Accounting for Investments

Annual Public Library Budget Workshop
May 24, 2022

Todd Caldwell
Government Technical Assistance & Compliance Director

Michael Crowley
Government Technical Assistance & Compliance Director

libraries@sboa.in.gov
317-232-2513
Internal Controls Objectives

Operations
- Safeguard assets

Compliance
- Laws & regulations

Reporting
- AFR & Financial Statements

IC 5-11-1-27 – Internal Controls
- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring
Timely Deposit of Receipts

Approved Depositories

Deposit of Public Funds
IC 5-13-6

Definitions
IC 5-13-4
IC 36-12-1
IC 36-12-2

• Investing Officer: “The person having authority by law to invest for the political subdivision...” IC 5-13-4-16

• Public Funds: “all fees and funds of whatever kind or character coming into the possession of any public officer by virtue of that office...” IC 5-13-4-20

• Fiscal Body: Library Board IC 36-12-1-3

• Fiscal Officer: Library Treasurer IC 36-12-2-22

Please see IC 5-13-4 & IC 36-12-1 for a complete list of important definitions!
Boards of Finance: “The fiscal body of each political subdivision (library) constitutes a board of finance. IC 5-13-7-5

IC 5-13-7-6: Each Board of Finance shall meet annually after the first Monday and on or before January 31st and shall:

• Elect a president & secretary
• Receive & review investment report

Boards of Finance:

➢ Can hold additional sessions when necessary
➢ Meetings subject to Open Door (public)
➢ Board of Finance Secretary responsible for meeting minutes

Designation of Depositories by Libraries

• Board of Finance designates (by resolution) the depositories that each library will use.

• Such depositories must be approved depositories.

https://www.in.gov/tos/deposit/2377.htm

See IC 5-13-6-1(c) and IC 5-13-6-1(g) – deposited the business day following the day when collections exceed $500
Library Board Responsibilities

IC 5-13-9

Investment Guidelines - IC 5-13-9-1
Investment Policy - IC 5-13-9-5.7

Other authorizations needed from board if applicable:

- IC 5-13-9-5.3 - Interest bearing deposit accounts
- IC 5-13-9-5 - Purchase of CDs from depositories not designated
- IC 5-13-9.3 - Investment of proceeds from certain capital assets (> $50 million)
- IC 5-13-11 - Investment cash management system

Treasurer Responsibilities

IC 36-12-2-22: The fiscal officer:

- Official custodian of all library funds
- Responsible for safeguarding & accounting of all library funds
- Issues checks/warrants, including when investments are purchased
**Investing Officer Responsibilities**

- **IC 5-13-7-7**: The investment officer (also the treasurer/fiscal officer unless a separate person has been named by the fiscal body/board) shall make a written report to the library’s board of finance summarizing the library's investments during the previous calendar year.

  - Report needs to contain:
    - Name of each financial institution
    - Government agency of instrumentality
    - Or other person with whom library money was invested

**Fiscal/Investing Officer Responsibilities**

**IC 5-13-9-1 Libraries:**

“...in addition to any other statutory power to make investments, each fiscal officer of any political subdivision...under the guidelines established...by...the fiscal body ...may invest any funds held by each in accordance with this chapter.”
Specific Securities

- Full faith & credit of US Treasury
- Federal agency
- Federal instrumentality
- Federal government sponsored enterprise

Investing officer accept “Safekeeping Receipts”

✓ Custody by Duly Designated Depository
✓ Or “Financial Institution” with combined capital and surplus of at least $10 Million

IC 5-13-9-9 - Purchasing securities on margin or opening a securities margin account prohibited

- Certain money market funds

- Investment must be made through a “depository”

- Portfolio is limited to certain investments
**Investment of Public Funds**

**IC 5-13-9-4**

- **Transaction Accounts** - Defined in IC 5-13-4-24 & 7
  - Designated depository
  - Rates and terms agreed to by investing officer

