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SAM—TRUST AND AGENCY FUNDS—OTHER

ACCRUALS TO TRUST ACCOUNTS

19305

(Revised 5/85)

June 30 statements will reflect Accounts Payable and Accounts Receivable for transactions debited or credited to subsidiary accounts in the Depositor's Ledger on or as of that date but for which cash was not disbursed or received by the date. Examples of such accruals are receivables for earned payrolls and invoices payable. Such accruals will be considered in preparing the Analysis of Change in Fund Balance (Statement of Operations).

SAM—TRUST AND AGENCY FUNDS—OTHER

SPECIAL ACCOUNTING PROCEDURES FOR TRUST AND AGENCY FUNDS OUTSIDE THE STATE TREASURY

19400

(Revised 4/92)

Trust and Agency Funds outside the State Treasury, i.e., money or property in the custody of a State agency not required to be deposited in a fund in the State Treasury, generally fall into the following types:

1. State Veterans' Home Post Fund
2. Agriculture Marketing Act Trusts
3. Department of Employment Trust Funds
4. Guaranty Deposits
5. Private Trusts
6. Special Purpose Trusts

Since each of the first three types is accounted by only one agency, specific procedures related to them are not included in this manual. Certain special procedures applicable to the last three types of trusts listed above are prescribed in SAM Section 19410 through 19464.

In order to show appropriately the financial status and operations of certain Trust and Agency Funds, it has been necessary to prescribe in special manuals or special instructions memoranda the use of all or some commercial accounting principles such as:

1. Actually collectible operating income earned regardless of when collectible.
2. Accruing expenditures on the basis of services received and goods used—or goods received if there are insignificant differences between usage and receipts of goods.
3. Accounting for assets with no offsetting reserve and depreciating it.
4. Year-end reports 7,8, and 9 will be prepared for trust accounts outside the State Treasury. (See SAM Sections 7962 and 7963.)

Where special manuals or special instructions memoranda have been issued by the Department of Finance, Fiscal Systems and Consulting Unit, or its predecessor in the Department of General services, these instructions are still applicable except that (1) accounts prescribed in Section 7600 will supersede those shown in such manuals and memoranda unless the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible. Funds requiring accrual of collectible operating income earned regardless of when collectible normally account for operating income as it is billed throughout the year and will continue to accrue income at the time and to the extent they now do.

Where such manuals and memoranda have not been issued general procedures described in Section 7100 to 8999 will be followed, as well as Journal Entries described in Section 10501 to 10553 to the extent they are applicable, modified for the use of some different General Ledger accounts as prescribed in Section 7600 (unless otherwise provided in Sections 19420 through 19464, which apply to guaranty deposits, private trusts, and special purpose trusts)—except that procedures regarding income accounting prescribed in Sections 8200-8290.9 will not be used if the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible.

Separate General Ledger accounts will be maintained for each type of trust.

SAM—TRUST AND AGENCY FUNDS—OTHER

GUARANTY DEPOSITS

19410

(Revised 12/07)

Guaranty and/or performance deposits are held by several State agencies to ensure compliance with various legal requirements. These deposits may consist of securities or cash.

Negotiable securities will be held by the State Treasurer for safekeeping. Negotiable securities are defined as any security which can be legally transferred to another party by endorsement or delivery. This includes any security which can be converted to cash by presentation or endorsement, e.g. bearer bonds and stocks. Securities held as guaranty deposits will be valued in accordance with individual agency requirements. Differences in statutory and operating requirements for the handling of these securities make it impossible to prescribe a standard fixed valuation procedure. Securities held by the Treasurer will be accounted by agencies as a debit to General Ledger Account No. 2720, Securities and Other Property Held in Trust, and a credit to Account No. 3510, Deposits.

Cash deposits will be deposited by the agency in the centralized State Treasury System, in accordance with applicable legal or administrative provisions. These deposits will be accounted as a debit to Account No. 1120, Agency Trust Fund Cash, and a credit to Account No. 3510, unless the cash is in lieu of a bond. Cash received in lieu of a bond and subject to the provisions of Code of Civil Procedure Section 995.710 must be maintained in an interest bearing account. To comply with this requirement, agencies will request an account in the Special Deposit Fund, as described in SAM Sections 18420 and 18426.

