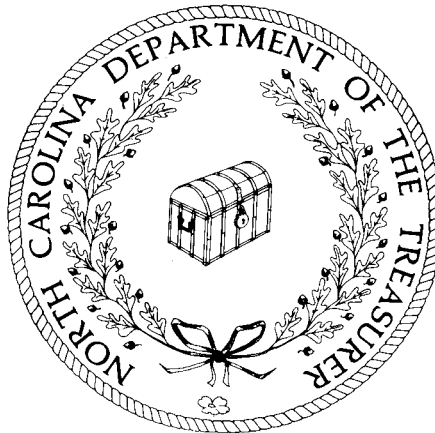


# **Guidelines for Official Depositories Of State Funds**

**Financial Operations Division  
Department of State Treasurer  
State of North Carolina  
Raleigh**



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Revised 5 df]`&\$\$-**

Revisions of this publication may be accessed at the State Treasurer's Web Site:  
[www.treasurer.state.nc.us](http://www.treasurer.state.nc.us)

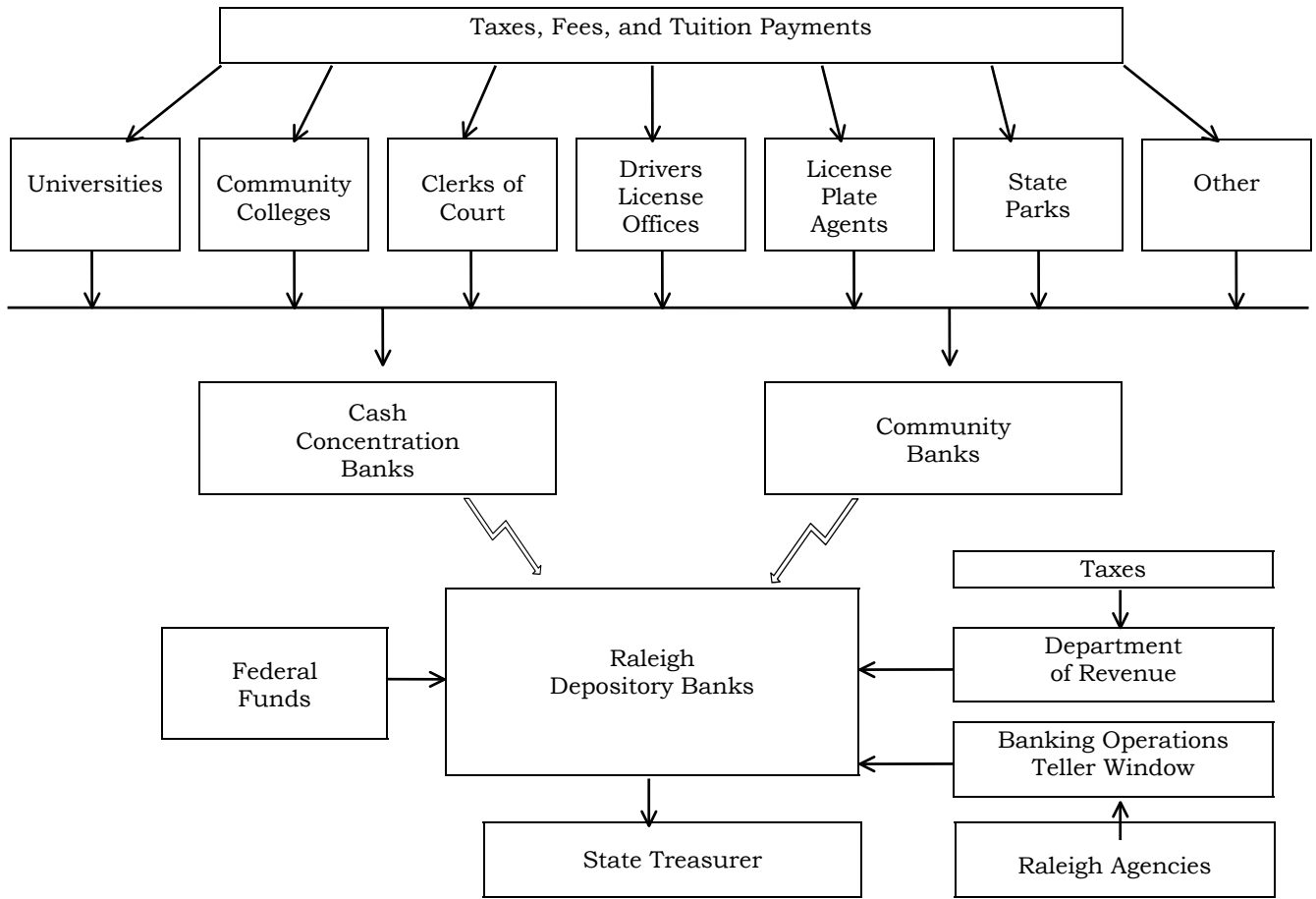
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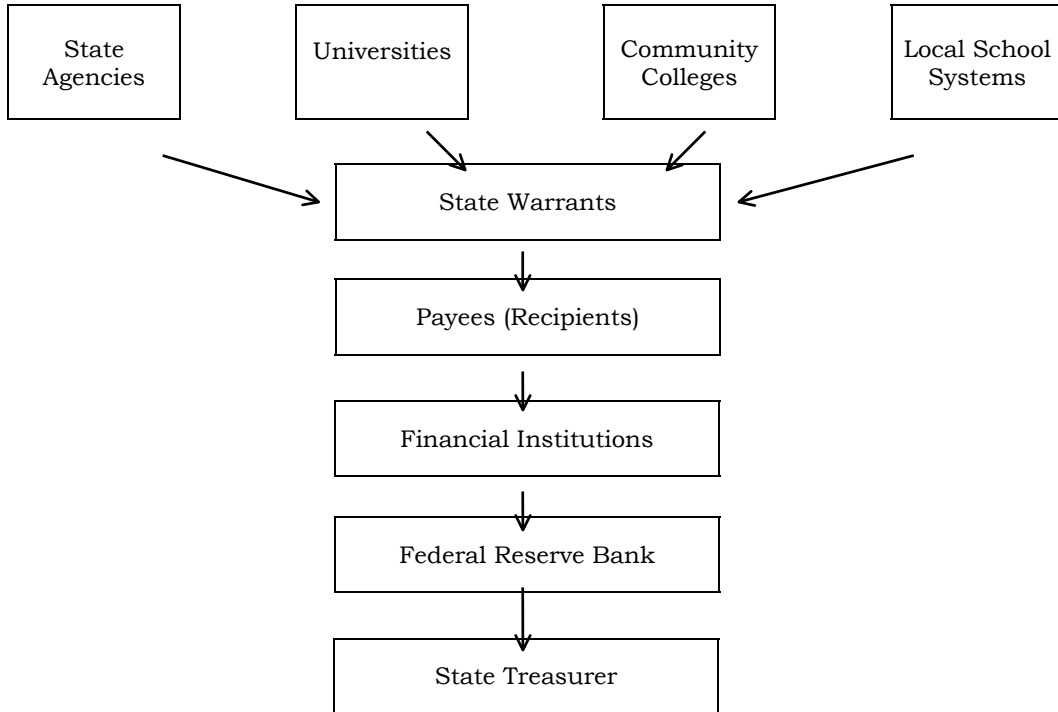
**FOR ADDITIONAL INFORMATION CONTACT:**

Department of State Treasurer  
Banking Operations Section  
325 North Salisbury Street  
Raleigh, NC 27603-1385  
Telephone (919) 508-5971  
Web Site: [www.treasurer.state.nc.us](http://www.treasurer.state.nc.us)

## Deposit of State Funds



## Routing of State Warrants (Checks) for Payment



## **GUIDELINES FOR OFFICIAL DEPOSITORIES OF STATE FUNDS**

### DESIGNATION

Pursuant to G.S. 147-78, the State Treasurer is authorized and empowered to select and designate *official depositories* for the deposit of State funds. Such designations are generally the result of a request submitted by a State agency requiring the services of a depository bank. The State Treasurer evaluates the agency's request and makes his determination based upon certain factors. The primary considerations are safety and convenience for the depositing State agency, as well as other factors that may be unique to the request. All designations are made in writing, either by the State Treasurer or the Deputy Treasurer for Financial Operations, through the issuance of an "Official Depository Designation Letter." This designation letter should be accepted in lieu of a corporate resolution," which is generally required of corporate accounts.

