

# Mary Taylor, CPA Auditor of State

## **Bulletin 2007-007**

**Date Issued:** July 20, 2007

**TO:** County Auditors  
Township Fiscal Officers  
City Auditors and Finance Directors  
Village Clerks, Clerk/Treasurers, and Finance Directors  
School District Treasurers  
JVSD Treasurers  
Educational Service Center Treasurers  
Joint Mental Health Districts  
Joint Juvenile Detention Facilities  
Regional Planning Commissions  
Solid Waste Districts  
Union Cemeteries  
Union Cemetery Districts  
Family and Children First Councils  
Soil and Water Districts  
Conservancy Districts  
Airport Authorities  
Libraries  
Joint Recreation Districts  
Park Districts  
Joint Ambulance Districts  
Joint Fire Districts  
Port Authorities  
Independent Public Accountants

**FROM:** Mary Taylor, CPA  
Ohio Auditor of State

**SUBJECT:** House Bill 313 and the Certificate of Deposit Account Registry Services

Effective July 4, 2006, House Bill 313 of the 126<sup>th</sup> General Assembly created Ohio Rev. Code § 135.144 (135.353 for counties) permitting governments subject to Chapter 135 to use the Certificate of Deposit Account Registry Services (CDARS). If a government purchases certificates of deposit for more than the FDIC limit (\$100,000) with a bank participating in CDARS, the bank “redeposits” the excess amounts with other participating institutions. Each bank accepts less than \$100,000 so that all deposits have FDIC coverage. (Note that the CDARS program is a national program and is not limited to governments. Businesses and individuals can participate, too.)

Ohio Rev. Code sections 135.144 and 135.353 require a government to place its deposits with an eligible depository per Ohio Rev. Code § 135.03. However, the institutions with which the government's depository places excess deposits are *not* subject to Ohio Rev. Code § 135.03. For example, they need not be located in Ohio.

Because all CDARS deposits have FDIC coverage, the collateral requirements of Ohio Rev. Code sections 135.18 and 135.181 do not apply. That is, these are *insured* deposits for GASB 40 purposes. (GASB Statement No. 40 requires disclosing certain risks related to deposits and investments.)

#### **Other HB 313 changes**

- Financial institutions using collateral pools under Ohio Rev. Code § 135.181 now only need to pledge collateral equal to 105% of their *uninsured* public deposits. The previous computation was based on total public deposits, whether insured or not (such as by the FDIC).
  
- Eligible depository collateral can now include bonds or other obligations of any county, municipal corporation, or other legally constituted taxing subdivision *of another state*, or an instrumentality of such public entities, if:
  - The full faith and credit of the issuer is pledged and,
  - At the time of purchase, the security is rated in one of the two highest categories by at least one nationally recognized standard rating service.

#### **Questions and Comments**

If you have any accounting or auditing related questions regarding the information presented in this Bulletin, please contact the AOS Accounting and Auditing Support Group at (800) 282-0370.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA  
Auditor of State