

CHAPTER 10

DEPOSITORIES - INVESTMENTS

DESIGNATION OF DEPOSITORIES

The State board of finance has on their website a listing of all depositories which are eligible to receive public funds. [IC 5-13-8-1]

Once the clerk has determined which depository, or depositories, he or she desires to utilize, and verified the depository's eligibility, the clerk needs to seek approval of the local board of finance for the use of that depository.

When a depository has been designated, as provided by law, the clerk shall at once deposit all fees and funds in his custody to a checking account in such designated depository. All money received by the clerk in the conduct of the business of the office shall be deposited not later than the business day following the receipt of funds on business days of the depository in one (1) or more depositories. Withdrawals can only be made on checks signed by the clerk or his authorized deputy. [IC 5-13-6-1]

CASH CHANGE FUND

Clerks of the circuit courts are to establish a cash change fund to facilitate making change in handling collections. Such fund may be established in an amount, as determined and approved by the county council. [IC 36-1-8-2]

When such fund is approved and the amount determined, the auditor will draw a warrant for such amount on the county general fund and without appropriation being made therefor.

The clerk will convert the warrant into cash and will be held responsible for the custody, safekeeping and proper accounting in the same manner as other funds in his custody.

The entire cash change fund shall be returned to the fund from which it was advanced if and when it is no longer needed or upon change of custodians of such fund. [IC 36-1-8-2]

A verified claim must be prepared and filed with the auditor. The claim should contain a statement setting forth the necessity for the fund, the amount deemed necessary in the judgment of the clerk and a reference to the authority for its establishment.

Upon receipt of the auditor's warrant, the clerk will issue his or her official receipt thereof the same as if receiving other money. The amount will be treated as an item of trust and will be posted in the register of trust funds to the credit of "Treasurer _____ County, Cash Change Fund."

When the office is opened for the transaction of business the cash drawer shall not contain an amount in excess of the cash change fund approved by the county council and advanced by the warrant of the auditor.

Daily deposits thereafter shall be in the same amount as the receipts for the previous day. Retain only the amount of the cash change fund in the office. In no event shall receipts be held longer than the first business day after they are received.

The amount of the cash change fund shall be included each day in the Clerk's Cash Book and Daily Balance Record in the space following the words "Cash on Hand at End of Day."

At the expiration of any term of office, the clerk will disburse the amount of such fund from trust in

favor of the county treasurer and make application to the auditor for repayment thereof.

PETTY CASH FUND

In like manner, a petty cash fund may be established for the purpose of paying small or emergency items of operating expense. A receipt shall be taken for each expenditure made from such fund. Periodically a voucher shall be filed by the clerk with the auditor to reimburse the fund for the expenditures so made. No reimbursement shall be made unless all original receipts in support of the cash expended are attached to the claim. The claim for reimbursement shall be approved and made in the same manner as is required for other expenditures (by the board of county commissioners). [IC 36-1-8-3]

AUTHORITY FOR INVESTMENTS

The board of county commissioners of each county may, by ordinance or resolution, authorize the purchase of investments. [IC 5-13-9-1]

The question has been raised whether the clerk of the circuit court may invest monies or deposit without the approval of the board of county commissioners. This question was posed to the Legislative Council and they advised that it was the intent of the Legislature that the clerk had authority to invest monies without the approval of the board of county commissioners. However, it might be prudent for the clerk of the circuit court to ask the board of county commissioners for a blanket approval to invest and reinvest monies on deposit in the clerk's office to avoid any legal problems.

The clerk is also authorized to invest funds when required by court order.

GENERAL LAW

The general law applicable to the investment of county funds is contained in IC 5-13-9 which is discussed in Chapter 18 of this manual.

INTEREST ON INVESTMENTS

All interest derived from an investment by a political subdivision or by any other local public office under the authority granted by IC 5-13-9-3 shall be deposited, except as otherwise provided by law, in the general fund of the investment authority or in any other fund its governing body designates specifically or by rule.

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 funds must be receipted to the fund of which they are a part, if required by federal law or regulation. This applies to all funds accounted for in the ISETS System.
2. Interest from investments of funds controlled by court orders must be receipted to that fund unless otherwise designated by the court order.

Interest from the investment of public funds may not be paid personally or for the benefit of any public officer.

Investments made in accordance with IC 5-13-9-3(a)(1) and the interest earned or accrued on them are public funds as the term is defined in IC 5-13-4 and are covered by the public depository insurance fund. [IC 5-13-9-6]

SERVICE CHARGES

Any investing officer who makes a deposit in any deposit or other account may be required to pay a service charge to the depository in which the funds are deposited, if the depository requires all customers to pay the charge for providing that service. However, the service charge imposed must be considered in the computation of the interest rate for determining which depositories are entitled to investments. If the total service charge cannot be computed before the investment, the investing officer shall estimate the service charge and adjust the interest rate based on this estimate. The service charge may be paid by direct charge to the deposit or other account or in a manner that subtracts the service charge from interest earned on the funds in the deposit or other account. [IC 5-13-9-8]

MANNER OF INVESTING FUNDS

When an investment is made, a check will be issued payable to the bank or financial institution from which the investment is purchased. The check should clearly state the purpose for its issuance. The check should then be delivered to the financial institution and the securities, or a safekeeping receipt, or passbook in the case of a savings account, should be obtained by the clerk. Electronic transfer of funds to purchase an investment may be used if allowed by county policy or practice as long as a proper audit trail is retained for the transaction.