### ACCOUNT NAME/TAX ID NUMBER

All demand accounts are to be in the name: "North Carolina State Treasurer." The Federal Tax ID number is 56-1545517. Please be advised that the State Treasurer is an "Exempt Recipient" under IRS regulations and therefore is not subject to "Backup Withholding." The same demand account may be used by more than one State agency.

### SIGNATURE CARD

Upon being designated an official depository, the State Treasurer's Office should be provided a signature card for execution. The only authorized signature that can be on the card is that of Janet Cowell. It may be an actual signature or a facsimile signature as provided by G.S. 147-69. No other signature, including that of an agency official, is valid. No corporate resolution is required, as the account is considered that of a "body politic," and is authorized pursuant to G.S. 147-78.

### STATEMENT RENDERING

Unless otherwise requested, bank statements are to be rendered on a monthly cycle. It is desirable that the cutoff date of the cycle be the end of the month. Statements are to be sent to the following address:

North Carolina State Treasurer  
Attn: Bank Account Recon Unit  
325 North Salisbury Street  
Raleigh, North Carolina 27603-1385

### BANK DEPOSIT SLIPS

Deposit slips (tickets) are to be provided by the depository at no charge to either the State agency or the State Treasurer. The deposit slip should be headed as follows:

North Carolina State Treasurer  
By (Name of Agency)

The State Treasurer's Office normally orders the initial supply of deposit slips through the depository and provides them to the agency. This is to ensure that the proper information is included on the slips. If the depository is one of the cash concentration banks that provide a deposit recon reporting service, the deposit slips must be pre-encoded (in the serial number field) with an "agency ID number," which is assigned by the Treasurer's Office. All subsequent orders of deposit slips must be placed through the Treasurer's Office, which in turn will place the order with the bank. However, agencies not using a cash concentration bank, but rather a community bank, may place any subsequent orders directly with the depository, since an agency ID number is not involved. Deposit slips provided should be NCR paper, in triplicate, and include "North Carolina State Treasurer - By: (Name of Agency)" in the heading. Counter deposit slips may be used only prior to the receipt of the initial supply of pre-encoded slips.

All deposits accepted from an agency must be accompanied by a completed deposit slip, prepared in duplicate. The deposit slip should be receipted in accordance with the depository's receipting process, with the duplicate copy being returned to the agency as evidence of the deposit. Verification of cash deposits must be made at the time the deposit is receipted.

### ENDORSEMENTS

The account of the State Treasurer is restricted in that all checks, drafts, or money orders made payable to the agency are to be deposited to the State Treasurer's account in the form in which received. No "less cash" deposits are permitted. All deposited items should be endorsed as follows:

For Deposit Only  
North Carolina State Treasurer  
By (Name of Agency)

Some agencies (universities, community colleges, and clerks of court, for example) may have the authority to maintain an account for "non-State funds" in their own name. Endorsements for such accounts would not include the State Treasurer's name.

### STATE AUDITOR'S AUDIT CONFIRMATIONS

As required by NC General Statute 147-64.6(c)(9), the account is subject to audit examination by the North Carolina State Auditor's Office. All confirmation requests should be responded to, with no fee being levied for responding to the audit confirmation.

### FOREIGN CHECKS

Foreign checks should not be accepted in a regular deposit. The agency should be instructed to present the item to you as a collection item, for which you should issue a receipt. Once your institution receives credit for the foreign item (usually a discounted value), you should issue the agency a cashier's check for the value received. Any collection related fees may be deducted. The agency will then deposit the cashier's check in the normal fashion. Should a foreign item be included in a regular deposit, you should return it to the agency for collection on a "cash item" basis. The definition of a "foreign check" is an item that is drawn on a foreign bank that cannot be cleared through the Federal Reserve Bank System. An item "payable in US funds" that is drawn on a foreign bank is still considered a "foreign check."

