

# Indiana State Board of Accounts

## Public Library Workshop

June 2019



### **Schedule**

**Walk – away assets**

**New Legislation**



Current Regulatory	Regulatory for 2019 Calendar Year Units	Regulatory for 2020 Calendar Year Units
<p><b>FINANCIAL STATEMENTS</b></p> <p><b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b></p> <ul style="list-style-type: none"> <li>- Shows total receipts, disbursements, and ending balance for each fund</li> </ul>	<p><b>FINANCIAL STATEMENTS</b></p> <p><b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b></p> <ul style="list-style-type: none"> <li>- The Combining Schedules from the supplementary information will be shown as the Statement of Receipts, Disbursements, and Cash and Investment Balances</li> <li>- Shows detailed, instead of total, receipts and disbursements for each fund and ending balance (i.e. receipts from taxes, charges for services, intergovernmental, etc.)</li> </ul>	<p><b>FINANCIAL STATEMENTS</b></p> <p><b>Statement of Receipts, Disbursements, and Cash and Investment Balances</b></p> <ul style="list-style-type: none"> <li>- Financial statement will show fund type classifications. The information submitted in Gateway will be aggregated and presented in the appropriate fund type classification.</li> <li>- Fund types shown will be as follows: General, Special Revenue, Capital Projects, Debt Service, Permanent, Enterprise, and Fiduciary</li> </ul>
<p><b>NOTES TO THE FINANCIAL STATEMENTS</b></p> <p><b>Summary of Significant Accounting Policies</b></p> <ul style="list-style-type: none"> <li>- Reporting entity</li> <li>- Basis of accounting</li> <li>- Cash and investments</li> <li>- Receipts</li> <li>- Disbursements</li> <li>- Interfund Transfers</li> <li>- Fund accounting</li> </ul> <p><b>Budgets</b></p> <ul style="list-style-type: none"> <li>- Description budget adoption process</li> </ul> <p><b>Property Taxes</b></p> <ul style="list-style-type: none"> <li>- Description of property tax collections and assessments</li> <li>- Levy dates</li> <li>- Due dates</li> </ul> <p><b>Deposits and Investments</b></p> <ul style="list-style-type: none"> <li>- State statute authorizing deposits</li> <li>- Allowable investments</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>- Types of risk to which the unit may be exposed</li> <li>- Methods to mitigate risks</li> </ul> <p><b>Interfund Transfers</b></p> <ul style="list-style-type: none"> <li>- Description of the general purpose of transfers</li> </ul> <p><b>Cash Balance Deficit</b></p> <ul style="list-style-type: none"> <li>- Reason for deficit</li> </ul>	<p><b>NOTES TO THE FINANCIAL STATEMENTS</b></p> <p><b>Summary of Significant Accounting Policies</b></p> <ul style="list-style-type: none"> <li>- No changes to existing accounting policy notes</li> <li>- Added a section for capitalization thresholds to indicate what qualifies as a capital asset</li> </ul> <p><b>Budgets</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Property Taxes</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Deposits and Investments</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Long Term Debt</b></p> <ul style="list-style-type: none"> <li>- Removed from supplementary information and presented as a note disclosure</li> <li>- Beginning and ending balances</li> <li>- Additions and reductions during the period</li> <li>- Schedule of principal and interest payments until maturity</li> </ul> <p><b>Leases</b></p> <ul style="list-style-type: none"> <li>- Removed from supplementary information and presented as a note disclosure</li> <li>- Description of lease and lease term</li> <li>- Schedule of principal and interest payments until maturity</li> </ul> <p><b>Interfund Activity</b></p> <ul style="list-style-type: none"> <li>- Show the amount transferred from one fund to another fund</li> <li>- General description of the purpose of interfund transfers</li> <li>- Explanation for any transfers that are significant or transfers that are not considered routine for the activities of the fund</li> </ul> <p><b>Deficit Fund Balances</b></p> <ul style="list-style-type: none"> <li>- Indicate which funds have deficits and the dollar amount at year end</li> <li>- Reason for deficit will not be included in the notes</li> </ul>	<p><b>NOTES TO THE FINANCIAL STATEMENTS</b></p> <p><b>Summary of Significant Accounting Policies</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Budgets</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Property Taxes</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Deposits and Investments</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Long Term Debt</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Leases</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Interfund Activity</b></p> <ul style="list-style-type: none"> <li>- Continue to present the transfers during the year</li> <li>- Additional schedule will show transfers that were supposed to be made but were not (i.e. one fund owes to another fund)</li> <li>- Explanation as to why the amounts were not repaid</li> </ul> <p><b>Deficit Fund Balances</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul>

