

## CHAPTER 5

### INVESTMENTS AND INVESTMENT INCOME FUND

#### EXTRA-CURRICULAR INVESTMENTS

IC 20-41-1-9 concerning the school extra curricular account provides in part "The money in the school extra curricular account may be invested under the conditions specified in IC 5-13-10 and IC 5-13-10.5 for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extra curricular account and need not be credited proportionately to each separate extra curricular fund. The interest earned from the investment may be used for any of the following:

- (1) Any school purpose approved by the principal
- (2) An extra curricular purpose approved by the principal.

Amounts expended under this section for the purposes described in this section are in addition to the appropriation under IC 20-26-5-4(3)."

After a decision has been made to purchase an investment from the bank account balance (and not credit the interest to individual funds), a necessity exists for accounting purposes, to establish an investment income fund in the extra curricular account records to which any earnings (the aforementioned procedure) are receipted and from which expenditures are made. A check will be issued for the purchase of the investment but the check will not be posted to any fund. A dual control will also be necessary to be kept instead of the usual single control for the extra curricular account. One control, the normal control fund which is a memorandum type of entry will be used to record the transactions of the checking account, and another will be used to account for the investment from the total monies on deposit which would be referred to as an investment control, which is a memorandum type of entry. The balances of these two controls when added together must equal the total of the balances of all the individual extra-curricular funds at all times.

Purchases of equipment which becomes part of the school facilities is the direct responsibility of the school board; therefore, the specific equipment must be approved by the board before being purchased from the Investment Income Fund.

Since the School Board is the employing authority in a school corporation and IC 20-41-1-4 does provide in part concerning extra-curricular expenditures, ". . . shall be subject to review by the local school board", the school board should have a policy for all buildings concerning whether investments should be by fund or with an investment income fund as provided herein.

#### INVESTMENT LOSSES

Losses related to investments and investment procedures which are not authorized in IC 5-13 may be the personal responsibility of the investing officer.

#### INTEREST ON INVESTMENTS

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

## ACCOUNTING FOR INVESTMENTS

General Form Number 350, Register of Investments is the prescribed form for recording investments and all investments should be recorded on Form 350.

The following is an example of recording an investment transaction made from a specific fund (for example - athletic). Disburse the cost (purchase price) of the investment from the athletic fund and from the Control of All Funds. On the Register of Investments, General Form No. 350, identified with the athletic fund, record the purchase price (cost).

If interest is received while the security is held by the school, record the amount received on General Form Number 350 on the same line as that on which the investment is recorded; also receipt the interest received to the athletic fund and to the Control of All Funds.

When the investment is sold or matures, receipt the sale price to the athletic fund and to the Control of All Funds. Earnings from Investments would be receipted either to the athletic fund or to the investment income fund as might be provided by school board policy. Record the sale (purchase price) on the Register of Investments - Athletic Fund (General Form 350) on the same line as the purchase was recorded. Investments from other "Fund" accounts will be accounted for in the same manner as illustrated for the athletic fund.

Where investment is made from "total monies on deposit", the warrant 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.

The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision.

### Renewal or Rollovers of Investments

A certificate of deposit may or other investments be renewed for an additional term if authorized, without the original certificate of deposit being paid by the depository and a warrant being issued for the purchase of a new certificate of deposit if all applicable statutory provisions have been complied with by the political subdivision or other investments if all applicable statutory provisions have been complied with by the political subdivision. However, if renewed, the interest due the political subdivision shall be paid to the fiscal officer at each maturity date, or the records should show transactions which 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 without being recorded in the records.