

What is the Public Funds Collateral Act, And Does It Apply To My Organization?

Overview

The Public Funds Collateral Act (PFCA) requires the protection of all public funds from loss by either insurance from the Federal Deposit Insurance Corporation (FDIC) and or appropriate collateral. Funds provided by the Texas Water Development Board (TWDB) are public funds and are subject to compliance with PFCA.

Requirements

Additionally, legal agreements between TWDB and recipients of funding from TWDB cite the requirement to comply with TWDB Rules (see Texas Administrative Code) and statutes such as PFCA.

Best Practices

Financial statement footnote disclosure over recent years has improved in reporting the status of compliance with applicable statutes.

For PFCA purposes, a best practice disclosure should include a statement by management that indicates overall compliance status with PFCA requirements. Additional background on PFCA requirements may be helpful to the financial statement reader.

Example financial statement footnote disclosure may include the following:

Deposits - State statutes require that public funds, including accrued interest, be secured by eligible security to the extent public funds exceed insurance coverage provided by the United States or an instrumentality thereof.

The (entity's name)'s deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralization as required by state statutes throughout the year and at fiscal year-end. Management believes the (entity name) is generally compliant with all requirements of the PFCA.

Guidance

For financial advice, please contact your financial advisor, and for legal advice, consult with your legal advisor. Financial compliance can provide assistance, but statutory compliance remains the responsibility of the entity as assisted with the guidance of its counsel and other outside experts. Best practices may be available from your Certified Public Accountant as well.