<p><b>Subsequent Events</b></p> <ul style="list-style-type: none"> <li>- Description of event</li> </ul> <p><b>Pensions</b></p> <ul style="list-style-type: none"> <li>- Funding policy</li> <li>- Instructions on how to obtain plan information</li> </ul> <p><b>Other Postemployment Benefits</b></p> <ul style="list-style-type: none"> <li>- The type of benefit offered</li> <li>- The fact that the plan does not pose a liability to the unit</li> <li>- Instructions on how to obtain plan information</li> </ul>	<p><b>Significant Contingent Liabilities</b></p> <ul style="list-style-type: none"> <li>- Description and dollar amount</li> </ul> <p><b>Significant Commitments</b></p> <ul style="list-style-type: none"> <li>- Description and dollar amount</li> </ul> <p><b>Subsequent Events</b></p> <ul style="list-style-type: none"> <li>- Description of event</li> <li>- Expected dollar amount the event will cost</li> </ul> <p><b>Pensions</b></p> <p>The following requirements refer to plans provided by the Unit, not plans under ANPS such as PERP, TRS, etc.</p> <ul style="list-style-type: none"> <li>- Description</li> <li>- Funding policy</li> <li>- Benefits offered</li> <li>- Method of actuarial valuation</li> <li>- Vesting terms, if any</li> </ul> <p><b>Other Postemployment Benefits</b></p> <ul style="list-style-type: none"> <li>- Benefits offered</li> <li>- Contribution rates</li> <li>- Actuarial information, if any</li> <li>- Instructions on how to obtain plan information</li> </ul>	<p><b>Significant Contingent Liabilities</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Significant Commitments</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Subsequent Events</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Pensions</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Other Postemployment Benefits</b></p> <ul style="list-style-type: none"> <li>- No changes</li> </ul> <p><b>Capital Assets</b></p> <ul style="list-style-type: none"> <li>- Removed from supplementary information and presented as a note disclosure</li> <li>- Beginning and ending balances</li> <li>- Additions and reductions during the period</li> <li>- Accumulated depreciation for depreciable assets</li> </ul> <p><b>Conduit Debt</b></p> <ul style="list-style-type: none"> <li>- Description of transactions</li> <li>- Aggregate amount of all conduit debt outstanding</li> </ul> <p><b>Short-Term Debt</b></p> <ul style="list-style-type: none"> <li>- Beginning and ending balances</li> <li>- Additions and reductions</li> <li>- Description of the purpose for which debt was issued</li> </ul> <p><b>Tax Abatements</b></p> <ul style="list-style-type: none"> <li>- Description of tax abatement agreements</li> <li>- Dollar amount by which tax revenues were reduced</li> <li>- Receivable amounts</li> <li>- Policies pertaining to disclosure of significant tax abatement agreements</li> </ul> <p><b>Landfill Closure and Postclosure Care</b></p> <ul style="list-style-type: none"> <li>- Applicable laws and regulations</li> <li>- Length of time the unit is responsible for closure and postclosure care</li> <li>- Landfill capacity used to date</li> <li>- Liability for closure and postclosure care</li> <li>- Financing of the closure and postclosure care costs</li> </ul> <p><b>Related-Party Transactions</b></p> <ul style="list-style-type: none"> <li>- Nature of relationship and transaction that occurred</li> <li>- Dollar amount of any receivables or payables</li> </ul> <p><b>Joint Ventures</b></p> <ul style="list-style-type: none"> <li>- Description of joint venture</li> <li>- Financial interest of unit in the joint venture</li> </ul>
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SUPPLEMENTARY INFORMATION	SUPPLEMENTARY INFORMATION	SUPPLEMENTARY INFORMATION
<p><b>Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis</b> - Shows detailed receipts and disbursements for each fund and ending balance (i.e. receipts from taxes, charges for services, intergovernmental, etc.)</p> <p><b>Schedule of Payables and Receivables</b> - Shows the ending balances of accounts payable and accounts receivable</p> <p><b>Schedule of Capital Assets</b> - Ending balance of capital assets</p> <p><b>Schedule of Leases and Debt</b> - Long-term debt information indicates the type and purpose of the debt, the ending balances, and principal and interest payments due in one year - Lease information indicates the purpose, annual lease payment, and lease term</p>	<p><b>Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis</b> - Removed from supplementary information and presented as the financial statement</p> <p><b>Schedule of Payables and Receivables</b> - Removed</p> <p><b>Schedule of Capital Assets</b> - Beginning and ending balances - Additions and reductions during the period</p> <p><b>Schedule of Leases and Debt</b> - Removed from supplementary information and presented as note disclosures</p>	<p><b>Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis</b> - Removed from the financial statement section and presented as supplementary information - Fund type listed over each fund with the total of each fund type presented</p> <p><b>Schedule of Payables and Receivables</b> - N/A</p> <p><b>Schedule of Capital Assets</b> - Removed from supplementary information and presented a note disclosure</p> <p><b>Schedule of Leases and Debt</b> - N/A</p>

