

Accounting for Investments Posting Interest

Treasurer's Virtual Conference
August 2020

IC 5-13-9-6 Interest Received from Investment

- (a) "All interest derived from an investment by a political subdivision or by any local political public officer under the authority granted by section 3 of this chapter shall be deposited, except as otherwise provided by law, in the general fund of the investment authority or any other fund its governing body designates specifically or by rule, subject to the modifications and limitations in this section."



IC 5-13-9-6 Federal or Court Order

- (b) “Interest from the following investments shall be receipted as follows: (1) Interest from investments of funds of a political subdivision that are traceable to United States Government fund must be receipted to the fund of which they are a part, if required by federal law or regulation. (2) Interest from investments of funds controlled by court orders must be receipted to that fund unless otherwise designated by the court order.



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IC 5-13-9-6 Property Tax Collections

- (c) Each county treasurer, if authorized by the board of county commissioners, may invest tax collections under this chapter pending distribution of the collections to political subdivisions. These investments may not: (1) exceed the amount available after giving consideration to which may need to be advanced to any political subdivision; or (2) be made in deposit accounts or repurchase agreements, the maturity dates of which are later than the time when the tax collections are required by law to be distributed to political subdivisions.



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IC 5-13-9-6 Property Tax Collections

- (d) The interest received on the investments made under subsection (c) shall be receipted to the county general fund or any other fund from which expenses incurred in the maintenance of county highways may be paid. The county fiscal body (as defined in IC 36-1-2-6) shall determine the allocation of this interest among the general fund and the various highway funds into which the interest may be deposited.



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IC 5-13-9-6 Proceeds from Bonds

- (e) Any political subdivision may apply the interest derived from the investment of the proceeds bonded indebtedness or local tax levies to the appropriate redemption bond interest or sinking fund for the bonded indebtedness.



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Principal and Interest

- Principal is the amount of money originally invested.
 - On the Cash Book, post the amount of principal invested. If additional money is invested, that must also be posted on the Cash Book
- Interest is money paid at a particular rate the use of the money invested.
 - Interest is receipted in when it is received
 - Even when the interest is paid to the investment account



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Simple Example

- Invest 10,000 in a one year CD at 1% interest
- Principal Invested \$10,000
- Interest earned \$100
- Post the amount invested - \$10,000
- At year end, show the investment matured for \$10,000
- Receipt in interest of \$100



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Not so simple example

- Invest \$10,000 for 2 years at 1% interest paid out each quarter. Interest is added to the principal and not paid to the county.
- Quarter 1 Interest earned is \$25 added to principal
- Quarter 2 Interest earned is \$25.06 (on \$10,025)
- Quarter 3 Interest earned is \$25.12 (on \$10,050.06)
- Quarter 4 Interest earned in \$25.19 (on \$10,075.37)

- Total principal \$10,100.62 – This should be the amount shown on the cash book and \$100.62 would have been received in over the year.



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When do you record interest?

- The basic answer is when the county receives the interest
- It is not always easy to tell when the interest is received:
 - Paid by check to county
 - Quietus to General fund (or other appropriate fund)
 - Shown as deposit on Cash Book
 - Added to the principal amount of the investment
 - Quietus to appropriate fund
 - Shown as additional to investment
 - Accrued interest – earned but not yet paid
 - Would not quietus or recognize on cash book.



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QUESTIONS ???