SAM—TRUST AND AGENCY FUNDS—OTHER

PRIVATE TRUSTS

19420

(Renumbered and Revised 2/65)

Private trust consist of money, securities, or sundry personal property held by agencies for the benefit of specific individuals such as inmates, students, etc. The State agency acts as custodian of the private individual's assets to the State Treasury for custody.

A subsidiary Trusts Deposits Ledger will be maintained containing an account for each person for whom money or securities are held.

Agencies will exercise normal principles of internal control and will store securities and other personal property in a manner commensurate with their apparent value. Agencies that use safe deposit boxes for the safekeeping of valuable property will permit access to such boxes only when two authorized employees are present to verify the transaction.

SAM—TRUST AND AGENCY FUNDS—OTHER

INTEREST BEARING PRIVATE TRUST ACCOUNTS

19420.3

(New 6/83)

Except where prohibited by law, State Departments will deposit private trust moneys (e.g., money held for State hospital residents) in interest bearing account at federally insured financial institutions. Of course, this principle will not apply to trust moneys which must be maintained to meet day-to-day cash needs.

Departments will credit interest earnings to trust accounts when earnings are credited by the depository institutions and at the time trust accounts are closed.

In some instances, individual trust accounts may be consolidated for investment purposes. For example, Treasury Bills or Certificates of Deposit may be purchased with consolidated funds to produce greater interest earnings for each trust account. Interest on such investments will be credited to individual accounts when the earning are made available and at the time trust accounts are closed.

Departments are responsible for maintaining accountability for each private trust account. Any program to consolidate individual trust funds must be approved by the Fiscal Systems and Consulting Unit, Department of Finance.

SAM—TRUST AND AGENCY FUNDS—OTHER

DEPOSITORS' CASH

19421

(New 6/83)

Cash receipts will be written in accordance with the provisions of Section 8020 except that agencies may write a receipt to notify a depositor of an amount received from another person for credit to the depositor's account.

Cash in the custody of a State agency for depositors usually will be deposited in the agency's account in the centralized State Treasury System and accounted in Account No. 1120, Agency Trust Fund Cash.

Disbursements will be supported by authorizations signed by depositors or depositors' guardians unless (1) the disbursement is by check payable to the depositor or (2) provisions of law Permit or court orders direct that the disbursement be made.

Receipt of cash trust moneys will be entered in the Trust Fund Cash Receipts Register. Disbursement of cash trust moneys will be entered in the Trust Fund Cash Disbursements Register. Receipts and disbursements of money will be posted to the Trust Deposits Ledger during the month to keep the balance of each depositor's account current.

At the end of each month, agencies will (1) reconcile the Trust Fund Cash portion of their account in the centralized State Treasury System, and (2) balance their Trust Deposits Ledger with Account No. 3510, Deposits.

SAM—TRUST AND AGENCY FUNDS—OTHER

DEPOSITORS' SECURITIES

19422

(Revised 5/87)

Agencies will issue press-numbered property receipts for securities received from private individuals. The par or face value of the securities will be shown on the property receipts. No-par stock will be assigned an arbitrary value of one dollar per share. Amounts are entered on property receipts for securities for custody accounting purposes only. They have no relationship to market values.

Interest coupons will be presented for collection as they become due. Interest received will be credited to the depositor's values.

Agencies will obtain receipts discharging themselves from accountability whenever they release securities. The values that were shown in property receipts when the securities were received by the agency will be shown on receipts discharging the agency from accountability for the securities. If the securities are released to other than the owner, the circumstances or the authority for the release will be indicated on the discharge of accountability receipt. The Controller's Receipt will suffice for securities that are remitted to the Unclaimed Property Fund or the Special Deposit Fund.

Property receipts and discharge of accountability receipts will be entered in the General Journal or in a Securities Register if the Volume justifies a register. Receipts and dispositions of securities will be posted to the individual's security account in the Trust Deposits Ledger, which is subsidiary to Account No. 3510, Deposits.

