

Township Investment Issues

MAT 2010 Summer Short Course

- Objectives
 - Overview of applicable statutes
 - Understand who should make investment decisions
 - Understand the role of consultants
 - Understand best practices for record keeping
- **NOT COVERING SPECIAL ACCOUNTS**
 - Cemetery / Perpetual Care; Relief Associations, etc.

Township Investment Issues

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- What laws govern township investments
 - Minn. Stat. Chapter 118A – General Regulations
 - Minn. Stat. § 366.01, subd. 4 – Depository Designation by Board
 - Minn. Stat. § 366.07 – Depository Designation by Treasurer
 - Minn. Stat. § 366.08 – Treasurer Liability
 - Minn. Stat. § 366.09 – Interest
 - Others: Federal Laws, Special Rules for Specialty Accounts

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- Who decides where to invest?
 - Town Board has primary responsibility (Minn. Stat. § 118.02 and § 366.01, subd. 4)
 - Town Board may delegate duty to Treasurer (Minn. Stat. § 118.02)
 - Treasurer must designate depository of Board fails to do so w/in 30 days of annual meeting (Minn. Stat. § 366.07)
- Not done by voters at annual meeting! Such action would be advisory only. Voters may authorize capital reserve fund (§ 365.10, subd. 18)

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- Depository designation cannot last beyond end of term but really needs to be done annually
- What funds can be invested?
 - Any funds not immediately needed or restricted for other purposes (§ 118A.04, subd. 1)
- Where can funds be invested?
 - Federal Reserve bank; any other bank or credit union properly insured or otherwise securitized and authorized to exercise corporate trust powers
 - Through authorized brokers, joint-powers agreements, authorized trusts, etc. (§ 118A.04, .05)

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- What types of investments are legal?
 - Checking Accounts
 - Basic savings
 - CD's
 - U.S. Securities (govt. bonds, notes, bills, mortgages (except high-risk), etc)
 - State or local G.O. bond w/ "A" or higher rating
 - State or local revenue bond w/ "AA" or higher rating
 - HFA G.O. bond with "A" rating or higher

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- Types of legal Investments (cont.)
 - Commercial Papers issued by U.S. corporations or their Canadian subsidiaries rated in highest quality category and with maturity of 270 days or less
 - Some high-risk mortgage securities (see §118A.04, subd. 6 for list or restrictions)
 - Self-issued G.O. Bonds as authorized by Minn. Stat. § 118A.04, subd. 7
 - Joint Powers Investment Trusts authorized under Minn. Stat. § 118A.05, subd. 4

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- Other investments are authorized under special rules and regulations, but town should consult a financial advisor before entering into such investments
- Financial consultant can be helpful in determining investment strategies, finding best rates of return, and general understanding of investment rules for local governments. May be helpful in developing an investment policy

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- General Rules
 - FDIC Insurance unless otherwise authorized
 - No deposit in single bank over FDIC limit unless bank properly securitized to 110% of total investment at end of each banking day investment exceeds FDIC insurance
 - Collateral security; corporate security bond executed by company authorized to do business in MN;; US Treasury Bill, Treasury Note, or Treasury Bond; Issues by the US; G.O. Bond of any state or local government with “A” rating or higher; own G.O. bond; FHLB letter of credit that bank is rated “AA” or higher; time deposits insured by any federal agency
 - Following the short course MAT was informed by the State Auditor’s office that they view the 110% security requirement as only applying to the amount invested in excess of the FDIC limits. The statute may be amended to clarify.

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- General Rules (cont.)
 - Collateral must be pledged in writing to town
 - Collateral must be in restricted Federal Reserve Bank account or in trust department of a commercial bank or other financial institution not owned or controlled by bank offering it as security and which must be approved by town

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- General Rules (cont.)
 - Designation of depository must be in writing and shall set forth all terms of deposit.
 - Designation form must be signed by chair and clerk, and filed with clerk
 - All Interest must be credited to the respective town fund (Minn. Stat. § 366.09)
 - Treasurer not liable (except for negligence) for losses incurred from investments (multiple statutes, but esp. Minn. Stat. § 366.08)

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- Miscellaneous
 - Town board may establish and imprest fund for cash payment of any proper claim (except salaries and personal expenses of an officer or employee). Board must appoint a custodian who is responsible for safekeeping and disbursements. Imprest fund only funded by transfer from general fund
 - Transfers from any fund to another fund only when first fund has surplus and second fund has shortfall. Must be unanimous vote of board

Township Investment Issues

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- Investment Policy
 - Recommended
 - Identify objectives and risk comfort (within legal limits)
 - Identify ethical issues and conflicts of interest
 - Establish internal controls
 - Clarify roles, and make any appropriate designations
 - Investment Review Process



INTEREST EARNINGS & PURCHASES

- RECEIPT INTEREST EARNINGS & DIVIDENDS INTO RECEIPTS REGISTER/LEDGER

- ADD TO INVESTMENT:
 - CERTIFICATE OF DEPOSIT
 - MONEY MARKET
 - SAVINGS
 - OTHER INVESTMENTS



DISBURSEMENT

- PAPER METHOD
 - RECORD DISBURSEMENT TO MATCH RECEIPT OF INTEREST OR DIVIDENDS
- COMPUTER
 - CTAS PROGRAM WILL DO AN AUTOMATIC DISBURSEMENT TO MATCH RECEIPT
 - CREATE DISBURSEMENT TO MATCH RECEIPT IN OTHER SOFTWARE



