



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

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Memorandum #2010-40

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

FROM: Sharon Edmundson, Director Fiscal Management Section

SUBJECT: Report of Deposits and Investments (LGC-203) and Report of Deposits and Investments for Individual Schools (LGC-203S) – June 30, 2010 and Notification of Public Deposit (INV-91)

DATE: June 30, 2010

The **LGC-203, Report of Deposits and Investments (for use by all units), and the LGC-203S, Report of Deposits and Investments for Individual Schools** are required by G.S. 159-33, 159-33.1 and 115C-446 to be submitted to the Secretary of the Local Government Commission as of June 30 and December 31. The LGC-203 and the LGC-203S are designed as an Excel workbook accessible on our website at www.nctreasurer.com and should be completed using **Excel 97 or later versions** and emailed to our office. Using the Excel workbook to prepare and file the LGC-203 will reduce time, increase efficiency, and make the process less prone to error. The form should be submitted to this office no later than **July 25, 2010**. A copy should be retained for your records.

Please review all materials applicable to your unit and fill in all applicable sections of the report. **If you are a Board of Education or a Housing Authority, please refer to additional instructions specific to your type of unit.** Units may email the completed form to LGC0203@nctreasurer.com. Please include the name of the unit in the subject line of the email. **NOTE:** If you have any questions related to the preparation of this form or cash and investment question **DO NOT** email them to this address. Instead, email or call the contact person listed at the end of this memo. **A signature page is no longer required as a supplement to emailed copies of the LGC 203.** The other delivery options are by **faxing** the form to **919-807-2398** or **mailing** to **NC Department of State Treasurer, State and Local Government Finance Division, 325 N. Salisbury Street, Raleigh, NC 27603-1385.**

REMINDER: All units, annually as of June 30, are required to provide each depository a completed INV-91 "Notification of Public Deposit" which lists the current account names and numbers of each of its public deposit accounts. A copy of this completed form must be sent to our office for monitoring of compliance with this requirement. Submitting this form to your depository is imperative to insure that the depository has notice that the deposits are public funds and are subject to the collateralization requirements.

A county and/or city that has integrated any type of district or authority (**FOR EXAMPLE:** Soil & Water District or a Tourism Development Authority) into their budgeting and accounting system should include these units' moneys on their LGC 203 report. ***The names of these units should appear along side of the name of the unit generating the report. Failure to include this information will result in unnecessary late letters being sent to the integrated units.***

Your attention is directed to instruction #7 (Section IV, Investments) regarding complete description for each security, including special features. This additional information is necessary for the review/evaluation of the "Investments" section. Attach separate schedules if necessary but please compute the totals of "**market value**" by type for each investment category and record the total in the appropriate boxes on the 203 form.

If information is provided in Section VIII for **Dedicated Method deposits**, please be sure to complete the "Securities pledged as collateral" and escrow agent section, and **attach a confirmation of pledged collateral**. Those units reporting via e-mail should mail or fax a copy of the confirmation to this office.

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 a must 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> under Financial Operations. The appropriate forms are also 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, including the market value information (as of June 30, 2010) of the collateral securities being held by the escrow agent pursuant to the required escrow agreement. Please attach confirmations of pledged collateral as of June 30, 2010 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.

If you have any questions about completing the LGC-203, LGC-203S or INV-91 reports, please contact Ken Wease at (919) 807-2391 or by e-mail at ken.wease@nctreasurer.com.