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- **Political Subdivisions**
- **Libraries**
- **Hot Topics**

Hot Topics ▾

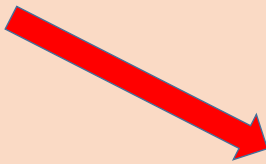
### 2019 Gateway - Annual Financial Report (AFR) Changes

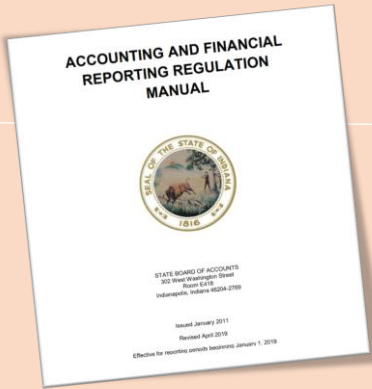
Gateway collects and provides access to information about how taxes and other public dollars are budgeted and spent by Indiana's local units of government. The Annual Financial Report (AFR) is one of the reports submitted in Gateway that contains detail on the receipts and expenditures of each local government unit. We have updated several areas of the AFR due to changes in the Regulatory manual issued by the State Board of Accounts for reporting periods beginning January 1, 2019.

There will be significant changes to the data that will be uploaded to the AFR. These changes will be effective for the 2019 AFR submission due February 29<sup>th</sup>, 2020 (August 29<sup>th</sup> for Schools) for the 2019 financial activity of the unit. These changes will include the collection of additions and reductions to debt and capital assets with other changes outlined in the following schedule.

Local units should review these changes carefully as they will need to ensure they are collecting the information required for the updated AFR submission.

[Schedule of Regulatory Changes](#)





- **Political Subdivisions**
- **Libraries**
- **Hot Topics**
- **Scroll past “Example Reports”**

The new Regulatory manual can be found at the link below and under the Uniform Compliance Guidelines section of this webpage.

[2019 Accounting and Financial Regulatory Reporting Manual](#)

### Questions



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# Accounting for Walk-Away Assets/Items

Indiana State Board of Accounts

Public Library Budget Workshop

June 2019

Walk-away Assets



What are they?

Should they be accounted for?

Why?

How?

Best Practices

## Walk-away Assets – What Are They?



## Smaller assets

- Below your capitalization threshold
- Still have value
- Heightened risk of loss, theft, or misuse

## Defined as:

*“... Lasting longer than a year, are mobile and might be easily replaced through a procurement system without raising suspicion.”*

*Best Practices for Internal Controls over Small and Attractive Assets*  
Office of the Washington State Auditor

## Walk-away Assets – What Are They?



## Government Finance Officers Association (GFOA):

*“controlled capital-type items”*

*Control Over Items That Are Not Capitalized*  
GFOA <https://www.gfoa.org/print/399>

## State Board of Accounts:

*“Walk-away” items or assets*

## Walk-away Assets – What Are They?



### Computers & Other Electronic Equipment

- Laptops
  - TVs
  - Cameras
  - Video equipment
  - Copiers

## Walk-away Assets – What Are They?



### Equipment and Tools

- Lawn Mowers
- Janitorial related

## Walk-away Assets – What Are They?



### Artwork

- Paintings
- Historical Collections

## Walk Away Assets – What Are They?



### *Not* normally supply-type items

- Unless loss of supply-type items is an issue
- Cost Benefit



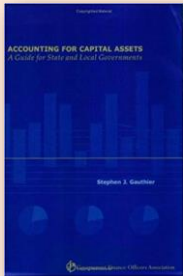


Should They Be Accounted For?

## Management Decision

- Probably “yes” at least for some items
- ***“You cannot control what you don’t record”***

[Gauthier, Stephen, *Accounting for Capital Assets*, GFOA, 2013]



How Should They Be Accounted For?