## ERRORS IN DEPOSIT

Should a discrepancy be discovered between the amount of a prepared deposit slip and the amount of the items enclosed, an adjustment may be made to the account, with the exception for deposits made by the Department of Revenue. If an adjustment is made, immediate notification must be made to both the depositing agency and the State Treasurer's Office.

Special arrangements have been made for errors discovered in cash letter deposits made by the Department of Revenue, and adjustments are not to be made. For a deposit that is "over," a cashier's check is to be issued to the Department of Revenue. For a deposit that is "short," an unprocessed debit advice should be presented to the Department of Revenue as a "cash item," in the same manner as a returned check.

## MONEYS DEPOSITED IN ERROR

Under no circumstances should funds be refunded to an agency, or a debit be made against the State Treasurer's account once a deposit has been accepted, without the express authorization of the State Treasurer's Office. Moneys deposited in error are to be refunded only as prescribed by G.S. 143-3.4(a) and G.S. 147-84. Upon having obtained adequate assurance that moneys were indeed deposited in error, the State Treasurer's Office will provide instructions as how to rectify the situation.

## RETURN ITEMS

Deposited items that are returned as non-collected should be presented through the banking channels for collection a second time. Should an item not be paid after the second collection attempt, it should be presented to the depositing agency as a "cash item," with a request for direct and immediate reimbursement. Debits for return items should not be made to the account. The method of return will depend upon the agency involved. The following should be used as a guide.

<u>Endorsement By</u>		<u>Method of Return</u>
DMV - License Plate Agency DMV – Drivers License Office (Cash Concentration Bank)	--	Return to Raleigh main branch for daily pick-up by Division of Motor Vehicles
DMV - License Plate Agency DMV – Drivers License Office (Community Bank)	--	Mail to Div. of Motor Vehicles Attn: Returned Check Dept. 1100 New Bern Avenue Raleigh, N.C. 27697
NC Department of Revenue (Cash Concentration Bank)	--	Picked up by Department of Revenue daily at Raleigh main branch
All others (agencies, universities, community colleges, etc.)	--	Forward to the local branch for pick-up and reimbursement by the depositing agency

## EFT DEPOSITS

Should the State agency be the recipient of an incoming wire transfer or ACH credit, procedures should be established to promptly notify the State agency of the receipt of the item. Wire transfer advices should be provided directly to the State Treasurer's Office.

## CURRENCY TRANSACTION EXEMPTION

The State Treasurer desires the depositing agencies to be exempt from the currency transaction reporting for cash deposits that exceed \$10,000.00, as required by the Bank Secrecy Act. As provided by the law, the State Treasurer will execute any forms required by the depository to secure such exemption. In the case of agencies depositing into a branch of a cash concentration bank, a request for exemption has been filed with the Raleigh branch office.

## NIGHT DEPOSITORY BAGS

Some agencies require night depository services. For any agency requiring such services, the depository's standard night depository agreement should be executed. The State Treasurer should sign the agreement as depositor. Individuals at the particular agency will be listed as agents. In the case of a DMV License Plate Agency or DMV Drivers License Office, the DMV field supervisor must authorize the individual agents' names. The cost of the purchase of any bags are the direct responsibility of the agency, while any other related costs are to be considered as bank fees and handled as described below.

## WITHDRAWALS

While deposits to an account are made by individual agencies, funds can only be withdrawn by a transaction initiated by the State Treasurer. The normal process for withdrawing funds from accounts maintained at community banks is by the State Treasurer submitting ACH debits. Upon the opening of any new account, the State Treasurer's Office will submit a prenote in accordance with standard ACH Operating Rules.

Withdrawals from the cash concentration banks are effected by the issuance of a "1031 Message" (Draw Down Request) submitted by the State Treasurer through the Federal Reserve System, and are to be honored only in accordance with written instructions on file with the depository. Callback verification calls are not required for draw down requests submitted in accordance with the instructions on file. Telephone requests to initiate wire transfer withdrawals are not authorized.

