Accounting for Investments

Annual Public Library Budget Workshop
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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
Deposit of Public Funds

IC 5-13-6

• Timely Deposit of Receipts
• Approved Depositories

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

Board 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 31\textsuperscript{st} 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.

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

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

**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
**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

**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](http://www.trustindiana.in.gov)
  - Select “Relationship Team”
  - Cindy Barger

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**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;
With Investment Policy – (continued)

(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...
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.
• 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.
Register of Investments

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.
SBOA Guidance

Library Manual

• Investment Policy...............................................................p. 1-12
• Deposits and Investments..............................p. 1-14 to 1-17

Questions?
### Monthly Uploads

<table>
<thead>
<tr>
<th>State Board of Accounts (SBOA)</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>100R</td>
<td>Jan 31</td>
</tr>
<tr>
<td>Annual Financial Report</td>
<td>Details</td>
</tr>
<tr>
<td>Monthly and Annual Engagement Uploads</td>
<td>Details</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>
</table>
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.
Budget Review Session

Director Scott presented a review of the budget timeline and the procedures and dates that are required for each budget year. Tax income and expenditures of the North Madison County Public Library System were reviewed.

Director Report

The cost of the roof was $2,800. Kenney Gladstone appointment to the board was renewed for four years. One director is on the way. Permutations will need to be added. We need to extend the contract and a new contract is a plan. Director Scott had any new appointments to be made. Director Scott will be presenting everyone with an updated copy of IN Public Trusts.

Public Comment

There were no public comments.

Adjournment

President Eldon Anhe read the meeting in session.

Indiana State Board of Accounts - 2022
Bank Reconciliation / Statement / Outstanding Check List

Number of Libraries missing at least 1 upload: 24

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

Number of Libraries having uploaded NO bank reconciliations / statements / outstanding checks: 11

A bank reconciliation 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

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

Number of Libraries having uploaded NO fund reports: 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 – August 15th
- August monthly files – September 15th
- September monthly files – October 15th
- October monthly files – November 15th
- November monthly files – December 15th
- December monthly files – January 15th

6 weeks after the end of the month

Gateway Assistance
State Board of Accounts (SBOA)

10R
- User guide
- File upload specifications

Annual Financial Report
- User guide

E-1 Entity Annual Report
- User guide

ECA Risk Report
- User guide

Monthly and Annual Engagement Uploads
- User guide

Gateway Assistance

User Guide for Monthly and Annual Engagement Uploads

1. Introduction

User Guides
https://gateway.ifionline.org/userguides/engagementguide
gateway@sboa.in.gov

2022 Newly Enacted Legislation
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.
• Are we required to keep an actual receipt book if we keep a
desk collection form and use square for most transactions?

• What are resources for first time Library Directors?

• I understand that there should be a process for a library to
write off its “bad debt.” What does that mean for a public
library?

• How would I go about transferring excess funds in our
operating account to another fund, such as LIRF or rainy
day? This would be for funds leftover at the end of a budget
year that have not been spent or moved into another
account.

• Since we are now considered a component unit of our fiscal
body, it is our understanding that we will be audited yearly.
  ➢ Will it be an entity the county hires?
  ➢ Will we be responsible for paying for these audits?
  ➢ Is there a requirement for the fiscal body to hire an Indiana
    company to perform the audit?
  ➢ Will the SBOA still audit our library?

• We are also being audited as a component unit of the
County, between the County and Library and SBoA, we were
uploading the same documents to three different auditing
teams for the same period. This is inefficient at best. What
thought has been given to allowing access to one portal for
all contracted teams?
Questions?

Contact Info

Todd Caldwell
Michael Crowley
Government Technical Assistance & Compliance Directors

libraries@sboa.in.gov
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