POSTING INVESTMENTS TO CLERK'S RECORDS

When an investment is made from "total monies on deposit," the check issued by the clerk will not be posted as a disbursement in the cash book. This is for the reason that funds are not actually disbursed but are merely transferred to an investment account. No entries will be made in the upper portion of the clerk's cash book and daily balance record. However, the investment purchased should be shown in the daily cash reconciliation section of the clerk's cash book and daily balance record in the following manner:

<u>Name of Depository</u>	<u>Depository Balance at Beginning of Day</u>	<u>Deposits During the Day</u>	<u>Checks Issued During Day</u>	<u>Depository Balance at Close of Day</u>
First National Bank Investments		\$ 10,000.00		

The \$10,000.00 investment purchased, as shown above, would be added to the investments on hand at the beginning of the day and the total would be shown in the "Depository Balance at Close of Day" column and this total would be carried forward as the balance at the beginning of the next day.

On a sale or maturity of investments the amount sold would be shown on the investments line in the "Checks Issued During Day" column and the amount received from the sale would be included in the "Deposits During the Day" in the bank to which the proceeds were deposited.

The clerk must keep a "Register of Investments," General Form No. 350. All investments must be entered in the register of investments at the time of purchase. The register will also be used to record receipts upon maturity of investments, including interest received thereon. The total of the investments (principal) should at all times agree with the entries of the "Investments" account in the daily balance record.

An official receipt must be issued for interest received to be posted in the cash book. The receipt should also indicate thereon the security (investment) on which the interest was received and, if the security matured, the principal (original cost) of the security for use as a posting media to the daily balance record. The interest should be posted to the interest column in the receipts section of the Cash Book of Receipts and Disbursements. The interest will then be paid to the county treasurer and quietused to the county general fund at the close of the month when fees and other revenues are remitted to the county.

There may be instances where the court will order certain trust funds to be invested and the interest earned on such investments to be credited to that specific trust fund item. In such cases the procedures for recording the investment will be handled in the same manner as other investments. In addition, a notation should be made on the entry docket applicable to this trust item that the amount has been invested per order of the court. The only difference between a court ordered investment and investments made by the clerk from total monies on deposit is in accounting for the interest earned on the investment.

An official receipt must be issued for interest received to be posted in the cash book. The receipt should also indicate thereon the security (investment) on which the interest was received and, if the security matured, the principal (original cost) of the security for use as a posting media to the daily balance record. The interest should be posted to the trust account in favor of the individual(s) or other entity as designated by the court order.

MONTHLY REPORT - FORM NO. 46-CR

The total amount invested should be shown on the monthly financial report on Line 12 "Investments on hand at close of business last day of the month."

RENEWAL OF CERTIFICATES OF DEPOSIT

In view of the provisions of the Depository Act, it is our opinion that a certificate of deposit may be renewed for an additional term, without the original certificate of deposit being paid by the depository, and a check being issued for the purpose of a new certificate of deposit.

In the event a certificate of deposit is renewed, the amount of interest earned should be paid to the clerk at each maturity date, so the records will reflect the amount invested at all times. The interest should not be added to the original deposit and the total reinvested by the depository.

There is no authority for the "roll-over" or reinvestment of funds by a depository. The transactions must be handled through the records of the clerk's office.

INVESTMENT CASH MANAGEMENT SYSTEM

The fiscal body and investing officer of a political subdivision may contract with a depository for the operation of an investment cash management system.

The contract must:

- (1) Be in writing;
- (2) Provide for the investment of funds by the depository with the approval of the investing officer;

- (3) Provide that the depository keep those records concerning the investment cash management system that the political subdivision would maintain for audits by the State Board of Accounts;
- (4) Provide that investments will be made in accordance with this article;
- (5) Not have a term of more than two (2) years; and
- (6) Be awarded under the bidding provisions of IC 5-22.

If no designated depository whose principal office or branch is located within the political subdivision will provide an investment cash management service permitted in this chapter, then the contract for an investment cash management service must be awarded as provided in IC 5-13-8-9(c). If the investment cash management service contract is awarded to a financial institution whose principal office or branch is located outside the political subdivision, then the recipient of the contract does not constitute a designated depository of the political subdivision for purposes of investment under IC 5-13-9-3 unless it meets the limitation of IC 5-13-9-4 or IC 5-13-9-5, but does not constitute a depository for all other purposes. [IC 5-13-11-2]

The contract may provide for the depository to assess a service charge for its management of the investment cash management system. The service charge may be paid by direct charge to the deposit or other account or in a manner that subtracts the service charge from interest earned on the funds in the deposit or other account. [IC 5-13-11-3]

The depository shall furnish the political subdivision with at least one (1) report each month of transactions concerning the investment cash management system. The depository shall credit any interest or other accretion from an investment to the investment account. The interest or accretion becomes part of that account. [IC 5-13-11-4 and IC 5-13-11-5]