## BANK FEES

North Carolina General Statutes (G.S. 143-3.2) do not permit disbursements from the State Treasurer without the issuance of a State warrant. Additionally, Article 5, Section 7(1) of the North Carolina Constitution states in part: "no money shall be drawn from the State Treasury but in consequence of appropriations made by law." Therefore, no debits are to be made to the account to pay any bank fees or service charges (pertaining to "depository services"), including those for deposit slips. Any fees are to be waived and considered as an "analysis charge" against the transitional balances in the account. Transitional balances are maintained in the account to compensate for services provided by the depository and are adjusted monthly in accordance with the deposit activity and 90-day Treasury Bill earnings rate. The State Treasurer's Office prepares, on an annual basis, a "Schedule of Allowable Service Charges" that are uniformly applied to all financial institutions.

This schedule is based mainly upon the average discount fee levied by financial institutions in the Southeast, according to "The Blue Book of Bank Prices."

There are services that an agency or institution may acquire from a financial institution, that are not considered "depository services," and are not subject to the State Treasurer's compensation method.

Services not considered “depository services” include those relating to credit card processing, lockbox services, EDI services, ACH services, student cards, and ATMs. However, any of these services that relate to the collection of revenue (State funds) must result in the funds being deposited to an official depository designated by the State Treasurer. The provider of the “depository services” and the “non-depository services” do not necessarily have to be same organization.

### OFFICIAL CHECKS

State agencies occasionally have need to secure “official checks” or “cashier checks” from a depository. Any fees for such checks are the direct responsibility of the agency and are not to be debited against the State Treasurer’s account, nor considered as an allowable analysis charge.

### CREDIT CARD SERVICES

The State Controller’s Office has entered into a Master Service Agreement with a single credit card processor, under which agencies, universities, and community colleges can participate. Some entities have elected not to participate in this central program and may be dealing directly with a bank. The fees for such services are handled directly with the university or agency, and are not to be charged as an analysis charge against the State Treasurer’s account. Any “chargeback” items are to be handled in the same manner as return items, or according to other specially prearranged procedures.

### DIRECT DEPOSIT SERVICES

Payroll centers administered by individual state universities and by several state agencies have secured the services of various banks to act as their “originating depository financial institution” (ODFI). These services are provided pursuant to agreements executed by the State Treasurer, the university/agency, and the ODFI. Separate clearing accounts are maintained by these banks, with the funding of the ACH file being made on payday via a wire transfer from the State Treasurer.

Each community college and each local public school system has authority to select an ODFI to process its ACH payroll file. The fees can be paid either by the college/local school system, or by the State Treasurer. In order for the fees to be paid by the State Treasurer, there must be a separate clearing account established for each. The service fees associated with these separate accounts should be considered as analysis costs and be applied to the State Treasurer’s regular account in accordance with the State Treasurer’s allowable charges. Funding of the ACH file is normally made by the college/school system depositing both a local bank check and a State warrant to the clearing account on payday. Any uncollected funds balance resulting from the deposit of the State warrant is considered in the consolidated analysis of all State Treasurer accounts maintained with the bank.

### STATE WARRANTS

Except for disbursements made via electronic funds transfer, State agencies disburse funds through the issuance of warrants (State checks) drawn on the State Treasurer as opposed to being drawn on a financial institution. The Federal Reserve Bank (FRB) considers the State Treasurer a “non-financial endpoint” and has assigned 053110594 as the unique transit-routing number. All warrants bear this number and are therefore payable at par through the Federal Reserve System. The State Treasurer subscribes to the FRB’s image capture and check truncation services. Accordingly, the State Treasurer has designated the FRB in Charlotte as the “point of presentment” for all State warrants. State warrants are generally subject to the Uniform Commercial Code in the same manner as checks/drafts, as well as to the Operating Rules of the “Carolinas Check Clearing Association,” where applicable. The warrants are regarded as government checks when applying Regulation CC.

On September 2, 2003, the State Treasurer and State Controller issued a joint policy regarding stale date provisions applicable to State warrants. The policy specifies that the stale date period shall be one year after the date of issuance, the same period applicable to US Treasury checks, and the same period for which State warrants are subject to being escheated, pursuant to G.S. 116-B(c)(12). There is an exception for certain types of payments pertaining to federal funds (e.g., unemployment, child support, and public assistance), for which the stale date period is 90 days. The one-year stale date period does not prohibit a financial institution from electing to dishonor a State warrant that is older than six months, as provided for under the Uniform Commercial Code (G.S. 25-4-404).

