



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

JANET COWELL
TREASURER

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Memorandum # 1130

June 30, 2009

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 page three of this memo you will find a list of the financial institutions using the Pooling Method of collateralizing public funds at June 30, 2009. 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.

IMPORTANT: 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, June 2009***. 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 Ken Wease at (919) 807-2391 or email ken.wease@nctreasurer.com.

POOLING METHOD FINANCIAL INSTITUTIONS AS OF JUNE 30, 2009				
Name of Institution	Home Office		Name of Institution	Home Office
AF Bank	West Jefferson		Heritage Bank	Lucama
American National Bank & Trust*	Danville, VA		High Country Bank	Boone
Anson Bank & Trust	Wadesboro		High Point Bank & Trust	High Point
Aquesta Bank	Cornelius		Highlands Union Bank*	Abingdon, VA
Asheville Savings Bank	Asheville		Home Savings Bank of Albemarle	Albemarle
Bank of America, N.A.	Charlotte		HomeTrust Bank	Asheville
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		Newbridge Bank	Lexington
Branch Banking & Trust	Winston-Salem		New Century Bank	Dunn
Cabarrus Bank & Trust	Concord		North Carolina Bank and Trust (NCBT, NA) ^{*2}	Orangeburg, SC
Capital Bank	Raleigh		North State Bank	Raleigh
CapStone Bank	Raleigh		Oldtown Bank	Waynesville
Cardinal State Bank	Durham		Paragon Commercial Bank	Raleigh
Carolina Bank	Greensboro		Parkway Bank	Lenoir
Carolina First Bank*	Greenville, SC		Peoples Bank	Newton
Carter Bank & Trust*	Martinsville, VA		Piedmont Bank	Statesville
Citizens Community Bank*	South Hill, VA		Providence Bank	Rocky Mount
Citizens South Bank	Gastonia		Randolph Bank & Trust	Asheboro
Community Bank of Rowan	Salisbury		RBC Bank (USA)	Rocky Mount
Community One Bank, N.A.	Asheboro		Regions Bank*	Birmingham, AL
Crescent State Bank	Cary		Roxboro Savings Bank	Roxboro
East Carolina Bank	Engelhard		Security Savings Bank	Southport
Fidelity Bank	Fuquay-Varina		Select Bank & Trust	Greenville
Fifth Third Bancorp*	Nashville, TN		Sound Banking Company	Morehead City
First Bank ⁴	Troy		Southern Bank & Trust Co.	Mount Olive
First Carolina State Bank	Rocky Mount		Southern Community Bank & Trust	Winston-Salem
First Citizens Bank & Trust Company	Raleigh		SunTrust Bank*	Atlanta, GA
First Community Bank*	Bluefield, VA		TrustAtlantic Bank	Raleigh
First National Bank of Shelby	Shelby		Union Bank & Trust	Oxford
First South Bank	Washington		United Community Bank*	Blairsville, GA
Four Oaks Bank & Trust	Four Oaks		Waccamaw Bank	Whiteville
Gateway Bank & Trust ^{*1}	Elizabeth City		Wachovia Bank, N.A. ³	Charlotte
Great State Bank	Wilkesboro		Wake Forest Federal Savings & Loan	Wake Forest
Green Bank *	Greenville, TN		Yadkin Valley Bank	Elkin

¹Merged with Bank of Hampton Roads – Chesapeake, VA – DBA in NC as Gateway Bank
²Division of South Carolina Bank and Trust, NA (SCBT, NA) – DBA in NC as NCBT
³Wachovia Bank, N.A. part of Wells Fargo – name of merged entity to be determined
⁴All deposits in Cooperative Bank (excluding brokered deposits) were transferred to First Bank on June 19, 2009
 *Corporate offices are outside the state; branches are located in North Carolina