Postings will be made at the end of each month to Account No. 2720, Securities and Other Property Held in Trust, and Account No. 3510, Deposits, from the General Journal or Securities Register. Securities should be inventoried at least annually.

SAM—TRUST AND AGENCY FUNDS—OTHER

SAFEKEEPING
(Revised 5/87)

19423

Securities will be kept in a safe or vault. Agency facilities may be used or the securities may be transmitted to the State Treasurer for safekeeping. If securities are transmitted to the State Treasurer, the head of the agency or his deputy will complete a letter similar to the following on the agency's letterhead:

Date

State Treasurer
P.O. Box 1919
Sacramento, CA 95809

Dear Sir:

The following employees of the (Name of Agency), whose names and signatures appear below are hereby authorized to issue and sign any letters, instructions, or other written evidence of authority directed to the State Treasurer of the State of California whereby said State Treasurer is authorized to receive, release, or otherwise dispose of any securities or other property belonging to or under the control of this agency, which is about to be deposited or is now on deposit with the State Treasurer for safekeeping or which is or may be deposited with him under the provisions of any laws of the State of California.

(Name—Typewritten)

(Title)

(Authorized Signature)

In the event the securities or other property so held are directed by instructions signed by anyone of the above persons to be delivered to this agency, then the following employees whose names and signatures appear below are hereby authorized to take delivery of an official receipt from you on behalf of this agency.

(Name—Typewritten)

(Title)

(Authorized Signature)

Your responsibility will cease upon making delivery in accordance herewith.

These instructions are to remain in full force and effect until written revocation is filed with the State Treasurer.

Very truly yours,

SAM—TRUST AND AGENCY FUNDS—OTHER

DEPOSITORS' SUNDRY PERSONAL PROPERTY

19424

(Renumbered and Revised 2/65)

Sundry personal property is personal property other than cash or securities.

Agencies will issue press-numbered property receipts for sundry personal property received from private individuals. No values will be assigned to sundry personal property.

Agencies will obtain receipts discharging themselves from accountability whenever they release sundry personal property. If the property is released to other than the owner, the circumstances or authority for the release will be indicated on the discharge of accountability receipt.

Sundry personal property will be described on the individual's property card, which is a monetary record of the property held by the agency for the individual.

Sundry personal property may vary greatly in value and size. Sundry personal property will be kept in safekeeping in a manner that will meet the established rule of law that while a State officer in possession of property lawfully received is not an insurer of its safety, he is required to exercise reasonable and ordinary care and diligence to keep and preserve the property so that it may be restored to the person entitled to it or disposed of in the manner directed by law.

SAM—TRUST AND AGENCY FUNDS—OTHER

DISPOSITION OF DEPOSITORS' PERSONAL PROPERTY

DECEASED DEPOSITORS' PERSONAL PROPERTY

19425.1

(Revised 5/87)

Institutions having possession of deceased inmates' personal property will dispose of such personal property subject to provisions of Section 19425.3 (after the required 30 days' notice) as follows:

1. Unclaimed cash will be remitted to the State Treasurer's Office for deposit in the Unclaimed Property Fund one year after death of the inmate.
2. All deeds, contracts, or assignments will be filed with the public administrator of the county of commitment of the deceased inmate one year after death of the inmate.
3. All other personal property will be sold at public auction, or upon sealed-bid basis, one year after the date of the inmate, and the proceeds of the sale remitted to the State Treasurer in the same manner as unclaimed money.
4. Any personal property that is not salable at public auction or upon sealed bids, provided it has insufficient intrinsic value to justify deposit with the State Treasurer, may be destroyed one year after the death of the inmate. Items that warrant deposit with the State Treasurer will be delivered to the State Controller who will deliver to the State Controller who will deposit such items with the State Treasurer.

