

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER  
STATE TREASURER OF NORTH CAROLINA

# NC Local Government Banking, Deposits & Collateral

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# Agenda

- Banking for NC Units of Government
- Deposits
- Collateralization-FDIC – Official Custodian
- Applicable NC Statutes / Administrative Code
  - [G.S. 159-30 Investment of idle funds](#)
  - [G.S. 159-31 Selection of depository; deposits to be secured](#)
  - [G.S. 159-32 Daily deposits](#)
  - [NC Administrative Code - CHAPTER 07 - COLLATERALIZATION OF DEPOSITS](#)



# Banking for NC Units of Government

- Banking - Official Depositories
  - [G.S. 159-31\(a\)](#) “The **governing board** of each local government and public authority **shall designate** as its official depositories **one or more** banks, savings and loan associations, or trust companies **in this State...**”
- An acceptable “official depository” must:
  - have a brick-and-mortar presence in North Carolina,
  - be open for business to the general public,
  - and agree to meet NC collateral requirements.



*Use of Credit Unions as an NC Local Government or Public Authority Depository is not specified as allowable in the NC Statutes.*



# Banking for NC Units of Government

- [G.S. 159-31](#)(a) It shall be unlawful for any public moneys to be deposited in any place, bank, or trust company other than an official depository, except as permitted by G.S. 159-30(b)...
- [G.S. 159-30](#)(b) Moneys may be deposited at interest in any bank, savings and loan association, or trust company **in this State** in the form of certificates of deposit or such other forms of time deposit as the Commission may approve. Investment deposits, including investment deposits of a mutual fund for local government investment established under subdivision (c)(8) of this section, **shall be secured** as provided in G.S. 159-31(b).
  - **Note:** Certificates of Deposit can be purchased at NC banks that are not designated as official depositories of your unit.



# Banking for NC Units of Government

- Duties of finance officer - [G.S. 159-25\(a\)](#)
  - (4) Receive and **deposit all moneys** accruing to the local government or public authority, or supervise the receipt and deposit of money by other duly authorized officers or employees.
  - (5) Maintain all records concerning the bonded debt and other obligations of the local government or public authority, determine the amount of money that will be required for debt service or the payment of other obligations during each fiscal year, and maintain all sinking funds.
  - (6) Supervise the investment of idle funds of the local government or public authority.
- [G.S. 159-30\(a\)](#)
  - A local government or public authority may deposit at interest or invest all or part of the cash balance of any fund. The **finance officer** shall manage investments subject to whatever restrictions and directions the governing board may impose. The **finance officer** shall have the power to purchase, sell, and exchange securities on behalf of the governing board.



## Daily Deposits - [G.S. 159-32](#)

- Except as otherwise provided by law, all taxes and other moneys collected or received by an officer or employee of a local government or public authority shall be deposited in accordance with this section.
- Each officer and employee of a local government or public authority whose duty it is to collect or receive any taxes or other moneys shall, on a daily basis, deposit or submit to a properly licensed and recognized cash collection service all collections and receipts.
- ...if the governing board gives its approval, deposits or submissions to a properly licensed and recognized cash collection service shall be required only when the moneys on hand amount to five hundred dollars (\$500.00) or greater.
- All deposits shall be made with the finance officer **or** in an official depository. Deposits in an official depository shall be **immediately reported to the finance officer** by means of a duplicate deposit ticket.



# Deposits - Certificates of Deposit

- Allowable Certificates of Deposit are covered by FDIC and collateralized.
- Purchased by the finance officer (not a Broker) at a North Carolina bank.
- Brokered and/or Corporate CDs are not eligible in North Carolina.
  - Brokers sometimes offer to purchase CDs for the unit (“brokered CDs”) often from out-of-state banks. *Brokered CD investments are not authorized under G.S. 159-30 even IF they are for less than the FDIC limit of \$250,000.*





# Collateralization of Public Deposits

- NC Banking
  - Banking Commission
  - NC State Treasurer – [Financial Operations - Banking](#)
- Information on [Collateralization of Public Deposits | NC Treasurer](#)
- Security of public funds is required by [G.S. 159-31 Selection of depository; deposits to be secured.](#)
  - Pooling Method – State Treasurer monitors collateral
  - Dedicated Method – finance officer is legally required to monitor collateral





# Collateralization of Public Deposits – Why Required?

- Security of Public funds is **legally required** by
  - [G.S. 159-31 Selection of depository; deposits to be secured.](#)
    - The amount of funds on deposit in an official depository or deposited at interest pursuant to G.S. 159-30(b) **shall be secured** by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in a sufficient amount to protect the local government or public authority on account of deposit of funds made therein, and in such manner, as may be prescribed by rule or regulation of the Local Government Commission.
  - [NC Administrative Code - CHAPTER 07 - COLLATERALIZATION OF DEPOSITS](#)
    - Definitions, methods of securing deposits, collateral required to be pledged, security agreements and more