- **Certificates of Deposit**
  - Designated depository
  - Obtain quotes of each designated depository
    - Keep documentation – Memorandum of Quotes
  - Use depository with highest rate or note reason for other depository on Memorandum Quotes
  - If designated depository declines or interest rate too low – approved depository list – see requirements in IC 5-13-9-5

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**Investment of Public Funds**

**IC 5-13-9-5**

Authorization by resolution to purchase CDs from depository which has not been designated

Authorization lasts for one year

Obtain quotes from at least 3 depositories

- If 2 or more depositories have been designated, then must obtain quotes from 2 designated depositories
- Keep documentation – Memorandum of quotes
- Use depository with highest rate or note reason for other depository on memorandum of quotes
Investment of Public Funds
IC 5-13-9-11

• Local Government Investment Pool
  ➢ Trust Indiana

• www.trustindiana.in.gov
  ➢ Select “Relationship Team”
  ➢ Cindy Barger

Other Investments of Public Funds
IC 5-13-9

• IC 5-13-9-3 Repurchase agreements; funds held by officer and available for investment; obligations held as collateral

• IC 5-13-9-3.3 Investment of funds in obligations issued, assumed, or guaranteed by International Bank for Reconstruction and Redevelopment or African Development Bank

• IC 5-13-9-3.5 Investment and reinvestment of funds; participation in loans; lending securities

• IC 5-13-9-5.3 Authorization to invest in interest bearing deposit accounts; conditions; exemption from security or pledging requirements
Terms of Investments & Investment Policy

IC 5-13-9-5.6 & IC 5-13-9-5.7

**Without Investment Policy** - Stated final maturity of not more than 2 years

**With Investment Policy** – Stated final maturity may be more than 2 years but not more than 5 years. Policy must

1. be in writing;
2. be adopted at a public meeting;
3. provide for the investment of public funds with the approval of the investing officer;

(4) provide that the investments must be made in accordance with this article;

(5) limit the total investments outstanding under this section to not more than twenty-five percent (25%) of the total portfolio of public funds invested by the library, including balances in transaction accounts; and

(6) state a date on which the policy expires, which may not be more than four (4) years after the date on which the policy takes effect.
Contracts with Advisors  
IC 5-13-9-5.7(f)

- An investing officer may contract with a federally regulated investment advisor or other institutional money manager to make investments...

Service Charges  
IC 5-13-9-8

The payment of service charges is permitted.

1. By direct charge to the account or
2. By subtracting the service charge from the interest earned*

*report net interest in your records, not the amount of the service charge

Service charge must be considered in the computation of the interest rate for determining which depositories are entitled to investments in transaction accounts or certificates of deposit.
Investments should be made in the following manner:

- By fund, where any statute or the terms of any bequest, federal, state or private grant, endowment or trust make provisions for investments, with the interest to accrue to the benefit of such fund.

- By fund, if so determined by the governing board.

- From the total of monies on deposit, after considering (1) and (2) above.

**General Rule:**

- Interest should be credited to the General Fund or any other fund designated by the library board

**Specific Rules:**

- Interest received on United States Government Funds
- Interest from investments of funds controlled by court orders
- Bond Resolution requirements
- Interest on investments should not be added automatically to the investment
  - Instead, interest on investments should be paid to the library and posted to the appropriate fund.
Renewal of CDs

- A certificate of deposit may be renewed for an additional term if authorized by the board, 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.

- However, if renewed, the interest due the library 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.

Procedure for Posting Purchase or Sale of Investments

- At the time investments are purchased, 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.

- 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.
• 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.