## Management Decisions

- Identify which items to track/record
- Develop internal controls
- Record similar to capital assets
- Listing of items – by department or location
- Periodic inventories
- Investigate any listed items not in inventory
- Access controls to prevent future losses

## Best Practices - GFOA



## Control at the Department Level

- Departments responsible for walk-away items as part of process of their operational goals.
- Individual departments focus of control efforts

## Best Practices - GFOA



## Control Assigned Within Each Department

- Departments assign responsibility to 1 or more persons/positions
- Assignment documented
  - ✓ Communicated with finance office
- Controls developed for any changes in responsibilities – also communicated to finance office

## Best Practices - GFOA



## Prepare & Maintain List of All Walk-aways

- Annually prepare report
- Explanations of changes
- Approved/reviewed by another department member

## Certify List to Finance Office

- Available for inspection
- Accurate & Complete

## Good internal controls essential

## Best Practices - GFOA



## Management Periodically Verify Lists

- GFOA suggests once every five years
- Rotating basis
- Getting started – may consider more frequently

## Best Practices - Deterrents



- **Tell employees**
  - Fired/suspended/etc.
- **Install gates/doors**
  - With locks
- **Put up signs**
  - “No Trespassing”

## Best Practice Citations



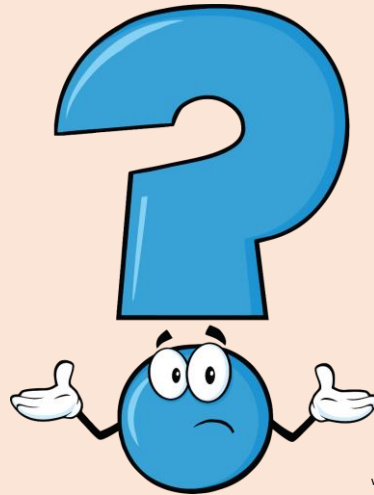
**“Control Over Items That Are Not Capitalized.”** Government Finance Officers Association, June 2019, <https://www.gfoa.org/print/399>

**“Best Practices for Internal Controls over Small and Attractive Assets.”** Office of the Washington State Auditor, June 2018, <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18520>

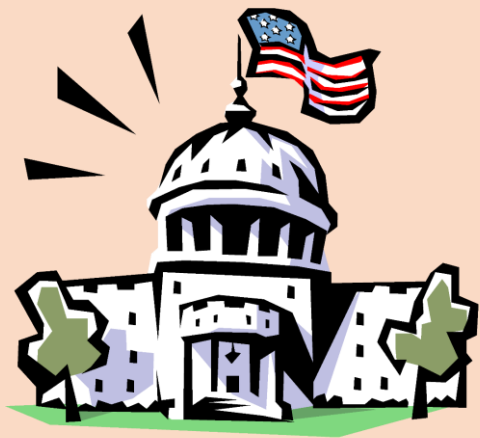
**Gauthier, Stephen J.** *Accounting for Capital Assets – A Guide for State and Local Governments.* GFOA Publishing, 2013



# Questions



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**House Bill 1001**

Enrolled House Bill (H)

Author: Rep. Todd Huston  
Co-Author: Rep. Timothy Brown, Rep. Gregory Porter  
Sponsor: Sen. Ryan Mishler, Sen. Travis Holdman, Sen. Karen Tallian

Authors / Co-Authors / Sponsors / Conferes / Advisors

DIGEST

State budget. Appropriates money for capital expenditures, the operation of the state, K-12 and higher education, the delivery of Medicaid and other services, and various other distributions and purposes. Renames the build Indiana fund the lottery surplus fund. Eliminates all the build Indiana fund accounts. Declares the policy of the state that no person may be denied coverage for a preexisting condition under a plan of health coverage offered or administered by the state. Specifies that the preexisting condition exclusion provisions of the Patient Protection and Affordable Care Act (PPACA) are in effect and enforced in Indiana, regardless of the [View more](#)

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## Indiana Senate Enrolled Acts



Indiana State Board of Accountants

2019

## SEA 22 – Public Law 27-2019



## Pension Matters

IC 5-10.3-7-6

Service Leave – member gets service credit when on leave for adoption, maternity, or paternity

- **Library certifies leave is being granted in accordance with library's leave policy**

