please see this [Best Practices document](#).

#### Debit/Procurement Cards

The SBOA will not take exception to the use of debit/procurement cards by a unit provided the following criteria are observed:

1. The governing body must authorize debit/procurement card use through an ordinance/resolution, which has been approved in a meeting and documented in the minutes.
2. Issuance and use must be handled by an official or employee designated by the governing body.
3. The purposes for which the debit/procurement card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the debit/procurement card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Debit/procurement cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.

#### Receiving Electronic Payments

A political subdivision or municipally owned utility can accept payments by one or more financial instruments authorized by the fiscal body or board of the municipally owned utility per IC 36-1-8-11. County Treasurers can authorize the payments they accept per IC 36-2-10-23. These forms of payments include cash, check, bank draft, money order, bank/credit card, electronic funds transfer, any other financial instrument authorized by the fiscal body.

Venmo and PayPal are examples of financial instruments used to collect payments. The SBOA will not take audit exception to the use of these financial instruments provided the following are observed:

1. The fiscal body authorizes the use the financial instruments through ordinance/resolution, which has been approved in a public meeting and documented in the minutes.
2. The use of a financial instrument that requires an account should be an authorized officer / employee designated by the fiscal body.
3. Receipting, timely recording, and depositing requirements must be met. Pushing the funds from these apps to the bank account would be considered depositing.
4. A monthly reconciliation should be performed for these transactions by running a transaction history report within the Venmo / PayPal account and reconciling to the amount deposited in the bank account. The reconciliation including the transaction history report should be maintained for audit purposes.
5. These financial instruments should not be used for disbursements as it would bypass the accounting system and claims process.
6. Proper Internal controls should be established around the process of the collections, receipting, and depositing of the funds. Using risk assessment to analyze the risks of fraud or error and segregation of duties so that funds are properly accounted for.

#### Investments [IC 5-13-9-5.7]

Pursuant to this statute, a unit has the option to adopt an investment policy that authorizes the investment of public funds for more than two years, but not more than five years.

#### Leave and Overtime Policy

Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing body would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies.

#### Materiality [IC 5-11-1-27]

This statute requires a unit report to the SBOA all material variances, losses, shortages, or thefts. Through State Examiner Directive 2015-6, the State Examiner has required that each unit adopt their own materiality threshold for the purposes of this statute. If no materiality threshold is adopted by the governing body, the threshold is automatically zero.

#### Nepotism [IC 36-1-20.2]

Effective July 1, 2012, all units are required to have a 'Nepotism' policy. This policy must discuss the employment of relatives. This statute provides requirements, but the unit can adopt more stringent requirements.

### Personal Property Use

Assets of the unit may not be used in a manner unrelated to the functions and purposes of the unit.

Each unit must have policies in place governing the use and safekeeping of assets. This should include the use of logs, i.e. vehicle use, and de minimis use as appropriate.

### Procurement Policy [2 CFR 200.318]

Each unit that accepts federal money must comply with 2 CFR 300.318 which requires each unit have their own documented procurement procedures.

### Travel Policy

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law.

## DEPOSITS AND INVESTMENTS

### Interest on Investments

Interest is to be credited to the political subdivision funds in accordance with IC 5-13-9-6. Regardless of IC 5-13-9-6(e), terms of an existing bond resolution must be followed. The bond resolution should be reviewed and its terms and conditions adhered to without exception.

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund.

### Investments Not Authorized by Law

Investments can only be made in accordance with statutory guidelines. Losses and expenses related to any unauthorized investments and unauthorized investment procedures may be the personal obligation of the responsible official or employee.

### Donated Stock or other Investments

Units have the authority to accept gifts under IC 36-1-4-10. It is our audit position that this statute allows a unit to initially accept gifts of stock or other types of investments which are not authorized by IC 5-13-9. Once accepted, the gifts become "public funds" (as defined in IC 5-13-4-20) subject to the investment requirements of IC 5-13-9. We will not take audit exception if the gift is retained in its original form if it is specifically required by the terms of the gift and the terms are accepted in writing by the legislative body. If the accepted terms do not require the investment be maintained its original form, the unit should convert the investment to cash or an authorized form of investment within one year. If the donated investment is actively traded (other than the one-time conversion), we will take audit exception based on the provisions of IC 5-13-9-2.

If the unit receives donated stock or other investments, we recommend you seek the advice of an attorney and financial advisor as to the nature of the investment, donor requirements, and proper time of conversion.

