



State of North Carolina

Department of State Treasurer

RICHARD H. MOORE
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

T. VANCE HOLLOMAN
DEPUTY TREASURER

Memorandum # 1104

June 27, 2008

To: Finance Officers of Local Governments, Boards of Education, Public Authorities and Certified Public Accountants

From: Sharon Edmundson, Director Fiscal Management Section

Subject: Collateralization of Public Deposits and Pooling Bank List

On the 3rd page of this memo you will find a list of the financial institutions using the Pooling Method of collateralizing public funds at June 30, 2008. The State Treasurer monitors compliance with collateralization requirements for these institutions. Any depository (and their branches) not included on this list is considered to be using the Dedicated Method of collateralization for which the finance officer has the responsibility of monitoring the pledged collateral covering the uninsured deposits. **Please review the list carefully to determine the method currently used by each of your official depositories.**

For situations where a financial institution utilizes the Dedicated Method of collateralization, the finance officer should determine that the market values of the pledged securities are at least 100% of the amount required to be collateralized at all times throughout the year and that the securities are eligible for pledging as specified by the North Carolina Administrative Code, Title 20, Chapter 7. It is imperative that the market values of the pledged securities are checked not only at the time of the deposit of public funds, but on a continuing basis when funds exceed the federal deposit insurance limit. This is essential due to the volatility of the pledged securities' market value and the fluctuation of the unit's bank balances. Any occurrence of under collateralization is considered as non-compliance with G.S. 159-31.

For eligible mortgage-backed securities that are pledged as collateral, the calculation of market values is more difficult due to their declining principal balances. The calculation of the market values of such securities should be based on the outstanding principal value, not the original face value. Therefore, it is important to require the depository to provide a) the original face value b) the current outstanding principal and c) the current market value.

In addition, there are mandatory procedures concerning collateralization that must be followed when dealing with Dedicated Method financial institutions. They are as follows:

1. There must be a signed escrow agreement (INV-94) with a third party escrow agent for each Dedicated Method depository that holds uninsured deposits. However, if the escrow agent is the Federal Reserve Bank, an escrow agreement is not required since they are governed by federal regulations. The escrow agreement (federal regulations in the case of the Federal Reserve Bank) must require timely confirmations of pledged collateral.
2. A file of all pledges of collateral (INV-95) per depository must be maintained by the finance officer. There should be no releases or substitutions of collateral securities resulting in a decrease of the market value of pledged securities without the approval of the finance officer.

3. The depository is required to report to each public depositor the total par and market values of securities pledged at the end of each calendar quarter. Annually, as of June 30, it is to file with each public depositor an INV-98. This report is a detailed listing of collateral securities pledged at each escrow bank for that public depositor. This report may be requested by the public depositor to be filed more frequently.

Without exception, if governmental units utilizing the dedicated method of collateralization do not adhere to these procedures, public funds may not be properly collateralized and consequently may be at risk.

For more detailed information, the complete regulations, procedures, and the respective N.C. Administrative Code can be found in a document called "Collateralization of Public Deposits in North Carolina," January 2001. It can be downloaded from the State Treasurer's web site at <http://www.nctreasurer.com/> under Financial Operations. The appropriate forms are also available from the same web page. If the booklet or forms are needed and cannot be retrieved from the web, you may contact this office. If you have any questions or need assistance, please call Michael Phillips at 919 807 2384 or email Michael.Phillips@nctreasurer.com.



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POOLING METHOD FINANCIAL INSTITUTIONS AS OF June 30, 2008			
Name of Institution	Home Office	Name of Institution	Home Office
AF Bank	West Jefferson	High Point Bank & Trust	High Point
American National Bank & Trust*	Danville, VA	Highlands Union Bank*	Abingdon, VA
Anson Bank & Trust	Wadesboro	Home Savings Bank of Albemarle	Albemarle
Asheville Savings Bank	Asheville	HomeTrust Bank	Asheville
Bank of America, N.A.	Charlotte	Newbridge Bank <i>FNA Lexington State Bank</i>	Lexington
Bank of Asheville	Asheville	Lumbree Guaranty Bank	Pembroke
Bank of Currituck	Moyock	Mechanics and Farmers Bank	Durham
Bank of Granite	Granite Falls	MidCarolina Bank	Burlington
Bank of Stanly	Albemarle	Mountain 1 st Bank & Trust	Hendersonville
Bank of the Carolinas	Mocksville	New Century Bank	Dunn
Branch Banking & Trust	Winston-Salem	North State Bank	Raleigh
Cabarrus Bank & Trust	Concord	Omni National Bank *	Atlanta, GA
Capital Bank	Raleigh	Paragon Commercial Bank	Raleigh
CapStone Bank	Raleigh	Parkway Bank	Lenoir
Carolina Bank	Greensboro	Peoples Bank	Newton
Carolina First Bank*	Greenville, SC	Providence Bank	Rocky Mount
Carter Bank & Trust*	Martinsville, VA	Randolph Bank & Trust	Asheboro
Citizens South Bank	Gastonia	RBC Bank (USA) <i>FNA RBC Centura</i>	Rocky Mount
Citizens Community Bank*	South Hill, VA	Regions Bank*	Birmingham, AL
Community Bank of Rowan	Salisbury	Roxboro Savings Bank	Roxboro
Community One Bank, N.A.	Asheboro	Security Savings Bank	Southport
Cooperative Bank	Wilmington	Select Bank & Trust	Greenville
Crescent State Bank	Cary	Sound Banking Company	Morehead City
East Carolina Bank	Engelhard	Southern Bank & Trust Co.	Mount Olive
Fidelity Bank	Fuquay-Varina	Southern Community Bank & Trust	Winston-Salem
Fifth Third Bancorp* <i>FNA First Charter Bank</i>	Cincinnati, OH	Scottish Bank	Charlotte
First Bank	Troy	SunTrust Bank* <i>FNA: Central Carolina Bank</i>	Atlanta, GA
First Carolina State Bank	Rocky Mount	TrustAtlantic Bank	Raleigh
First Citizens Bank & Trust Company	Raleigh	Union Bank & Trust	Oxford
First Community Bank*	Bluefield, VA	United Community Bank*	Blairsville, GA
First National Bank of Shelby	Shelby	Waccamaw Bank	Whiteville
First South Bank	Washington	Wachovia Bank, N.A.	Charlotte
Four Oaks Bank & Trust	Four Oaks	Yadkin Valley Bank	Elkin
Gateway Bank & Trust	Elizabeth City		
Green Bank *	Greenville, TN		
Heritage Bank	Lucama		
FNA: Formerly Known As		* Corporate offices are outside the state; branches are located in North Carolina	