TOWNSHIP INVESTMENT RECORD

DATE	01/01/2010			
INVESTMENT DESCRIPTION	Certificate of Deposit			
ACCOUNT NUMBER	6549			
FUND	Road & Bridge			
INTEREST RATE	0.022			
MATURITY DATE	01/01/2011			
CURRENT VALUE	20,000.00			
<u>DATE</u>	<u>INTEREST EARNINGS DEPOSIT</u>	<u>NEW DEPOSIT</u>	<u>WITHDRAWAL</u>	<u>CURRENT VALUE</u>
03/31/2010	110	1500	0	21610
04/15/2010	0	0	1000	20610



CTAS

- ENTER INTEREST EARNINGS, DIVIDENDS, AND MONIES RECEIVED IN RECEIPTS MODULE
- RECORD DEPOSIT IN INVESTMENT MODULE
- CTAS DOES AUTOMATIC DISBURSEMENT
- THE RECEIPT & DISBURSEMENT ARE A “WASH”



EXAMPLE

- RECEIPT OF INTEREST EARNINGS \$100
- RECORD ON INVESTMENT PAGE/IN RECORD \$100
- DISBURSEMENT \$100

- Receipt \$100 → Investment Record \$100 → Disbursement \$100
- Balances receipt & disbursement to 0 (wash), leaving investment
 - value in investments



WHY ALL THESE ENTRIES?

- COMPLETE RECORD OF ALL INTEREST EARNINGS
- TOWN REPORTING FORM ENTRY –LINE #48
- MAKEUP OF CTAS INVESTMENT MODULE
 - Schedule 1 report



Anytown

Year Ending 12/31/2010

MISCELLANEOUS REVENUES

48	Investment Earnings (checking, savings and investments)	48	\$0.00
49	All Other Revenue (identify)	49	\$0.00
50	TOTAL REVENUES (should equal total on financial statement)	50	\$0.00

OTHER FINANCING SOURCES

51	Investments - Sold or matured (CDs., savings withdrawals, etc.)	51	\$0.00
52	Borrowing - Bonds Issued (net proceeds).....	52	\$0.00
53	- Other Long-term Debt	53	\$0.00
54	- Short-term Debt	54	\$0.00
55	Other Financing Sources (Include Interfund Debt)	55	\$0.00
57	Operating Transfers In	57	\$0.00
58	TOTAL REVENUES AND OTHER FINANCING SOURCES	58	\$0.00



LEDGER HEADINGS-PAPER & CARDS

- **RECEIPTS PAGE**
 - **COLUMN HEADED FUND # & 36210/INTEREST EARNINGS**

- **RECEIPTS CARD**
 - **ONE CARD FOR ALL INTEREST EARNINGS (36210)**
 - **RECORD FUND OR INVESTMENT ACCOUNT #**



INVESTMENT RECORD PAGES & CARDS

- **ONE (1) LEDGER PAGE FOR ALL INVESTMENTS**
 - **KEEP TRACK UNDER COLUMNS**
 - **ONE (1) COLUMN FOR EACH INVESTMENT**

ONE (1) LEDGER CARD FOR EACH INVESTMENT
**IDENTIFY EACH CARD BY INVESTMENT ACCOUNT
NUMBER**



CTAS INVESTMENT RECORDS

- **ONE (1) RECORD PER INVESTMENT IN INVESTMENTS MODULE**
- **RECORD DEPOSITS OF INTEREST AND DEPOSITS OF ADDITIONAL MONIES IN INVESTMENT RECORD**



PURCHASE OF INVESTMENTS

- **RECORD MONEY ADDED TO INVESTMENT AS PURCHASE OF INVESTMENTS**
- **PAPER & LEDGER CARDS**
 - **RECORD IN DISBURSEMENTS USING FUND & 49350-800**
 - **RECORD IN INVESTMENT RECORD**
- **CTAS**
 - **RECORD AS DEPOSIT IN INVESTMENT RECORD**
 - **CTAS WILL DO AUTOMATIC DISBURSEMENT**



TAKING MONEY OUT OF INVESTMENT

- **CASHING IN CERTIFICATE OF DEPOSIT OR WITHDRAWING MONEY FROM MONEY MARKET OR SAVINGS**
- **WITHDRAWAL IS CALLED “SALE OF INVESTMENT”**



PAPER LEDGER PAGE OR CARD

- **RECORD WITHDRAWAL ON INVESTMENT PAGE OR CARD**
- **RECORD IN RECEIPTS TO MATCH AMOUNT**
 - **REMITTER IS THE INVESTMENT ACCOUNT #**
 - **DESCRIPTION IS SALE OF INVESTMENTS**



CTAS

- **RECORD AS WITHDRAWAL IN INVESTMENT RECORD**
- **CTAS WILL DO AUTOMATIC RECEIPT**

QUESTIONS?



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