Memorandum # 2014 -11

TO: Finance Officers of Counties, Municipalities, Boards of Educations and Public Authorities

FROM: Sharon Edmundson, Director Fiscal Management Section

SUBJECT: Instructions for LGC-203 FORMs – LGC-203EZ & Standard LGC-203

DATE: January 6, 2014

The following reports are required to be submitted to the Secretary of the Local Government Commission by local governments, boards of education, hospitals and public authorities as required by G.S. 159-33 and 115C-446:

- LGC-203 (Report of Deposits and Investments) at December 31, 2013 is due to our office on or before January 25, 2014.

ITEMS OF NOTE – PLEASE REVIEW

There are two LGC-203 forms to choose from for the December 31, 2013 reporting cycle. Both forms are now formatted for 8.5 x 11 sized paper.

1. The ONE PAGE LGC203 EZ (Rev. 12-13) form is to be used by NC Local Governments who have their deposits/ investments in only the following:
   - Banks utilizing the pooling method of collateralization
   - Finistar or CDARS
   - NC Capital Management Trust Cash or Term Portfolio

2. The Standard LGC 203 (Rev. 12-13) must be used if your Unit of Government is a school, a Public Housing Authority or if your local government unit has deposits in any bank utilizing the dedicated method of collateralization and/or any investments in addition to those listed under #1 above.

Please note that changes have been made to both LGC-203 forms. We strongly encourage you to use the new forms.

- ALL local governments, boards of education and public authorities WITH access to Microsoft Excel and email should complete this report using the most currently posted LGC-203 Excel workbook reporting form available on our website at www.nctreasurer.com. We update the form each reporting cycle due to changes in Pooling Banks and other statutory requirements. Please submit the completed
LGC-203 Excel workbook reporting form via email to the designated email address LGC0203@nctreasurer.com. DO NOT email the forms directly to staff.

- **Please note the e-mail address and the zero in front of 203.** An automated response email is sent once the report is received at the 0203 email address. If you do not get an automated response the report was not received.

- **If you do not have access to the internet, email or Excel** - Please call our office at 919-807-2381 to request a hard copy blank LGC-203EZ or Standard LGC-203 form along with instructions. We will mail the blank form to you. Ask for Tashara Ware for assistance.

- **REVIEW** all materials applicable to your unit and fill in all applicable sections of the NEW LGC-203 EZ (Rev. 12-13) or the Standard LGC-203 (Rev. 12-13), whichever form is applicable to your Unit of Government.

- **Choose the “Name of Unit”** in the light gray cell from the drop-down list of names. This list is our database of units that are required to submit a LGC-203. You cannot type a name in that field. If you cannot find your unit, please contact either Becky Dzingeleski or Sara Shippee. Their contact information is at the end of this memo.

  - If you use CDARs please list the amounts in the Dedicated section.
  - If you use Finistar please list the pooling bank amounts in the Finistar area designated in the Pooling Bank Section and/or the dedicated bank amounts in the designated area in the Dedicated Section.
    - **Attach a copy of the page from your December 31, 2013 statement** to the email showing the various banks in which your funds are invested.

- **DISCRETELY PRESENTED COMPONENT UNITS** (DPCUs) are legally separate NC local governments affiliated with a primary government, an example of which is a Tourism Development Authority. Discretely presented component unit governments **must submit a separate LGC-203**.

  - Please do not include the cash and investment data for DPCUs in the parent government LGC-203 report. We require a separate LGC-203 report for the DPCU indicating the cash & investments of the DPCU. If this is not received, you will receive a letter stating that we have not received the LGC-203 for the DPCU. If you have a question about your specific unit, please call our office at 919-807-2381.

- **For Pooling Method deposits**, select the light gray cell in Section II for each depository with which you have deposits. Scroll down the bank “drop-down list” to find the name of the bank. If you cannot find that bank in the drop-down list, verify that it is not following the dedicated method. The “drop-down list” is current as of December 31, 2013.
NOTE - In the past, units have in error listed their deposits in Pooling Method Banks under the Dedicated Method Bank section of the LGC-203 reports. Most local governments (except for Housing Authorities, which are required by HUD to use the Dedicated Method) have all their deposits with Pooling Method depositories. Select from the drop-down list under the Pooling Bank section to enter your Bank. If your bank is not on that drop-down list the Bank 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. If you have a question about where to list your bank, please call Becky or Sara.

Dedicated Method deposits, please be sure to complete the “Securities pledged as collateral” and escrow agent section in Section VIII (light yellow cells), and attach a confirmation statement of pledged collateral statement from your depository. Those units reporting via email should attach a copy of the confirmation to the email and clearly indicate the name of the unit to which it relates. We cannot complete our review of the LGC-203 report if we do not receive these confirmation statements. To avoid us having to contacting you to request it please be sure and include it.