• 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.
Audit Expectations

Review of Internal Controls
Compliance - Statute & Local Policy
Annual Financial Report
Investment Statements

Note 1. Summary of Significant Accounting Policies

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.
Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Library to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.
### Monthly Uploads

<table>
<thead>
<tr>
<th>State Board of Accounts (SBOA)</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>100R</td>
<td>Jan 31</td>
</tr>
<tr>
<td>Annual Financial Report</td>
<td></td>
</tr>
<tr>
<td>Monthly and Annual Engagement Uploads</td>
<td></td>
</tr>
<tr>
<td>Conflict of Interest Disclosure</td>
<td>15 days after final action on the contract or purchase</td>
</tr>
<tr>
<td>E-1 Entity Annual Report</td>
<td>60 days after entity’s fiscal year ends</td>
</tr>
<tr>
<td>ECA Risk Report</td>
<td>Aug 29</td>
</tr>
</tbody>
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**Monthly and Annual Engagement Uploads**

Use the form below to find and upload documents required for audit support. **Note:** This information is for the State Board of Accounts internal use only and will not be made available on the Gateway Public site.

**File Upload Status:** The current upload status is viewable in the table below. Any objects with a red 'X' need to be uploaded. To view a previous upload, click on the download icon in the table. To delete a previous upload, click on the delete icon for that record in the status table.

**To upload new files:** Select which set of files need to be uploaded using the Select Upload Group dropdown. Next, select the specific file from the Select File Type dropdown on the right. The user will be able to upload files using the Browse and Upload buttons in the Provide File section. In some cases, an option will appear in the Provide File section allowing a user to provide a link instead of uploading a file. To do this, select the View Link option and paste the link in the text box labeled Provide Link.

**To complete the entry:** Click on the button marked Submit. The status table will be updated. Multiple files may be uploaded for each Upload Group and File Type. If a file needs to be reloaded, the user should delete that file from the status table first.
Number of Libraries missing at least 1 upload

Number missing significant sequential months

- March – December: 1
- August – December: 2
- September - December: 1

Number of Libraries having uploaded NO minutes: 12
Approved minutes from your Board meetings are required to be uploaded

Upload the minutes to the month the meeting took place, not the month they were approved
Approved Board Minutes

Select Upload Group | Select File Type
---|---
April | Approved Board Minutes

The user may upload a file or provide a link to an online version of the minutes.

File Upload
- File Upload
- Web Link
- No Meeting

Upload files with the following extensions:
- .zip, .xlsx, .csv, .doc, .docx,
- .jpg, .pdf, .gif, .tif, .png

Choose File
- No file chosen

Submitted by Jessica Bourque, Board Secretary
Approved Board Minutes

Bank Reconciliation / Statement / Outstanding Check List

Number of Libraries missing at least 1 upload

- Number missing significant sequential months
  - June – December: 2
  - July – December: 2
  - March - December: 2

Number of Libraries having uploaded NO minutes

- 11
A bank reconcilement is a document that shows how you reconciled the bank statement balance to your ledger balance.

It should show:
✓ bank account balance
✓ deposits in transit
✓ outstanding Checks
✓ other reconciling items
✓ any unidentified variance
✓ equals your ledger balance

A bank statement is a document you receive from the bank or have access to online showing:
✓ bank account balance – beginning & ending
✓ each deposit
✓ each check cleared
✓ other activity

*Includes all pages, including pages showing images of cleared checks
**If multiple accounts, upload all statements
List of checks posted to your ledger that have not yet cleared the bank account

If multiple accounts, you’ll need to upload outstanding list from each

✓ Can be done in one file
Number of Libraries missing at least 1 upload

Number missing significant sequential months

<table>
<thead>
<tr>
<th>Month Range</th>
<th>Count</th>
</tr>
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<tbody>
<tr>
<td>March – December</td>
<td>1</td>
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<tr>
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</tr>
<tr>
<td>August – December</td>
<td>1</td>
</tr>
<tr>
<td>September - December</td>
<td>2</td>
</tr>
</tbody>
</table>

Number of Libraries having uploaded NO minutes

13

Also called “Fund Ledger”

Report showing each fund’s:
- ✓ beginning of the month balance
- ✓ receipts for the month
- ✓ disbursements for the month
- ✓ end of the month balance

Check with software vendor for assistance

File in Excel is preferred (but not required)
If you have manual records (or your system lacks such a report), you can use a template we provide.