The institution delivering any money or other inmates' personal property to the State Treasurer or State Controller shall furnish the State Controller a schedule setting forth (1) a description of all money and other personal property delivered and (2) the name and last known address of the deceased owner. The institution will draw a check payable to the State Treasurer to remit the Unclaimed Property Fund the cash portion of the deceased inmates' personal property after complying with provisions of SAM Section 19425.3. Such cash will be reported on Form CA 21, Controller's Remittance Advice, and will have attached a schedule reflecting the required information. Form CA 21 will not be used to transmit securities or other personal property. Such items will be transmitted by letter, reflecting the pertinent information described above.

To simplify bookkeeping, remittances of cash and property belonging to deceased, escaped, discharged, or paroled depositors will not be included with other remittances to the State Treasurer's Office. The agency will make the following entry for property transmitted to the Unclaimed Property Fund:

Debit

3510 Deposits

Credit

1120 Agency Trust Fund Cash

2720 Securities and Other Property held in Trust

The Trust Deposits Ledger, which is subsidiary to Account No. 3510 deposits, will be posted from the counterfoil of the check or from the Controller's Receipt and as of the date of that document.

Claimants of cash or personal property that has been remitted to the Unclaimed Property Fund will be referred to the Unclaimed Property Bureau, Division of Accounting, State Controller's Office. The claimant will file his claim directly with the State Controller's Office.

SAM—TRUST AND AGENCY FUNDS—OTHER

ESCAPED, DISCHARGED, OR PAROLED DEPOSITORS' PERSONAL PROPERTY

19425.2

(Revised 5/87)

Institutions having possession of personal property of escaped, discharged, and paroled inmates, will dispose of such personal property subject to provisions of Section 19425.3, (after the required 30 days' notice) as follows:

1. All deeds, contracts, or assignments will be refilled with the public administrator of the count of commitment one year from the date of escape, discharge, or parole of the inmate.
2. All tangible unclaimed personal property other than money shall be sold at public auction or upon a sealed-bid basis one year from the date of escape, discharge, or parole of the inmate. Such property may be sold in lots, provided a determination can be made as to each inmate's share of the proceeds. Proceeds from the sale shall be identified by inmate and shall be held for a period of seven years from the date of escape, discharge, or parole of the inmate. Upon expiration of the seven year period, the moneys will be reported and disposed of in accordance with procedures prescribed in Item "3" below.
3. All moneys and other intangible personal property (such as securities, stock certificates, etc.) shall be held for a period of seven years from the date of escape, discharge, or parole of the inmate, except that such unclaimed intangible personal property of paroled minors may be exempted from this seven year provision during the period of their minority and for a period of one year thereafter at the discretion of the director of the department concerned. Upon expiration of this seven year period, such intangible personal property is considered abandoned. Annually, before November 1, the agency shall report such abandoned tangible personal property on hand as of June 30 to the State Controller on a form and in a manner prescribed by the State Controller. The agency will remit such funds to the State Treasurer for deposit in the Unclaimed Property Fund—Abandoned Property Account only upon written request of the State Controller.

Entries to the agency's accounting records are the same as described in Section 19425.1 above.

Claimants of cash or other personal property that has been remitted to the Unclaimed Property Fund—Abandoned Property Account, will be referred to Unclaimed Property Bureau, Division of Accounting, State Controller's Office. The claimant will file his claim directly with the State Controller's Office.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

NOTICE OF PROPOSED DISPOSITION OF DEPOSITORS' PERSONAL PROPERTY

19425.3

(Revised 5/87)

Before any money, personal property, or documents are delivered to the State Treasurer, State Controller, or public administrator or sold at public auction or upon a sealed bid basis or destroyed, in accordance with SAM Section 19425.1 or 19425.2, notice of the intended disposition of the property shall be posted in a public place in the institution where disposition will be made at least 30 days prior to disposition of the personal property. A copy of such notice shall be mailed to the last known address of the owner or deceased owner.

No officer or employee of the State having jurisdiction over the disposition of inmates' personal property at public auction or by sealed bid shall purchase or cause to be purchased for him/her or for his/her use said inmates' personal property. See Government Code Section 1091.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

SPECIAL PURPOSE TRUSTS

19440

(Revised 5/97)

Individuals, associations, corporations, public agencies, etc., may make gifts or grants to the State for specific purposes such as conducting research in a particular field, providing assistance to deserving students, providing money or other assets for the education or recreation of an institution's inmates, etc.