Questions regarding the issuance or validity of a specific State warrant should be addressed to the issuing State agency, whose name is specified on the warrant. Questions regarding a warrant that has been paid or dishonored should be addressed to the Office of State Treasurer's Disbursing Account Services Unit, telephone (919) 508-5976.

### COLLATERALIZATION REQUIREMENTS

Official depositories are required to provide collateral for all deposits of the State Treasurer that exceed available FDIC insurance coverage. Collateral securities are to be pledged to the State Treasurer at either the Federal Reserve Bank, the Federal Home Loan Bank, or an eligible bank authorized to conduct a trust business. Additionally, the pledging is to be pursuant to the appropriate executed security agreement, which must be approved by the depository's board of directors or loan committee. The security agreement to be executed depends upon the method of collateralization the depository has chosen to collateralize public deposits. A depository using the "Dedicated Method," securing uninsured deposits of various public depositors separately, must execute Form INV-94A, "Security Agreement with Resolution (Dedicated Method)." A depository using the "Pooling Method," securing uninsured deposits of all public depositors through a pool of collateral established with the State Treasurer, must execute Form INV-93A, "Security Agreement with Resolution (Pooling Method)."

The rules governing the collateralization of public deposits are found in the North Carolina Administrative Code, Title 20, Chapter 7. Copies of the rules, security agreements, and associated forms are contained in the publication entitled, Collateralization of Public Deposits in North Carolina, and may be obtained from the Banking Operations Section, telephone (919) 508-5971. This Financial Operations Division publication is also available through the Internet at the following web address: [www.treasurer.state.nc.us](http://www.treasurer.state.nc.us).

### CERTIFICATES OF DEPOSITS

As part of its Cash Management Program, the State Treasurer may invest in Certificates of Deposit and Savings Certificates issued by North Carolina banks and savings institutions, dependent upon the availability of funds. The maximum amount that may be invested in any one institution is dependent upon the applicant's capital adequacy. The rate is set by the Treasurer's Office, normally each Tuesday, which by law cannot be less than the return available in the market on U. S. Government and/or Agency securities of comparable maturity. The term of all certificates is generally six months. The conditions for all certificates issued under the program are found on the following page. One of the conditions requires amounts above applicable FDIC insurance coverage to be collateralized, as specified above. If a security agreement approved by the depository's board of directors or loan committee has not previously been executed, certificates in amounts above the insurance coverage cannot be issued until this requirement is met. Inquiries pertaining to this program may be made to the Investment Management Division, telephone (919) 807-7311.