# Collateralization of Public Deposits - Official Custodian

[Deposit Insurance for Accounts Held by Government Depositors | FDIC.gov](https://www.fdic.gov/deposit/deposit-insurance-for-government-depositors/)

- An official custodian is an officer, employee, or agent of a public unit having official custody of public funds and lawfully depositing the funds in an insured institution. In order to qualify as an official custodian, a person must have plenary authority - including control - over the funds. Control of public funds includes possession as well as the authority to establish accounts in insured depository institutions and to make deposits, withdrawals and disbursements.
- Deposit insurance coverage cannot be increased by dividing funds among several putative official custodians who lack plenary authority over such funds. Likewise, coverage cannot be increased by dividing funds among several accounts controlled by the same official custodian for the same public unit.



# Collateralization of Public Deposits

## Limited FDIC insurance

### [Deposit Insurance for Accounts Held by Government Depositors | FDIC.gov](https://www.fdic.gov)

- All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000.
- Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,00
- FDIC coverage is **per official depository and account type**, not per each bank account
  - Limited to only \$250,000 for total Time Deposits
  - Limited to only \$250,000 for total Demand Deposits



# Types of Deposits requiring collateralization

- **Demand Deposit accounts** - both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.
  - Checking accounts
- **Time Deposits**
  - Certificates of Deposit (CDs)
  - Negotiable Orders of Withdrawal (NOW) Accounts
  - Super Now Accounts
  - Money Market Deposit Accounts (MMDA)
    - Money Market mutual funds are investments (NCCMT), not deposit accounts



# Collateralization of Public Deposits

Know your bank and their history.

- Pooling Method of collateralization - [Pooling Bank List](#) - list is subject to change
  - NC Department of State Treasurer Financial Operations Division is responsible for monitoring pledged collateral.
- Dedicated Method of collateralization – The unit's finance officer is responsible for monitoring the market value of pledged collateral.
  1. All NC Banks not on the pooling list who accept your government's public deposits
  2. All Public Housing Authority deposits in ANY NC Bank – including pooling bank
  3. Make sure your agreements are in order
    - ✓ [COLL-94A](#) – Security agreement
    - ✓ [Escrow Agent Agreement \(COLL-94B\)](#) - For public deposits collateralized under the Dedicated Method

**Variation: FDIC pass-through protection ([G.S. 159-30\(b1\)](#))** - CDARs, Insured Cash Sweep – initially started through a unit's **official depository**



# Collateral Summary

- Status of collateral method chosen by banks can change due to mergers.  
Pooling Method vs. Dedicated Method
- Collateralization
  - “Dedicated Method” requires documented agreements and legally requires the finance officer of the unit to regularly monitor the market value of the bank’s pledged collateral.
- Official Custodian – FDIC coverage
  - Examine custodial agreements.
  - Signers on an account are not automatically official custodians in the view of the FDIC.
  - FDIC recognizes 1 official custodian per unit of government. [FDIC - Deposit Insurance for Accounts Held by Government Depositors](#)



# Collateralization of Public Deposits

**Issue:** As of LGC-203 report date there is **insufficient market value of pledged collateral** or no collateralization for public deposit accounts in banks that accept public funds and choose or are required to collateralize by use of the **dedicated method**.

- *Appropriate forms that were needed for the bank to collateralize the deposits had not been filed – funds were not coded as “public funds.”*
- *Finance officer was not monitoring pledged collateral.*

**GOVERNMENT’S PUBLIC FUNDS WERE NOT SECURED.**







# LGC STAFF BLOG - Announcements/Reminders

- Best way to stay informed is through  
*The LGC Staff Blog: The Balance Sheet*
  - Announcements of new legislation, best practices, changes in our procedures, due date reminders
    - *LGC-203 / COLL-91 is Due January 25, 2026*
- Click “Sign Up” to receive email alerts when new blog posts are released.

[The Balance Sheet - blog of the Local Government Commission staff](#)

Home > Divisions > State and Local Government Finance > LGC > The Balance Sheet

## The Balance Sheet





# LGC-203 or COLL-91 Questions/Assistance



## [LGC-203/COLL-91 Resources](#)

### LOGOS - User Accounts

Office: (919) 814-4300

Email: [LOGOS@nctreasurer.com](mailto:LOGOS@nctreasurer.com)

### LGC-203 Team – Report Review

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[\\*Pooling Bank List \(nctreasurer.gov\)](#)

[Collateralization of Public Deposits | NC  
Treasurer Financial Operations Division](#)