Sections 16305 through 16305.3 of the Government Code require that all money in the possession of or collected by any state agency be deposited in trust in the custody of the State Treasurer, except when otherwise authorized by the Director of Finance, or unless deposited directly in the State Treasury.

Gifts of money will be credited to the State School Fund unless the donor, at the time of making the donation, specifies in writing (1) that the gift is for another fund or appropriation or (2) the purposes of the trust without specifying any fund or appropriation. See Government Code Sections 11005 and 16302.

If the written designation states the purposes of the trust without specifying any fund or appropriation, the money will be deposited in the Special Deposit Fund unless statutes provide for keeping the money in depositories other than the State Treasury. See Government Code Section 16371.

See SAM Section 8634 for procedures to follow in accepting gifts of real and personal property.

In some cases, specific provisions of law permit trusts to be maintained in accounts in the centralized State Treasury System or in bank accounts instead of in a fund in the State Treasury. A few statutes provide that special purpose trusts outside the State Treasury will receive the income from certain sources. For example, Welfare and Institutions Code Section 4125 provides that a benefit trust for the education or recreation of patients will receive the income from the investment of a hospital's cash trust moneys.

Special purpose trusts outside the State Treasury normally will be deposited in an account in the centralized State Treasury System and accounted in Accounts No. 1120, Agency Trust Fund Cash, and 5530, Fund Balance—Unappropriated. If necessary, agencies may maintain a separate self-balancing group of General Ledger accounts for each special purpose trust.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

DOCUMENTATION

19440.1

(Revised 5/87)

Each trust account established shall be supported by documentation as to the type of trust, donor or source of trust moneys, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of moneys for administrative or overhead costs. This documentation will be retained until the trust is dissolved.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

TRUST INVESTMENT

19460

(Revised 03/13)

Government Code section 11012 requires any state department with some exceptions, authorized to deposit funds in bank accounts or to invest trust funds in securities to obtain prior approval from the Department of Finance (Finance). However, Finance approval is required only on transactions exceeding \$25,000 for securities and balances exceeding the Federal Deposit Insurance Corporation (FDIC) limit for each bank account. Therefore, if any one transaction or the balance in an account exceeds these limits, the state department must obtain Finance approval. Finance approval is not required for the state departments listed in Government Code section 11012 or exempted by other statutes.

Generally, trust money not under the control of the State Treasurer should be deposited or invested only if the interest earnings (1) will accrue to the individual accounts of or directly benefit a group of wards, patients, students, or inmates, or (2) will accrue to a trust account or fund established for gifts and donations that is dedicated to assisting wards, patients, students, or inmates, or (3) will affect the charges for auxiliary nonprofit and nonstate supported activities and services furnished to wards, patients, students, or inmates.

In any circumstance, it is the state department's responsibility to ensure that the bank or savings and loan association is insured by the FDIC or Federal Savings and Loan Insurance Corporation, respectively. Additionally, the state departments may deposit in excess of the FDIC limit in any one bank or savings and loan association, if the state department notifies the State Treasurer that the collateral requirement has been met. See SAM section 8002 for collateral requirements.

BANK ACCOUNTS

19462

(Revised 06/13)

Departments may be authorized either by statute or by approval from the Department of Finance (Finance), Fiscal Systems and Consulting Unit, (FSCU) to deposit moneys not under the control of the State Treasurer (Treasurer) in banks outside of the centralized State Treasury System (CTS).

Departments that have statutory authority to deposit state moneys in banks outside the CTS without Finance approval should adhere to the conditions prescribed by the Director of Finance and must notify the Treasurer by letter stating the name and location of the bank, amount, source, and purpose of the funds to be deposited, and the type and term of the deposit arrangement. In addition, departments that have statutory authority to deposit outside the CTS without Finance approval must submit the report required by Condition 4 of this section.

Departments without such statutory authority will request approval from Finance, FSCU by letter to deposit state moneys in bank accounts outside the CTS. See SAM section 8002.