### Repurchase Agreements

To insure that ownership of securities acquired under a repurchase agreement is vested in the governmental unit and to meet the requirements of IC 5-13-9, it has been suggested by an attorney for the Federal Deposit Insurance Corporation that repurchase agreements be so written as to:

1. Vest title of securities in the name of the governmental unit;
2. Described the specific securities acquired; and
3. Represent a safekeeping receipt for the securities so acquired.

### Manner of Investing Funds

A political subdivision has authority to invest its funds in the following manner:

1. By specific fund;
2. By grouping specific funds; or
3. From total monies on deposit.

### PROCEDURES FOR PURCHASING INVESTMENTS

#### Purchase

When an investment is made the fiscal officer shall issue a warrant or check payable to the financial institution from which the investment is purchased. Electronic transfer of funds to purchase an investment may be used if allowed by local policy or practice as long as a proper audit trail is retained for the transaction. The warrant or check must show the fund or funds on which it is drawn, if the investment is from a specific fund or funds, or if from "total monies on deposit." This wording should be entered in lieu of the fund name or names. The warrant or check should also show the purpose for which it is issued, such as "investment in certificate of deposit" or "investment in United States Governmental Securities." The warrant or check shall be countersigned by the fiscal officer, delivered by the fiscal officer to the financial institution and the certificate of deposit, passbook, securities, or safekeeping receipt for such securities obtained by the fiscal officer.

#### Renewal of Certificates of Deposit

A certificate of deposit may be renewed for an additional term if authorized by the governing board, without the original certificate of deposit being paid by the depository and a warrant or check being issued for the purchase of a new certificate of deposit. However, if renewed, the interest due the political subdivision shall be paid to the fiscal officer at each maturity date, so the records will reflect the true financial condition and the amount invested at all times. The interest shall not be added to the original deposit and reinvested by the depository.

#### Reinvestment in Securities

In the case of the United States Government Securities, the amount received from investments must be receipted into the records and a warrant or check issued for the purchase of new securities. There is no authority for the "rollover" or reinvestment of securities by a depository; the transactions must be handled through the records of the fiscal officer.

### PROCEDURE FOR POSTING RECORDS AT THE TIME INVESTMENTS ARE PURCHASED OR SOLD

1. At the time investments are purchased, the fiscal officer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made. Where investment is made from "total monies on deposit," the warrant or check issued will not be posted in the ledger, but a memorandum account should be set up in a separate section of the ledger to which investment transactions will be posted.



2. When investment is made from a specific fund, a new fund entitled "Investments Fund" should be set up on the records. The net price (purchase price less accrued interest) should be entered as a receipt to this fund. The Investment Register, General Form 350, or an alternative form providing the same information should be used for keeping a record of all investments purchased by the political subdivision.
3. Interest received in such investments by fund should be entered as a receipt to the fund from which the investment was purchased. Interest received from investment of "total monies on deposit" should be receipted to the general fund or the fund specified by the governing board.
4. When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund." When the investment from "total monies on deposit" is sold the principal (purchase price) will not be posted as a receipt to the ledger but the interest thereon will be posted as a receipt to the general fund or fund designated by governing board. Proper entry shall be made also in the memorandum account, as well as in the Investment Register.

#### Investment Cash Management

A political subdivision may contract with a depository for the operation of an investment cash management system under IC 5-13-11. A cash management system provides for the management of the political subdivision's investment by a financial institution which is a designated depository.

Any interest from an investment should be credited to the investment account of the political subdivision and become a part of the principal in that account. The interest credited to the investment account should be receipted into the accounting records. The investment amount reported in the accounting records should be increased by showing a purchase of investments in the amount of the interest added to the investment account.

#### Investment Report

In accordance with IC 5-13-7-7, the local board of finance shall also receive and review the written report of the investing officer that summarizes the political subdivision's investments during the previous year. The report must contain the name of each financial institution, governmental agency or instrumentality or other person with whom the political subdivision invested money during the previous calendar year.

The following suggested format is recommended to be completed and given to the local board of finance.

REPORT OF INVESTMENTS		
FOR THE YEAR 20____		
<u>FINANCIAL INSTITUTION/GOVERNMENT AGENCY/OTHER</u>	<u>TYPES OF INVESTMENTS CD'S, GOV'T SECURITIES, ETC.</u>	<u>AMOUNT INVESTED</u>
		\$
		150