If employee is paid during leave – contributions to PERF continue

Indiana State Board of Accountants

2019

SEA 460 – Public Law 189-2019



## Broadband Development

Establishes rural broadband fund at state level

Awarding grants for qualified projects in unserved areas

Required OCRA to establish procedures for awarding grants after July 31, 2019

Can't be awarded to areas with eligible broadband service is available

OCRA sets procedures for awarding grants

IC 4-4-38.5 – Broadband Grants for Rural Areas

Indiana State Board of Accounts

2019

Indiana House of Representatives Enrolled Acts



Indiana State Board of Accounts

2019



House Enrolled Act (HEA) 1001 – Public Law 108-2019

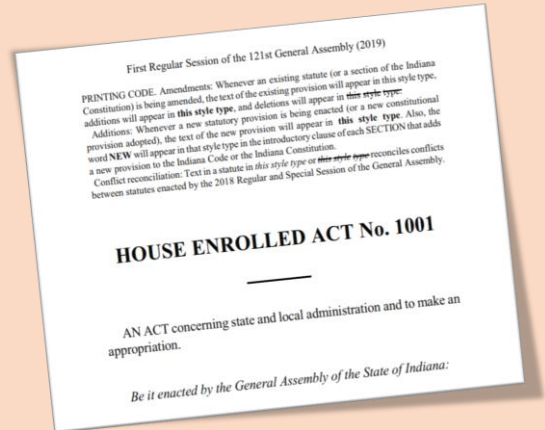


## Budget Bill

Sets the State's budget for FY 2020  
& 2021

Appropriated money for:

- **State Revolving Loan Program**
- **Broadband Grant Program**



Indiana State Board of Accounts

2019

HEA 1116 – Public Law 164-2019



## Various Local Matters

Executive Sessions – permits discussion on strategy regarding a real estate transaction *[IC 5-14-1.5-6.1(b)(2)(D)]*

Can re-appropriate funds received from:

- **Private or public entity**
- **Individual**

for repairing or replacing damaged property  
*[IC 6-1.1-18-7]*

Indiana State Board of Accounts

2019

HEA 1116 – Public Law 164-2019



## Various Local Matters (continued)

Public Works – competitive bids under IC 36-1-12:

- **Can be received electronically**
- **If > \$150,000**
- **Bid solicitation states procedures & the means to protect bid contents**
- **Provide electronic access to notice of bid solicitation through gateway administered by IOT in addition to newspaper publication**

Indiana State Board of Accounts

2019

HEA 1116 – Public Law 164-2019



## Various Local Matters (continued)

Removes requirement in IC 36-9-41-5 that borrowing for a public works project be repaid on January 1 and July 1 of each year

Indiana State Board of Accounts

2019

HEA 1343 – Public Law 252-2019



## Libraries

Effective July 1, 2019 – adds IC 6-1.1-17-20.4

Library Board

- **Majority appointed**
- **Does not increase proposed budget more than AVGQ**
- **Has cash on hand (non-debt; non-gift cash) + expected revenues over 150%**

May still be considered binding unit if unit that created library adopts resolution to make it binding

Has to notify library 5 days after adoption

Indiana State Board of Accounts

2019

HEA 1375 – Public Law 209-2019



## State Board of Accounts

An individual can confidentially report suspected

- **Malfeasance**
- **Misfeasance or**
- **Nonfeasance**

of an individual with responsibility for administering public funds

*(used to provide only for a “public officer”)*

Indiana State Board of Accounts

2019

HEA 1427 – Public Law 257-2019



## Local Government Matters

Library publishes or submits notice containing errors < 0.1%

- **Notice is valid**
- **DLGF corrects error**
- **IC 5-3-1-2.3**

Budget adopted – filed with DLGF within 5 business days

- **IC 6-1.1-17-5(d)**

Indiana State Board of Accounts

2019

HEA 1427 – Public Law 257-2019



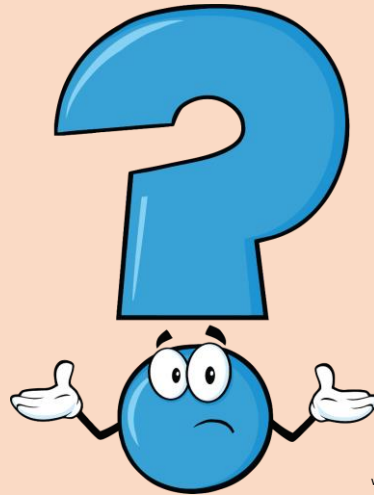
**SECTION 167. IC 36-12-3-12, AS AMENDED BY P.L.219-2007, SECTION 148, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2019]:** Sec. 12. (a) The library board shall determine the rate of taxation for the library district that is necessary for the proper operation of the library. The library board shall certify the rate to the county auditor. ~~The county auditor shall certify the tax rate to the county tax adjustment board in the manner provided in IC 6-1.1.~~ An additional rate may be levied under section 10(4) of this chapter.

Indiana State Board of Accounts

2019



Questions



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Contact Information

Todd Caldwell, CFE  
Director of Audit Services

Susan Gordon, CPA, CFE  
Director of Audit Services



[makingtheweb.com](http://makingtheweb.com)

[libraries@sboa.in.gov](mailto:libraries@sboa.in.gov)

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