The following conditions are prescribed by the Director of Finance for depositing moneys in bank accounts outside the CTS:

1. Unless otherwise exempted by statute, a department must have approval from Finance, FSCU to maintain the account outside the CTS.
2. Except as otherwise provided by law, General Fund money will not be deposited with banks by any state officer other than the Treasurer.
3. Deposits shall not exceed the Federal Deposit Insurance Corporation (FDIC) limit in any one bank, including all of its branches. However, departments may deposit in excess of the FDIC limit in any one bank if the department notifies the Treasurer that deposit collateral requirements have been met. See SAM section 8002 for collateral requirements.
4. The Report of Accounts Outside the State Treasury form, STD. 445 stating the balance as of June 30, the purpose and the authority for each account shall be submitted annually to STO, Finance and SCO by August 20 or the following Monday if August 20 falls on a weekend. If the account has been closed during the reporting period, departments must specify the date the account was closed. See SAM sections 7930, 7951, and 7975.
5. No person shall make withdrawals until a bank signature card has been properly completed. The same statement shown in SAM section 8001.2 pertaining to the necessity of two authorized signatures for withdrawals in excess of \$15,000 is required.

Any department that maintains account balances close to the FDIC limit should periodically review its bank account balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to the accounts. Departments are responsible for making arrangements with the bank to allow interest payments to be sent directly to the department when such payments would increase the balance of an account in excess of the maximum insurable amount. These excess amounts may be deposited in another bank (upon approval by Finance, FSCU) or within the CTS.

The deposit of state moneys in bank accounts should permit the maximum earnings of interest and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.

Departments should assure that time or interest-bearing term deposits are held until expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal and any applicable interest earning are calculated at the current rate on regular accounts.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

SAVINGS AND LOAN ASSOCIATION AND CREDIT UNION ACCOUNTS

19463

(Revised 06/13)

Departments may be authorized either by statute or by approval from the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU), to deposit moneys not under the control of the State Treasurer (Treasurer) in savings and loan associations outside of the centralized State Treasury System (CTS).

Departments that have statutory authority to deposit state moneys in savings and loan associations or credit unions without Finance approval should adhere to the conditions prescribed by the Director of Finance and must notify the Treasurer by letter stating the name and location of the savings and loan association or credit union, amount, source, and purpose of the funds to be deposited, and the type and term of the deposit arrangement. In addition, departments that have statutory authority to deposit outside the CTS without Finance approval must submit the report required by Condition 4 of this section.

Departments without such statutory authority will request approval from the Finance, FSCU, by letter to deposit state moneys in savings and loan associations or credit unions. See SAM section 8002.

The following conditions are prescribed by the Director of Finance for depositing moneys with savings and loan associations or credit unions:

1. Unless otherwise exempted by statute, a department must have written approval from the Finance, FSCU, to maintain the account outside the CTS.
2. Except as otherwise provided by law, General Fund money will not be deposited with savings and loan associations or credit unions by any state officer other than the Treasurer.
3. Deposits shall not exceed the FDIC or NCUA limit in any one savings and loan association or credit union, including all of its branches. However, a department may deposit in excess of the maximum FDIC or NCUA limit in any one savings and loan association or credit union if the state department notifies the Treasurer that deposit collateral requirements have been met. See SAM section 8002 for collateral requirements.
4. The Report of Accounts Outside the State Treasury form, STD. 445 stating the balance as of June 30, the purpose and the authority of each account shall be submitted annually to STO, Finance and SCO by August 20 or the following Monday if August 20 falls on a weekend. If the account has been closed during the reporting period, departments must specify the date the account was closed. See SAM sections 7930, 7951, and 7975.
5. No person shall make withdrawals until a saving and loan or credit union signature card has been properly completed. The same statement shown in SAM section 8001.2 pertaining to the necessity of two authorized signatures for withdrawals in excess of \$15,000 is required.
6. Deposits shall be made only with eligible savings and loan associations or credit unions as stated in Government Code section 16600.