Section V. Investments: Government Securities, Government Agencies, Commercial Paper, Bankers Acceptance, Other Investments and Repurchase Agreements are on Pg. 2 of the Standard LGC-203 form. Please compute the totals of “market value” by each type of investment category and record the total market value in each of the appropriate boxes on Pg. 2 of the Standard LGC 203 (Rev. 12-13) form. Please send your own separate schedule (required with the LGC-203 report) with a clear description for each of these investment categories, including Name of Custodian, Type-Name of Investment and the amount for each investment, purchase amount, market value, purchase date and maturity date and any other special features. This additional information is necessary for our review/evaluation of the investments for compliance with General Statutes.

Email the completed Excel workbook to LGC0203@nctreasurer.com. Please include the name of the unit in the subject line of the email. For example – “City of Dogwood 12-2013 LGC203 EZ.” A physical signature is no longer required on the LGC-203 form if you e-mail the workbook and include your contact information as an email signature in the body of your email.

Please do not include questions or comments about the preparation of this form or other general cash and investment questions in your email to LGC0203@nctreasurer.com as we will not see them. Instead, email or call Becky or Sara directly with questions or comments.

Report delivery options – Due to our automated process we prefer the completed LGC-203 report to be emailed to us in Excel workbook form to LGC0203@nctreasurer.com. If this is not possible, you may mail a printed form to NC Department of State Treasurer, State and Local Government Finance
Division, 325 N. Salisbury Street, Raleigh, NC 27603-1385. We strongly discourage faxed reports due to them being illegible when we receive them.

- **Boards of education must use the Standard LGC 203 (Rev. 12-13) and also complete the LGC-203S, Report of Deposits and Investments for Individual Schools.** In the past, some units have failed to include the LGC-203S portion of the report. See Boards of Education section later in this memo for more information specific to your type of unit.

- **Housing authorities must use the Standard LGC 203 (Rev. 12-13).** Recently a number of housing authorities have not submitted confirmations from custodians of collateral pledged to secure deposits under the “Dedicated Method” of collateralization. In order to confirm that collateral is adequate, we must receive a copy of these confirmation statements. We will call to request the confirmation statement if it is not received with the Standard LGC-203 (Rev. 6-13) report. See Housing Authorities section later in this memo for more information specific to your type of unit.

- **Form INV-91 (Notification of Public Deposit) – Not required with the Dec. 31 report**

  - **Due annually only with the June reports.** Only in June do we collect them and forward to Banking Operations for verification to the collateral reports sent in by the pledging institutions. We need a report for each of your depositories but not for the North Carolina Capital Management Trust since it is not a depository.

  - **QUESTIONS** about this requirement? You may contact Becky or Sara in our office. Questions about the INV 91 form itself should be directed to Dawn Cheema in Banking Operations at 919-508-5901.

**Special Instructions for Boards of Education**

Please read carefully all materials applicable to your unit and fill in all applicable sections of the report(s). Sample completed LGC-203S are included in the Excel workbook at tabs titled “Sample 203-S PG 1” and “Sample 203-S PG 2”.

Individual schools should include on the LGC-203S only those funds in the custody of the school treasurer. If the administrative unit is holding funds for the individual schools, these funds should be listed on the LGC-203S. **Please disclose the respective financial institution(s) with the name of each school utilizing that bank.**

Note that account balances for the individual schools which exceed the FDIC limit of $250,000 and are deposited in Dedicated Method institutions must be collateralized and monitored by the finance officer.
Special Instructions for Housing Authorities

Please note that all housing authorities are required to utilize the Dedicated Method of collateralization of deposits. This can be accomplished through the use of any financial institution in North Carolina regardless of whether they normally use the Pooling Method or the Dedicated Method for securing deposits. **In order to comply with applicable HUD regulations,** it is necessary that escrow agreements be executed with each financial institution holding housing authority deposits if the total account balance is likely to exceed the $250,000, FDIC insurance limits, at any time during the fiscal year. The signed escrow agreement is required in order to protect the uninsured deposits of the authority by providing that the pledged assets transferred by the financial institution to the escrow agent (in the name of the housing authority) would be available to fully cover any uninsured deposits (up to the amount of collateral) in the case of failure by the financial institution. The housing authority finance officer is responsible for:

1) Regularly reviewing the adequacy of the collateral held by the escrow agent, and

2) Requiring additional collateral transfers by the financial institution when account balances exceed the FDIC insurance limits ($250,000) plus the market value of the available collateral.

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](http://www.nctreasurer.com) under Divisions / Financial Operations / Collateralization of Public Deposits. The appropriate Collateralization forms also are available from the same web page.

Therefore, all housing authority units that maintain any official depository account that exceeds the $250,000 FDIC insurance limit at any time must complete all questions in Section VIII in the light yellow cells, including the market value information (as of December 31, 2013) of the collateral securities being held by the escrow agent pursuant to the required escrow agreement. Please attach confirmations of pledged collateral as of December 31, 2013 from these financial institutions. For those custodial arrangements that provide for the collateral securities to be held by Federal Reserve Bank branches, please indicate in Section VIII the location of the Federal Reserve Branch that is holding the collateral securities and complete the remaining information requested in Section VIII.

**Contact Information**

- Becky Dzingeleski at (919) 807-2396 - becky.dzingeleski@nctreasurer.com
- Sara Shippee at (919) 807-2356 - sara.shippee@nctreasurer.com.