**CONDITIONS FOR ALL CERTIFICATES ISSUED IN ACCORDANCE  
WITH G.S. 147-69.1 AND DEPARTMENTAL POLICY:**

1. Funds may be invested in time deposits of financial institutions with a physical presence in North Carolina, in amounts compatible with the applicant institution's capital adequacy. However, in no case shall the amount exceed fifty percent of the "Total Equity Capital," as reported on the institution's most recent quarterly report of condition submitted to the FDIC.
2. All amounts above the FDIC insurance coverage shall be fully collateralized in accordance with the collateralization rules codified in the North Carolina Administrative Code -- Title 20, Chapter 7. The rules require that the appropriate "Security Agreement" and "Escrow Agent Agreement" be executed before the investment can be made. The State Treasurer warrants to the financial institution that the funds represented by the time deposits are public deposits subject to the Collateralization Rules.
3. Interest rates offered are determined by the State Treasurer as provided by law and are revised as necessary, so as not to be less than yields available on U.S. Treasury and/or Agency securities of comparable maturity. Interest due on maturing certificates is calculated on the actual number of days from issue date to maturity date (using a 360-day basis with no compounding), and is to be remitted on maturity date through the Automated Clearing House. The financial institution shall establish an account against which the State Treasurer may submit an ACH debit.
4. Certificates will be issued with a fixed maturity date, which will be the first Thursday following the 179th day after issue date, unless such day is a holiday, in which case the maturity date will be determined by the State Treasurer.
5. Certificates are to be issued to "TREASURER OF THE STATE OF NORTH CAROLINA." The Treasurer's tax ID number is 56-1545517. The State Treasurer certifies that he is "exempt" for tax backup withholding purposes.
6. The financial institution, upon issuing the certificate, agrees to reimburse and hold harmless the State Treasurer from and against any loss, arising from any actions or omission of actions of the institution, in regards to the timely and proper remittance of interest and/or principal at maturity date.
7. Certificates (or advices evidencing a book entry) are to be held in custody by the State Treasurer and will be returned to the issuer properly endorsed on or before the maturity date, together with a notice stating the amount of interest due and the terms at which the certificates may be reissued. For certificates not being reissued, the principal amount is to be remitted by wire transfer to a Raleigh bank designated by the State Treasurer. The institution is to advise the Treasurer's Office by telephone of any intent not to reissue the certificate. The option to reissue the certificate at maturity may or may not be offered by the Treasurer.
8. It is the policy of the State Treasurer not to vote proxies where the underlying investments are fully secured by FDIC insurance and proper collateral.
9. Inquiries pertaining to collateral, maturing and renewing of existing CDs should be addressed to the attention of the Financial Operations Division, Banking Operations Section, (919) 508-5971. Inquiries pertaining to requests for new or additional certificates should be addressed to the attention of the Investment Management Division, (919) 807-7311.

Revised January 2002

## APPLICABLE GENERAL STATUTES

### **147-75. Deputy to act for Treasurer.**

The Treasurer may authorize a deputy to perform any duties pertaining to the office. The Treasurer may authorize a deputy to affix the Treasurer's signature to any check, warrant or any other instrument the Treasurer is required to sign by use of the facsimile signature machine or device during the Treasurer's absence or disability. The Treasurer shall be responsible for the conduct of his deputies.

### **147-77. Daily deposit of fund to credit of Treasurer.**

All funds belonging to the State of North Carolina, in the hands of any head of any department of the State which collects revenue for the State in any form whatsoever, and every institution, agency, officer, employee, or representative of the State or any agency, department, division or commission thereof, except officers and the clerks of the Supreme Court and Court of Appeals, collecting or receiving any funds or money belonging to the State of North Carolina, shall daily deposit the same in some bank, or trust company, selected or designated by the State Treasurer, in the name of the State Treasurer, at noon, or as near thereto as may be, and shall report the same daily to said Treasurer: Provided that the State Treasurer may authorize exemptions from the provisions of this section so long as funds are deposited and reported pursuant to the provisions of this section at least once a week and, in addition, so long as funds are deposited and reported pursuant to the provisions of this section whenever as much as two hundred fifty dollars (\$250.00) has been collected and received: Provided, that the Treasurer may refund the amount of any bad checks which have been returned to the department by the Treasurer when the same have not been collected after 30 days' trial.

### **147-78. Treasurer to select depositories.**

The State Treasurer is hereby authorized and empowered to select and designate, wherever necessary, in this State some bank or banks, savings and loan association or associations, or trust company as an official depository of the State.

### **147-81. Number of depositories; contract.**

The State Treasurer is authorized and empowered to select as many depositories in one place and in the State as may appear to him to be necessary and convenient for the various officers, representatives and employees of the State, to comply with the purposes of G.S. 147-77, 147-78, 147-80, 147-81, 147-82, 147-83 and 147-84, and make such contracts with said depositories for the payment of interest on average daily or monthly balances as may appear advantageous to the State in the opinion of such Treasurer and the Governor.

### **147-64.6(c)(9). State Auditor's Audit.**

The Auditor may examine the accounts and records of any bank or financial institution relating to transactions with the State Treasurer, or with any State agency, or he may require banks doing business with the State to furnish him information relating to transactions with the State or State agencies.

### **116B-53(c)(12). State warrant subject to being escheated.**

Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property: ... (12) Property held by a court, government, governmental subdivision, agency, or instrumentality, one year after the property becomes distributable; ....