(Continued)

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

(Continued)

SAVINGS AND LOAN ASSOCIATION AND CREDIT UNION ACCOUNTS

19463 (Cont. 1)

(Revised 06/13)

Any department that maintains account balances close to the FDIC or NCUA limit should periodically review its savings and loan or credit union balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to its accounts. Departments are responsible for making arrangements with its savings and loan association or credit union to allow interest payments to be sent directly to the department when such payments would increase the balance of an account in excess of the maximum insurable amount. These excess amounts may be deposited in another eligible savings and loan association, credit union (upon approval by Finance, FSCU) or within the CTS.

The deposit of state moneys in savings and loan associations or credit unions accounts should permit the maximum earnings of interest, and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.

Departments should assure that time or interest-bearing term deposits are held until expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal and any applicable interest earnings are calculated at the current rate on regular accounts.

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

SECURITIES
(Revised 5/87)

19464

Agencies that invest cash trust moneys in securities may make arrangements with the State Treasurer's Office (or in some instances with the State Employees' Retirement System) for the handling of purchase and sale transactions. The securities will be held by the State Treasurer for safekeeping. The head of the agency or his deputy will send a letter to the State Treasurer similar to that prescribed in SAM Section 19423.

The following principles will be observed in accounting for investments in securities.

- Par value, premium, discounts, and accrued interest purchased on stated rate of interest securities will be accounted in separate accounts.
- The "no stated rate of interest" securities will be recorded at cost and no interest will be recognized except at time of sale or maturity and at June 30 (when the interest will be accrued).
- Premium will be amortized and discount will be accumulated by the "interest method" (amortization of premium and discount is used to yield an equal periodic rate of interest) as of each June 30 only. Amortization and accumulation to each interest date will not be required.
- Interest will be accrued as of each June 30.
- Bond amortization schedules will be developed by the agency or may be purchased from a publishing company. Effective yield will be computed to the nearest 1/100 of 1 percent. The following information must be supplied when ordering bond amortization schedules: (1) face value, (2) purchase price, (3) coupon rate, (4) maturity date (month, day, year), (5) purchase date (month, day, year). and (6) the fact that amortization is required as of each June 30 only.

The following journal entries illustrate the prescribed procedure for stated rate of interest securities only.

1. Securities are purchased:

Debit

1320	Accrued Interest Receivable	a/
2012	Investment in Securities	b/
2013	Premium on Securities	c/

Credit

1120	Agency Trust Fund Cash	d/
2014	Discount an Securities	e/

- a/ amount of interest accrued on securities at date of purchase.
- b/ face value of securities having a par value.
- c/ amount that purchase price exceeds the sum of face value and accrued interest purchased.
- d/ amount paid for securities.
- e/ amount that the sum of face value and accrued interest purchased exceeds purchase price.

(Continued)

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

(Continued)
SECURITIES
(Revised 5/87)

19464 (Cont. 1)

2. Interest payments are received:

Debit

1120 Agency Trust Fund Cash a/

Credit

1314 Accounts Receivable—Operating Revenue b/

1320 Accrued Interest Receivable c/

5530 Fund Balance—Unappropriated d/

a/ amount of cash received.

b/ amount of interest received that had been accrued at the previous June 30.

c/ amount of interest received that had accrued at the date of purchase.

d/ amount of interest received that had not been received at the previous June 30.

(Continued)

SAM—TRUST AND AGENCY FUNDS—NON-TREASURY

(Continued)
SECURITIES
(Revised 5/87)

19464 (Cont. 2)

3. Par value of maturing securities is received:

Debit

1120	Agency Trust Fund Cash	a/
------	------------------------	----

Credit

1314	Accounts Receivable—Operating Revenue	b/
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2011	Investment in Securities at Cost	c/
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5530	Fund Balance—Unappropriated	d/
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a/ amount of cash received.

b/ amount of interest accrued at the previous June 30 on the maturing securities.

c/ cost of "no stated rate of interest" securities sold.

d/ $a - (c+d)$. This account would be debited if $c+d$ exceeded a .

4. Interest is accrued at June 30:

Debit

1314	Accounts Receivable—Operating Revenue	a/
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Credit

5530	Fund Balance—Unappropriated	a/
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a/ amount of interest accrued at June 30 at the purchase yield rate.