

by Doug Moses and Meredith Lipson

Are Your Government's Funds Secure?

The State of Georgia official code section 36-83-5 requires local governments to secure or collateralize its public funds held by a financial institution. This is one of the most important state laws governing local governments today. As more and more local banks fail across the country as well as in our State of Georgia, it is extremely important that local governments comply with this law.

The Georgia code allows for three (3) different collateralization methods. They are 1) insurance as provided by the Federal Deposit Insurance Corporation (FDIC); 2) surety bond; and 3) pledging of securities.

FDIC Insurance - Currently, the FDIC insures deposits up to \$250,000 for interest bearing and non interest bearing accounts. This limit was increased from \$100,000 in October 2008. The new limit is permanent for certain retirement accounts (includes IRAs), but is temporary for all other deposit accounts and is currently in effect through December 31, 2013, without further extension. Additionally, the FDIC has instituted a program called the Temporary Liquidity Guarantee Program. This program provided for two limited guarantee programs, one of which affects the security of deposits held at financial institutions called the Transaction Account Guarantee Program (TAG). The TAG program guarantees certain noninterest-bearing transaction accounts at FDIC insured financial institutions that participate in this program. Accounts that qualify under this program are fully insured by the FDIC. Qualifying accounts include those accounts earning no interest and requiring no advance notice of intended withdrawals and NOW accounts paying less than 0.50 percent interest. Some other account types may also be included such as money market deposit accounts where the interest rate has been set at 0.50 percent or less. Specifically **not** included are interest-bearing money market deposit accounts.

The TAG program is currently extended through June 30, 2010. Be sure and check with your financial institution or the FDIC regularly as these programs and rules are subject to change.

Surety Bonds - A surety bond is a bond issued by an entity on behalf of a second party, guaranteeing that the second party will fulfill an obligation to a third party. In the event that the obligations are not met, the third party will recover its losses via the bond. This type of collateral is rarely used in practice within the State of Georgia. Instead of this method, most financial institutions and local governments utilize the pledging of securities.

Pledging of Securities - Under this method, a bank will segregate some of its own investments and place them in trust and in the name of the local government. If the institution were to ever fail, the securities could be sold or remitted to the local government so that the deposits would not be lost. If you have this type of agreement with your financial institution, make sure that the agreement is in writing and that all of your accounts are listed correctly by the financial institution as public funds requiring the pledging of securities.

In the end, review and monitor your government's deposits to ensure they are secure. While we hope the worst of the financial crisis is over for our State's financial institutions, we still believe the security of any government's deposits is extremely important.

Audit Tip of the Month - For the Auditee

Confirmation of collateral pledged to secure deposits of the government is one of the steps performed by auditors during a government's annual audit. Many times, obtaining confirmations from the financial institutions holding the pledged collateral can be a difficult task. In order to ensure prompt return of these confirmations to the auditors, contact each of the financial institutions that maintain your government's deposits and obtain the appropriate address and contact person to whom the confirmation should be sent. This should reduce or eliminate the amount of time the confirmation floats from desk to desk until it gets to the right person.



Our Resources

As always, we are available as a resource to you as questions arise related to any and all GASB pronouncements. As GASB issues more pronouncements, and as the Federal government issues more opportunities and mandates, we will do our best to keep you informed.

Please contact any of our government client executives listed here, at 1-800-277-0050 if we can help.

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M&J Spotlight for the Month of May

Douglas Alexander Moses ("Doug") became a partner at Mauldin & Jenkins, LLC effective September 1, 2009. He has been with the firm for eleven (11) years and specializes in audits of governmental entities, primarily cities, counties, school districts, state agencies, and special purpose entities. He earned his BBA in Accounting, Magna Cum Laude, from Georgia Southwestern State University in 1997 and an MBA with an emphasis in Accounting, with honors, from Georgia Southern University in 1999.



Originally from Ocilla, Georgia, Doug serves on the Alumni Board of Trustees at Georgia Southwestern State University (GSW) as the Treasurer, as well as serving as a member on the GSW Foundation Board. He is a member of the Government Finance Officers Association, the Georgia Government Finance Officers Association, the National Association of Black Accountants, Inc., the National Association of Government Accountants, the American Institute of CPAs, and the Georgia Society of CPAs.

Doug is married to Yolanda Sims Moses of Oakfield, Georgia. They have two daughters, Camille Alexandria Moses, 2 years old and Gabrielle Alexis Moses, 11 months.