Allows input into Excel file of the required information - then file can be uploaded

https://www.in.gov/sboa/files/Manual-Record-Template-Funds-Ledger-.xlsx

Due Dates for Monthly Uploads

- January monthly files – March 15th
- February monthly files – April 15th
- March monthly files – May 15th
- April monthly files – June 15th
- May monthly files – July 15th
- June monthly files – August 15th
- July monthly files – September 15th
- August monthly files – October 15th
- September monthly files – November 15th
- October monthly files – December 15th
- November monthly files – January 15th
- December monthly files – February 15th

6 weeks after the end of the month
Welcome to the Indiana Gateway for Government Units

As an authorized user, you will have at least one application to use. Each of these applications enables a local unit to submit its required forms, reports or files to the appropriate state agency. Agencies currently include Department of Local Government Finance, State Board of Accounts, Indiana Education Employment Relations Board and Indiana Gaming Commission.

Select Application

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<thead>
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<th>State Board of Accounts (SBOA)</th>
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<tr>
<td>10GR</td>
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<tr>
<td>• User guide</td>
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<tr>
<td>• File upload specifications</td>
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<tr>
<td>Annual Financial Report</td>
</tr>
<tr>
<td>• User guide</td>
</tr>
<tr>
<td>E-1 Entity Annual Report</td>
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<tr>
<td>• User guide</td>
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<tr>
<td>ECA Risk Report</td>
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Indiana State Board of Accounts - 2022
Gateway Assistance

User Guide for Monthly and Annual Engagement Uploads

Note: To search the user guide, simultaneously press the “Ctrl” and “F” key on your keyboard and it will open up a "Find" box within the browser. Then type in the word or character you want to find. For example, engagement.

1. Introduction
2. Accessing the Monthly and Annual Engagement Uploads
3. Banner Items
4. Text
5. For such reports.
6. Audit Reports
7. Curtis Reports
8. Listing rate
9. Frequently Asked Questions

1. Introduction

Starting in September 2015, cities, towns, townships, libraries, and special districts were required to upload documents to the Indiana Gateway for Government (Gateway) monthly, unless as an exception. In January 2015, school corporations, school district curriculum accounts, county auditors, county recorders, county treasurers, county sheriffs, and county clerks were required to start uploading documents (monthly, annually or as requested) as well.

These documents are being requested so that we can do as much of the audit work as possible remotely. Having remote access creates efficiencies for us and therefore, result in an audit cost reduction for you. Your cooperation in uploading the files in a timely manner is an important part of this process.

The monthly documents must be uploaded prior to the 15th of the second month following the month they are for. For example, the July monthly files are due September 15. See Appendix C for more information.

The annual documents must be uploaded by March 1 for all units except school corporations and school district curriculum accounts. School corporations and school district curriculum accounts’ annual documents must be uploaded by August 31. See Appendix C for more information.

If you have manual records, the detail of receivables detail of disbursements detail of fixed assets, and annual financial history report are not required to be uploaded.

https://gateway.ifionline.org/userguides/engagementguide

Gateway Assistance

gateway@sboa.in.gov
HB 1130
IC 5-14-1.5-3(e)
Governing bodies, under this statute, can take “reasonable steps” to maintain order in a meeting, including removal of any person who is willfully disruptive.

5-14-1.5-3.7
Makes some changes for governing body members being present (or not present) at meetings when a disaster has been declared. Members not required to be present if it would be impractical or present an imminent health risk to other members of the board and members of the public who attend the meeting.
2022 Newly Enacted Legislation

HB 1153
IC 22-3-3-3, IC 22-3-6, & Others
Makes some changes to existing statutes and adds new provisions regarding worker’s compensation.

SEA 134
IC 36-1-30
All local units of government shall annually (by Jan 31 of the next year) submit to the SBOA a report of each individual employee whose salary is funded in whole or in part from donated money.

January 31 may be significant as it’s likely this will be something you can note on the Form 100-r, which is also due January 31st.

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