

CAPISTRANO BAY DISTRICT
AGENDA REPORT
September 29, 2015

Financial Reports

ITEM 11

FDIC & Other Protection of District Funds

This report is somewhat of a repeat of the July report although this deals specifically with the District's local Wells Fargo non-interest-bearing account with a current balance of \$249,960. The balance has been intentionally held at this amount to ensure FDIC protection. In learning more from the auditor regarding the *Local Agency Deposit Security Law*, it turns out that ALL California banks are mandated by law to provide collateralized protection for public funds on deposit in their institution that exceed the FDIC limit. The District is now and apparently has always been entitled to full collateralized protection of ALL funds in this account at all amounts above the FDIC level of \$250,000.

It is being recommended that the Board move this account to a simple interest-earning account and begin regular monthly or quarterly deposits and authorize the District Manager to establish a wire-transfer agreement to simplify the process of transferring portions of our annual tax apportionments into this account. This would create three separate banking institutions for the District's deposits. Below is the written statement from our auditor confirming the mandate being referred to above:

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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