

CAPISTRANO BAY DISTRICT  
AGENDA REPORT  
July 28, 2015

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*Financial Reports*

## ITEM 10

### FDIC & Other Protection of District Funds

The Board's concern with maintaining protection of the District's financial deposits by insured accounts is well-founded and demonstrates the sense of fiduciary responsibility that takes priority over all other Board members' duties.

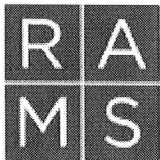
Over the past two weeks there have been several discussions with our bank reps regarding the need to maintain FDIC protection over all the District's funds. The banks have all confirmed that FDIC can only insure deposit accounts up to \$250,000 and that local governments, special districts and public agencies do not qualify for any additional FDIC protection.

It has been learned this week that the District does have protection of another type as was pointed out by the District Auditor, Rogers Anderson Malody and Scott (RAMS). The California Government Code mandates by law that the funds of local governments, special districts and public agencies must be protected by collateralization for any amounts not otherwise insured by the FDIC. The following statement was provided by RAMS to explain:

*As we discussed, the district's public funds are collateralized by assets held by the financial institutions holding the public funds. Financial institutions are required by the California Government Code to maintain certain collateral for all local government funds held by the institution. The collateral is monitored by and reported to the Administrator of Local Agency Security in the Department of Financial Institutions of the State of California. As part of our audit procedures, we confirm with the Administrator of Local Agency Security that the District's financial institutions have sufficient required capital to cover the District's balances. As of June 30, 2014 the Administrator of Local Agency Security confirmed collateral for the District's accounts held with Sunwest Bank, Farmers & Merchants Bank and Wells Fargo Bank N.A. For more details on the collateral requirements, please refer to Note (2) Cash and investments of the District's June 30, 2014 financial statements. If you have any further questions on this please let me know.*

Thanks!

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Senior Accountant



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*(See next page for excerpt from financial statement)*

**Capistrano Bay Community Services District  
Notes to the Basic Financial Statements  
June 30, 2014**

**ITEM NO. 10**

**(1) Reporting entity and summary of significant accounting policies, continued**

**C. Assets, liabilities and equity, continued**

**11. Implementation of new pronouncement**

Effective July 1, 2013, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District's financial statements do not contain any elements that meet the definition of deferred outflows of resources or deferred inflow of resources.

**\* (2) Cash and investments**

Cash and investments are presented in the financial statements as of June 30 as follows:

Statement of net position

Cash	\$ 1,018,473
Total cash and investments	\$ 1,018,473

Cash and investments as of June 30, consisted of the following:

Bank deposits with financial institutions	\$ 804,926
Local Agency Investment Fund	213,547
Total cash and investments	\$ 1,018,473

*Custodial credit risk*

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2014, respectively. Of the bank balances, up to \$250,000 per bank for specific accounts are federally insured and the any remaining balances are collateralized in accordance with the Code.

*Credit risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Local Agency investment fund is not rated by such an organization.