

**AUDITOR OF STATE BULLETIN 96-026
NOVEMBER 8, 1996**

TO: ALL COUNTY COMMISSIONERS
ALL COUNTY TREASURERS
ALL COUNTY AUDITORS
ALL CLERK OF COURTS OF COMMON PLEAS
ALL CITY MAYORS/MANAGERS
ALL CITY AUDITORS/FINANCE DIRECTORS/TREASURERS
ALL VILLAGE MAYORS
ALL VILLAGE CLERK/TREASURERS
ALL TOWNSHIP TRUSTEES
ALL TOWNSHIP CLERKS
ALL SCHOOL DISTRICT TREASURERS
ALL EDUCATIONAL SERVICE CENTERS
ALL JOINT VOCATIONAL SCHOOL DISTRICTS
ALL HOSPITALS
ALL PORT AUTHORITIES
ALL LIBRARY CLERKS/TREASURERS
ALL INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: SENATE BILL NO. 81 - QUESTIONS AND ANSWERS

On August 20, 1996 the Auditor of State issued Auditor of State Bulletin 96-017. The purpose of that bulletin was to assist local governments in meeting the requirements of Senate Bill No. 81 ("The Act"). Since the release of that bulletin our office has received numerous questions regarding the Act and our bulletin. This bulletin summarizes the most frequently asked questions and the answers our staff provided.

- (1) Will the Auditor of State review and comment on my written investment policy when it is filed with the office?

Answer: Due to the quantity of investment policies the Auditor of State anticipates receiving, it would not be feasible to review and comment on each individual policy filed with the Auditor of State. However, each individual investment policy will be reviewed during the regular audit of the subdivision or county. That review will include appropriate recommendations and comments to management.

- (2) My subdivision's investment portfolio is under \$100,000. Do I have to file an investment policy?

135.(O)(3)

Answer: No, Ohio Rev. Code §135.14(N)(3) specifically states that the filing requirements do not apply to a subdivision whose average annual portfolio is one hundred thousand dollars (\$100,000) or less, **provided** that the treasurer or governing board certifies on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with §§ 135.01 to 135.21 of the Revised Code. **Please note that the \$100,000 exception is not applicable to counties.** However, the Office of Auditor of State strongly recommends that all entities file an investment policy.

- (3) Is my subdivision required to file an investment policy if we only have interim deposits in a bank (e.g., savings accounts or certificates of deposit) and/or investments in STAR Ohio?

Answer: No, while the Office of Auditor of State strongly recommends that all entities file an investment policy, Ohio Rev. Code § 135.14(N)(2) provides that if a subdivision does not file a policy with the Auditor of State, then that subdivision may only invest in interim deposits or STAR Ohio.

135.(O)(2)



RC 135.(O)(2) now additionally permits no-load money market mutual funds.

For counties, Ohio Rev. Code § 135.35(K)(2) provides that if the county does not file a policy with the Auditor of State, then the county may invest inactive money only in time certificates of deposit, savings or deposit accounts, or STAR Ohio.

- (4) Does S.B. 81 apply to charter municipalities?

Answer: S.B. 81 and Ohio Revised Code Chapter 135 apply to all municipalities, except those that have adopted a charter under Article XVIII of the Ohio Constitution **and** whose charter or ordinances set forth special provisions respecting the deposit or investment of its public moneys.

135.(K)(2) also applies to county library funds, and now additionally permits no-load money market mutual funds.

- (5) Does the copy of the investment policy with broker/dealer, investment advisory, and financial institution signatures need to be the one filed with the Auditor of State?

Answer: No, an entity need only file a copy of the adopted policy. Each entity should keep a copy on file with the required signatures. Auditors will examine this copy during the course of the regular audit.

- (6) Is a sweep account considered an investment for the purposes of determining whether an investment policy must be filed?

Answer: Yes, sweep accounts are considered investments and, therefore, an investment policy must be filed even if the entity only has sweep accounts.

- (7) Where do we file the investment policy?

Answer: Investment policies should be filed here:

See ***Investment Policies*** at:
[http://www.ohioauditor.gov/
resources/AOSNotifications.html](http://www.ohioauditor.gov/resources/AOSNotifications.html)

- (8) If we are not a county, do we have to prepare and file the investment inventory, monthly portfolio, and quarterly investment reports?

Answer: No, these reporting requirements only apply to counties.

- (9) Does the Treasurer of State have to sign the investment policy if my entity invests in STAR Ohio?

Answer: No, neither the Treasurer of State nor any of his employees operating STAR Ohio are required to sign the investment policies of entities investing in STAR Ohio.

(10) Has the Auditor of State prescribed a form for the investment policy?

Answer: S.B. 81 did not prescribe the form and content of entity investment policies. However, S.B. 81 does require county investment policies to specify the conditions under which an investment may be redeemed or sold prior to maturity.

(11) Is the legislative body required to approve the investment policy?

135.14(O)(1)

Answer: For subdivisions other than counties, § 135.14 (N)(1) provides that the investment policy must be approved by the treasurer **or** governing board. Therefore, legislative approval is not required. However, to avoid problems, it is highly recommended that treasurers have the investment policies ratified by the subdivision's governing board.

For counties, Ohio Rev. Code § 135.35(K)(1) provides that the policy filed with the Auditor of State be approved by the "investing authority" (usually the county treasurer). However, Ohio Rev. Code § 135.341 requires the county investment advisory committee to establish written investment policies. Therefore, a county investment policy should be approved by the county investing authority (treasurer) and by the investment advisory committee.

(12) Why is "market value" included on the Auditor of State's prescribed county investment inventory form when S.B. 81 does not require this information?

Answer: Ohio Rev. Code § 135.35(L)(5) provides that the inventory report is to be on a form prescribed by the Auditor of State. Therefore, the Auditor of State has the authority to require this information. ~~GASB Statement No. 3~~ requires that market value of investments should be disclosed for each different type of investment. In addition, term repos must be marked to market daily. It also provides better decision making information and early warning to the county investment advisory committees and commissioners.

GASB Codification I 50.129 requires using fair value for instruments that qualify as investments. (Does not apply to deposits.)

(13) I am a subdivision treasurer. What training am I required to take?

Answer: **County treasurers** elected for the first time must take 26 hours of training (13 by the Auditor of State & 13 by the Treasurer of State) between December first and the first Monday of September following their election. After completing a year in office, county treasurers must complete ~~12 hours of annual~~ continuing education given by the Treasurer of State and the Auditor of State. County treasurers failing to comply are limited to investing in time certificates of deposit, deposit accounts or STAR Ohio. Those county treasurers who do not complete the required training and who are investing in other than STAR Ohio or deposit accounts may be subject to removal from office as provided in § 321.46(E).

RC 321.46 now requires 24 hours each biennial cycle.

Village clerks and clerk-treasurers elected for the first time must receive training provided by the Auditor of State. Village clerks and clerk-treasurers must also receive annual continuing education provided by the Auditor of State. Additionally, pursuant to § 135.22, Village **treasurers and clerk-treasurers** must complete continuing education provided by the Treasurer of State, unless they provide the Auditor of State a notice of exemption, certified by the Treasurer of State, that the subdivision only invests in interim deposits or STAR Ohio.

Under § 135.22, **all subdivision treasurers** (other than counties) must complete continuing education provided by the Treasurer of State, unless they provide the Auditor of State a notice of exemption, certified by the Treasurer of State, that the subdivision only invests in interim deposits or STAR Ohio. Please note that for the purposes of § 135.22, treasurer has the same meaning as in § 135.01 and includes any person whose duties include making investment decisions with respect to the investment or deposit of interim moneys.